NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

IS CHANGE REQUIRED? AN ECONOMIC CASE STUDY OF THE RISE AND FALL OF EMPIRES, AND WHY A NATIONAL STRATEGIC NARRATIVE COULD CHANGE THE FATE OF THE UNITED STATES EMPIRE

by

Jonathan D. Cirillo
December 2011

Thesis Advisor:	Jonathan E. Czarnecki
Second Reader:	Nicholas Dew

Approved for public release; distribution is unlimited

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT DOCUMENTATION PAGE	*Form Approved OMB No. 0704-0188*

1. AGENCY USE ONLY *(Leave blank)*	**2. REPORT DATE** December 2011	**3. REPORT TYPE AND DATES COVERED** Master's Thesis

4. TITLE AND SUBTITLE Is Change Required? An Economic Case Study of the Rise and Fall of Empires, and why a National Strategic Narrative could change the fate of the United States Empire	**5. FUNDING NUMBERS**
6. AUTHOR(S) Jonathan D. Cirillo	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School, Monterey, CA 93943-5000	**8. PERFORMING ORGANIZATION REPORT NUMBER**
9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES) CAPT. Wayne Porter, Robert M. Gates Chair for Systemic Strategy and Complexity, Naval Postgraduate School, Monterey, CA 93943-5000	**10. SPONSORING/MONITORING AGENCY REPORT NUMBER**

11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government. IRB Protocol number ___N/A_____.

12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited	**12b. DISTRIBUTION CODE**

13. ABSTRACT (maximum 200 words)

The United States of America is for all practical purposes, an empire. It has territories separated by bodies of water that are under its control, has the world's largest economy, and it has the ability to project its force with a large and powerful military. Like other empires, the U.S. is prone to follow the historical model of an imperial rise to power and a later fall from power. I hypothesize that the United States is on the verge of a fall from preeminence. By comparing the United States with the Roman and British Empires, I intend to research the economic causes behind the collapse of these two empires and see if the United States is in a comparable situation. If the United States is falling from power, then it has two options, accept its fate, or like the Romans and British, change course and try to continue to hold onto power as long as possible. The United States can learn something by studying the successes and mistakes made by previous world powers. By studying older world powers, this thesis will attempt to compare current problems the U.S. faces to those problems that Rome and Great Britain faced in their respective eras. This thesis will use these two historical case studies to find solutions to some of the problems that the U.S. faces today, and make a case for how new fiscal policy as a part of a larger National Strategic Narrative might change the fate of the empire of the United States of America.

14. SUBJECT TERMS Fiscal Policy, Grand Strategy, Empire, Collapse, Complexity, Sustainability, National Strategic Narrative, Mr. X, Mr. Y, Rome, Roman Empire, Britain, British Empire, United States of America, United States Empire, Taxes, Budgeting	**15. NUMBER OF PAGES** 260
	16. PRICE CODE

17. SECURITY CLASSIFICATION OF REPORT	**18. SECURITY CLASSIFICATION OF THIS PAGE**	**19. SECURITY CLASSIFICATION OF ABSTRACT**	**20. LIMITATION OF ABSTRACT**
Unclassified	Unclassified	Unclassified	UU

NSN 7540-01-280-5500 Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. 239-18

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited

IS CHANGE REQUIRED? AN ECONOMIC CASE STUDY OF THE RISE AND FALL OF EMPIRES, AND WHY A NATIONAL STRATEGIC NARRATIVE COULD CHANGE THE FATE OF THE UNITED STATES EMPIRE

Jonathan D. Cirillo
Lieutenant, United States Navy
B.A. in History, Virginia Military Institute, 2005

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF ARTS IN BUSINESS ADMINISTRATION

from the

NAVAL POSTGRADUATE SCHOOL
December 2011

Author: Jonathan D. Cirillo

Approved by: Jonathan E. Czarnecki
Thesis Advisor

Nicholas Dew
Second Reader

William Gates
Dean, Graduate School of Business and Public Policy

THIS PAGE INTENTIONALLY LEFT BLANK

ABSTRACT

The United States of America is for all practical purposes, an empire. It has territories separated by bodies of water that are under its control, has the world's largest economy, and it has the ability to project its force with a large and powerful military. Like other empires, the U.S. is prone to follow the historical model of an imperial rise to power and a later fall from power. I hypothesize that the United States is on the verge of a fall from preeminence. By comparing the United States with the Roman and British Empires, I intend to research the economic causes behind the collapse of these two empires and see if the United States is in a comparable situation. If the United States is falling from power, then it has two options, accept its fate, or like the Romans and British, change course and try to continue to hold onto power as long as possible. The United States can learn something by studying the successes and mistakes made by previous world powers. By studying older world powers, this thesis will attempt to compare current problems the U.S. faces to those problems that Rome and Great Britain faced in their respective eras. This thesis will use these two historical case studies to find solutions to some of the problems that the U.S. faces today, and make a case for how new fiscal policy as a part of a larger National Strategic Narrative might change the fate of the empire of the United States of America.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

I. INTRODUCTION....1
A. EMPIRES DEFINED....2
B. ECONOMICS DEFINED....6
1. Microeconomics and Macroeconomics....7
2. Macroeconomics- Keynesian Economics vs. Hayek and Friedman's Free Market Economy....8
3. Fiscal and Monetary Policy....10
4. Why Is Fiscal Policy So Important?....13
5. U.S. Fiscal Policy- Revenues or Taxes....14
6. U.S. Fiscal Policy- Expenditures or Budgets....19
C. COMPLEXITY DEFINED....24
D. GRAND STRATEGY AND NATIONAL STRATEGIC NARRATIVE DEFINED....25
E. METHOD- CASE STUDY ANALYSIS....34
1. Multiple Case Study Design....34
2. Case Studies in this Paper....35
F. LITERATURE REVIEW- COLLAPSE EXPLORED....36
1. Depletion Or Cessation Of A Vital Resource Or Resources on Which The Society Depends....38
2. The Establishment Of A New Resource Base....41
3. The Occurrence Of Some Insurmountable Catastrophe....42
4. Insufficient Response to Circumstances....45
5. Other Complex Societies....50
6. Intruders....51
7. Class Conflict, Societal Contradictions, Elite Mismanagement Or Misbehavior....55
8. Social Dysfunction....60
9. Mystical Factors....61
10. Chance of Concatenation Of Events....65
11. Economic Factors....67
G. SUMMARY....76

II. THE ROMAN CASE STUDY....79
A. INTRODUCTION....79
B. ROME....80

III. THE BRITISH CASE STUDY....97
A. INTRODUCTION....97
B. BRITAIN....98

IV. THE UNITED STATES CASE STUDY....129
A. INTRODUCTION....129
B. THE UNITED STATES OF AMERICA....129

V. COMPARISON, CONCLUSIONS, AND RECOMMENDATIONS 179
A. INTRODUCTION 179
B. COMPARISONS 179
C. CONCLUSIONS 184
D. RECOMMENDATIONS FOR THE UNITED STATES OF AMERICA 188

APPENDIX A. NATIONAL STRATEGIC NARRATIVE BY MR. Y 195
A. PREFACE 195
B. A NATIONAL STRATEGIC NARRATIVE 199
1. From Containment to Sustainment: Control to Credible Influence 200
2. Our Values and Enduring National Interests 201
3. Our Three Investment Priorities 202
4. Fair Competition and Deterrence 204
5. A Strategic Ecology 205
6. Closing the "Say-do" Gap - the Negative Aspects of "Binning" ..207
7. Credible Influence in a Strategic Ecosystem 209
8. Opportunities beyond Threat and Risk 210
9. A National Prosperity and Security Act 212
10. A Beacon of Hope, a Pathway of Promise 213

APPENDIX B. UNITED STATES OF AMERICA SUMMARY OF RECEIPTS, OUTLAYS, AND SURPLUSES OR DEFICITS: 1789–2016 215

LIST OF REFERENCES 219

INITIAL DISTRIBUTION LIST 239

LIST OF FIGURES

Figure 1. Debasement of the Roman silver currency, 0–269 A.D. 12
Figure 2. The Marginal Product of Increasing Complexity 74
Figure 3. The Marginal Product of Increasing Complexity 127
Figure 4. The End of the Age of America..178

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF TABLES

Table 1. 2011 Tax Rates and Tax Brackets 15
Table 2. British Wartime Expenditure and Revenue, 1688–1815 (in pounds) 110
Table 3. Comparison of Rome, Britain and U.S. 180

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF ACRONYMS AND ABBREVIATIONS

ADM - Admiral in the United States Navy

BOB - Bureau of Budget

CAPT - Captain in the United States Navy

CIT - Corporate Income Tax

Col. - Colonel in the United States Marine Corps or Army

DOD - Department of Defense

EPD - Excess Profits Duty

F.D.R. - Franklin D. Roosevelt

FY - Fiscal Year

GAO - Government Accountability Office

GDP - Gross Domestic Product

GNP - Gross National Product

IRS - Internal Revenue Service

NDS - National Defense Strategy

NMS - National Military Strategy

NSA 47 - The National Security Act of 1947

NSC 68 - National Security Council Report 68 of 1950

NSN - National Strategic Narrative

NSS - National Security Strategy

OMB - Office of Management and Budget

QDR - Quadrennial Defense Review

Ret. - Retired off of Active Duty after 20 or more years of Service

U.S. - United States

U.S.A. - United States of America

USN - United States Navy

USMC - United States Marine Corps

EXECUTIVE SUMMARY

The United States is an Empire because it is globally dominant militarily, economically, and politically, and the U.S. Empire even has colonies. Territories are just colonies by another name. Why is this important? The U.S. Empire can be compared to other empires of the past to learn some important historical lessons about the sustainability of empires. The empires that will be compared to the United States in this thesis are the Roman Empire and the British Empire. Rome is the example of an empire that collapsed. Britain is an example of an empire that gracefully degraded, until it too collapsed, but the nation remains as a regional power, and a world influence.

It is the hypothesis of this thesis that fiscal policy plays a critical role in the sustainability of empires, especially the United States Empire. Furthermore if fiscal policy does affect the sustainability of the United States Empire, can the National Strategic Narrative be used to make recommendations about fiscal policy that would positively affect the course the United States of America? By looking at fiscal policy and its relationship to grand strategy, through the lens of complexity and sustainability, the United States can see trends where others have gone before and attempt to learn from their mistakes. The following chart summarizes the three case studies findings.

Category	**Rome**	**Britain**	**United States**
Era	Ancient 31 A.D to 476 A.D	Middle Ages to Modern 1588 to 1967	Modern 1776 to Present
Complex Society?	Yes	Yes	Yes
Loss of Complexity?	Yes	Yes	Potential Exists
Empire Collapsed?	Yes	Yes; nation survived	Potential Exists
Collapsed into Vacuum?	Yes	No	Potential Exists
Grand Strategy and Fiscal Policy Aligned: During Prosperity?	Yes	Yes	Yes
Aligned: During Crises?	No	No	No
Budgets: Type of Budget	Simple	Complex	Complex/Split (12 parts)
Methods used to meet budget shortfalls: Raised Taxes?	Yes	Yes	Yes
Debasement?	Yes	No	Yes
Loans?	No	Yes	Yes
Deficit spending used for Funding: Military?	Yes-(when including debasement)	Yes	Yes
For:Entitlements/Welfare?	Yes (same as above)	Yes	Yes

Category	**Rome**	**Britain**	**United States**
Taxation: Type of Tax System	Relatively Simple	Sophisticated	Very Sophisticated
Tax Exemptions?	Yes	Yes	Yes
Tax Evasion prevalent?	Yes	Yes	Yes
Large % of people pay no taxes?	Yes	Yes	Yes
Income Tax?	Yes	Yes	Yes
Corporate Income Tax?	N/A- No corporations	Yes	Yes
Income Tax high during growth?	No	No	No
CIT high during growth?	N/A	No	No
Majority of Taxes from Income/ Direct taxes during periods of growth?	%'s unknown- but tribute from new lands substantial	No- used custom duties from imports, indirect/ sales taxes on goods	No- used tariffs from imports, indirect/sales taxes on goods
Economy: Type of Economy during decline	Agrarian	Industrial to Financial & Services	Industrial to Financial & Services
Consumer Based?	No	Yes	Yes
Economy peaked before military?	Yes	Yes	Yes
Over reliance on one sector?	Yes, Agricultural Sector	Yes, Service Sector	Yes, Service Sector
Expansion a boon to economy?	Yes (during Republic)	Yes	Yes
Price Controls spurred inflation?	Yes (Diocletian)	No- did not use.	Yes (Nixon)
Experienced Hyperinflation?	Yes	No	Potential Exists

This chart shows that the United States is committing many of the same mistakes as previous empires. The fiscal policy and grand strategy mismatch that started with President Johnson, is widening. The 2008 economic crisis and the current fiscal policy crisis have shattered U.S. resiliency and its ability to absorb another economic shock. The debasement policy of the Federal Reserve is similar to the one that the Romans pursued, which ended in hyperinflation. Policy makers need to take quick and decisive action to balance the budget, reform the tax code, lower the burden of taxation and regulation on businesses, and promote policies that encourage economic growth. These elements were all present when all three empires had economic booms, and the current U.S. fiscal and economic environment is typical of what these empires experienced when they declined and collapsed. Fiscal policy is critical to the sustainability of the U.S. Empire or it too, could collapse. The National Strategic Narrative can shift the policy discussion from threats to opportunities by focusing on prosperity and security.

ACKNOWLEDGMENTS

First of all, I would like to thank my wife Christi and my sons Nathanael, Joseph and Samuel Cirillo for your unfailing support in this long arduous process. This thesis is dedicated to you. Thanks to my parents Jim and Dale, who listened to and encouraged me regularly throughout the process. Thanks to Professor Czarnecki and Professor Dew for your role as thesis advisors, help with the concept of the paper, with the framework for research, with multiple good references, for critical editing, and mentoring. I learned a lot from both of you. Thanks to CAPT. Ford, who without your help this thesis would have never gotten off the ground. Much thanks also for your help supporting travel requirements, and for getting me in contact with CAPT. Porter. Thanks to CAPT. Porter, and Col Mykleby, for your role as sponsors, supporters, and mentors, and for your inspiration through the National Strategic Narrative, a truly revolutionary concept, and a poignant one for the U.S. today. Thanks to Ann Jacobson, the Business School Librarian, for your help with Refworks, and help with references and citations. Thanks to Professor Brook, for your assistance with all things fiscal policy, for helpful references and help with U.S. budgeting, and for inspiring me to take on a thesis that tackled the massive U.S. fiscal issues that plague our great nation. Thanks to Professor Lucius, for your class, which peaked my interest in grand strategy. Thanks to Professor Lewis, for your help with looking at Transportation and Infrastructure Strategy. Thanks to Claire Fess, for your help with the thesis process and approval of my topic. A special thanks to Donna Cuadrez, who without your help I would have never gotten this thesis formatted properly and would not have an approved thesis. Thanks to all my Interviewees: Dr. Bijan Kian, Dr. Sorin Lungu, Mr. Peter Steen, Dr. Norman Bailey, Major General Charles Luckey, Ms. Annie Gillman, and Ms. Kathleen Harger, who all took time out of their busy schedules while I was in Washington D.C. to help me formulate a good idea of what areas of fiscal policy needed to be addressed. A special note of thanks to Dr. Bijan Kian, who after I interviewed him, continued to call me with additional points of reference that help shape my thinking. Another special note of thanks also to Dr. Sorin Lungu, who after the interview was over, continued to send me a plethora of great sources which helped in the research process immensely, and helped me continue to think critically about the problems the U.S is facing. A final note of praise and thanks to Jesus Christ, who without his divine help and support, I would have not had the sanity or energy to finish this massive undertaking.

I. INTRODUCTION

The United States of America is an empire with some very critical but very basic problems. The United States Empire has a spending problem, and an income problem. The spending problem is centered on the Federal Budget, which is similar in theory to a household budget, but larger. The income problem is based in tax revenues, which is theoretically like the income a worker takes home each month. These two issues, budgets and taxation, along with other government policies such as trade policy, all fall under the broader heading of fiscal policy.

It is the hypothesis of this thesis that fiscal policy plays a critical role in the sustainability of empires, especially the United States Empire. Furthermore if fiscal policy does affect the sustainability of the United States Empire, can the National Strategic Narrative be used to make recommendations about fiscal policy that would positively affect the course the United States of America? These two questions are the guiding questions of this thesis, and form the hypothesis and the corollary to the hypothesis which this thesis will attempt to answer.

There are eleven broad categories that affect the sustainability of empires; depletion or cessation of a vital resource or resources on which the society depends, the establishment of a new resource base, the occurrence of some insurmountable catastrophe, insufficient response to circumstances, other complex societies, intruders, class conflict, societal contradictions, elite mismanagement or misbehavior[1], social dysfunction, mystical factors, chance of concatenation of events and economic factors.[2] This thesis will concentrate on economic factors, with a specific concentration on fiscal policy as one of many different factors in economics, in order to satisfy the hypothesis. Before exploring the hypothesis further, some definitions will aid in the understanding of empires, economic factors, complexity, grand strategy and collapse.

