

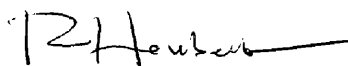
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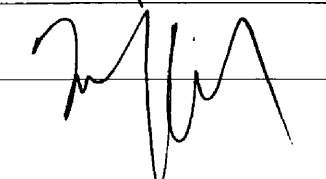
The Consequences of American Empire in the
Age of Globalization

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First Reader 

Second Reader 

Foreword
The Rise and Fall of Empires
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History is usually separated into periods which are characterized by war and the absence of war. It is done this way to demonstrate beginnings and endings. In most cases, the periods of war clean up the problems from the prewar era and sow the seeds for the conflict which will be played out in the postwar era. This phenomenon was especially true during the 20th Century. In World War I, the old order of alliances and empires was washed away in blood and carnage. However, the end of the war, specifically the Versailles Treaty, helped to create a new set of issues. In the postwar era, a new set of nations with imperial aspirations, including the humiliated Germany would long to conquer new territory, thus setting the stage for the Second World War. Following the even-greater carnage of World War II, the United States (US) and Soviet Union (USSR) emerged as the new and undisputed superpowers. These two powers, with competing political and economic world views, would do battle with each other for global hegemony over the next half century.

The new global conflict, known as the “Cold War” for its lack of direct conflict between the two major belligerents, coincidentally began at the demise of another long-running paradigm: Colonialism. Colonialism, the political and economic domination of most of the Third World by the industrialized states of Europe, ended in the years and decades following World War II. The ending took the form of revolutions and political upheavals in many areas of the world but most especially in Africa and Asia. With the expulsion of the old Colonial masters, the new leaders of the former colonies looked to

the US and USSR to provide them with assistance. This gave the Superpowers entrée into a new arena, where the resources and populations of vast areas were up for grabs. In many areas, the superpowers bought the allegiance of indigenous elites with economic aid and weaponry. However, in other areas, the battle for control between the superpowers was played out in proxy wars by competing factions, each of whom wanted to control the destiny of their nation. It was areas like Korea, Vietnam, Afghanistan, Angola, Congo (Zaire), El Salvador, and Nicaragua, that the “Cold” War was repeatedly escalated into a “hot” war.

Throughout the 1950s, ‘60s, ‘70s, and early ‘80s, the world hung in the balance as the two superpowers challenged each other for hegemony. It was also during this period that the US began to build its infrastructure for empire. It deployed troops to many areas around the world, under the stated need of protecting US interests and allies from the expansion of communism. Further, the US and its allies, especially in Western Europe, spearheaded the creation of international organizations like the United Nations (UN), which would create a diplomatic forum for the world’s governments to discuss their problems; the World Bank and International Monetary Fund (IMF), which would provide loans to rebuilding postwar nations and would provide the framework for a new international economy; and the North Atlantic Treaty Organization (NATO) military alliance, which would protect the Western World from Soviet expansion. All of these moves were to initiate a “containment” policy which was meant to keep the communist nations from spreading throughout the globe, as Karl Marx had predicted they must do. Collectively, the rise of international organizations and the worldwide deployment of US troops put a noose around the neck of communism.

By the early 1980s, the pressure placed on the Soviet Union was starting to show. Their focus on defense spending was bankrupting the nation and the people of the Soviet Empire wanted something better. In Poland, the communist government was forced to declare martial law in order to control the demands of the Solidarity labor union. The crime of workers of Solidarity was clear; they wanted a better life, which their government could not provide. So, the union and its leader Lech Walesa were made to pay a price for their defiance. Unfortunately for the governments of Eastern Europe and their Soviet masters, Poland was only the beginning. As the decade went on, the voices of dissent began to grow louder and more organized.

In 1985, a new leader of the USSR was selected. This man, Mikhail Gorbachev, inherited both the economic rot of the Soviet Union and the political instability of Eastern Europe. He sought to fix both these problems by launching a sweeping set of programs, known as *Glasnost* (openness) and *Perestroika* (reform). While these programs were never clearly delineated to the rest of the world, they came to symbolize two major changes for the USSR. First, on the economic front, the Soviet Union did not want to be an outlaw nation any longer. Gorbachev believed that Western help was necessary to save the crumbling Soviet economy, so he approached the West for aid. On the political front, concerning the rising discontent in Eastern Europe, Gorbachev decided that Soviet troops would not intervene to stop public protests or expressions of dissatisfaction. This was a fundamental break with previous Soviet policy. In generations past, the Soviets would have quickly struck to put down any signs of “counter-revolutionary” activity, as they had done in Hungary in 1956 and Czechoslovakia in 1968. However, in the 1980s,

the mighty Soviet security apparatus would sit idle while their empire disintegrated into chaos and, in some cases, open revolution.

At the same time, in the US, the new President Ronald Reagan launched a gigantic military modernization program and pushed the Soviets to make political changes in return for economic aid. These two efforts further crippled the USSR and pushed it toward collapse. Also, the US armed and trained the upstart Mujahidin in Afghanistan to battle the Soviet forces trying to “pacify” that seemingly-uncontrollable nation.

Finally, the economic struggles, the political upheavals in Eastern Europe and the military disappointments in Afghanistan proved too much for the USSR. From 1989 to 1991, the Soviets gave up Eastern Europe as a wave of revolutions, mostly bloodless but not completely so, toppled the communist governments and installed democratically-elected ones. Inside the USSR, a group of hard-line communists attempted to save their nation by launching a coup against Gorbachev in August 1991. However, the coup failed and only accelerated the collapse of the USSR. On December 25, 1991, Mikhail Gorbachev publicly announced his resignation as General Secretary of the Communist Part of the Soviet Union, and the USSR quietly slipped into history.

The momentous events of the 1989-1991 “turning of the page” ended the Cold War era that had lingered since the end of World War II. It was the end of an age. It was the fall of an Empire. To many, it was...

the End of History.

Introduction

What is an empire? Throughout history, the term has been bandied about to describe many great powers. In ancient times, powers like the Persians and Romans claimed the title of empire because they had conquered vast swathes of land and placed them under the direct control of the conquerors. In more recent times, the British, French, and even Soviet empires ruled through more indirect means. They relied on small garrisons or outposts in their colony states while simultaneously having tremendous financial or political control over the colonies' elites. It seems, as time has passed, that the definition of empire has moved out of the realm of direct control by an imperial governor and more into an indirect form characterized by the co-opting of local elites backed up by financial and military support from the imperial power. So, in the post-Cold War world, perhaps the definition of empire could be rewritten yet again to a even more ethereal form. In the New World Order, an empire can dominate the globe through the use of many non-state actors. These can include international organizations, multinational corporations, and even influential strategists who plot courses for policymakers worldwide. In this way, an influential nation could become a form of "virtual empire", imposing its will on the world through the overwhelming influence of its culture and economy as much as by force of arms. If this form of virtual empire is possible in the New World Order, then United States seemed perfectly set to become it.

At the beginning of the 1990s, America's place in the world war unique. Militarily, the US was unmatched with assets, both strategic and tactical, beyond the ken of most likely enemies. Economically, America enjoyed a thriving, innovative marketplace that was the envy of the world in both form and function. Politically,

America reveled in its Cold War victory and could call upon a global network of international allies which could reinforce its own considerable assets. All of these abilities gave the United States of America the opportunity to both influence and even dictate events in every corner of the world. In short, America's position in the new era created the perfect conditions of the rise of a modern empire.

However, America's position in this world was only half of the era's story. The other half concerned the new era itself and how it would evolve. Obviously, the end of the Cold War was not the end of the history, but merely the beginning of something new. After the death of the Soviet Union and its victory in the Gulf War of 1991, former President George Bush described the new international paradigm as a "New World Order." At the time, pundits argued over what this new era would portend. Would it be characterized by increased superpower cooperation to battle global issues? Would it be a grand era of peace such as that promised by the historic Madrid Peace Conference where even the Israelis and Palestinians seemed ready to embrace a new way forward? Observers did not appreciate that Bush's remark, probably meant as a simple sound bite, would be amazingly prescient. For, at the great "turning of the page" marked by the end of the Cold War, history was about to take a radical turn. In the last days of the Cold War, many economic, social, and technological changes coalesced to form the framework for this New World Order. Collectively, these changes forced the world to become smaller. Borders became more transparent as goods, services, people, investment, and ideas rapidly moved across the globe. This New World Order has many names. Most notably, it is called Globalization for its supposed ability to unify the world and to internationalize business, technology, and, most importantly, communications.

The dissolution of the world's divisions and the growing importance of international organizations and multi-national corporations allowed America an opportunity to spread its power and influence further, and more deeply, than perhaps any nation in history. As the last remaining "superpower" at the end of the Cold War, her longtime role in the world needed changed. Where once the United State might have disengaged itself from the world in order to limit conflict, its global interests and responsibilities make that nearly impossible today. So, for American policymakers and intellectuals, the main question at the dawn of the age of Globalization would revolve around America's new place in the world and its effects.

In the early 1990s, a debate raged across America. Politicians and pundits, historians and writers, argued the merits of America's new position in this age of Globalization. Clearly, the world was entering an era unlike the previous Cold War. It was an era that would come complete with many challenges and conflicts. During the Cold War, the static nature of the conflict called for strength and endurance. In the end, the nation who built the most resolute system of defenses would carry the day. As opposed to this, globalization would demand speed over strength and flexibility over entrenchment. Likewise, the strategists and thinkers who sought to chart the next path in American policy were drawn from an eclectic set of competing interests. Since this debate centered on a new era, it could not simply be culled from the same tired ideologies which had characterized America's political past. Rather, the sides would be drawn from across party lines and did not answer the old names as either liberals or conservatives.

One side desired to see America take advantage of the situation and expand her influence to the new areas emerging from communist isolation. These agent of American

imperialism came from many stripes. The market fundamentalists believed that globalization offered an excellent opportunity to expand the American ideal of free market capitalism into the new emerging markets that had been liberated by the fall of communism. For these people, including writers like Thomas Friedman and political leaders like Alan Greenspan, free trade and laissez-faire governmental policies were the keys to future economic growth. They truly believed that communism's death opened a door for a new economic paradigm which would showcase the power of the market and its ability to set people free from intruding governmental actions in all its forms.

A second group, the neoconservatives believed that for its own security, America must continue to modernize its military and pursue an aggressive foreign policy meant to ensure American security from any potential threat. In their view, the New World Order would be full of chaos. In order to protect the American interests and allies, a strong military and foreign policy was essential. Eminent historian Niall Ferguson, supportive of this position has often written that every great era of human development has been coupled by a dominant imperial force which provided the necessary global stability. The Romans had the *Pax Romana* which included great advancements in the arts and engineering. During the reign of the British Empire, the world came closer together by adopting standardized time zones and communications through the telegraph. So, if Ferguson is correct, the era following the Cold War would require a gentle sovereign which could provide security and allowed the creative juices of humanity to flow. Ideologically, Ferguson is echoed by politicians like Dick Cheney and Paul Wolfowitz. These men believe that the US must retain a strong military presence around the world and a foreign policy that keeps American interests firmly rooted as its top priority.

However, not every American voice embraced a vision of America expanding its influence in the world. In fact, a growing chorus of voices on both the Left and the Right of the political spectrum viewed America's growing power with, at best, trepidation and, at worst, with open fear. From the Right, writers like Pat Buchanan view America's move into the world as dividing it from its traditions. He believed that while America did its duty during the Cold War in defeating communism, the time had come to bring the troops home. Further, since any American involvement in international affairs must be handled by the federal government, it will be viewed by Conservatives, like Buchanan, as an attempt to increase governmental power over American society at-large. From the Left, a chorus of voices, from respected writers like Noam Chomsky to more radical elements like former Attorney General Ramsey Clark, viewed American Empire with fear. Chomsky, who is among a group of authors who gathered to form The American Empire Project, has written a series of books which call into question America's new role. For Chomsky, as for Buchanan, the concept of America as an empire runs contrary to its foundations and varies radically with its "democratic heritage." Ramsey Clark, who founded such anti-globalization groups as the International Action Center and A.N.S.W.E.R., views American Empire as just another attempt by a great power to exert influence over the helpless masses of the world. For Clark and his allies, the only thing that America wants from its newfound position is power and wealth. Likewise, Chalmers Johnson has written a series of books detailing his fears about American excesses coming home to roost in the form of terrorism and economic disruption. In short, the vision of

America has “virtual empire”, keeping the world secure for economic opportunity was not a universally adored concept.

In the end, the debate between those who wanted America to expand her influence and values over the newly freed territories and those who opposed it did not last long. Looking back, it was probably a foregone conclusion that America would take advantage of its Cold War victory to pursue its own ends. However, now nearly 20 years have passed since the end of the Cold War and the commencement of our new global strategy. Since the “agents of American empire” got their way and saw their policies enacted, it is only fair to look back on the last twenty years and to view what it has wrought from the perspective of those anti-imperialist voices. Since the cost of empire is usually tallied in the consequences that it has for its own citizens, that will be the calculation followed herein. This thesis will attempt to view the last two decades of American history and to tease out those consequences which have been visited upon us by American Empire. The transformation of the US into an empire has had a corrosive effect on the character of the American nation. We have been divided from our heritage and traditions by a new global paradigm. This work will describe the nature of the New World Order and of America’s transformation into an empire. Further, it will describe the impact of this transformation on the politics, economics, and society of both the US and the world at large.

Chapters One and Two will lay the groundwork for the analysis. These chapters will explore the growth of globalization (Chapter 1) and American Empire (Chapter 2). In terms of globalization, the major technological, social, and political changes which made the era possible will be detailed and discussed. Since globalization is such a key

aspect of American Empire, it is vital to describe its genesis first before a more comprehensive discussion of the nature of Empire is attempted. In terms of American Empire, the US will be placed opposite two famous empires, the Roman Empire which reached its zenith between 400 B.C. (B.C.E.) and A.D. 400 (C.E.) and the British Empire which reached its ultimate power during the reign of Queen Victoria in the 19th Century. By observing the growth of these two great empires and the ways in which they dominated and controlled their respective eras, the true nature of America as an empire can be uncovered.

Most of the remaining chapters will explore the political (Chapter 3), economic (Chapter 4), social (Chapter 5) consequences of American Empire. Collectively, these chapters will attempt to delineate the consequences and impacts of American Empire on the American people and the world with an eye toward answering the question of whether American Empire is largely beneficial or destructive.

Finally, the Epilogue will attempt to explore a way forward. Since time is likely to pass while this analysis is being completed, the Epilogue will look at recent events and try to make recommendations and maybe a few predictions about how the unfolding drama of American Empire will play out on the world stage. For the people of the world, the resolution to the conflicts raised by globalization and American Empire may be the central issue of our time.

Chapter One
The Rise of Globalization
The History of Now

In order to discuss the role of American Empire in the world and its impact on the US, it is vital to have a full understanding and appreciation of the world in which American Empire wields such power and influence. In his text *The Anthropology of Globalization*, Ted Lewellen defines globalization as “the increasing flow of trade, finance, culture, ideas, and people brought about by sophisticated technology of communications and travel and by the worldwide spread of neoliberal capitalism, and it is the local and regional adaptations to and resistances against these flows.”¹ While this definition is useful, in its entirety, for the new global paradigm, this chapter will focus on the first part of the definition which speaks about the flows of commerce and ideas which have made the world of globalization so different from what has come before it.

The Cold War was an era symbolized by divisions. The world was divided into two camps, governed by two superpowers, driven by two ideologies. The “New World Order” or era of globalization that developed after the Cold War was based on both several developments that came out of the Cold War and the increasing power of free market capitalism and the international institutions that reinforced it as the ideal that all nations should follow. In the case of new developments, they destroyed the divisions of the Cold War and helped usher in the new era. Thomas Friedman, columnist of the *New York Times* and often quoted “expert” on globalization, describes these developments and their influence. “What blew away all these walls (of the Cold War) were three fundamental changes—changes in how we communicate, how we invest, and how we learn about the world.”² These “democratizations”, that are more accessible to more

people, have blown away the walls that divided the world and created a broad new field for the expansion of American economic power.

“The democratization of technology is the result of several innovations that came together in the 1980s involving computerization, telecommunications, miniaturization, compression technology, and digitization.”³ All of these technological advances combined to greatly increase the ability to store, share, and send information at a fraction of the previous cost. In short, this made the world smaller nearly overnight. Due to the proliferation of technology, particularly the personal computer and the internet, people all over the world can share ideas and information with one another at virtually no cost. Further, advances in digitization have allowed the walls to be broken down between what used to be considered very different media industries such as music, movies and still pictures. Where these were once considered vastly different, digitization has brought them together and made it possible for people to use them profitably with relative ease. Former NBC News President Lawrence Grossman describes the impact of digitization: “Printing made us all readers, Xeroxing made us all publishers, television made us all viewers and digitization makes us all broadcasters.”⁴ Now, given the decreasing cost of communication, people and firms all over the world can network and conduct business for a fraction of the previous cost. As in all previous human technological expansions, an increase in communications can have a fundamental effect on the growth and productivity of an economy. For example, nearly two hundred years ago, the Erie Canal was completed. This made travel, communications, and commerce going from the East Coast of the US to the Midwest much easier and far cheaper. This advance opened the way for the pioneering spread of the US population and economy to the whole America

continent. Likewise, the democratization has opened the door to a worldwide revolution in proliferating ideas, business plans, and information. This democratization has made communication cheaper and more easily accomplished, a necessary first step to a wider world.

The democratization of technology has fundamentally affected and driven the other changes that made globalization possible. The second change that Friedman describes is the “democratization of finance.” In the past, the ability to move capital around the world was severely restricted. Most developing nations did not allow direct foreign investment of any kind. In the developing world, most of the capital was controlled by an elite few who determined where the money would be allocated and why. “These white-shoe institutions always preferred lending to companies with proven track records and ‘investment grade’ ratings. This made bank lending very undemocratic.”⁵ So, the movement of capital was either restricted by law or limited to those companies who had already proven successful. The democratization of finance has radically changed the way that investments are conducted around the world. Friedman follows the development of a more democratic financial system over the last thirty years. In the 1960s, the commercial paper market developed, which allowed companies to directly issue bonds to the public to raise money. In the 1970s, this was followed by the securitization of home loans, which allows individual investors to buy a chunk of home mortgages and receive a monthly income off the repayment of the loans. In the 1980s, the development of junk bonds allowed corporations just starting up to issue bonds to raise money and offer great returns to investors, and the development of mutual funds, which allowed investors to buy shares in a wide variety of stocks and sectors of the

economy and offered instant diversification.⁶ All of these together have dropped the walls that divided investors and corporations. Internationally, once nations saw how easy it was to raise money for their industries, they dropped the barriers to the movement of capital. Once all of these walls were removed, it became as easy to invest in a company in another nation as it was to invest at home, the only driving concern became who could offer the best return?

The final democratization that made globalization possible was the democratization of information. This development was driven by both of the other democratizations. The democratization of technology created a worldwide network of communications, including cable television and the internet. This gave any interested party the ability to learn about any place on the earth. The democratization of finance created a worldwide market for capital and the returns generated by the investments. This gave any interested party the ability to spend his money in any place on earth. Together, these opened the doors of the world. No longer could a nation cut off its citizens from knowledge of other countries. The lack of communication that made the “hotline” between the Kremlin and the White House such a welcome creation during the Cold War was replaced by a world where communications and information became the currency of the new economy. Of course, the wealth of information worked both ways for countries. Just as a nation could no longer isolate themselves from knowledge of the outside world, so they could no longer promote a false image of their own nation either. “Life outside (the country) can’t be trashed and made to look worse than it is. And life inside can’t be propagandized and made to look better than it is.”⁷ So, the democratization of information has been an empowering development for the people of

the world but and equally disempowering development for the nations of the world. Information is now available to all, and Pandora's Box is open.

All of the democratizations were empowering facets of the New World Order, but they are only a piece of the picture. Beyond the advances in technology and communications that are driving much of the commerce of globalization, there are institutions and international agreements that have made globalization possible and greatly expanded American influence and power. In most cases, these organizations are remnants of the Cold War era and include the International Monetary Fund (IMF), the Uruguay Round of the General Agreements on Tariffs and Trade (GATT) which created the World Trade Organization (WTO), and free trade agreements like the North American Free Trade Agreement (NAFTA). All of these institutions have collectively worked to reduce the barriers to trade and economic integration around the world.

The International Monetary Fund and the World Bank, which were originally conceived at the Bretton Woods Accords prior to the end of World War II, were meant to stabilize the economies of the post-war world and to facilitate the reconstruction of Europe. However, these institutions had other goals, envisioned by their creators as a way to manipulate the politics of nations receiving aid. America's Ambassador to Russia summed up the real motivation behind the creation of such institutions in 1944, "Economic assistance is one of the most effective weapons at our disposal to influence European political events in the direction we desire."⁸ So, the IMF and the World Bank were not just meant to loan money to nations that needed economic assistance or help rebuilding from the war, they were intended to be used a tools with which the U.S. and its allies could leverage other nations to do their bidding. This mission of the IMF and

World Bank continues into the present day. However, beyond simply providing relief for war-torn areas, they have become the prophets of globalization. When the Cold War ended, the IMF and World Bank went among the developing nations, spreading the good word of free-market capitalism. They encouraged these nations to adopt neoliberal capitalist policies and to open themselves to trade. These include privatizing government businesses, maintaining low budget deficits, and shrinking the size of the state bureaucracy.⁹ So, these nations must open themselves up to the “tender mercies” of the market and reduce the ability of the government to do anything to help the people if the market turns against them. Then, the IMF and World Bank can fulfill another part of the function as the “prophets of globalization” by acting as indicators of where in the world it is safest and most profitable to invest money. Armed with this information, the internet-empowered investors of today (aptly described by Friedman as the “electronic herd” for their ability to stampede toward or away from a nation’s investment opportunities) can decide where to put their money, thus reinforcing a nation’s desire to act according to the recommendations of the IMF and World Bank.¹⁰ However, not only does the World Bank and IMF encourage developing nations to open their economies and to adapt to many international (read American) standards for transparency and accounting, but they force them to do so at a breakneck pace. Where America developed its economic institutions over two hundred years, the nations of the developing world are often asked to do so in a few years or in *one year*. For example, the chaos capitalism of Russia stands as a grim example of a nation who tried too much capitalism too fast. If there are not counterbalances built into the system to protect such things as workers and the

environment (not in the mandate of the IMF or World Bank), then the results can be disastrous.

The Uruguay Round of GATT was held in the early 1990s and vastly reduced trade barriers on a variety of goods. Also, out of those meetings came the WTO, the international body that would enforce international trading practices and ensure that each nation was living up to its promise to open markets and reduce tariffs. The WTO has become the cop on the international trade beat. It encourages nations to knock down trade barriers and to comply with international agreements. However, it also has the effect of eliminating a powerful economic strategy that allowed many developing nations, particularly in Asia, to experience miraculous economic growth after World War II. Japan, Korea, Taiwan, Indonesia, and others in Asia, created “economic miracles” in their nations with export led growth. They tirelessly protected domestic businesses with high tariff walls and allowed exports to drive the economy. Thus, while American cars could hardly crack the Japanese market due to the tariffs, Japanese cars flooded the American market in the 1970s and 1980s. Then, along came the WTO and the pressures to open up to the world markets. In 1997, the “Asian Tigers” that had heeded the message were caught up in an economic meltdown. Their nations were unprepared for the wild unpredictability of the world market, and their economies collapsed, creating massive unemployment, rapid currency devaluation and the downfall of the Indonesian government.¹¹ So, while free trade and the reduction of barriers to it may seem a laudable goal, it can have unfortunate consequences for those who partake in it.

The North American Free Trade Agreement was to the United States, Canada and Mexico what the trade provisions of the Maastricht Treaty were to Europe. It was

conceived and pursued by both Republican and Democratic Presidents in the U.S. Both George Bush and Bill Clinton made the adoption of NAFTA a major piece of their economic agenda. The agreement, when finalized in 1992, created a free trade zone from Canada in the North to Mexico in the South. This erased nearly all trade restrictions and tariffs and opened the gates to all goods and services to cross each nation's borders without interference from "pesky" government. This was meant to have great benefits for the people of each nation. It would create jobs and expand business opportunities in each country. While it did create jobs in Mexico, it was more accurately a relocation of jobs from the United States. For business, NAFTA was a great boon. It allowed the goods and services to flow across the border unimpeded. Greatly increasing profits and cutting costs. Further, NAFTA allowed American firms to move many jobs south into Mexico to take advantage of the lower wages and less restrictive environmental legislation. For the little guys in the equation, workers in both the U.S. and Mexico, the story was quite different. In the United States, the losers of NAFTA have included "women, Hispanics, other minorities and semi-skilled workers—in other words, about two-thirds of the workforce. But everyone else will do fine."¹² So, while business has benefited from less government intervention, the workers of the United States have been hurt by the new competition from Mexico. In Mexico, NAFTA has damaged many also. The Mexican government has fewer environmental restrictions than the United States, and it has had a disastrous effect. For example, in Mexico City, there are actually oxygen masks on some street corners that people may use to breathe. On the worst days, people cannot even venture outside in the Mexican capital. Beyond the environmental degradation, which is severe, NAFTA will damage the Mexican economy and culture in

other ways. For the last several years, there has been a brewing land dispute in Mexico. In 1994, it exploded into open rebellion as the Zapatistas led by Subcommander Marcos fought the Mexican government in the southern Mexican state of Chiapas. The goal of the rebellion was to save the ejidos, communally-owned land held by small villages, a staple of Mexican rural life. The ejidos were being bought off by foreign corporations in order to produce cash crops for export. This conflict predated NAFTA but the loss of the ejidos was expected to accelerate when cheap U.S. imports would drive still more Mexican farmers off their land.¹³ NAFTA was meant to create a free trade zone and is the template for future American plans to expand the free trade zone to all of South America. However, if the future of free trade resembles the last few years of NAFTA, then the people of South America and even the United States will continue to experience the high cost of what is called “free.”

Collectively, these changes have laid the groundwork for a new kind of empire. Once upon a time, empires were measured primarily by the size of their militaries, the breadth of their domains, or the diversity of resources under their control. Today, a nation which has access and experience with the tools of globalization may reach levels of empowerment once only reserved for the world’s great powers. In the age of globalization, a new form of empire is possible, a “virtual” empire. In a virtual empire (VE), resources and people are controlled through influence rather than might alone. For example, a traditional empire would have needed to invade a neighboring territory in order to achieve a desired change in the status quo, a VE (working through the tools of globalization) has an entirely different set of options. For example, the VE could encourage the IMF to lean on the neighbor, spread word that the neighbor’s government

is corrupt, thus scaring away timid foreign investors, or give tax breaks to multi-national corporations within their own borders to “encourage” the neighbor to adopt economic and political policies more conducive to the multi-national, thus achieving the VE’s desired effect. This form of empire requires more of the velvet glove than the mailed fist, though the latter is still needed. For the VE, it is an advantageous situation as they may still achieve their goals while limiting the risks inherent in continued military conquest and occupation.

However, the world of the VE is no panacea. While the VE offered by the world of globalization offers many advantages and avoids many risks, it opens up many different kinds of risks. While the VE can achieve its goals through international commerce and activism rather than direct rule, its power is compromised by the fact that a VE is a “soft” empire. In a traditional empire, the “ties that bind” were concrete, such as imperial troops on the streets or laws dictated from the imperial capital. For the VE to achieve its goals, its neighbors (vassal states) must accede to its wishes. If one of these nations simply refuses to follow the edicts of the imperial power, IMF, or “electronic herd”, then the empire’s power would be severely curtailed. In response, the VE could initiate military and economic reprisals, but this would only damage its prestige in the world, possibly emboldening other nations to ignore incoming imperial dictates.

As we will see in the next chapter, the US is the first virtual empire of the globalization era. As such, it will both benefit from and be beholden to the new global rules. For, in the end, globalization represents a series of tools which are usable by anyone, from the world’s greatest nation to their greatest enemies.

