



Written by on January 21, 2010

## Carrying America Forward

How is the hammer of the whole earth cut asunder and broken! How is Babylon become a desolation among nations! — Jeremiah 50:23 It is a historical commonplace that great empires fall. From Babylon and Rome to Ottoman Turkey and the British Empire, all of these, the greatest works of the hands of man, have equally perished with the march of centuries.

In some instances, the fall has been sudden and dramatic — the collapse of Achaemenid Persia under Alexander the Great’s advancing armies, for example — while in others, the decline has been more gradual, spanning generations of internal instability and external contraction; the Western Roman Empire, Venice, and Byzantium all followed such trajectories. For some great states and civilizations, collapse was absolute, leaving little in its wake besides physical monuments (the Indus Valley and Mayan civilizations, for example). For others, the disintegration or military defeat of one polity led to replacement by another (Byzantium by the Ottomans), or to contraction from imperial behemoth to compact, still-intact state (post-imperial Great Britain and Sweden).



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At the end of the last millennium, all the talk among almost everyone paying attention to current events — especially since 9/11 and the onset of the Great Recession — has been of the long-term viability of the United States of America. Given the certainty of terminal decline, sooner or later, is America’s time as the dominant power on the world stage coming to an end? And does this latest time of troubles, with the federal government willing to take on unprecedented levels of debt to expand its own powers and to stave off private-sector bankruptcy of the People Who Matter, spell the beginning of the end for the American miracle?

Niall Ferguson, Harvard University’s Laurence A. Tisch Professor of History, appears to think so. In the December 7 *Newsweek* cover story, “An Empire at Risk,” Ferguson observed that the decline of great powers always follows the same track:

It begins with a debt explosion. It ends with an inexorable reduction in the resources available for the Army, Navy, and Air Force.... If the United States doesn’t come up soon with a credible plan to



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restore the federal budget to balance over the next five to 10 years, the danger is very real that a debt crisis could lead to a major weakening of American power.

Ferguson, an authority on the history of money, trots out plenty of examples to support his basic premise, that “history strongly supports the proposition that major financial crises are followed by major fiscal crises.” Habsburg Spain went down that road prior to the decisive military defeat of the Spanish Armada in 1588, an event that set the stage for the ascendancy of the British Empire. So did prerevolutionary France, which first became addicted to lavish spending on social programs and public works during the reign of Louis XIV, only to have its public and private finances repeatedly hamstrung by great economic upheavals in the 17th century — the South Sea and Mississippi bubbles in particular — that drained government coffers.

By the eve of the French Revolution, Ferguson reminds us, 62 percent of royal revenue was being spent on debt service. The Ottomans in the final -decades of their declension were paying over 50 percent of the budget on interest payments and amortization, while the British were shelling out 44 percent of their budget in the '30s, making re-armament to match the ascendancy of the Third Reich nearly impossible. National debt, the real destroyer of empires — long before invading hordes or unruly mobs have their say — has humbled many previous hegemon. And now, with the United States looking at total debt obligations of more than 100 percent of the GDP for the foreseeable future, our turn may be coming.

### **A Look at the Score**

First, a sobering look at the statistics. Americans were worried 10 years ago, when the federal government debt burden was roughly \$5.6 trillion and 58 percent of the GDP. Today it stands at an estimated \$12.8 trillion — 90 percent of the GDP. Next year, the gross debt is expected to surpass, for the first time since such records have been available, 100 percent of the GDP — and all of these figures, we might add, are conservatively reckoned. Ferguson points out that the unfunded Social Security and Medicare liabilities may total as much as \$104 trillion — 10 times the stated federal debt. And these numbers neglect the ever-nebulous deficits, which have mushroomed in recent years as well.

At current rates (and current rates may have no applicability a few years, or even months, from now), the stated federal debt will surpass 200 percent of the GDP sometime in the next 25-30 years.

And the real killer will soon be interest payments. The ever-optimistic Congressional Budget Office forecasts that interest payments will consume 17 percent of total federal revenues by 2019 — but that assumes the economy returns to robust growth and interest rates stay low. If, as is overwhelmingly more likely, the economy remains mired in periodic recession or interest rates begin to rise as would-be creditors demand a greater return from U.S. government securities, interest payments will quickly surpass 20 percent of federal revenues, a proportion that, in Ferguson’s view, always spells problems.

