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Interviewer: And I think I'd kind of like to start off, before we got to I was kind of talking about the possible decline of American power, talk a little bit about what is unique about the American power? Are there characteristics of it that are unusual when – especially when you look at past powerful nations or empires?

Niall Ferguson: Okay. The United States has tremendous advantages, geographical advantages as well as being tremendously well endowed with natural resources, healthy climate, you name it. The U.S. has got it. Unlike most great powers in history, it has not been menaced by mighty neighbors. The terrifying prospects of invasion by Canada or Mexico has played a very small part in American history.

So, the rapid growth of the United States in the course of the 19th century from being a relatively small, agrarian entity that had just broken free from British rule into being a continental-wide empire in Alexander Hamilton's terminology was a really remarkable story of nearly unresisted or only very weakly resisted expansion. It was, of course, resisted by indigenous peoples, by Native Americans. It did lead to conflict with Mexico. But by comparison with the sorts of conflicts went on when great powers expanded in Europe or in Asia it was pretty straightforward.

Interviewer: I was reading the *Colossus* book you wrote a while ago, and you had a really amusing analogy I thought, which was comparing American power to my governor, Arnold Schwarzenegger and his Terminator character.

So, what are the sort of underbellies of this power today you would say?

Niall Ferguson: As soon as the United States began to expand its power overseas, beginning in the late 1890s and early 1900s, certain deficiencies began to manifest themselves. For example, in the Philippines the United States proved to be really a rather unsuccessful colonizer and the operation was wound up in the 1930s. In central America the United States intervened without tremendously lasting success, and with exceptions like Hawaii, I suppose it's the only real exception, American expansion overseas, by comparison with, say, British expansion overseas has pretty much been a failure.

It's been successful only on rare occasions when the United States has established long-term military presences in order to build new democracies, as after World War II, but in its imperial phase in the

early 1900s the United States turned out to be pretty good at military intervention, always quite good at destroying the bad guys, but really very much less good at building something in their place. Hence, the analogy with the Terminator, who if you remember from the Arnold Schwarzenegger movies, is very good at destroying things, but not really conspicuously good at building them.

Interviewer: And I'm wondering why that is. Why was the British Empire better at building things and the U.S. global reach not so good at doing that?

Niall Ferguson: Well, I suggested in my book, *Colossus* that there were three deficits that made the American empire relatively weak compared with the British Empire. The first was a manpower deficit. Not many Americans having got to America wanted to go anywhere else, whereas the British has a long-time tradition of colonizing countries that they conquered.

There was also, and this has become even more pronounced in recent years, a financial deficit. Americans didn't particularly want to invest their money in hot, poor countries. Whereas British investors in the 19th century were very keen to put their money into colonies and quasi-colonies like those in Latin America. But the biggest deficit of all, the third deficit, which I think was the most important one, was the attention deficit.

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Niall Ferguson: The United States tends to lost interest in its conquests quite quickly. It doesn't have a 40-, much less a 400-year timeframe. It is a four-year timeframe, and if things don't work out within an election cycle they very quickly tend to be wound down, and that seems to me to be an absolutely critical defect of the whole notion of an American empire.

Interviewer: And is there some sort of contradiction or some kind of schizophrenia with the U.S. in terms of a liberal empire? Is that even a possibility? I'm sorry, just a liberal superpower. Whether we insert the empire or not is a loaded term, but certainly is there a contradiction between a liberal, global power the U.S. tries to extend outwards?

Niall Ferguson: The United States has since the early 1900s had an extremely negative view of empire and imperialism. These have become negative terms. That wasn't true, incidentally, before then. The Founding Fathers quite confidently talked about the United States

as an empire, but by the early 1900s it did become a dirty word associated with what those wicked old Europeans went in for.

So, from then on, Americans talk about their power in a whole series of euphemisms. They talk about hegemony, primacy, superpower, leadership, anything but empire. The rest of the world, of course, fully understands that the United States operates like an empire, and when it sees American troops marching into Baghdad or Kabul, for that matter, the rest of the world says, "There they go again." But Americans are pretty perpetually in denial about the idea that they're running an empire.