Chapter 2
America as an Empire
History Revisited and Repeated?

Empire is the grandest of terms. Throughout history, an empire or imperial era has often meant the very pinnacle of human culture and civilization. From the great empires of history have come many of the world's great political, social, and economic advances. Today, America has taken its place among the pantheon of great empires. It is a powerful and dominant nation with global interests and vast resources at its command. However, as stated in Chapter 1, America is a very different type of Empire. America does not control vast tracts of land as did the British Empire of the 19th Century, an empire so vast that, as it was popularly said, "the sun never set" upon it. America does not have imperial governors in South Korea or Kuwait as the Roman Empire had in Gaul or Britain. America is a new kind of empire, relishing in its hour of pride in the age of globalization.

However, it would be erroneous to believe that America is unique because it prospers from the advances of its age. Rather, it is just another in a line of great powers who rose to prominence during previous ages of globalization. These great powers, like America, were all fortunate enough to live in eras of great change, which happened to befit the skills of their people for their economic benefit and imperial aspirations. This chapter will compare America and its imperial era with the rise and rule of two previous great empires, The Roman Empire and the British Empire. Through this comparison, the attributes of empire may be established. Further, the US will be placed in its proper place as both the scion of previous imperial powers and the first member of a new "virtual" form of imperialism.

The Roman Example

What would become the great Roman Empire did not begin as anything of the kind. Rather, it began as a small farming community on the Tiber River in central Italy. The agrarian roots of the Roman civilization were very important to its cultural development. In fact, “even in its latest stages, Roman culture would identify its values and ideals as agrarian.”¹ The Roman’s development was also influenced by their contacts with earlier civilizations. In northern Italy, a people known as the Etruscans had settled. The Etruscan civilization was heavily influenced by their contacts with the Greek civilizations in the eastern Mediterranean. Through the Etruscans, Rome had contact with the Greeks as well. From these two great societies, Rome garnered many gifts which would help to transform the Roman state. Washington State University historian Richard Hooker describes the impact that the Etruscan and Greek civilizations had on the development of Rome.

The Etruscans lived in independent, fortified city-states; these city-states would form small confederacies. In the earliest times, these city-states were ruled by a monarch, but were later ruled by oligarchies that governed through a council and through elected officials. Like the surrounding peoples, the Etruscans were largely an agrarian people, but they also had a strong military, and used that military to dominate all the surrounding peoples. These dominated populations were forced to do the agricultural labor on the Etruscan farms, so the Etruscans had time to devote to commerce and industry. In the seventh and sixth centuries, the Etruscan military had subjugated much of Italy, including Rome, and regions outside of Italy, such as the island of Corsica.

They were a sophisticated people, with an alphabet based on the Greek alphabet, a powerfully original sculptural and painting tradition, a religion based on human-type gods which they had learned from the Greeks, and a complicated set of rituals for divining the future, which they handed down to the Romans. Unlike most civilizations of the time, gender inequality seems not to have been very pronounced.

While the Etruscans were busy building their power over Italy and engaging in active commerce with the east and with Africa, a city to their south began to grow precipitously, a city imitating Etruscans in many ways: the Roman kingdom.²

Throughout the early days of the Roman kingdom and into the Republican period, Roman history was highlighted by societal and military conflict. Socially, Roman life was divided into two classes, the Patricians and Plebeians. The Patricians were the elite of society. They controlled most of Rome's vast wealth and made up the leadership of the government (particularly the Senate), economy, and military. Beyond the "great families" which made up the Patricians came the Plebeians. The Plebeians were the "rank and file" of Roman society. They were the workers, soldiers, and peasants who made society run. From the early Kingdom in the Republic, these two groups conflicted with each other. Even though the Patricians controlled the wealth and power of Rome, the Plebeians could act as a powerful stumbling block if they united. Hooker describes the conflict as the "struggle of orders."

This conflict was called "the struggle of the orders" (the orders of society) and is largely about the patrician class attempting to hold onto power while the plebeians attempted to achieve social and political equality. The patricians found themselves unable to exist without the plebeians: not only did the plebeians produce the food and supply the labor that kept the Roman economy going, they also supplied the soldiers for the Roman military. If the plebeians could act as a group, they could effectively shut down the Roman economy and military; the latter was especially important since Rome was in continual military conflict during the age of the Republic.³

Beyond social conflict, Rome found herself embroiled in nearly endless military battles. From the Etruscans, Rome inherited the desire to have a strong military. Mainly, the Roman wars were fought for reasons of self-defense. However, as the Romans continued to battle, their military abilities sharpened and their land holdings grew. As the Roman territory grew, she battled surrounding Italian states, the Etruscans, Gauls, Greeks, Celts, Huns, Goths, Carthaginians (during the famous Punic Wars), and countless other tribes and civilizations which surrounded their territory. In order to accomplish

these military feats and to keep their society intact, Rome developed into a highly militarized state.

The Roman military, which became so vital in their rise to power, was one of the first truly professional armies ever assembled. Rather than rely on untrained peasants or unreliable conscripts, the Roman army was divided into permanent units, led by professionally trained, battle-tested officers and non-commissioned officers (NCOs), and armed with the best armor and weaponry in the known world. As it was organized, the largest Roman army unit was the Legion which consisted of roughly 5,000 men. Below the legion came the Cohort (about 600 men), Maniple (200 men) and finally the century (100 men) led by the ubiquitous Roman Centurion.⁴ The Romans also had a strong navy of warships which were designed to ram enemy vessels. Once the Roman ship had penetrated the hull of the opposing ship, the soldiers on board could board the enemy vessel and fight hand-to-hand (as though on land). Later the Roman forces also included a cavalry corps, which provided intelligence and rapid attack against enemy troops. While the structure of the army was pivotal in its ability to deploy and fight effectively, it was the basic Roman foot soldier that made the army so effective.

The typical Roman soldier went into battle heavily armed and armored for maximum survivability. The soldier would be garbed in a steel or bronze helmet (Cassis), a segmented body armor which covered his torso, a large curved rectangular shield (Scutum), leather walking sandals, and a flowing red military cloak. As far as weapons, two were primarily used, a long throwing javelin (Pilum) and a short stabbing sword (Gladius).⁵ In battle, the javelin acted as the distance weapon and short-ranged artillery. The Romans soldiers would throw the javelins, hoping to cause some casualties

but most often to penetrate and destroy the shields of the enemy, leaving them vulnerable to close-range combat with Roman infantry. In close combat, the Gladius and Scutum proved a deadly combination. The Scutum would be used to push aside the enemy's shield. Typically, the enemy soldiers faced by the Romans were armed with smaller, more circular shields. Against smaller shields, the Scutum was a very effective tool for hooking and levering the enemy shield aside. Once the shield was removed, the holder's ribs were exposed to the stabbing Roman Gladius. The Roman soldiers would penetrate the enemy soldier's armor and heart with a quick underhand stab with the Gladius, quickly ending the combat in the Roman's favor. This tactic was repeated over and over until the battle ended.⁶ Using these weapons and tactics, the rigidly organized Roman military burned a path of warfare across Europe for 700 years.

By the dawn of the Common Era, the Roman territory stretched from Britain in the West to Palestine in the East and Germany in the North to Libya and Egypt in the South. Now came the era of Roman transformation. They had become a truly global power, with dominion over millions. In effect, they had ushered in what could be called an era of "globalization" since all the known world around the Mediterranean was united under one flag. However, though they had conquered a great territorial empire, it remained to be seen whether they would be able to hold onto it against many expected enemies. The Romans had to embark on the second phase of their conquest. They had to begin to bring their holdings under unified control

In order to control such vast territories, the Romans had to launch an all-out effort to "Romanize" their holdings and to encourage their allegiance to the empire. To accomplish this, the Romans used a combination of political, economic, and social tactics

to pull the empire together. Also, it would be difficult to overstate the important role that the military would have in this process. Historian Richard Hooker describes the difficulty faced by the Romans and their efforts to keep captured cities loyal.

Ancient history shows abundantly that it is enormously difficult to hang onto conquered territories; the Romans, however, seemed to have figured out how to peacefully hold onto conquered territory with both liberal and militaristic policies. First, Rome didn't destroy conquered cities, but granted them certain rights. Some cities were allowed full Roman citizenship, particularly those near to Rome. Others were allowed certain Roman rights. Some were allowed complete autonomy. Some were allowed to become allies. All, however, were required to send Rome taxes and troops. In addition, Rome settled soldiers on the captured lands as payment for their service. Some of these land grants were especially lucrative. The soldiers got land wealth, and the Romans got permanent military settlers in the conquered lands. In this way, Rome was able to maintain a permanent military settlement in every conquered land. In order to reinforce these settlements, the Romans began an ambitious road-building project. Their roads were of the highest quality and went in straight lines—right straight over mountains in fact—so that soldiers and supplies could be quickly moved into rebellious territories. The response to revolt was swift and harsh. So the combination of granting conquered territories rights and citizenship (or the promise of future rights and citizenship) and the surety of a swift, harsh response to rebellion produced a lasting, peaceful empire on the Italian peninsula.⁷

Coupled with these political, economic, and engineering feats, the Romans used a variety of other political and cultural contacts which encouraged unity with Rome. Politically, the Romans made use of the army and military governors (proconsuls) to spread Roman law and to enforce compliance with it. Further, in order to make certain that Roman soldiers could be paid and spend their salaries in the far-flung areas in which they might be deployed, a uniform currency was employed throughout the empire. Also, Romans ruthlessly enforced devotion to the polytheistic faith that they inherited from the Greeks. The Latin language was also widely adopted to ensure communications among citizens of the empire. So, the Romans took advantage of all possible tools to unite their far-flung realms. Where they needed physical connections to these lands, roads, bridges and

aqueducts were built. Where they needed political connections with these lands, Roman law, citizenship, and order were offered and enforced. Where they needed economic or cultural connections, the Roman language, currency, and faith were employed.

Throughout it all, the army was the omnipresent fist and face of the Roman state. In the end, the Romans had largely succeeded in weaving their empire into a single structure.

Under their power, all people of the empire were Romans. They had created a *Pax Romana*.

In order to fully appreciate the nature of the Roman transformation into an empire as it applies to this analysis, it is important to understand the changes which occurred with respect to the Roman people and their lives as citizens of the empire. From the beginning, the Roman people were unsure about their transformation.

Rome had begun as a small city-state. Its constitution, its government, its social structure, and its moral values were those of a small, mainly agrarian state. All of these, the constitution, government, social structure, and values, adapted well to the governing of Italy. The Empire, however, which Rome had stumbled into by accident, provoked a profound crisis in Roman society, government, and morals.⁸

In its most basic terms, the Roman society was profoundly effected by the new world of empire. For example, the gap between rich and poor began to widen. In the past, there had always been the Patricians and the Plebeians. However, in the imperial era, the Patricians became the primary beneficiaries of the new-found imperial wealth. On the other hand, the Plebeians were forced to act as soldiers abroad, separated from their homes and families for up to years at a time. At home, the Plebeian workers found their jobs lost to the new influx of slave labor, which reduced jobs and wages, disproportionately harming the working class.⁹ Politically, the primary role played by the military forced the empire into an ever-descending pattern of militarism. Noted historian

and anti-imperialist author Chalmers Johnson describes militarism as “the phenomenon by which a nation’s armed services come to put their institutional preservation ahead of achieving national security or even a commitment to the integrity of the governmental structure of which they are a part.”¹⁰ In the Roman case, this meant that the military began to put its own interests and power ahead of the interests of their own people and government. While the Roman army always claimed to speak for the Roman people and the Senate, “parading under banner emblazoned with the Latin initials SPQR (*Senatus Populusque Romanus*)”¹¹, the wishes of the Senate (and by extension the Roman people) became increasingly irrelevant. In the most famous flouting of the wishes of the Senate, Julius Caesar brought his army across the Rubicon into Italy, in violation of Roman tradition, in order to pursue his own political agenda. As the Roman Empire became an increasing reality, the formerly democratic institutions of the state were replaced by infighting between ambitious proconsuls and generals. As militarism and dictatorship gripped the Roman polity, the “disconnect” between the interests of the people and the conduct of their government became wider. This is a dangerous object lesson as the US begins its foray into empire.

The British Example

The Roman Empire was a very early example of the power that a state can wield as it grows into a global force. On the other hand, the British Empire was a much more recent example. While discussions of American Empire are replete with comparisons to ancient Rome, the British Empire bears a much closer resemblance to the nature of the modern American Empire and it is especially useful for this work.

The Roman Empire was a “direct empire.” All of the laws and its enforcement originated from Rome. The rulers of the out-lying settlements and kingdoms were Roman-appointed governors, generals, or proconsuls. The British Empire was a much different animal. Like Rome, the British Empire was composed of a series of political, cultural, and economic links with its vassal states. However, the reach of the British Empire was much larger and the population and military power of the British state was much smaller in relation to its relative size. To that end, the British were forced to rely on far less-direct means than their Roman predecessors. The day-to-day operations of the British Empire were left much more to the local elites of the vassal states, with whom the British had connections. The larger operations of the empire, such as economic exploitation of natural resources and protection of imperial assets were left to British-sanctioned corporations (forerunners to today’s Multinational Corporations) and relatively small British military garrisons. Militarily, perhaps the most important tool of British imperial maintenance was left to the always-powerful Royal Navy.

Like Rome, Britain did not begin as a world power. Unlike Rome, Britain was a well-established nation with a long history before her ascension into the ranks of empire. So, what sparked this rise? What encouraged this nation, with a relatively small population in relation to her European neighbors, to embark upon a pattern of expansion? Perhaps the simplest answer to the question of why is that Britain was in direct competition with her “less than friendly” European neighbors. Since the 1400s, the European continent had been in a race. Since the event of the “discovery” of America by Italian Christopher Columbus sailing under the auspices of the Spanish crown and the subsequent Spanish conquest of the Central and South American civilizations, the

European nations had lusted after the mineral resources and resultant wealth heaped upon Spain. In this age of “globalization”, where the whole world had become the game board for the European rush to empire, Britain seemed uniquely suited. As an island, the British had long been master sailors. This should have given them an innate head start against their adversaries. In actuality, the British drive for imperial power lagged several of their European brethren by decades. Since Columbus, both Spain and Portugal had established significant colonial presences in Central and South America, Africa, and Asia, and from these territories (particularly the American holdings), flowed tons of gold, silver, gems, and other valuables, greatly increasing the wealth of the European conquerors. The British, and others, lusted after the wealth reaped by their neighbors. In 1496, King Henry VII gave John Cabot sanction to explore and conquer lands in the Americas, while avoiding conflict with the Spanish.¹² The English sent Cabot and others looking for a source of gold and precious metals that would rival the Spanish. The pursuit of wealth akin to the Spanish took on more urgency with the onset of the Reformation. English scholar Richard Hakluyt wrote that “if the Pope could give Ferdinand and Isabella the right to occupy ‘such islands and lands...as you may have discovered or are about to discover’ outside of Christendom, the English crown had a duty to ‘enlarge and advance...the faith of Christ’ on behalf of Protestantism.”¹³ Over the ensuing years, the English unsuccessfully searched for the gold that would grant them parity with the Spanish’s own “El Dorado.” “The English had tried in Canada, Guiana, Virginia, and the Gambia, and found nothing.”¹⁴ Since the British effort was yielding little but far-flung settlements in isolated areas, the British launched a new tactic to get the metallic wealth they so desired, piracy.

As early as the 1570s, the English began a campaign of robbing the Spanish on the high seas. What began as individual raids by Francis Drake and Walter Raleigh later became “official” British policy. “From such shamelessly practical origins arose the system of ‘privateering’ or privatized naval warfare.”¹⁵ Under the system of privateering, individual “contractors” like Raleigh or Drake would intercept Spanish ships or attack Spanish colonial settlements (ports). Once these pirates had secured their precious cargo, they would hand over a percentage of it to the English crown. In return for their contribution to English wealth, the British would provide them with supplies, safe harbors, repair facilities, intelligence about Spanish movements. That is, all of the tools needed to wage successful naval warfare.

Enraged by the constant attacks, the Spanish launched a daring plan. In 1588, the Spanish constructed a massive fleet (Armada) to invade England. The Spanish had the combined motivation of both economic (to stop the British-sponsored raids against their merchant fleet) and religious (restoring England to Catholic domination after their fractious break with the Church of Rome under Henry VIII) victory. However, it was not to be, for in a matter of days of its setting sail for Britain, the combination of British seamanship and bad weather virtually annihilated the Spanish invasion force and turned the page of history. Even though the Armada was not the end of the Spanish-British conflict, it was a turning point. “In the recurrent period of war with Spain from 1585 to 1604, between 100 and 200 ships a year set off to harass Spanish vessels in the Caribbean and the value of prize money brought back amounted to at least 200,000 (British Pounds) a year.”¹⁶ From this point, the raids would continue and Britain would continue to grow and to eventually supplant Spain as the premier naval power in the world. Over the next

several centuries, the British would continue to expand their realm into significant areas in Africa, Asia, North America, and Southwest Asia (most notably India). During this expansion, the British would continue their battles with the other European powers, as well as many native forces like the Zulus in South Africa. So, like the Romans, the British were forced to engage in virtually endless military conflict to establish their overseas empire. By the end of their expansion, the British had annexed an empire the likes of which had never been seen. Truly, it was an empire upon which the sun never set, because it was so vast that it was always daylight over the British Empire somewhere.

Britain, like Rome, expanded its empire through military conflict. However, Britain's consolidation and control of its realm was far more complex. As stated before, the Roman military took the lead not only in conquering territory but it was also the principal agent by which the Romans spread their cultural, political, and economic talons into the captured areas. Britain's efforts to control its empire were far more diverse than Rome's primarily military approach. Where Rome was the master of the direct empire, Britain's empire was an example of an "indirect" empire. An indirect empire relies more on the agency of third parties than a direct empire. Where Rome was the director and enforcer of virtually all matters of state, the British relied far more heavily on intermediaries like commercial interests and indigenous elites with whom they had relationships. These other "middlemen" allowed the British to diversify the risks and costs inherent in imperial control, but afforded them the opportunity to intervene directly if the need arose. In this way, the British were far more like the modern American empire than ancient Rome.

One of Britain's prized tactics for advancing their economic ambitions into a territory was the "joint-stock" company. A joint-stock company was an early corporate entity which allowed the organizers of a foreign investment adventure to finance their efforts by selling shares to interested investors. The British crown, for their part, would bless the company's venture with a Royal charter. This arrangement offered benefits to all of the parties involved.

The English (and Dutch) merchants who founded them (the companies) were able to pool their resources for what were large and very risky ventures under the protection of government monopolies. At the same time, the companies allowed governments to privatize overseas expansion, passing on the substantial risks involved. If they made money, the companies could also be tapped for revenue, or more commonly, loans, in return for the renewal of their charters. Private investors, meanwhile, could rest assured that their company had a guaranteed market share of one hundred percent.¹⁷

These companies became the primary agent of British expansion and policy in areas all over the world. With them, the British were able to carve out many unofficial "spheres of influence, which in many cases would become the sites for official British colonies.

From the Hudson Bay Company (Honorable Company of Adventurers of England Trading into Hudson's Bay) which was founded to monopolize the Canadian fur trade, to the Company of Royal Adventurers into Africa which finally found gold in Gambia, to the East India Company which dominated the English presence in India, they became a key facet of the mechanisms by which England enforced its will over its colonies.¹⁸ Over time, the companies grew from simply commercial interests in more formal agents of state for the British crown. For example, the British East India Company began their role in India with trading posts along the coast. As these outposts grew and prospered, they grew into settlements and later cities. As they became more established in India, the East India Company (and other European powers) began to dabble in Indian politics to form

relations with local elites all with the goal of improving their trade prospects with the ever-changing political landscape in India.¹⁹ Also, the Company were forced to fortify their trading posts (their warehouses were referred to as factories) to defend against attacks by both Indian factions and rival Europeans. To that end, the Company “began to raise its own regiments from the subcontinent’s warrior castes-Telugu peasants from the South, Kunbis in the West, Rajpats and Brahmins from the Central Ganges valley.”²⁰ These regiments, armed with European weapons and led by British officers, acted as a private army charged with protecting the interests and enforcing the will of the Company. “Having begun as a trading operation, the East India Company soon had its own settlements, its own diplomats, even its own army.”²¹ As the colonies evolved, the British crown would officially assume control from the companies, allowing them to pass into history. In the case of the East India Company, this transfer took place in 1788.²² The diminution of the power of the companies left Britain with the infrastructure for control which they further reinforced with civil servants, missionaries, and expatriates who would further spread British laws, language, and faith to the empire.²³

The British Empire had transformed itself into a world power. For the British people, the effort was felt in many ways. While Americans always have, and still do, eschew the idea of being an imperial power, the British largely embraced it. During the reign of Queen Victoria, at the height of her *Pax Britannica*, the mediums of culture burned with the exciting images of empire. From the novels of Kipling and G.A. Henty (*By Sheer Pluck*) to the children’s magazines *Boy’s Own Paper* and *Girl’s Own Paper* or *Boys of the Empire*, the ubiquitous print media thrilled millions of Britons with the pageantry of empire.²⁴ Even advertisements were not exempt from the imperial motif.

For example, Pear's Soap once promised that "the first step towards lightening the 'White Man's Burden' (a famous phrase from Kipling) is through teaching the virtues of cleanliness."²⁵ Beyond the simple excitement of imperial stories from exotic locales, the empire had a real impact on the daily lives of the British people. Since it had united much of the world under its rule and patrolled the seas of the world as the first true "globocop" (the British Empire fulfilled this role more than one hundred years before the US reluctantly settled into it), the British Empire had inaugurated another era of globalization. The famous British economist John Maynard Keynes, sounding surprisingly like Thomas Friedman, fondly described the virtues of this era of globalization for the British consumer.

For...the middle and upper classes...life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages. The inhabitants of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth in such quantities as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages...²⁶

Unfortunately, while the allure of empire was thrilling and profitable for many Britons, it also had powerful consequences.

The age of globalization remembered by Keynes collapsed in 1914 in the bloodshed of World War I. The war cost Britain 750,000 dead and a severe "crisis of confidence" in the utility of continuing the empire.²⁷ Over the next twenty years, Britain saw the rise of other more aggressive nations who lusted after the concept of empire, Germany, Italy and Japan. The war against these forces cost an additional 400,000 dead Britons and nearly 70 million dead worldwide. Following World War II, the British

encountered a world torn by a Cold War. From their closest ally, the US, the British were encouraged to break up their empire and grant independence to their vassal states.²⁸ Of course, the new “Superpowers” of the world only wanted to break up the pre-World War II empires so that they could venture into the newly-independent areas in pursuance of their own imperial ambitions. Inspired, and in some cases supported, by the Superpowers, nationalist movements sprang up in many former colonial areas in Africa, Asia, and the Middle East. In most cases, these nationalist movements were led by European-educated indigenous elites. The very people who, ironically, the British believed would act as their agents of control in the colonies. After all, it was for this reason that they were educated at all.²⁹ So, in the end, the British Empire had paid a steep price in two world wars and finally been fractured by internal and international pressures. The British imperial period had run its course. Even though the British nation had survived, its course had been irrevocably altered. As former US Secretary of State Dean Acheson remarked in 1962, “Great Britain has lost an empire and has not yet found a role.”³⁰

So, as we have seen, the road to empire, for even the greatest of them, can originate from humble beginnings. The traits of the great empires are quite similar. They must be a dominant nation during their time period, having both military and economic power over their rivals. They must also possess the ability to bring that power to bear on a wide scale in many disparate places. In the days of the great land wars, Rome had the finest infantry on the planet, the roads to move their armies around quickly, and an army sizeable enough to conquer a far-flung empire. Later, when the oceans of the world became the battleground, Britain had the naval skills, the ability to use private interests,

both criminal and corporate, to accomplish official British policy, and the, in the case of the Spanish Armada, never-ending luck. However, in order to achieve true imperial status, both these nations needed to have the power to reinforce their conquests with other ties that would give them control over their areas of influence. For the Romans, this was again accomplished by the army. It was the Roman military which brought Roman law, language, and economics to the vassal states, and it was the army which enforced allegiance to these links. For the British, it was the joint-stock company and the missionaries who brought the economics and ideals of Christendom to the colonies. Later, this outpouring of British “culture” was backed up by a civil service, tax collectors, and official British governors. Simply, the traits of empire are both dominance and control. It is not enough that a nation is simply powerful. In fact, in its day of empire, there were many European powers that rivaled the British in both economic and military power. In order to achieve true greatness, the prospective empire must be able to both retain and manipulate his conquered territories into doing its bidding. It is this latter trait which separates the strong nations of history from the Empires. So, how do these traits apply to the US. If the US has become the new empire of the 21st Century, how has its dominance and modicum of control been accomplished?

American Empire

Today, at the dawn of a new century, America stands astride the world like a colossus. It is the undisputed superpower of the world, enjoying both military and economic hegemony over much of the world. Economically, America’s Gross Domestic Product (\$9.255 Trillion in 1999) was actually greater than that of the GDPs of the next three most prosperous nations (China, Japan, and Germany) *combined*. This advantage

speaks volumes about American economic influence and power in the world. Further, America has more personal computers per capita than any other nation on earth, by far, indicating that America will have a continuing dominant presence in the new frontier of electronic commerce.³¹ Militarily, the United States has developed the most lethal armed force in the history of the world. Simply, the American military is the best-led, best-armed, and best-trained army on the planet. America's military budget dwarfs the military budgets of any and all potential challengers among the great powers. In 1999, America spent \$288.8 Billion on defense while Japan, China, Germany, England, France, Russia and India combined to spend only \$184.2 Billion.³² This economic and military advantage clearly have made America, as former Secretary of State Madelyn Albright said, "the indispensable nation." Even when compared to the great empires of old, America's advantage in this time and place seem daunting. In terms of economic output, "in 1913 Britain's share of total world output was 8 percent; the equivalent figure for the US in 1998 was 22 percent."³³ Militarily, in 2000, the US defense expenditure was averaging around 3 percent of GNP. This measurement is roughly equal to the defense expenditure of England during its imperial hey-day from 1870 to 1913. In fact, as America's dominance has become more pre-eminent since the end of the Cold War, its defense expenditure has actually *gone down* from the average of 6.8 percent from 1948 to 1998.³⁴ Truly, America's military and economic dominance have been established. Beyond these simple statistics, as we have seen, the US has spread its military and economic influence to many places around the world. In the now-completed effort to contain communism, the US positioned its forces and equipment in many nations. Since the fall of the Soviet Union, these forces have not only remained abroad but have been

sent into far more areas. Just since 1991, the US has conducted many military forays into the Middle East, Asia, and even into the former Soviet sphere of influence in Eastern Europe. So, America's dominance is massive and spreading. However, even though the US has its forces spread around the world, can it truly be called an imperial power simply because it has its troops stationed "defensively" in as many as 100 nations? To the equation must now enter the system of alliances and international organizations which the US helped to establish at the end of World War II and over the ensuing decades of the Cold War. These organizations, including the United Nations (UN), World Trade Organization (WTO), and the North Atlantic Treaty Organization (NATO) have allowed the US to create an interlocking network to create a wholly new form of empire, a virtual empire. Unlike Rome, America's empire is not based on governance. The United States is not interested in the political control of other nations; rather their empire is based upon economic activity backed up by potential military force if a nation does not accept the status quo. In fact, the American empire has been building for quite some time. During the Cold War, the United States dominated areas of foreign trade and military development. However, every American move was carefully tempered to further its goal of defeating the Soviet Union. Once the Cold War ended in the early 1990s, the gloves came off and America galloped ahead not only to press its global advantage, but to encourage the rest of the world to be just like them. Globalization has become the most frequently used euphemism for the new world order that is driven by America. It has become a new method of global conquest: America can dominate the world politically and economically, do most of it through the sheer buying and investing power of its people, and convince the other nations that they have to accept this "conquest" because it

is in their own best interest to be part of the world economy. In many ways, globalization has become Americanization. It has broken down the barriers between nations and cultures and encouraged (forced) the world to play by American rules and live up to American standards. Behind the “one-two punch” of globalization and its military and economic hegemony, America’s empire is entrenched on the world scene.