The consequences of national insolvency are not difficult to forecast. Sometime in the not-too-distant future, the U.S. government will run out of revenue to service its debts, all the while refusing to contemplate what the laws of economics have long since imposed on the private sector: reductions in spending. The desperate political classes and their train of special interests will be left with but three options: default, taxation, and inflation. The first option — default — is unlikely, since any American repudiation of debt, partial or total, would instantly end the international supremacy of the dollar and with it the decades-old system whereby the United States has been able to export its own inflation with the help of foreign purchasers of U.S. dollars. The second, given the already intolerable levels of



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taxation endured by Americans at every level of government, would be political suicide. The third — printing more money to cover our obligations — is the most likely outcome, and will hasten the decline of the dollar as the effects of inflation, and eventually, hyperinflation, destroy savings and trigger unprecedented price rises.

If the U.S. dollar fails altogether, savings and wealth will be wiped out, precisely as happened in post-World War I Germany. Civil unrest would then become a possibility, and more draconian government the probable response.

From our vantage point — an age of comparative civil, social, and, yes, even economic stability — it is easy to regard such events as the precipice of an abyss from which an America, economically crippled, militarily enfeebled, and socially and politically completely destabilized, could never extricate itself (especially considering that we are still pursuing the same basic policies that created the economic travails in the first place — more spending, more debt, more borrowing, and more creation of money out of thin air). The horsemen of such an apocalypse might ravage the American Republic beyond repair, and the end of Western Civilization could ensue as a remnant of the human race plunges into a Hobbesian struggle merely to survive.

### **A Look Back**

But such bleak visions need to be considered in the proper context, very much including the fact that an outraged and informed citizenry can force a change in policy. Also, our country, blessed with a priceless Constitution and a long tradition of freedom, has proven to be extremely resilient and has already weathered several epochal crises stretching back to the Founding Era.

The War of Independence featured tremendous economic hardship in addition to the uncertainties of war against an occupying superpower. Even after the war was won, home-grown tyrants could soon have established their own monarchy, replacing the tyranny of King George — except that the Founding Fathers were extraordinary men who rose above any such temptations. A generation later came the War of 1812, which saw the nation's capital invaded and burned, and which was succeeded by the first great economic crisis in American history, the Panic of 1819. Our worst-ever domestic crisis, the Civil War, included massive riots in major cities across the North and a President who frequently behaved like a dictator, jailing Congressmen and prominent dissenters and suspending habeas corpus without congressional authority. Hundreds of thousands of Americans perished in that conflict, and entire cities were put to the torch. In large swaths of the country — notably Missouri — utter lawlessness and brigandage were the order of the day. The value of the U.S. dollar swooned as a result of wartime inflation. And an American President was assassinated for the first time.

In the early 20th century came a dreadful span of three decades that saw two unprecedented world wars and, sandwiched between them, the greatest economic crisis ever chronicled. And scarcely had the dust settled on the Second World War than the United States found itself locked in a titanic military and ideological struggle against a Godless totalitarian empire possessed of weapons capable of reducing America's greatest cities to cinders in a flash, and driven by fanatical ideology to seek the overthrow of American liberty by any means possible.

Yet somehow, America has not only weathered such cataclysms but prospered in their wake. After the Civil War, the country grew enormously both in population and in prosperity, such that the country by the beginning of the 20th century — despite two more presidential assassinations and an ill-advised imperialist war against Spain — was immeasurably larger, wealthier, and more developed than it was



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when Lee surrendered at Appomattox. Similarly, America's standard of living skyrocketed after the end of World War II, as most of the features of modern life — modern medicine, automobiles, television, household appliances, and, later, personal computers and other high-tech contrivances — became commonplace. With the end of the Cold War, national confidence and growth soared still further, fueled in part, it is true, by easy-money policies and the artificial boom that they encouraged, but also by a sense that, with the lifting of the Iron Curtain and the apparent demise of the Soviet Union, the end of the world no longer seemed imminent.

That same exuberant growth has continued right up to the present time, with the Internet, cellphones, digital cameras, and ever-more-astonishing advances in medicine making our lives longer, healthier and, potentially at least, more fulfilling. All of this has unfolded during times that have seen the impeachment of an extraordinarily corrupt U.S. President, a mammoth terrorist attack that leveled two of America's tallest buildings, and, of course, the slow-motion unraveling of the U.S. economy, beginning with the bursting of the dot-com bubble almost 10 years ago.