1 Class conflict, societal contradictions, and elite mismanagement or misbehavior are all one factor.

2 Joseph Tainter, *The Collapse of Complex Societies* (Cambridge: Cambridge University Press, 1988), 42.

A. EMPIRES DEFINED

The beginning of this chapter stated several times that the United States of America is an empire. When one thinks of the word empire, visions of Rome at its height, or maps of the great colonial expansion of Great Britain come to mind. In fact, the word imperial, as defined by Webster Dictionary has as one of its definitions "of or related to the United Kingdom."[3] There are also things that one does not generally think of when the word empire is used. One of these may be the United States. However, the United States can be considered an empire for several reasons. It has the largest economy in the world. It has the largest military in the world, and can project the force of that military anywhere in the world, two features distinctive of the late Roman and British empires. It also has multiple land holdings outside its borders. Today we call them territories, instead of colonies, but like colonies, they are subject to many of the rules of the United States, including some territories paying varying levels of taxes, without voting rights.[4] The territories also provide forward military bases. In addition, we have military bases in many other countries of the world, which increases our foreign land holding and strengthens our ability to project military force worldwide. Chalmers Johnson did an extensive study of the Pentagon's Annual "Base Structure Report" in 2003, and found that in addition to all of the reported foreign bases, totaling 702, in about 130 countries, there are over 6,000 bases in the U.S. and it territories. Additionally, there are many bases that were not accounted for in the countries of Afghanistan, Iraq, Israel, Kuwait, Kyrgyzstan, Qatar, and Uzbekistan. Other omissions include reporting Camp Butler as the only base on Okinawa, thereby failing to report the other nine bases on Okinawa, and failing to report garrisons such as Camp Bondsteel in Kosovo. Johnson estimates that there is a total of over 1,000 foreign bases worldwide, and uses this as his

---

[3] Merriam–Webster Dictionary, "Imperial," *Merriam–Webster.com*, http://www.merriam–webster.com/dictionary/imperial.

[4] The Office of Insular Affairs, Department of the Interior, "Puerto Rico," and "Commonwealth of the Northern Marianas," *Dept. of Interior.gov*, http://www.doi.gov/oia/Islandpages/prpage.htm http://www.doi.gov/oia/Islandpages/cnmipage.htm.

The Office of Insular Affairs, under the Department of the Interior reports that Puerto Rico pays a customs tax to the U.S. Treasury and the Commonwealth of the Northern Marianna's Islands is subject to the internal revenue code and pay a local income tax.

proof that the United States is a military empire.[5] Laurence Vance echoes Johnson's sentiment, stating that the U.S. has a permanent military base of some kind in 135 out of 192 countries, which is over 70 percent of the nations of the world.[6]

These facts, along with many others contribute to the growing body of data that suggests that even if the United States is not an empire by the popularly held classical definition, it does in fact behave like one, and therefore can be classified as an empire for reasons of historical comparison. Acclaimed historian, Dr. Niall Ferguson states that the U.S. has an "informal empire…of multinational corporations, of Hollywood movies, and even of TV evangelists."[7] Compared to the "British empire of monopoly trading companies and missionaries,"[8] Ferguson argues that the U.S. is not so different than the British Empire. Also, whether we want to admit it or not, the U.S. has stepped in and taken up a type of "global burden," of waging war on terror and rogue states, and similar to that of the British, the spreading capitalism and liberty.[9] Ferguson further states that American citizens not only need to recognize the imperial characteristics of the United States but also need "to learn from the achievements and failures of past empires."[10] The point that Ferguson is trying to make is "that the United States has always been, functionally if not self-consciously, an empire"[11] and "it is an empire in denial."[12]

Others, such as Jim Garrison in his book "America as Empire" says that not only America, but the world should embrace and celebrate the fact America went from "motley band of colonies 225 years ago is now not only the strongest nation in the world

---

[5] Chalmers Johnson, "America's Empire of Bases," *TomDispatch.com*, January 15, 2004, 1–2. http://www.commondreams.org/views04/0115–08.htm.

[6] Laurence Vance "The U.S. Global Empire," *LewRockwell.com*, March, 16, 2004, 1–2. http://www.lewrockwell.com/vance/vance8.html.

[7] Niall Ferguson, "America: an Empire in Denial," an excerpt for The Chronicle Review from *Empire: The Rise and Demise of the British World Order and Lessons for Global Power* (London: Penguin Books, 2002), 9. http://chronicle.com/article/America–an–Empire–in–Denial/29867.

[8] Ferguson, "America: an Empire in Denial," 9.

[9] Ferguson, "America: an Empire in Denial," 10.

[10] Niall Ferguson, *Colossus: The Rise and Fall of the American Empire* (New York: Penguin Books, 2004): viii.

[11] Ferguson, *Colossus*, viii.

[12] Ferguson, "America: an Empire in Denial," 10.

but the strongest nation in the history of the world."[13] Garrisons reasoning is that the ascendency of American power defeated the rise of three other nation's conquest for global imperial domination, Nazi Germany, Imperial Japan and Communist Russia. He contends that the world should be thanking us that they are not being ruled by one of those three more ruthless regimes, and instead have seen prosperity through our relatively benign world dominance, in comparison to what could have been.[14] Additionally, Garrison calls the U.S. a "transitional empire," because he sees the U.S. as the only force on earth that can usher in a new world order of a "democratically governed global system." He also posits that the U.S. might indeed be the "final empire," because globalization will do eventually do away with the need for one world power.[15] Even the *U.S. History Online Textbook* states that with the concessions the U.S. won during the Spanish-American War, "The country that had once fought to throw off imperial shackles was now itself an empire."[16]

There are of course contrarian views to the notion that the United States in an Empire. Paul Schroeder, a history professor, contends that calling the U.S. an empire is "a misleading, unhistorical understanding of empire, ignoring crucial distinctions between empire and other relationships in international affairs." He goes on to explain the differences between hegemony and empire, and his pivotal assertion is that "A hegemon is first among equals; an imperial power rules over subordinates." When Schroeder wrote this op-ed, at the request of the American Historical Association President, Lynn Hunt, it was February 2003. Schroeder states in the article with the assertion that if the United States "not an empire, not yet" and goes on to say that the United States will formally become an empire if it invades Iraq.[17] However, the U.S.

13 Jim Garrison, "America as Empire," an excerpt for EnlightenNext magazine from America as Empire: Global Leader or Rogue Power? (San Francisco: Berrett–Koehler Publishers, 2004), 1–2, http://www.enlightennext.org/magazine/j24/garrison.asp.

14 Garrison "America as Empire," 2.

15 Garrison "America as Empire," 5.

16 ushistory.org, "Seeking Empire," *U.S. History Online Textbook*, 2011, 1. Accessed November 16, 2011, http://www.ushistory.org/us/44.asp.

17 Paul, Schroeder, "Is the U.S. an empire?" George Mason University's History News Network, February 10, 2003 http://hnn.us/articles/1237.html It would be interesting to see what Prof. Schroeder's opinion is today, given the fact that the U.S. has invaded Iraq, and see if his opinion has changed.

invaded Iraq later that same year, so one hinge point of Schroeder's argument is no longer valid.

Joseph Nye, professor and former Assistant Secretary of Defense also asserts that the U.S. is not an empire, and says that empires are derived from political power. One of his examples to support this is that "British officials controlled Kenya's schools, taxes, laws and elections - not to mention its external relations."[18] His point is that the U.S. does not do this anywhere in the world, and as a result, is missing a key point of governance that a traditional empire would normally control. He formulates a three dimensional chess board metaphor, involving military on the first board, economics on the second board, and transnational relations on the third board. Nye uses this to illustrate that U.S. "military power is largely unipolar" but that economically the U.S. is neither hegemonic nor imperial, for it must still bargain with entities such as the European Union.[19] On transnational relations, Nye states that the defeat of Saddam Hussein in Iraq actually increased recruitment to Al Qaeda. [20] Nye also has a compelling argument, but he fails to mention that the United States, although having to bargain with the European Union, does not deal with the European Union in Euros. The United States dollar is the global reserve currency,[21] and "more than 60 percent of the foreign reserves of central banks and governments are in dollars." Additionally, "85 percent of foreign-exchange transactions world-wide are trades of other currencies for dollars."[22] This

[18] Joseph Nye, "Is America an Empire?" Project Syndicate.org, January 26,2004, 1. http://www.project–syndicate.org/commentary/nye5/English.

[19] Nye, "Is America an Empire?" 1.

[20] Nye, "Is America an Empire?" 1.

[21] Investopedia Dictionary, "Reserve Currency" *Investopedia.com*, 2011. http://www.investopedia.com/terms/r/reservecurrency.asp#ixzz1USqLcQv9. Reserve Currency: A foreign currency held by central banks and other major financial institutions as a means to pay off international debt obligations, or to influence their domestic exchange rate. A large percentage of commodities, such as gold and oil, are usually priced in the reserve currency, causing other countries to hold this currency to pay for these goods. Holding currency reserves, therefore, minimizes exchange rate risk, as the purchasing nation will not have to exchange their currency for the current reserve currency in order to make the purchase. In 2011, the U.S. dollar was the primary reserve currency used by other countries. As a result, foreign nations closely monitored the monetary policy of the United States in order to ensure that the value of their reserves is not adversely affected by inflation.

[22] Barry Eichengreen, "Why the Dollar's Reign is Near and End" *Wall Street Journal*, March, 2, 2011, http://online.wsj.com/article/SB10001424052748703313304576132170181013248.html. Eichengreen also points out that the U.S. dollar is not only a U.S. currency, but a global currency.

alone puts the U.S. on a different playing field economically than any other nation in the world, and shows that the U.S. currency not only dominates, but, facilitates global commerce due to its reserve status and foreign exchange rate levels.

A common thread that is found through both those that support and those that oppose labeling the U.S. as an "empire" is that the United States is not the same as other empires. It is true that the United States resembles an empire in many cases, such as military might, and economic standing, but does not resemble an empire in certain aspects such as exercising full control over the daily lives of subjugated colonies. Yet, even this point can be debated when one considers the U.S. territories, and all the U.S. military bases on foreign soil. It is also expressly not the purpose of this thesis to prove that the U.S. is or is not an empire. However, it appears that there is enough supporting evidence to use the term "empire" as an explanation of what the United States is, or at least acts like, in order to facilitate a historical comparison. This will also not be the first time that the term "empire" has been used in a broader sense of the word. In "The Economic Decline of Empires," Carlo Cipolla writes "The term 'empire', as I use it here, is not an exclusively political description. It refers also to an economic or cultural predominance."[23] It is from this standpoint, that this thesis will utilize the term empire, in an effort to make comparisons of the three case studies as similar entities. The U.S. bears many of the same characteristics as empires of old; therefore the term is useful to academically compare the U.S. to other empires, for the aforementioned reasons of commonality.

B. ECONOMICS DEFINED

Economics is a social science with a broad variety of topics and many competing viewpoints.[24] This thesis cannot adequately explore all of the topics of economics, but in order to sufficiently discuss the hypothesis, economics, microeconomics, macroeconomics, resources, fiscal policy, and monetary policy will be defined.

---

[23] Carlo Cipolla, *The Economic Decline of Empires* (London: Methuen & Co. Ltd , 1970), 2.

[24] American Economic Association, "What are the fields in Economics?" *American Economic Association.org*, 2011, 1. http://www.aeaweb.org/students/Fields.php. The Journal of Economic Literature alone has 20 major topic headings for fields of economic studies, each with subtopics within a field.

Merriam Webster's dictionary defines economics as "a social science concerned chiefly with description and analysis of the production, distribution, and consumption of goods and services."[25] Paul Samuelson and William Nordhaus define economics as the "study of how societies use scarce resources to produce valuable commodities and distribute them among different people."[26] Other definitions include Alfred Marshalls; "Economics is the study of people in the ordinary business of life,"[27] and Lionel Robbins "Economics is the science which studies human behavior as a relationship between given ends and scarce means which have alternative uses."[28] The American Economic Association states that "Economics is the study of how people choose to use resources."[29] Furthermore they explain that "In short, economics includes the study of labor, land, and investments, of money, income, and production, and of taxes and government expenditures."[30] The American Economic Association's definition and corollary are the most applicable to this thesis, and therefore will be used with the understanding that fiscal policy is referring to the "taxes and government expenditures"[31] portion of the American Economic Association's economics definition.

1. Microeconomics and Macroeconomics

Microeconomics is "the branch of economics which today is concerned with the behavior of individual entities such as markets, firms and households."[32] Adam Smith is credited with being the father of microeconomics. His book *The Wealth of Nations*,

---

25 Merriam–Webster Dictionary, "Economics" *Merriam–Webster.com*, http://www.merriam–webster.com/dictionary/economics.

26 Paul Samuelson and William Nordhaus, *Economics.* 18th ed. (New York: McGraw–Hill, 2005), 4.

27 Alfred Marshall, *Principles of economics; an introductory volume* (London: Macmillan, 1890) quoted in American Economic Association "What is Economics?" American Economic Association.org, 2011, 1. http://www.aeaweb.org/students/WhatIsEconomics.php.

28 Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (London: MacMillan, 1932) quoted in American Economic Association "What is Economics?" American Economic Association.org, 2011, 1. http://www.aeaweb.org/students/WhatIsEconomics.php.

29 American Economic Association, "What is Economics?" *American Economic Association.org,* 2011, 1. http://www.aeaweb.org/students/WhatIsEconomics.php.

30 American Economic Association, "What is Economics?" 1.

31 American Economic Association "What is Economics?" 1.

32 Samuelson and Nordhaus, *Economics*, 5.

written in 1776, discusses such topics as "how individual prices are set," "determination of prices of land, labor and capital," and "the strengths and weaknesses of the market mechanism."[33] Smith also "identified the remarkable efficiency properties of markets and saw that economic benefit comes from the self-interested actions of individuals."[34] While microeconomics focuses on the cause and effect of decisions for the individual's budget, macroeconomics takes a broader view.

Macroeconomics "is concerned with the overall performance of the economy."[35] Macroeconomics originated from John Maynard Keynes book *The General Theory of Employment, Interest and Money*, written in 1936. Motivated by the high unemployment of the Great Depression, Keynes looked at "business cycles, with alternating spells of high unemployment and high inflation."[36] The field of macroeconomics includes many areas, including "how total investment and consumption are determined, how central banks manage money and interest rates, what causes international financial crises and why some nations grow rapidly while others stagnate."[37] Microeconomics and macroeconomics comprise the two major branches of the field of economics.[38]

2. Macroeconomics- Keynesian Economics vs. Hayek and Friedman's Free Market Economy

It is important to note at this point that there are two basic economic camps with respect to macroeconomics. Keynesian economics is a "theory of total spending in the economy (called aggregate demand) and its effects on output and inflation."[39] Keynes believed that "aggregate demand is influenced by a host of economic decisions—both public and private—and sometimes behaves erratically."[40] His ideas of public decisions

---

[33] Samuelson and Nordhaus, *Economics*, 5.

[34] Samuelson and Nordhaus, *Economics*, 5.

[35] Samuelson and Nordhaus, *Economics*, 5.

[36] Samuelson and Nordhaus, *Economics*, 5.

[37] Samuelson and Nordhaus, *Economics*, 5.

[38] Samuelson and Nordhaus, *Economics*, 5.

[39] Alan S. Blinder, "Keynesian Economics" *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008, 1. http://www.econlib.org/library/Enc/KeynesianEconomics.html.

[40] Blinder, "Keynesian Economics," 1.

were "monetary and fiscal policy,"[41] which will be defined shortly. Keynes ultimate view was that in periods of economic depression, the government should intervene in order to boost aggregate demand by using deficit spending and monetary policy to boost employment.[42]

The contrarian view to Keynes is held by economists Friedrich Hayek and Milton Friedman. Friedrich Hayek was originally from Vienna, Austria, where he was part of the school of thought called "Austrian Economics," and later taught at the London School of Economics.[43] He was a contemporary academic rival of Keynes.[44] His book *The Road to Serfdom*, written in 1944, was a warning to the British of the danger of socialism.[45] His firsthand view of Nazi Germany on its rise to political power before World War II convinced him that government control of the economy led to totalitarianism.[46] He believed that the free market would always prevail over government intervention. Milton Friedman taught at the University of Chicago and was also a stalwart challenger of Keynesian policies. His book *A Theory of the Consumption Function*, written in 1957 was a direct challenge to Keynesian economic theory.[47] Like Hayek, Friedman was a champion of the free market as well. He also wrote extensively on monetary policy, and in 1956, his work *Studies in the Quantity Theory of Money*, stated "that in the long run, increased monetary growth increases prices but has little or no effect on output. In the short run, he argued, increases in money supply growth cause employment and output to increase, and decreases have the opposite effect."[48] He later

[41] Blinder, "Keynesian Economics," 1.

[42] Blinder, "Keynesian Economics," 1.

[43] The Concise Encyclopedia of Economics, "Friedrich August Hayek" *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008, 1, http://www.econlib.org/library/Enc/bios/Hayek.html.

[44] The Concise Encyclopedia of Economics, "Friedrich August Hayek," 2.

[45] The Concise Encyclopedia of Economics, "Friedrich August Hayek," 3.

[46] The Concise Encyclopedia of Economics, "Friedrich August Hayek," 3.

[47] The Concise Encyclopedia of Economics, "Milton Friedman," *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008, 1. http://www.econlib.org/library/Enc/bios/Hayek.html.

[48] The Concise Encyclopedia of Economics, "Milton Friedman," 2.

coauthored another book called *Monetary History of the United States, 1867–1960* that blamed the Great Depression on the Federal Reserve's poor monetary policies.[49]

Both schools of thought are important to understand, because they represent the two places from which policy makers make fiscal and monetary policy decisions. Mancur Olson, in *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities* notes that Keynesians and anti-Keynesians, both agree "that Keynes's contribution, however brilliant and important it might be, assumes certain types of behavior that are not reasonable or fully consistent with the interests of those individuals or firms that are assumed to engage in it.[50] Olson further states that "Keynesian macroeconomic theory (a theory of the economy in the aggregate) does not have an adequate basis in microeconomic theory (a theory of the behavior of individual decision-makers in the particular markets or contexts in which each operates)."[51] Olson shows how Keynesian policies can distort the economy in a way that only temporarily lowers involuntary unemployment.[52]

Based on the quoted definitions of economics, resources are necessary to any economy. Although this thesis will not concentrate on resources, a good working definition is needed for the discussion about economics. The American Economic Association also has a good definition for resources. "Resources include the time and talent people have available, the land, buildings, equipment, and other tools on hand, and the knowledge of how to combine them to create useful products and services."[53]

3. Fiscal and Monetary Policy

Central to the hypothesis of this thesis is fiscal policy, and it can be defined as the following. "Fiscal policy is the use of government spending and taxation to influence the

---

[49] The Concise Encyclopedia of Economics, "Milton Friedman," 2.