So, there is kind of a contradiction in terms when one talks about American empire because Americans are really unique in being the first empire in history that systematically denies its own existence. That's kind of a problem in its way. If you're not really proud of the idea of exerting power over foreign people, you're probably not going to do it terribly well, and if the assumption is, which is generally is, that you're going to do it for the shortest possible time, then wind up the operation and go home having held elections and installed a congenial new leader, this is never going to work or very seldom going to work because it simply can't be done that quickly.

The model of nation building that says you overthrow the bad guy, you hold elections and you're home in time for Christmas has almost always failed. The times when the United States has been successful in encouraging the construction of new democracies have been invariably when American troops and other personnel have been there for quite a long time in Japan, after World War II in West Germany, after World War II in South Korea.

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Interviewer:

The – these are very helpful kind of thematic points that will kind of bookend the piece because we kind of want to get the listeners thinking broadly about American power before we go into some of the particulars, so this is really, really good thematic stuff.

Shifting a little bit into the theme of great powers rising and falling, Paul Kennedy has offered some explanations. Do you have any kind of generalizations or helpful thoughts about does history provide lessons as to why empires rise and fall or superpowers rise and fall?

Niall Ferguson:

It's very tempting to think of the rise and fall of empires or the rise and fall of great powers as something with a certain rhythmic

predictability to it. Yet when you look closely at the history of great powers, they last for very, very diverse periods of time. Some empires are incredibly long-lived. The Ottoman Empire lasted for more than six centuries.

Some empires are incredibly short-lived. Hitler's empire barely lasted six years. So, one has to recognize the process of rise and fall can be very protracted or it can be very, very short. Some empires fall very gradually. The British Empire took a long time to decline. People were always talking about its decline, and it took decades to happen.

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Niall Ferguson:

The Soviet Empire, which you could also call the Russian Empire, fell apart incredibly fast in the space of two years. So, I think we have to be very careful of assuming that there's some kind of general law that applies to all empires.

Notice also that some empires rise and fall and rise some more and then fall. They don't necessarily go through some kind of predictable cycle. It looked, for example, in 1776 and thereafter down to Yorktown as if the British Empire was entering a period of decline, losing control over some key territories in North America. But then it very quickly bounced back from those losses, acquiring and making a great success of new colonies in places like Australia and New Zealand.

Paul Kennedy's argument was that if countries spent too much on their military then at a certain point resources would both divert it away from productive industrial innovation and frit it away on empire and the trappings of power. Now, this seemed like a sort of plausible argument at the time of the late 1980s when American defense budgets were growing very large and questions were being asked about the sustainability of the American manufacturing base in the face of foreign competition.

But I think events have rather proved this thesis was defective. Clearly, no sooner had Kennedy published *The Rise and Fall of the Great Powers* than the Soviet Union collapsed two years – two years after the publication of the book. And the United States experienced a tremendous surge of power and, indeed, a kind of unipolar moment in the 1990s when it was the sole superpower.

I think that's a reminder that power is relative, and any theory about power has to take account of the fact that you are only as powerful as your rivals are weak, and you may have your

problems, but if their problems are bigger, then you're going to come out on top.

Interviewer: It's a good lead-in to the question of rivals because I'm wondering are the challenges that might lead to an American decline, or that some say are leading to American decline, do those emanate primarily from without or from within?

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Niall Ferguson: I think a conventional assumption is the challenges to American power are external and that we should feel nervous about a rapidly growing China or an equally large European Union or a still troublesome Russia or even an ambitious Iran seeking dominance in the Gulf, but my sense is that the real threats to American power are internal rather than external. Actually, the defense budget of the United States, even at the peak of the near conservative era under George W Bush was still just a little less than 4.5 percent of gross domestic product. The Iraq War, which has often been represented as fabulously expensive, probably didn't cost more than 1.5 percent of GDP a year. The really expensive things, when you come to look at the way the federal government works, have nothing to do with national security and a lot more to do with social security, and particularly with Medicare.

