

What Cost the American Empire?

by [Bill Haynes](#)

Few Americans know that our great republic has become an empire with tentacles stretching to some 130 countries around the globe. Large contingents of American soldiers occupy Germany, Japan, and South Korea. Smaller detachments can be found in other countries. Huge bases, which supply the US Navy ships that dominate the seas, stretch from Japan to the Azores. Now, the US is building bases for a long (permanent?) stay in Afghanistan. No *detachments* for Afghanistan; the situation there requires an occupying force.

After World War II, the reason for US troops to be stationed around the globe was to contain the USSR and the spread of communism. Even with the collapse of the USSR more than ten years ago, US troops remain spread around the globe. This is to maintain the American Empire. There is no other reason.

When the USSR fell apart, it withdrew its troops from the Warsaw Pact nations and the once-feared Russian army became a shell of its former self. US troops could have been pulled out of Europe, yet they remain and are a constant reminder to the Europeans that the US carries the big stick. While Germany may disagree with the US in some areas, the issue of US troops on German soil never rises. Only France had the hubris to tell the Americans to get out. The US also lost important bases in the Philippines. Overall, though, since WWII the American Empire has expanded.

Rule by Force

An empire imposes its will on its "territories" by force. Often, there is the pretense of protection, such is the case today with American Empire and was the case with the British Empire. Frankly, the British Empire was brutal, with India probably suffering the worst under British rule. The

American Colonies, in a rebellion that shocked the world, threw off the British yoke and set the example for other countries under the Union Jack thumb. (If King George had not been so arrogant, imposing high taxes and boarding British troops in Colonists' homes, we could be British subjects today. The prominent Colonists at the time considered themselves loyal Englishmen but objected to George's heavy thumb. George should have lightened up a little.)

The most famous empire was the Roman Empire, which stretched from what are now England, Spain, and Portugal in the North and West to Iraq, Syria, and southeastern Turkey in the East. To the south, Egypt and Palestine fell under Rome's rule. The Roman Empire was known not only for the many people it conquered and large area it ruled, but also because it lasted some 1300 years. Other empires, although important in their times, pale in comparison to the Roman Empire.

Before Rome, Greece had its fling with empire. Egypt had a great run as well. In Asia, the Mongols controlled the largest geographic empire in history, but the Mongol Empire was only one of many Asian empires. In more recent history, Britain, France, Spain, Portugal, the Netherlands, Germany, and Japan have had empires.

The Aims of Empire are Economic

Rome extracted *tribute* from the people it conquered: grain from Egypt, gold and silver from Spain, copper from Cyprus, and tin from Britain. The Balkans supplied iron ore and gold, and Greece and Italy mined marble for Rome's buildings. The forests of Asia Minor and Central Europe provided lumber. Of course, all conquered peoples supplied slaves to Rome.

During Spain's 200-year empire, it robbed the Incas and Aztecs of their gold and silver. Such huge quantities of gold and silver did the conquistadors bring home that Spain suffered from inflation. (Remember, inflation [rising prices] is caused by an increase in the money supply, and gold and silver were the monies of the time.)

After the discovery of North America, all the European imperialists sought a foothold. Initially, it was the hope for gold and the fur trade, but when it was learned that the climate in the South was ideal for growing cotton, Great Britain encouraged the practice of slavery to keep the cost down. Great Britain wanted cheap cotton for its textile mills, which

produced greater profits than did the growing of cotton. (In fact, some historians maintain that Great Britain was so determined to have cheap cotton that it fanned the flames that led to the Civil War.)

France gave up part of its empire in North America when it sold its Louisiana Territory to the new United States of America. Spain lost its North American territories piecemeal. During the War of 1812, Spain made the mistake of letting the British use Pensacola as a naval base. So, in 1814, General Andrew Jackson marched to Pensacola and took the place. Afterwards, Jackson led excursions into Spain's Florida Territory in the First Seminole War, establishing US hegemony over the region. The thousands of American settlers who had rushed to Florida also helped. In 1819, Spain ceded Florida to the US. By 1825, Spain had lost its North American colonies.

Germany, Britain, Portugal, and the Dutch had great success in Africa, where they mined valuable ores and shipped home foodstuffs. (Afrikaans, South Africa's second official language, is a combination of Dutch, English, German, French, and Bantu.) In India, the Brits plundered the land, taking home agricultural products and anything else it wanted. Portugal once claimed Brazil as a colony.