[50] Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities* (Yale University Press, New Haven, 1982), 7–8.

[51] Olson, *The Rise and Decline of Nations,* 8.

[52] Olson, *The Rise and Decline of Nations*, 229.

[53] American Economic Association "What is Economics?" 1.

economy."[54] This policy is determined through the actions of the Executive Branch and the Legislature in the United States. Both the President and Congress have a part to play in fiscal policy. Recently, President Barack Obama's 2012 Budget, Republican Representative Paul Ryan's budget proposal and several other legislative measures known as Continuing Resolutions have been thrust into the spotlight in the news.[55] These are all a part of the fiscal policy process. Fiscal policy should not be confused with monetary policy.

"Monetary Policies are demand-side macroeconomic policies. They work by stimulating or discouraging spending on goods and services."[56] Monetary policy is not determined by elected politicians in the United States of America. Instead, monetary policy is determined by the Federal Reserve Bank, currently headed by Benjamin Bernanke, a political appointee. Influencing interest rates, printing or destroying money to change the value of the dollar and change inflation rates, and buying and selling Treasury bonds to influence the economy are all parts of monetary policy. Monetary policy is important, and has a part to play in any economy. This thesis will not concentrate on monetary policy, but it will be discussed because fiscal and monetary policies can affect each other. Also, the separation of fiscal and monetary policy is a more modern phenomenon. In Rome, the Emperor was in charge of the Imperial budget, taxes and making the decision whether or not to debase the currency.

In the later Roman Empire, the debasement of currency was used to solve problems when the Imperial Budget could not pay for all the Imperial Expenses. In Roman times, the debasement of currency literally meant changing the percentage of precious metal and base metal in a coin. It started with Emperor Nero in A.D. 64, who

---

[54] David Weil, "Fiscal Policy," *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008, http://www.econlib.org/library/Enc/FiscalPolicy.html.

[55] Paul Ryan "Where's Your Budget Mr. President?" *Wall Street Journal*, August 3, 2011. http://online.wsj.com/article/SB10001424053111903341404576484124282885188.html?mod=WSJ_hps_sections_opinion. This is just one example of a news article that discusses the contemporary fiscal issues of the U.S.

[56] James Tobin, "Monetary Policy," *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008, http://www.econlib.org/library/Enc/MonetaryPolicy.html.

debased the silver denarius and changed the content of the base metal to ten percent.[57] See Figure 1.

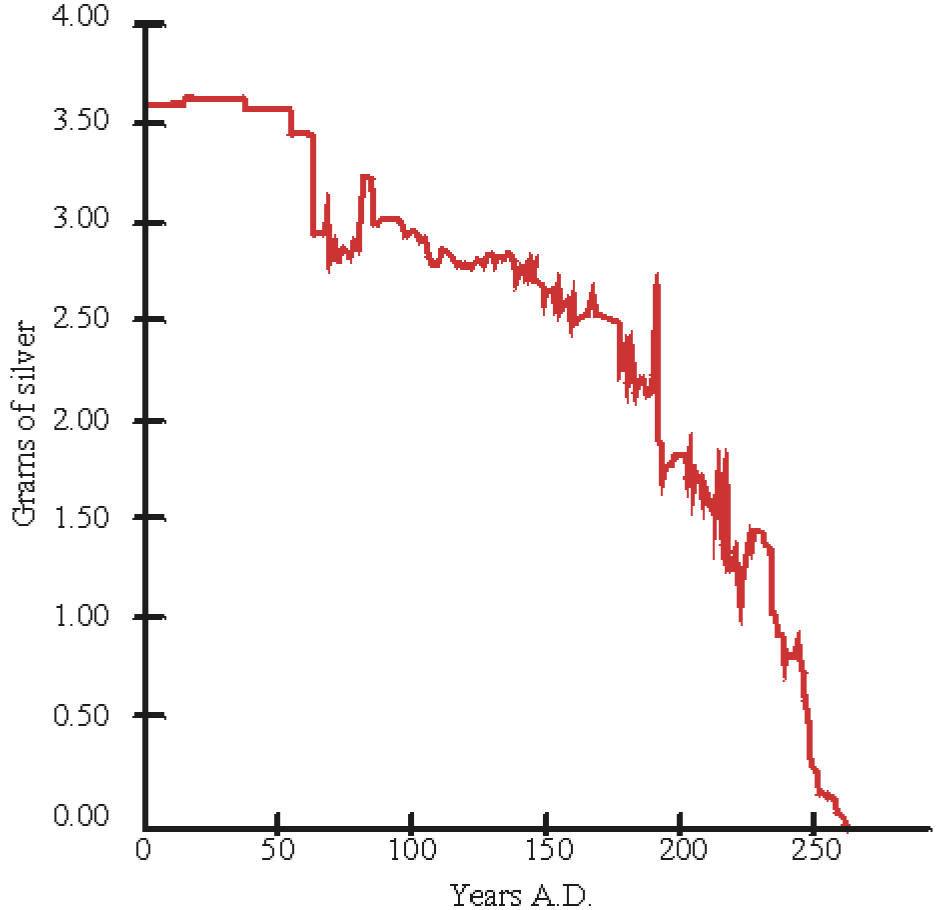

Figure 1. Debasement of the Roman silver currency, 0–269 A.D.[58]

By adding more base metal to a coin, more coins were needed to equal the same value or content by weight of silver. Today governments generally debase their currency by printing money. The increased supply of money lowers the value. It is speculation, but it stands to reason that if the Roman Emperors had enough money to pay for

---

[57] Tainter, *Collapse of Complex Societies*, 133–134.

[58] From Joseph Tainter, "Complexity, Problem Solving and Sustainable Societies," from *GETTING DOWN TO EARTH: Practical Applications of Ecological Economics*, Washington D.C.: Island Press, 1996, 5. http://www.goldonomic.com/tainter.htm. The chart shows grams of silver per denarius (the basic silver coin) from 0 to 237 A.D., and per 1/2 denarius from 238–269 A.D. (when the denarius was replaced by a larger coin tariffed at two denarii).

everything, they would probably not have had a reason to continuously lower the value of their currency.

4. Why Is Fiscal Policy So Important?

Fiscal policy is the primary manner in which elected officials can actively influence their economy. As a result, it is also the primary way in which elected officials can actively stimulate or stifle economic growth and promote or sabotage long-term prosperity for their economy. To explain this more clearly, an individual who spends an equal amount or less than the amount that individual makes in income will not go into debt. Likewise, an individual who spends more money than they make in income will go into debt, and if that individual does not eventually change their spending habits and pay down their debt, then they run the risk of going bankrupt. This simple concept is no different from an individual to a government. Any government that spends more than it makes, also incurs debt, and if the spending habits of that government are not changed, then they run the risk of amassing too much debt, and eventually going bankrupt. This buildup of an increasing amount of debt is precisely the risky path that the United States of America is currently on.

The United States has amassed an external debt to Gross Domestic Product (GDP) ratio of just slightly over 100 percent. "External debt is the total public and private debt owed to non-residents payable in foreign currency goods and services."[59]

> National income is the total market value of production in a country's economy during a year. The broadest and most widely used measure of national income is gross domestic product (GDP), the value of expenditures on final goods and services at market prices produced by domestic factors of production (labor, capital, materials) during the year.[60]

This means the United States Government owes foreign entities more than the United States as a nation makes in income (GDP) as a whole in one year. This is not to be confused with the income from tax revenues to the U.S. government. GDP is the total

---

[59] U.S. Debt Clock.org ,"World Debt Clock," *U.S. Debt Clock.org*, Accessed May 22, 2011, http://www.usdebtclock.org/world–debt–clock.html.

[60] Mack Ott, "National Income Accounts," *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008, http://www.econlib.org/library/Enc/NationalIncomeAccounts.html.

income of every individual, and business in the United States combined. For an individual, this would be similar to owing the same amount of money on one's credit card as that person made in one year. This is just illustrative of why fiscal policy is important, and why the United States Empire is in such a dire situation.

5. U.S. Fiscal Policy- Revenues or Taxes

In order to be able to adequately discuss fiscal policy, there are some additional definitions and concepts within fiscal policy that need to be addressed. First of all, there are two primary tools of fiscal policy, revenue and expenditures, and one implied tool, the surplus or deficit. Most of the U.S Governments revenues, otherwise known as income, come from taxes, with a small portion coming from custom duties and excise taxes related to trade. However, until the early 1900s, the U.S. government made most of its revenue from custom duties and excise taxes on trade. The largest portion of tax revenue comes from the income tax.[61]

Merriam Webster's online dictionary defines income tax as "a tax on the net income of an individual or business."[62] Income subsequently, is defined as "a gain or recurrent benefit usually measured in money that derives from capital or labor."[63] These two definitions can be re-written to mean a tax on the net gain or recurrent benefit derived from capital or labor. In layman's terms, this is a tax on all the money that a person makes in one year. Income taxes are the most important source of revenue for the United States Federal Government, and along with payroll taxes, property taxes and corporate income taxes comprise the majority of revenues for the U.S.[64] The Internal Revenue Service or IRS, is responsible for collecting federal taxes.[65]

---

[61] Robert D. Lee Jr., Ronald W. Johnson, and Philip G. Joyce, *Public Budgeting Systems,* 8th ed. (Sudbury, MA: Jones and Bartlett Publishers, 2008): 694.

[62] Merriam–Webster Dictionary. "Income Tax," *Merriam–Webster.com*, http://www.merriam–webster.com/dictionary/income+tax.

[63] Merriam–Webster Dictionary. "Income," *Merriam–Webster.com*, http://www.merriam–webster.com/dictionary/income.

[64] Lee, Johnson, and Joyce, *Public Budgeting System,* 76.

[65] Lee, Johnson, and Joyce, *Public Budgeting System,* 59–60.

Income tax did not start in the United States until 1913, when Congress passed the 16th Amendment to the Constitution, which officially instituted the income tax as a legal form of taxation. Prior to this, taxation of income had not been lawful.[66] The current U.S. tax system utilizes withholding as the primary means of receiving payment, which was originally instituted in 1913, done away with due to popular protest and was re-instituted during World War II to guarantee a steady flow of money to fund the war effort.[67] A series of tax brackets are used to determine how much income tax a person owes. The tax is called a "progressive tax" which is a tax that increases as ones income increases. Therefore, each tax bracket is used to determine the tax percentage for a given amount of money.

Tax Rate	**Single**	**Married Filing Joint**	**Married Filing Separate**	**Head of Household**
10%	Up to $8,500	Up to $17,000	Up to $8,500	Up to $12,150
15%	$8,501 – $34,500	$17,001 – $69,000	$8,501 – $34,500	$12,151 – $46,250
25%	$34,501 – $83,600	$69,001 – $139,350	$34,501 – $69,675	$46,251 – $119,400
28%	$83,601 – $174,400	$139,351 – $212,300	$69,676 – $106,150	$119,401 – $193,350
33%	$174,401 – $379,150	$212,301 – $379,150	$106,151 – $189,575	$193,351 – $379,150
35%	Over $379,150	Over $379,150	Over $189,575	Over $379,150

Table 1. 2011 Tax Rates and Tax Brackets[68]

This means that no one is really in one single tax bracket, unless all of their earnings for the year are under the maximum amount for the lowest tax bracket, which is $8,500 for 2011. For example, a single earner, making $45,000 dollars in 2011 would fall into 3 tax brackets. They would pay 10 percent on the first $8,500, 15 percent on the next $26,000, putting the total up to $34,500, and 25 percent on the final $10,500, putting

[66] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 76.

[67] Neal Boortz and John Linder, *The Fair Tax Book: Saying Goodbye to the Income Tax and the IRS* (New York: Harper Collins, 2005): 23.

[68] Madison, "2011 Tax Rates and 2011 Tax Brackets," *MyDollarPlan.com*, Accessed March 18, 2011, http://www.mydollarplan.com/tax–brackets/ (page discontinued).

their total tax liability or the total amount of taxes required to be paid to the IRS at $7375. This person's actual tax rate is 16.39 percent. This is calculated by taking the percentage of the total amount at each tax bracket, and multiplying that by the tax rate. Add these numbers together and one can arrive at their tax rate. In this case (.189 x .10) + (.578 x .15) + (.233 x .25) = .16385. Although this is a complicated system, it is the current system in place in the United States.

To further complicate matters, there are many tax credits, tax deductions and tax exemptions. A tax credit is a dollar for dollar reduction of the person's tax liability. Therefore, a tax credit of $1000 dollars would reduce the single earners taxes to $6375. Deductions are different, because deductions only reduce the taxes by the marginal tax rate, so at the 25 percent tax rate, a $1000 dollar deduction would only reduce the taxes by $250 dollars, which only takes the single earner down to $7125. A tax exemption lowers the person's overall taxable income, so an exemption of $1000 would lower the single earners total income to $44,000.[69] Put this three in conjunction with each other, and the single earner would only owe $5875 in taxes, which is a savings of $1500 dollars. If the single earner had the exact amount of $7375 withheld from his taxes and filed his taxes using only the credit, deduction, and exemption stated here, he would receive a refund check of $1500 dollars from the IRS. This is called a tax expenditure. A tax expenditure is a spending initiative implemented through the tax code.[70] The $1500 dollars that the single earner gets back is another way for the government to incentivize or reward some activity, such as a tax credit for buying energy efficient windows for a home, or to target a group of people, such an income tax exemption for military members on pay earned while in a combat zone.

The complexity of this system and the incentives that are built into it has led people to increasingly rely on professional help in preparing taxes. "According to the annual report of the IRS's National Taxpayer Advocate, about 62 percent of all taxpayers

---

[69] Jeff Schnepper, "Your 15–point tax–return checklist," *MSN Money.com*, 22 October 2010 http://money.msn.com/tax–preparation/your–15–point–tax–return–checklist–schnepper.aspx.

[70] American Progress, "Tax Expenditures 101: What They Are and How They Slip Under the Radar," *Center for American Progress.org*, 15 April 2010, 1, http://www.americanprogress.org/issues/2010/04/tax_expenditures101.html.

use tax return preparers."[71] This burden is expensive and time consuming. In 2006, The Tax Foundation estimated that taxpayers spent 6 billion hours, at a cost of $265 billion dollars to comply with the tax code. This also means that, if using the Tax Foundations results, a 22 cent surcharge is added to every dollar collected by the Federal government.[72] The director of the Congressional Budget Office estimates that the cost of compliance with the U.S. tax code is between $400 and $500 billion dollars.[73] As was stated previously, the IRS brought in $2.3 trillion dollars in tax revenues in 2009.[74] However, tax expenditures were $1.2 trillion dollars, which is more than 50 percent the amount it raised in taxes.[75] This means that although the IRS claims efficiency by its tagline "The IRS spent just 50 cents for each $100 it collected in FY (Fiscal Year) 2009,"[76] it also returns over $50 dollars of every $100 dollars collected, back to the American people, and not necessarily to the same people that paid the $100 dollars.

So although American's pay a lot to have their taxes done by professionals, it pays well, because if the above numbers are averaged (depending on which figure is used), each dollar spent on tax preparations nets between $2.40 and $4.53 for the taxpayer. In individual investment terms that is 240 percent to 453 percent return on investment, which is a good investment, but this investment comes at the expense of some other taxpayer, and ultimately at the expense of the government as well. These individuals are called nonpayers, and their numbers are increasing.

The income level at which a typical family of four will owe no income taxes has risen rapidly, now topping $51,000. As a result, recently released IRS data for the 2008

[71] Scott A. Hodge, "Record Numbers of People Paying No Income Tax; Over 50 Million "Nonpayers" Include Families Making over $50,000," *The Tax Foundation.org*, 10 March 2010, 2. http://www.taxfoundation.org/publications/show/25962.html.

[72] Scott A. Hodge, J. Scott Moody and Wendy P. Warcholik, Ph.D. "The Rising Cost of Complying with the Federal Income Tax," *The Tax Foundation.org*, 10 January 2006, http://www.taxfoundation.org/publications/show/1281.html.

[73] Boortz and Linder, *The Fair Tax Book*, 36.

[74] Internal Revenue Service, "The Agency, Its Mission and Statutory Authority," *IRS.gov*,1, http://www.irs.gov/irs/article/0,,id=98141,00.html.

[75] American Progress, "Tax Expenditures 101," 1.

[76] Internal Revenue Service, "The Agency, Its Mission and Statutory Authority," 1.

tax year show that a record 51.6 million filers had no income tax obligation. That means more than 47 percent of all Americans who filed a tax return for 2010 were nonpayers.[77]

There are several other taxes besides the personal income tax that are important to understand as well. There is the payroll tax, which is another type of income tax but slightly different, the corporate income tax, property tax and sales tax. There are other types of taxes as well, but these comprise the most important taxes for generating revenue for the Federal Government and for State governments.

The payroll tax "is differentiated from income taxes because they are taxes on wages and salaries only."[78] In other words, this is only taxing the money one makes from his or her employer, and does not include capital gains through interest on savings accounts, money from the sale of or dividends on stocks, or income generated from activities such as yard sales or eBay auctions. However, all of these other income generating activities are taxable as part of one's total income. The payroll tax is paid by the employee and the employer, in equal proportion to the Federal government. It is collected by the U.S. government from the employer on behalf of the employee.[79] Its only purpose is to provide funding for the federally administered programs of Social Security, Medicare, Medicaid, and state administered Unemployment Insurance and Workman's Compensation. These five programs are government insurance trust programs to protect and provide for its citizens.[80]

The corporate income tax or CIT "applies to the net earnings of incorporated businesses, following the theory that the legal person created by incorporation creates an economic entity with tax-bearing capacity separate from the owners (shareholders)."[81] Although corporations do not have the same exemptions and deductions that individuals

[77] Jared Spurbeck, "By the Numbers: What the 47 Percent Who Pay No Income Tax Look Like," *Yahoo News*, October 12, 2011, Accessed on November 22, 2011, http://news.yahoo.com/numbers-47-percent-pay-no-income-tax-look-170500327.html.

