

AMERICAN POWER IN ECLIPSE (PART TWO)

It has always amazed me that the British scholar and historian Arnold Toynbee only went out into the world *after* he wrote out all of his big theories and ideas – that's right, after. This is just hilarious. The idiocy in American/British academia is stunning, and I have never been quite sure what to make of it. Well, the British are finished. They collapsed with the onset of WWII, when the Germans on the continent determined to expand their industrial and military power. Of course, Hitler failed to create a modern German empire, but the Germans did finish off the Jews, and successfully removed them as significant – and growing – players in Europe.

The United States has been the dominant and rising power of the 20th century. This is now coming to an end, and I believe it will be a shocking end. My own hunch is that the large American banks are basically insolvent, bankrupt. My article *The Collapse of the Banking and Media Giants* (June 2006) did anticipate all of this, and I have no reason at this point to change or revise my theory. I do think that the United States, and its economy, will totally collapse. The cycle is a powerful variable among the three sources of economic development and growth. We will not escape the cycle. Printing money will not allow us to escape the cycle. In fact, printing money will merely serve to exacerbate our problems and delay our passage through the cycle. This is my theory, and this is my hunch.

Printing money is a devastating error, and that is why the European Central Bank will not follow the course of the United States, the United Kingdom, Switzerland, Japan – and Israel. These are the money printers. These are the central banks which will find their power and authority disintegrating and dissolving when all of this has played out. I have written that I do not expect anything to improve for another 10 years or so, until 2020. We just have little real knowledge of what is going on in the economic realm. Our theories are trash, and nearly worthless. Before the United States it was Britain, and now it is the turn of the United States to collapse from debt. I would imagine that the senior officials of the ECB in Frankfurt are keen and frequent readers of **WAM**.

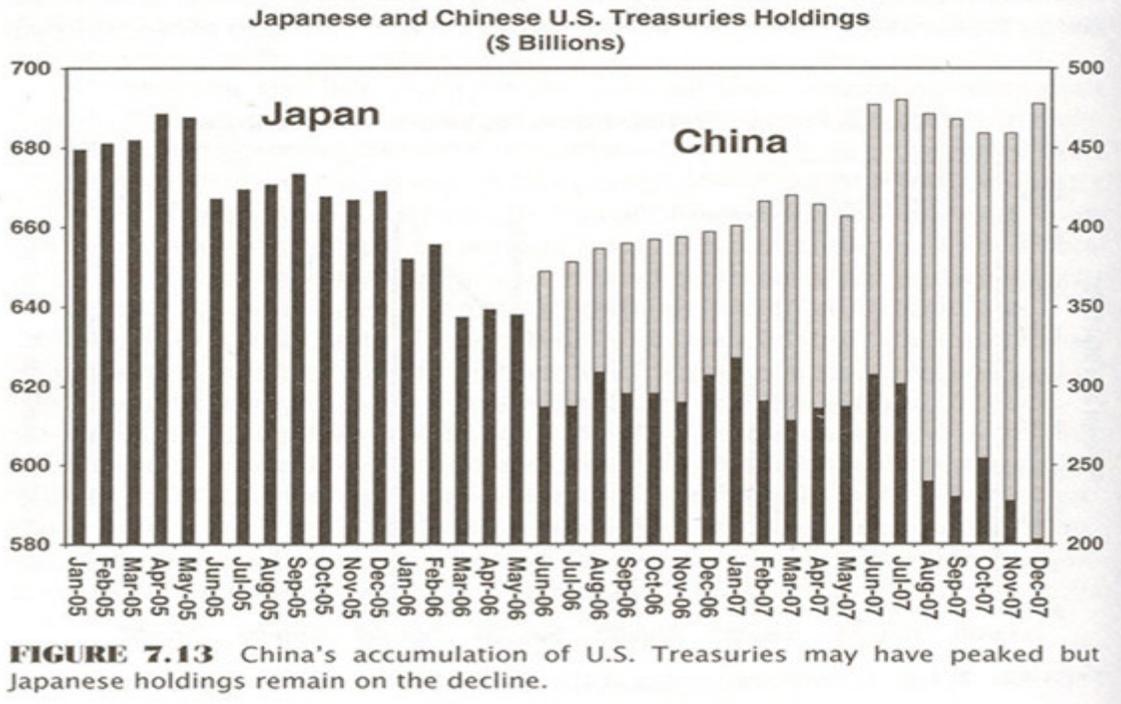


FIGURE 7.13 China's accumulation of U.S. Treasuries may have peaked but Japanese holdings remain on the decline.