Sage Advice Ignored

George Washington's admonition to avoid foreign entanglements has long been forgotten. If our first president's warning is even brought up during a *talking heads* discussion, which today frame the political issues, it is dismissed as irrelevant in today's world, or not even addressed. Only Pat Buchanan talks about the American Empire. In fact, he wrote [*A Republic, Not an Empire*](#) to warn against the dangers of empire.

Although Buchanan's book became a bestseller, its impact has been minimal. *Talking heads* programs, where most Americans get their political "knowledge," defend the direction of US foreign policy, which has gone far beyond foreign entanglements to empire. Further, our leaders deny a foreign policy of empire. They claim only to be "looking after US interests."

With treaties of foreign entanglements, we are involved in other nations' affairs. Through empire, we attempt to run other nations' affairs. The best examples are Germany and Japan, defeated more than fifty years ago and still under the thumb of US empire.

Although historically Germany has been the counterbalancing force against Russian dominance of Europe, the US prohibits the Germans from building a substantial military. Instead, a couple hundred thousand US troops are based in Germany under the pretense of defending against Russian aggression. In Japan, a similar situation exists.

Japan has stood against China's domination of Asia. Yet, Japan is not permitted to build a military of significance. Instead, the US 7th Fleet is supposed to contain China. In reality, US troops in Germany and the 7th Fleet also keep Europe and Asia following the "US line." The result is that we extract tribute, even as did the Roman Empire, only in a more sophisticated manner.

The Dollar: the World's Premier Reserve Currency

A reserve currency is one that central banks hold as backing for their currencies. The 1944 Bretton Woods agreement made the US dollar the world's only reserve currency. Then, the dollar was redeemable in gold by foreigners; however, in 1971 Nixon closed the gold window, leaving dollar holders stuck with paper.

In recent years other currencies have grown in stature and are now accepted as reserve currencies. For instance, the US Treasury counts euros and yen, along with gold, in its reserve holdings. Still, the dollar is the world's principal reserve currency, and the bulk of central bank paper assets are dollars.

As the table shows, many of the top 15 central banks hold as reserves significant quantities of both gold and paper currencies (mostly dollars). Yet, only the US and France hold at least 50% of their reserves in gold. Most countries, notably Japan, China, and Taiwan, hold the bulk of their reserves in dollars.

Rank	Country	Tons	Gold's % of reserves
1	United States	8149.0	55.9
2	Germany	3445.8	38.0
3	IMF	3217.3	NA

4	France	3024.6	50.2
5	Italy	2451.8	49.1
6	Switzerland	2014.7	35.7
7	Netherlands	875.6	45.6
8	ECB	766.9	NA
9	Japan	765.2	1.7
10	Portugal	606.8	37.2
11	Spain	523.4	14.2
12	China	500.1	2.0
13	Taiwan	421.8	3.2
14	Russia	386.8	8.7
15	India	357.8	5.9

When central banks want to alter the make-up of their reserves, they have few options. They can sell dollars for euros or yen, or sell euros or yen for dollars. And, they can sell paper currencies for gold. China did that in December 2001 when it bought 105 tons of gold. The Bank of England earlier this year finished dumping 395 tons, the proceeds of which supposedly were converted 40% to dollars, 40% to euros, and 20% to yen.

Considering the low prices that the BoE got for its gold and the low interest it is receiving, especially on its yen and dollar investments, that had to be one of the worst investment calls of the decade. Maybe not as bad as the major Wall Street brokerage houses that recommended Enron all the way to bankruptcy, but selling gold below \$300 and buying low-interest paper assets was not a brilliant move.

How the US Collects Tribute

The US collects tribute via its trade deficit. Its current accounts deficit (which includes goods and services) will hit about \$500 billion this year, which means Americans will receive this year \$500 billion more in goods and services from foreigners than we will deliver to them. The US has been running deficits for decades, and, according to *Bridgewater Associates*, foreigners currently hold 48% of the US Treasury bond

market. (Foreigners also own 24% of our corporate bond market and 22% of all US corporations. In total, foreigners hold \$8 trillion of US financial assets.)

It boils down to this: We get goods, and foreigners get little pieces of paper called dollars, which, as we all know, the Fed prints at will and are not redeemable in gold. Since we are running a trade deficit, it means foreigners are selling us more goods than they are buying from us; therefore, they have excess dollars, which are used to purchase Treasury bonds. By accepting and holding our dollars, foreigners are financing our trade deficit and our deficit spending. Economists call this **exporting inflation**. We print the paper money and foreigners end up with it.