[78] Lee, Johnson, and Joyce, *Public Budgeting Systems,* 85.

[79] John L. Mikesell, *Fiscal Administration: Analysis and Applications for the Public Sector*, 7th ed. (Belmont, CA; Thomson Wadsworth, 2007): 365.

[80] Lee, Johnson, and Joyce, *Public Budgeting System,* 85–89.

[81] Mikesell, *Fiscal Administration,* 357.

do, they can claim “deductions for charitable contributions (to encourage corporate generosity) and ordinary and necessary costs of operating the business.”[82]

Property Taxes are “based on accumulated value in some asset rather than on current earnings from the asset.”[83] The two most common property taxes in the U.S. are real estate taxes and vehicle taxes. These taxes are essential for providing a significant portion of revenue to local and state governments, and primarily funds schools.[84]

“The general sales tax is the largest revenue source for state governments”[85] and is used in 45 of the 50 states of the United States. Only Alaska, Delaware, Montana, New Hampshire and Oregon do not have a state sales tax.[86] There are two types of sales taxes. “*Ad Valorem* taxes are levied as a percentage of the purchase price of an item.”[87] For example, if the *ad valorem* tax percentage was 6 percent, then for every dollar spent, 6 cents would be added as a tax. So a $1 dollar purchase would cost $1.06 and a $2 dollar purchase would cost $2.12 and so on. The other type of sales tax is a unit tax. Unit taxes “are levied per unit of the item sold, without regard to price.”[88] For example, gasoline and liquor are taxed on the unit of 1 gallon and cigarettes are taxed on the unit of 1 pack.

6. U.S. Fiscal Policy- Expenditures or Budgets

Now that government revenues have been thoroughly defined, the other principal tool that needs to be discussed is expenditures. U.S. Federal expenditures or expenses fall into several categories. There is “discretionary spending, which is provided for through the annual appropriations process and mandatory spending, which is provided for through “permanent” law.[89] To put it more plainly, discretionary spending covers most

[82] Mikesell, *Fiscal Administration*, 358.

[83] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 89.

[84] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 90.

[85] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 106

[86] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 106.

[87] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 106.

[88] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 106.

[89] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 45–46.

of the day to day operations of the government, for example, cabinet level and federal agency spending such as “the Department of Defense, the Fish and Wildlife Service, the Internal Revenue Service and so on.”[90] Mandatory spending is mandated by law, for expenses such as Social Security, Medicare, Medicaid, Veterans Pensions, Veterans’ Benefits, as well as other social welfare programs, income insurance programs and a few miscellaneous programs.[91] Social Security, Medicare and Medicaid make up the largest portion of mandatory spending.[92] The net interest or debt service on the National Debt is a third category of federal spending. It fluctuates as a percentage of total spending, based on the amount of debt the federal government is using to finance its operations. “The only way to control net interest expenses is to control the amount of debt issued by controlling deficit spending.”[93]

These three types of spending, discretionary, mandatory and net interest together comprise the Federal Budget. “A budget is a document or a collection of documents that refers to the financial condition and future plans of an organization (family, corporation, government).”[94] Public “budgets serve as the choice mechanism for allocation of public resources.”[95] The Federal Budget is a type of public budget, but there are also state and local governments that are public budgets as well. Public budgets serve the purpose of “making choices of ends and means.”[96] Simply put, “budgeting is the manifestation of an organization’s strategies.”[97]

Before the budget cycle is explained there are several specific peculiarities to the U.S. budgeting system that must be addressed. The first important concept is authorization and appropriation. “Federal programs must be authorized and

[90] Mikesell, *Fiscal Administration*, 102.

[91] Mikesell, *Fiscal Administration*, 104.

[92] Mikesell, *Fiscal Administration*, 101.

[93] Mikesell, *Fiscal Administration*, 47.

[94] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 17.

[95] Mikesell, *Fiscal Administration*, 69.

[96] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 1.

[97] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 2.

appropriated"[98] before funds may be spent or executed. An authorization bill gives the government permission to spend a certain amount of money on a specific program or function. An appropriation bill tells the government how much money can legally be obligated or taken from the Treasury to spend on a certain program. Both of these bills must be approved by both houses of Congress and signed by the President in order to legally use funds for any purpose. This makes the process complicated. However, there is another peculiarity to the United States, in that there is not one authorization or appropriation bill. There are 12 authorization committees, per house of Congress,[99] and 12 appropriation committees per house of Congress.[100] This means that to fully pass the U.S. operating budget yearly, 24 separate bills have to be agreed upon between both houses of Congress and signed by the President. This makes it difficult for Congress to get the budget completed in time each year. When Congress can't agree, they usually pass a Continuing Resolution, which allows the government to continue to operate on the last approved level of funding from the previous year until a new authorization and appropriation can be approved. One result of there being no single bill that contains the entire budget, is that as the U.S. makes fiscal policy, each committee in Congress is looking at fiscal policy in a vacuum, unaware of what other budget priorities are competing for funding in other committees.

The Federal government has an elaborate budget cycle that can be summarized in four main parts: executive preparation, legislative consideration, execution and audit and evaluation.[101] During executive preparation, the Office of Management and Budget or OMB, assists the President and his cabinet in preparing a budget to submit to Congress. Interestingly, OMB was originally established in 1921 with the name of BOB or Bureau of Budget. It wasn't until 1970 when President Nixon reorganized BOB, did the name change to OMB.[102] Once the President's Budget is completed, it is sent to Congress,

[98] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 294.

[99] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 280–281.

[100] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 294–295.

[101] Mikesell, *Fiscal Administration*, 48.

[102] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 54–55.

normally in February for legislative consideration, or in other words review, edit and approval.[103]

The budget normally starts in the House of Representatives, where budget proposals originate. Then committees and subcommittees meet and work out the details of various appropriations for the budget. Eventually, both the House of Representatives and Senate will vote on appropriations bill for each category such as Defense spending. Then the two Defense Appropriation bills will go to a conference committee which will come to an agreement on all the issues in the bill, and send to identical bills back to both the House and the Senate for a final vote. Then the President will sign the appropriation bill into law.[104] The authorization process works in a similar fashion. This has its own process of committees, similar to the appropriation process and must also be signed by the President. An authorization must also be signed into law in order to allow the government to spend the money that was appropriated.

This brings us to the third part of the budget process, which is execution. Execution is when "agencies carry out their approved budgets."[105] In other words, this is when the executive branch spends the money that Congress appropriated and authorized for execution. Execution starts for the Federal Government on October 1st, which is considered the start of a new Fiscal Year.[106] One sub-function of the Execution phase is the collection of revenues by the Internal Revenue Service. The IRS is a part of the U.S. Treasury, and collects the funds that are then spent by the Treasury,[107] based on the approved authorization and appropriation bills.

The fourth part of the budget cycle is audit and evaluation. The audit and evaluation portion is conducted by the federal agencies but supervised by the Government Accountability Office, or GAO.[108] The GAO reports to Congress, so there

---

[103] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 56.

[104] Mikesell, *Fiscal Administration*, 51.

[105] Mikesell, *Fiscal Administration*, 52.

[106] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 58.

[107] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 59–60.

[108] Mikesell, *Fiscal Administration*, 54.

is no conflict of interests with the auditor being a part of the Executive Branch.[109] In addition to auditing the budget, the GAO also aids Congress with opinions on legal disputes over executive agency conduct, it resolves bid protests for government contracts, and it has a significant role in assessing the results of government programs.[110]

An easy way to relate how this whole budget cycle works is by this metaphor. A boy (the executive branch) request $10 dollars to buy candy. The father (the legislative authorization committees) approves the request for $10 dollars for candy. He sends the boy to the mother (the legislative appropriation committee) to get the money. The mother only has $8 dollars available to give to the boy. The boy goes to the store and spends the money (execution). The older sister (GAO- audit and evaluation) tells her parents (Congress) that her younger brother actually bought a slingshot instead of candy.

The final pieces of fiscal policy that need to be defined are the deficit and the debt. Many people confuse the two, and use the terms interchangeably, but they are distinctly different. The GAO defines the deficit and debt as follows:

> The federal deficit (also called the "unified deficit") is the difference between total federal spending and revenue in a given year. To cover this gap, the government borrows from the public. Each yearly deficit adds to the amount of debt held by the public. In other words, the deficit is the annual amount of government borrowing, while the debt represents the cumulative amount of outstanding borrowing from the public over the nation's history.[111]

The deficit can only be eliminated by balancing the federal budget, or making revenues equal expenditures. Furthermore, the only way to pay down the debt itself is by running a surplus, or making more in revenue than what is paid out in expenditures. Once a surplus is made, it can be used to pay down the principal on the debt.[112] The next section will define complexity, an important concept in understanding complex societies.

---

[109] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 60.

[110] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 61.

[111] U.S. General Accounting Office, *Federal Debt: Answers to Frequently Asked Questions*, GAO/AIMD–97–12 (Washington D.C.: GPO, 1996): 13–14. For those who may be confused by this citation, it was not until 2004 that the GAO's name changed from General Accounting Office to Government Accountability Office. see Lee, Johnson, and Joyce, *Public Budgeting Systems*, 60.

[112] GAO, *Federal Debt*, 14.

C. COMPLEXITY DEFINED

The hypothesis states that fiscal policy is a critically important factor in the sustainability of the U.S. Empire. However, this does not mean that fiscal policy is the only factor and everything else should be ignored. Complexity is an important concept in understanding the decline and fall of empires. It is defined here by Joseph Tainter.

> Complexity is generally understood to refer to such things as the size of a society, the number and distinctiveness of its part, the variety of specialized social roles that it incorporates, the number of distinct social personalities present, and the variety of mechanism for organizing these into a coherent function whole. Augmenting any of these dimensions increases the complexity of a society.[113]

Based on this definition, complexity includes a multitude of important areas of a complex society or empire, such as energy, education, the arts, entertainment, infrastructure, science and technology. One of the reasons that fiscal policy is a critically important factor in sustainability is that without money, sufficient complexity cannot be attained or maintained. All of the areas mentioned require money to be able to purchase or invest in a greater level of complexity, and once complexity is attained, further investment is required in order to maintain the status quo. For example, two towns that trade with each other have several winding dirt paths between each other. The mayors of both towns get together and agree to build a road to connect the towns. Once a road is built between two towns, a new level of transportation complexity has been attained. Now there is a more efficient and expedient path of transportation from one town to the other. Now that the road is established as a good route between these two towns, people will use the road. As people use the road, it will eventually need to be repaired. In order to maintain the level of complexity attained in transportation between these two towns, more money will need to be spent to repair the road in order to maintain the current level of complexity. If the road falls into extreme disrepair, where the road can no longer be traveled, then people will make their own paths or find a different route between the two towns, thereby losing a level of transportation complexity. Although relatively simple, this example is illustrative of what is meant by investment in complexity. Once one

113 Tainter, *Collapse of Complex Societies*, 23.

considers complexity in the form of interstate highways, bridges, national education standards, the arts, monuments, energy consumption, and waste removal, it can be quickly understood why money is needed to initially invest in, and also to maintain a society's level of complexity.

D. GRAND STRATEGY AND NATIONAL STRATEGIC NARRATIVE DEFINED

John Collins defines grand strategy as:

> The art and science of employing national power under all circumstances to exert desired types and degrees of control over the opposition by applying force, the threat of force, indirect pressures, diplomacy, subterfuge, and other imaginative means to attain national security objectives.[114]

Peter Feaver writes that "Grand strategy is a term of art from academia, and refers to the collection of plans and policies that comprise the state's deliberate effort to harness political, military, diplomatic, and economic tools together to advance that state's national interest."[115] In other words, grand strategy includes more than just national defense and military might. It includes diplomacy, economics, foreign policy, domestic policy, education, science and technology, infrastructure, healthcare, and intangible things such as national identity, social morals and values and vision for the future. John Lewis Gaddis, in his paper "What is Grand Strategy?" also provides a definition of grand strategy. Gaddis defines grand strategy as "the calculated relationship of means to large ends." Later in the paper he also says "Grand strategy is an ecological discipline, in that it requires the ability to see how all of the parts of a problem relate to one another, and

---

114 John M. Collins, *Grand Strategy: Principles and Practices* (Annapolis, MD: Naval Institute Press, 1973): 269.

115 Peter Feaver, "What is grand strategy and why do we need it?' Foreign Policy Magazine Online http://shadow.foreignpolicy.com/posts/2009/04/08/what_is_grand_strategy_and_why_do_we_need_it. Curiously this article was written exactly two years to the day earlier than the National Strategic Narrative was published.

therefore to the whole thing."[116] In all three definitions, an understanding of a larger picture is presented. Although not necessarily agreeing on the particulars, the authors agree that grand strategy encompasses multiple aspects or multiple disciplines, and cannot be relegated to one or two areas or specialties.

The United States has many different strategies, but does not have one single document which, based on the definitions above, can be called a grand strategy. There is however a recently published document that does suggest a new way forward with writing a grand strategy of the United States. The National Strategic Narrative is a white paper that was published on April 8, 2011, by the Woodrow Wilson International Center for Scholars.[117] It was written by Mr. Y, a nom de plume (penname) used by the two military officers who wrote the narrative. CAPT Wayne Porter, USN and Col. Mark Mykleby, USMC Ret. wrote the NSN while working as Special Assistants for Strategic Synchronization to ADM Michael Mullen, Chairmen of the Joint Chiefs of Staff, but published the document with a waiver explain that the contents reflected their views only and were not intended to represent the official policy or position of the US Navy, US Marine Corps or the Department of Defense. In the National Strategic Narrative (NSN), the authors recognize the need for a grand strategy for the United States. But first they recognize the need for a common understanding of where we are, where we are going, and what we can become as a Nation and a people. Without a common understanding, a common national philosophy, the U.S. will not be able to address the realities of the world and navigate through the increasing complexity of the twenty-first century. The NSN addresses why CAPT Porter and Col. Mykleby think that the U.S. desperately needs

---

[116] John L. Gaddis, "What is Grand Strategy" Prepared as the Karl Von Der Heyden Distinguished Lecture, the keynote address for a conference on "American Grand Strategy after War," sponsored by the Triangle Institute for Security Studies and the Duke University Program in American Grand Strategy, Duke University, February 26, 2009, http://www.duke.edu/web/agsp/grandstrategypaper.pdf . Gaddis is a professor of history at Yale University, and teaches a curriculum on Grand Strategy.

[117] Woodrow Wilson International Center for Scholars "National Security Is First Topic Explored in the New Series: The National Conversation at the Woodrow Wilson Center" April 8, 2011, http://www.wilsoncenter.org/article/national–security–first–topic–explored–the–new–series–the–national–conversation–the–woodrow.

a convergent national story and a grand strategy to bring that story to life through a new and more efficacious strategic framework and mindset.[118]

The National Strategic Narrative addresses many of these issues in a coherent manner in order to change the way the United States looks at the relationship between security and prosperity. In the past, security has simply been a function of the military and has fallen under the Department of Defense. Porter and Mykleby state that "security means far more than defense and strength denotes more than power."[119] One of their main points is:

> It is time to move beyond a strategy of containment to a strategy of sustainment (sustainability); from an emphasis on power and control to an emphasis on strength and influence; from a defensive posture of exclusion, to a proactive posture of engagement.[120]

The nom de plume Mr. Y, suggested by Dr. Anne-Marie Slaughter, was in reference to the "Long Telegram" written by George Kennan in 1946. Kennan was a U.S. Foreign Service Officer in Russia, prior to and during the outset of the Cold War. He wrote the "Long Telegram" under the name of "X" so the Russians would not know it was him who wrote it.[121] It was published in 1947 in *Foreign Affairs* as an article called "The Sources of Soviet Conduct" by X.[122] In it, Kennan discussed the history of the Communist ideology, the problems that dictatorial control were giving Stalin and the Kremlin, and their main strategy of polarizing the masses against the "basic badness of capitalism."[123] Kennan stated what he thought the strategy of the time should be. "In

---

118 Appendix A is the full text of "A National Strategic Narrative" with the preface included. For a better understanding of this thesis, it is recommended by the Author to read "A National Strategic Narrative" in its entirety, before continuing with the thesis. This will aid in an understanding of the concepts of the discussion in the following pages.

119 Wayne Porter and Mark Mykleby, "A National Strategic Narrative." presented at "The National Conversation at the Woodrow Wilson Center" Woodrow Wilson International Center for Scholars, Washington, D.C, April 8, 2011, 12.

120 Porter and Mykleby "A National Strategic Narrative," 5.

121 Ann Marie Slaughter, "Preface to A National Strategic Narrative," presented at "The National Conversation at the Woodrow Wilson Center" Woodrow Wilson International Center for Scholars, Washington, D.C, April 8, 2011, 2.

122 Steven Kreis, "George Kennan: The Sources of Soviet Conduct (1947)," *History Guide.org*, May 13, 2004, http://www.historyguide.org/europe/kennan.html.

