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America, the World's Growing Dilemma

WRITTEN BY: ASHOK DHILLON



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The United States of America is currently unmatched, economically, geo-politically and militarily in power. It is the locomotive to the World's train, so where-ever America goes, so goes the World. And that is worrisome, considering its recent history of, and growing appetite for - misadventure; and its future leadership and trend.

Since WWII, and the fall of the Soviet Union (*USSR: Union of Soviet Socialist Republics*), all of America's extensive adventures in international trade and business, covert interventions and open heavy handed military excursions, have tried to shape the World in its own socio-political-economic image. And its momentous decisions that affected the World, everything from detaching the need for having gold back the dollar, to having that dollar as the sole currency in which oil and gold is traded, thereby giving it the premier 'Global Reserve Currency' status, gave it enormous financial advantage over other countries. All other countries needed to buy and hold huge quantities of US dollars (*China itself holds over 3 Trillion*) in reserve, to facilitate their international trade. This advantage along with its raw human and institutional energy, inventiveness and productivity, backed by blessings of tremendous natural resources, propelled the USA past the previous great powers, to the status of Super Power.

After WWII, the democratic Western powers, including Great Britain, willingly gave up the global leadership role to the USA as they tried to recover from the devastating effects of battling and defeating Nazi Germany. The USA being oceans away, felt minimal physical effects of that Great War on its own soil, but contributed mightily to the defeat of Germany and Japan, and rightfully emerged as the hero of the free World.

Since then America covertly and overtly battled and defeated its arch rival, communist USSR, and its spreading ideological influence around the globe, till only China remained as a major communist power, but one that was no match for the growing post-WWII American economic and military juggernaut. From that point on, America has reigned supreme as the World's *only one true Super-Power*.

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The expectation of the free World was that America, the bastion of freedom and democracy, will always lead the World towards peace and prosperity by the sheer example of its exceptional-ism, but unfortunately as was the case in past dominant empires, America became increasingly arrogant with its unfettered power and sense of invincibility. After WWII, it quickly started entering other wars, and led the World towards war, conflict, acrimony, regime changes, irresponsible unconscionable business practices, and unbridled greed of its freewheeling financial institutions that almost tanked the global financial system in 2008, and may do it yet again. And as for war, America, decade after decade, has been exceptionally productive in it, by anybody's warlike standards.

As a political model to the World, America is still an example of democracy. In reality, it is increasingly a stunning example of moral and political dysfunction. Its' political election process is so corrupted by vast sums of money and special interest lobbyists that it's laughable to call the process truly democratic. Plus the vicious partisanship of its governing bodies puts the most corrupt and antagonistic third World governments to shame. All this wouldn't matter as these conditions have existed in many other countries forever, but this is America, the leader of the free World, and if it is corrupted, hypocritical and dysfunctional, then it, and the World, is headed for a prolonged period of severe geo-political, financial and economic uncertainty, and perhaps even chaos.

America's corruption has been most damaging in two critical areas: 1. finance/economics, where financial engineering has substituted for sound economics; 2. conflicts and war, where war was justified by false causes, and backed by 'the coalition of the willing'. Other major Western powers have followed in both areas.