Back in the days before Nixon closed the gold window, a trade deficit meant that gold flowed out of Ft. Knox into the surplus nations' vaults. Now, foreigners get only dollars.

It is true that foreigners collect interest on the US Treasury debt they own. But, the interest is paid in dollars, which the Federal Reserve – it is now getting redundant to say – prints at will. So, the interest piles up and buys still more US Treasury bonds. The workings are much like what Marco Polo discovered when he visited China in the mid-1200s.

There the great Mongol emperor Kublai Khan had devised an ingenious scheme for enriching himself and financing his empire, chicanery that Europeans had never seen but would later employ with much pain. Kahn printed paper money from mulberry tree bark, stamped the money with his official seal, and declared it legal tender. Anyone caught refusing the paper money was killed.

When traders visited the land, they first offered their goods to Khan's agents, which paid with the paper money. This did not upset the traders because they knew that no merchant would refuse the great Khan's paper money. So, traders filled their ships or loaded their caravans with goods purchased with the paper money. Kublai was ahead of his time.

Today, few economists fear paper money, unless a country prints too much. The printing of a little is okay because "a little inflation" is accepted as benign. Kublai Kahn's paper, however, illustrates just how dangerous paper money is. If the merchants arriving with goods to trade had taken home Kahn's mulberry paper money, they would have returned with nothing of value because except in Kahn's empire the

paper money was worthless.

The paper dollar illustrates the dangers of paper money today. As long as the rest of the world accepts dollars (buys US Treasury debt and, in some countries, uses dollars for money), the status quo continues. Yet, because dollars are not redeemable in gold, they have real purchasing power only in the United States. If (when?) dollars are rejected abroad, they can be spent only here. Considering that the US, under its free trade rush to globalization, has exported much of its manufacturing capacity, what will foreigners buy with dollars? We do not have that much to export, hence our massive balance of trade deficit.

It was not until the early 1700s that John Law laid to waste the French economy with paper money. Following World War I, Germany's Weimar Republic destroyed its economy and the paper Reichsmark via the printing press. Now, the United States is forcing the paper dollar on the world.

At first glance, one might say that the foreigners hold significant US assets and, therefore, could greatly influence US policies, politically and economically. Not exactly. There is an old saying about debt that goes something like this: **If I owe you \$100, you got me. But, if I owe you \$100,000, I got you.** Besides, did you ever try collecting from an 800-pound gorilla? Remember, the US is the world's sole military power.

Japan, which dearly loves to run a trade surplus with the US – which means we run a trade deficit with them – may be the perfect example. The Bank of Japan owns some \$461 billion in US Treasury debt, but dumping those dollars for yen is not a serious option. The US would frown on it. Besides, Japan believes the solution to its economic woes lies in a weak yen, which makes exports cheaper. If Japan sold dollars, that would cause the yen to rise against the dollar, making exports to the US more expensive. So, we print the dollars and the Japanese stick them in their vaults and proclaim them assets.

Although nowadays we run a bigger trade deficit with China than with Japan, the Japanese's stash of \$461 billion (mostly in US Treasury notes, bills, and bonds) dwarfs the Chinese central bank's holdings of \$264 billion. Taiwan, another big exporter to the US, holds about \$157 billion in Treasury debt.

(The US trade deficit with these three Asian countries raises some

interesting questions, the primary one being *Why do they do it?* For Japan, it is a way of life. The US has dominated the country since WWII, and Japan depends on the US military for defense. Further, Japan, as evidenced by the paltry amount of gold it holds in its reserves (1.7%), is hooked on paper.

(Taiwan, which holds only 3.2% of its reserves in gold, also depends on the US, namely the 7th Fleet, for its security. China considers the island nation to be a renegade state that must return to the fold. For the US, however, Taiwan is a major source of computer chips that support US technology. Letting Taiwan fall to China – without first having Taiwan's chip-producing facilities and technology relocated – would be an unmitigated disaster for the US economy – and the US military. Yes, the US is stupid enough to let the microchips needed for its military to be produced abroad.

China has only 2% of its reserves in gold. Yet, holding all those dollars without complaint is not that bad a deal for China. That is because US corporations are moving massive amounts of manufacturing capability to China. Along with the plants comes technology. So, China does get physical plants and technology in return for holding dollars. When US companies quit moving there, or when China believes it can "go it alone," China may be a seller of dollars, but that's probably far into the future.)

Enter the Euro

Europeans have long resented the US being able to finance its affairs with printing press money. But, with the USSR looking down their throats, Europeans tolerated it. US troops stood as a shield against USSR aggression. With the collapse of the USSR, however, Europe moved swiftly to join the US in the enviable position of being able to print a paper currency qualified to be called a reserve currency.