123 George Kennan, "The Sources of Soviet Conduct," *Foreign Affairs* 25, no. 4 (1947) 571.

these circumstances it is clear that the main element of any United States policy toward the Soviet Union must be that of a long-term, patient but firm and vigilant containment of Russian expansive tendencies."[124] This is where the Cold War strategy of containment originated and led to the creation of the National Security Act of 1947 (NSA 47). The National Security Act of 1947 created the National Security Council, merged the War Department and the Navy Department, with the newly created Department of the Air Force into the Department of Defense, under a Secretary of Defense and created the Central Intelligence Agency out of the World War II era Office of Strategic Services. Overall, it reorganized the U.S. military and foreign policy establishments to meet the Soviet threat.[125]

Another important document that shaped the way the Cold War was fought by the U.S. was National Security Council Report 68 or NSC 68. NSC 68, entitled "United States Objectives and Programs for National Security" was a top secret report for the President of the United States which included a high level but detailed analysis of Soviet capabilities and intentions. It had a list of recommended actions for the President to approve or disapprove, and lead to the buildup of atomic weapons and vast expansion of the U.S. military. The Department of State Policy Planning Staff, led by Paul Nitze, wrote the report for then Secretary of State Dean Acheson. Nitze believed that the only way to counter the Soviet threat was militarily. Some of the recommendations included diverting funding from other programs to the Department of Defense, increasing taxes to help pay for the buildup and increasing the size of the U.S. atomic arsenal. NSC 68 reflected Nitze's bias, which was in contrast to Kennan's ideas of political and economic means of containment. Nitze's ideas won out after the outset of the Korean War in June 1950. Many were convinced by the Soviet and Chinese backed invasion of South Korea by the North Koreans that a military solution was the only solution to stop communism.

---

[124] Kennan, "Sources of Soviet Conduct," 575.

[125] Office of the Historian: US Dept. of State "National Security Act of 1947," *U.S. Dept of State.gov* http://history.state.gov/milestones/1945–1952/NationalSecurityAct.

The Truman Administration nearly tripled defense spending from 1950 to 1953 from 5 percent to 14.2 percent.[126]

Many of the same institutions that were implemented during this time period to counter Communism are still around today. The problem with this is that the U.S. is no longer fighting the Soviet Union. Porter and Mykleby state that "For forty years our nation prospered and was kept secure through a strategy of containment."[127] They discuss the need to move away from a strategy that is "focusing all our attention on specific threats, risks, nations, or organizations, as we have in the past."[128] The future, they argue, brings a different set of challenges and opportunities. Instead, they state that "It is time for America to re-focus our national interests and principles through a long lens on the global environment of tomorrow." [129]

Currently, the U.S. has many strategies, far too many to research and discuss in this thesis. Examples of the broad topic areas of U.S. National Strategies include a National Financial Literacy Strategy, A Strategy to Combat Transnational Organized Crime, a Tax Gap Strategy, a Physical Protection of Critical Infrastructure Strategy, an Afghanistan and Pakistan Regional Stabilization Strategy, a National Cyberspace Strategy and a National Sage-Grouse Habitat Conservation Strategy. Interestingly there is a Department of Housing and Urban Development Energy Strategy, a Department of Defense (DOD) Energy Strategy called Energy for the Warfighter: Operational Energy Strategy, an Environmental Protection Agency sponsored Energy Strategy for the Road Ahead and a Department of Energy Critical Materials Strategy, but none of them are integrated. Some of the above listed strategies are coordinated among multiple agencies, but many are written by one department or agency for that department or agency only. Just like what was revealed in the discussion on budgeting, where the U.S. does not have one consolidated budget, and therefore cannot purse a consolidated fiscal policy, the U.S.

---

[126] Office of the Historian: US Dept. of State "NSC 68, 1950," *U.S. Dept of State.gov* http://history.state.gov/milestones/1945–1952/NSC68.

[127] Porter and Mykleby "A National Strategic Narrative," 5.

[128] Porter and Mykleby "A National Strategic Narrative," 8.

[129] Porter and Mykleby "A National Strategic Narrative," 5.

also does not have a single national or grand strategy. Without integrating fiscal policy in the pursuit of one grand strategy, the United States runs the risk of making one or the other irrelevant. By building individual strategies in a vacuum, each strategy competes with others for funding. With so many strategies, Congress cannot possibly pursue the best interests of each strategy with fiscal policies, for there are far too many to consider. Even within individual departments, strategies conflict with one another.

A classic example of this is the Department of Defense. The DOD has a hierarchy of strategies, all primarily derived from the National Security Strategy (NSS), signed by the sitting President of the United States. Under the National Security Strategy is the National Defense Strategy (NDS) which is signed by the Secretary of Defense. Under the National Defense Strategy is the National Military Strategy (NMS) which is signed by the Chairman of the Joint Chiefs of Staff. Additionally, there is a Quadrennial Defense Review (QDR) conducted by the Secretary of Defense, which is a congressionally mandated review every 4 years of the DOD strategies and priorities.[130] These documents, the NSS, NDS, NMS and the QDR comprise the highest level of security strategy in the United States, yet only focus on one department, the Department of Defense. There is also a National Strategy for Homeland Security, which is not integrated with these documents because it is written by the Department of Homeland Security. Aside from the Department of Homeland Security Strategy, the DOD theoretically uses these documents to create and implement a strategy from the President on down, however the publishing dates alone illustrate their fractured nature. The most recent NSS was signed by President Barrack Obama in May of 2010.[131] Yet, the NDS, which is supposed to be based on the NSS, was signed by Secretary of Defense Robert Gates in June of 2008.[132] The NMS was signed by ADM. Michael Mullen on February

[130] Robert M. Gates, "Quadrennial Defense Review," *U.S. Dept. of Defense.gov*, 12 February 2010 http://www.defense.gov/qdr/ and http://www.defense.gov/qdr/images/QDR_as_of_12Feb10_1000.pdf.

[131]Barrack Obama, "National Security Strategy," *Whitehouse.gov* May 2010 http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.

[132] Robert M. Gates, "National Defense Strategy," *U.S. Dept. of Defense.gov* June 2008 http://www.defense.gov/news/2008%20national%20defense%20strategy.pdf.

8, 2011.[133] Even within its own department, DOD has trouble keeping its strategies current with each other at the most senior level.

The National Security Strategy of 2010 takes a step in the right direction toward a broader view of security. In the introduction the President writes "Our strategy starts by recognizing that our strength and influence abroad begins with steps we take at home."[134] He discusses revitalizing the economy, making education a priority, developing clean energy, and continued innovation in science and technology.[135] All of these ideas are also addressed in the NSN.[136]

There is a big difference here between how the two documents discuss security. The NSS still concentrates on security as a function of military defense of the nation. For example, not only are there multiple examples in the Presidents cover letter of talking about security in terms of defense, as noted above, but as early as page 1, paragraphs 2 and 3, the NSS starts talking about threats. There is no doubt that the attack of September 11, 2001, as discussed in the third paragraph, was a threat to the United States.[137] There is always place for the U.S. military in the security of our nation. The NSS even states that we have an "unmatched military."[138] This is not being disputed however; the focus needs to be much broader. A specific look at the document reveals that starting on page 4 and 5; the focus is on Al-Qaeda, and the nuclear threat.[139] On page 19, Al-Qaeda is again the focus. On page 20 the NSS transitions to Weapons of Mass Destruction, and then to Afghanistan and Pakistan on pages 20- 21. Then page 21 continues with terrorist safe havens and at risk states, namely "Yemen, Somalia, the Maghreb and the Sahel"[140] and ends on 22 with more about Al-Qaeda. Pages 23 through

---

[133] ADM. Michael Mullen, "National Military Strategy," *U.S. Dept. of Defense.gov*, February 8, 2011, http://www.jcs.mil//content/files/2011–02/020811084800_2011_NMS_–_08_FEB_2011.pdf.

[134] Obama, "National Security Strategy," i.

[135] Obama, "National Security Strategy," i.

[136] Porter and Mykleby "A National Strategic Narrative," 7 paragraph. 3 & 4 and 10 paragraph 1.

[137] Obama, "National Security Strategy," 1.

[138] Obama, "National Security Strategy," 1.

[139] Obama, "National Security Strategy," 4–5.

[140] Obama, "National Security Strategy," 21.

24 talk more about nuclear proliferation and specifically name Iran and North Korea as threats. The end of page 24 starts talking about America's greater interests in the Middle East, and transitions to a focus on Iraq on page 25. Page 26 starts with a discussion of the Arab-Israeli conflict, then labels Iran as a threat and ends with more discussion of the Iraq and Afghani conflicts. The prose on page 27 talks about at risk states and preventing the emergence of conflict, and ends with a discussion on the threats in cyberspace, which ends on page 28.[141] The last paragraph in the conclusion of this document uses the word "threat" and the word "capability," an indication that this document is still focused on threats and capabilities as opposed to opportunities and weaknesses.[142]

However, the NSN, states that "we must recognize that security means more than defense."[143] The emphasis is not on threats, but on opportunities. Col. Mykleby was quoted in the New York Times on May 4, 2011 as saying "This is a critical moment to talk about a narrative that isn't just focused on threats."[144] The NSN states that "Rather than focusing all our attention on specific threats, risks, nations, or organizations, as we have in the past, let us evaluate the trends that will shape tomorrow's strategic ecology."[145]

The NSN does not name any specific nation as a threat. In fact, the NSN, in talking about strategic ecology and trends, states that "global trends, whether manifesting themselves in Africa, the Middle East, Asia, Eurasia, or within our own hemisphere impact the lives of Americans."[146] By keeping this broad view, and not implicating or labeling any nation as a threat, the authors seek to change the way that we view foreign nations. The focus becomes the relationship between nations, instead of the threat posed by certain nations. Porter and Mykleby's view of security is quoted here:

---

[141] Obama, "National Security Strategy," 19–28.

[142] Obama, "National Security Strategy," 52.

[143] Porter and Mykleby "A National Strategic Narrative," 5.

[144] Jim Dwyer, "A National Security Strategy That Doesn't Focus On Threats," *New York Times*, May 4, 2011, Accessed July 15, 2011, http://www.nytimes.com/2011/05/04/nyregion/a-strategy-for-national-security-focused-on-sustainability.html.

[145] Porter and Mykleby "A National Strategic Narrative," 8.

[146] Porter and Mykleby "A National Strategic Narrative," 9.

> It follows logically that prosperity without security is unsustainable. Security is a state of mind, as much as it is a physical aspect of our environment. For Americans, security is very closely related to freedom, because security represents freedom from anxiety and external threat, freedom from disease and poverty, freedom from tyranny and oppression, freedom of expression but also freedom from hurtful ideologies, prejudice and violations of human rights.[147]

Since prosperity is viewed by Porter and Mykleby as equally important with security, it would naturally follow that a strong economy is one portion of the NSN the authors mention. "As we pursue the growth of our own prosperity and security, the welfare of our citizens must be seen as part of a highly dynamic, and interconnected system."[148] Then they go on to state in the next paragraph that "This begins at home with quality health care and education, with a vital economy and low rates of unemployment."[149] As Lewis Mumford noted, on commenting on the Roman populace around the time of the invasion of Rome, "Everyone aimed at security: no one accepted responsibility."[150] During World War II, Americans bought war bonds,[151] donated precious supplies such as rubber, metal, paper, and other essential goods for the war effort, endured rationing of goods,[152] and grew victory gardens, all in the name of patriotism and security.[153] This same involvement, although manifested differently, needs to be seen today. Security will only be fully realized for the United States when it has the support of its citizenry, whether that be in maintaining a steady job and getting out of debt, paying taxes instead of evading them, voting, reporting crime instead of engaging in it, educating the next generation of Americans through mentorship, or

---

[147] Porter and Mykleby "A National Strategic Narrative," 6.

[148] Porter and Mykleby "A National Strategic Narrative," 9.

[149] Porter and Mykleby "A National Strategic Narrative," 10.

[150] Lewis Mumford, *The Condition of Man* (New York: Harcourt, Brace, Jovanovich, Inc. 1973); 81.

[151] David White and Daniel P. Murphy, "War Bonds," from *World War II: Life at Home in America*, Net Places.com, accessed Sept. 14, 2011 http://www.netplaces.com/world–war–ii/life–at–home/war–bonds.htm.

[152] David White and Daniel P. Murphy, "Rationing," from *World War II: Life at Home in America*, Net Places.com, accessed Sept. 14, 2011 http://www.netplaces.com/world–war–ii/life–at–home/rationing.htm.

[153] Claudia Reinhardt, "Victory Gardens," *Wessel's Living History Farm.org*, Accessed Sept. 14, 2011, http://www.livinghistoryfarm.org/farminginthe40s/crops_02.html.

serving in the government, emergency services or military. In short, the NSN tells a broader story than the traditional NSS, and provides the context for a new strategy to address the challenges of the twenty-first century. This thesis will explore the National Strategic Narrative in more depth to determine if it can add value to changing the nation's course with regards to fiscal policy.

E. METHOD- CASE STUDY ANALYSIS

This thesis will use cases study analysis as its primary method of hypothesis exploration. "In general, case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context."[154] Case studies are qualitative in nature. Qualitative research methods are primarily inductive and are used to formulate a theory. They are typically text based and more in depth in nature. Quantitative research methods are deductive, using numbers and statistical methods by sampling a large body of data to explain a generalizable theory.[155] This case study will use a multiple case study design.

1. Multiple Case Study Design

This thesis will use two cases studies, Rome and Britain to illustrate a hypothesis and apply it to a third case study, the United States. This multiple case study design, is best illustrated by "The Rise of the Pentagon and U.S. State Building: The Defense Program as Industrial Policy" by Gregory Hooks. In this case study, Hooks looked at two extreme cases of American Industry and used them to illustrate a pertinent policy related issue, that of planned economies.[156] Hooks hypothesis was that although the U.S. is not a planned economy, the Pentagon acted as an economic planner in certain sectors of the economy in order to meet the specific needs and will of the military. Hooks

[154] Robert K. Yin, *Case Study Research: Design and Methods* (Thousand Oaks, CA: Sage Publications, 2003), 1.

[155] Oak Ridge Institute for Science and Education, "Differences Between Qualitative and Quantitative Research Methods," Dept. of Energy.gov, accessed July 13, 2011, http://www.orau.gov/cdcynergy/demo/content/activeinformation/tools/toolscontent/soc_qual_quant_chart.htm.

[156] Yin, *Case Study Research*, 46–47.

researched the aeronautical industry, which was largely subsidized and almost wholly dependent upon the Pentagon for survival and the microelectronics industry, which did not depend on the Pentagon as a primary source of revenue, yet still spent large amount of research and development funds on making microelectronics for the military that had no civilian application and no additional profit besides what was contracted through the Pentagon. In this study, Hooks showed two extremes to illustrate his point of how the Pentagon has acted as an economic planner across multiple private sectors of the U.S. economy.[157]

2. Case Studies in this Paper

In this case study analysis, a similar approach will attempt to use the case of Rome, which rose, declined, and collapsed, and the case of Great Britain, which rose and has had a slow but graceful degradation, yet has maintained itself as a strong nation, a world political player and the eighth largest world economy,[158] despite shedding most of its colonies and losing its empire status. These two cases raise questions about the spectrum of decline and collapse of empires, and allow for a theory that can be applied to a multitude of cases, but in this case will only be applied to the U.S.

Rome is the classical empire, an old world power that stood for over "500 years after Caesar's death in Italy and the western provinces and three times as long in the east, where emperors would rule in Constantinople until the fifteenth century."[159] This case study will concentrate on the Western Roman Empire based out of Rome, and not the Eastern Roman Empire of Constantinople.

Great Britain is a more recent empire, and is one that more recognizable and understandable to Americans. The British and Americans both speak different dialects of the same language, English. America was once a colony of the British Crown. England

---

[157] Gregory Hooks, "The Rise of the Pentagon and U.S. State Building: The Defense Program as Industrial Policy," *American Journal of Sociology* 96, no. 2 (Sep., 1990): 358–404, http://www.jstor.org/stable/2781106.

[158] Economy Watch, "The World's Largest Economies," *EconomyWatch.com*, Accessed July 13, 2011 http://www.economywatch.com/economies–in–top/.

[159] Adrian Goldsworthy, *How Rome Fell: Death of a Superpower* (New Haven, CT: Yale University Press, 2009), 1.

is one of America's staunchest allies. Also, because it is a relatively modern empire, many of the governmental institutions and public offices can more easily be compared to the United States.

The final case study is the United States. An empire in its own right, the United States has risen, is on the decline but has not yet fallen. This thesis will use the Roman and British case studies to compare and contrast the similarities and differences between each in order to inform the discussion about the possible outcomes for the United States. Also, by looking at these historical examples, there may be lessons that can be learned that could be used to inform fiscal policies in a way to try to avoid the pitfalls that ensnared these two empires.

F. LITERATURE REVIEW- COLLAPSE EXPLORED

Collapse is a word that holds many meanings. It can mean anything from what happened to the Soviet Union, to what happens when a person faints from exhaustion. Empires and societies collapse, but houses, dams, folding chairs and lungs also collapse. Many authors speak about collapse and make the assumption that the reader implicitly knows the definition of collapse.[160] As was previously stated, this paper uses the definition of collapse as defined in *The Collapse of Complex Societies* by Dr. Joseph Tainter. "A society has collapsed when it displays a rapid, significant loss of an established level of sociopolitical complexity."[161] He further explains that an "established level" of complexity is one that has been at or developing toward a level of complexity for one or two generations.[162] At the end of the book he also adds to the definition that "collapse occurs and can only occur in a power vacuum."[163] Another famous author and professor, Jared Diamond, in his book *Collapse: How Societies Choose to Fail or Succeed* defines collapse similarly. "By collapse, I mean a drastic decrease in human population size and/or political/economic/social complexity, over a

160 Joseph Tainter, "Archaeology of Overshoot and Collapse," *Annual Review of Anthropology* 35 (2006): 60. doi:10.1146/annurev.anthro.35.081705.123136.

161 Tainter, *Collapse of Complex Societies*, 4.

162 Tainter, *Collapse of Complex Societies*, 4.

163 Tainter, *Collapse of Complex Societies*, 202.

considerable area, for an extended period of time."[164] Although Tainter and Diamond do not agree on the cause of collapse,[165] Diamond's definition seems to agree with Tainter at least on the loss of complexity. The purpose of this essay is not to prove that any one theory of collapse is correct, or to disprove any theory either. The purpose of this essay is to examine the role of fiscal policy in the long term sustenance of the United States. As such, the following literature review of various theories of collapse, are meant to enlighten and inform the discussion surrounding the cases studies.