The unfunded liabilities of the Medicare system are vastly in excess of the costs of running overseas wars or nation-building projects. I think it's when you look at these internal costs, that are only going to grow as the baby boomers retire, that you start to realize that overstretch may well be a factor in domestic politics, rather than in foreign policy. That overstretch is going to increase. With every passing year each structure shifts, the population becomes relatively more elderly, and the costs of Medicare and, to a lesser extent, Social Security rise far ahead of the income that's supposed to finance them.

Interviewer: Is this unique, or have other great powers collapsed from within as well?

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Niall Ferguson: When you look at Japan you can see in some ways the dangers that lie ahead for any aging society. Japan has aged faster than the North American and European societies, and it has already entered a period of relatively slow growth and I think that may well be the kind of future that lies ahead of us. Of course, there are profound differences. Japan ceased to be a military superpower in 1945. It

concentrated on being a welfare superpower, and in many ways, its welfare state is a much more efficient one than the American welfare state. But that demographic dimension to power is terribly important. It's also worth bearing in mind that the supposed number one challenger to the U.S., namely China, has horrible demographic problems just around the corner because of the one-child policy that restricted family size in the Mao era.

China's going to have a very, very skewed demographic structure in the not too far distant future, and that will undoubtedly slow down the growth of the Chinese dragon.

Interviewer: We've talked a lot about decline, and like you mentioned, Paul Kennedy had his ideas about decline, but there were other points, when Sputnik went up in '57, JFK ran on the missile gap. There's been lots of times before when the U.S. has been concerned about decline. Is there something about the U.S. that makes it always concerned or always declinists always concerned about this?

Niall Ferguson: I don't think it's entirely novel. The fears of decline set in pretty early in the history of the British Empire. There was a great scare in the early 1900s that Germany was going to overtake Britain as a manufacturing power or as a naval power. It actually did overtake Britain as a military power in terms of land forces. I think the United States has exhibited a rather healthy wariness of potential rivals.

Indeed, during the Cold War there was a tendency to exaggerate the strength of the Soviet Union, its economic strength and particularly its military strength. There was talk of a missile gap at a time when the United States was far ahead in terms of nuclear capability of the Soviet Union. This is the kind of thing that actually keeps an empire fit, keeps it healthy. That sense the rival may be gaining on you. It's when you give up and say, "Well, there's nothing we can do. These people obviously are better than us. They're obviously going to overtake us." That's when you're really in trouble. That's when the paranoia turns into defeatism.

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Interviewer: That's very helpful. Just to kind of start back on this chronology, and we could have picked I think we're going to start to look at these cases in terms of after World War I. It seems like President Woodrow Wilson had an idea or a hope that America would engage more fully. Why didn't America engage more fully? It was probably one of the great powers after World War I, yet it decided to pull back in a lot of ways.

Niall Ferguson: Woodrow Wilson had run on a campaign pledge not to take the United States into the First World War. Then he did. Once he had participated in the allied victory he saw a tremendous opportunity to remake the international system, and he rather imposed on the British, the French, the Italians a vision of a new world order based on collective security, the League of nations, and self-determination in which the European map would be redrawn and empires would be replaced by nation states in central Europe particularly.

This vision had tremendous appeal around the world--the Wilsonian moment when people all over the world thought that a geopolitical messiah had arrived on the scene. The problem was that back in Washington in Congress there was enormous skepticism about the kind of commitments that were being made. There was still a strong streak of isolationism in the Republican Party, a sense that it was not for the United States to get entangled in long-standing overseas commitments. And indeed, George Washington's great warning to avoid such entanglements should be heeded.

So, Wilson's brilliant vision in many ways an inspired idea of how the international order could be reshaped was shattered by the refusal of the U.S. Senate to ratify any of the treaties that he had signed and I: implement the commitments to the League of Nations that Wilson had wanted to make.