Despite America’s staggering advantages, America is reaching an era of imperial overreach. It has spread itself too far and gotten into too many conflicts. Herein lays the corrosive nature of empire for both the American character and the American nation itself. America is being transformed by this new world order, economically, socially, and politically. The next chapters will explore the corrosive nature of empire and how it has affected the character of America. As a cautionary tale, Rome went through a similar degradation of its nation and populace in the days of its empire, and America may be entering a similar period in its history. Rome did not survive its imperial period. So, the question is, will America?

Chapter 3 Political Consequences of Empire

Both of the great empires described in earlier chapters, claimed that they had found their empires purely by accident. The Romans claimed they had conquered their vast realm through wars of self-defense. The British always claimed that they had taken their vast empire in a simple twist of fate without any clear intent or plan. For both of the great powers, the riches and benefits of empire lasted for many years, decades, even centuries. However, when the consequences of imperialism started to accumulate and to come home, these powers started to waver and to crack. For the Romans, it was imperial overreach. A condition brought on by the conquest of a realm that they could not defend when coupled with internal stagnation brought on by crumbling social and political institutions. For the Britons, it was the costs visited upon the British people by having to defend global interests through the ravages of two massive world wars in twenty-five years. So, as America enters the 21st Century and observes its time as the prime global power, the question for everyone is, what costs will American imperialism visit upon America and the world? Over the next four chapters, this thesis will attempt to elucidate the domestic and international consequences of American imperialism. These costs will be grouped into the large categories of political, economic and social consequences. However, in so doing, the complexity of the modern world becomes clear. In describing an American Empire in a world of globalized commerce, diplomacy, and military adventurism, any analyst must confront the fact that many conditions of the international paradigm simply defy such narrow categorization. For example, suppose a multinational corporation (MNC) such as Enron were to lavishly donate money to the members of both political parties in order to encourage them to pass legislation which would enable the

MNC to “explore investment opportunities abroad” (read export jobs to a nation with a cheaper labor force). How might this exchange be categorized? In this scenario, there is political lobbying (or corruption), economic profiteering, and lost jobs with all the resultant social costs thereto. Clearly, these situations could easily be encapsulated within any or all of the chapter categories. So, rather than offering repetitive descriptions of the complex, multi-dimensional situations which populate the modern world, this analysis will attempt to describe the sum total of the changes that American imperialism has brought upon the political, economic, and social systems of the United States and the world.

The political consequences of American imperialism are rooted in the ongoing transformation of the political landscape brought on by the end of the Cold War. At the end of the World War II, the US was a true political superpower. It wielded tremendous influence around the globe and could accomplish great feats with its will and resources. Internationally, the US used its political might to help create international organizations like the United Nations (UN), to lay the foundations of international law, and to marshal a worldwide alliance of nations against the spread of Communism. Domestically, the US used its political capital to battle racial, social, and economic inequalities through federal government action. From these efforts came such historic legislation as the Civil Rights Act of 1964, the Voting Rights Act of 1965, and the creation of the Medicare and Medicaid programs. During this time period, the primary focus of American political might was on the Cold War with the Soviet Union and its allies. To that end, government wanted to deflate internal dissent and to keep most of its resources focused on the global conflict. However, since the end of the Cold War, the times and priorities have changed.

American imperialism has visited a price on its democracy. Activist Thomas Carothers, who worked with the “democracy assistance program” during the Reagan Administration describes real democracy as “the extent that people in [a given nation] have meaningful opportunities to take part of the formulation of public policy.”¹ At the dawn of the American republic, its very slogan “No Taxation without Representation:” was aimed at an imperial government which did not lend a voice to the will of the governed. Today, America’s race to the empire has yielded much the same results. Make no mistake, the federal government does have a constituency for whom its actions are aimed to protect and bolster. However, this constituency is not the American people at-large or even the general welfare of the nation. Rather, it is for the benefit of the US military, American multinational corporations (MNCs), and the international organizations of globalization to which American governmental actions seem directed. These three are, not coincidentally, the chief agents of American empire. These three have helped to spread the new paradigm of Globalization/Americanization around the world. However, at the same time, they have advocated governmental policies which have extended their own interests and resources, often to the detriment of the American people. Thomas Carothers summed up this process by saying that “the US seeks to create a form of top-down democracy that leaves traditional structures of power—basically corporations and their allies—in effective control.”²

American Imperial Politics
Part I
Domestic Politics

Since the end of the Cold War, there has been an ongoing political battle in America. The sides are well-known. They are Left vs. Right, Liberal vs. Conservative,

or Democrat vs. Republican (GOP). Continuously, they battle within a political system that is changing. While American politics has never been glacially peaceful, at least during the Cold War, there were certain principles upon which the sides could agree. The old mantra was that “politics ended at the water’s edge.” Today, there is no boundary or border that will contain or end the fractious nature of American politics.

The greatest danger of the new American politics is its shortsightedness. Our leaders seem to have forgotten that the world is still a dangerous, complex place. Thomas Friedman described this lack of vision as that our leaders “behave at times as if the world is now safe for us to be both insular and mindlessly partisan on every issue.”³ Perhaps America’s leaders are behaving in this way because they do not understand the post-Cold War world. Perhaps they are so focused on their own victory (Left over Right or vice-versa) that they cannot bring themselves to agree on anything. For whatever reason, the ongoing battle inside America’s government has taken it from the people and put the reins of the public good in private hands.

“The Era of Big Government is Over”

As far back as the 1980s and the election of Ronald Reagan, there was a change occurring in American political thinking. This change was so momentous and outside the accepted views of each party that after Reagan won the Republican Nomination for the Presidency, there was a plan to nominate former President Gerald Ford as his Vice President. Under the plan, Ford would have directed US foreign policy and domestic budgetary priorities, leaving Reagan much as a figurehead with no real influence.⁴ However, the soon-to-be President Reagan had other plans. As an old stalwart of the right-wing of the GOP, Reagan entered his Presidency supported by a group of

“Neoconservatives” or “Neocons” led by Irving Kristol and Milton Friedman of the “Chicago Boys”, a Neocon group of economists from the University of Chicago who trumpeted the power of the free market.⁵ With these supporters and an economic crisis powering him to a win over incumbent President Jimmy Carter, Reagan unleashed his plan which would be his testament to history and the source of continued conflict, “Reaganomics.” Reaganomics was both a political and an economic strategy which called for many things. While the economic effects will be discussed in a later chapter, the main focus for Reagan was the political changes which he could enact. In short, Reaganomics called for reducing the “size” of government in every way, fewer government workers (excluding the military), fewer government regulations, and fewer government taxes. All of these combined would unshackle the American economy from the government and allow the free market to work its magic.⁶ While Reagan did not get all that he wanted, in fact federal spending and the national debt actually exploded during his administration, Reagan did succeed in reducing the influence of government on the economy.

By the early 1990s, Reagan’s call for smaller government had become the mainstream goal of the Republican Party. The election of Bill Clinton, a self-styled “New Democrat” with more moderate views than previous Democratic Presidents, precipitated a conflict. Clinton, who was elected calling for higher taxes, a federally run health care system, and a stronger social safety net, ran headlong into a GOP hell-bent on shrinking government. In 1994, the GOP grabbed control of both Houses of Congress, setting the stage for the Budget Battle of 1995. In late December 1995, the federal government shut down due to the lack of a budget resolution between the Republican-

controlled Congress and the Clinton Administration. The GOP Congress wanted more tax and spending cuts than the President could accept. In the end, both sides made compromises which let the government begin its work again. They also “agreed on a budget that would end deficits in seven years.”⁷ So, seven years after President Reagan had left the Oval Office, the GOP had their victory. However, the Budget Battle had left wounds. The Republicans would continue to attack President Clinton at every turn, culminating after his re-election in 1996 and his involvement with Monica Lewinsky.

In the late 1990s, during his second term, President Clinton was largely hamstrung by his many scandals. He was so involved with defending himself from Congressional and Independent Counsel investigations, that he could barely govern. In fact, there were even calls for him to enact the parameters of the 25th Amendment and to declare himself unfit for duty. Such an action would have allowed Vice President Al Gore to ascend to the Presidency, and allow him to run as an effective incumbent in the 2000 election. In the end, President Clinton did not disqualify himself and he became the first President in a century, and only the second in US history, to be impeached by the House of Representatives. Ultimately, he was acquitted by the Senate, which finally ended most of the controversy about his personal conduct. However, it was during this time that another important piece of American imperial politics made its presence felt in a powerful way, the 24-hour media.

Since the creation of the Cable News Network (CNN) and its tremendous success in covering the Gulf War in 1991, there has been an explosion in television news coverage. Gone are the days when only the three broadcast networks covered news. From 1991 to the present, the nation has witnessed the creation of several other networks

dedicated to news coverage, including MSNBC and the Fox News Channel. These outlets have accelerated the news cycle to a 24 hour-a-day marathon and greatly increased the importance of television coverage. In 1982, CNN introduced *Crossfire*, a new show which would change the way that politics was discussed on television. On *Crossfire*, the show is hosted by two commentators, one from the Liberal and one from the Conservative end of the political spectrum. Along with the rival hosts, the show would invite at least two guests who were on opposing sides of a given political issue. For example, they may invite the chief political advisors from both the Bush and Kerry Presidential campaigns onto the show for one day. During the half-hour show, the hosts would question (or argue with) the guest who was their ideological opposite. Usually, the “discussion” would degenerate in a shouting match where neither side would have the opportunity to speak its peace. Even though the show was quite popular by news show standards, it did not generate the best image of political leaders. As time passed and more news outlets were created, the *Crossfire*-type show became more commonplace. From MSNBC’s *Hardball with Chris Mathews* to the *O’Reilly Factor* and *Hannity and Colmes* on Fox, the quality of political journalism and discourse became more shrill and divisive. Ellen Hume, Director of the Center on Media and Society at the University of Massachusetts at Boston, described the impact of the debate show on the quality of political journalism.

Talk shows filled the empty space in the all-news radio and 24-hour cable news television formats that proliferated in the 1990s. It was far cheaper to put on a lively pro and con discussion with guests in the studio than to send a crew out to investigate the details and background of a story or political issue. This eroded the value of journalism, however, by reducing news to a clash of opposite opinions. The more dramatic the contrast in views the more energized the show, producers believed. Controversy and combat became more valued than intelligent, informed

political discussion or than the dispassionate imparting of verified facts. The political center seemed to disappear on television and radio talk shows.⁸

The media also has the capability to turn politics into a “bloodsport” where the lives and issues of American politics are bandied about like so many Hollywood celebrities. The sheer volume of coverage of such things as the Monica Lewinsky scandal and the disappearance of Chandra Levy (at the suspected hands of her alleged lover California Congressman Gary Condit) have served to both cheapen the stories by overexposure and to push other stories out of the national consciousness altogether.

What is lost when all the news arteries are clogged with muck is a flow of information to the public about what their government is actually doing from day to day -- as well as information about what real choices they have to shape the nation's future. Most news organizations simply are not trying hard enough to offer political news that is meaningful to people. When offered encrypted political news interrupted by hysterical feeding frenzies, citizens conclude that the political system belongs to someone else and doesn't have any real need for them.⁹

In combat, the military often uses chaff (small pieces of tin foil) to disrupt enemy radar and to hide what they are actually doing. In the media, titillating stories of scandal can create “chaff” that divides the public from the actions of their government. In the history of the US, the role of the free media is to keep the public informed as to the actions of the government so that the public can fulfill their role of keeping the government accountable. Without the media, Lincoln's government “of, by, and for the people”, is a difficult dream to realize.

Along with the continuing battle between Left and Right and the increasing power of television coverage, a third piece of American imperial politics has arisen to further divide the American people from their politics, the increasing importance of money. Simply put, it costs increasingly large amounts of money to be successful in US politics. While money has always been the life's blood of politics, the sheer amount of money

necessary to run national campaigns has decreased the number of patrons who could provide such funds and increased these patrons control over those politicians who gain entry into the real avenues of power. Since the end of the Cold War, the amount of money raised by candidates in Presidential elections has grown from \$324 Million in 1988 to \$528 Million in 2000 and is projected to top \$600 Million in the 2004 election cycle according to FEC records.¹⁰ In Congressional and Senate races, the money needed to be raised by the candidates has ballooned from \$471 Million in 1989-90 (actually down from \$478 Million raised by candidates in the 1987-88 cycle) to \$1.04 Billion in the 1999-2000 campaign.¹¹ As these numbers have grown, the candidates have been forced to work harder to raise the funds necessary to fulfill their campaign needs. As the amount of funds needed rises, the number of Americans capable of contributing the requisite sums has decreased. This fact has left the candidates with only two opportunities, they must rely ever more on their parties to raise the necessary funds or the candidate must be independently wealthy in their own right and capable of contributing large sums of their own money.

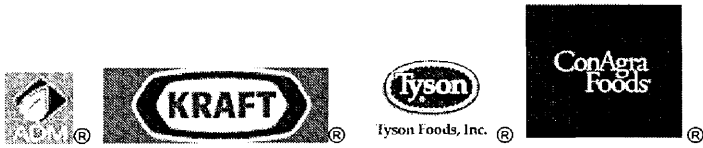




Since the parties are forced to play an ever-larger role and the amount of money that can be given to support each candidate is strictly regulated, the role of unregulated or “soft money” looms ever-larger in American politics. “Soft money” is the name given to campaign contribution which may be donated directly to the parties by special interest groups such as corporations, PACs, and labor unions. These funds are not meant to be used to support specific candidates; rather they are expected to be used to for “issue” ads. Even though the soft money is not meant to be used to stump for specific candidates, the parties are becoming increasingly shrewd at using these funds for that purpose.¹² For

example, while soft money could not be used to create a television commercial which advocates voting for John Kerry, it may be used to talk about the education plans of the Democratic Party. John Kerry could even appear in every scene of the hypothetical commercial as long as certain words such as “vote for” or “support” are not used.¹³ Soft money has allowed each party to greatly increase the amount of money that it can raise in each election cycle. In the 2000 election cycle, the parties raised approximately \$725 Million (\$450 Million by the GOP and \$275 Million by the Democrats) in regulated “hard money”, but each added another \$250 Million in soft money.¹⁴ In the past, the GOP was supposed to have been the party of “big business” while the Democrats were the party of the “working person.” Today, each party is lavishly, and nearly equally, supported by corporate interests. These interests have successfully penetrated the halls of power and have usurped them to do their bidding. Whether it is Monsanto being smuggled confidential regulatory documents by a member of the FDA¹⁵ or Enron receiving help from the US Agency of International Development (USAID) to sign a key deal with Mozambique, the power of the corporate interests is manifest. For Enron, the “help” from USAID took the form of threatening to withhold development loans from Mozambique if they did not agree to work with Enron.¹⁶ Through their lavish aid to the US “powers that be”, the donating MNCs have been able to accomplish their corporate goals.

For the corporations of the US, simply influencing the government is not enough. Of course, they are bankrolling many successful politicians within the US government. However, while it is helpful to have influence over the government, it is even better to have people from your industry within the government. With the increasing breadth of

corporate operations around the globe, the job of oversight has fallen increasingly upon the federal government. In such areas as tax collection, regulatory and environmental compliance, and product safety, the federal government has had to take on a larger share of the responsibility because state and local governments encounter increasing difficulty in enforcing their laws on MNCs which act without borders. So, for corporate interests, the ability to penetrate people into the government, especially into areas where they might act to oversee their own corporation's conduct, can prove especially rewarding. When George W. Bush was elected in 2000, he selected a cabinet with very heavy corporate connections (Figure 1)¹⁷. However, it would be naive to assume that he was the first or will be the last President for whom this fact was true.

Figure 1: Courtesy www.OpenSecrets.org

The Bush Cabinet		Corporate Connections*
Cabinet Position	Cabinet Official	
Agriculture Secretary	<u>Mike Johanns</u>	
Attorney General	<u>Alberto Gonzales</u>	
Commerce Secretary	<u>Carlos Gutierrez</u>	
Defense Secretary	<u>Donald Rumsfeld</u>	
Education Secretary	<u>Margaret Spellings</u>	
Energy Secretary	<u>Samuel Bodman</u>	
Health and Human Services Secretary	<u>Mike Leavitt</u>	
Homeland Security	<u>Michael Chertoff</u>	

Housing and Urban
Development Alphonso Jackson



Interior Secretary Gale Norton



Labor Secretary Elaine Chao



Bank of America



Secretary of State Condoleezza Rice



Charles Schwab

TRANSAMERICA
AN ARGON COMPANY

Transportation
Secretary Norman Mineta



UNITED



Treasury Secretary John Snow



Business Roundtable

Veterans Affairs
Secretary Jim Nicholson

For President Bush, it is the level to which his cabinet and sub-cabinet appointees have reaped benefits for their corporations. For some, the advantage is obvious. For Ann Veneman, who is a former corporate officer for Agro-business Monsanto, the office of Secretary of Agriculture gives her the optimum chance to benefit and possibly shield her former corporation from federal penalties. Some advantages are only slightly less obvious. As former Chief Executive Officer (CEO) of oil service giant Halliburton, Vice President Dick Cheney has given his corporation many advantages. One needs to look no further than the billions of dollars in “no bid” contracts awarded to Halliburton to rebuild Iraq. To be fair, Halliburton is considered the best in the world at building oil support infrastructure (pipelines, refineries, storage facilities, etc.), so it would not be untoward to expect that they would receive some piece of the Iraqi rebuilding “pie.” However, that does not explain the contract awarded to Halliburton subsidiary Kellogg, Brown, & Root

(KBR) to feed the US troops in Iraq and Kuwait unless Halliburton is also a great catering service. Further, regarding the contract to supply food to US troops, Halliburton has just recently been forced to repay \$300 million for overcharging the Pentagon for food.¹⁸

Finally, there are the least obvious advantages delivered by those former corporate officers who now inhabit the sub-cabinet positions in the government. These people work away from the prying eyes of the media and public, and thus are largely unaccountable for their actions. As an illustration, there is the story of David Lauriski.

In 1997, as an executive of a Utah coal mining company, Mr. Lauriski proposed a measure that could allow some (mine) operators to let coal-dust levels rise substantially in their mines. The idea went nowhere in the government. Last year, it found enthusiastic support from one government official, Mr. Lauriski himself. Now, head of the Mine Safety and Health Administration, he revived the proposal despite objections by union officials and health experts that it could put miners at greater risk of black lung disease.¹⁹

These people, in and out of the public eye, continue to usurp the government away from the good of the people and toward their corporate masters.

Results

All of these political changes have yielded a government that works more for corporate interests than for people. Increasingly, the American public is disconnected from politics and less interested in it. Voter turnout, even in Presidential elections, continues a downward trend, as Americans either feel disinterested in the outcome or do not believe that their vote will make any difference. In the recent 2004 election, a frequent description of the choices as the “lesser of two evils” was heard. Even after 9/11, when the nation was struck by terror and the people waited in anticipation to be led into this new conflict, President Bush simply told Americans to travel and to shop. He

might as well have reminded Americans to remember our corporate sponsors as we live in a new age of terrorism. Of course, all of these domestic consequences of American imperial politics have international equivalents. While the US government is getting caught in “gridlock”, the American media is getting distracted into sexy but distracting minutiae, and the financial structure of US elections is putting the whole system on the verge of corruption, the American populace is blissfully unaware of how the nation’s foreign policy has changed in America’s imperial era.

American Imperial Politics
Part II
Foreign Policy

The end of the Cold War marked a fundamental turning point in American foreign policy. During the Cold War, the US pursued a dual policy of Containment and Deterrence. Following the advice of early Cold War diplomats like George Kennan, the US created a network of alliances, international organizations, and military deployments which formed a collective “noose” around the “neck” of Soviet expansionism. Also, the US constructed an elaborate network of command, control, and detection outposts to maintain the massive set of nuclear weapons deployed to act as a deterrent against the threat of Soviet nuclear actions. So, the rule of the day was vigilance, deterrence, and containment. All of these tactics required an overarching patience on the part of the US. With the exceptions of Korea and Vietnam (both seen as key conflicts to stop a Communist “domino effect”), the US worked to avoid active military adventurism in any area where direct conflict with the Soviets could occur. Instead, the US pursued their foreign policy goals through a set of “proxy” or client-states in many areas of the world. These nations, such as Israel in the Middle East, South Korea in Asia, and South Africa

in Africa, would actively participate in the region while the US was able to keep its distance. The motivation for assembling and financing all of these policy tools was to stop Communist expansion. According to the prevailing thought in the US foreign policy establishment at the time, the Soviet Empire was bent on world domination. So, any weakness or hesitancy in American resolve to contain it would result in the rapid global expansion of the “Red Menace.” Ironically, at the end of the Cold War, it was the US which rapidly moved to impose their economic and political system on many parts of the world.

Through their imperial agents, the US hungrily expanded into new areas and markets cut off by the barriers of the Cold War. The most concise description of America’s new expansionist/interventionist foreign policy comes from the Project for a New American Century. The Project, an organization of conservative politicians and intellectuals who formed together in the late 1990s, is dedicated to advocating new directions in American foreign policy for the 21st Century. These Neoconservatives or “NeoCons”, as the press has come to call them, made the following recommendations in the Statement of Principles.

We (the US) need to increase defense spending significantly if we are to carry out our global responsibilities today and modernize our armed forces in the future. We need to strengthen our ties to democratic allies and to challenge regimes hostile to our interests and values. We need to accept responsibility for America’s unique role in preserving and extending an international order friendly to our security, our prosperity, and our principles²⁰

Even though the foreign policy of the last decade seems to mirror the recommendations of the Project, to many Americans, the foreign policy must seem quite schizophrenic. Since the end of the Cold War, the US has had two Presidents, Bill Clinton and George W. Bush. In the 1990s, President Clinton seemed to trumpet the

vitality of international organizations as he embraced the United Nations and the International Monetary Fund as the guardian of global stability. Under the Clinton Administration such vital international agreements as NAFTA, the Uruguay Round of GATT, the WTO, and the Kyoto Climate Control Treaty became reality. On the military front, President Clinton was an active but cautious CINC. When an attempt at nation-building went horribly wrong in Somalia, President Clinton thereafter preferred to “rattle his saber” with cruise missiles and an aerial war against Serbia in 1998. He was quick to use American military power but only in such a way as to limit the risk of casualties.

On the other hand, President Bush has made little use of international organizations. Even before 9/11, his unilateral foreign policy pulled the US out of the Kyoto treaty, the Anti-Ballistic Missile (ABM) treaty with Russia, and any connection with the International Criminal Court (ICC) unless sweeping immunities were given to any potential US defendants. After 9/11, President Bush spurred the UN to go to war in Iraq and he has actively spread the US military (most especially its limited combat ground forces) into many new missions around the world. These are the visible examples of American foreign policy since the Cold War ended. They seem to indicate a nation with global interests trying to redefine itself. However, there is a more shadowy foreign policy ongoing simultaneously. In it, the agents of imperialism are free to spread their influence. The new American foreign policy is a far more arrogant and opportunistic foreign policy which seeks to spread its interests and values upon the world whether they are wanted or not.

Economic Assimilation and Exploitation

The economic goal of US foreign policy has been to open up new opportunities for American business and investment. Since the early 1980s, a new group of economic theorists has become the brain trust for American foreign economic policy. These aforementioned “Chicago Boys” led by famous economist Milton Friedman were the followers of “free market” legend Friedrich Hayek. These economists believe that an economy works best when government interferes least. In theory, this “laissez-faire” approach would unshackle the power of the market and allow it to dictate the allotment of resources more efficiently. In the 1980s, these economists encouraged the US and other friendly nations to follow their advice about economic development. They suggested that governments downsize their interference, meaning that they should limit regulation, privatize industries and cut government taxing and spending. In short, they believed that their recipe for economic success would work anywhere that it was pursued. Once the Cold War ended, these “Free Market Fundamentalists” wanted to spread their recipe to a whole new world. They wanted to encourage the rest of the world (or as much of it as possible) to adopt their reforms. This “assimilation” process would allow the other nations to better adapt to US businesses and to make them “stable” enough for US investment. Also, this assimilation of the global economy could also accomplish a further foreign policy goal, the economic development of the Third World. So, peace and global stability was now possible simply by the US encouraging the rest of the world to pursue these new economic policies. In 1995, Enron Senior Vice President for Global Finance Linda Powers, who had been a former Deputy Assistant Secretary of Commerce in the first Bush Administration, laid out the merits of a policy of economic assimilation, especially in the hands of a “benevolent” corporation like Enron.

Thanks to certain changes in the developing countries, which I will describe in a minute, a new way of achieving the same development goals has become possible. Private parties like our company and others, are now able to develop, construct, own, and operate private infrastructure projects in these countries. In the process of doing so, private parties are able to achieve the things which US foreign assistance efforts have long been trying (without much success) to achieve: the projects are serving as action-forcing events that are getting the host country to finally implement the legal and policy changes long urged upon...

Under this new approach, the private parties are bearing the costs, both of bringing the policy reform process to fruition, with the host country governments, and for the facilities to alleviate current problems...

This private sector-driven approach I am describing applies not only to the energy sector, which is my company's area of activity, but also in other infrastructure sectors—toll roads and other transport facilities; water and sewage; telecom- and potentially in industrial sectors.

When a firm like Enron, Mission, or AES goes into a country to undertake a project, just what do we do? We make money by selling an important commodity—electricity—to the local people at a reasonable price. If we are successful, the results are not only the addition of valuable assets to the country, but equally important, the creation of “commercial infrastructure”. These projects must be put together and financed using private sector tools. This process, which for the first round of projects is invariably painful and time-consuming, forces government officials of the country in question to deal with the reforms needed in these key areas:

1. Property rights, including the enforceability of contracts...
2. Market Pricing...one of the biggest problems in these countries is that they have all had hugely subsidized infrastructure services...Projects like ours aren't financeable as long as you have artificially depressed prices. So, they have to bring the prices in alignment with market pricing.
3. Regulatory Reform. One of the most important regulatory reforms—privatization—is by definition, the necessary starting point for any of these private infrastructure projects....
4. Sound Lending...²¹

The corporations of America (presumably) led by Enron would remake the developing nations by modernizing their infrastructure such as power, water, sanitation, etc.

However, before this transformation can become reality, the government of the “host” country must be convinced or forced to make certain reforms. So, the MNCs looked to the US to help.

In the 1990s, the US leaned heavily on many nations around the world, encouraging them to open their economies to the more “laissez-faire” style of economics. Among the demands for “openness” included free trade agreements such as the Uruguay Round of GATT which lowered global tariffs and the relaxation of capital controls which would allow money to move more rapidly in and out of nations. “Concretely, this meant to curb government influence, particularly any supervisory role over commerce in all ‘free market democracies’.”²² However, not even America’s considerable influence could produce the global level of cooperation which the “free market fundamentalists” wanted. So, in order to open the field for MNCs to run wild in the developing world, the US had to turn to a close friend with a larger reach, the IMF.

The IMF was created in the waning days of World War II at the Bretton Woods Conference in New Hampshire. Originally, the body had been intended to act as a lending institution for nations whose economic situations made it impossible to conform to the system of currency exchange established at the Conference.²³ However, in 1971, the Bretton Woods currency regime had been shattered by President Nixon’s decision to abandon the gold standard and to allow the value of the US currency to be determined by supply and demand in the international market.²⁴ So, the IMF had lost its original mandate. However, at the same time, another movement was afoot in the developing world, one which would provide the IMF with a new lease on life.