In his book, Tainter explores a large body of literature, which he has since supplemented with additional journal articles to cover what he believes are 11 major explanatory themes of the collapse of complex societies. This provides a very concise synopsis of the plethora of books, theses and journal articles on the topic of decline and collapse. It also provides a simple framework within which a review of the large amounts of literature of this field can be summarized. The categories are as follows;

> 1. Depletion or cessation of a vital resource or resources on which the society depends. 2. The establishment of a new resource base. 3. The occurrence of some insurmountable catastrophe. 4. Insufficient response to circumstances. 5. Other complex societies. 6. Intruders. 7. Class conflict, societal contradictions, elite mismanagement or misbehavior. 8. Social dysfunction. 9. Mystical factors. 10. Chance of concatenation of events. 11. Economic Factors. [166]

Each of these eleven factors will be explained further, but it is interesting to note that Tainter concludes his work by mentioning that economic factors seemed to always pair up with some of the other factors that he explores as the reason for collapse.

---

[164] Jared Diamond, *Collapse: How Societies Choose to Fail or Succeed* (New York: Penguin Books, 2005), 3.

[165] Tainter, "Archaeology of Overshoot and Collapse," 60–72. Tainter believes that collapse is a cause of multiple factors, coupled with economics that cause a loss of complexity, coupled with a power vacuum, to signal a true collapse. His essay is written primarily as a refutation of Diamond and others assertions of overshoot as a viable argument for collapse. However, Diamonds view of collapse is as a function of environmental decay due to resource depletion and human overuse. He sees intense farming, overfishing, overhunting, soil erosion and deforestation, to name a few factors, as the real reason for the collapse of societies. See Diamond, *Collapse: How Societies Choose to Fail or Succeed*, 6–7.

[166] Tainter, *Collapse of Complex Societies*, 42.

1. Depletion Or Cessation Of A Vital Resource Or Resources on Which The Society Depends

The resource depletion category covers two subcategories. The first subcategory is a "gradual deterioration or depletion of a resource base" and the second subcategory is a "more rapid loss of resources due to an environmental fluctuation or climate shift."[167] Both categories attribute collapse to resource depletion or cessation, but from different viewpoints.

Jared Diamond discusses a wide range of societies, from the Easter Islanders, to the Norse Greenlanders, the Mayans, the Anasazi and more modern societies such as farmers in Montana, Australian miners and the Chinese, in an attempt to make the case for ecological decay and environmental resource depletion as a primary cause of collapse. Diamond divides his reason into twelve categories, the first eight for ancient civilizations; "deforestation and habitat destruction, soil problems, water management problems, overhunting, overfishing, effects of introduced species on native species, human population growth, and increased per capita impact of people" and four additional categories for modern societies; "human-caused climate change, buildup of toxic chemicals in the environment, energy shortages, and full human utilization of Earth's photosynthetic capability."[168] Diamond then states that although the environment is important, "I don't know of any case in which a society's collapse can be attributed solely to environmental damage."[169] He also says later that "It would be absurd to claim that environmental damage must be a major factor in all collapses: the collapse of the Soviet Union is a modern counter-example, and the destruction of Carthage by Rome in 146 B.C. is an ancient one."[170] In essence, Diamond set out to write the book purely about environmental problems, and realized as he conducted research, that there were other factors involved, and he openly admits to this in his book.[171] However, his book

[167] Tainter, *Collapse of Complex Societies*, 44.

[168] Diamond, *Collapse*, 6–7.

[169] Diamond, *Collapse*, 11.

[170] Diamond, *Collapse*, 15.

[171] Diamond, *Collapse*, 11.

has a number of compelling arguments about how various societies collapsed due to resource depletion through environmental problems.

The link of resource depletion and decline is nothing new. Santo Mazzarino quotes Cyprian, a Christian who lived in the third century A.D. at the time when Philip the Arab was Emperor of Rome.[172] Cyprian wrote:

> The production of silver and gold has gone down in the exhausted mines, as well as the production of marble; the worked-out veins give less and less from day to day. The cultivator is no longer in the fields, the sailor on the seas, soldier in the barracks, honesty in the marketplace, justice in the law court, solidarity in friendship, skill in the arts, discipline in manners.[173]

Cyprian acknowledged dwindling yields of current resources, but attributed it to the moral decay of man, not a lack of management. Mazzarino also notes that in addition Cyprian took account of changing weather and climatological factors, and related them to a lack of vigor or youthful energy, much like Ellsworth Huntington did in contemporary literature.[174]

Ellsworth Huntington wrote "Climatic Change and Agricultural Exhaustion as Elements in the Fall of Rome" in 1915 with the intention of sparking a new academic debate about the effect of climate change on human efficiency. The basic premise of his argument is that climates favorable for agriculture, are also favorable for civilization growth, and likewise favorable for humans to exert greater amounts of energy. Huntington posits that humans become more lethargic and less willing to exert more energy when the temperatures shift, which in turn causes crops to fail, political systems to stop working and allows other forces, such as barbarians to enter and wreak havoc. With more energy, humans might be better able to deal with these problems. He attributes the

[172] Santo Mazzarino, *The End of the Ancient World*, trans. George Holmes (New York: Alfred A Knopf, 1966) 40–41.

[173] Mazzarino, *End of the Ancient World*, 42.

[174] Mazzarino, *End of the Ancient World*, 42.

fall of the Roman Empire to such climatic shift that caused the loss of human energy to fail to maintain the agricultural base that supported the Roman Empire.[175]

Kasja Ekholm provides an alternative view of resource depletion as a breakdown of trade networks, external resources and imported goods.[176] Ekholm uses as an example a discussion of how Iran went from a strong central economy, manufacturing their own goods from 1600-1800 to a "period of disintegration and then integration into the European world economy."[177] Ekholm also discusses the loss of buying power, and how a loss of income can be "a catastrophic consequence" for laborers. "No buying power means no consumption," which is a disaster for anyone who produces goods, instead of subsistence farming for their means of survival.[178]

There are many more authors who explore resource depletion and environmental factors than can be discussed here. It is a logical and compelling argument.[179] It is also economic in nature, for it has already been stated that "economics is the study of how people choose to use resources."[180] Depletion of resources beyond a certain point would result in a loss of complexity. One of the stabilizing forces in a complex society is its ability to overcome adversity, and this argument, by nature, assumes that the societies which collapse due to resource depletion do not have the ability foresee or overcome these problems.[181] However, resources are vitally important to any complex society, so this standpoint can aid in the understanding of the greater economic problems that contribute to collapse. This category is also related to the next, the establishment of a new resource base.

---

175 Ellsworth Huntington, "Climatic Change and Agricultural Exhaustion as Elements in the Fall of Rome," *The Quarterly Journal of Economics* 31, no. 2 (1917): 206–208, http://www.jstor.org/stable/1883908.

176 Tainter, *Collapse of Complex Societies*, 45.

177 Kasja Ekholm, "On The Limitations of Civilization: The Structure and Dynamics of Global Systems" *Dialetical Anthropology* 5, no. 2 (1980): 163.

178 Ekholm "On The Limitations of Civilization," 163–164.

179 Tainter, *Collapse of Complex Societies*, 50.

180 AEA, "What is Economics?" 1.

181 Tainter, *Collapse of Complex Societies*, 50.

2. The Establishment Of A New Resource Base

This view has less support than the first, and is an assertion that a group that experiences a plentiful increase in resources will collapse.[182] Michael Harner uses the example of a society that is based around a hunter gatherer model. He says that if that tribe or group grows it population to the point where hunting, fishing and gathering are no longer sufficient to provide for the needs of the group, then domesticated plants and animals, i.e. agriculture and livestock, would be needed to provide for the growing populace. Once the switch is made to agriculture, there is now an abundance of land, because one acre of forest cannot support as much wildlife food as one acre of farmland. By a manifold increase in a resource, (land), the group will lose a level of complexity due to the fact that the group itself will part ways for each to make their own farm. The tribe of hunter/gatherers no longer needs to stay together to survive, so they will part ways, causing a collapse of that society.[183]

M. Kay Martin wrote about the South American hunter-gatherer tribes, and how the tribes devolved until they were only smaller bands or family units. She blames this loss of complexity on the introduction of the Europeans to South America.[184] Martin says that European trade was introduced as early as 1520, and although she suggests multiple reasons why the tribes devolved, she does not give a conclusive answer.[185] One reason may be that the additional trade goods were a new resource, supporting Harner's thesis.[186] Other views, such as that of author Gordon Childe, expresses that the introduction of iron, which was easier to acquire and less expensive than bronze, allowed peasants and barbarians to make weapons that could be used against soldiers. This, he argues, brought about the collapse of the Mycenaean's and Hittites. This category seems

[182] Tainter, *Collapse of Complex Societies*, 51.

[183] Michael J. Harner, "Population Pressure and the Social Evolution of Agriculturalists," *Southwestern Journal of Anthropology* 26, no. 1 (1970): 68–69. http://www.jstor.org/stable/3629271.

[184] M. Kay Martin, "South American Foragers: A Case Study in Cultural Devolution," *American Anthropologist* 71, no. 2 (1969): 257. http://www.jstor.org/stable/669856.

[185] Martin, "South American Foragers," 250–251,257.

[186] Tainter, *Collapse of Complex Societies*, 51.

to have a narrow application to apply only to hunter-gatherer and agricultural peasantries, and cannot explain the collapse of large societies such as an empire.[187]

3. The Occurrence Of Some Insurmountable Catastrophe

The third category is the occurrence of some insurmountable catastrophe. A catastrophe can take many forms. Some examples might include a war or invasion, a weather anomaly, such as a hurricane, earthquake or flood, an epidemic, or a social or economic event such as the collapse of the Berlin Wall or a Stock Market crash. There is not a clear cut difference between resource depletion and catastrophe theories, so it lies more on the emphasis of the author.[188] One classic example of this is the great flood in the Bible that wiped out all mankind except for Noah, his family and a few animals.

> [12] God saw how corrupt the earth had become, for all the people on earth had corrupted their ways. [13] So God said to Noah, "I am going to put an end to all people, for the earth is filled with violence because of them. I am surely going to destroy both them and the earth. [14] So make yourself an ark of cypress wood; make rooms in it and coat it with pitch inside and out… [17]I am going to bring floodwaters on the earth to destroy all life under the heavens, every creature that has the breath of life in it. Everything on earth will perish. [18]But I will establish my covenant with you, and you will enter the ark—you and your sons and your wife and your sons' wives with you.[189]

More contemporary examples include Euan Mackie's analysis that the end of the classic Mayan culture at Benque Viejo, British Honduras was the result of a devastating earthquake. Mackie writes "an earth tremor could actually have caused the collapse of the authority of the hierarchy."[190]

James Brewbaker's hypothesis is that the cause of collapse of the Lowland Classic Mayans was due to an agricultural epidemic by the Maize Mosaic Virus. He equates the collapse of the Classic Maya with the introduction of the Maize Mosaic

[187] Tainter, *Collapse of Complex Societies*, 52.

[188] Tainter, *Collapse of Complex Societies*, 52.

[189] Genesis 6: 12–14, 17–18 (New International Version).

[190] Euan W. MacKie, "New Light on the End of Classic Maya Culture at Benque Viejo, British Honduras," *American Antiquity* 27, no. 2 (1961): 216. http://www.jstor.org/stable/277836.

Virus, due to the fact that they abandoned fertile lands that had been successfully farmed for over 1000 years. He asserts that any peasant revolt or invasion, as other authors have theorized, should have capitalized on the fertile lands, but instead they were abandoned for centuries. He compares this catastrophe to the "late blight" (Phytophthora infestans) of diseased potatoes, where in 1845 in Ireland, widespread famine caused half of the 4 million person population to die or migrate to find food.[191]

Spyridon Marinatos writes about the eruption of the volcano Thera and the devastation that it caused the Minoan island of Crete. Crete lies 62 miles from Thera, but Marinatos, using a nautical chart, mathematical calculations, and data from several excavations theorizes that Crete was destroyed by a combination of mud and ashes raining down from volcano, a wave of water that covered certain structures with pumice from the volcano and knocked over others by the force of water, and successive earthquakes after the eruption, the rendered the island nearly inhabitable.[192] Marinatos states that Crete "received an irreparable blow, and from then onwards gradually declined and sank into decadence, losing its prosperity and power."[193]

William Henry Samuel Jones writes of how malaria was a primary cause of the fall of the Roman Empire. Jones argues that a malaria endemic caused the Romans to become weaker and less productive. He points to scientific evidence that says malaria, if not treated properly, leads to lethargy and moral debasement of character.[194] Jones uses this as part of the basis for his argument that malaria, over generations, lead to lethargy, which lead to less cultivation of agricultural fields, and then further lead to the moral decline and savagery of the people. All of these factors, plus others, originating with malaria, caused the destruction of the empire.[195]

[191] James Brewbaker, "Disease of Maize in the Wet Lowlands Tropics and the Collapse of the Classic Maya Civilization," *Economic Botany* 33, (1979): 101–102.

[192] Spyridon Marinatos, "The Volcanic Destruction of Minoan Crete," *Antiquit*y 13, (1939): 432–436.

[193] Marinatos, "Volcanic Destruction of Minoan Crete," 437.

[194] William Henry Samuel Jones, *Malaria: A neglected Factor in the History of Greece and Rome* (London: Macmillan and Bowes, 1907), 83–85.

[195] W.H.S. Jones, *Malaria,* 74–75, 85–87.

This theory has a weakness for the reason that complex societies regularly withstand catastrophes without collapsing. For example, Brewbaker's argument of the potato blight in Ireland weakens his overall hypothesis, because although 50 percent of the population dying or migrating due to famine was catastrophic, it did not result in the collapse of Ireland.[196] Marinatos compares the eruption of Thera to the eruption of Krakatua in the Dutch East Indies on August 26-27, 1883.[197] However, no collapse has been documented as a result from the volcanic eruption in Krakatua.[198] If a single catastrophe is the reason why the society collapsed, then it is the society, and not the catastrophe that needs further analysis, to determine why it was not able to withstand this challenge when it was able to overcome previous challenges.[199] It may be that in certain cases, a natural disaster such as the eruption of Mount Vesuvius in 79 A.D.[200] which completely destroyed the city of Pompeii, would cause a localized collapse, but to a complex society as large as an empire, a catastrophe that causes collapse would likely have indicating factors leading up to the collapse. In support of this, George Cowgill, on discussing the causes for Mayan collapse states, "Earthquake damage at certain sites could conceivably have hastened a collapse already underway for other reasons but can hardly be the principle causal factor."[201] The very definition of a complex society makes it unlikely that complex system can be overcome by a simple, single event explanation, and is not useful for a society the size of an empire.[202]

---

[196] Tainter, *Collapse of Complex Societies* , 54.

[197] Marinatos, "Volcanic Destruction of Minoan Crete," 431.

[198] Tainter, *Collapse of Complex Societies*, 53–54.

[199] Tainter, *Collapse of Complex Societies* , 53. It is important to note that this is not to be confused with Catastrophe Theory, which is a mathematical model used by Colin Renfrew to analyze the collapse process.

[200] Andrew Wallace–Hadrill, "Pompeii: Portents of Disaster," *BBC History.co.uk*, March 29, 2011, http://www.bbc.co.uk/history/ancient/romans/pompeii_portents_01.shtml.

[201] George L. Cowgill, "The End of Classic Maya Culture: A Review of Recent Evidence," *Southwestern Journal of Anthropology* 20, no. 2 (Summer 1964): 152–153. http://www.jstor.org/stable/3629323.

[202] Tainter, *Collapse of Complex Societies*, 53.

4. Insufficient Response to Circumstances

This topic is based on the assertion that some complex societies do not have the right structures in their political, social and economic institutions with the ability to sufficiently respond to circumstances that lead to a collapse. There are many different opinions in this field, so only a few will be reviewed.[203]

One of the core arguments in this field was described by Betty Meggers, an anthropologist, who in 1954, wrote about the Mayans and her idea of environmental limitations. She makes the case that it is important to understand the type of environment and "to be culturally significant, a classification of environment must recognize differences in agricultural potential."[204] In Meggers' opinion, there are 4 types of agricultural land that are available on the earth, from Type 1, which is no agricultural potential, to Type 4, which is unlimited agricultural potential.[205] She further states that "the level to which a culture can develop is dependent upon the agricultural potentiality of the environment it occupies"[206] The less agricultural yield an area has, the less able an area has to become culturally complex, because they have to be more concerned with survival than with culture. Meggers contends that the Mayans, lived in a Type 2 or area of limited agricultural potential, and "this means that a culture of the level attained by the Classic Maya could not have developed in the Type 2 environment where the archeological remains are found, but must have been introduced from else-where."[207] Her theory is that the Mayans did not develop a sufficient system to feed the population in an area with limited agricultural potential, and this lead to their decline and caused their eventual collapse.[208]

[203] Tainter, *Collapse of Complex Societies*, 54.

[204] Betty J. Meggers, "Environmental Limitation on the Development of Culture," *American Anthropologist* 56, no. 5, Part 1 (1954): 802. http://www.jstor.org/stable/663814.

[205] Meggers, "Environmental Limitation," 802–804.

[206] Meggers, "Environmental Limitation," 815.

[207] Meggers, "Environmental Limitation," 817.

[208] Meggers, "Environmental Limitation," 821.