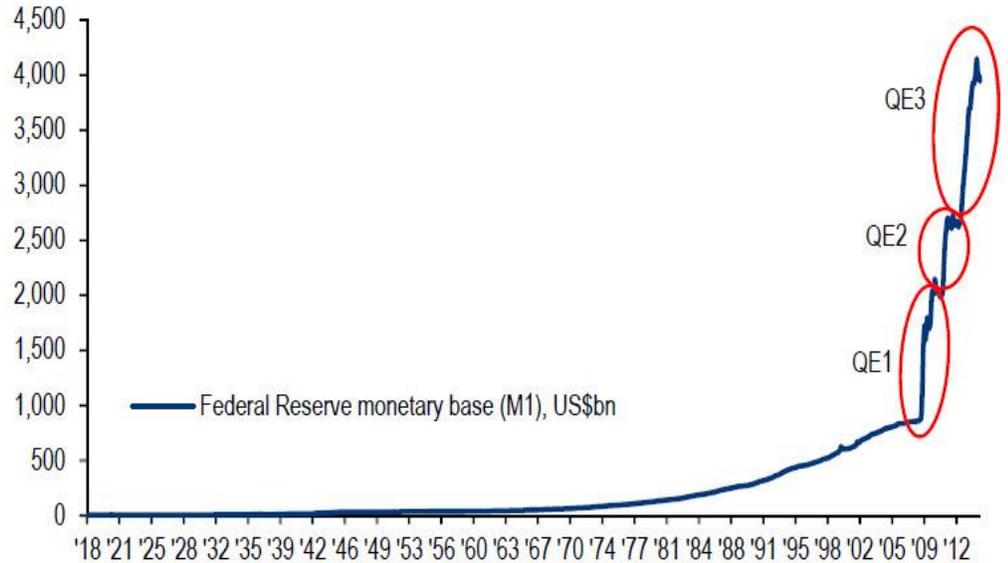
In the recent decades, America's overwhelming financial and wealth generating strength allowed its banks, investment banks and multi-national corporations, to become global giants that moved vast amounts of capital and investments across World Markets, set trends and influenced events, World Governments and their Central Banks. With the increasing liquidity supplied by an ever more accommodative Federal Reserve ('Fed'), the corporations, banks, investment banks, and other financial institutions, such as finance, mortgage and insurance companies, went on wild investment binges that resulted in the great speculative bubbles of 1987, 2000, 2008, which changed the then financial and economic landscape of the World, into what we know it as today. After each crash the Fed increased liquidity dramatically, mitigating the damage and duration of the crashes. After the crash of 2008, the Fed went practically ballistic (*Chart on the following page*) with unprecedented infusion of cash to stave off the global financial disaster, triggered in America. This unprecedented and extreme deviation from past normal Fed behavior is exacting a heavy and hereto unquantifiable price on the USA and the global economies. To compound the problem and this time make it really global, the other major Central Banks have followed the Fed

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into extreme market manipulation territory.

Chart 7: Maximum Liquidity - Federal Reserve monetary base since 1918



Source: BofA Merrill Lynch Global Investment Strategy, Federal Reserve Bank of St. Louis

The Fed, followed by other major Central Banks, also de facto backstopped the speculative institutions and players so as to remove market risk, and thereby any incentive for significant behavioral change, as observed in the highly speculative and dangerous environment prevalent today, that once again reeks of excess.

Feeling ever more powerful and ever less challenged, America's geo-political and financial misadventures have had deep and serious impact on the rest of the countries of the World. Some for good: *decades of good to great times on printed money and aggressive accumulations of debt; and the rise of the emerging economies based on the same cheap money, and off-shoring of manufacturing and service jobs.* And some for really bad: *rising global debt based on ultra easy Fed policies; today's voodoo economics and its uncertain outcome; and the damage caused in other countries by 'war on drugs' and 'war on terror'; destruction of most of the Middle Eastern countries, and the subsequent rise of global terrorism that is haunting most countries today.*

In spite of a number of growing problems that have destabilized the USA and the World, both geopolitically and economically, America still has strengths which are tremendous and irrefutable. But being bent on the path it is, America is positioned to do itself and the World a great deal of harm, in spite of some supposed good intentions.

America's strengths are: it is still the richest country in the World (*collectively, not per capita*) and militarily it's still the most powerful. It is still one of the most productive countries (*even though that productivity has been falling*), and it's certainly one of the most inventive countries, technologically. Largely it is

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literate and has some of the most respected educational institutions in the World that draw academics and students from all over the World (*although a large portion of its population is shockingly ill informed*); and in a general sense (*symbolically & politically*) it's the beacon of democracy, diversity, individual freedom, justice and equality to the rest of the World (*unfortunately, its image is seriously tarnished in that regard in the past decades*).



