

It is Independence Day as We Become More Dependent

America Is In Hock To The World And We Have To Accept The New Reality

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As Independence Day approaches, the question of the day remains—how Independent are we?

Our Declaration signed on a July 4th declared us so to be. And, dutifully, generations of Americans have believed we were and always would be. The late Michel Jackson even had us singing and thinking “We Are The World.”

And yet, truth be told, we are more dependent than ever despite all the flag waving and bluster of our politicians.

Mei Zinyu, a senior researcher under the Chinese commerce ministry who few have here have ever heard of explained the facts of life in the Shanghai Daily:

“It should be noted that the US is the biggest debtor country in the world.... By the end of 2006, the US’ accumulated net debt overseas hit US\$16 trillion”

In order to keep our economy going, we need China to finance that debt by buying our Treasury bills. The truth is: financial infusions from China, and Japan, and some other Middle Eastern nations keep us alive and very much dependent. The Chinese fear we are getting ready to default on our debt in part by letting the dollar drop

Writes Mei, “as most of the debts were calculated in US dollars, the US is actually welshing on its debts malignantly by allowing the devaluation of US dollars. Since China is the country with the world’s biggest foreign exchange reserves, most of which are calculated in US dollars, China thus is hurt most greatly from the US dollar devaluation.”

Actually, the US and China are co-dependent but the relationship is getting rocky. We need each other but increasingly we are coming to dislike each other intensely as Economist Brad Setzer notes:

“US and China bicker like an unhappily married couple.... the squabbling is getting nastier. And worse, both parties seem to fail to recognize how deeply enmeshed they are, and how divorce is not a realistic option.”

Explains the Naked Capitalism Blog, ...”neither party is willing to deal with the fundamental problem: the US needs to consume less and save more. That means fewer goodies from China and more US exports. While China in theory could increase exports to Europe, the Europeans place much greater stock in preserving employment than does America, and will

likely encounter formal and informal protectionism.'

And so, to put it less delicately, the seeds of an economic war is being planted if as Mei suggests, we also factor in the "rising prices of all primary products, the intensified pressure on inflation globally, the confusion in the settlement of international transactions, etc."

Not good.

And where do we end up? With an eroding failing Pax Americana; An Economy which is not—sorry Barack—recovering, an economic system that has still not been reformed or restructured in any fundamental way, and many signs that the crisis is not over as the President of the World Bank Robert Zoellick reminds us:

"There are risks that could threaten the turnaround and I have emphasized the world needs to recognize that dangers will come in waves."

Why? Mounting debt:

"The World Bank estimated in March that well over \$1 trillion in emerging market corporate debt and \$2-3 trillion in total emerging market debt will mature in 2009, the majority of which reflects claims of major global banks extended across borders or through affiliates in emerging markets. Also, vengeance freaks please note, the sentence meted out to Bernard Madoff won't change much or argues Eric Lotke:

'We can't let Madoff's sentence distract us from the underlying problems.

"This isn't just about Madoff. This is about the system in which Madoff's scam took place. This is about systemic fraud and malpractice, the cultural trade of due diligence for easy profit. It's about conflicts of interest where companies paid ratings agencies for their ratings. It's about ideological blinders that let regulators and the Federal Reserve look the other way while banks turned into betting parlors."

No wonder consumer confidence is dropping. Unemployment is not being checked. The Treasury Department has not solved the bank disaster. Neither has the housing foreclosure crisis been abated. No one is even talking yet about the need for a moratorium.

The Banksters are still in charge and still at large. And even attempts to investigate their role in the crisis is being sabotaged. Economist Dean Baker fears that a proposed Commission to assess blame is being undercut, writing, "there is a real possibility" that the commission appointed by Congress may coverup the real criminals.

"Instead of striving to uncover the truth, it may seek to conceal it.," he fears/

Already bankers are threatening to go to war to stop Obama's proposed consumer protection agency. At the same time, even media outlets sympathetic to the administration's plans are worried that any recovery is far off.

Writes NY Times business columnist David Lionhardt: "it's hard not to look back on the last six months and worry that the administration is still underestimating the severity of the situation.... The problems are too big. So it would make sense for everyone — the

administration and the rest of us — to have a sober view of what might lie ahead.”

No wonder self-styled trends forecaster Gerald Calente is warning a lack of real progress on the economy could doom the Obama Administration, writing:

“The “green shoots” sighted by Field Marshall Bernanke this past Spring were a mirage. The 2010 economic “recovery” predicted by the same experts, authorities and financial boy scouts and cheerleaders who didn’t see the economic crisis coming is pure delusion.

“By 2012, even those in denial and still clinging to hope will be forced to face the truth. It will be called “Obamageddon” in America. The rest of the world will call it “The Greatest Depression.”

Let’s hope not, but, at least, as some of us raise the flag alongside the fireworks and barbecues this July 4th, let’s recognize on this independence day that we now live in an age of Interdependence and have to start acting like it.

Mediachannel.org’s News Dissector Danny Schechter is making a film based on his book PLUNDER: Investigating Our Economic Calamity, (newsdissector.com/plunder) Comments to dissector@mediachannel.org

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