Another core view in this field comes from Elman Service and his "Law of Evolutionary Potential."[209] Service's Law states, "The more specialized and adapted a form in a given evolutionary stage, the smaller it its potential for passing to the next stage."[210] A different way he describes the law is "Specific evolutionary progress is inversely related to general evolutionary potential."[211] In other words, once something evolves to meet a specific challenge, it has less opportunity in general to meet or adapt to successive challenges. Tainter calls this the "failure to adapt" theory.[212] Service specifically argues against the linear model of evolution that many use,[213] is wrong, and does not account for the "discontinuity in advance(s)" or leaps in evolution.[214] As a result, Service discusses in depth the ability for evolutionary leaps, especially at the societal level. One of his examples of this is Russia. Service quotes Leon Trotsky in his *History of the Russian Revolution*, to explain how Russia was able to make the leap from an underdeveloped agricultural and trade society to an industrial nation.[215] Trotsky writes, "The privilege of historic backwardness- and such a privilege exists- permits, or rather compels, the adoption of whatever is ready in advance of any specified date, skipping a whole series of intermediate stages."[216] Trotsky attributed this to the "Law of

---

209 Tainter, *Collapse of Complex Societies*, 54.

210 Elman R. Service, "The Law of Evolutionary Potential," Reprint from *Evolution and Culture,* ed. Marshall D. Sahlin and Elman R. Service (Ann Arbor: University of Michigan Press, 1960): 97.

211 Service, "The Law of Evolutionary Potential," 97.

212 Tainter, *Collapse of Complex Societies*, 56.

213 Service, "The Law of Evolutionary Potential," 97–100.

Service specifically names Hegel's "Dialectic" and also calls out Marx and Engels as several individuals who wrongly see evolution as linear. He also argues that Marx and Engels specifically got it wrong when they thought that the most advanced industrial society will be the one to evolve into socialism. This confused Marxists when Russia, which was not the most advanced industrial society, embraced socialism. However, Leon Trotsky said that Russia was able to advance to the level of other more advanced industrial societies because it could capitalize on all of the change that the U.S. and European nations had learned during the Industrial Revolution, and simply insert themselves as an industrial nation at the same point without paying for the research and learning curve associated with advancing from agriculture and trade to industrial power.

214 Service, "The Law of Evolutionary Potential," 97.

215 Service, "The Law of Evolutionary Potential," 99–100.

216 Leon Trotsky, *History of the Russian Revolution,* 1930, trans. Max Eastman 1932 (New York: Pathfinder, 2001): 4–5, quoted in Elman R. Service, "The Law of Evolutionary Potential," Reprint from *Evolution and Culture,* ed. Marshall D. Sahlin and Elman R. Service (Ann Arbor: University of Michigan Press, 1960): 99–100.

Combined Development."[217] Trotsky states that, "Arising late, Russian industry did not repeat the development of advanced countries, but inserted itself in this development, adapting their latest achievements to its own backwardness."[218] Service uses Trotsky's example of Russia as an explanatory example for his own law, and shows that evolution, both in "biology and culture" can take leaps, and does not always progress linearly.[219]

Interestingly, Service also relates his law to "the rise and fall of civilizations."[220] He suggests that many historians could have better explained their concepts of "decline" and "decay," if they had looked at it from an evolutionary perspective.[221] The basic premise of this portion of his argument is that many historians try to quantify why certain societies "rise and fall," but if looked at within the construct of his law, Service shows that it makes sense that a society rises to a certain level, then is overtaken by another backwards society who capitalizes off of the innovations of the previous society. Service uses a multiple part example of the rise of Mesopotamia, which eventually gave way to Babylon and Egypt. Then these two societies fell behind Greece. Rome started as a tribal society and "was built in a day," improving upon the successes of the Greeks, later passed up by the Arabs and then Northern Europe.[222] His ultimate view is that this law is the rule, and not the exception, and then the "rise and fall problem is not a problem."[223] Instead, people can concentrate on studying the exceptions to the law, instead of those societies that follow the law itself.

An alternate view on this topic is that the more complex and interconnected a society becomes, the less resilient it is toward shocks to the system. Kent Flannery is one

[217] Trotsky, *History of the Russian Revolution,* 9, quoted in Service, "The Law of Evolutionary Potential," 100.

[218] Trotsky, *History of the Russian Revolution,* 9, quoted in Service, "The Law of Evolutionary Potential," 100.

[219] Service, "The Law of Evolutionary Potential," 100–101.

[220] Service, "The Law of Evolutionary Potential," 101.

[221] Service, "The Law of Evolutionary Potential," 101.

Service names Toynbee, Spengler and Brooks Adams as some of the historians that could have used his law to further their own studies on decline and decay.

[222] Service, "The Law of Evolutionary Potential," 107–108.

[223] Service, "The Law of Evolutionary Potential," 108.

of the main proponents of this view and asserts that as a society gets larger, and it starts to break down the barriers that would have previously insulated it from shocks. The larger and more complex the society becomes, the more linearly connected, which decreases resilience. To illustrate this, he used the analogy of a long strand of Christmas tree lights, where when one bulb breaks, the whole strand goes out. By this, Flannery is trying to show that a shock in one part of the system can have a devastating effect on the whole system.[224]

Mason Hammond looks at "stagnation in the early Roman Empire" from the standpoint of economics.[225] His primary argument is that the **"**static character of the economic system of the Roman world" caused its decay. [226] Hammond notes four specific areas as symptoms of this stagnation "agriculture, industry, trade and finance."[227] He goes on to say that some of the specific symptoms were "difficulties with respect to coinage, the changing character of labor and the increase of government regulation" and that these problems not only affected multiple areas but were general causes for the economic stagnation of the Roman Empire.[228] With agriculture, Hammond shows that the problem was not with fertility or soil exhaustion, but with labor. He writes that agricultural "stagnation resulted rather from the low economic status of labor on the large estates."[229] The stagnation in industry was "to be found in aspects not purely economic."[230] Hammond shows that a policy of decentralizing industry into the provinces and decline in artistic and professional skills caused industrial stagnation.[231] Trade was extremely expensive, and "therefore profitable only for goods

---

[224] Kent V. Flannery, "The Cultural Evolution of Civilizations." *Annual Review of Ecology and Systematics* 3 (1972): 420. http://www.jstor.org/stable/2096853.

[225] Mason Hammond, "Economic Stagnation in the Early Roman Empire," *The Journal of Economic History* 6, Supplement: The Tasks of Economic History (1946): 63. http://www.jstor.org/stable/2113075.

[226] Hammond, "Economic Stagnation in the Early Roman Empire," 64.

[227] Hammond, "Economic Stagnation in the Early Roman Empire," 65.

[228] Hammond, "Economic Stagnation in the Early Roman Empire," 65.

[229] Hammond, "Economic Stagnation in the Early Roman Empire," 65–67.

[230] Hammond, "Economic Stagnation in the Early Roman Empire," 70.

[231] Hammond, "Economic Stagnation in the Early Roman Empire," 70–71.

of small bulk and high value."[232] However, in order to feed the city of Rome, the government had to take control of the grain trade. [233] The symptoms of stagnation with respect to trade also stem from areas outside of trade itself. For small bulk, high value items, the issue was that of finance, draining the coffers of the empire. "Increasing government control and support" of the grain trade were factors of politics and finance.[234] With regards to finance, Hammond points out that the two primary factors that caused stagnation was a financial system that "was based primarily on hard cash" and "did not provide for any extensive system of credit."[235] The public did not accept a coins face value, but instead based the worth off of the precious metal content, which meant that debasement of currency led to a loss in faith in the coinage and high inflation.[236] Also, the fact that there was no system of credit meant that the government could not issue any long-term debt. [237] Hammond's overarching point is that the early empire's economic system did not change, led to stagnation in key areas, and did not allow for the later empire to adequately respond to stresses on the empire.[238]

These "failure to adapt" arguments add to the conversation on collapse, specifically in that they recognize that "collapse often depends more on the characteristics of the society than of its stresses."[239] These arguments recognize that the structure of the society and its ability to respond to difficulties is a key part of the survival of a complex society. However, this argument does not take into account the ability of a complex society to recognize its shortcoming, overcome its boundaries, reorganize and respond to circumstances with a new tactic or adaptation. One example of this is the Roman resurgence after the reorganization in the third century A.D.[240] The

[232] Hammond, "Economic Stagnation in the Early Roman Empire," 71.

[233] Hammond, "Economic Stagnation in the Early Roman Empire," 73.

[234] Hammond, "Economic Stagnation in the Early Roman Empire," 74.

[235] Hammond, "Economic Stagnation in the Early Roman Empire," 80.

[236] Hammond, "Economic Stagnation in the Early Roman Empire," 78.

[237] Hammond, "Economic Stagnation in the Early Roman Empire," 80.

[238] Hammond, "Economic Stagnation in the Early Roman Empire," 89–90.

[239] Tainter, *Collapse of Complex Societies*, 59.

[240] Tainter, *Collapse of Complex Societies*, 60.

insufficient response to circumstances theory may not be completely explanatory by itself, but this argument is a valuable addition to the overall concept of collapse.

5. Other Complex Societies

This argument is based on competition between societies, and the competition of one complex society with another complex society causes collapse.[241] Edward Lanning, in commenting on the fall of the Huari Empire in the Andes, suggests that "destructive competition between empires" may have caused the fall of both the Huari and Tihuanaco empires.[242] In this case, Lanning is suggesting that competition ended with two losers and no winners. Another Mesoamerican reference to this is Richard E. W. Adams analysis of Teotihuacan. He suggests that initially, the Teotihuacan Empire "had the organizational jump on most Mesoamerican cultures during its first centuries, but as time went on, the gap narrowed, and the great city finally came into peril."[243] This competition, in Adams work, motivated the rise, but also precipitated the fall of the Teotihuacan Empire. Gordon Willey and Demitri Shimkin also suggest that competition between ceremonial centers in the Lowland Maya civilization due to increasing manpower focused on building temples and attacking rival cities and decreasing manpower devoted to agriculture and feeding the people may have contributed to the collapse.[244] Another contributing factor they cite is the increasing competition with "the more dynamic and aggressive societies then emerging in Mexico" with regards to trade.[245]

Richard Blanton looks at this situation differently. He argues that collapse of Monte Alban was a response to the collapse of the Teotihuacan. The Oaxaca Valley had a strong military alliance to counter the rising strength of the Teotihuacan. When the

[241] Tainter, *Collapse of Complex Societies*, 61.

[242] Edward Lanning, *Peru before the Incas* (Englewood Cliffs, NJ: Prentice–Hall, 1967), 140.

[243] Richard E.W. Adams, *Prehistoric Mesoamerica*. rev. ed. (1977; repr. Norman, OK: University of Oklahoma Press, 1991), 224.

[244] Gordon R. Willey and Demitri B. Shimkin, "The Collapse of Classic Maya Civilization in the Southern Lowlands: A Symposium Summary Statement," *Southwestern Journal of Anthropology* 27, no. 1 (Spring, 1971): 8. http://www.jstor.org/stable/3629181.

[245] Willey and Shimkin, "The Collapse of Classic Maya Civilization in the Southern Lowlands," 9.

Teotihuacan fell around 700 A.D., it precipitated the fall of the Main Plaza at Monte Alban in the same century. This coupled with population growth that stressed the agricultural subsistence, and a decline in support of the elites to the political center, caused collapse. Once the competition fell, Blanton argues, there was no longer a reason for a strong military alliance, and therefore the alliance faltered, causing collapse.[246] Although some of these ideas are possible, this is not normally the case as "conflict between empires more often leads to expansion of the victor, than to the collapse of both."[247] This theory does not lend itself to explaining the collapse of a major empire like Rome.[248]

6. Intruders

The collapse due the invasion by intruders, many times of a lower social complexity than the society being invaded, is a relatively popular theory, and there are many examples in history that may support this theory.[249] Jeremy Sabloff and Gordon Willey's hypothesis is:

> …that the Southern Lowlands (the Guatemalan Peten and bordering portions of Chiapas and Tabasco) were invaded by non-Classic Maya peoples. This invasion began in the ninth century A.D., and it set in motion a train of events that destroyed the Classic Maya within100 years.[250]

Sabloff and Willey state that invaders using superior weapons, namely the atlatl and dart, conquered the Classic Mayans. They also assert that the Mayans may have fallen to the invaders because the invaders had a military sociopolitical structure, whereas the Mayans had a more peaceful economic and religious societal orientation.[251] Lanning

---

[246] Richard E. Blanton, *Monte Alban: Settlement Patterns at the Ancient Zapotec Capital* (New York: Academic Press, 1977), 103.

[247] Tainter, *Collapse of Complex Societies*, 61.

[248] Tainter, Collapse of Complex Societies, 61.

[249] Tainter, *Collapse of Complex Societies*, 61.

[250] Jeremy A. Sabloff and Gordon R. Willey. "The Collapse of Maya Civilization in the Southern Lowlands: A Consideration of History and Process," *Southwestern Journal of Anthropology* 23, no. 4 (Winter 1967): 312. http://www.jstor.org/stable/3629449.

[251] Sabloff and Willey "The Collapse of Maya Civilization in the Southern Lowlands," 327.

also states that invasions of barbarians may have led to the collapse of the Huari and Tihuanaco empires in the Andes Mountains of South America.[252]

Professor A. Goetze writes of the fall of the Hittite Empire. He asserts that "archaeological evidence proves that a catastrophe overtook Anatolia and Syria."[253] The Hittites were ravaged and cities were razed. He dates the catastrophe at about 1200 B.C. Goetze, states that it was the migration of "Peoples of the Sea" that invaded and destroyed the Hittite Empire.[254] An Egyptian Chronicler wrote "Not one stood before their hands from Khatti (Hittites) on. Qode, Carcemish, Arzawa and Alshiya were crushed."[255] R. D. Barnett, looking at the other side and writing about "The Sea Peoples," echoes this sentiment that the Hittites were indeed destroyed by the invasion of "The Sea Peoples."[256]

V. R. D'A. Desborough chronicles the end of the Mycenaean's. Desborough says that "the archaeological record reveals, at the end of the (thirteenth) century, a series of catastrophes in the central and southern mainland of Greece, affecting the heart of the Mycenaean world."[257] The result was a breakdown of the central political power and people everywhere fleeing the empire for safer locations.[258] He implicates the invasion of the Dorian's in bringing about the collapse of Mycenaean civilization.[259] Frank H. Stubbings also mentions "the Dorian invasion and the final break-up of the Mycenaean

---

252 Lanning, *Peru before the Incas*, 140.

253 A. Goetze. "The Hittites and Syria (1300–1200 B.C.)," in *The Cambridge Ancient History* Vol. 2, bk. 2, 3rd ed. *History Of The Middle East And The Aegean Region c. 1380–1000 B.C.* edited by I. E. S. Edwards, C. J. Gadd, N. G. L. Hammond and E. Sollberger, (Cambridge: Cambridge University Press, 1975), 266.

254 Goetze. "The Hittites and Syria," 266.

255 Goetze. "The Hittites and Syria," 266.

256 R.D. Barnett. "The Sea Peoples," in *The Cambridge Ancient History* Vol. 2, bk. 2, 3rd ed. *History Of The Middle East And The Aegean Region c. 1380–1000 B.C. e*dited by I. E. S. Edwards, C. J. Gadd, N. G. L. Hammond and E. Sollberger, (Cambridge: Cambridge University Press, 1975), 369–371.

257 V. R. D'A. Desborough. "The End Of Mycenaean Civilization and the Dark Age (a) The Archaeological Background," in *The Cambridge Ancient History* Vol. 2, bk. 2, 3rd ed. *History Of The Middle East And The Aegean Region c. 1380–1000 B.C. e*dited by I. E. S. Edwards, C. J. Gadd, N. G. L. Hammond and E. Sollberger, (Cambridge: Cambridge University Press, 1975), 659.

258 Desborough. "The End Of Mycenaean Civilization," 659, 669.

259 Desborough. "The End Of Mycenaean Civilization," 660.

Greece."[260] He states, "We should be perverse not to recognize the strong probability that the destructions are to be linked with the Dorian invasion, of which clear and irrefutable account have come down to us."[261]

Santo Mazzarino writes of the barbarian hordes that invaded Rome. The idea that Rome fell to invaders is a classic and very popular view, and as Mazzarino found out, was even written about by Christian writers centuries prior to the fall of Rome.[262] He also briefly outlines the timeline of the invasions from the defeat of Emperor Valens at Adrianople in 378 A.D. by the Goths, the breach of the empire by the barbarian tribes of Alans, Suevi, and Vandals to the invasion of Rome in 410 A.D. by the Visigoths. [263] Arnold Hugh Martin Jones, also implicates barbarians, stating "It was the increasing pressure of the barbarians, concentrated on the weaker western half of the empire, that caused the collapse."[264] Arther Ferrill, in his explanation of the fall of the Roman empire, argues heavily for the military cause of collapse, as his book, entitled "The Fall of the Roman Empire; The Military Explanation," might suggest. Ferrill looks at many aspects of the Roman military and the effects the military victories and defeats had on the later Roman Empire. He ends his book with this point; "As the western army became barbarized, it lost its tactical superiority, and Rome fell to the onrush of barbarism"[265]. Ferrill's argument is that by subsuming Germanic tribes into the Roman Army, they lost what made the Roman Army superior to the barbarians.[266]

---

260 Frank H. Stubbings. "The Recession of Mycenaean Civilization," in *The Cambridge Ancient History* Vol. 2, bk. 2, 3rd ed. *History Of The Middle East And The Aegean Region c. 1380–1000 B.C.* edited by I. E. S. Edwards, C. J. Gadd, N. G. L. Hammond and E. Sollberger, (Cambridge: Cambridge University Press, 1975), 354.

261 Stubbings. "The Recession of Mycenaean Civilization, 353–354.

262 Mazzarino. *End of the Ancient World*, 45.

263 Mazzarino, *End of the Ancient World*, 52–57.

264 Arnold Hugh Martin Jones, "The Pressure of the Barbarians," from *The Decline of the Ancient World* (Longman Group Ltd, 1966) in *The End of the Roman Empire: Decline or Transformation* edited by Donald Kagan, (Lexington, Mass: D.C. Heath and Company, 1978) 140.