America's soft institutions, its democratic accountable political institutions, its people oriented government policies and its true respect for most of its citizens are unique in **most** of the World, generally speaking. There are countries in the West that do far better, but most other countries around the World fall short of the freedom and power enjoyed by an individual American citizen. Of course there is an obvious class and racial preference system that is evident, which stratifies the American society, but there again, on the whole, every individual in the USA is, in most cases, freer than most people in the developing and autocratically ruled World.

Its culture, which is much maligned, but much copied; its food, again much maligned, but ubiquitous in large parts of the World; its clothing style (*casual, jeans and t-shirts*) being equally dominant; its music, and of course its trendsetting movies and television shows, which are the undisputed kings of the entertainment World. All of it ranks America as one of the most, if in fact not *the most* influential countries in the World. American brands, technologies, products/services, dominate the World (*Chart below - the number of brands being by no means complete*).



Being that influential brings great responsibility as a World leader, a role that America undertakes with gusto, and greatly relishes, and on the whole, except for those countries that would have rather fulfilled that role, such as the former USSR, and perhaps to a degree the current China, most of the World is content with a democratic and freedom loving America leading the



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way. But, increasingly America has deviated from the script of being just and democratic, internally, and outwardly. Some of these malfunctions are not just internally damaging, but are globally threatening, in the scale of their dysfunction, geo-politically.

One of its greatest malfunctions, in the post-WWII decades, is its love for war. America has been in almost constant national and international conflicts for the past 200 years. But more distressingly, for the past decades it has caused great disruption and devastation worldwide, by participating in, or in initiating major wars.

After WWII (1945 on) when it emerged as a genuine hero to the free World, America's new found confidence was misused as it plunged into ill-advised ill-conceived wars in Korea (1950s, *a problematic unresolved stalemate to this day*); Vietnam (1960-'70s, *where it carpet bombed parts of the country and unleashed maximum war/weapon horrors, and still suffered a devastating loss that scarred it forever*); followed by 2 decades (1980s – 1990s) of military and political interventions all over the World, particularly in the Middle East, Central and South America. And then the big ones in the next 2 plus decades (2000 – *to present*); Afghanistan, which has turned into America's longest and perhaps costliest losing war; and Iraq, the catastrophe that has destroyed one of the most historic countries and robbed America of its moral authority. And now Syria, another priceless historic biblical era country that is now rubble, with its people as global refugees.

Most of these wars, interventions, and back again to fully fledged wars, were generally conducted in the name of and in the role of the Great Liberator, in its post-WWII image, but in reality, all that America accomplished was the destruction of countries, infrastructure and property, loss of millions of innocent lives, testing of inhumane latest technologies and weaponry in its effectiveness to maim and kill, and in doing so lost its hard won WWII hero status. Now, in many parts of the World, America is widely regarded as a hypocritical evil villain instead.

Most Americans are seemingly perplexed and shocked by the perceived hostility and suspicion of the World, *not having been at the receiving end of the fearsome power of their own destructive war machine, for decades*. So how are they to know? But for people in Afghanistan, Iraq, Syria, most of the Middle East, Korea, Vietnam, Central and South America, the horror of innocent lives lost and the destruction of family, friends, communities, cities and whole countries, is enough to never see America with the post-WWII hero worshiping eyes again.

Post-WWII the Soviet Union before its collapse, was just as aggressive, ruthless and dominant in its neighborhood, and other parts of the World as the USA has been, as both played their global 'geo-political world domination' chess game, but after the collapse of the Soviet Union, the USA became the undisputed champion. And unlike the Soviet Union which never promoted for itself the freedom, democracy, equality image, but relished in its draconian

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and fearsome reputation, America did and still promotes its benign image vigorously, but then goes ahead and shatters that image by doing the opposite of what it preaches - indulging in regime changes (*usually not for the better*), violent international conflicts, and devastating wars.

America did not use the peace dividend (*the supposed massive defense budget saving from the end of the arms race with the Soviet Union*) well, but quickly found and created new enemies to justify continuous war, and thus the maintenance of its ongoing massive defense budget (*bigger than the next 5 most powerful countries put together*), and the sustaining of its expensive, powerful and immensely profitable 'military industrial complex'.

