

Perilous Times

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Global Research, October 08, 2007

8 October 2007

Region: [USA](#)

Theme: [Global Economy](#), [US NATO War](#)
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The U.S., as the only so-called superpower, exerts a decisive influence on the fate of the world. Today peace and stability are threatened by three giant problems whose outcome depends a great deal on U.S. decisions. These problems are linked to each other synergistically in ways that increase the overall danger.

The first problem is the peril to the world's economies from the massive worldwide pyramid of speculation and debt, a.k.a., the financial bubble. Moreover, we have not seen the end of the fallout from the deflation of the U.S. housing bubble of the mid-2000s. The Federal Reserve facilitated this bubble to fill the void left by the bursting of the dot.com bubble of the 1990s. That one followed on the heels of the 1980s buyout-merger-acquisition bubble.

Officials with a vested interest in the status quo claim that the global economy is still fundamentally sound. In the face of the financial crisis of July-August, 2007, the Federal Reserve seemed to succeed, at least temporarily, in using its available tools to reassure the financial markets. This included the interest rate cut that spurred the stock market back into record territory. But when dollars are used to float a bubble, it eventually means a lot of trouble.

The second problem is the U.S. march toward military conquest of the Middle East. Even while the takeover of Iraq seems to hang in the balance, an attack on Iran may be next. U.S. action is obviously connected with hunger for gasoline, oil company profits, and the central role of the petrodollar in international commerce. In a now-famous phrase, former Federal Reserve Chairman Alan Greenspan states in his new book, *Age of Turbulence*, that the Iraq War is "largely about oil."

But is Greenspan's characterization a red herring? Are oil and dollars the full explanation? Would there have been no other way for the U.S. to secure its strategic interests in that part of the world, such as through multilateral cooperation with other powers like Russia and China? Isn't it a fact that the neocons who control foreign policy within the Bush administration have steered a program of preemptive warfare clearly aligned with the more radical elements of Israel?

The third problem is that global warming seems to be proceeding at a more rapid pace than anyone previously thought. Weather patterns are clearly being affected, with many areas of the continental U.S. now locked in severe drought. Much of the Midwest and West are running dangerously low on water. The possibility that sometime this century sea level could rise up to one meter could be devastating to a nation like the U.S. where fifty percent of GDP is produced along its coasts.

If we began now, major infrastructure investments might help us prepare. But we already have an infrastructure maintenance deficit in the trillions of dollars. New large-scale expenditures are inconceivable for a government whose budget has been trashed by tax cuts for the rich, a trillion dollars spent on “wars of choice,” commodity price inflation, and stagnant tax revenues in the face of a recovery which looks a lot like a recession.

Bad as these three problems are, they are the tip of the iceberg. What really controls the fate of nations is money. And what looms beneath the surface is that we have in the U.S. and elsewhere a monetary system which is fundamentally flawed. It is a system that creates money almost exclusively through debt, one that has the net effect over time of funneling much of the world’s wealth from the hands of those who earn their living in the producing economy of goods and services into the bank accounts and investment funds of those who lend money at interest.

The recent actions of the Federal Reserve have been largely a refinancing of debt. The hope has been to realize the axiom of American billionaire Warren Buffett: “A rolling loan gathers no loss.” And government borrowing to wage war has always been good business for the banks as well.

But refinancing of debt does not change the overall purposes, operation, and outcome of the system. What we need to understand now is that the system itself can and must be changed. This should be done by establishing a more democratic and equitable world financial paradigm. Such a change can only be accomplished through fundamental monetary reform that would make credit-creation less the private property of financiers and more in the nature of a public utility.

The U.S. should start by 1) calling off our military adventures and replacing them with new efforts at multilateral solutions, including a negotiated two-state solution for Israel and Palestine; and 2) rebuilding our public and private infrastructure through low-cost government-provided credit. Individuals carrying unsustainable debt burdens or trapped in the collapsing housing bubble should be given relief. A basic income guarantee, not tied to employment, should be provided to all citizens as advocated by many economists going back to the 1960s. Infrastructure investment should include a massive program to deal with the present and future effects of global warming and climate change. Such a program would also help restore our tax base along with adding to consumer purchasing power.

To accomplish this program would require a shift in the control of monetary policy from the Federal Reserve, which only seems good at inflating and deflating bubbles, to a Congress and Executive Branch with the same degree of determination, vision, and authority we saw during the New Deal. The U.S. economy needs to be rebuilt from the bottom up. This means political leadership, not the monetarist games of technocrats who really work for the financiers.

A change of this order of magnitude requires a revolution at the ballot box in 2008. The Republican Party has fatally compromised itself by playing host to the neocon Trojan horse. The Democratic Party, which has failed to act on the voter demand in the 2006 mid-term elections that we get out of Iraq, doesn’t look much better. In just three months, in Iowa and New Hampshire, something profound and unprecedented must start to happen. If it doesn’t, things figure to get much worse in four more years.

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