

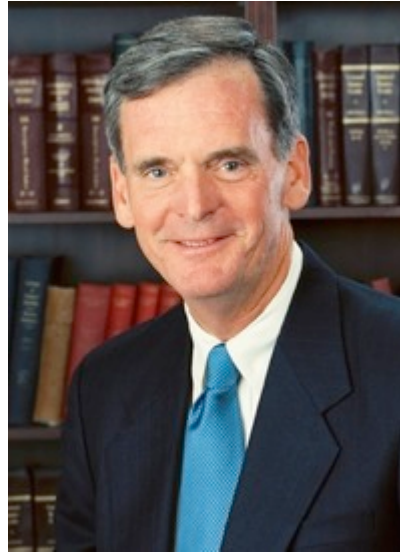


Written by [Steven Yates](#) on August 5, 2009

U.S. To Become “Banana Republic,” Says Senator

According to Senator Judd Gregg (R-N.H.), the United States is on its way to becoming a “banana republic” within 10 years.

Wikipedia defines a [banana republic](#) as “a country that is politically unstable, dependent on limited agriculture (e.g., bananas), and ruled by a small, self-elected, wealthy and corrupt elite.” Such nations have “a small, leisurely class on the top, and a large, poorly educated and poorly paid working class of peons, though it might have the (fake) trappings of modernity (such as styling itself as a republic with a president, etc.).”



A banana republic “typically has large wealth inequities, poor infrastructure, poor schools, a ‘backward’ economy, low capital spending, reliance on foreign capital and money printing, budget deficits, and a weakening currency. Banana republics are typically also highly prone to revolutions and coups.”

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Sen. Gregg used the term yesterday to warn about this country’s fiscal situation, singling out federal spending on the “cash for clunkers” program, which offers \$4,500 in federal dollars to those who will trade in old cars for newer, fuel-efficient models. Gregg observed that this program just adds to the sum total of escalating federal spending. Gregg stated, “I just can’t understand why we would set up a program that says, ‘We’re going to give you \$4,500,’ and then give the bill to your children.”

He is right, but unfortunately, “cash for clunkers” barely scratches the surface.

Jim Panyard, retired president and CEO of the Pennsylvania Manufacturers Association, [recently collected](#) the following data.

As of June 2009, 155 million people are laboring in a shrinking private sector, earning average annual per capita incomes of \$39,751 and average household incomes of \$50,740. Obviously, there are far more people below those averages than there are above them.

They are supporting themselves while also supporting 22.5 million local, state, and federal employees. The average federal employee will be paid \$75,419 this year. Panyard observed that in his home state of Pennsylvania, the average state employee will make \$68,000 this year.

Those working are also supporting: 3.9 million welfare recipients; 46.5 million Social Security recipients (a number that will rise steadily as baby boomers retire and begin collecting); 14.7 million Americans drawing unemployment benefits; 47 million Medicaid and 42 million Medicare recipients; the Afghanistan and Iraq Wars; and the other programs that federal, state, and local governments arrogate for themselves, even if the private sector could do it more efficiently.

These numbers suggest very strongly that we have a system that cannot take on much more without collapsing under the weight of its own commitments. Government has only three options: (1) raise



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taxes, which would be politically suicidal as it would amount to the biggest tax increase ever; (2) print more dollars and eventually risk a hyperinflationary spiral; or (3) borrow from overseas investors who are already uneasy with the falling value of our currency.

Currently, the United States is pursuing a combination of the second and third options. Neither is sustainable in the long run; any of these courses of actions risks precipitating a crisis situation that would prompt crisis measures from those pulling the levers of government and banking. The latter would indeed finish transforming our one-time constitutional republic into a banana republic, as what is left of our middle class is destroyed and the super-elite consolidates its power.



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