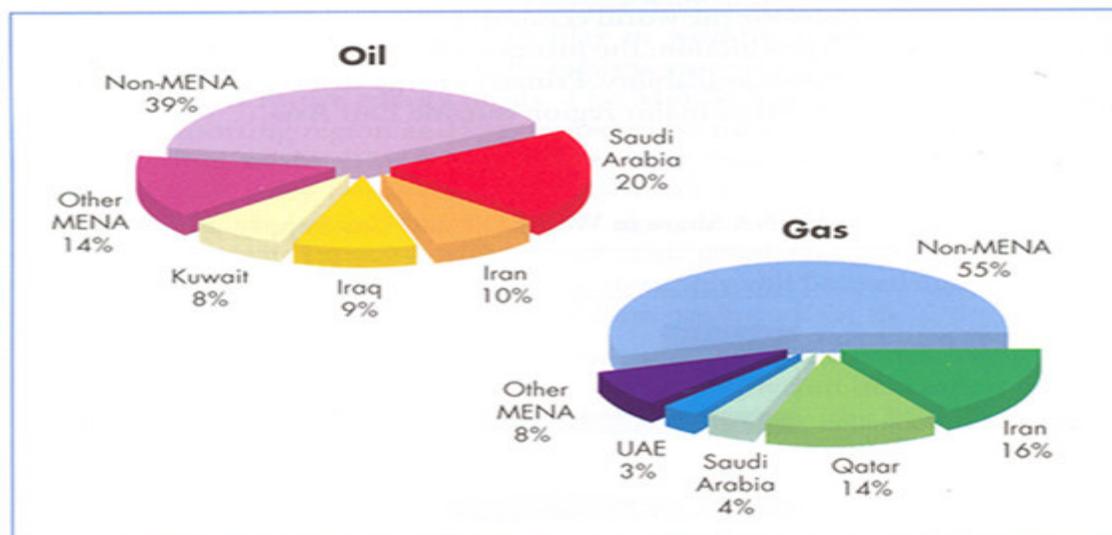
I had a keen understanding back in the mid-1980s that the United States would suffer greatly once it moved from net creditor to net debtor in the world economy. This is indeed what has happened. The clock began ticking in the mid-1980s – net debtor status – and I figured we would have about 25-30 years or so before “the shit hit the fan.” I was right. I still think we have a little time left, but not much. The money printing is going to speed up our approach to total collapse. The theory in Washington is that the money printing will help us – this is bullshit, ignorant bullshit. We will soon find out how much bullshit it really is. I published in **WAM** in February 2009 an article which I must again refer you to. I think it serves as an excellent summary of the problem.

The title: COLLAPSE OF U.S. FINANCIAL/MILITARY POWER + FULL DEVELOPMENT OF THE WORLD ECONOMY = A SHARPLY DEVALUED DOLLAR

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The real issue is what is going to happen in the Middle East. The oil is there, and the United States needs that oil – desperately.

Figure 1.2: Share of MENA in World Proven Oil and Gas Reserves, End-2004



Sources: *Oil and Gas Journal* (20 December 2004); Cedigaz (2005).

I often end up repeating myself in **WAM**, and perhaps this is irritating to some, but I find that I am required to do it. This article is meant to be the sequel to the first article by this title.

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If I am right that the economic cycle is one of the three sources of economic development and growth – and I am reasonably certain that I am right – then we will decline for a good long while, and this decline is part of the purging process. We are compelled to adapt by the cycle.

I recently called up the president of the Long Wave Group in Vancouver, Canada to see what he would say about the power of the cycle and about our predicament. Ian Gordon is certainly brilliant, and his thinking about the world, which is obviously grounded in a pretty thorough understanding of history, merits serious consideration. I am very impressed. It is an excellent discussion, and I highly recommend it. [Click here](#) or on the audio icon above to listen to the editor of **World Affairs Monthly** interview Ian A. Gordon. The Long Wave Group can be found on the net at www.longwavegroup.com.

Will the Dow Jones index go back down to 1000 or so? It is certainly possible, and I would think that by 2015 we may be in the process of “bottoming out” – if we are lucky. This assumes that we do not make too many policy errors. The debt build up we have seen grow rapidly since World War II now has to be unwound. It would appear that this unwinding began in the summer of 2007. As I have argued, printing money – creating even more debt – will merely serve to worsen our plight. Thanks so much Ian for the valuable discussion. I will be calling you up for periodic updates.