America's war business is its own, but unfortunately as it cannot wage it internally on its own soil, in the scope it needs to, it becomes a bit dangerous for those countries that are chosen for whatever purpose, as the theater of operation for its next war, be it the anti 'Red Menace' (*1950s-'60s-70s, communism*) as with Korea and Vietnam, and around the World proxy wars with 'Red' Russia and China or in the pursuit of 'Democracy, Dictators, & Drugs' as with Middle East/Central and South America. And of course more recently, the latest causes: 'finding and destroying WMDs (*Weapons of Mass Destruction*) and the 'War on Terror' in Afghanistan, Pakistan, Iraq, Libya, Morocco, Tunisia, Yemen, and now Syria, with its old favorite theme 'regime change'.

And of course Israel and Saudi Arabia as its '*special*' friends, therefore the new victims (*countries*) usually are those whose destruction or serious weakening will benefit its 'special friends', both of whom themselves of course can do no wrong. Both have wanted the destruction of Iran, therefore Iran has been in the cross hairs of America, and it is only the defeat of George Bush and the Republicans, and the Presidency of Barack Obama that has saved it, so far. President Obama is on the way out, but Netanyahu and the Saudi Royal Family are still there, so Iran may still feel the war hammer of the USA, guided by the hands of Israel and House of Saud.

Whatever the stated cause for the fight, American fire power can be incredibly devastating on the targeted country in terms of loss of life and limbs, terror, mass destruction and chaos. This terror and devastation is quite lost on the Americans as they have never felt it, but only see it, as per the propaganda, as either totally justified, for some perceived sins of the people, or their leaders (*Saddam Hussein in Iraq*), or as the rescue from communism (*Korea & Vietnam*), or, gleeful export of freedom and democracy to here-to-now enslaved and bonded people suffering mightily under ruthless dictators (*as long as they are not installed by or supported by America itself, like Panama's Noriega, Philippine's Marcos, Mubarak of Egypt, Iran's Shah, and many others in oil rich countries of Africa, and of course the giant amongst them all, Saudi Arabia and its dictatorial regime*).

If the reigning dictators are, or get out of favor, then woe to those dictators (*Iraq, Panama, Libya, and Syria*), as they would be dispatched with American

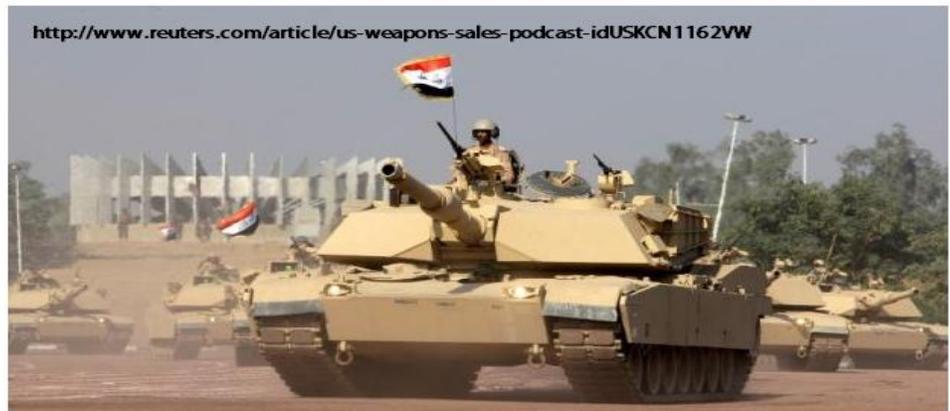
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power, with the expectation that the liberated people would hail the rescuing American liberators with flowers and open arms (*ala WWII Europe*), which is not happening this time.