First came the European Common Market; then the euro, one currency for the European Union. Already, the euro claims reserve status. (The US holds euros – and yen – as part of its reserves.) Over time, the euro could become serious competition for the dollar. For example, OPEC could start pricing oil in euros, but that would be a bold move for now considering US influence because of its economic and military might. However, no military force backs (enforces the acceptance of?) the euro. The dollar remains king of the hill.

Might Makes Right?

No country today even begins to compare militarily with the United States, and President Bush has said it will remain that way. In a June 2 speech at West Point, Bush said, "*America has – and intends to keep – military strengths beyond challenge, thereby making the destabilizing arms races of other eras pointless and limiting rivalries to trade and other pursuits of peace.*" Other nations can pursue trade, but they can forget about challenging US military supremacy.

If there were any doubt about Bush's intentions, on August 7, he followed up the West Point statement with, "*There is no telling how many wars it will take to secure freedom in the homeland.*" To secure "homeland freedom," the President has told us that a regime change in Iraq is a must and that he is prepared to invade to make that change. If that is not empire talk, what is?

Empire Exposed

In his *A Republic, Not an Empire*, Pat Buchanan made the first loud assertion that the United States had gone down the road to empire. Despite the book being a bestseller, the book's theme was lost on Americans. When the media do not discuss a matter, it is the same as if it did not exist. Nevertheless, slowly the message is getting out.

Bill Buckler, in his newsletter *The Privateer*, has pulled no punches. The United States is imperialistic. European critics of US policy are screaming, but the US media ignore the cries. Yet, with European news accessible via the Internet, some Americans are getting information outside the controlled US media.

Now, though, comes Jay Bookman, writing in the *Atlanta Journal-Constitution* an editorial titled *The president's real goal in Iraq*. Bookman's fourth paragraph:

"This war [with Iraq], should it come, is intended to mark the official emergence of the United States as a full-fledged global empire, seizing sole responsibility and authority as planetary policeman. It would be the culmination of a plan 10 years or more in the making, carried out by those who believe the United States must seize the opportunity for global domination, even if it means becoming the "American imperialists" that our enemies always claimed we were."

The article goes on to ask poignant questions, like why does the Bush administration seem unconcerned about an exit strategy from Iraq? "Because we won't be leaving," Bookman answers. He also notes that the Bush administration dismisses the option of containing and deterring Iraq, as we did the Soviet Union for 45 years. Even if containment and deterrence worked, they would not allow the expansion of American power. "Besides, they [the Iraqis] are beneath us as an empire. Rome did not stoop to containment; it conquered."

To support his assertions, Bookman draws from a position paper written in 2000. Titled *Rebuilding America's Defenses*, it was prepared by an establishment group called the Project for the New American Century. The report lists 27 persons as having attended meetings or contributed papers in preparations of the report. Six of those have since assumed key defense and foreign policy positions in the Bush administration.

The Bush administration, in its *Security Strategy*, a document in which each administration outlines its approach to defending the country, seems to have adopted the concepts proffered in *Rebuilding America's Defenses*. Bookman writes:

"To address the terrorism threat, the president's report lays out a newly aggressive military and foreign policy, embracing pre-emptive attack against perceived enemies. It speaks in blunt terms of what it calls 'American internationalism,' of ignoring international opinion if that suits U.S. interests. 'The best defense is a good offense,' the document asserts.

"It dismisses deterrence as a Cold War relic and instead talks of 'convincing or compelling states to accept their sovereign responsibilities.'

"In essence, it lays out a plan for permanent U.S. military and economic domination of every region on the globe, unfettered by international treaty or concern. And to make that plan a reality, it envisions a stark expansion of our global military presence.

"'The United States will require bases and stations within and beyond Western Europe and Northeast Asia,' the document warns, 'as well as temporary access arrangements for the long-distance deployment of U.S. troops.'

"The report's repeated references to terrorism are misleading, however, because the approach of the new National Security Strategy was clearly not inspired by the events of Sept. 11. They can be found in much the same language in the report issued in September 2000 by the Project for the New American Century, a group of conservative interventionists outraged by the thought that the United States might be forfeiting its chance at a global empire."

Bush representatives, supporters, and cabinet members deny assertions that the United States has become imperialistic. (Secretary of Defense Donald Rumsfeld: "The United States does not covet other nations' territory.") Yet, 57 years after WWII, we still have major bases in Germany and Japan. Now comes Iraq and the Middle East, and foreign policy makers are not talking paternalistic; they are sounding quite imperialistic.