Over the last half-century, the developing world has largely freed itself from the grip of Colonialism (political and economic domination by the European powers). After the imperial powers were finally dislodged from their colonies, the newly independent nations sought to modernize rapidly. For most nations, this modernization included a

course of industrialization. The financing and fuel supplies for these modernization projects came largely in the form of foreign aid and trade. Further, the developing world was an attractive target for investment from the developed world because it offered greater chances for a large return.²⁵ Consequently, for many of these developing nations, the path to modernization was dogged by a growing condition of debt. By the 1990s, the sources of foreign aid were drying up and the Cold War was over (preventing the nations from allying themselves with one belligerent or another in order to obtain aid). In this void, the IMF became the “lender of last resort” for nations requiring “structural assistance” in order to deal with adverse economic conditions. In short, the IMF had become an international lending institution that provided funds for nations to pay their creditors, on the condition that the nation receiving aid must adopt certain policies in order to ensure that the “adverse conditions” did not recur. Thus the new role of the IMF positioned it perfectly as an agent of American empire.

The connection between the IMF and the US government is well established. In his book *Blowback*, Chalmers Johnson describes the US links to the current IMF. “The IMF is essentially a covert arm of the US Treasury, yet beyond Congressional oversight because it is formally an international organization. Its voting rules ensure that it is dominated by the US and its allies. India and China have fewer votes in the IMF, for example, than the Netherlands. . . .As an international organization, the IMF is insinuated into the inner sanctums of nearly 75 developing nations around the world”.²⁶ Since the IMF is merely a tool of US economic policy, it has loyally marched to the sound of the US drums.

Throughout the 1990s, from Central and South America to Southeast Asia to Russia, the IMF embarked on a series of structural assistance loans to troubled economies, always coupling its lending with requirements that the receiving nations embrace the reform visions of the US. Universally, the advice of the IMF has mirrored US economic recommendations and advanced further into the developing world. The IMF recipe is well-documented and follows classical laissez-faire neo-liberal ideas: tighten the money supply, devalue the currency, remove all tariffs, encourage interest rates to rise, reduce government spending, and cut wages. Collectively, these policies force the economy of the target nation open to foreign investment and control while simultaneously leaving the government unable to address any resulting social ills.²⁷ So, through political pressure and the use of the IMF, the US has pursued its foreign policy with the goal of opening the developing world to Enron's vision of corporate conquest.

Military Adventurism

Just as the US has expanded its economic hegemony by extending access to its economic actors, the US has pursued an active policy of extending its military assets, both physically and virtually throughout the world. Since the end of the Cold War, the US has been "relieved of the prudence imposed on it by the Cold War, when any American misstep was chalked up as a Soviet gain."²⁸ As a result, the US has become far more active and adventurous in its use of military force around the world. As with many previous empires, this activity has made the military a major agent of US imperialism.

The end of the Cold War marked a turning point for US military doctrine and preparedness. For 50 years, the US armed forces had prepared themselves for global war with the might Red Army. As the great "turning of the page" occurred from 1989 to

1991, the Red Army unexpectedly dissolved into history along with the rest of the Soviet Union. So, the US military, having trained long and spent much to match the now-nonexistent foe, was struggling to make sense of the war they had just “won.”

In addition to the radically different security paradigm, the military could soon expect cuts in funding and downsizing of capabilities that have always accompanied any American war victory. This “peace dividend” resulted in a cut in military spending from a mid-1980s high of \$450 Billion (in 2002 dollars) to near \$300 Billion by the end of the 1990s. However, since 9/11 and the start of the War on Terror, the budget has risen steadily to nearly \$400 Billion in 2002.²⁹ Beyond cuts in funding, military forces were downsized as Army divisions were deactivated and the Air Force and Navy were reduced in strength as the US struggled to fit itself into the post-Cold War world.

As an institution, armed forces tend to be very conservative and meticulous. They do not like change and do not react quickly to it, owing to the seriousness of their profession. Since a failure to plan any aspect of a combat action will invariably cost lives, the greatest care is usually taken to prepare for future operations. So, early on in the post-Cold War era, the US military began to examine itself and how it must change to fit into the emerging global security structure. The military maintains several institutions whose primary function is to observe the changes in the world and to make recommendations for the types of ideas and actions needed to meet those emerging challenges. In the Army, this role is performed by the Training and Doctrine Command (TRADOC).³⁰ Likewise, the Navy has its Center for Naval Analyses (CNA).³¹ In the early 1990s, these and other groups read the tea leaves of the changing world and came to

the conclusion that the new threats facing America would differ greatly from those of the Cold War.

In the Cold War, the US had focused its resources on building a massive fighting force (reminiscent of World War II) with the most technologically advanced weapons in the expectation of facing a similarly sized and equipped Soviet opponent. In the World War III conflict against the Soviets, the fighting would have been concentrated in Central and Western Europe upon ground which the US and her NATO allies had practiced a defense for 50 years. Now, the military's futurists foresaw that the new conflicts of the 21st Century would involve very complex threats from international terrorists and criminals operating from isolated and disparate bases. To counter this threat, the US military would need to be leaner, meaner, and more agile. Gone were the days when a threat would develop over months and years, allowing the US time to gather forces and allies. In the wars of the future, the US would have to react rapidly (and possibly unilaterally) to a myriad of crises. This challenge is brought more sharply into focus by the proliferation of Weapons of Mass Destruction (WMD) into the hands of rogue states and potentially international terrorists. Ironically, most of this new class of threats will and has emerged from the area which the military had always considered a "lesser included" area of concern in the scope of the Cold War, the developing world.³²

The developing, or Third, world is the target of the new era of globalization which is highlighted by American empire. As we have seen before, the developing world has become both playground and opportunity for America's political and economic advances. All the more so because this region has previously proven less-accessible to America, owing either to the Cold War dichotomy or the application of internal laws which limited

the flow of goods, resources, and capital. This region is one of the last frontiers for the new age of globalization, or as US Navy War College professor Thomas Barnett writes, it is the “Non-Integrating Gap.”³³ It is the “Gap” because it sits apart from and geographically divides the nations “plugged into” the new global system in Europe, Asia, and America.³⁴ These “plugged in” nations are those who have most completely opened themselves and assimilated into the world economy of globalization. That is to say, they are the virtual colonies of the American empire. Consequently, the conflicts between the US and the threats emerging from the developing world could be seen as acts of resistance against the expanse of an empire, or more simply, as the result of two opposing cultures, one “plugged into” the system and one not. Cultural differences of this type have frequently been the source of conflicts throughout history.

As the battlefield for the emerging threats to US security, the developing world posed many political and historical problems for the projection of US power. In its history, the US has not performed well in this part of the world. In the disastrous Vietnam War, television cameras had captured a daily account of soldiers returning home in body bags. There were also the many stories of CIA-inspired coups against the democratically-elected governments of Chile, Iran, Indonesia, and Guatemala (just to name a few). These examples and many others gave the American public and policymakers a window into the unsavory nature of American actions in this part of the world.

In the application of military power (Constitutionally placed directly under the discretion of the Executive Branch), there are not many roadblocks. However, public opinion and Congressional oversight are two of the most powerful. When the American

public became tired of the nightly scenes of carnage from Vietnam, the public reaction sparked a policy shift to end the war. Also, while the President is given the authority to command the armed forces, Congress is given the power to fund them. This “power of the purse” can give them enormous influence over the use of military power. All of these factors: the location of the emerging threats, the history of US involvement in these areas, and the presence of checks and balances which could potentially react negatively to US actions would play major roles in the formation of the new imperial military. If the military were to continue to be a major instrument of American imperial power, then it would have to learn how to step through this new global minefield.

Given the political difficulties that the new type of warfare would provide and the more practical problems of fighting an elusive and cunning enemy, the US military faced a daunting task. The military’s “make-over” would need to solve both problems simultaneously. The new military would have to be swift and agile, capable of delivering sufficient force anywhere in the world in a very limited timeframe. Also, the military would need to be able to carry out its missions with the smallest possible public “footprint”, thus avoiding an undesirable reaction. These reforms have been accomplished over the last decade by using a combination of three factors: the construction of a large network of military bases around the world, the expanded use of Special Forces and private civilian contractors to foster relations with the security forces of other nations (particularly in the area of training), and the development of long-range reconnaissance and weapons systems which allow for the global projection of power without the resultant risk of casualties. All of these developments have sent a new

message to other nations. For the US, the direction of foreign policy and relations with other nations will increasingly be directed by the Department of Defense (DoD).

We now station innumerable more uniformed military officers than civilian diplomats, aid workers, or environmental specialists in foreign countries—a point not lost on the lands to which they are assigned. Our garrisons send a daily message that the US prefers to deal with other nations through the use or threat of force rather than negotiations, commerce, or cultural interactions.²⁹

Garrisons and Staging Points

In the new world, the role of American bases would change. Instead of acting simply as quarters and concentration points for our massive overseas deployments, they would act as staging points for the collection of intelligence, coordinating relations with host nations, and Special Forces units which would be deployed to strike at threats to US interests. With these bases, the global reach of the US military is maintained and being improved upon.

Though the exact number and type of overseas bases in the US empire is highly classified and difficult to determine, the DoD's Base Structure Report (BSR) in 2002 listed 725 foreign bases in 38 countries.³⁶ The deployment of troops goes far beyond that however as the 2001 DoD Manpower Report, which lists the actual number of troops deployed around the world, reveals that the DoD has 254,788 personnel active in 153 countries worldwide.³⁷ So, the US has deployed its forces in over 70% of the world's nations. This fact, combined with the increasing use of US agencies like the FBI around the world (the FBI has opened 19 of its 45 overseas Legal Attaches or Legats in the last five years³⁸) have helped to more securely position the US as the "world's cop".

Shadow Teachers

From the US's global network of bases are staged the US Special Forces. Born after World War II, the modern Special Forces (SF) came of age in 1986 with the creation of the US Special Operation Command (USOCOM) with its base at McDill Air Force Base in Tampa, Florida. Currently, USOCOM forces are composed of Special Operations forces from the Army (Green Berets and Rangers), Navy (SEALs) and Air Force (Special Operation aviation units and ParaJumpers or PJs) and the ultra-secret anti-terrorist unit Delta Force.³⁹ Also, in the 1986 law, which created USOCOM was created an Assistant Secretary of Defense for Special Operations and Low Intensity Conflicts (ASD-SO/LIC), who acts as a liaison between the DoD and USOCOM.⁴⁰ Since the creation of USOCOM, the role of Special Forces has expanded greatly, particularly in assimilating foreign forces into working for US interests.

Training of foreign forces or the development of Foreign Internal Defense (FID) has long been a principal piece of US military and economic strategy. In short, the US has interests around the globe. In order to limit the expense of deploying a gigantic army to protect these interests, the US has fostered close relations with many nations (particularly within the military and security forces) to act as guardians for US assets and to maintain an advantageous status quo. In return, the US has become the largest arms manufacturer in the world and also supplies training of foreign forces to supplement the weaponry. In 1990 the US was offering training to forces in 93 nations, but by 2002, the number was up to 133 nations. In total the training program trains about 100,000 men per year around the world.⁴¹ In terms of armaments, between 1997 and 2001, the US sold nearly \$45 Billion worldwide. In that same time, Russia, the next largest arms merchant

sold only \$17 Billion.⁴² The connection between training and arming foreign troops has greatly magnified the importance of the DoD as an agent of American global influence.

In the history of its training of foreign troops, the US has used many institutions including the State Department's International Military Education and Training (IMET) Program and the School of the Americas (SoA) at Fort Benning, Georgia. The infamous SoA trained many of the officers involved in human rights abuses in Latin America during the 1980s, especially in El Salvador and Chile. In response, the school was ordered closed by Congress in 2000. However, the school simply sidestepped this order and renamed itself as the Western Hemisphere Institute for Security Cooperation (WHISC).⁴³ However, since the 1986 restructuring of the SF and the creation of USOCOM, the training of foreign troops has fallen increasingly into the hands of the SF. The use of USOCOM, as the primary agent for training foreign troops or FID, grants the US both domestic and foreign advantages. The use of the military rather than the State Department, CIA, or other department of the federal government has allowed the President to dictate USOCOM training missions largely outside the purview of Congress. For this reason, the SF has been called the President's "private army." This is useful in foreign relations where USOCOM's status as a military unit allows them to interact directly with the military of a "host" nation and bypass any oversight from foreign governments or the US.

One of the many programs of FID used by the SF has been the Joint Combined Exchange Training (JCET) program. JCET consists of SF teams being deployed into foreign nations on the pretext of learning the language and culture of the "host" nation. In reality, these forces have carried out clandestine training of foreign military soldiers,

primarily officers. In one particular example, the US has been training Indonesian officers since 1950. In 1991, the Indonesian army massacred 270 unarmed demonstrators in the East Timor capital of Dili. In response, the US Congress banned further military assistance to Indonesia. So, the military simply turned to JCET, completing 36 missions with Indonesian Special Forces from 1992-1998.⁴⁴

In concert with the Special Forces, the US military has also adopted the use of private companies often run by SF veterans to carry out training missions in areas that are politically unsavory to the US. Essentially, these mercenaries allow the DoD to carry out its interests without any US governmental oversight whatsoever. Since the end of the Cold War, these private mercenary companies have carried out military training in some of the most conflict-ridden areas on the planet. In 1995, Military Professional Resources, Inc. of Alexandria, Virginia, trained the Croatian and Bosnian forces which went on to commit several “ethnic cleansing” operations against Bosnian Serbs.⁴⁵ In 1994, DynCorp of Reston, Virginia, trained the police forces of Haiti after Operation Restore Democracy restored ousted Haitian President Jean-Bertrand Aristide to power.⁴⁶ In a less savory chapter for DynCorp, several of its employees were fired in the late ‘90s when it became public that they were selling underage Bosnian girls as sex slaves in Europe.⁴⁷ Another company, the aforementioned Kellogg, Brown, & Root of Texas, has been given lucrative contracts to provide logistical support to US troops in such nations as Bosnia, Kuwait, and most recently in Iraq.⁴⁸ All of these instruments of FID development have increased the influence of the DoD in US foreign relations and decreased the oversight of the US government.

Finally, perhaps no development has, at the same time, increased the reach and power of the US military and decreased the oversight potential of Congress and the American people as the creation of long-range reconnaissance and weapons systems which can gather vital information about US enemies and allow strikes against them with virtually no risk to US personnel.

Eyes Everywhere or The Bolt from the Blue

Since the dawn of the Cold War and continuing up until the present day, the US military and intelligence communities have positioned themselves on the cutting-edge of surveillance and reconnaissance technology. These systems exist in two levels, the larger systems or “strategic” level and the battlefield or “tactical” level. The “strategic” level of systems are designed to gather national level intelligence data which is intended to be used by the highest levels of the government to form cohesive strategy in pursuit of US national interests. Originally, these systems consisted of high-altitude spy planes like the U-2 and SR-71. In the 1950s and ‘60s, these planes flew missions over the Soviet Union, gathering information about their movements and dispositions. As technology improved, these planes were replaced by spy satellites which could circle the world 24 hours a day, and fly far above the range of any anti-aircraft missiles. These satellites, including the ultra-secret KH-11 Keyhole models, possess powerful cameras, radars, and infrared sensors which can scan the surface of the globe for items of interest constantly, in any weather, day or night. Beyond these systems, the US also possesses the shadowy “intercept” capability of the National Security Agency (NSA). If Hollywood movies provide any inclination of their talents, the NSA can monitor most types of communication including radio and cellular telephones. This allows the NSA to capture

discussions of a specific nature and to monitor the communications of particular individuals who the NSA has “flagged” as a target for their surveillance. While these systems are not perfect and, as recent events have shown, are still bound to make critical errors, they still give the US the ability to gather information and to tailor its actions in a more precise way.⁴⁹

The smaller or mobile systems or “tactical” level are newer than the strategic systems. They provide real-time intelligence to battlefield commanders and personnel about enemy movements. These resources are composed primarily of Unmanned Aerial Vehicles (UAVs) controlled by US military and intelligence units. These small, relatively stealthy aircraft can loiter over a battlefield or other areas of interest at high altitude. Their small size and slow speeds render them difficult to detect. Like the larger space-based systems, UAVs possess camera systems, including infrared and thermal capabilities. These allow them to provide excellent photos of anything that might interest a military commander. These can provide better information than any army has ever had concerning enemy movements. On the battlefield, knowing where your opponent is and what he is doing can be the key to victory.⁵⁰

The long-range recon assets of the US intelligence and defense communities are impressive. However, it is the weapons systems which the US can deploy that make its capabilities staggering. In the Gulf War of 1991, the world first bore witness to the amazing abilities of “smart” bomb. These munitions, usually normal bombs with special electronics packages to enable them to be guided by various means, awed the world with their ability to fly through windows and down smokestacks. Despite the fact that most of the bombs used in the conflict were typical “dumb” bombs and the accuracy of the smart

munitions was overstated by the media, these weapons captured the imagination of both the American people and policymakers. For example, these weapons include the Tomahawk cruise missile which can be fired from Navy surface ships or submarines up to 1,000 miles away. After launch, the Tomahawk follows a pre-programmed map of the ground below it to its target where it can deploy a variety of weapons including cluster munitions and even nuclear warheads. Another example used frequently in the Gulf War was the Hellfire laser-guided anti-tank missile most often used by Apache attack helicopters against Iraqi units and installations. Once fired, laser-guided weapons like the Hellfire can be guided either by a laser beam fired from the helicopter or by a Special Forces soldier on the ground at the target site. Since the Gulf War, a brand new generation of smart weapons has emerged. These include the J-Dam family of weapons. The J-Dam or Joint Direct Attack Munitions is a standardized electronics package that can be added to nearly any “dumb” missile to create a “smart” missile. These weapons have greatly increased the quantity and quality of smart munitions and have allowed the US to use them with greater success, as seen by the awe-inspiring “Shock and Awe” bombing campaign in Baghdad during March 2003.⁵¹

Throughout the 1990s, the use of smart munitions allowed the US to project its power with relative impunity around the world in frequent displays. In fact, the use of these weapons became such a ubiquitous occurrence, that US military actions was frequently described as “firing some cruise missiles at the problem”. In their use, these weapons offered the dual advantage of being accurate and largely self-guided. They can be fired from hundreds of miles away, allowing the US to complete its mission without the political or personnel risks to US forces. As the world became more unstable and

difficult, these weapons provide the US with the security to be able to attack nearly any target with very little risk to American lives.

After 9/11, the use of long-range smart weapons took on yet another vital role, its use as a weapon against specific enemy targets, like Al-Qaeda leadership. In order to best appreciate the power of the long-range reconnaissance and weapons combination that the US has perfected, it is best to observe a specific example of them being used to accomplish American interests in a difficult or inaccessible region. In 2000 and 2001, two major terrorists incidents occurred in the Arabian peninsula port of Aden, Yemen. First, the American destroyer USS Cole was attacked and severely damaged by a suicide bomber in a boat loaded with explosives. The attack blew a hole in the hull and killed 17 crewmembers. Later, a French tanker loaded with oil was attacked in a similar fashion. These attacks clearly indicated that Al-Qaeda had established a large presence in Yemen. Over the next two years, American intelligence operations, including an extensive FBI investigation and NSA monitoring of cellular communications, gathered evidence concerning who was involved in these attacks. Once the level of activity had been established, the CIA took up the effort of gathering intelligence using the Predator UAV drone to track known or suspected Al-Qaeda operatives.

On November 3, 2002, a Predator observed a meeting between several high-ranking Al-Qaeda commanders. This particular drone was armed with Hellfire missiles. The arming of UAVs was a then-recent upgrade allowing the CIA controllers to better strike “targets of opportunity” which they might observe. For their part, the CIA was still stinging from recent public reports that similarly missile-armed drones had failed to fire on Taliban leader Mullah Muhammad Omar when his convoy had been detected on the

first night of the Afghanistan War in October 2001. Unfortunately, clearance for the attack on Omar could not be achieved in time and he escaped. By November of 2002, the CIA had received clearance to engage certain Al-Qaeda or other terrorist targets as soon as they were observed. Not hesitating, the CIA controllers fired on the Al-Qaeda meeting, killing 5 people, including the senior commander in Yemen Ali Qaid Senan al-Harithi. More recently, on May 10, 2005, the CIA repeated this practice in Pakistan, killing senior Al-Qaeda operative Haitham al-Yemeni. These attacks clearly demonstrated the new world or military action since 9/11.

It has often been said that the 9/11 terrorist attacks changed everything. However, broad and deep the changes wrought by the cataclysmic attacks, the US clearly reacted by changing long-standing tenets of its counter-terrorism strategy. Where law enforcement and intelligence gathering were the primary instruments of US policy against terrorism outside any designated battlefield, after 9/11 the concept of a theater of war itself was shelved in the war on terrorism.⁵²

Results

Like the changes in domestic politics, the new American imperial foreign policy has produced a division with both the American people and its traditional role in international affairs. Since the end of World War II, the global role of the US has been as a builder and supporter of international law. Economically, it was the US who helped to inspire other nations to seek their own versions of capitalism. Whether it was the social welfare-heavy capitalism of Western Europe or the export-driven growth of the “Asian Tigers” and Japan, all forms were welcome in the battle against Communism. Militarily, the US was always restrained by the presence of a counter-balancing Red Army. In the heady days of the Cold War, every American misstep was seen as a Soviet victory. So, America was forced to carefully plan its every move, lest a lack of planning result in a loss of face in the more important global conflict.

Since the end of the Superpower standoff, America has been able to become far more active in pursuit of its interests. Whether those interests are economic or political, the US has the strength to encourage or force other nations to follow its whims, most of the time. Unfortunately, this activist foreign policy has produced a backlash. Internationally, the economic entreaties of the US, aided mightily by the IMF, have produced some disastrous results in terms of worker's rights and environmental stability which will be discussed in Chapter 6. Militarily, US forces have killed and wounded thousands in their global missions. These casualties have included both enemy combatants and innocent victims in the wrong place and time. In fact, these unintended casualties have even included the studios of Middle East satellite news network al-Jazeera in both Kabul (November 2001) and Baghdad (April 2004).⁵³ Such convenient "accidental" attacks could certainly indicate that the US does not desire certain media outlets to cover their operations in these war zones. Collectively, this aggressive and short-sighted pursuit of American goals has helped to foster a growing sense of resentment and anti-American fervor, even among traditional US allies like France, South Korea, and Kuwait. As alarming as this has been for the American people, it is important to remember that empires usually begin to crumble when the consequences of their imperialism become too strong for the homeland to bear. It is the potential harm that may impact the American people that will be the ultimate statement of the political cost of American empire. September 11th was certainly a "wake-up call" and a sign that there are groups so violently opposed to American imperialism in their homelands that they are willing to sacrifice themselves in the pursuit of the murder of their enemies. Likewise, one must wonder how the economic and military aggressiveness of the US will come

back to haunt the American people in terms of diminished economic opportunities and the increasing threat of attacks against the homeland. In fact, these consequences could help to disrupt the very international economic system (globalization) that gives the US its status in the world.

The next three chapters will examine the economic and social consequences visited upon the American people and the international consequences of American imperialism. Specifically, in Chapter 4, the analysis will focus on a condition that may be unique to the American imperial experience. Historically, empires have colonized other areas in order to enrich their homeland. However, the American empire has done nearly the opposite. In its pursuit of economic colonies elsewhere in the world, the US has succeeded in colonizing itself.

Chapter 4 The Consequences of American Imperial Economics

It has been said that the business of America is business. So, it would only seem natural that a major piece of America's empire would be economic in nature. As we have seen, previous empires fell when the costs of their empire fell too highly on their own citizens. For the Romans, it was the costs of countless war and the pressures of a far-flung empire that brought the ceiling crashing down. For the British, it was the huge costs, both financial and physical, of two world wars in 25 years that made the British people tire of empire. For the American empire, both the condition of the domestic economy brought on by American Imperial Economics and the badly unbalanced global economy it has created will prove to be its undoing.

Part I: The Battle for the World Economy

In order to speak about the consequences of American Imperial Economics (AIE), it is necessary to step back in time a ways and observe recent economic history. In the early decades of the 20th Century, the global economy took some of the worst shocks it had ever sustained. In the 1930s, the relative prosperity of the post-World War I era was shattered by the Great Depression. This economic calamity and its effects would help usher in the disaster of World War II in the 1940s. After World War II, as described in Chapter 3, the victors combined to rebuild the global economy at Bretton Woods, establishing the World Bank, International Monetary Fund, and GATT, the institutions that would help form the basis for modern globalization and prove a powerful tool for American imperialism.

By the 1950s and '60s, while America and its allies were busy prosecuting the global Cold War, nationalist movements were consolidating to eject the weakened imperial states and end Colonialism which had endured for centuries. As Colonialism ended and the newly freed states struggled with the legacy of exploitative pseudo-capitalism under which they had endured, the world's economic geography varied greatly.

In Asia, led by Japan, several nations had achieved amazing economic growth through the adoption of a form of capitalism based on exports. In this export-led strategy, governments and business would cooperate to develop domestic industries which could produce inexpensive consumer goods which would then be sold in the huge American and European markets for profits meant to raise the Asian standard of living.¹

In the Soviet Union and its Eastern European satellites, the command economies of the Communist Bloc offered an alternative to capitalism through strict state ownership of the means of production and planning of all economic details from prices to production. In this way, communism offered many nations a new opportunity over the previous capitalism that had been hoisted upon them by the empires of Europe. Communism had grown in seeming success since 1917, producing a win over Nazi Germany while feeding and clothing the massive Soviet population for half a century. Now, it had expanded to new areas of Eastern Europe, China, the Middle East, and Latin America, giving command communism serious legitimacy as an economic force.

In the United States and Western Europe, a delicate balance of capitalism mixed with government-supported programs and regulations maintained the economy. The developed capitalist states were recovering from the shocks of the Depression, World

War II, and their rejection by areas that had been their playgrounds for centuries. For the people of America and Western Europe, government-dominated economics seemed the preferable alternative to the chaos brought on by earlier generations of market domination. For the governments of the developed world, they were willing to trade lesser economic dynamism in favor of a more predictable and secure alternative which would also help to blunt any public interest in the social security promised by communism. “Behind all this was the conviction that markets went to excess, that they could readily fail, that there were too many needs and services they could not deliver, that the risks and the human and social costs were too high and the potential for abuse too great.”² In Europe, this mixed economy took the form of nationalized industries, generous “cradle-to-grave” social programs such as health care and higher education, and powerful labor protections for workers.³

While in the US, the 1950s-1970s were marked by high taxes, expanding government, and greater economic regulation. During the Great Depression, the American government had greatly expanded its economic role to correct the chaos. In his 2nd Fireside Chat, President Roosevelt called for a “partnership in planning between government and business, with government having the right to prevent...unfair practices and to enforce this agreement with the authority of government.”⁴ While the US did not embrace full government control, planning, and certainly not ownership of the means of production, it did adopt a policy of heavy government regulation and high income taxes that would reach 70% by the 1980s.⁵ The American model for the post-World War II period could be summed up simply as “regulation rather than ownership or nationalization, antitrust rather than concentration and rationalization, decentralized

control instead of planning. In so doing, the New Deal (and its progeny the Great Society and War on Poverty of the 1960s) meant to regulate markets and ensure that they worked better.”⁶ Even Roosevelt himself called the idea of self-regulating markets dominating the economy as “morally bankrupt.”⁷

Finally, in the developing world, including such eventual economic powerhouses as Indonesia, India, Brazil, and Mexico, many nations adopted the tenets of Import Substitution Industrialization (ISI). ISI was based on the primary goal of maintaining economic independence from more powerful nations. In 1955, President Sukarno of Indonesia welcomed representatives of 29 developing nations to an economic summit in Bandung. Sukarno declared that “Colonialism has also its modern dress, in the form of economic control, intellectual control, and actual physical control....It is a skillful and determined enemy and it appears in many guises. It does not give up its loot easily.”⁸ In order to prevent falling into the control of Colonialism again, it would be necessary for the developing world to develop its own industrial capacity and to substitute any imported goods with ones made domestically. Also, it would be necessary for the developing world to limit their access to foreign trade through high tariffs and strict quotas. As the strategy evolved over time, nations like Mexico, India, and Brazil, fearing a lack of comparative advantage in the terms of trade, approached foreign commerce timidly.⁹ While other developing nations embraced the idea “that only a complete de-linking from world trade would allow the poor nations to develop.”¹⁰

Throughout the 1950s, ‘60s, and ‘70s, the economic map of the world continued its diverse and tentative relationship. However, by the 1980s, change was on the horizon and American Imperial Economics was about to arrive. In the command economies of

the Communist Bloc, their collective economies were on the verge of collapse. Teetering under the mounting pressure of the Cold War, a massive and financially draining defense establishment, and a virtually non-existent consumer culture [that is legal consumer culture, the black market was growing rapidly in wealth and power] the Soviet Union was imploding. As it did so, the Soviets could no longer prop up their satellite nations in Eastern Europe.¹¹

In Asia, the government-business relationship of the export-led capitalist system was facing problems. Decades of government support had left Asian businesses, particularly in Japan, insulated from competition. When a firm is insulated from competition, there is no incentive to produce better products for better prices. Under these conditions, firms can become fat and lazy while still making a successful profit due to government subsidies. Likewise, the government would often select the firms who qualified for government help based on political or other considerations rather than sound economic sense. They did not reward the most competitive firms, rather focusing on those which provided the most campaign support for the governing Liberal Democratic Party. This created a system of bad loans which served to prop up failing firms which should have been allowed to fold. Between the lack of competition, corruption, and bad loans, the economic health of the system faltered.¹²

In Latin America and the developing world, ISI had proven ineffective for producing economic success. First, the system relied heavily on foreign loans to finance internal industrial capacity. Lacking sufficient funding to build the industries necessary to replace imported goods, the developing world had been forced to accrue large amounts

of foreign debt from international lenders like the World Bank and IMF. This left them vulnerable to the imperial demands made upon their economies by the US and its allies. Secondly, mismanagement and corruption within the developing world kept the wealth of the nations, particularly in terms of natural resources, in the hands of a relative few. For example, the oil wealth of Saudi Arabia has helped to develop the urban landscape of the nation, but the average Saudi lives in relative poverty compared to the massive wealth of the ruling Saud family.¹³ For all these nations, the arrival of the 1980s and the nearing end of the Cold War raised the banner of a new economic model which had gained steam originally in the US and Britain, free market capitalism.