Commentary

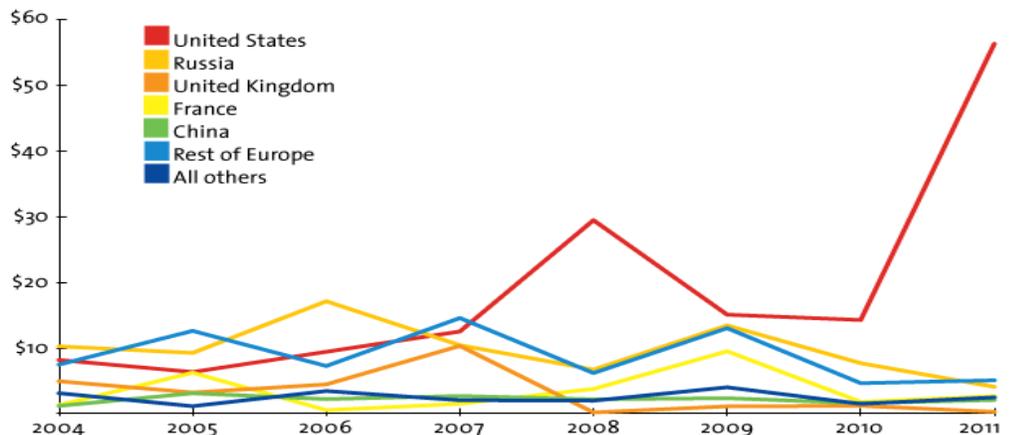
Podcast: How the Pentagon became the world's weapon system superstore



The United States sells weapons around the world. It sells them to governments it approves of, such as the United Kingdom, Canada, the Netherlands and others.

America is the largest arms exporter to the World, and 6 out of the 10 largest weapons manufacturers in the World are American companies. That makes America the World's biggest war merchant. Behind all the noble and sincere sounding rhetoric of 'peace, democracy and freedom', to America it is simply business, big business, and nothing personal or noble about it, and nobody is better at it than the Americans (*See: Chart below*). The only problem is that while being the most successful and profitable at it, America spends an inordinate time and effort to convince people, its own and the World's, that it is only working in the interest of lasting *World peace* and *Global harmony* (*the Chart below dramatically contradicts that propaganda*).

Arms Transfers to Developing Nations In constant 2011 dollars (billions)



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So as long as America feels warlike and values the business and profits of war, the rest of the World is going to see and experience war. And we don't see anything that will change that 200 year old history anytime soon in a country that is a rich, and relatively speaking, a mere pre-teenager as a country. As a rich teenager (*only about 400 years old*) compared to much older countries and civilizations, America is still full of raging hormones and the steroids of youthful and comprehensive power, misguided confidence, and at times an ultra aggressive attitude that loves to threaten to bomb countries and people 'back into the stone age' (*the statement attributed to Air Force General Curtis LeMay as to his idea on defeating North Vietnam in the 1960s*). But the statement purportedly has been used post 9/11 2001, regarding Pakistan, and perhaps elsewhere where America is frustrated or impatient in making progress against an enemy.

America's persistent need to find an enemy to go to war against, reminds one of the great Ridley Scott movie "Kingdom of Heaven", where the self righteous Knights in Jerusalem are itching to go to war against 'Saladin', at any pretext, while ignoring and breaking moral rules to get it, repeatedly exhorting the Christian King with the war cry of the faux righteous: 'God Wills It!' God Wills It!'. Also reminds one of the current Islamic fundamentalists and their justifications for atrocities against innocent civilians.

America's invasion of Afghanistan from 2001/2014 to present, unwittingly and naively named, "*Operation Enduring Freedom*", and later the invasion of Iraq, on the pretext of liberating the people from the despotic Saddam Hussein, finding and destroying WMDs, are a case in point. If the World is to find the ever elusive but much pined for World Peace, then America will have to radically curb its need and desire to go to war perpetually, and turn the power and profit requirement of its 'Military Industrial Complex' the 'swords', into the proverbial 'plowshares' and its 'spears' into 'pruning hooks' (*Isaiah 2:4*). Without that critical change there will be no peace or prosperity.