Nor is America unique in her ability to weather crisis after crisis. Most well-constituted superpowers of ages past have shown the same resilience. Rome, for example, fell many times before the end finally came. Around 390 B.C. — centuries before the rise of Caesarism or the appearance of Germanic hordes from the east — the youthful republic was invaded by a great host of Gauls, led by Brennus, who defeated the Roman army and sacked and occupied Rome. The Gauls slaughtered large numbers of Roman civilians, plundered the city, and destroyed her records. Only the arrival of a relief army led by Camillus, which routed the Gauls after a titanic battle, saved the day.

Rome faced disaster again after the Carthaginian general Hannibal invaded the Italian peninsula and destroyed most of Rome's military in the disastrous Battle of Cannae. Unable or unwilling to capture the Eternal City itself, Hannibal occupied much of Italy for 16 years, winning every battle he fought with Roman troops and winning a fair portion of formerly Roman cities over to his side. Only when the Roman General Scipio lured him back to North Africa did Rome prevail.

The first century B.C. was a time of almost uninterrupted troubles for Rome, beginning with a terrible civil war (Rome's first, but not her last) between the forces of rival dictators Marius and Sulla — Rome's first autocrats. There followed the Social War, the revolt of Spartacus, the campaign against the Cilician pirates after their spectacular raid on the Roman port of Ostia, and the conspiracy of Catiline against the Roman government — and all of this before Julius Caesar ever crossed the Rubicon.

When Rome eventually was plunged into wholesale civil war after the break between Caesar and Pompey, the bloodshed lasted for almost 20 years, until Octavian finally defeated Marc Antony at the Battle of Actium.

The first century A.D. was marked by more social decline and by horrendous dictators like Nero, during whose reign the city of Rome itself was put to the torch. Following Nero's death, Rome was plunged yet again into civil war and dictator succeeded dictator until the peace associated with the "Five Good Emperors" allowed Rome a multi-generational interlude of peace and relative prosperity. Even with the rise of the vile Commodus that marked the end of a comparatively civilized age, Rome was not finished. Only with the removal, three centuries later, of Romulus Augustus, the last Western emperor, by the barbarian Odoacer, was the light of Rome finally extinguished.

After the collapse of Rome in the West, its successor in the East, the Byzantine Empire, endured nearly a thousand years longer, although its great capital city, Constantinople, was besieged numerous times



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by pitiless invaders. Bulgarians, Russians, Pechenegs, Avars, Seljuk Turks, and many others attacked the empire and the queen of cities, and Byzantium saw its share of internal revolts and coups d'état as well. But buttressed by a consistent if not altogether enlightened legal system in the Code of Justinian and a stable currency, the bezant, Byzantium carried the light of civilization through the darkest centuries of the Middle Ages.

So too with Venice, begun as a refuge from Lombard invaders ravaging the Italian mainland in the sixth century. The Most Serene Republic, whose laws and mode of government mimicked those of early Rome, became the superpower of the Middle Ages, an island of tolerance and free commerce which, at the apex of its power, controlled most of the Mediterranean thanks to its magnificent ships and unparalleled commercial reach. It too endured more than a millennium, drawing its last breath in 1797 when Napoleon finally subdued it.

Great Britain — the nation that, more than any other, laid the foundation for our own — is still with us, though most of her globe-encircling empire is gone. In her centuries of ascendancy, England endured various civil wars, the most wrenching of which, in the mid-1600s, saw the execution of her King and a feckless attempt to replace monarchy with republic. In the end, the tumult of the 17th century produced not terminal anarchy and dissolution but renewal and substantially greater freedom in the Glorious Revolution of 1688.

Every historical precedent suggests that well-constituted states with sound systems of laws and robust economies are remarkably resilient in the face of war, economic vicissitudes, and political instability. In the more than 230 years since her own independence, America has already weathered many crises as severe as any faced by the Romans or the Byzantines before their fall. The crises of our day, so far at least, have not risen to the level of world war, barbarian invasion, or social collapse.

### **America Today and Tomorrow**

None of which is to trivialize the severity of the crisis that has engulfed our nation. For one thing, we no longer live in a world of gradual change. Modern technology, with the acceleration that it has produced in human affairs, can hasten the rise or fall of nations in ways unthinkable in centuries past. The lightning-fast collapse of the governments of the former Soviet bloc and of the Soviet Union itself would not have been possible in the absence of modern communication and transportation. So too the lightning execution of modern wars, the overnight global fluctuations in economic behavior, and the rapid relocation of labor and capital across national boundaries; all of these are crucially dependent on the Internet, on air travel, on satellites, and on cellphones. Modern economies can collapse and societies can become unraveled — formerly the work of generations — in the span of hours.