*American Imperial Economics:
Origins of the New Way*

In 1944, Austrian economist Friedrich von Hayek wrote the *Road to Serfdom*. In his book, he explains that government control over the economy, even though well-intentioned, was always less efficient and responsive than the market. In terms of economic knowledge, Hayek explained that government can never know as much about supply and demand as a market-set pricing system can tell.¹⁴ Hayek's contention was that increasing government control only led to economic stagnation and an increasingly downtrodden populace as government pursues economic controls that invariably morph into social and political controls. In short, you cannot have social and political freedom and democracy without economic freedom.¹⁵ In 1974, Hayek won the Nobel Prize for Economics foreshadowing the change that was about to occur.

In the early 1980s, conservative leaders Margaret Thatcher and Ronald Reagan were chosen to lead the United Kingdom and the US. They both arrived at a time of crisis for their nations. In England, high inflation, large "cradle-to-grave" social

programs, and national industries like coal and iron factories saddled the government with huge debts. Powerful workers unions dominated the landscape and strikes constantly disrupted the economy.¹⁶ In the US, high inflation and high interest rates staggered the US economy in Stagflation (an economic phenomenon once thought impossible).

Both Thatcher and Reagan were believers in the tenets of free market capitalism advocated by Hayek. In the UK, Thatcher's conservative government launched an aggressive campaign of spending cuts, privatization of state-owned industries, and contentious labor standoffs.¹⁷ In the US, Reagan, buoyed by his survival of an assassination attempt launched a program to restrain federal spending (on social services especially but not military spending which increased dramatically) and to drastically cut income tax rates which fell from a top rate of 70% to 28%. Collectively, these reforms ignited an economic explosion as both nations leapt forward into new growth. In these small steps, American Imperial Economics (AIE) found its beginnings but it would not stop in the UK or US.

By the end of the 1980s, both England and the US had shaken off the collected rust from 40 years of government control and were economically strong. The US, in particular, was the most dynamic, flexible, and innovative economy on earth by almost any measure.¹⁸ This economic success came at the crossroads of two other major economic changes. First, the development of global commerce and communications technologies which would allow people to buy, sell, compete, and collaborate from virtually anywhere. Secondly, the end of the Cold War which finally ended the global fascination with command economies and ushered three billion new potential competitors

and consumers unto the global playing field from Russia, China, India, and Eastern Europe.¹⁹ These changes allowed the American vision of economics to take hold in a variety of ways.

For decades the US-led resistance to communism had been posited on the idea that, if left unchecked, communism would spread into many new areas. Like a virus, the contagion of communism would infect one nation after another. To prevent this, American would launch a policy of containment, wrapping a constricting web of international military alliances, economic institutions, and legal structures around Soviet expansion. However, once the Cold War ended and the world flattened, it was AIE and not Soviet communism that spread rapidly like a virus.

AIE is built on some very simple ideas and pushed by a collection of intellectuals, corporate executives, and political functionaries that Vijay Prashad, in his book *Fat Cats and Running Dogs: the Enron Stage of Capitalism*, called the Prophets of Profit.²⁰ Simply, AIE puts the market first. It believes that a market economy, as free as possible from any government interference, is best at regulating supply, demand, and the needs of the global population. For governments, both domestic and international, AIE has one prescription that is meant to fix all ailments: laissez-faire economics.

The agents of AIE, from the Chicago Boys with their “Shock Therapy” suggestions to Chile and Poland²¹ to John Perkins shadowy “Economic Hitmen”,²² have pushed the same campaign on politicians from Washington, to Moscow, to Jakarta. The process: reduce taxes, devalue the currency, reduce or remove tariffs, reduce government expenditures, reduce government regulation, pass business-friendly laws, water down legal protections for workers and the environment, and privatize state-run businesses and

natural resources.²³ Collectively, these measures have created a bonanza for corporations who can now move freely from one area to another, looking for opportunities. However, within this recipe lies the problem.

Throughout the Soviet period in Russia, there existed a deep hypocrisy at the center of communism. The founders of communism said they took power to grant equality to the downtrodden. However, if you really looked at the USSR, in many ways, it was indistinguishable from its tsarist past. Under the tsars, Russia had an aristocracy, a strict class system, a floundering economy tortured by mismanagement, and a powerful secret police. Under the communists, the USSR had an aristocracy and a strict class system (though one based on allegiance to the Party rather than blood). In the USSR, there were special homes, hospitals, stores, and even road lanes for the Party elite. Under the communists the economy was floundering due to mismanagement. The successions of 5-year plans were woefully inefficient and the entire system was subject to graft and corruption. Finally, under the communists, the KGB had replaced the old tsarist secret police but were every bit as ruthless and efficient at protecting the state from its “enemies.”

To any objective observer, the USSR was only a twisted reflection of tsarist Russia. At its heart, the system could never deliver on its promises because it was merely a new form of oppressive exploitation that replaced an older form of the same. For decades, the Soviets failed to meet their political and especially economic forecasts. Instead, they always described the failures as due to their enemies. The Soviet leaders knew that they would succeed in the end because they had the better ideology. The

Soviets believed the predictions of Marx as any priest believes in the bible. All of the objective evidence could not turn them from this belief.

Just as the Soviets doggedly stuck to their religious fervor about their own ideology, the agents of AIE seem to have a similar allegiance. As priests cling to the Word of God, these agents cling to the glories of the market. If Usama bin Laden and his Al Qaeda network can be called Muslim extremists, then the agents of AIE can be called “market extremists.” For them, there is only one way to economic success. In the Soviet Union, its leaders refused to observe the evidence that their system itself was in trouble, causing its downfall. Today, in the global economy, there are signs that AIE is causing systemic problems which threaten the entire structure. While the international impacts of AIE will be analyzed in Chapter 6, the American economy itself is showing the signs of systemic problems. For America, AIE has created a new “Gilded Age” which is having terrible consequences for both America’s companies and workers. Also, America’s dogged pursuit of AIE globally has badly unbalanced the global economy, making America vulnerable to many new threats.

Part II: A New Gilded Age

In the late 1800s, America went through a turbulent period remembered by Mark Twain as the “Gilded Age”. The moniker originates from the idea that while America looked strong and healthy on the outside, it was masking many problems under the surface. Truly, for some, the decades of the late 1800s were a heady time. The Civil War had ended reuniting the nation. The industrial revolution had finally taken hold of the economy, making fortunes for the Carnegies, Rockefellers, and Morgans. There were

expanding communications and transportation technologies which made the world smaller. However, below the surface glories, workers toiled in squalid conditions with little pay and no protections from business or government. Immigrants crammed into dangerous tenements, hoping for a shot at the American Dream. Freed slaves encountered legal and extralegal impediments to their economic integration into American life. Native Americans were being wedged into ever-smaller concentration camps (reservations) as part of a policy of cultural genocide. Clearly, not everything was positive for the American condition.

One similarity with the previous Gilded Age is very clear today. The government of the US has fallen unhealthily under the influence of corporate interests and modified its actions to better fit these business interests. As established in Chapter 3, there is a well-documented connection between today's elected officials and generous corporate contributions. As campaigns have become increasingly expensive, the money needed for success has to likewise come from increasingly well-heeled sources. No number of small individual contributors would be sufficient to secure political victory without significant help from corporate or other additions.

Ever since 1886, when the US Supreme Court ruled in *Santa Clara County v. Southern Pacific Railroad* that a corporation is a natural person under the US Constitution, the body of US law has guaranteed corporations the full protections of the Bill of Rights and other privileges reserved for people.²⁴ However, while a corporation is treated the same as a person under the law, they have two distinct differences when it comes to the nexus with politics. First, a corporation with its vast resources of money and personnel can have much more political influence than any individual. For example,

a member of Congress would have great difficulty denying a request of a business which represented the largest employer in their district. Secondly, the corporation, though considered a person, is far more likely to use its political influence in the pursuit of a private agenda.²⁵ For the last decade, corporations have pursued an agenda unparalleled in human history. They want to remake the world.

At the end of the Cold War and the dawning of the new Age of Globalization, global economic institutions and multinational corporations (MNCs) pursued the new virtual world of AIE. According to Richard Barnett and Ronald Muller in their book *Global Reach: The Power of MNCs*, “the men who run the global corporations are the first in history with the organization, technology, money, and ideology to make a credible try at managing the world as an integrated economic unit....What they are demanding in essence is the right to transcend the nation-state and, in the process, transform it.”²⁶ The nation was once considered the most advanced form of organization for mankind. Today, we have the coupling of powerful MNCs with supportive intellectuals and politicians to form a new kind of organization, the corporatocracy.²⁷

In 1993, as the leaders of the world’s most powerful nations were preparing for the G-7 summit, Akio Morita, the founder and chairman of Sony sent an open letter to the heads of state calling on them to aid in the creation of the global corporatocracy. Morita called on the G-7 to find:

the means to lowering all economic barriers between North America, Europe, and Japan—trade, investment, legal, and so forth—in order to begin creating the nucleus of a new world economic order [AIE] that would include a harmonized business system with agreed rules and procedures to transcend national boundaries.²⁸

With these powers in place, even if a government did not want to follow the imperial line and downsize its ability to stand up to the corporatocracy, MNCs could simply sidestep

those governments by moving operations elsewhere or threatening those nations with WTO sanctions for violating the “world economic order.” In the US, the nexus between the global corporatocracy movement and domestic law has led to such changes as: the adoption of NAFTA; the proposed adoption of the Free Trade Agreement of the Americas (FTAA); the creation of the WTO through the acceptance of the Uruguay Round of GATT; the massive reduction of environmental standards; the adoption of laws favoring genetically modified foods for tax breaks; and the watering down of protections for organized labor.²⁹ Collectively, these have vastly empowered corporations to fluidly move their operations, seeking more advantageous laws and opportunities. They have watered down the protections that governments (of all levels) once offered to workers and the environment, leaving a greater gap between the “haves” and “have nots” in power as well as financial means.

Unfortunately, for the US economy, the new-found power and freedom granted to our MNCs by AIE has not produced the success that it promised. According to the “Prophets of Profit”, “free markets, unrestrained by government, generally result in the most efficient and socially optimal allocation of resources....Privatization, which moves functions and assets from governments to the private sector, improves efficiency, lowers prices, and increases responsiveness to consumer preferences.”³⁰ While some of that might be true, it also created an atmosphere for Enron and Worldcom corporate scandals of the early 2000s.

Enron and Worldcom were two of the darlings of the vaunted “New Economy”. Enron began with the marriage of two small Texas oil companies and evolved into a global energy giant. Worldcom began as MCI with a small interest in cellular

communications. As both grew, they moved beyond their humble beginnings and began to branch into international markets such as water, energy, and investment in the natural resource development of foreign nations.³¹

The companies had become global economic players with all the powers and responsibilities that it entailed. As their influence grew, so did the connection with friends in Washington. They had contacts in all the right regulatory agencies. As they took advantage of the opening global markets to expand their dominance over international communications and energy resources, they even helped to write the US policy that they lovingly pursued.³² However, the advance of these companies, at once hailed and cherished as the agents of US economic dominion had a dark side.

Both Worldcom and Enron had made investments filled with high risk. Expecting that the sky was the limit on their investments, they went into greater debt expanding their businesses into new territories. In order to finance these expansions, the companies needed to keep their stock prices high to encourage more capital to continue to flow into their coffers. To keep their stock prices high, both used “creative accounting practices” to shadow the burgeoning debt from their investors. Where once these tactics would have been illegal, these companies now enjoyed unhealthily intimate relations with both Washington power brokers and their accounting firms (Arthur Andersen in these cases) to make dubious bookkeeping a reality. In Washington, Enron and Worldcom could call on allies like Connecticut Senator Joe Lieberman who helped push through laws allowing accounting “reforms.”³³ At Arthur Andersen, the line had been crossed between the companies oversight role as an auditor and their money-making role as a consultant. In the new age of the go-go 1990s, firms once entrusted with insuring a company’s books

were sound could now raise vast amounts of cash in consulting fees. As consultants, Arthur Andersen helped their clients to avoid or skirt the very financial rules that they were charged with upholding.³⁴ The arrogance entwined in the connection between expanding companies and their political and economic protectors was revealed when both companies collapsed and thousands of investors lost their money.

The Enron and Worldcom collapses, among others, produced spectacular scandals. It also shook the global confidence in the ability of MNCs to properly lead the new corporatocracy rapidly being formed by globalization. Just as during the Gilded Age of the past, corporate scandals and their connections to politics have spurred calls for reform and raised questions about the national direction. However, the corporate side is not the only story to tell. Beyond the fate of companies like Enron, AIE has damaged the economic future of the American worker, siphoning jobs and changing the economic landscape faster than many workers can adapt. During the Gilded Age, the changing economic landscape featured the rise of industrial revolution. Workers were forced into hellish conditions to work for little money and high risk. Then, the rise of unions helped to bring a balance to the economic relationship between employer and employee. Today, the global nature of AIE has unhinged this system helping usher in a twisted version of an old imperial economic model, mercantilism.

*Part III:
Neo-Mercantilism or Reverse Mercantilism*

In the Age of Empires that preceded the 20th Century, nations in Europe pursued Mercantilism to enrich themselves relative to their imperial rivals. In their view, economics was a zero-sum gain. Nations must race one another to establish colonies around the globe to dominate. Once they have achieved these colonies, they can force

the locals into an economically disadvantageous position. The terms: the colonies would provide natural resources for the factories of the empire and a market for the manufactured goods of the empire. In turn, the empire would protect its domestic economy from foreign trade and competition with high tariffs while stockpiling gold and other precious resources from their colonies. For the empires, this arrangement made them economically powerful with a positive balance of trade. It also worked well for the imperial workers because their jobs were protected by the dual walls of protective tariffs against competition and ensured demand for their goods from the colonies. For the colonies, the relationship kept them at a disadvantage. They were constantly forced to supply their natural resources to the empire at whatever depressed price the empire was willing to accept. They were forced to rely on European factories for their modern industrial goods without any hope of developing their own industrial capacity. Today, America's version of mercantilism is a great reverse from that of the past.

In the world of the early 21st Century, the world is changing rapidly. In the words of New York Times columnist Thomas Friedman, the world has become "flat, allowing people to plug and play, create and collaborate from wherever they are."³⁵ Technology has allowed companies to source their operations from anywhere in the world. Emerging powers like China and India are rapidly taking their place in the global shop-floor. In China, there are whole cities dedicated to the production of a single good, from bras to cars. Where China is becoming the world's production center, India is the world's service center. Thanks to the spread of technology and the wiring of the world, India can play a key role in doing the back office work of countless global companies. Today, if you call customer service for nearly anything from credit cards to lost luggage, you will

invariably be speaking to someone in India. In fact, India has become so intertwined with the US economy that increasing amounts of American income tax returns are being done in India.³⁶ Technology allows the labor intensive number-crunching to be done for far less in India. According to Jaithirth “Jerry” Rao, who runs the Indian firm Mphasis, which already has contracts with several US accounting firms for tax preparation, “any activity where we can digitize and decompose the value chain and move the work around, will get moved around.”³⁷ In other words, any work that can be broken up and outsourced will eventually be outsourced.

So, one might ask, in a world like this where technology allows firms to scour the globe for the most competitive (read lowest) price for labor, how can the US worker compete? Well, two ways exist and both are being actively pursued. One is for American workers to increase productivity. In recent years, technology and specialization have allowed US workers to produce far more while using fewer hours and resources. However, productivity can only go so far, and certainly has its downside. As massive American companies like General Motors (GM) and Ford, the true industrial giants of the 20th Century which once employed tens-of-thousands of workers, become more automated and efficient, they can do far more work while employing fewer workers. Also, auto firms once controlled virtually all of their supply chain for parts and other products. Now, firms can outsource specialized labor to outsiders who offer their workers lower wages or less union protection.³⁸

The other tactic for American workers is to become far more specialized in their chosen area. For example, according to Jerry Rao of Mphasis, “the accountant who wants to stay in business in America will be the one who focuses on designing

creative complex strategies, like tax avoidance, tax sheltering, or managing customer relationships.”³⁹ In a world where the typical work “that anyone can do” will increasingly be done overseas, it falls harder on Americans to continually sharpen their skills and compete for evermore specialized and focused work.

Between the push for firms to do more with less, and the battle for US workers to sharpen their skills, there is a growing sense of economic insecurity and fear in America. During a time when US workers are told to prepare to work as many as dozen jobs in their lifetimes, fear about the economic future is very high. In order to illustrate the new pressure on workers and its impact on society, one need look no further than a historical comparison of two great American companies, GM and Wal-Mart. For most of the later 20th Century, GM was the largest employer in the US. It owned factories nationwide, employed a massive workforce in the thousands, and produced the world’s highest-selling cars. The workers of GM, buoyed by powerful, hard-won union protection and the company’s massive success, prospered. A GM worker could truly be called a member of the middle class. A worker at GM could provide his family with a house, health care, college for the kids, and a nice safe retirement when years of toil were over. From a GM worker, American society could expect stable communities, as workers typically lived near their plants alongside fellow workers who could cooperate to keep up their homes, clean up their yards, coach the local little league teams, etc. US society could also expect billions in tax revenue as the GM workers produced a comfortable salary.

Today, America’s leading employer is Wal-Mart. Wal-Mart is a company renowned for its efficiency and power. “If Wal-Mart were a nation, it would be China’s

8th largest trading partner, ahead of Russia, Australia, and Canada” according to the November 29, 2004, issue of *China’s Business Weekly*.⁴⁰ With this massive size, Wal-Mart has tremendous leverage with its suppliers. “It can ground supplier down to the last halfpenny” to find the best prices.⁴¹ As it is ruthless with its suppliers, so it is equally ruthless with its own workers. According to the November 1, 2004, analysis done by the *New York Times*, a full-time employee at Wal-Mart makes about \$1200/month or \$8/hour. From that, Wal-Mart requires its workers who qualify for health benefits to pick up 33% of their benefits.⁴² At an average of \$8/hour, Wal-Mart workers make about \$16,000/year. So, with two full-time Wal-Mart employees would produce \$32,000/year for their family while working 40 hours/week for 50 weeks/years. Wal-Mart employees, by and large, cannot supply their families with a house (many US mortgage payments average \$1000-\$1500/month and would consume more than half of a married Wal-Mart couple’s income and obliterate a single worker’s pay). They cannot provide their families with health care, college for the kids, or retirement at any level. From Wal-Mart workers, US society cannot depend on stable communities as low-income workers and single parent families tend to be more transient in their lodging. From Wal-Mart workers, the US cannot count on billions in tax revenue as the lowly-paid workers fall into the lowest tax brackets. Further, not only are Wal-Mart workers unable to add much in tax revenue, they are forced by their situation to withdraw much public support from the tax coffers. In a November 22, 2004 interview with Salon.com, journalist Liza Featherstone opined: “American taxpayers chip in to pay for many full-time Wal-Mart employees because they usually require incremental health insurance, public housing, food stamps—there are so many ways in which Wal-Mart employees are not able to be

self-sufficient.”⁴³ So, while GM workers were able to provide both their families and society with stable contributions, the Wal-Mart workers are forced to rely more heavily on what they can withdraw from society. Wal-Mart workers are the symbol of America’s new pressured, harried, increasingly frightened workforce.

While the US worker/consumer is being squeezed by the ever-tightening corporate belts and challenged by ever-rising job competition, they remain solely most important engine for global economic growth, the world’s largest corporate market. As corporations pursue their global race for lower costs and higher prices, they are still relying on American consumers to buy their goods in ever-increasing numbers for ever-decreasing prices. So, goods made in Mexico, China, Indonesia, and a hundred other nations flood into the US headed for the shelves of Wal-Mart and other consumer kingdoms.

*Part IV:
Too Much of a Good Thing*

In order for the global AIE system to work and prosper, it must be supported by massive consumer demand. The continual pursuit of cheaper production, the inexorable march of technology that rapidly turns once-complex goods into commodities that can be made anywhere and the adoption of the AIE system by people all over the world have produced a badly unbalanced global economy and put America at risk for a potential economic disaster. AIE is powerful and tempting because of its ability to create economic growth and wealth. All of the aspects of AIE revolve around the ability to make goods and services more diverse, inexpensive, and efficient than ever before.

The opening of the world economy has relaxed rules on the movement of capital around the world. This has allowed investors to amass the funds necessary to open

business operations in the spots that offer the best prices and opportunities. Technology has become smaller, less expensive, more standardized and ubiquitous. Thus, people who once could not afford technology can take advantage of the most cutting-edge tools from anywhere the workers can be found and trained. For American and European corporations looking to take advantage of globalization and search for greater profits, the key to lower prices and better productivity through technology is to produce more goods and services more efficiently and inexpensively than their competitors. The result is a glut of goods and services in the world market. Too many goods are being produced that must be consumed.⁴⁴

In order to consume the number of goods and services being produced, there must be a consumer market capable of sustaining the flow. For the last fifty years, that market has been the US. Ever since World War II, the US has supported the global economy as a near-endless consumer for its products. In the aforementioned case of Japan and the “Asian Tigers” that followed the export-led growth variant of capitalism, the American market proved a necessary companion to their focus on investment, production, and export. From this relationship, both have benefited. For the nations of Asia, it has helped to produce a rising GDP and wealth of many people in these nations. For the US, it has produced a rising standard of living where consumers can purchase more advanced good more cheaply than would have been possible otherwise.⁴⁵ The balance between the exporters and consumers was the key point to maintaining wealth and prosperity for the whole system.

Today, we have achieved possibly “too much of a good thing.” In the 1970s, America was plagued by the double problems of high inflation and high unemployment.

This “stagflation”, it was said, brought on worst American economic crisis since the Great Depression. However, the Great Depression was a far different economic disaster. In the Stagflation of the ‘70s, high interest rates, high taxes, and high unemployment combined to cripple America’s productive capacity.⁴⁶ In the Great Depression, it was “too much of a good thing” that killed our economy. In the “Roaring ‘20s”, the economy boomed. American farmers and factories produced more goods than ever before. The cheap money available from the soaring stock market made investments in greater farming and factory production capacity easily achieved. The sky seemed to be the limit. Then, the bottom dropped out. The key factor that built the bubble was a slackening of demand. In Europe, the farms had recovered from the disaster of World War I, lessening European demand for American crops. On the industrial front, US factories produced many “durable goods” for which demand eventually reached a crescendo as all Americans who wanted such goods already possessed them and would not buy another for a period of time. As a result, farm and factory surpluses grew and production was forced to slacken throwing millions into the ranks of the unemployed. The engine that drove the country into the Great Depression was a slackening of demand and an overabundance of supply.

Today, as we have seen, global supply is not an issue. Technology and globalization have allowed corporations to set up profitable production and service centers throughout the world. The issue, as before the Great Depression is one of demand. In the history of great empires, particularly in the age of mercantilism, the empires were the suppliers of capital to their developing colonial economies. In its

heyday, the British Empire enjoyed a massive surplus while using this capital to invest in other lands.

At the height of its imperial reign, in 1913, Britain was a net exporter, or investor, of capital; it invested the equivalent of nine percent of its GDP in foreign countries that year, helping to finance the infrastructures of the US, Canada, Argentina, and Australia. Even long afterward, Britain was able to retain a prominent international role in large part because it earned interest and dividends on the enormous investments it had made during its heyday.⁴⁷

So, the British were able to support the economies of their colonies while maintaining a dominant position. If they ever wanted to cripple a rebellious colony, as they tried with the US, they always enjoyed the option of withholding support or pulling their investments.

America's imperial economy today is living beyond its means. It draws more and more capital out of the global economy to support its massive government and consumer debt. American citizens actually have a negative savings rate now, while many of America's trading partners like Germany, China, and Japan are still saving massive surpluses of capital.⁴⁸ What does all this mean? Simply, Americans are consuming goods at high rates, actually increasing their debt load and reducing their disposable income with each passing year. In contrast, powerful nations in Asia and Europe have saved their money or invested them in developing export goods.⁴⁹ How long can America continue this pace? As the consumer market to the world, the US continues to support the production-centered economies of its trading partners. All the while, these trading partners pour more of their own assets into producing more rather than encouraging their people to consume more.

The saving grace for America has been oil. In the early 1970s, President Nixon removed the US from the gold standard, allowing our currency valuation to float freely

on the global market. At the same time, a deal was struck with the Saudi royal family that the US would protect them in exchange for their promise to only accept US Dollars for their oil and to invest the profits of their oil revenue largely with US companies.⁵⁰ As the price of oil has grown ever-higher with increasing demand, the amount of treasure flowing into the US economy has also risen. So long as Saudi Arabia, and by extension OPEC, will only accept US dollars for oil and the billions in petro-profits are overwhelmingly invested in the US economy, demand for American dollars and available capital for America's debt-ridden consumer culture should remain high.

Oil exporters' willingness to lend their oil windfall back to the U.S.," said Brad Setser, an economist with Roubini Global Economics in New York, "has been an important source of support for the dollar and, by helping to keep longer-term U.S. interest rates low, has helped to support housing prices and thus U.S. consumption."⁵¹

However, with the growing global demand for oil and the risk that it is going to become scarcer, the pressure is building to develop alternative fuels. There is also the growing possibility that Iran or another powerful oil producer might begin accepting Euros rather than only dollars in exchange for oil purchases. If that happens, then the guaranteed amount of capital coming into America could be threatened and America's consumer culture could finally begin to come apart.

The only hope to maintain the vital balance of production and demand is to shift some of the balance away from America. However, can the global economy handle this shift? Will the governments of nations with high trade surpluses allow their assets to be used to further develop a domestic middle class? Even if these are able to happen, America will have to reduce the consumer spending that has helped to develop the middle class lifestyle and possibly bleed more good jobs away to developing countries as these

nations struggle to develop a consumer culture. Either way, the pressure to change and balance the world's economy will fall heavily on America's people who are struggling to adjust to the new world of AIE.