On the economic front, America is also the undisputed Super-Power. Its economic might gives it the heft to set and influence monetary and fiscal policies almost all over the World, to a significant degree.

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Over the last 30 years or so American Government and the Fed policies have steadily increased liquidity in America and in the World. The steady rise in liquidity (*monetary easing*), the steady erosion of regulations governing financial markets, and the conduct of its participants, and the equally steady fall in the cost of money (*interest rates to zero or less*), made for an increasingly casino like atmosphere in the World, where risk taking, making and losing vast amounts of money through speculation, making fast money, became a full time and only worthwhile pursuit of all the bright, ambitious, rich and powerful, globally.

The careful, well thought out, well planned, systematic and sound methods of making money over the long term, became so old fashioned and oh so passé. This new frenzied way of making quick and extraordinary money, through technology start-ups, hedge funds, private equity deals, speculative real estate deals, stock options and stock performance linked bonuses, led to the two largest and most exceptional speculative bubbles in modern times in 2000 and 2008, that popped spectacularly. By the time the 2008 bubble popped, the rest of the World had caught the casino fever and had been happily participating, so that the deflating of *that* bubble took the whole global financial system down as its ripples spread quickly around the World. It was only the most extraordinary interventions by the USA and other major governments that prevented a total global collapse.

But the injury to the global economic system has been severe enough that after almost 8 years of continuous and incredibly heavy handed interventions, to the tune of Tens-of-Trillions, the global economies have not yet been set right, and still continue to sag and flounder.

In spite of this most blatant proof of the folly of artificially pumping economies with printed - almost cost-less money, and the damage it can do, the USA and the Fed continue to go boldly down that same path, of easing and near zero cost, and continue to pump another unsustainable asset price bubble that will pop and do even greater damage than the previous one, as it is *a lot* larger and truly multi-national this time. And this time, liking what they saw the Fed do (*take the easy-way-out to shore up the shattered system without doing any of the hard labour of correcting the fundamental structural problems*) some Central Banks have joined the easy-way-out-economics, and inflated their own bubbles in a most spectacular way. America's influence is ubiquitous.

American monetary and fiscal policies have skewed the global economic system towards the very dangerous. This time the pop of its markets (*if others like the EU and China don't get there first*) is going to trigger interlinked multiple bangs around the globe that will take the global financial economic system down for a long time. Everybody recognizes the danger but no one wants to be the first to significantly pull back and suffer the wrath of their own people, or that of the other governments that are dependent on everyone, more or less, doing the same thing – which is – spending money, deflating its currency and inflating its markets.

So, continuous rounds of Quantitative-Easing, Zero to Negative Rates, constant tinkering and manipulation of markets, have become the norm in the major countries. The addressing of the fundamental imbalances in the national and global economies are being ignored and kicked down the road, where they await like Afghanistan's deadly IEDs (*improvised explosive devices*) by the roadside.

As America continues to set the current trend in economic policies and in war, its moral high ground, earned by the true openness of its political and economic systems, *free markets*, the freedom of its people, its ability to join 'just' conflicts, is now seriously eroded by its actions that are most contrary in the recent decades.

Its political system is hijacked by big money, grave internal political and societal divisiveness (*like a juggernaut with two drivers fighting for control*), and serious overall dysfunction. America is setting a terrible precedent for democratic countries. And those that are authoritarian now laugh derisively at any claims of democracy's superiority as a governing system. Its fundamentally flawed monetary/economic policies once again threaten global financial economic stability, but more importantly America's financial/economic models are being enthusiastically implemented by all major economies, permeating the global economic and financial system with massive risks. And lastly, its dominant position as the greatest exporter of weapons and violence through perpetual wars, and convenient and self serving regime changes, is creating horrific devastation, loss of life, livelihoods and infrastructure, in countries that never really posed any threat to America or its allies, but who have paid an incredibly heavy price to become a target. To systematically destroy countries and people and then call them terrorist when they retaliate is unjust and hypocritical, and robs America of its moral authority.

The free World needs its leader to have real moral authority, and for that America will have to "straighten up and fly right!"