Interviewer: How much can the rise of fascist powers in Europe and in Asia be attributed to the vacuum, maybe security vacuum that was left as the U.S. pulled back after World War I?

Niall Ferguson: The United States pulled back as a military power, as well as a diplomatic player. By the 1930s it was really a negligible quantity in all kinds of respects, and that was one reason why Hitler systematically underestimated the United States. I'm not sure that diplomatic commitment, membership to the League of Nations by the United States would have made an awful lot of difference in the absence of a readiness to use military force. And that readiness just wasn't there.

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Niall Ferguson: There was one way in which the United States unquestionably forced the pace in international affairs. That was in Asia by consistently giving preference to China over Japan and regarding Japan's expansion into Manchuria in the 1930s as fundamentally illegitimate.

The collision course that was set in the 1930s between the United States and Japan and ultimately produced the Japanese attack on Pearl Harbor was one crucial way in which American foreign policy raised the stakes, increased the likelihood of conflict in the world, but it was conflict in the Asia-Pacific region to which the United States made a really meaningful, though in some ways, unintended contribution. The United States, for example, completely underestimated what sanctions would do when they were imposed in Japan in the late-1930s.

Interviewer:

That's very helpful. And one way the U.S. didn't engage or maybe it didn't really have a choice, but was economically and financially. Can you talk about the center of economic power shifting from London to New York and what effects that had on the global scene?

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Niall Ferguson:

The United States at the end of the First World War had been transformed into the world's number one creditor. It had made huge loans to Britain and through Britain to the other competitors on the allied side. It had run enormous trade surpluses as it had exported material to the European theater of war. It was sitting on a huge pile of cash.

At the end of the war there was financial disaster on the other side of the Atlantic. Germany was virtually bankrupt, saddled with reparations payments. Austria wasn't in much better shape. Indeed, most of the defeated countries were, in financial terms, basket cases. The great debate was whether the United States should or could use its resources for some kind of ground stabilization program in central Europe.

That was something that John Maynard Keynes argued for. He urged the United States to cancel war debts and to help finance Germany's reparations payments with a large loan. It didn't happen. What happened was rather more private initiative than public initiative. That's to say, American bankers did go and lend money to Germany, but it didn't really have the sanction of American foreign policy. The loans were short-term loans, and when times got tough they were withdrawn.

So, many of the financial problems of the 1920s, the great hyperinflation of 1923 in Germany and, of course, the Great Depression from 1929 to '33 had a lot to do with the rather volatile way in which American capital was made available to recovering

European economies.

There's a strong argument for saying if there had been more political leadership, if there had been more of an effort to regularize these capital flows things might have gone better. As it ws, the money tended to be withdrawn when it was most needed, and this is something I think the peacemakers learned from after World War II.

Interviewer: We're going to pick up with those lessons of Bretton Woods shortly. But I want to expand on that a little bit. I think that's Charles Kindleberger's argument.

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Interviewer: I just wanted to pick up on that idea of a lack of U.S. leadership and a lack or inability of Britain or anyone else to kind of guide that financial system once the Great Depression hit in 1929. Can you talk about what U.S. leadership could have done and what it didn't do?

Niall Ferguson: Well, a good example of the kind of problems that arose in the Depression came in 1933 when an international and economic conference was held in London to try and do something about the extraordinary instability in the international monetary system. There was an attempt to reach an agreement on exchange rates between the major European powers, but just at the moment of truth a communication came in from the newly elected president, Franklin Roosevelt, from I believe his yacht vetoing the deal and signaling the United States would do its own thing as far as the exchange rate was concerned.

American leadership in the Depression was conspicuous by its absence. The priorities of domestic economy absolutely trumped those of the international system. Of course, another example that happened earlier was in 1930 when the United States raised tariffs, the Smoot-Hawley Tariff sent a tremendously negative signal to the rest of the world that the United States was going to use protectionism in order to put its own economic interests ahead of its trading partners.