And, the day before the UN passed Resolution 1441, which sanctions a US-led attack if Iraq does not comply completely with UN inspection of Iraqi facilities suspected of working on or building WMDs, President Bush said from the White House: "**We have no territorial ambitions. We don't seek an empire.**" This brings to mind the adage **Actions speak louder than words.**

Donald Kagan, a professor of classical Greek history at Yale University and an influential advocate of a more aggressive foreign policy, co-chaired the 2000 New Century project. As a private citizen, he can be more blunt in what he thinks US foreign policy should be. Still, Kagan and others shy away from terms such as **empire**, knowing the connotations. Yet, they talk imperialistic. From the Bookman article:

"Kagan, for example, willingly embraces the idea that the United States would establish permanent military bases in a post-war Iraq.

"'I think that's highly possible,' he says. 'We will probably need a major concentration of forces in the Middle East over a long period of time. That will come at a price, but think of the price of not having it. When we have economic problems, it's been caused by disruptions in our oil supply. If we have a force in Iraq, there will be no disruption in oil supplies.'

"Rumsfeld and Kagan believe that a successful war against Iraq will produce other benefits, such as serving an object lesson for nations such

as Iran and Syria. Rumsfeld, as befits his sensitive position, puts it rather gently. If a regime change were to take place in Iraq, other nations pursuing weapons of mass destruction 'would get the message that having them . . . is attracting attention that is not favorable and is not helpful,' he says.

"Kagan is more blunt: 'People worry a lot about how the Arab street is going to react,' he notes. 'Well, I see that the Arab street has gotten very, very quiet since we started blowing things up.'"

The Cost of Empire is High

The best way to figure how the federal government is doing financially is to monitor its debt growth. In fiscal 2001, US debt increased \$133 billion. In 2002, it climbed \$421 billion. In October, the first month of fiscal 2003, US Treasury debt rose \$55 billion. Considering that Gulf War II has not yet started and that the recession (denied by the government) is only getting started, multiplying \$55 billion X 12 may understate this year's deficit. Consider also that only last June Congress raised, after much political posturing, the official debt limit to \$6.4 **trillion**. Exploding federal deficits soon will slam the US up against that debt limit.

In 2000, we spent \$281 billion on our military, which was more than the next 11 nations combined. In 2003, our expenditures will rise to \$378 billion. The *increase* in our defense budget from 1999–2003 will be more than the total amount spent annually by China, our next largest competitor. Further, we have a balance of trade deficit and a budget deficit to be financed. Luckily, the US is about to gain control of a lot of oil, the world's second largest reserves.

All that Iraqi Oil

Supposedly, revenues from the sale of Iraqi oil will be used to "establish a benevolent regime in Baghdad," but the economic benefits to the US will be enormous. The US consumes 25% of the world's oil and imports more than half the oil it uses. Lower oil prices would go a long way toward

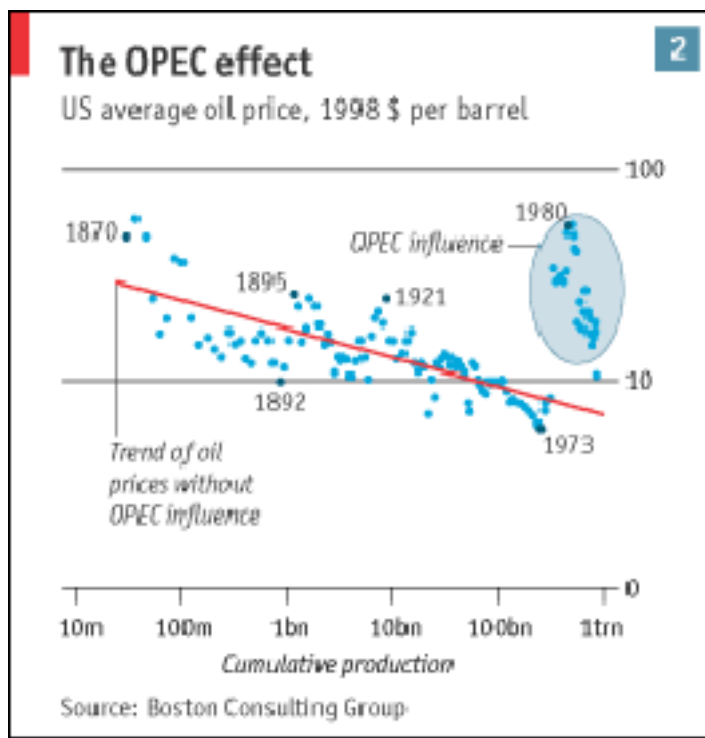
boosting the US economy and would help slash the US trade deficit. Obviously, the rest of the industrialized world would benefit also. The Commerce Department has said so, according to an *Investor's Business Daily* article.

