

US Joint Forces Command: Huge U.S. Debt Could Lead to Military Impotence, Default or Revolution

By [Washington's Blog](#)

Global Research, August 19, 2011

[Washington's Blog](#) 12 September 2010

Region: [USA](#)

Theme: [Global Economy](#)

As I have repeatedly [pointed out](#), the American military and intelligence leaders say that debt is the main national security threat to the U.S.

As I noted in [February 2009](#) and again last [December](#), a number of high-level officials and experts are warning of financial crisis-induced violence ... even in developed countries such as the U.S.

And as I [pointed out](#) in February of this year, the U.S. runs the risk of going the way of the Habsburg, British or French empires:

Leading economic historian Niall Ferguson recently [wrote](#) in Newsweek:

Call the United States what you like—superpower, hegemon, or empire—but its ability to manage its finances is closely tied to its ability to remain the predominant global military power...

This is how empires decline. It begins with a debt explosion. It ends with an inexorable reduction in the resources available for the Army, Navy, and Air Force...

If the United States doesn't come up soon with a credible plan to restore the federal budget to balance over the next five to 10 years, the danger is very real that a debt crisis could lead to a major weakening of American power.

The precedents are certainly there. Habsburg Spain defaulted on all or part of its debt 14 times between 1557 and 1696 and also succumbed to inflation due to a surfeit of New World silver. Prerevolutionary France was spending 62 percent of royal revenue on debt service by 1788. The Ottoman Empire went the same way: interest payments and amortization rose from 15 percent of the budget in 1860 to 50 percent in 1875. And don't forget the last great English-speaking empire. By the interwar years, interest payments were consuming 44 percent of the British budget, making it intensely difficult to rearm in the face of a new German threat.

Call it the fatal arithmetic of imperial decline. Without radical fiscal reform, it could apply to America next.

And William R. Hawkins (formerly an economics professor at Appalachian State

University, the University of North Carolina-Asheville, and Radford University) fills in some [details](#) on the fall of the Hapsburg empire:

Spain was the first global Superpower...With Spain as its political base, and gold and silver flowing in from its American colonies, the Hapsburg dynasty became the dominant power in Europe. It controlled rich parts of Italy through Naples and Milan, and Central Europe from the Netherlands through the Holy Roman Empire to Austria. In the 16th century it added the far distant Philippine islands to its empire. The Hapsburgs held off the Ottoman Turks, whose resurgent wave of Islamic conquest in the 16th century swept across the Balkans and nearly captured Vienna.

The Hapsburgs went into decline in the 17th century, and while any such momentous event has many causes, for our purposes the focus will be on the economic collapse of Spain, which not only sapped the empire of strength but served to build up the power of its rivals.

The demands of empire required a strong and growing economy, but Spain did not keep up with the economic expansion that was taking place in other parts of Europe. Madrid's financial base fell out from under its empire. Spain could continue to consume in the short term because of the flow of precious metals from American mines, but it could not produce the goods it needed at home, which in the long-run proved fatal to its standing as a Great Power and as an advanced society.

Spanish imports were double exports and the precious metals became scarce within weeks of the arrival of the American treasure fleets as the money flowed to Spain's many creditors. What industry there was, along with banking and shipping, was in the hands of foreign owners. As a modern historian, Jaime Vicens Vives, has concluded, "This was one of the fundamental causes of the Spanish economy's profound decline in the seventeenth century, maritime trade had fallen into the hands of foreigners." This, plus the "opening of the internal market to foreign goods," produced a "fatal result." Spain's exports were at the same time under heavy pressure by competitors in third country markets. A nation that cannot control its domestic market will seldom be able to sustain itself in foreign markets, which are inherently less accessible and more unstable.

Yet, Spanish leaders were deluded by a sense of false prosperity. This is testified by the statement of a prominent official, Alfonso Nunez de Castro in 1675: "Let London manufacture those fine fabrics of hers to her heart's content; let Holland her chambrays; Florence her cloth; the Indies their beaver and vicuna; Milan her brocade, Italy and Flanders their linens...so long as our capital can enjoy them; the only thing it proves is that all nations train their journeymen for Madrid, and that Madrid is the queen of Parliaments, for all the world serves her and she serves nobody." A few years later, the Madrid government was bankrupt. The Spanish nobleman had foolishly elevated consumption, a use for wealth, above production, the creation of wealth.

Historians have traced the flow of Spanish gold and silver across the markets of Europe. Those who "served" Spain by establishing industries to manufacture goods for the Spanish market gained

the money. Spain's rivals, France, Holland (which started a successful revolt in 1568) and England, prospered by their trade surpluses, and reinvested the money to expand their own capabilities. Another modern expert on Hapsburg history, Henry Kamen, has cited contemporary sources who referred to 17th century Spain as "the Indies for the foreigner." The military empire of the Hapsburgs became the economic colony of other powers, or, to use a current phrase, Spain was the "engine of growth" for the rest of the continent.

Where there were jobs and prosperity, there was also rapid population growth, and rising tax revenue. Rival powers were able to field and finance military forces that could defeat the once superior Spanish forces both on land and at sea. The irony of this is that Spain was ruled by a warrior aristocracy tempered by centuries of constant warfare against Islamic hordes and Christian heretics. These nobles looked down on merchants and manufacturers and disparaged their mundane professions only to find that without a strong domestic business class they could not afford the fleets and armies that guarded the empire they had built.

Today, the American "empire" is also trying to consume more than it produces. The U.S. trade deficit is nearing Spain's nadir of imports being double exports. Both government spending and private consumption are financed heavily by debt. Washington is printing money, the modern equivalent of digging gold out of the ground, rather than earning the means to pay its bills. And the political and military elites are apparently indifferent to the fate of domestic business and industry. Americans must learn ... from the Spanish experience ... and take corrective action while they still can.

The United States Joint Forces Command – which [oversees military operations in the North Atlantic geographic area and supports the other commanders-in-chief in their geographic regions around the world](#) – is now echoing all of these themes.

As World Net Daily [reported](#) Thursday:

[The Joint Operating Environment 2010 report](#), or JOE 2010, released March 15 by the United States Joint Forces Command, or USJFCOM, warned that "even the most optimistic economic projections suggest that the U.S. will add \$9 trillion to the [national] debt over the next decade, outstripping even the most optimistic predictions for economic growth upon which the federal government relies for increased tax revenue."

The USJFCOM expressed concerns that the burgeoning U.S. national debt represented a threat to U.S. national security.

"Rising debt and deficit financing of government operations will require ever-larger portions of government outlays for interest payments to service the debt," the JOE 2010 cautioned. "Indeed, if current trends continue, the U.S. will be transferring approximately 7 percent of its total economic output abroad simply to service its foreign debt."

To underscore its concern, the USJFCOM cited an alarming litany of historic examples, including the following:

- Habsburg Spain defaulted on its debt 14 times in 150 years and was staggered by high inflation until its overseas empire collapsed;
- Bourbon France became so beset by debt due to its many wars and extravagances that by 1788 the contributing social stresses resulted in its overthrow by revolution;
- Interest ate up 44 percent of the British government budget during the interwar years 1919-1930, inhibiting its ability to rearm against Germany.

“Unless current trends are reversed, the U.S. will face similar challenges, anticipating an ever-growing percentage of the U.S. government budget going to pay interest on the money borrowed to finance our deficit spending,” the JOE 2010 concluded.

Of course, debt is not the only threat to empire ... or the only indicator of a nation’s economic malaise. In that regard, [the crash in Italy in the 1340s](#) and the hyperinflation in [Hungary in 1946](#) are instructive.

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