This I think played a major role in intensifying the depression. What had begun as a major banking crisis in the United States escalated into a full-scale breakdown of global trade, and I think

there's no question that superior American leadership in the early 1930s would have mitigated the effects on the global economy.

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Interviewer: The British Empire were more or less committed to free trade. Was that not the case then in the United States and its leadership during the '20s and '30s?

Niall Ferguson: The United States had been committed to unfree trade, to protectionism for most of its history beginning in the earliest years of the republic when Hamilton and others saw tariffs as, if nothing else, an important source of revenue for the new United States. By the late 19th century the United States was one of the most protectionist economies in the world. I think only Russia had higher tariffs, and in the 1920s tariffs were high. In fact, the 1930 increase was not that great. It was just a small increase of already high tariffs on most imported goods. This was in marked contrast to the United Kingdom, which had since the 1840s pursued a policy of trade liberalization, tariff reduction, increasingly free trade, and indeed, free trade became a critical ideology in British liberalism right up until the 1930s. And it was only in the early '30s when everybody else had abandoned free trade that the British began to think in terms of tariffs for there empire.

Interviewer: And of course everybody is drawing parallels between today's economic downturn or problems and what happened back then. What is the clearest connection to you, and what clear lessons should we be learning from this?

Niall Ferguson: The obvious lessons were learned after World War II the United States committed itself to financial leadership. The Marshall Plan exemplified that, the readiness to use the American resources to help the European countries reconstruct their economies and the United States committed itself to free trade, to the pursuit of reduced tariff barriers through the general agreement of trade and tariffs and the World Trade Organization.

It was the United States in partnership with the United Kingdom that designed the global financial architecture with institutions like the International Monetary Fund and the World Bank so that there would not be a repeat of the Great Depression, so that financial crises in future would have some kind of collective response, so that there wouldn't be a retreat into protectionism of the sort that happened in the 1930s.

So, in many ways, the world we live in today is still a world that is based on lessons learned from the 1930s and the 1940s.

Interviewer: And do we need some sort of Bretton Woods system today, or what is – has that remedy somehow run its course? It's not helpful anymore?

Niall Ferguson: I don't think there's any chance of reviving Bretton Woods because it was a system based on fixed exchange rates and capital controls, and the world has got very used to floating exchange rates and very rapid movement of unregulated capital across borders. I think where we could make matters better would be if we were to reassess the institutional arrangements for financial regulation. At the moment, trade is much, much better regulated than capital movements. We have a World Trade Organization which can prevent even the most powerful country from breaking the rules of the game by raising tariffs.

The United States has been forced by the World Trade Organization to remove steel tariffs that happened in the first Bush term. Whereas in the case of capital movements the International Monetary Fund has very far less power and has much less of an ability to impose its will on anybody other than desperate countries, countries in the grip of financial crises.

One argument that I think I have a lot of interest in says we need a world finance organization, a WFO that can in fact impose restrictions on countries that, for example, run excessively large current account deficits or trade surpluses or countries that manipulate their exchange rates in order to run such surpluses or on countries whose banks are mismanaged so they become successfully leveraged. If we created something analogous to the World Trade Organization for the global financial system we might possibly be able to avoid a repetition of the kind of imbalances that have been the back of the financial crisis we're living through today.

Interviewer: It's very helpful. And we're talking about Bretton Woods and kind of the post World War II international system and that first the U.S. had to enter that war to engage in the post-war world. Talk a little bit about how Pearl Harbor really shattered a lot of Americans belief in isolationism and how that was kind of a turning point in a lot of ways for the nation.

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Niall Ferguson: The United States is not very good at preemption. It's not very good at taking military action in advance of a threat. It's very good at retaliation, though, and when attacked, the United States retaliates with tremendous force. There were all kinds of arguments for acting preemptively in the late 1930s to limit Japanese aggression in Asia and, indeed, to limit German aggression in Europe. And the United States did nothing.