"A war on Iraq could boost the global economy by eliminating a terrorist threat and releasing fresh oil supplies onto world markets." Of course, that "fresh oil" is the oil that Iraq is not permitted to pump because of sanctions from the 1990 Gulf War. After Gulf War II, if it goes as smoothly as its advocates say it will, Western World technology, capital, and expertise will be rushed to the region.

The Economist says that Iraq's oil is a "major secondary consideration" for going into Iraq, which sits atop the world's second largest oil reserves. Currently Iraq produces about one million barrels daily. If Iraq were pumping its potential of 3.5 million barrels a day, that could break OPEC's stranglehold on the world's economies. (The 2.4 million barrels per day in the table reflects "lagging" production. Many oil experts put Iraq's current production at less than one million barrels per day.)

	Reserves bn barrels	Production m barrels per day
Saudi Arabia	261.8	8.8
Iraq	112.5	2.4
UAE	97.8	2.4
Kuwait	96.5	2.1
Iran	89.7	3.7
Venezuela	77.7	3.4
Russia	48.6	7.1
United States	30.4	7.7
Libya	29.5	1.4
Mexico	26.9	3.6

Source: BP Statistical Review of World Energy



The graph clearly shows the impact that OPEC has had on oil prices. Since its formation, OPEC has sucked billions of dollars out of industrialized nations.

Finally, here is what William Saffire has to say about Gulf War II (from the 10/28/02 *New York Times* op-ed page): "After our victory in

the second Gulf

war, Britain would replace France as the chief European dealer in Iraqi oil and equipment. Syria, the Security Council member that has been the black-market conduit for Saddam's black gold, would be frozen out. The government of New Iraq, under the tutelage and initial control of the victorious coalition, and prosperous after shedding the burden of a huge army and corrupt Baath Party, would reimburse the US and Britain for much of their cost in the war and transitional government out of future oil revenues and contracts."

Saffire also wrote:

"Rising production from a non-OPEC Iraq, matched by Saudi price cuts from princes desperate to hold market share, could well reduce world oil prices by a third. This would be a great boon to the poor in many developing nations, rejuvenate Japan and encourage prosperity worldwide, though it would temporarily impoverish Putin's Russia, now wholly dependent on oil revenues."

With the cost of empire being so high, just as Kublai Khan did not allow the refusal of his mulberry bark money in his empire, George Bush will not allow the dollar to be rejected in the American Empire. Yet, history shows that rebels are always with us.

Rome fell to the barbarians; the Colonists threw off the British yoke; the

French threw US troops out of France; and, the euro was conceived to challenge the dollar. The euro challenge, while not yet serious, in time could be. For a military, the EU proposes a 60,000-troop force that would be outside NATO, which is essentially a US operation.

No empire has ever willingly given up its rule. All empires have ended with military defeats or wars that have drained the empires' willingness to continue paying the costs of empire. This is not to suggest that Iraq will defeat the US in Gulf War II. However, occupying Iraq would not be a picnic.

Iraq: the Quagmire

Three ethnic-religious groups are the main forces in Iraq. The largest group is the Muslims, most of which are either Sunni or Shiite. Although the Sunnis comprise no more than 17% of the Iraqi population, they rule through the Baath Socialist Party, of which Saddam Hussein is a member. Shiites make up at least 60% of Iraq's population and would like to run the country but are stymied by Hussein. Then, there are the Kurds, most of which are Sunni; however, Kurds are not Arabs, adding more fuel to an already combustible situation.

Although maybe only four million strong in Iraq, some 15 million to 20 million Kurds live in northern Iraq, southern Turkey, and eastern Iran, an area commonly called Kurdistan. The Kurds would like their own independent country; unfortunately for the Kurds, no country in the region wants these tough, bellicose people to have their own country, not Iraq, not Turkey, not Iran, not Armenia, no one. The US has probably promised Turkey, in return for its support in Gulf War II, that it will not support an independent Kurdistan. Further complicating matters, there is hostility between the Sunni Kurds and the Shiite Kurds.

