

# War and the Economic Crisis: America Is Being Destroyed By Problems That Are Unaddressed

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*One hundred years ago European civilization, as it had been known, was ending its life in the Great War, later renamed World War I. Millions of soldiers ordered by mindless generals into the hostile arms of barbed wire and machine gun fire had left the armies stalemated in trenches. A reasonable peace could have been reached, but US President Woodrow Wilson kept the carnage going by sending fresh American soldiers to try to turn the tide against Germany in favor of the English and French.*

The fresh American machine gun and barbed wire fodder weakened the German position, and an armistice was agreed. The Germans were promised no territorial losses and no reparations if they laid down their arms, which they did only to be betrayed at Versailles. The injustice and stupidity of the Versailles Treaty produced the German hyperinflation, the collapse of the Weimar Republic, and the rise of Hitler.

Hitler's demands that Germany be put back together from the pieces handed out to France, Belgium, Denmark, Lithuania, Czechoslovakia, and Poland, comprising 13 percent of Germany's European territory and one-tenth of her population, and a repeat of French and British stupidity that had sired the Great War finished off the remnants of European civilization in World War II.

The United States benefitted greatly from this death. The economy of the United States was left untouched by both world wars, but economies elsewhere were destroyed. This left Washington and the New York banks the arbiters of the world economy. The US dollar replaced British sterling as the world reserve currency and became the foundation of US domination in the second half of the 20th century, a domination limited in its reach only by the Soviet Union.

The Soviet collapse in 1991 removed this constraint from Washington. The result was a burst of American arrogance and hubris that wiped away in over-reach the leadership power that had been handed to the United States. Since the Clinton regime, Washington's wars have eroded American leadership and replaced stability in the Middle East and North Africa with chaos.

Washington moved in the wrong direction both in the economic and political arenas. In place of diplomacy, Washington used threats and coercion. "Do as you are told or we will bomb you into the stone age," as Deputy Secretary of State Richard Armitage told President Musharraf of Pakistan. Not content to bully weak countries, Washington threatens powerful countries such as Russia, China, and Iran with economic sanctions and military actions. Consequently, much of the non-Western world is abandoning the US dollar as world

currency, and a number of countries are organizing a payments system, World Bank, and IMF of their own. Some NATO members are rethinking their membership in an organization that Washington is herding into conflict with Russia.

China's unexpectedly rapid rise to power owes much to the greed of American capitalism. Pushed by Wall Street and the lure of "performance bonuses," US corporate executives brought a halt to rising US living standards by sending high productivity, high value-added jobs abroad where comparable work is paid less. With the jobs went the technology and business knowhow. American capability was given to China. Apple Computer, for example, has not only offshored the jobs but also outsourced its production. Apple does not own the Chinese factories that produce its products.

The savings in US labor costs became corporate profits, executive remuneration, and shareholder capital gains. One consequence was the worsening of the US income distribution and the concentration of income and wealth in few hands. A middle class democracy was transformed into an oligarchy. As former President Jimmy Carter recently said, the US is no longer a democracy; it is an oligarchy.

In exchange for short-term profits and in order to avoid Wall Street threats of takeovers, capitalists gave away the American economy. As manufacturing and tradeable professional skill jobs flowed out of America, real family incomes ceased to grow and declined. The US labor force participation rate fell even as economic recovery was proclaimed. Job gains were limited to lowly paid domestic services, such as retail clerks, waitresses, and bartenders, and part-time jobs replaced full-time jobs. Young people entering the work force find it increasingly difficult to establish an independent existence, with 50 percent of 25-year old Americans living at home with parents.

In an economy driven by consumer and investment spending, the absence of growth in real consumer income means an economy without economic growth. Led by Alan Greenspan, the Federal Reserve in the first years of the 21st century substituted a growth in consumer debt for the missing growth in consumer income in order to keep the economy moving. This could only be a short-term palliative, because the growth of consumer debt is limited by the growth of consumer income.

Another serious mistake was the repeal of financial regulation that had made capitalism functional. The New York Banks were behind this egregious error, and they used their bought-and-paid-for Texas US Senator, whom they rewarded with a 7-figure salary and bank vice chairmanship to open the floodgates to amazing debt leverage and financial fraud with the repeal of Glass-Steagall.

The repeal of Glass-Steagall destroyed the separation of commercial from investment banking. One result was the concentration of banking. Five mega-banks now dominate the American financial scene. Another result was the power that the mega-banks gained over the government of the United States. Today the US Treasury and the Federal Reserve serve only the interests of the mega-banks.

In the United States savers have had no interest on their savings in eight years. Those who saved for their retirement in order to make paltry Social Security benefits liveable have had to draw down their capital, leaving less inheritance for hard-pressed sons, grandsons, daughters and granddaughters.

Washington's financial policy is forcing families to gradually extinguish themselves. This is "freedom and democracy " America today.

Among the capitalist themselves and their skills among the libertarian ideologues, who are correct about the abuse of government power but less concerned with the abuse of private power, the capitalist greed that is destroying families and the economy is regarded as the road to progress. By distrusting government regulators of private misbehavior, libertarians provided the cover for the repeal of the financial regulation that made American capitalism functional. Today dysfunctional capitalism rules, thanks to greed and libertarian ideology.

With the demise of the American middle class, which becomes more obvious each day as another ladder of upward mobility is dismantled, the United States becomes a bipolar country consisting of the rich and the poor. The most obvious conclusion is that the failure of American political leadership means instability, leading to a conflict between the haves—the one percent—and the dispossessed—the 99 percent.

The failure of leadership in the United States is not limited to the political arena but is across the board. The time horizon operating in American institutions is very short term. Just as US manufacturers have harmed US demand for their products by moving abroad American jobs and the consumer income associated with the jobs, university administrations are destroying universities. As much as 75 percent of university budgets is devoted to administration. There is a proliferation of provosts, assistant provosts, deans, assistant deans, and czars for every designated infraction of political correctness.

Tenure-track jobs, the bedrock of academic freedom, are disappearing as university administrators turn to adjuncts to teach courses for a few thousand dollars. The decline in tenure-track jobs heralds a decline in enrollments in Ph.D. programs. University enrollments overall are likely to decline. The university experience is eroding at the same time that the financial return to a university education is eroding. Increasingly students graduate into an employment environment that does not produce sufficient income to service their student loans or to form independent households.

Increasingly university research is funded by the Defense Department and by commercial interests and serves those interests. Universities are losing their role as sources of societal critics and reformers. Truth itself is becoming commercialized.

The banking system, which formerly financed business, is increasingly focused on converting as much of the economy as possible into leveraged debt instruments. Even consumer spending is reduced with high credit card interest rate charges. Indebtedness is rising faster than the real production in the economy.

Historically, capitalism was justified on the grounds that it guaranteed the efficient use of society's resources. Profits were a sign that resources were being used to maximize social welfare, and losses were a sign of inefficient resource use, which was corrected by the firm going out of business. This is no longer the case when the economic policy of a country serves to protect financial institutions that are "too big to fail" and when profits reflect the relocation abroad of US GDP as a result of jobs offshoring. Clearly, American capitalism no longer serves society, and the worsening distribution of income and wealth prove it.

None of these serious problems will be addressed by the presidential candidates, and no party's platform will consist of a rescue plan for America. Unbridled greed, short-term in

nature, will continue to drive America into the ground.

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