But when attacked at Pearl Harbor everything changed. From that moment on, the national will to retaliate was there, and it was possible to mobilize an American economy and an American society on an unprecedented scale in order to win World War II. I was rather reminded of this in the aftermath of 9/11. There had been all kinds of arguments for acting preemptively against the sponsors of terrorism and the terrorists themselves, but it was only when the United States was attacked that this argument was replaced by a desire for retaliation, a retaliation that very quickly saw the Taliban regime overthrown in Afghanistan and of course, the arguments for this were highly dubious, the Saddam Hussein regime overthrown in Iraq.

Interviewer: Why do you think that is? Why do you think America is much better at retaliation than it is as prevention?

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Niall Ferguson: America is a democracy, and it's very hard to persuade democracies to act preemptively. There's a good reason for this because preemption doesn't produce particularly clear rewards. It's hard to be rewarded as a politician for a non-event if you, by acting preemptively, avoid a major war the war doesn't happen. It's quite hard to get a payoff for that from an electorate, but if you, as a politician, lead an act of retaliation for an act of aggression against the democracy, that's popular.

So, preemption has this fundamental problem that the payoffs are not very symmetrical. You make a preemptive action before anything's happened. If it's successful, the war doesn't happen. You actually don't get much thanks for that. If it goes wrong, as in the case of the war in Iraq, for example, then you get all the downside. Nobody, in fact, rewards you for an act of preemption. At most you'll get no thanks. At worst you'll get a lot of blame if things don't go perfectly well. That is, I think, the reason why democracy, not just the United States, but most democracies tend to retaliate, tend to wait 'til they're attacked.

Interviewer: I know you're writing a book or working on Henry Kissinger's biography now.

Niall Ferguson: That's correct.

Interviewer: And détente seemed to be a period when the U.S. pulled back. Was this a way – do you think he saw it, Nixon saw it as a way to manage America's decline?

Niall Ferguson: When the Nixon administration came to power in 1969 things were going pretty badly for the United States. Vietnam War appeared at least in the public mind to be an unwinnable war. The United States was also in retreat in a number of other fronts in the Cold War. The Soviet Union appeared to be getting the upper hand in the Middle East. There was a sense that by the early 1970s the U.S. economy was in serious trouble. The oil price shock ushered in an era of stagflation.

So, on Nixon and Kissinger's watch things appeared to be going from bad to worse in terms of geopolitics, and I think that's how détente should be understood. It wasn't a term that Kissinger ever liked, but he did believe that engagement with the Soviet Union, diplomatic engagement, negotiation on the limitation of armaments, that these were the right steps to take at a time when American power was clearly, in relative terms, significantly less than it had been in the 1950s or the early 1960s.

Interviewer: And was Vietnam actually that much of a drain on American power, or was it simply perceived to be? How much of this was a strategic setback?

Niall Ferguson: Vietnam didn't matter. That was the irony of it all. Indochina had virtually no strategic importance. Compared with the Middle East it was absolutely a minor theater in the global system., and the United States became embroiled in Vietnam because of a rather misleading theory, the Domino Theory, that said if you let one country go down to communism the others in the region would inevitably follow.

That kind of theory was based on a view of communism as a monolithic entity that somehow the Soviet Union, the People's Republic of China and North Vietnam and Cuba were all in it together, all conspiring in order to achieve communist dominance of the globe. It gradually became clear that this was not the case and that, in fact, there were deep divisions between the communist powers and the great coop that Kissinger and Nixon pulled off was to exploit the fundamental difference between the Soviet Union

and China. The opening of China, the establishment of a new relationship between the United States and China in 1972 was in many ways the crucial achievement of the Nixon administration. It fundamentally changed the game. It ended the bipolar system of capitalist powers versus communist powers and ushered in a new era in which the United States would be able to exploit its new relationship with China, which became more and more important the more that China reformed itself in order to marginalize part of the Soviet Union, particularly in the East Asian region.

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Interviewer:

It's interesting. I want to touch quickly on Japan because there was a large amount of thinking that Japan would – you know, you could see Japanese businesses in the '80s buying up American companies and all over L.A. Why was Japan not poised to be a great power? What was its downfall, and why were Americans so concerned about it, though?