The common belief in the US is that a deposed Hussein will result in a "democratic" government. But, getting these groups to work together, instead of vying for power and settling old grievances, will probably require an occupation force unlike any ever attempted by the US military. Controlling Germany and Japan after WWII was relatively easy. Both nations were devastated militarily, economically, and spiritually. The people were ready for peace. The same cannot be said of Iraq, despite all Iraqis being oppressed and suffering from the lack of even basic medical care. Installing leadership acceptable to all groups may be impossible.

A war on and the occupation of Iraq will be costly. In Gulf War I, other nations offered troops (primarily for support, except the Brits) and helped fund the war. Some analysts say it cost the US very little to fight that war. This time, however, only the Brits have signed on for real, although there may be a few Aussies on board. The rest of countries that supported us in Gulf War I have jumped ship. No matter, Bush says we will go it alone if necessary, whatever the costs.

Estimates of the cost of a Gulf War II range from \$90 billion to \$200 billion, depending on how easy things go. If it is a cakewalk, \$90 billion; but if it is drawn-out, with house-to-house fighting that extracts greater costs (lives also), then \$200 billion may be the number.

Some analysts assert – if there is a Gulf War II – that Saddam Hussein will opt for urban warfare, with a goal *to survive*. When he squared off against the US and its allies in Gulf War I, he was roundly trounced, and his military is much less formidable than it was before being smashed in Gulf War I. He will not repeat that mistake. House-to-house fighting, the reasoning goes, will result in US casualties, something that the US populace will not tolerate. The dangers of such fighting have not been lost on the US military.

In October's *Army* magazine, Lt. Gen. Edwin Smith called urban warfare "the great equalizer." And, this is recognized by the Iraqis. Senior Iraqi officials have said that they will try to lure US forces into Baghdad, where the US technology advantages would be somewhat nullified, where buildings shelter enemy forces from reconnaissance aircraft and satellites and the presence of civilians makes the use of even the smartest bombs more difficult.

Recent Marine Corps studies show that battlefield casualties exceed 30% in simulated urban operations involving troops who receive, on average, only two weeks of urban combat training per year, which is what US troops receive. A retired Marine colonel, now a Pentagon contractor, recommends that 36 infantry battalions – about 18,000 troops, or roughly half the Army's infantry force – receive intensive training in urban operations right until they deploy to the Persian Gulf. Most of this training goes on a Fort Polk, Louisiana.

The expected Iraqi urban strategy stems from the quick US withdrawal from Somalia after the loss of only 18 rangers – in house-to-house fighting. Additionally, when we participated in the bombing of Belgrade

to remove Slobadan Malosevic from power (another empire move), pilots were instructed to release their payloads from altitudes that kept US planes out of the reach of ground-to-air missiles. Unfortunately, the policy resulted in many bombs, despite being “smart,” missing their targets and killing civilians, the people we were supposed to have been freeing from Malosevic’s grip.

Remember also that the media’s constant showing pictures of US casualties and body bags played an important part in the US exit from Vietnam. Hussein and his advisors, the reasoning goes, believe that the Americans will not stand for a protracted war in Iraq. Hussein undoubtedly knows that he cannot defeat the US in another face-off. So, he will hope for a Vietnam type victory. (Of course, Vietnam did not have the world’s second largest oil reserves, so Hussein may be misguided in this thinking.)

The Cost of Empire

The cost of empire is high, the biggest being the military needed to enforce the empire’s policies instead of a “standing army” that would be sufficient to deter or defeat our most likely enemy. Then there are the costs of maintaining embassies around the world, where our ambassadors keep the other countries informed as to our wants and policies.

Another big cost – which we are just now starting to pay – is “homeland security,” which is necessary because of all the enemies we have made around the world. Many people do not want to be ruled by another nation, especially when that other nation is of a different culture and has a different religion. Some of these people – as 9/11 sadly proved – are willing to die in their fight against empire. The cost to the airline industry alone is in the billions. Consider also the cost of security at government buildings.

Some critics postulate that it is cheaper to buy the goods demanded in tribute than to take them. It would be more cost effective, they say, if we used the resources that we have put into the military to build products that could be exchanged in peaceful, mutually beneficial commerce. Why not just build more widgets, sell them, and buy Iraq’s oil? As always, there are many reasons for war, and the coming Gulf War II is no different. (There is also the problem that US industry has exported its manufacturing capability to benefit from lower labor costs, making it more difficult to have US products that will compete on the world’s

markets.)