In the original mercantilism, the empires imposed a disadvantageous economic system on their colonies. With their positive trade balances and capital surpluses, the empires garnered cheap natural resources, large profits from selling manufactured goods, while maintaining a dominant financial position as a lender and developing a domestic middle class with protective tariffs and secure jobs. In today's reverse mercantilism, our MNCs help produce a disadvantageous economic system on US workers. We provide markets for cheap foreign goods while hemorrhaging jobs to them as MNCs hope to build a consumer class in foreign nations. Financially, the US is in heavy government and private debt, so must rely on foreign investment and petrodollars to prevent utter bankruptcy. In effect, with AIE, we have colonized ourselves.

American Imperial Economics is the basis of America's imperial system around the world. As it has opened markets around the world and forced or encouraged others to assimilate to the American free market system, it has had dramatic consequences for the world economy. It has made the economic future uncertain for American workers who must worry about their job security while simultaneously sharpening their skills to compete in a globally integrated economy. For American businesses, it has created an unhealthy connection between politics and economics with all the corresponding risks entailed by that arrangement. Just as American imperialism has shaped our political and economic systems in unfortunate ways, the next chapter will explore the social

consequences of American empire. American society has been lost in our push toward empire, and we may well pay dearly for that transformation.

Chapter 5

The Social Consequences of American Empire

The social consequences of American imperialism have been visited upon its own people in the form of a new Gilded Age. In previous imperial eras, it has been the social consequences of empire that finally crippled the hegemonic nation. For the Romans, it was a breakdown of the family and domestic institutions to the point where the Roman people could no longer defend themselves from the barbarians on the frontier. For the British Empire, it was the carnage and death toll of two world wars within 25 years and the rising strength of global resistance movements that finally sapped the will of the British people to stay the course of empire. In short, for both of these great powers, the costs of their success simply became too high. Even for America, during her previous imperial moment 100 years ago, the social consequences of the road toward empire pulled the reins on the carriage.

At the end of the 1800s, America stood at the dawn of her first imperial moment. Many leaders inside the nation called for America to take its place among the great empires of the world like the British, French, and Germans. The US had just recently completed the Spanish-American War with a smashing victory over the formerly great New World empire. In the war, America had won overseas territories in the South Pacific (Guam and the Philippines) and in the Caribbean. It had also gained a politically dominant position within the new “independent” Cuba.

At home, publishing tycoons like William Randolph Hearst used their “Yellow Journalism” to drive home the need for American expansionism in the world. American corporations were being transformed into massive Trusts, in which one single company

could effectively monopolize entire industries. Captains of Industry, or Robber Barons, like J.P. Morgan, John D. Rockefeller, and Andrew Carnegie gave vast amounts of money to keep pro-business politicians in office. In Washington, the Republican Party was continuing the political dominance that it had held since the Civil War. In the White House, conservative, pro-business, pro-empire hawk William McKinley was leading the nation. Finally, in the cities, political machines of both major parties rigged elections, handed out spoils to their allies, and controlled city services to favor whoever they chose.

All of these factors combined to create what historians have dubbed the “Gilded Age.” In his famous *The Gilded Age: a Tale of To-Day*, Mark Twain coined the name for the era. A Gilded Age, as opposed to a Golden Age, was characterized by a thin veneer of success and progress which concealed a layer of failures and discontents lying just below the surface. On the surface, the nation seemed to be hurtling toward a very bright future. America would become a great empire, in a world safe for corporate and political interests. To the supporters of such a day, it would be glorious. With a world wide open for conquest and expansion, it would be a great day to be an American.

However, just under the surface, there were problems aplenty. Workers toiled in nightmarish conditions in factories for very low wages. In deference to the great “Protestant Work Ethic”, Americans toiled as long as they could until the hours, conditions, or infirmity ended their careers. Of course, they were expected to accept this lot in life on the promise of great riches in the next life. Government and popular support for the workers was nearly non-existent. Unions were illegal and actively repressed. Any law that sought to ease the worker’s load including an 8 hour workday, limits on child labor, or retirement/disability compensation were decried as socialist and a threat to

the moral fiber of the nation. Families were forced to work side-by-side with the mothers and children putting in nearly as many dangerous hours as the men of the family.

On the home front, Americans were increasingly forced to live in cramped tenement apartments in the vast, squalid cities. In many cases, these apartments were lethal traps in the summer due to their poor circulation and stifling heat. Such groups as workers, immigrants, and racial minorities were systematically marginalized politically and economically. Just as unions were feared as socialist, groups like the Ku Klux Klan sought to limit immigration and minority opportunities for employment. Both women and African-Americans were kept from voting rights. For the women, it was a *de jure* disenfranchisement since they would not win national voting rights until 1920. For the African-Americans, it was a more insidious *de facto* discrimination because even though black men had been granted voting rights at the end of the Civil War, they were actively kept from utilizing them in any large scale until the 1960s, nearly 100 years later. Finally, the powerful Native American Indian groups like the Lakota (Sioux) and Apache which had long been the bane of the expanding American state were finally targeted for herding into vast concentration camps (reservations) on the fringes of the ever-diminishing frontier.

Just as the march to empire and the marginalization of the periphery of American society seemed a *fait accompli*, the historical page turned and the American focus was lowered from the great “golden” horizon to deal with the problems of the nation. Events as disparate as the assassination of McKinley; the rise of Teddy Roosevelt; the Great Triangle Shirtwaist fire in New York City; the Great Strikes of the 1880s and ‘90s; and the First World War; helped to ignite a host of liberal social reforms. These changes

included women's suffrage, legal standards on working conditions, an end to child labor, and the growth of labor unions. All of which helped to transform society and to provide a greater manner of equalization between differing classes. Thus, as the songwriter says, the coating gold seeped deeper as it should.

American Imperial Society

Inarguably, the US stands today as the world's most powerful nation. In 1991, as it emerged from the Cold War, all things seemed possible. The half-century of conflict with the Soviet Union had ended without nuclear fire. The once-socialist/communist nations of Eastern Europe and the developing world were emerging into a new day of capitalism and democracy. There even seemed to be a chance for lasting peace in the Middle East after successful conferences in Madrid and Oslo had led to a peace treaty between Israel, Jordan, and the Palestinian Authority. It seemed a natural time to focus on building American interests globally and to take full advantage of its victory. This *Pax Americana* construction effort has taken the bulk of the last two decades and it has produced startling successes. According to statistics gathered by the Organization for Economic Cooperation and Development (OECD), the United States ranks "best" (in the top three among industrialized nations) in the following categories: Gross Domestic Product, economic productivity, business start-ups, long-term unemployment, education spending per-pupil, college graduates, spending on research and development, high-tech exports, movies exported, breadth of stock ownership, volunteerism, and charitable giving.¹ Truly, this is a daunting list of success. It exhibits a vaunted economy, a strong focus on education, and even a strong moral character to society. This list doesn't even include military spending and activity that easily paces the world community. Given all

this, it would be easy to assume that America's imperial ambitions have shown strong successes with few alternating costs. However, there is another story to be told in the numbers that is quite disturbing and could make one question the long-term viability of the American empire.

According to UN and OECD statistics, the US ranked "worst" (in the bottom three among industrialized nations) in the following categories: poverty, income inequality, carbon dioxide emissions, life expectancy, infant mortality, homicide, healthcare coverage, HIV infections, teen pregnancy, personal savings, voter participation, and obesity. This list does not include nearly annual 10% increases in healthcare costs with very little effect. The statistics paint a grim picture of America. While on the surface we appear strong, most of our "best" rankings were in economic areas. In reality, these seem to cover the truth of a society that is increasingly unhealthy. In this disconnect between the supposed glory of the American imperial moment and societal problems that appear to be going without repair, there is a growing sense of marginalization in American society and a fear that they have been abandoned by their leaders.

Perhaps the key tragedy of the original Gilded Age was that of a giant opportunity missed. At a time of great change, from the end of the Civil War, to the closing of the frontier and the dawn of the industrial revolution, America missed a chance to modernize its laws and the skills of its people in order to better allow them to take part and profit from their rapidly changing world. With the average farmers, watching the beginning of

the industrial revolution, there was no mass effort to create the laws or training that would be necessary to transition them from agrarian to industrial life. Such reforms really could/should have included the legalization of union representation (to give workers a democratic voice in their plants), strict limits or outright banning of child labor (to protect the most vulnerable of society), and safety standards on shop conditions (to protect the workers from unsafe conditions). These reforms, just to name a few, would have given the workers a better chance in the new industrialized world that they were entering. The leaders of the time should have been conscious of the change going on in the economy and taken it upon themselves to better prepare American society for the transition. Instead, these reforms were not adopted for years after the beginning of the Industrial Revolution. Some of them, mainly legal unions, were actively and sometimes violently fought against by the powers-that-be, As a result of these reforms absence, the workers were left at the mercy of profiteering business owners who drove the workers hard in order to maximize wealth for themselves.² Likewise, with African-Americans newly liberated from slavery, there was no public drive to launch an education program to teach the freedmen skills beyond those acquire during their former lives as slaves. These reforms could/should have included a program to teach trades or business principles which could better have helped them to integrate into America's free capitalist system of the day. As a result of the lack of such training or education, many if not most African-American farmers were forced to sell their services to local landowners as sharecroppers (including the same family that had formerly owned them). In this system, the farmer would work the land for the landowner and pay him rent for tools, seed, housing, etc. The landowner would take a percentage of the crop in order to pay off the

debts owed to him. The remainder was usually barely enough for the family to survive. Thus, from this nearly feudal existence, there was no escape since a family faced great difficulties in saving enough money or acquiring the necessary skills to find another acceptable job.³ Also, with Native Americans, being forcibly integrated into white American society, there was no effort to take their culture or beliefs into account. Instead, the American nation could/should have pursued the integration of the American Indian in a way that would allow both to become more familiar and comfortable with each other through cultural contact and trade. In the absence of this approach, the American Indians were rounded up and forced, usually violently, onto large concentration camps called reservations. Upon arriving at these reservations, the Indians would be deprived of their weapons, their ponies would often be slaughtered, and they were informed that they were to communicate with the United States through the local Indian Agent who worked for the Bureau of Indian Affairs. These Indian Agents were to provide all of the food, blankets, tools, and supplies promised to the bands in return for their moving to the reservation. Often, the Indian Agents would sell the supplies given to them by the government and replace them with substandard goods (rotten food/holey blankets). Thus, the Indians were forced into a subservient, defeated existence that in many ways arrested their development for decades.⁴ Whether it was intentional, the result of deep-seeded racism or a desire to enrich the elite at the expense of the poor, or it was simply a lack of focus on broad societal development due to the era's focus on empire and corporate expansion; the American nation missed a great opportunity in the late 1800s and guaranteed a societal backlash that would rip across the early 20th Century from Little Bighorn, to Blair Mountain, to Harlem.

Just as in the first Gilded Age, the new drive for empire has left many Americans behind. The world being created by a mixture of American Imperial Economics, technology, and globalization is rich in opportunities. Alas, the American powers-that-be have spent much of the last 20 years on political infighting, military adventurism, and economic transformation (remaking the global economy in America's image). While on this crusade, America has forgotten its people.

Like the original Gilded Age, there is great opportunity in the "Brave New World" of globalization. However, the benefits of the new order have thus far been apportioned mostly to those with wealth and power. Multinational Corporations (MNCs), international financiers, and their political allies have garnered great rewards from the expanding global markets and the flexibility to pursue opportunities wherever it lies. For those without great flexibility or resources, the era has been more challenging. The world is smaller and faster now and this has shaken old roots. Many pundits wonder if America can be competitive in the future. The real question that should be asked of this era is whether the American people have been properly prepared and supported in order to allow them to be competitive in the future. As the economic political and technological landscapes of the world are being rewritten, the skills and social contract of the United States are in need of modernization. In days past, corporations and governments often made promises of lifetime employment and/or benefits to their people. As recent events have shown, the modern world will not allow or protect such guarantees. The new world order is making many old institutions and relationships irrelevant. So, in their place, new institutions and guarantees must be written. If globalization and

American empire are a *fait accompli*, then the American people must be included in the conversation about how they are going to inhabit this new world. If the decision to globalize has already occurred, then the American people must become included in the conversation over *how* we will globalize.

However, as in the past, no such mass effort is being made. The leaders of America's government and economy have not pushed for reforms in a comprehensive way nor have they worked to broaden the discussion about the future course of our nation. America's leaders, either by intention or distraction have allowed the American people to be discounted in the equation concerning the future. Perhaps the most basic responsibility that any government or leadership has to its society is to provide for the basic health, education, and welfare of its people. In America, the state of our health, education, and welfare provide a window into health of our society and indicate the level to which it is under stress. In dealing with each of these facets, America's leaders have ignored reforms, adopted woefully inadequate changes, or even placed additional stress on the system.

American Health Care "A Sinking Ship"

Historically, ensuring proper access to health care has been the responsibility of the American people. In the early days of the Republic, if you lived outside a major city or even in a small town, you were at the mercy of travelling doctors or whatever collection of medical skills the nearby area could boast. Much like law enforcement, if a doctor was not present in your area, then you were on your own. As we moved into

modern times, the situation improved. Doctors, hospitals, and other medical professionals became more numerous. Licensing, medical education, professional organizations (like the American Medical Association), and state standards made health care more available and secure. By the mid-20th Century, health care coverage began to usurp the “family payer” system as care and treatment became more expensive. Before World War II, the first of the “Blues” represented community organizations, providing health care to low income members. During World War II, as government limits on compensation and benefits limited firms’ abilities to retain top workers, health care coverage offered by employers became a major source of medical care. The government endorsed this plan, even granting it tax-exempt status.⁵ That is, benefits offered to employees are not subject to income tax (at least not yet). As the years passed into the later 20th Century, the government became increasingly involved in providing and securing access to health care. These efforts varied from the creation of Medicare (government-provided health coverage for the elderly) and Medicaid (government-provided health coverage for the poor) in the 1960s; to the Congressionally-sanctioned creation of Health Maintenance Organizations (HMOs) to control costs; to the modern programs offered by some states to guarantee health coverage for all children and by the federal government to cover prescription drugs under Medicare.⁶

Simply put, in recent years, the government’s policy has been made clear. It is the job of the American society to provide or ensure affordable access to good health care. It has never been more important for the government and people to keep that commitment between them. Today, America’s health care system faces panoply of issues which threaten to challenge the stability of the entire system. First, America is an aging

nation. As the median age increases, we will need to spend more on health care. A large percentage of all health dollars spent in a lifetime are spent during the last months of life.⁷ So, as the population ages both health care demand and cost will increase.

Secondly, it is not only age but economics which is increasing our health care insecurity.

In a fundamental way, American Imperial Economics is undermining our health care.

The hyper-competitive capitalism, pursued by the market fundamentalist architects of our imperial economic paradigm, has forced firms to cut their costs to be more competitive.

Among these costs are the health care coverage of offered to its employees. In fact, as it went through its recent bankruptcy, General Motors announced that it owed \$47 billion in future contributions to a trust fund created for their workers and retirees health benefits.

It is estimated that GM's health care costs add nearly \$1600 to the price of every car as it rolls off the lot.⁸ Since employer-sponsored health care is still the lynchpin for millions of Americans, an entire section of those covered by insurance are at-risk of losing their coverage in the future. Thirdly, while we may fear that the "graying" of America and the risks of economic change may threaten health care coverage for many, the status quo system is currently unable to guarantee coverage to nearly 50 million Americans.⁹ For those without insurance, the health care options are few. If they experience no outward symptoms of illness and avoid serious injury, then uninsured people will simply avoid medical care altogether. If they are in need of medical attention, they will turn to the most expensive avenue for aid, their local emergency room. So, in the end, those that are without coverage will be forced to avoid any preventive care which is far cheaper and rely on emergency care facilities which drastically increase the cost and stress on the

system. As a result, many urban trauma centers have been forced to close their doors due to skyrocketing costs of covering those uninsured.¹⁰

With all of the issues facing America's health care system and the current system unable to insure millions of Americans already, the question has to be asked: What will our leaders do about it? The battle for universal access to health care is not a new governmental priority. In fact, since the Roosevelt (FDR) Administration, the issue of health care reform has been engaged a number of times. Each time that it has been raised, its opponents are rallied to stop the reform. In 1993, President Bill Clinton made the most recent (before President Obama) attempt to secure universal health care. Clinton, one of the architects of the spread of Americanization in the post-Cold War era and who said that the "era of big government is over" also believed that the coming changes to the world demanded that Americans have access to health care. To Clinton, reforming our health care was an important part of America's economic future.

Millions of Americans are just a pink slip away from losing their health insurance, and one serious illness away from losing all their savings. Millions more are locked into the jobs they have now just because they or someone in their family has once been sick and they have what is called the preexisting condition. And on any given day, over 37 million Americans -- most of them working people and their little children -- have no health insurance at all. And in spite of all this, our medical bills are growing at over twice the rate of inflation, and the United States spends over a third more of its income on health care than any other nation on Earth.¹¹

Reforming the system was about both saving money and guaranteeing peace of mind to millions of Americans. Clinton's plan called for a massive federal program that would enroll Americans into Health Alliances (basically federally-regulated HMOs) which could use the size of their membership rolls to negotiate lower prices for health services with hospitals and doctors.¹³

Immediately upon its unveiling, the plan ran into a firestorm of opposition from conservative members of Congress, the insurance industry and right-wing commentators. The level of rancor against the plan ranged from the reasoned to the absolutely stark-raving mad. For example, in his January 1994 piece entitled "Clinton's Health Care Plan for You: Cradle to Grave Slavery", Jarrett Wollstein leveled charges that Clinton's plan would:

- send all patients through medical 'gatekeepers,' who would decide what care people really need." If they decide you are too old, too sick, or too politically incorrect to be treated, they will have the power to deny you treatment, no matter what the consequences.

- destroy 16.3 million jobs through new taxes which could destroy small business.
- present and future doctors will be under direct control of a new National Health Board. Those who don't obey orders can be fined, have their assets forfeited, and be imprisoned.

- everyone in America will be assigned a national ID number, and your medical records will be stored in a government computer, where they can be seen by thousands of bureaucrats. This information could be used to deny you governmental loans or jobs. Or it could be used to force you to get mandatory treatment for alcohol or drug abuse. Or it could put you in a mental hospital or enable the state to take away your children.¹³

Despite the fear tactics laid down by Mr. Wollstein and other conservative commentators, the basic argument against President Clinton's health care plan was that it was too big, too costly, gave too much control to the federal government, and really wouldn't save any money. To them, the system was just fine the way that it was and it was better to continue with *status quo ante* than to make such a "radical" change. In 1994, President Clinton's health care plan failed before the Congress. Its failure was largely due to massive spending on the part of the insurance industry and its allies. Its failure and the ideological battle that ensued were also thought to be a reason for the ascension of the Republican Revolution in 1994. With the election of the conservative Congress, and the

election of President George W. Bush to succeed Clinton, the issue of health care reform fell onto the back burner.

Today, fifteen years after the last major attempt at health care reform, it is instructive to see the impact of our failure to act. In a January 2009 report for the Center for American Progress, Ben Furnas found that since 1994 the American health care system has been plagued by “rising costs, increasing numbers of uninsured and inconsistent quality”. Among his findings:

Rising Costs:

- Since 1994, per person health care spending has increased 5.5% per year vs. a 2.6% consumer inflation rate during that time.
- Premiums for employer-based health care have doubled since 2000, costing American firms in competitiveness with foreign firms who have government-supported systems.
- The percentage of firms offering health insurance has fallen from 66% in 1999 to 60% today.
- In 2006, the US spent the equivalent of 16% of GDP on health care vs. only 8% in 1976, hurting our productive capacity. (It is interesting to note that in 1994, the opponents to reform said that it would give government control over 1/7th or 14% of our economy. Now, we spend 16% on health care).

Vanishing Coverage:

- In 2007, the number of uninsured Americans was 46 million (15% of population) up from 38 million (14%) in 1999.
- A 2005 Families USA study found that, by 2010, \$1500 of each family’s insurance premium cost will be due to costs associated with uncompensated costs for the uninsured.

Declining Quality:

- In 1994, the American infant mortality rate was .8 deaths above the OECD average. By 2004, it had risen to more than 1 death above the OECD average. This places the US 26th in the world in infant mortality.
- In 2004, the US ranked 23rd in the world in life expectancy, and it has been falling relative to the OECD average since 1994.
- Obesity rates among Americans have risen steadily since 1994. In 2007, the percentage of Americans considered obese was 26.3% vs. 16% in 1995.
- In 1993, 51% of Americans were generally satisfied with the quality of health care in America vs. 54% are dissatisfied today.¹⁴

Fifteen years ago, as America was just beginning her imperial adventure, President Bill Clinton called for health care reform as a key to prepare the American people for the economic future. He, perhaps more than many leaders at the time, saw what the coming world order would mean for America's economy and what her people needed to be prepared for it. At the time, the champions of the status quo claimed that any reform would raise prices, limit services and damage quality. Now, it seems that all of their fears have come true anyway, and that was before most American firms had to compete in a global economy against nations whose health care is guaranteed by the government. Now, in the light of globalization, their fears about reform ring hollow, and a giant opportunity was missed.

American Education
"One Reform Fits All"

America's education system is one interesting microcosm of the Gilded Age-effect. On the top of the system, America's colleges and universities are the envy of the world. These tremendous centers of learning attract students from all over the world, form cooperative efforts with business, and produce cutting-edge research which adds real value to the economy. However, just below the surface, our elementary and secondary school systems face great difficulties.

America's elementary and secondary school systems are antiquated. In 2006, Time magazine did a cover story on how to build a student for the 21st Century. In the piece, the authors made an interesting observation. If a Rip Van Winkle-type character were to awaken from a 100 year slumber and were to observe nearly any business, he would scarcely recognize it. The highly competitive nature of the global economy has

forced every business to constantly evolve and modernize or die. On the other hand, if our sleepy visitor had walked into a school today, he would instantly recognize it. Not that much has changed.¹⁵

In structure, America's school system is the remnant of several bygone eras. The typical school calendar of August to June classes with the summer off is left over from our agrarian past where most students needed to have the summers free in order to help harvest the family's crops. The school day is usually divided into periods of a set length that are convened and ended by a bell is an idiosyncrasy left over from our industrial hey-day. In those times, the students were expected to be trained in repetition and routine, in preparation for their coming days on the assembly line.¹⁶

In administration, the American school system is still dominated at the state and local levels. While there has been a federal Department of Education since 1979, it is relegated mainly to educational research and communicating best practices rather than actual day-to-day operational control of any schools. While it might have made sense to relegate school policy and educational standards to local/state control when the length and breadth of most American's world was limited to the borders of the county in which they were born, times have changed today. At that time, it would have made sense to allow each community to set its own educational standards given the fact that most of their students would rarely have to collaborate outside that community. In the globalized world of today, state and local identities mean less and a more comprehensive national vision for our students is more logical. Further, splintered administration of schools makes large-scale modernization and reforms difficult due to local differences and bureaucratic inertia.¹⁷

In curriculum, American students are expected to pursue an academic-heavy course load. While many countries offer the opportunity for trade skill training (plumbing, carpentry, cooking, welding, auto repair, etc) at a skill center of some sort, all students are expected and required to take an academic course load full of language arts, history, science and math. This curriculum can be excellent at enforcing study skills, reading, test-taking, and essay writing. In short, America's dominant curriculum is adept at preparing students for higher education, but they are really not intended for those not going to college. In days past, the academic elites of American high schools were headed to college, the small percentage who worked in the school district's skill centers were headed to the trades, and the remainder of students would go to work at local factories on the assembly line. However, for this middle group of students, those jobs are much less plentiful today. If a student is not academically inclined for college and cannot fit into the usually limited trades program, then the American educational system offers little in its current curricular outlook.¹⁸

The global economy is going to demand intellectually nimble, self-driven workers who are allowed the flexibility to harness their natural talents into businesses and innovations. America's antiquated primary and secondary education systems seems overmatched in providing those workers. However, in pursuit of reform (which is not a small effort since the US currently spends more per student than any country in the world); the government has pursued a faulty premise which will actually make the problem worse.

With the creation of the Department of Education, the federal government decided to get more involved with educational policymaking. However, even though nearly every

recent President has dubbed himself the “Education President”, there had been no large scale pushes for educational reform until 2002. In that year, President Bush declared that he wanted to close the achievement gap between racial groups. In order to do so, Bush and the Republican Congress passed the No Child Left Behind Act (NCLB).

NCLB set very ambitious goals for American schools. It called for each student to be proficient in reading and math by 2014. In order to accomplish this, the law calls for a set of educational standards which will be taught and evaluated. Each year, the states will create Annual Measurable Objectives (AMOs) in reading and math. Each student and each school is measured every year by a series of standardized tests. Each year, the school and its students are expected to meet or exceed their AMOs by reaching what the law describes as Annual Yearly Progress (AYP). The AMOs is steadily increased every year pushing the school’s AYP toward the 100% proficiency level by 2014.¹⁹

In defense of the Federal Government’s effort at reform, NCLB does come from a good place. The law wants to narrow the gap between America’s racial groups by helping to guarantee that all get an acceptable education. It also wants to ensure that students are given an education which rises to a certain set of standards which can be measured and compared. It is a model of efficiency in its approach and ideal. Unfortunately, from the beginning, NCLB was fraught with problems in execution. In reality, NCLB’s standard of 100% proficiency by 2014 is unlikely. Educators know that there are any number of reasons that students do not all achieve at an equal level or in equal time. Further, if a school fails to reach AYP, then it is in danger of losing its Title I funds from the federal government.²⁰ So, if a school is struggling and its students need

additional help, the law authorizes funding cuts. The law also has been consistently underfunded since its passage by political disputes within the Congress.²¹

In concept, the problem with NCLB is not its effort to narrow differences or use a broader canvas of national and state standards for education; it is the evaluation of its successes and failures. NCLB calls for the success of schools/students to be evaluated through the use of standardized tests in each state. For the educational specialists and politicians, standardized tests are the best way to observe a school's performance. In truth, no evaluator can sit in on each classroom and observe the progress of every student. In order to measure the success of millions of students in thousands of schools, one must rely on a diagnostic tool that encompasses a large population with similar metrics. However, while standardized tests measuring the curricular success of standards with a global perspective sounds like a worthy way to measure the quality of American schools, the results on the ground inside schools is noteworthy. The results of the standardized tests become the primary measure of the students, teachers, and schools. Since the test and its standards become the metric for determining if a school's funding remains intact and the teachers remain employed, it is only natural that the teachers and students focus increasingly on the test as the centerpiece of the class' day-to-day operations.

The world of the 21st Century is putting amazing stresses on schools and teachers. Beyond the daunting economic and social changes which are stressing families and communities, great technological changes are rewriting the economic and job prospects for the future. While the average American teacher came through their education during the 1970s to 1990s, they are now being asked to educate children for jobs that may not have been invented yet. In 1990, Google, Amazon, Facebook, and Twitter were still

years in the future.²² Occupational experts believe that this young generation of Americans will work 9-11 jobs in their working lives. Technological experts tell us that the largest source of new jobs in the future will come from innovations on existing technological platforms, everything from new applications for the I-Phone to social networking innovations like Twitter. Increasingly, these innovations will be accomplished through online collaborations between people, institutions, and businesses.²³ All of this innovation and collaboration will be made possible through open communities of tech savvy and creative contributors who will be exercising their own curiosity and skills to take apart and improve a product they enjoy. In their lives outside school today, students live in a high-tech world of innovation, communication, and collaboration. Compare that to the world of schools created by NCLB. It is a world of students learning nearly identical skills and knowledge from a centrally-planned set of standards in order to achieve the ability to find the right box on a standardized multiple choice test. The world of innovation needed for our increasingly specialized niche economy will not be filled with too many multiple choice challenges. Rather, it will demand those who can problem-solve, reason, and **apply** knowledge into real world conditions. The global economy demands that its workers can add value to an increasingly commoditized landscape. If a worker does not have unique skills that he/she can bring to the table, then he/she will not have a successful place in the new order. Simply, if anyone can do your job, then it will be done in India or China for a fraction of the cost. In response to this need, the American school system and its leaders have chosen to embrace a very centralized; one test fits all approach to education. Oddly, just as the massive factories of the industrial revolution are shutting down in the US and

moving elsewhere in search of cheaper labor, the American educational elites have decided to use an assembly line to build the next generation.