A second cause for alarm is the way that governments, given excessive legal powers, can use modern technology against their own citizens. The same tools that are being employed in the war on terrorism both at home and abroad could be used (and, some argue, already are) to terrible effect against American citizens, if checks on the use of federal government power are allowed to erode much further.

The Constitution originally provided for federal involvement only in crimes involving treason, piracy, and other “offenses against the law of nations.” Nowadays, though, few limits are acknowledged on what alleged criminal activity federal government agents are empowered to investigate and prosecute, from the violation of arcane environmental, medical, and consumer-safety regulations, to ill-defined “racketeering.” And we are in the midst of giving the federal government vast new illegitimate powers over all types of financial activities and over healthcare, powers that will provide a pretext for much



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greater levels of government snooping into the private affairs of American citizens and for policing our every financial and medicinal choice. With the Orwellian reality of surveillance cameras on literally every urban street corner in a once-free society like Great Britain, how much longer before the nightmare of panopticon government reaches our shores and transforms our way of life into a dreary pageant of high-tech serfdom?

For the Powers That Be desire more power, and will continue to push their unvarying program for more and more government, by any means possible. It is not merely a contest of ideas but a collision of agendas — the one, aiming to overthrow the Founders' bequest of limited government and liberty, and the other, proper to patriotic Americans in every generation, but more especially in this one, when reverence in Washington for the Constitution is at a low ebb, seeking to restore freedoms lost and to preserve those still intact. Which side will ultimately prevail will depend in no small measure on the resolve of the American people.

All of these are very real threats, which the accelerating pace of events in the modern age and determined enemies from within may inflict upon us far sooner than we might expect. But there is a considerable upside, the likelihood that neither the United States of America nor our way of life is terminally ill. All the evidence of the last 10 years or so suggests that, just as the powers of the state and the precariousness of the economy have risen precipitously, so too has liberty returned to fashion, aided and abetted by technology like the Internet.

Who could have imagined, as recently as five years ago, that the presidential campaign of Ron Paul would have provoked such an enthusiastic popular response? Or that Congress is now talking seriously about auditing the Federal Reserve? Or that books by the likes of Congressman Paul and Thomas Woods would become runaway bestsellers? Or that millions of formerly apolitical Americans would be cured of political apathy and begin educating themselves about liberty? Or that, in the midst of one of the greatest federal power grabs in U.S. history, states would begin asserting long-latent sovereignty and refuse to acknowledge usurped federal authority in areas like firearms legislation? Even the establishment media are starting to notice. As the *Los Angeles Times'* Don Lee observed recently:

With the economy still struggling and political divisions deepening, [Congressman Ron] Paul's ideas not only are gaining a wider audience but also are helping to shape a potentially historic battle over economic policy — a struggle that will affect everything including jobs, growth and the nation's place in the global economy.

Already, Paul's long-derided proposal to give Congress supervisory power over the traditionally independent Federal Reserve appears to be on its way to becoming law.

His warnings on deficits and inflation are now Republican mantras.

And with this year's congressional election campaign looming, the Texas congressman's deep-seated distrust of activist government has helped fuel protests such as the tea-party movement, harden partisan divisions in Washington and stoke public fears about federal spending and the deficit.

All of these trends, and others besides, suggest that the current American political and economic malaise is not the beginning of a slide into oblivion but a temporary downturn from which our country will someday soon emerge.

The bad news is that, before the current crisis expires, the immutable laws of economics will have to have their say. By every rational indicator, dire economic times — an acute currency crisis, government insolvency, and high inflation prominent among them — almost certainly lie ahead. And the entrenched



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political class and those special interests allied with them will not give up their power base and their privileges, even with a collapsing economy, without a struggle.

The good news? That there is every reason to expect that the current resurgence of America's visceral love of liberty and reverence for old-fashioned virtue will carry the day. It will require, one way or another, federal and state governments to be stripped of illegitimate powers and to live within their means. It will require a return to sound money. It will require a newfound willingness on the part of private citizens to do more with less, for a season. It will require Americans to refuse to surrender further liberties to political snake-oil salesmen promising to legislate away freedom in exchange for security. But — if enough Americans arise from their slumber — it will lead in the end, not to civilization's end, but to an American Renaissance.



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