First, Saddam Hussein is developing – or already has – weapons of mass destruction (WMDs). However, was he responsible for 9/11? No evidence has tied him to 9/11. (Yet, Hussein reportedly compensates the families of suicide bombers who die in their fight with Israel.) Additionally, he has no means of delivering WMDs against us, although he could – but the link has yet to be proven – use terrorists. He does have, however, missiles capable of delivering WMDs against Israel. Therein lies another rationalization for Gulf War II.

If Hussein is not stopped, he will become a serious threat to Israel. That is one reason Iraq's oil sales have been restricted since Gulf War I. If he were permitted to sell 2 million to 3 million barrels a day, in short time he would rebuild his military. Although Israel's military is the 800-pound gorilla in the Middle East, the Israelis are outnumbered so badly that they would be destroyed in a war of attrition, which the Arabs seem likely to fight. But, as long as the Israelis have the only WMDs in the region, the likelihood of another Arab-Israeli war is diminished. This is not lost on Israel's supporters in the US government.

Regardless of the political speculation – the whys, the whos, and the reasons – the United States has embarked on the road to empire. Some observers say we are already there. And, the cost is high.

Our military costs are skyrocketing, and we do not have even one formidable enemy today. Instead, Americans are attacked by terrorists who are permitted to enter freely and travel about our country. After 9/11, commonsense dictated that our government should have the implemented and enforced immigration polices that would have prevented the Beltway Snipers from killing. Instead, we maintain a military capable of occupying a country halfway around the world.

We could secure our borders with a fraction of the increase in military spending, but we do not. Yet, we spend millions hiring security personnel to check our pockets when we get called for jury duty or go downtown to pay our water bills.

Because we have taken the road to empire, we have to consider the costs in dollars and cents, and ask if we can afford it. The fiscal year ended September 30 registered a federal deficit of \$159 billion. Next year's is projected at \$165 billion. Those numbers, however, are without counting

the money borrowed from the Social Security “trust fund.” Add in the money sucked out of Social Security funds, and next year’s deficit swells to \$322 billion, about 3.2% of GDP. If the economy weakens more, the deficit will rise higher.

Additionally, we are embarking on this trip at a time when our balance of trade deficit is approaching \$500 billion a year. This, of course, is not – as explained herein – a problem as long as the rest of the world continues to accept our dollars in exchange for their goods. However, most wars are more sustainable when funded from savings bases and income levels that can be taxed, as was WWII. Today, however, the US debt level – federal, state, municipal, individual, and corporate – is at unprecedented levels. This war, with costs estimated between \$90 billion and \$200 billion, will have to be financed via the printing press. The Fed will make the money available.

A Road Full of Potholes

The road to empire is not only expensive but full of potholes. It used to be said, “The Sun never sets on the British Empire.” The sad truth is that the Sun never set on the graves of the British soldiers who paid with their lives to maintain the British Empire. Are Americans willing to pay that price?

Frankly, we cannot afford the financial cost of empire unless the rest of the world (at least most of it) continue to accept our paper dollars for their goods, and put those dollars in vaults and continue to call them assets. If not, then hyperinflation will destroy the dollar and all investments that are denominated in fixed dollars.

Consider also how a Gulf War II could spread if Israel enters the fray. Arab countries that today may remain neutral – or even offer us the use of bases – could join in attacking Israel. This would leave the US having to decide if its purpose in the Middle East is to disarm Iraq or to support Israel. It is a situation that boggles the mind and is fraught with dangers.

A Time for Gold and Silver

If there were ever a time for gold and silver, it is now. The whole world is on a fiat monetary system. No country will redeem its paper currency in gold or silver. History is replete with examples of paper money having destroyed nations’ economies and rendered worthless their citizens’

savings. Although the hyperinflation that ripped Germany 1917–1922 is the most notorious, many other instances could be cited.

History also shows that whenever a country starts down the paper money road, it continues until its currency is destroyed. There is no reason to believe that the results will be any different for the dollar. This time, however, the suffering and the losses will reach a magnitude not seen before because the whole world is on a paper money system, not just one country.

Fiat money finances the US Empire. As long as the producers of real goods accept paper dollars, put them in their vaults and call them assets, we will muddle along. But, there will come a day when the dollar is recognized for what it is: a piece of paper, redeemable not in gold but only in goods made in America. With globalization, the US manufacturing base is dwindling. As fewer goods are made in America, dollars have less value, for dollars ultimately are redeemable only in US goods. While the rest of the world accepts dollars, fine. Yet, when dollars are recognized for what they are, then gold and silver will be recognized for what they are: real money.

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