America's Welfare
"Twilight in America"

In the Constitution, the federal government is charged with overseeing the General Welfare of the American people. Since that clause was written, it has been controversial. What does welfare mean? Perhaps it means a conglomeration of anti-poverty programs or maybe it means the moral and ethical upbringing of all our nation's children. Who is to ensure the welfare of the American people? Is the responsibility to fall to the Federal Government, the states, or to all parents? Clearly, the General Welfare of the US is an ambiguous term which calls to mind many definitions. The ambiguity of the term is further clouded by the plethora of intersecting conditions that can affect a nation's overall welfare. Decisions of a governmental, corporate, or personal nature can radically affect events and create political, economic, and social consequences. In order to examine the general welfare of the American people, it is impossible to speak about the well-being of our society without considering the many events, decisions, and people which can affect it.

For the purposes of this analysis, the General Welfare of the American people will be defined as the psychological strength of our nation and the confidence that the American people have in our future. The courage of our nation to look toward the future has always been one of America's greatest strengths. We were founded on the idea that everyone here would have an equal chance (not without great sacrifice or challenge) to make for themselves a better life. Where many nations were bonded together out of a common geographic, cultural, or ethnic history, American was one built of many peoples.

Where other nations were shackled by the baggage of centuries of conflict, American was to be a clean slate, a place to have a second chance and a place to find peace. In this pursuit, our nation would always be changing, but in that change we would find strength through the vivacious energy of a thriving society. Throughout our history, many have claimed that America lacks a cultural identity of its own. Rather, they claim, we are simply a motley collection of leftovers from other people's creativity. On the contrary, America's unique culture *is* that blending and mixing of all other ideas to create the best fusion of them. In that fusion, these concepts become something new, something that deserves to be called American. The ability to embrace change, see the strength in others and draw unity from diversity is really best summarized as the ideal that hold our country together, it is the American Dream.

Perhaps the best metaphor for the Dream was created twenty-five years ago. In 1984, as Ronald Reagan ran for re-election, the US looked very different than it had only four years earlier. After the deep recession of 1982-83, the economy had shaken off the rust of the 1970s inflation and begun to hum. Internationally, American was rebuilding her confidence from the horrors of Vietnam and the humiliation of the Iran Hostage Crisis. In his campaign ads, President Reagan promised that America had been reborn and it was again "Morning in America." That message of a new day rings loudly in the American character. We, the American people, welcome a new day as a chance to wrestle with the challenges of our lives and hopefully defeat them. However, it takes courage to look for that new day. It takes strength to rise above your daily challenges and look for a second chance. Only a very confident person may lift their eyes from the ground to the horizon and search for a brighter tomorrow. If Americans can see their

nation in constant morning and if, as the old saying goes, the sun never goes down on America, then we will have a nation with a strong general welfare. However, that is not true today. The political and economic course of the last 20 years of American Empire has left us with a stressed, dazed, and fearful society. Rather than a nation who takes the strengths of others to make them our own, we have become afraid of what we have lost and what we might yet lose. In military terms, our offensive has stalled and we are now trying to hold ground against a perceived advancing enemy. Perhaps the saddest aspect of this turtle-like state is that the perceived enemy is not really there.

Societal Effects of American Politics

The societal effects of American politics over the last twenty years can largely be divided into two eras. The brief interwar period of the 1990s (the time between the end of the Cold War and the beginning of the Global War on Terror [GWOT] in 2001) was characterized by the move to spread American power globally and, more importantly, paired with a domestic politics that descended into divisive partisanship, increasingly powerful and narrow special interests, and politics as theater. As a result, even though the US had entered a new era that few Americans understood, the role of the American people was reduced in the '90s to that of dubious spectator and target for divisive campaigns. The American government lost the ability to build the broad consensus that is necessary to take on difficult issues like how to include the American people in a national discussion about globalization. The second era began on that beautiful, sunny day in September 2001. After the horrible events of 9/11, the American government kicked into high gear. Where the 1990s, for the average American, were full of trade treaties, sex scandals, and cruise missiles, the 2000s would be characterized by a global

declaration of war on terror, the USA Patriot Act, threat rainbows, and activist American security at home and abroad. As a result, Americans came to view the world and its future from the bunker mentality of the harried target, pushing the American people ever-further from real inclusion in the central discussion of our age: how will we fit in the modern world?

The 1990s dawned brighter than most of the previous decades. If you were to listen to the popular music of the time, 1991 was a year filled with hope. Fifty years of Soviet threat was gone and a brand new world opened before us. However, as we saw in Chapter 2, the new uni-polar world of American primacy was not as easy as many wanted to believe. Having lost our counterbalance of the last half-century, American launched its own “domino effect” around the world. With the communist threat gone (or so we thought), there was no clear alternative to American economic and military power. Globally, we spread our wings to build new bases and convert the world to the theology of market fundamentalism. At home, the path seemed less clear. While anti-communism and the Cold War had galvanized American policy for a generation, its absence left a vacuum of focus. Instead, the new twenty-four hour political media could pound policy minutiae into the ground and bring on a host of conservative and liberal voice who raised the decibel level on political issues without accomplishing much or gaining any consensus. The domestic politics of the day seemed shallow and dedicated to showmanship over substance. As a result, the big picture of the day, America’s growing commitments and the challenges of the globalized world we were pushing into reality were ignored or deferred until a later time. Pounded by the divisive nature of political journalism, America’s culture wars were in full swing. It seemed perfectly acceptable to

battle over the morality of abortion or gay rights while completely avoiding the topic of how best to prepare our people for the future. Americans became cynical about their politics and about each other. The cries of “Godless Liberal” and “Heartless Conservative” strained the fabric of our nation by turning genuine political disagreements into an unholy war. By 2000, the clear emergence of the “Red and Blue” phenomenon had taken hold.

Much has been written about the Red vs Blue States. Many pundits believe that it to be mostly a temporary blip or passing fad, with no long term consequences of our nation. However, such musings mask the deep and troubling cultural differences which lay behind this divide. While it is too simplistic to describe whole states as being part of the Red (Conservative/Republican) or Blue (Liberal/Democratic) camps, it is more appropriate to say that they are differing states of mind. For example, Blues tend to be far more socially liberal, tend to favor global relations in a partnership or allied role rather than “America as world’s cop”, stronger labor unions, and fair vs. free trade.²⁴ Conversely, Reds are more socially conservative, tend to be more suspicious of global interaction at all, but if necessary prefer an “America first” approach without concern for international institutions or alliances, and likewise economically tend to take a dim view of too much foreign trade, fearing a loss of jobs and foreign ownership.²⁵ While it is easy to see many differences between them, the fact that the differences are so vast and constant (occurring election after election) is a better indicator of the amount of polarization within the American polity. The changing world had rewritten America’s political alliances among its people. However, as the media and politicians continued to hammer on the narrow and moralistic issues of the day, they reinforced the social

cynicism and divide, making it ever harder to achieve the consensus necessary to tackle truly important and mounting issues.

Throughout the '90s, Americans felt secure that they could largely ignore the world and fight their domestic jihad for the moral future of the nation. Truly, the world seemed as though it was going our way. Countless nations were moving toward democracy and free market capitalism, our President (despite his legal and marital issues) was as popular as a rock star internationally and our economic was in the midst of the longest peacetime expansion in history. It was a heady time to be an American. Then, on September 11, 2001, everything changed. The beauty of a late summer morning was shattered by thunderous explosions and mountains of glass and steel. Four hijacked airliners had been turned into terror weapons, killing 3000 Americans in New York, Washington, D.C., and Pennsylvania. This fact effectively turned the page on US policy as had the all of the Berlin Wall. Feeling that it had no choice, the US declared a global war on the concept of terrorism. This was, at best, a dubious mission. In the past, terrorism or political violence against non-military targets, such as those carried out by the Ku Klux Klan or Weather Underground, had been treated as criminal acts dealt with by law enforcement. In this case, the GWOT included military offensives in Afghanistan and later Iraq, sweeping new intelligence gathering and surveillance powers for domestic agencies under such laws as the USA Patriot Act, and a global manhunt for terrorist leaders. Further, the global manhunt to round up Al Qaeda's leaders included such tactics as Extraordinary Rendition, secret CIA prisons around the globe, and the infamous detention center at Guantanamo Bay in Cuba.

The GWOT approached the battle against terrorism differently than any past American conflict. Since most of the 9/11 casualties were innocent civilians, it seemed necessary to enlist the American people in the effort. In an effort to do so, the government created the Homeland Security Advisory System or “Threat Rainbow.” This five colored system kept the nation at a permanent alert status for the prospect of another terrorist attack. The rainbow, which ranges through Green, Blue, Yellow, Orange, and Red, intended to use a simple color signifier to warn Americans about the overall threat risk.²⁶ For example, in times of elevated risk for attacks and increased “chatter” from intelligence sources, the threat rainbow would be moved to Orange. In fact, at most airports around the country, the threat level has remained at Orange since 9/11. In the event of another massive terrorist attack, the level would undoubtedly be raised to Red, which would result in the cancellation of sports, schools and the closing of most public meeting places. All of this was intended to be a general indicator of America’s security.²⁷

However, since 9/11 the national threat level has never fallen below Yellow. So, the system has indicated an Elevated alert status for the likelihood of terrorism for the last eight years now. While some plots have no doubt been foiled, law enforcement and government officials concede that there has not been a credible threat to the domestic United States since 9/11. In fact, some liberal pundits argue that the Bush Administration made use of the Threat Rainbow for political reasons more than security-related reasons.²⁸ While the international military and intelligence offensive against Al Qaeda’s leaders and personnel has clearly been successful, the results have been quite different on the home front for the American psyche.

The 9/11 attacks shocked American as no event since perhaps Pearl Harbor. In reality, the attacks were far worse than the Japanese attacks in 1941. In Hawaii, the attacks were against military targets and were witnessed mainly only by those in attendance. On 9/11, the victims were civilian targets located inside busy cities. The attacks were caught on film from multiple angles and were witnessed by millions both live and in countless replays. As a result, American were far more horrified by the 9/11 attacks. Of course, for Al Qaeda, our horror was the point. If terrorists don't scare their witnesses, then the attack was not successful. However, our government's response to 9/11 didn't reduce the terror. Instead our government seemed to work to keep our anxiety level high. Since 9/11, a feeling of paranoia and fear has gripped America.²⁹ According to Findcounseling.com, surveys taken after 9/11 indicated that respondents felt less confident about world peace, less secure in their own country, and had higher levels of anxiety, hostility, depression, and substance abuse.³⁰ Perhaps the most telling thing about the impacts of the post-9/11 surveys was that the respondents were not New Yorkers, they were Midwesterners. These were people who lived thousands of miles from the attacks, in the American heartland, and still felt the lingering effects of the violence as though they had been there.

Rather than being a nation which confidently opens its arms to the world, we have become timid and worrisome. Since 9/11, Americans are encouraged to keep an eye on their neighbors. They are told to report any strange activity and that they are a key part of the National Security team. In this atmosphere, Arab-Americans, who might otherwise be some of our greatest assets in the GWOT have been targeted for harassment and intimidation. Immigration into the US has become more problematic.

Legal immigration has become more difficult as security checks have increased waiting periods.³¹ At a time when America needs to continue recruiting top students and immigrant minds to add to our economic competitiveness in the global “ideas” economy, we are making it more arduous to travel and study here. Illegal immigration, always a difficult challenge, has become an obsession for many American leaders. When you have a wealthy, developed country that shares a border with a poorer, developing country (Mexico), the movement of people to the developed country for work is bound to happen. For decades, the movement of people and items across the border has been a reality. Overwhelmingly, these people come to America to better their lives and to find opportunity for their families. However, rather than explore reforms to normalize our immigration issues with these workers, the paranoia of terrorism has come into play. According to some “experts”, the Mexican border is an excellent, porous highway for terrorists.³² While this is certainly a possibility, there is little evidence of a Latin American terrorist highway into the US. However, rather than deal with the economic issues of jobs, the diminution of borders, and immigration, the suggested reforms are largely focused on increasing the Border Patrol and building a wall along the Mexican border.³³

American society has become more cynical, paranoid, and defensive as a result of our imperial politics over the last 20 years. Instead of the welcoming nation which attracted the best and brightest, always adding them to our number, we have become smaller and more timid. These political events have made us question our confidence just as our nation’s policies have caused others to question us as well.

Societal Effects of American Economics

As damaging as American imperial politics has been to America's confidence, our imperial economics has been equally damaging for different reasons. As discussed in Chapter 4, American Imperial Economic (AIE) is based on the premise that unfettered markets work best. It has been the mission of our imperial economic agents to make the world open for American corporations and investment. In short, AIE envisions a world where goods and capital can flow freely across any borders. Thus, businesses can scour the globe for the most competitive opportunities on natural resources, labor, and investment. The elixir of the whole era has been free, unfettered trade.

As a result of the relentless pursuit of trade, growth, and capital, America has become awash in goods and cheap money. At this point, the American people are supposed to assume their role in the global economic machine, that of the engine. The free trade-driven global economic only works as well as it does if there is a giant market for all of the goods being produced. For China and India to rise as manufacturing and service giants of the new economy, someone must be on the other side of the equation as the consumer.

For nearly a century, America has been the world's largest economy, producing more goods and services than any other. For nearly that long, American has also been the largest consumer market. In the 1920s, the term "roaring" entered the description of the decade because Americans were buying record numbers of cars. In the 1970s, gas lines sprung up because the Arab Oil Embargo crimped America's purchasing habits. In the 1980s, Asian economic miracles happened because the "Tigers" and Japan could always sell their autos and electronics in America. The last two decades have not been any different except for the scale.

The American landscape has been changed with the modern consumer culture. Where once each town could claim its own unique constellation of shops and eateries, today America has become inundated with Targets, McDonalds, and Starbucks. Wal-Mart has become the largest corporation in the world, squeezing out many local competitors as it pushed its way into communities.³⁴ No value or tradition has remained unaffected by the encroachment of the consumer culture.

Today, however, the global factory system continues to pump out consumer goods at an amazing speed. American multinationals have needed sales to remain high to recognize their necessary profits. So, such drawing room niceties from earlier times have gone by the wayside. Today, the retail store culture is the “24-7” model. The largest stores like Wal-Mart or Meijer’s will remain open all day, every day, except Christmas, hoping they don’t miss a single change to reap a nickel from a would-be customer. Even the Christmas Eve time has changed until some stores remain open until 10 or 11pm on that night.³⁵ The values of tradition, family, or even the lives of their workers have no place here. Instead, these have been tossed aside in favor of the slim chance to gather one last penny from a prospective shopper. So, the values of the past have been subordinated to the reckless pursuit of every nickel from even the laziest and most procrastinating consumer.

For the US, the current consumer culture feeds on a downward spiral. Companies looking for greater profits push their vendors to provide more goods at lower prices. The vendors, feeling this pressure, must constantly find a way to deliver merchandise at the lowest cost. Increasingly, this means moving operations to developing countries for cheaper labor and production costs. As one producer moves their factories to a

developing country, others must follow in order to keep their costs in line with their competitor. Collectively, these boost production and lower prices which flood the US with relatively cheap consumer goods. Unfortunately, if producer and retail profits are to remain high on these razor thin price-cost splits, then sales volume must stay high.³⁶ American consumers must buy and keep buying. In order to reinforce this, the American people are bombarded with calls to consume. From television ads, to pop-ups on the internet, to even President George W. Bush, who told Americans to shop and vacation as a way to defeat terrorism after 9/11.³⁷

The result of this mounting pressure to buy has been devastating in two main respects. One is the environmental. As we have become such a fast-paced, disposable, fast food nation that is frenetically trying to keep up with the Jones', we have threatened our natural habitat. We have filled landfills with garbage and the air with poison as we try to fill our lives with possessions. Secondly, the American people have been encouraged to spend all of their disposable income on consumption. However, just as in a casino, a person first spends money that they can afford to lose and then money that they cannot afford to lose. The same is true of consumption. For years, Americans have been encouraged (by thousands of mailings that come yearly)³⁸ to take out loans, credit cards, and refinance on mortgages. Ironically, as interest rates and credit balances rise, Americans are forced to use their disposable income on debt service payments while taking out more debt to continue consuming.

After the Civil War, African-Americans and poor white farmers lived under a system called sharecropping. In this system, the poor farmers agreed to work the land for a richer landowner. The poor would borrow money from the landowner to buy seed,

tools, housing, etc. Then, they would pay the landowner back with a percentage of their crops. The debt service payments and the utter lack of any other marketable skills, inevitably forced the poor to continue in the sharecropping system. This kept them from acquiring the necessary wealth or training to better their condition and kept them trapped in a cycle of dependency and vulnerability. Today, America's economic structure is creating a similar "double whammy" on the American people. The companies' constant search for rising profits and low costs amongst increasing competition has endangered our job market. Simultaneously, the mounting debt pressure and lack of savings has reduced the average American's ability to survive without their jobs. We are back in a sharecropping economy, dangerous vulnerable in a shifting world.

In conclusion, America was born as a nation that saw a boundless horizon for itself and its people. Today, America's leaders have missed opportunities to ready their people for the coming changes. Important societal upgrades in health care, education, and immigration are pushed along without being solved. Likewise, the global economic system powered by AIE has left our people vulnerable and more dependent than ever before. In both cases, politically and economically, the American people have been left unprepared and vulnerable in the face of a new world that will challenge them like never before. Regretfully, in an age of decreasing guarantees, we seem to have increased the angle on an upward climb.

Epilogue Time for a Reboot

In a world so rapidly changing, time passes quickly. Several years have passed since the first words of this description of American empire were written. The original intent of this thesis was to describe America's transformation from republic to empire and to illustrate the political, economic, and social consequences that it has had on the American people. Just as in the early days of this era after the fall of the Berlin Wall, the last few years have evolved rapidly and brought many new events which have reinforced this thesis' message. In fact, the events of the last several years have shown that the very consequences described herein have become reality.

Environmentalists always complain about development. They complain that each new home, business, or farm damages the natural world. However, given that our growing population needs somewhere to live and work, their arguments have often fallen on deaf ears. So, in recent years, the environmentalist message has been refined into a more palatable form. Today, environmentalists talk about the need for sustainable development. They are willing to accept that development is necessary, but they argue that a balance must be maintained in order for the earth to continue to support life. The same argument can be made about America. Over the last twenty years since the Cold War, we have broadly struck out to build a new world order centered on free market capitalism and American interests. In order to build this new world, our economic and military agents have swept the globe, encouraging the opening of markets and defending the status quo with American power. However, in our zeal to succeed, we have left tradition, our allies, and, most importantly, the American people behind. The freight train

of American imperialism has steamrolled the globe for two decades, but it is nearing the end of its run. We have reached a point where our current course is simply unsustainable.

Over the last six years, three events are excellent case studies for the limits of American abilities and clear indicators that we have nearly reached the end of this path. The political case study was the 2003 invasion of Iraq. This ersatz adventure showed the limited ability of America's current military to fight a long foreign conflict. It has illustrated the corrosive effects of partisanship on national resolve and how our choices have damaged relations with allies. The social case study was the 2005 Katrina disaster. This tragedy illustrated how serious problems like poverty, inequality, and the failure to upkeep vital infrastructure have been too long ignored by our leaders. So, when a crisis hit, we were completely unable to effectively deal with it. The economic case study is the still unfolding recession and financial crisis. This episode shows both the devastating effects of deregulation and lack of oversight in the financial sector and the debilitating effects of debt on the American economy. When the "debt bubble" burst, our economy went into a tailspin. Collectively, these three episodes have revealed America to be overextended, overwrought, and overleveraged, and nearing the end of its current path.

Part I: Overextended

The Invasion of Iraq and Reconstruction

In 2003, the US Army and Marine Corp swept into Iraq on the putative mission to remove Saddam Hussein from power and to destroy his dangerous stockpiles of Weapons of Mass Destruction (WMD). The initial mission was very successful as regime change was easily accomplished. However, once the status of Saddam was pulled down in Firdos Square, nothing went as advertised. The WMDs which launched the invasion

could not be located. Internationally, our traditional allies opposed the action. Antiwar protests of crowds in the millions swept the globe from London to Beijing. The Iraqi people, initially exuberant, quickly became disenchanted as basic services like power, clean water and health care were in short supply and subject to continuous interruption. Even oil, of which Iraq has the world's second largest known supply, had to be trucked in from Kuwait to power the nation's crumbling electrical stations. Even the Iraqi dictator evaded custody for a time.

As the situation revealed itself to be very complex, the American strategy was reinvented. In the beginning, leaders within the Pentagon had intended to turn quickly turn Iraq over to a group of exiles led, amongst others, by Ahmed Chalabi.¹ Instead, the US decided to maintain an occupation for a year while a Coalition Provisional Authority (CPA) led by L. Paul Bremer tried to cobble together a more inclusive governmental body with an eye toward eventual elections.² While this was a laudable democratic strategy, the CPA was quickly drawn into a quagmire of issues with mixed results. Among their efforts, the CPA de-Baathified the Iraqi nation, which removed many Saddam loyalists but also denied the CPA the counsel and services of many of Iraq's leading engineers and managers.³ The CPA restructured the Iraqi security forces. They demobilized the Iraqi army and launched a crash course program of training for police and new soldiers. Unfortunately, the results were less spectacular than they had hoped. The results created thousands of unemployed veterans while putting green, poorly trained troops on the streets in the face of a growing insurgency.⁴ The CPA attempted to liberalize the Iraqi economy to jumpstart growth. The liberalization included removing restrictions on imports and a discussion about privatizing state industries. While the

privatization was eventually shelved, the removal of restrictions flooded Iraq with cheap consumer goods which both bolstered shopping and spiked unemployment.⁵

Back home, the promise of an Iraqi rebuilding largely funded by oil revenues was shown to be wildly optimistic. The battle to reform Iraq became a partisan hot potato. The Bush White House wanted to stay the course, staking much of the President's legacy on the success of the mission. The Democrats saw the war as an opportunity to score political points against the President.⁶ Issue after issue about the war divided Congress increased partisan rancor. The cost of the war grew too high in both blood and treasure. The complex machinations and course changes of the CPA invited criticism that the Administration lacked a plan. Even problems with military readiness and equipment became punching bags for the political battle. For example, in Iraq, the most effective weapons used by the insurgency were improvised explosive devices (IEDs) or roadside bombs. These crude, but highly lethal, bombs were used against US vehicle convoys and inflicted many casualties. From the beginning of the war until July 2009, 1842 (nearly 50% of casualties) have been killed by IEDs.⁷ These weapons were also effective because the HUMVEE vehicles and body armor⁸ used by our soldiers were at first completely insufficient to protect them. The Congress accused the President of sending the troops into harm's way without proper equipment. As the political row mounted, the war raged on, and public support cratered, President Bush may have realized that Iraq would be his Administration's Waterloo.

Of course, the political, economic, and military hardships did not make Iraq a calamity for all. The invasion and ongoing war did give the US the opportunity to try out its theories in privatization and the power of the market on a new stage, that of the

military itself. As with other military adventures, the principal American goal was to avoid high levels of casualties. The visibility of high death tolls would bring public criticism and threaten the mandate of the mission. So, from the beginning, US strategy called for a relatively low composition of US combat troops relative to the size of Iraq. L. Paul Bremer, in his book *My Year in Iraq*, recalled that historical studies conducted before the invasion indicated that a force of twenty occupying soldiers for every one thousand residents of the occupied nation was the minimum standard necessary to achieve stability. “The population of Iraq [at the time of the invasion] is nearly 25 million. That would require a force of nearly 500,000 troops on the ground to meet the standard...This number is more than three times the number of foreign troops now deployed to Iraq”.⁹ In order to fill in some of this gap, without the visible option of deploying more US troops, the Administration looked to corporate America for a strategy, they outsourced the problem.

In his State of the Union Address in 2003, President Bush called for the creation and funding of a Civilian Reserve Corps. This Corps would be made up of “private military contractors” and would fill a role much like our Army Reserve or National Guard. In fact, by January of 2007, there were already over one hundred thousand of these contractors in Iraq serving in a variety of roles.¹⁰ These private contractors or mercenaries (a term that they dislike) have been hired on US government contracts from such firms as Blackwater USA, Kellogg Brown and Root (KBR), and Custer Battles.¹¹ These firms won billions of dollars in US contracts to provide troops and security forces to augment our combat elements in Iraq. Custer Battles would later lose most of these

contracts for overbilling the US government and failing to deliver its supposedly highly-trained contractors.¹²

In addition to mercenaries to augment combat troops, many other aspects of military life were turned over to the private sector for the War in Iraq. In many ways, the use of contractors to do military functions dates back to the Revolutionary War. However, since 1985, the military has maintained the Logistics Civil Augmentation Program or LOGCAP office within the Pentagon. According to GlobalSecurity.org, “LOGCAP is a U.S. Army initiative for peacetime planning for the use of civilian contractors in wartime and other contingencies.”¹³ Corporations, on US government contracts, have taken over and now run a large piece of the support command for the US military.

The results, first on display in the Balkans, was a kind of McMilitary experience in which being deployed abroad resembled a heavily armed and perilous vacation package. ‘The first person to greet our soldiers as they arrive in the Balkans and the last one to wave goodbye is one of our employees,’ a Halliburton spokesman explained, making the companies staff sound more like cruise directors than army logistics coordinators.¹⁴

However, the Balkans was just the beginning.

In Iraq, Halliburton was hired to outfit and manage the CPA headquarter at the Republican Palace in the so-called “Green Zone” of Baghdad. Everything from food preparation and service, providing housing trailers for CPA staffers, and a full service bar at the Al Rasheed Hotel was provided by Halliburton.¹⁵ In reality, “all that was required for the Army was to provide the soldiers and the weapons.”¹⁶ Halliburton would provide all the rest. Beyond Halliburton, military contractors like Blackwater USA provided security for Bremer and other high-ranking CPA staff. Private firms in the US were even

hired to conduct studies on the privatization of the Iraqi economy and better governance strategies for Iraqi ministries.¹⁷ Truly, in Iraq, if a private firm could be found to do the work of government or military, then it would be contracted out.

