

Challenging Empire

Five Years later, it is the same old story of unjust, immoral war, rather continuation of war. The US invasion of Iraq was never about liberating Iraqis—or anybody else. It was about conquering, controlling and imposing more direct US domination of Middle East. The most accurate estimates put the toll at 500,00 to one million Iraqi dead as a result of the war and occupation. Despite massive repression and death-defying resistance movement, Iraq is not yet another Vietnam but the Vietnam syndrome seems to have already gripped the American economy and society as well. Today imploding banks, a falling dollar and a mountain of debt are threatening America. The evil empire of America may not vanish the way the Soviet Union collapsed but the decline of American power is nowhere so glaring as in global markets. One reason it continues to dominate world is its capacity to manipulate the UN. While addressing his first press conference for 2008 UN Secretary General Ban ki-Moon refused to claim any tangible successes during 2007, nor could he present any blue-print to meet the threat UN faces from US. Unless this international body frees itself from the grip of the US, it is next to impossible for the UN family to live up to their original mandate, which was to bring all nations of the world together to work for peace and development. The decline of American empire can be hastened only by continually isolating US in UN as America's economic slide-down seems irreversible. Whether it can finance another war in the Middle East is open to question.

In his famous book, *The Collapse of British Power* (1972), Correlli Barnett reports that in the opening days of World War II Great Britain only had enough gold and foreign exchange to finance war expenditures for a few months. The British turned to the Americans to finance their ability to wage war. Barnett writes that this dependency signaled the end of British power.

From their inception, America's 21st century wars against Afghanistan and Iraq have been red ink wars financed by foreigners, principally the Chinese and Japanese, who purchase the US Treasury bonds that the US government issues to finance its red ink budgets.

The Bush administration forecasts a \$410 billion federal budget deficit for this year, an indication that, as the US savings rate is approximately zero, the US is not only dependent on foreigners to finance its wars but also dependent on foreigners to finance part of the US government's domestic expenditures.

The Bush administration's \$410 billion deficit forecast is based on the unrealistic assumption of 2.7% GDP growth in 2008, whereas in actual fact the US economy has fallen into a recession that could be severe. There will be no 2.7% growth, and the actual deficit will be substantially larger than \$410 billion.

A troubled currency and financial system and large budget and trade deficits do not present an attractive face to creditors. Yet Washington in its hubris seems to believe that the US can forever rely on the Chinese, Japanese and Saudis to finance America's life beyond its means.

The Republican candidate for President said he would be content to continue the war for 100 years. With what resources?

The fact of the matter is that the US is bankrupt. David M Walker, Comptroller General of the US and head of the Government Accountability Office, in his December 17, 2007, report to the US Congress on the financial statements of the US government noted that “the federal government did not maintain effective internal control over financial reporting (including safeguarding assets) and compliance with significant laws and regulations as of September 30, 2007.” In everyday language, the US government cannot pass an audit.

As of March 17, 2008, one Swiss franc is worth more than \$1 dollar. In 1970, the exchange rate was 4.2 Swiss francs to the dollar. In 1970, \$1 purchased 360 Japanese yen. Today \$1 dollar purchases less than 100 yen.

According to the latest US statistics as reported in the February 28 issue of *Manufacturing and Technology News*, in 2007 imports were 14 percent of US GDP and US manufacturing comprised 12% of US GDP. A country whose imports exceed its industrial production cannot close its trade deficit by exporting more.

The dollar has even collapsed in value against the euro, the currency of a make-believe country that does not exist: the European Union. France, Germany, Italy, England and the other members of the EU still exist as sovereign nations. England even retains its own currency. Yet the euro hits new highs daily against the dollar.

Noam Chomsky recently wrote that America thinks that it owns the world. That is definitely the view of the Bush administration. But the ground reality is that the US owes the world. The US “superpower” cannot even finance its own domestic operations, much less its gratuitous wars except via the kindness of foreigners to lend it money that cannot be repaid.

The US will never repay the loans. The American economy has been devastated by offshoring, by foreign competition, and by the importation of foreigners on work visas, while it holds to a free trade ideology that benefits corporate fat cats and shareholders at the expense of American labour. The dollar is failing in its role as reserve currency and will soon be abandoned.

When the dollar ceases to be the reserve currency, the US will no longer be able to pay its bills by borrowing more from foreigners. □□□