Niall Ferguson:

I think in the late 1960s Herman Kahn predicted that Japan's GDP would exceed that of the United States by the year 2000. These are the sorts of predictions that you live to regret making if you live long enough. The reality, of course, Japan for all its extraordinary technological innovativeness, for all the successes of its post-war recovery, its transition from heavy industry – light industry to high tech, for all of these advantages, there were fundamental defects in Japan's economy that were laid bare in the late '80s and early 1990s when uncontrolled speculation in real estate and distinctly devious relationship between the banking system and the political system produced a decade of stagnation – a lost decade when the Japanese economy essentially flat-lined.

That brought to a juddering halt the dream of Japanese global dominance. I think there's an important lesson to be learned there because today people make similar predictions about China, saying China's gross domestic product will exceed that of the United States by 2027 or 2040 at the outside. I'll believe it when I see it. It seems to me that all the Asian tigers, all the Asian growth stories sooner or later run into some kind of financial crisis. They don't, in fact, have the innate advantages that the United States has in terms – in particular I think in terms of the ability to encourage innovation, the ability to foster entrepreneurship.

At some level, the United States still has advantages over the Asian economies when it comes to that core that is absolutely the core of economic growth.

Interviewer: Looking at the post-Cold War environment, and I think it was Richard Hass who called the U.S. a reluctant sheriff. In this post-war landscape when there was the uni-polar moment why was the U.S. reluctant, if you agree with his assessment there?

Niall Ferguson: The post-Vietnam syndrome which haunted the Clinton administration in particular led to the belief that you really couldn't afford a single American military casualty in a foreign, on-existential conflict, Somalia illustrated that. Bosnia illustrated that. There was an extreme reluctance to deploy American ground forces even when they could have done a lot of good for fear of that one body bag that would cause the poll ratings at the present to tank. One forgets now, such has been the impact of the Bush administration, how reluctant the Clinton administration was to do anything other than use airpower in quite a sporadic way to intervene in foreign conflicts. The Clinton administration turned its face away during the Rwandan genocide. It was extremely loathe to get involved in the civil war in Bosnia, and it was only in the late, late 1990s in the Kosovo crisis of 1999 that there was anything like a kind of certainty of purpose in American intervention.

So, this is a period in which I think a generation still scarred by the memories of Vietnam and, indeed, a generation divided by the disputes over Vietnam held back as far as it possibly could from exerting American military might. Bizarrely considering that American military might in relative terms was at its very peak in the 1990s. There was no competition at all. The Russians were in a state of complete collapse, and nobody else was anywhere close. So, at the very peak of American power in relative terms in aftermath of the Cold War there was an administration that hardly dared to fire a shot.

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Interviewer: And the last question, two parts, (1) you can weigh in on this debate over decline and how much you think the U.S. is relatively declining, and (2) a point you brought up is the landscape is changing. Globalization is occurring and power is more diffuse. So, should we think of great powers in the same way as we used to?

Niall Ferguson: I think the critical thing to understand about power is that it's relative, and in a financial crisis of the sort that we're witnessing at the moment, it may well be that the United States is less badly affected than others. It feels pretty bad in the U.S. at the moment, but it's actually worse elsewhere. Stock markets have fallen

further elsewhere. The banks in Europe are in worse shape than the banks in the United States. So, paradoxically, a crisis that began in America may end up enhancing the relative power of the United States, may make the need for American leadership greater than it's appeared up until this crisis.

There was a time before 2007 when the world appeared to have had enough of American leadership, to be well and truly sick of the kind of leadership that George W Bush had shown, that somewhat arrogant, unilateral tendency to act with or without support, you're for us or you're against us, all that kind of thing. With amazing speed, the transition to a new presidency in the midst of a financial crisis has reawakened the rest of the world's appetite for U.S. leadership, and that I think is one of the big ironies of the financial crisis.

This transcript has been edited for clarity.