Iraq is really the classic point of illustration for the intersection between the US government and the market fundamentalists. If AIE can be powered by free market capitalism, then why can't the political and military sectors as well. However, in the case of the privatization of war and reconstruction, there really hasn't been anything free or even capitalist about it. After the invasion of Iraq, the windfall continued for American firms as engineering companies like Bechtel were hired to rebuild the country. The rebuilding operations doled out by the US government to private firms included everything from engineering and construction to transportation. Many of these government contracts were given out on a "no bid" and "cost-plus" basis, making them extremely lucrative for the firms involved. A no bid contract means that only one offer for a job was taken and accepted by the contract-giver (US government). So, the single bidder had no incentive to find ways to cut costs or guarantee speedy and effective delivery.¹⁸ A "cost plus" contract is even more lucrative for firms because it promised them a built in profit as a percentage of the total cost of the project. So, in cost-plus, the higher the costs equals the higher the profits.¹⁹

In classic capitalism, the key point of competition is used to keep prices low and quality high. If a customer can get their goods or services from another vendor offering a better product at cheaper prices than they will do it. However, in Iraq, the government chose not to make competition a key part of the equation. Firms like Bechtel and Halliburton had high level connections inside the Administration that, no doubt, aided in

their pursuit of contracts.²⁰ For example, former Secretary of State James Bakker, who was charged with getting the international community to forgive Iraq's debt, was still a senior counselor to the private equity Carlisle Group while the Group was advising the Kuwaiti government how to extract debts from Iraq. For Bakker, it was a classic conflict of interest, but not at all uncommon during these times.²¹

The privatization of war and reconstruction, paid for by the US taxpayer became BIG BUSINESS during the Bush Administration. Both within Iraq and as part of the larger GWOT, privatization was the rule of the day. From 9/11/2001 until 2006, the Pentagon gave \$270 billion worth of contracts to private firms. The US intelligence community gave an average of \$42 billion per year for outsourced intelligence. The Department of Homeland Security handed out more than \$130 billion in contracts to private firms. In 2003, the Bush Administration spent \$327 billion in private contracts, nearly 40% of the entire US governmental discretionary budget.²²

The Iraq War became a classic example of the limits of American power and the dangerous intersection between America's imperial agents. The war gridlocked and further polarized our politics. It dangerously overextended our military, forcing soldiers to endure multiple tours ranging from a year to eighteen months. It forced our government to dole out billions in taxpayer dollars to rebuild a country and reap windfall profits for our imperial agents, and drain badly needed resources from the US homeland. Worst of all, it damaged the faith that the world and our allies had in us as a nation and called into question our legitimacy as a global leader.

Part II: Overwrought

The Katrina Disaster

The Iraqi invasion and subsequent events exposed the limits and cracks in the current American political system. Katrina, in 2005, pulled the curtain aside on America's social issues and illustrated the cracks in our home front that so degraded our ability to respond to an incredibly devastating act of God.

The Katrina disaster began as any other weather event along the Gulf Coast might. In late August 2005, Katrina began her march across the Caribbean and Gulf of Mexico. In the early days, the storm's approach looked like many past occurrences. In fact, by all accounts, in the early days of the storm, state and federal agencies made appropriate precautions.²³ Along the Gulf Coast, hurricane warnings were issued and evacuations planned. The Coast Guard and Navy redirected air assets to act in search and rescue operations.²⁴ The Gulf States prepared possible disaster entreaties for federal aid. For her part, Katrina clipped the Florida peninsula and caused moderate damage. Once clear of Florida, the storm gathered power and speed over the warm waters of the Gulf of Mexico and turned north. She made landfall on Monday August 29, 2005, just east of the city of New Orleans.

Hurricanes can cause damage in many ways. When Katrina made landfall, she was a Category 3 storm packing winds of 111-130 MPH.²⁵ Obviously these winds can be devastating, destroying everything in their path and turning simple instruments into deadly missiles. However, besides the wind was the crushing storm surge. As the winds and pressure of a storm hit a body of water, they press down on the surface and lift a huge wall of water which then flows onto land as the storm passes over the coast. Katrina's storm surge was a wall of water over twenty feet high. When she hit the levees that protected the sunken city of New Orleans, the defenses buckled and failed

catastrophically. Dozens of breaks occurred in the levees and flood walls, causing whole sections of the city to be submerged. By the time the storm had passed over the city, 80% of New Orleans was flooded and nearly sixty thousand of her residents were trapped in the Convention Center and Superdome.²⁶

Katrina was a storm like few others that have hit the US. She was estimated to have caused over \$100 billion in damages. While there is nothing in heaven or earth that the US could have done to prevent the storm, the aftermath and its results was another matter. From the very beginning, it was clear that the conditions in New Orleans were dire. For the nearly 60,000 refugees trapped within the city, there were grossly insufficient provisions. Food and clean water ran short in the shelters almost immediately. In fact, it took two days to get fresh supplies of food and water to the Superdome, and even longer to the Convention Center.²⁷ Outside, in the flooded city, law and order quickly broke down. The remaining residents were forced to endure days of looting, rapes, and shootings. Outside the city, the hundreds of thousands of refugees quickly overwhelmed the available resources. While relief agencies around the country prepared aid packages, most of America was relegated to watching as thousands of our poorest and most vulnerable waded through putrid, waist-deep water and begged for help.²⁸

While the response to Katrina nationally would eventually be large, the powers-that-be fumbled the ball badly during the early days. Politicians from every level of government blamed one another for the failures. The finger-pointing mounted as questions went unanswered. Why had the levees failed? Who had been responsible for their upkeep? Why hadn't the mandatory evacuations been ordered sooner? Why were

there insufficient resources for those left behind in emergency shelters like the Superdome? Michael Brown, the director of the Federal Emergency Management Agency (FEMA) and a friend of the President resigned after media reports blamed him for the weak response and questioned his competence to handle the disaster.²⁹

While many pundits argued the political failures, others raised issues of race and class. As many of the stranded residents were both poor and African-American, critics questioned whether the slow response was generated by something other than simple hardship or incompetence. Charges of government racism and a lack of care for the poor were heard often from some circles. Musician Kanye West, while speaking on an NBC fundraiser for relief, claimed that the slow response was due to the fact that most of the victims were black.

with the way America is set up to help the poor, the black people, the less well-off, as slow as possible. I mean, the Red Cross is doing everything they can. We already realize a lot of people that could help are at war right now, fighting another way -- and they've given them permission to go down and shoot us!... George Bush doesn't care about black people!³⁰

While many can debate the failures of leadership and response that followed the Katrina episode, it is clear that on a humanitarian disaster of epic proportions the richest, most powerful country in the world could not rally itself or put aside its cynical distrust of its leaders and provide a badly needed response. However, after the disaster had passed and the water had finally been drained, some were still able to benefit from the carnage.

Billions of dollars in federal and state contracts were approved to rebuild the city. Likewise, the market fundamentalists saw Katrina as a chance to remake the city in a more desirable way. According to author and activist Naomi Klein, the blank slate

created by Katrina gave the market fundamentalists just the right crisis to force through the vision of a truly New Orleans.

For decades, the most constant agents of American imperialism have been the market fundamentalists and their corporate brethren. The former, made up of conservative and neo-conservative intellectuals, are the high priests of the free market. They provide a theoretical underpinning for the privatization of government services and the sale of public responsibilities to private interests at state expense. Just as in Iraq, these zealots saw New Orleans as a tremendous opportunity to try their theories on a domestic canvas.

In the weeks that followed Katrina, corporate powers began to descend on Washington and Baton Rouge. They were chomping at the bit to garner contracts to begin the rebuilding of the city in a new image. Just days after Katrina, Republican Congressman Richard Baker was extolling one odd virtue of the storm. According to him, “We finally cleaned up public housing in New Orleans. We couldn’t do it, but God did.”³¹

New Orleans land developers started talking about “a clean slate” to start fresh. Even Milton Friedman, the very author of much of the free market theology, called on President Bush to take advantage of the storm to “radically remake the educational system” in New Orleans.³²

Seizing upon this advice, market fundamentalists from conservative think tanks and the Bush Administration backed a plan to remake the New Orleans school system in a charter school system with vouchers. It would be a radical opportunity to try out conservative theories on public education in a real-life situation, and they were not going

to pass it up. As a result, “within nineteen months, and with most of the city’s poor residents still in exile, New Orleans public school system had been almost completely replaced by privately-run charter schools. Before Hurricane Katrina, the school board had run 123 public schools, now it ran just four. Before the storm, there had been seven charter schools, now it ran thirty-one.”³³ The teacher’s saw their union contracts obliterated and its 4700 members were fired. While some were rehired at the charter schools, it was at reduced wages, benefits, and without the organization of a union.³⁴

On the reconstruction front, the needs were also great. The waters had flooded hundreds of homes and businesses, knocking them off their foundations or simply inundating them with mold and bacteria. However, for the “disaster capitalists”, like those in Iraq, there was vast opportunity here as well. Developers called for the destruction of housing projects and their replacement with newly-built condominiums. Of course, most of the new construction would be priced out of range for most of the city’s poorest residents. So, the exodus begun by the storm would become permanent in the light of new construction. For the city’s poor and mostly black residents, “this was seen as a way to reverse the gains made in the Civil Rights era” which called for equal opportunities in education and housing.³⁵ Even the reconstruction effort itself would become centered around increased profit-making rather than employing the thousands of homeless, jobless New Orleans residents. Many of the government-hired firms who did the reconstruction and demolition on the city hired undocumented Mexican workers to more cheaply fulfill their projects.³⁶

New Orleans was a social disaster that exhibited America’s imperial vices. The agents of AIE found a new laboratory for their cookie-cutter free market theories,

American leaders played their classic political games while New Orleans flooded (think Nero and Rome burning) and totally failed to deliver the essential services to a vulnerable population. Even offers of aid from Venezuela, Cuba, and France were rebuffed because these nations were not on friendly ideological terms with American hegemony.³⁷

According to the *London Daily Mirror*, "Many things about the United States are wonderful, but it has a vile underbelly which is usually kept well out of sight. Now in New Orleans it has been exposed to the world."³⁸ If this is so, then the Katrina episode was a terrible example of the Gilded Age-effect in full bloom in American society. If any nation or society can be measured by the way that it treats its most vulnerable and poor, then the Katrina disaster measured us and found us wanting.

Part III: Overleveraged

The 2007-2008 Economic Collapse

America's political and social issues have been the source of great debate for years. Many in our nation are aware that our political and social systems are damaged and badly in need of reform. However, the nearly unbroken success of the American economy over the last two decades has glossed over the growing political and social divides and kept us "fat and happy". However, the apparent boom of the last two decades (with some interruptions) has been fueled by massive bubble effects which have built upon one another until the buoyed economy is finally subject to a bust.

Most pundits have looked at the recent economic doldrums and financial crisis and come to one culprit, real estate and the speculation that fed upon it. However, if you were to look more closely at the crisis and recent economic history, you would soon

realize that it is too simple to pawn off the collapse on one sector of the economy.³⁹

Rather, it was the effect of the bursting of a “double bubble” in the economy. This double bubble of real estate investing and debt which crippled our economy stands as a glaring indictment of the risks of American Imperial Economics.

Many wrongly point to the housing boom and bust as the principal or only cause of the current malaise. However, it would also be wrong to say that it had no role at all. In this analysis, the housing boom was but the last example of a series of small busts which finally caused the massive bust of the US and global economies. In order to place real estate in its proper location on the financial map, it is necessary to go back in history.

In the 1970s, the US housing market was a glacial environment compared to today. Mortgages were usually given by banks. These institutions carefully checked the credit histories of their clients because they would hold the debt for the period of the loan (often 20-30 years). In exchange for their willingness to loan and carry the risk of a large debt, banks were often compensated with interest rates of seven to ten percent on the money. However, in the 1970s, a new generation of Wall Street financiers was taking advantage of ever-increasing computer power to gin up new and exciting securities for hungry investors. One of the most interesting and successful of these was bonds based upon pools of mortgages. These bonds often referred to as “mortgage-backed securities” (MBS), pooled hundreds of mortgages into one basket and were then sold to investors. The bonds carried or were thought to carry little risk because it was made up of hundreds of home mortgages. So, even if some of the loans failed, the chances were slim that enough of them could do so to cause the bonds to lose value. The return expected by the

investor for holding the bond was the continuing income from the payments on these mortgages.⁴⁰

These securities revolutionized the mortgage industry, making it faster and more accessible. For the mortgage originators, banks and mortgage companies, the securities allowed them to get Wall Street investors to finance their loans and relieve them of the obligation. Now, banks could more quickly put their money to use over and over again. For the homebuyer, the MBS meant that more money was available to loan and banks needn't have the same fear about default, and so were more willing to take on risk. So, loans became easier to acquire and credit standards loosened. Thus began a bubble which fed on itself. First, loans became easier to acquire. Secondly, more demand for loans is created. Third, new building and rising prices meet the increased demand. In order to keep up with demand and continue to make profits by originating mortgages, banks continued to lower standards on who it would lend money.⁴¹

Now, a few larger fish must be added to the mix. In order to capitalize on the demand in the housing market and to keep liquidity in the economy so American could continue to consume, the US government ordered semi-governmental corporations the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) to heavily invest in buying mortgage loans from originators and selling MBSs in return.⁴² Thus, the US government was feeding the bubble and further making it profitable to make risky loans to homebuyers.

Bond ratings agencies Moody's and Standard & Poor's (S&P) also played a role in the crisis that evolved from the real estate bubble. These agencies, and others, rank the risk attached to certain securities. Several decades ago, the US government gave quasi-

regulatory power to these agencies. The government accepted that the bond ratings standards from these agencies would act as the industry rules rather than attempt to add their own opinions about risk.⁴³ In terms of MBSs, Moody's and S&P's bond ratings are a statement of their opinion about the likelihood that the securities could lose value. That is, it is meant to be a projected measure of the likelihood that a large grouping of the mortgages that make up an MBS will default on their loans. Bond ratings with alphanumeric designations like AAA, AA1, and AA2 are meant to give investors a sense of the safety or risk level of their bonds. Moody's rating scale, which controls 40% of the global credit rating market⁴⁴ has several rankings that are considered "investment grade." That is, these are considered far less likely to lose money or default than the lower-rated "speculative" or "junk" bonds.

The problem for Moody's, S&P, or any other quasi-regulatory bond ratings bureau comes from the way that they are compensated for their work. For their input in the ratings process, Moody's and others are compensated by the originator of the bond, a bank or Wall Street investment house. So, it is an avoidable conflict of interest for the ratings agency. They only get paid if the bond sells, and the investment banks only can sell the bond with a top rating. The ratings agencies felt an inescapable pressure to give high ratings to bond from increasingly risky pools of mortgages.⁴⁵

In 2007, the statistics now show, the US economy began to slow. As the economy went into recession all of the classic, predictable results began to occur. People began to lose their jobs, money became tight, those looking to buy houses delayed their plans, and those risky homeowners who were in over their heads began to fall behind in their payments. As a result, foreclosures began to rise and threatened the value of MBSs.

On Wall Street and in portfolios around the world, the slowing economy lit a small fuse on a large bomb. It was not simply the MBSs that were in danger of failing but also many of Wall Street's most powerful banks. For in the zeal to invest and profit in the growing real estate boom, Wall Street's titans like Bear-Stearns, Morgan Stanley, Merrill-Lynch, and even mighty Goldman-Sachs had acted as originators of MBSs for an international set of clientele, from the National Bank of Ireland to Sovereign Wealth Funds in Asia and the Middle East.⁴⁶

Most dangerously for them, the Wall Street powers had also acted as principals themselves and invested heavily in the MBS themselves. Besides simply buying and selling MBSs, the banks entered into derivative contracts based on the value of the MBS. A derivative is any one of a vast set of options or futures contracts in which one side makes payments to the counterparty for the delivery of a particular security in the future at a particular price. In effect, they act as side bets on the expected direction of an underlying security's value. Since the value of the contract is derived from the value of some specific stock or bond, the name derivative is applied.⁴⁷

In the present case, the contract in question was the Credit Default Swap (CDS) agreement. In a CDS, one bank makes a set of agreed upon payments which the counterparty agrees to pay a large lump sum of cash or securities if the property bonds underlying the contract lose a substantial portion of their value. In essence, banks were betting that MBS bonds would continue to rise in value and further profiting by selling derivative contracts that acted as insurance on these bonds.⁴⁸ That, in and of itself, might not have been too devastating. An insurer, for example, can still survive paying out large amounts of claims if they have collected enough in premiums and have set aside enough

capital to survive the big storms. However, the good market in real estate throughout the 2000s encouraged banks to lengthen their reach into these lucrative markets. MBSs and CDS agreements had been so profitable that the institutions, like American International Group (the infamous AIG), had borrowed heavily to increase their buying power.⁴⁹

In Wall Street parlance, the Wall Street powers had added leverage. While Federal Reserve regulations usually limit the percentage of stocks that can be brought with borrowed money (usually about 25% of the total sale), there are no such limitations on derivative contracts.⁵⁰ So, rather than limiting their borrowing to but a small fraction of their overall exposure in a market, the major banks leveraged themselves many times their underlying capital. For example, before its collapse and bailout by the federal government, AIG was leveraged at a rate of 30:1.⁵¹

While this number might cause the reader to think that Wall Street had gone insane by taking on such a suicidal level of risk, the bank's strategy really isn't that risky. In most of the MBS and CDS agreement investments, the Wall Street banks performed a "hedging" strategy. That is, they bought and sold instruments on the expectation that some would rise in value while others would fall. The strategy intends to make a small profit with small risk rather than a large potential profit with accompanying large risk by going all in on one side of a deal betting only on a rise or fall. However, in this case, the hedging had an additional effect. By buying the swap agreements and their underlying securities from one bank while simultaneously selling to another, the Wall Street powers became enmeshed in an inescapable weave of interlocking responsibilities and exposures. The stage was set for a historic collapse.⁵²

As the housing market began to collapse, the entire financial infrastructure built upon it began to unravel. As all of the financial instruments began to lose value, the Wall Street banks and their unfortunate investors found themselves caught in a rapidly declining spiral. Also, as the instruments lost value, the leverage acted on the losses like kerosene and burned through the bank's available capital all the faster. As a result, banks slid toward insolvency and lending (the heart of any economy) ground to a halt.⁵³

The date which really showed the disastrous effect of this "death spiral" was September 17-18, 2008. On those days, the commercial paper market, from which businesses routinely borrow short term credit for low rates, froze for a lack of available lending.

Tom Corona works with Tradition Financial in lower Manhattan in what he describes as a relatively boring business—at least under normal circumstances. He's the guy companies call when they need to borrow short term money... 'We would say: I'm going to give you \$1 million today, if you give me \$999,000 tomorrow. It was hundreds of billions of dollars every day, every single day' ... Last week, Corona's business stopped being so boring. The cost of borrowing money shot up as nervous lenders pulled back the reins. The river of capital flowed to a trickle.⁵⁴

Thus, the most liquid, low risk, easily accessible market for short term business ground to a halt.

In September and October of 2008, the stock market crashed. From October 1-10, the market fell from 10,831.07 to 8451.19. Over those eight trading days, the market lost 22% of its value.⁵⁵ The selloff would continue to largely unabated until it finally settled at a low of 6547.05 on March 9, 2009 according to Google Finance.⁵⁶ In those scant five months, the market had retreated 40% in value. Just as in the Great Crash of 1929, this crash made banks stop lending, businesses stopped building, and consumers stopped spending. Collectively, these body blows to the economy forced the biggest reduction in

US GDP since the Great Depression and burst the bubble that had powered the whole American imperial economic experiment: the debt bubble.

In 1945, the US ended World War II by dropping two fission bombs on Japan. In the 1950s, the much more powerful hydrogen bomb was detonated by first exploding a small fission explosion to trigger the more powerful fusion weapon. In economic terms, the real estate bubble that burst in 2007-2008 was the small explosion that blew up the far larger debt bubble. For nearly 30 years, since Reaganomics, America's consumer market had powered the global economy. It had financed Asian miracles, technology booms, and imperial economic expansions. After the Cold War, all of the corporate expansion, market opening, and globalization itself were built upon the power and continued health of American consumers to buy the myriad products created. True, the economic powers-that-be hoped for a emerging market middle class that would eventually pick up some slack, but until then the world depended upon the US and (to a far lesser extent) European consumers.⁵⁷

Throughout the 1990s and 2000s, American consumers held up their end of the bargain. National savings rates dropped to zero as Americans took on an increasing debt load and borrowed against the increasing values of their homes. Bravely or stupidly, American consumers answered the calls of their leaders and Madison Avenue to spend and spend. However, the recession of 2007-2008 changed all that. Job losses, shrinking home values, and stock market losses caused Americans to pull back on their spending. In so doing, the global economic engine faltered, threatening the entire system. As an empire and society, America had followed other historic examples. Like their imperial

brethren the Romans and English or contemporary Wall Street, the American nation was overleveraged and seemed trapped in their economic downturn.⁵⁸

Throughout the years of American imperial ascendancy, they always had the same message. The key to economic growth is lower taxes, few government regulations, and more openness to the world market. In country after country, our economic agents in the World Bank and IMF pushed this mixture of advice which became known simply as the Washington Consensus.⁵⁹ We wanted all of our economic partners to ride the free market train to growth. We had won the Cold War. We had won the economic battle of ideas. Free market capitalism a la the USA was the only acceptable economic order left.

However, when the US economy hit its collapse in 2008, the American government did not rely on the market or any similar program of austerity to pull us through.⁶⁰ In our case, we got the government on the case quickly. In the fall of 2008, President Bush (perhaps the most market fundamentalist President in history) pushed Congress to pass the Toxic Assets Recovery Program or TARP, a \$700 billion bailout of the financial system. On top of this massive federal infusion came bailouts of AIG, Fannie Mae, Freddie Mac, and other Wall Street powers. In January 2009 after President Obama came to office, the government infusions continued with a \$750 billion stimulus program and additional liquidity infusions from the Federal Reserve.⁶¹

The results of all this stimulus remains mixed as of this writing. While Wall Street has recovered and most banks are again showing profitability, unemployment has doubled in most states and reached a national level of 9.5% in July 2009.⁶² What the economic crisis has shown unequivocally is that the American imperial economic hegemony has been crippled. While our nation remains the world's largest economy, the

Washington Consensus has been exposed as an empty promise. Unfettered, wide open, free market capitalism is not the only path to economic growth. Perhaps it is the one way to achieve it, but for America it has not been worth what it has cost. It has driven America into nearly a second Great Depression, bankrupted its people and government, and exposed us to the world as false prophets of a dubious faith.

Time for a Reboot

The United States of America might be unique among imperial nations here at the end of its hegemonic run. Even though it doesn't dominate the world as it once did, we remain extremely powerful and influential. At the end of their empires, our predecessors were nowhere near the power and prestige that the US still holds. The Romans at the end saw their capital sacked by barbarians and their population scattered. The British after World War II saw their empire replaced as the primary hegemon by both the United States and Soviet Union. Now, it is different. The US comfortably remains the world's most powerful military and its wealthiest economy. Though, as we seem to have reached the end of this era, it is time to redefine America.

In recent years, many great movie series have been reborn. In classic films like *Superman*, *Batman*, and most recently *Star Trek*, the movie industry is trying to breathe new life into old, stale genres that already had an established fan base. In Hollywood it is referred to as a reboot of the product. That is what America needs now. We have not fallen as an empire, rather we have ridden the path as far as it can take us and we must find a new way. In essence, it is similar to a recent ad line run by automaker Saturn. In the ads, the message showed classic images of beauty like a model walking down a line of adoring fans, and then it cut to another image of a mother holding her baby. The tag

line was “rethink beauty”. Several other sets of images followed for virtues like strength and courage.⁶³ Saturn was correct; it is time for America to redefine what it means to be a rich, powerful nation in the 21st Century.

As America turns away from empire in favor of a new path, it really must confront two daunting challenges: it must refocus its outlook toward the world in terms of a new grand strategy and it must better prepare its citizens to live in a global world. For the last two decades, America has pursued its own economic and political interests abroad while simultaneously dividing and marginalizing its own people at home. It is the time to cease their path and do more to include others in the path.

In his recent book, the *Post-American World*, Fareed Zakaria describes the “rise of the rest.”⁶⁴ One of the by-products of America’s pursuit of free market capitalism and the wiring of the world has been the rise of several geopolitical and economic powers that have the potential to rival America’s position as the pre-eminent nation. However, this rise of the rest is not a threatening or even negative development. During the Cold War, America was faced with a serious and potentially fatal challenger across the table. That created a real sense of competition within the international system. That sense of foreboding about our challenger, or the “loaded gun” aimed at America forced it to carefully measure its actions as it built an infrastructure of alliances and institutions to isolate and finally strangle the Soviet Union.

In 1989, Francis Fukuyama announced the coming end of the Cold War as an “end of history” in his famous lecture at the University of Chicago. However, Fukuyama “wasn’t actually claiming that there were no more ideas in the world, but merely that, with Communism collapsing, there were no other ideas sufficiently powerful to constitute

a head-to-head competition” to American hegemony.⁶⁵ The loss of that threat across the table allowed American to throw its weight around the world in search of political and economic opportunities. The rise of the rest now challenges America’s hegemony as the major political power and economic market, even if not in a military way. These new powers like China and India should make America take their interests into account when making its policy decisions.

In crafting a new grand American strategy, there is no shortage of problems to challenge it. Issues like poverty, terrorism, and climate change beg for more international cooperation. However, America does not need to act alone and does not need to reinvest the wheel. After helping to craft the latticework that is international law for forty years during the Cold War, and largely abandoning it for the last twenty years of empire, now the vast majority of the world seems ready to embrace it. Today, many nations look to the UN as a legitimate agent to handle international issues. Conversely, America has lost its legitimacy as a leader in international circles. If we are going to recapture our ability to inspire the world and form coalitions to battle global problems, we must put aside imposition and embrace collaboration.

During his Presidential campaign, Senator Barack Obama often used the phrase “Yes We Can.” He meant to inspire his crowds of supporters to work hard to accomplish something many did not think was possible. For the new grand strategy, America will be driven by another phrase: Yes We Must. Internationally, our grand strategy must do the following:

1. We must set priorities for our actions and realize that we cannot and must not battle the world’s problems alone.
2. We must update international law and institutions in order to keep them relevant and effective against modern problems.

3. We must engage with nations outside the international system. Rogue nations must not be isolated where tensions and inequities can drive them ever-further away from the world. Rather, we should approach them and build connections to address points of contention in a cooperative manner.
4. We must not be locked into one-size-fits-all solutions. We must be creative and willing to find new solutions for new problems. The globe has never had a multi-polar buoyant economy. This has created serious ecological and social issues which we must confront with a new zeal if we want this system to survive.
5. We must learn to think asymmetrically. With problems ranging from international terrorists to borderless, flat world criminals, to climate change. America must look for more solutions than only military. Our toolbox has to be diverse and deep as we pursue these threats.
6. We must reacquire our legitimacy. By listening to, rather than preaching to, our allies and other nations, we can re-establish a position of trust that has been badly strained by recent history.⁶⁶

Domestically, the challenge for America is just as daunting. We have a polity and government near total bankruptcy, a massive economic overhaul underway, and a workforce that seems to be falling behind in global competitiveness. Several years ago, an internet flash video entitled “Did You Know” made its rounds to email around the world. In it, the changing scope of America’s challenge was laid out. In our work lives, the average worker will work 7-11 jobs. Many of the children in school today will work in jobs not yet created. Fewer jobs will offer health care and retirement benefits. Though, even if they did, the numbers of people changing jobs will work against long term holding of benefits anyway.

Just as internationally, we must adopt a strategy to bring America together to fight this challenge:

1. We must reunite the country. Our politics cannot demagogue issues of disagreement into good and evil scenarios. We are strongest when we come together and there is much more that unites us than divides us.
2. We must redesign our educational system to both create life-long learners but also is able to inspire all students to find uses for their talents. With a flat world, we must continue to seek niche specialties that add real value for customers.
3. We must redesign our benefit system (health care and retirement) to become more portable between jobs. We must decouple the idea of only having such benefits with a secure job. With more people moving jobs and establishing niche specialties, we have to create programs to help people acquire these basic benefits. While there are those who will always object to government “taking over” these areas, when people lack these benefits we are all hurt by the costs. Since our jobs cannot guarantee lifetime benefits or employment any longer, a system must step in which at least offers a lifetime opportunity at these benefits.
4. We must no longer push off our largest problems for another day. In many nations of past greatness, there must have been a sense that their pre-eminence would last forever. This sense of entitlement can allow time to slip away while

small problems mushroom into crises. It is time to solve the problems we haven't faced so we can move to the future.

In conclusion, America's imperial adventure has remade the world. It has flattened old barriers while raising new challenges. However, the costs that this experience has delivered upon our nation have brought us to the end of the road. As we look to the future, we face many challenges both within our country and without. The real question about our next chapter is:

Can we pull the fragments of our tattered union together to glimpse a brighter tomorrow?

Thesis Notes
Notes

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