265 Arther Ferrill, *The Fall of the Roman Empire: The Military Explanation* (London: Thames and Hudson, 1986), 169.

266 Ferrill, *Fall of the Roman Empire*, 168–169.

Although this is a relatively popular theory for the cause of collapse, there are some distinct arguments against invasion. Cowgill writes that "It seems that the invasion theory also comes to grief by not being able to account for desertion of the Southern Maya Lowlands."[267] He points to the invasion in the Yucatan Peninsula to the north and says that "even remarkably savage invasions" did not cause complete depopulation of a region, and therefore discounts this theory as a viable cause for the collapse and depopulation of the Classic Maya.[268] Another argument against invasion in the collapse of the Mayans is Fredrick Bove. Bove conducted a trend analysis of the movement of peoples in Central America, looking specifically at the Lowland Mayan culture, and found a weak trend for the migration shift that many authors claim due to invasion. Bove writes; "The invasion hypothesis and its possible related aspects of historical diffusion and/or migration is not supported very well because of the low degree of explanation in regional trend surfaces produced."[269]

Tainter puts it best when he comments that "The overthrow of a dominant state by a weaker, tribally organized people is an event in need of explanation."[270] Tainter's point is that although a popular methodology, the invasion argument is similar to the catastrophe argument in that a simple answer is given to solve a complex problem. "The fundamental problem with intruder theories is that they do not clarify much."[271] He uses the example of the Dorian invasion of Mycenaean Greece as a counter example. Although the Dorian's supposedly invaded the Mycenaean's, there are no archaeological artifacts to prove this. Only two new archaeological artifacts were introduced during this period, the cut and thrust sword and the violin bow fibula. Both of these innovations "were used by Mycenaean's and not by invaders."[272] Tainter's point is that this evidence, along with the evidence for the Mayan's suggests that in both cases, invader's

---

[267] Cowgill, "The End of Classic Maya Culture," 154.

[268] Cowgill, "The End of Classic Maya Culture," 154.

[269] Fredrick Bove, "Trend Surface Analysis and the Lowland Classic Maya Collapse," *American Antiquity* 46, no. 1 (Jan., 1981): 109, http://www.jstor.org/stable/279989.

[270] Tainter, *Collapse of Complex Societies*, 64.

[271] Tainter, *Collapse of Complex Societies*, 64.

[272] Desborough. "The End Of Mycenaean Civilization," 660–662.

ravaged the land and left without a trace, not even leaving intact the things that would make the conquest worthwhile. These ambiguities detract from the intruder argument, and along with the fact that it is a simple solution to a complex problem, weaken the overall intruder theory.[273]

7. Class Conflict, Societal Contradictions, Elite Mismanagement Or Misbehavior

This category captures several different popular theories of "class conflict, Marxian contradictions and elite misbehavior or mismanagement," with a common theme of an antagonistic relationship between social classes which each have differing goals.[274] This broad topic is designed to capture the various arguments that discuss the societal nature of civilization, class struggles, and how the various hierarchies of societies either aid in the resilience of or hasten the demise of said society.

Robert Erwin states that "civilizations gain more or less stamina according to how widely they diffuse operational responsibility."[275] One of Erwin's supporting examples for this statement are the Indus civilization, which was very hierarchical in structure, with a large amount of control concentrated in a few individuals on top of the masses, and how quickly they crumbled when the Aryans attacked them. He also contrasts this with the Egyptians and the Chinese, two cultures that have been resilient in the face of adversity. The Egyptians believed they were part of one "household" and were able to bounce back after invasion by the Hyksos. The Chinese believed that the Emperor was the divine portal between god and all mankind, and were able to absorb many intruders.[276]

Mancur Olson takes a different angle. He writes that "small groups are more likely to organize than large ones,"[277] and uses this logic to postulate that a society with small, special interest groups, such as factory workers, or professional associations are

---

[273] Tainter, *Collapse of Complex Societies*, 64.

[274] Tainter, *Collapse of Complex Societies*, 64.

[275] Robert Erwin, "Civilization as a Phase of World History," The American Historical Review 71, no. 4 (Jul 1966): 1193, http://www.jstor.org/stable/1848583.

[276] Erwin, "Civilization as a Phase of World History," 1193.

[277] Olson, *Rise and Decline of Nations* 32.

more likely to collectively bargain for a common goal than a large group, such as all taxpayers, or all consumers.[278] Olson spells out nine implications that this can have on a society. One of the main premises of his argument is that some small groups will work to increase the interests of the group above the interests of others, at all costs. "This would include choosing polices that, though inefficient for the society as a whole, were advantageous for the organized groups because the costs of the policies fell disproportionately on the unorganized."[279] Furthermore, it is normally not in the best interests of the group to lobby for a positive change for the whole society, because each member of the group will only gain as much as every other member of society. By advocating a special policy for the group only, each group member derives a much larger benefit than they would if the policy was the same for the whole society. An example of this might be artificially raising the price or lowering the tax on a manufactured good for one sector, in which that sector will then see an increase in their wages due to larger profits. However, this is grossly inefficient for the society as a whole, and distorts the market and what resources the society has for other activities.[280] Ultimately, these special interest groups inefficiently reallocate resources to meet their own self-serving purposes, and the end result is to reduce the overall rate of economic growth for the whole society.[281]

Robert Hamblin and Brian Pitcher discuss the role of class conflict in the Classic Maya collapse. Hamblin and Pitcher assert that there was a shift from subsistence farming to an organized agricultural system. The shift was probably made in order to support population growth. This new system was managed by the Mayan elites, and "the intensive agriculture probably resulted in the displacement of the peasants from their land, turning them into an agricultural proletariat who were increasingly exploited."[282] The peasant rebellions that eventually followed may have been led by a class of priests

[278] Olson, *Rise and Decline of Nations*, 34–35.

[279] Olson, *Rise and Decline of Nations*, 37.

[280] Olson, *Rise and Decline of Nations*, 42–45.

[281] Olson, *Rise and Decline of Nations*, 61–65.

[282] Robert Hamblin, and Brian Pitcher, "The Classic Maya Collapse: Testing Class Conflict Hypotheses," *American Antiquity* 45, no. 2 (Apr 1980): 251, http://www.jstor.org/stable/279284

that served the god Chac and other agricultural gods. These men were marginalized, and not regarded with the same respect as elite priests who served the Classic Mayan gods, but were educated enough to be able to capitalize off the peasant injustices and successfully lead a rebellion.[283]

Shmuel N. Eisenstadt, a social scientist, notes four categories of internal political problems that empires experience. They are:

> General pressure on resources caused by the extravagances of the emperors and the bureaucracies, the rulers' and bureaucracies' faulty administration and inefficiency in dealing with concrete administrative problems, crises focusing around the distribution of power among different groups and regions, and crises in the relations between the rulers and the cultural elites, or strong competition among these elites.[284]

These four issues are directly implicating elite mismanagement of resources and societal conflict as the major causes of internal strife in an empire. The ruler's autonomous goals require a constant need for additional resources, higher spending and the resulting higher taxes and inflation that follow drain the resources of the very groups that are providing these resources to the ruler. These goals counter long term economic policies that are pro-growth, and instead favor short term policies that provide more resources in the present. By subjugating the long term strategy to fulfill the needs of the present, the ruling elite hamper the growth of the economy. Eventually, the peasants and urban elite's resources become depleted, which makes them more dependent on the aristocracy for sustenance. All of these factors decrease the resilience of the economy to be able to deal with external shocks to the system effectively.[285] Eisenstadt is painting a picture of how higher spending, and taxes by the rulers of the country can ruin an economy, because the excessive demands on limited resources strain the economy to a breaking point. This example of the negative effects that elite mismanagement can have on the economy of an empire is a lucid one, which may have applicability in the case of the United States.

[283] Hamblin and Pitcher, "The Classic Maya Collapse," 252.

[284] Shmuel. N. Eisenstadt, *The Political Systems of Empires* (New York: The Free Press of Glencoe, 1963), 237.

[285] Eisenstadt, *The Political Systems of Empires*, 317–319.

Gordon Willey and Demitri Shimkin discuss internal factors in the collapse of the Lowland Mayan civilization. They attribute the collapse to a variety of internal factors. One factor is the intensification of agriculture, to allow for more manpower for non-food producing activities. This may have led the Mayans to become more susceptible to shocks to the system if the agricultural yields fell below the level needed to sustain life. Another factor is the secondary effects of the land clearance for intense agriculture, such as lower yields on animal protein due to deforestation of habitats, lack of cooking fuel and threats of disease once wild animals and the population cohabitated the same areas.[286] These two factors point to resource mismanagement by the elites. Another factor, competition of ceremonial centers, was already mentioned in the section on competition of other complex societies, but in this example, also contributes because it is another example of elite mismanagement of resources. The priests were more focused on drawing wealth and constituents to their temples that to looking out for the good of the people under their religious care.[287] A fourth factor, is the "peasant revolt" or "peasant collapse"[288] due to the societal conflict between the commoners and the elite. Willey and Shimkin cites several examples, including differences in skeletal sizes, which denotes differing levels of nutrition, recruitment or capture of rival tribesman to maintain the economic base of commoners and also state that "the upper class continued to grow and to expand its demands for luxury and funerary splendor."[289] The fifth and final factor that is cited as a possible factor contributing to collapse is increased resource allocation to long distance trade. Not only would this have contributed to the imbalance in resource allocation, and managerial mismanagement but may have incited external hostilities with Mexican societies that could have capitalized on stealing from the wealthy but decentralized Mayans.[290]

[286] Willey and Shimkin, "The Collapse of Classic Maya Civilization in the Southern Lowlands," 7.
[287] Willey and Shimkin, "The Collapse of Classic Maya Civilization in the Southern Lowlands," 8.
[288] Willey and Shimkin, "The Collapse of Classic Maya Civilization in the Southern Lowlands," 8.
[289] Willey and Shimkin, "The Collapse of Classic Maya Civilization in the Southern Lowlands," 8–9.
[290] Willey and Shimkin, "The Collapse of Classic Maya Civilization in the Southern Lowlands," 8–9.

In terms of Rome, Mazzarino cites Ammianus Marcellinus his view that overbearing taxation combined with the growth in the bureaucracy contributed to "Roman decadence."[291] Aurelio Bernardi echoes this, and goes further to state that the Roman decadence caused the collapse of the Empire.[292] He talks about how traveling and vacations were popular, and also cites Diocletian's Edict of Prices in 301 A.D. as listing a large number of luxury items, which has an implication of widespread use of these items by the Roman populace.[293] He also mentions how some emperors, such as Constantine, lavished gifts upon their favorite subjects, adding to the problem.[294] W. L Westermann also discusses the luxuries of the elites in Roman times. He not only talks about the trade with India that saw a large amount of gold leave the Empire, he also discusses the prevalence of household slavery as a luxury to the wealthy.[295]

Interestingly, both Bernardi and Westermann discuss land policies in the later Roman Empire that brought a short term profit but created a long term societal rift and decreasing output. It became the policy of the emperor to lease public lands to increase agricultural output. Also, large landowners subsumed the peasants in their area to work the lands they owned. This combined with other poor policies, such as assigning lands of no value to a local landowner, who was forced to cultivate the land at great expense to him in order to pay the taxes on the land. These policies forced people off their lands and into the servitude of large land barons that gave them protection from tax collectors and provided them with sustenance in exchange for working the land. This all resulted in an overall decrease in output over the long run.[296]

There are a multitude of arguments here that boil down to some type of conflict, whether peasant, societal or class oriented and elite mismanagement of resources. These

---

[291] Mazzarino, *End of the Ancient World*, 54.

[292] Aurelio Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," ed. Carlo Cipolla, *The Economic Decline of Empires.* (London: Methuen & Co. Ltd , 1970), 26.

[293] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 28.

[294] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 50–51.

[295] W. L. Westermann, "The Economic Basis of the Decline of Ancient Culture," *The American Historical Review* 20, no. 4 (Jul., 1915): 727–728, 730. http://www.jstor.org/stable/1835540.

[296] Westermann, "The Economic Basis of the Decline of Ancient Culture," 740–741. Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 49–52.

two arguments have some inconsistencies. For example, "class conflict theories must at some point make the argument that complex societies come ultimately to violate one of the tenets of their existence."[297] By this, the ruling elite cannot survive without the population that supports it. It also raises the question as to why some societies collapse because of overbearing taxes, and why some do not.[298] A recognition that "some elites behave rationally and some don't…is not illuminating."[299] This does not add a definitive reason for collapse. "If the Roman elite class, for example, was corrupt and exploitative by the first century B.C. (as many argue), and if this led to collapse, why then did the Western Empire survive until the fifth century A.D.?"[300] If mismanagement is considered to be systemic to all hierarchies, then it is a function of society that cannot be escaped and cannot be a cause for collapse.[301] The peasant revolt scenario also has its weaknesses. Eisenstadt contends that peasants usually turn to wealthy landowners for protection as their main weapon for passive resistance. He also states that more radical, "well-organized social and political movements" like the ones seen in France, are "rarely employed by peasant groups."[302]

8. Social Dysfunction

Social dysfunction as a cause for collapse is one theory. Paul Martin, George Quimby and Donald Collier postulate that the Pueblo Indians collapsed under such a problem. The Pueblo Indians had learned to live in small towns, and functioned well in this environment. The theory is that when several towns came together to share resources such as "defense, preparation of fields, use of a common water supply, manufacture of one style of pottery and basketry, etc,"[303] the Indians functioned well initially. However,

---

[297] Tainter, *Collapse of Complex Societies*, 71.

[298] Tainter, *Collapse of Complex Societies*, 72.

[299] Tainter, *Collapse of Complex Societies*, 72.

[300] Tainter, *Collapse of Complex Societies*, 72–73.

[301] Tainter, *Collapse of Complex Societies*, 72.

[302] Eisenstadt, *The Political Systems of Empires*, 209.

[303] Paul S. Martin, George I. Quimby and Donald Collier, *Indians before Columbus: Twenty Thousand Years of North American History Revealed by Archeology*, (Chicago: The University of Chicago Press, 1947), 147.

it appears that “the material aspects of Pueblo culture became adjusted to large-town existence, but the social and religious organizations were unchanged and continued to function in terms of small (clan) town units.”[304] As a result, Martin, Quimby and Collier assert that after a while the towns collapsed and each clan or family unit packed up and moved elsewhere. Jonathan Friedman, in his analysis of various societal structures, writes, “History is built on the failure of social forms as much as on their success. If social forms fail, it is because they have laws of their own whose purpose is other than making optimal use of their techno- environment.”[305] In other words, Friedman’s view is that the society determines its fate by how it structures its internal and external relationships. These views are not satisfactory explanations of collapse because they “offer neither sources of stress nor causal mechanisms that can be analyzed in any objective manner.”[306]

9. Mystical Factors

Mystical factors are a popular theory for collapse, however, they “contain no reference to empirically knowable processes.”[307] Instead, terms like “decadence, vigor or senility,” pervade the literature, drawing the conclusion that a decadent society is going to collapse.[308] Many authors resort to making judgments that are subjective in nature, based on the author’s opinion.[309] Nonetheless, this area of collapse literature still merits review.

Mazzarino, in his preface states that one of the purposes of his book is to “describe the history of the ideas of ‘decadence’ and the ‘death of Rome’.”[310] Mazzarino cites multiple primary sources for which mystical reasons of decline and collapse

---

304 Martin, Quimby and Collier, *Indians before Columbus*, 146–147.

305 Jonathan Friedman, “Marxism, Structuralism and Vulgar Materialism,” *Man* 9, no. 3, (Sept. 1974): 466, http://www.jstor.org/stable/2800695.

306 Tainter, *Collapse of Complex Societies*, 73–74.

307 Tainter, *Collapse of Complex Societies*, 74.

308 Tainter, *Collapse of Complex Societies*, 74.

309 Tainter, *Collapse of Complex Societies*, 74.

310 Mazzarino, *End of the Ancient World*, 9.

resonate. He cites Cornelius Scipio Nasica Corculum, who, during the second century B.C. argued that “Carthage must be left standing, since its existence was necessary to prevent the decadence of the Roman State.”[311] He writes of Polybius, a historian who wrote of Rome, and how “the pride and luxury, will give rise to decadence.”[312] Polybius was concerned with both internal and external factors in the decay of Rome, and decadence was a central internal theme of his.[313] Sallust was one of the first to use the term ‘decline’ in Roman writing to denote “decline of the state.”[314] He took decadence to another level, commenting that “everything born must die.”[315] St. Ambrose, the Bishop of Milan spoke of a moral crisis, and during the same time period Vegetius also cautioned against the decadence of Rome.[316] Around 410 A.D., when Alaric sacked the city of Rome, Orientus wrote Commonitorium, a poem about the sins of Rome and how the divine judgement of God was upon the empire.[317] In 416.A.D. another Christian poet wrote the Carmen de providentia with a similar theme, echoing the sentiment that God’s wrath was the cause of the Gothic invasion.[318] In 1540-1543, Rheticus, a pupil of Copernicus, in wrote in his Narratio prima:

> We see that all monarchies have their beginning when the centre of the eccentric comes to be in a certain notable point of the terrestrial orbit. Thus when the sun’s eccentricity was greatest the Roman Empire passed into a monarchical form and, as the eccentricity diminished, so the empire, as it grew older, became less and completely disappeared.[319]

His contemporary, Jean Bodin, a French historian, had a different view. He believed that the perfect number 496 was the determining factor in the birth and death of

---

[311] Mazzarino, *End of the Ancient World*, 22.

[312] Polybius, quoted in Santo Mazzarino, *The End of the Ancient World*, trans. George Holmes (New York: Alfred A Knopf, 1966): 23.

[313] Mazzarino, *End of the Ancient World*, 23–26.

[314] Mazzarino, *End of the Ancient World*, 27.

[315] Sallust, quoted in Santo Mazzarino, *The End of the Ancient World*, trans. George Holmes (New York: Alfred A Knopf, 1966), 27.

[316] Mazzarino, *End of the Ancient World*, 53,55.

[317] Mazzarino, *End of the Ancient World*, 56.

[318] Mazzarino, *End of the Ancient World*, 56–57.

[319] Rheticus, *Narratio prima*, 1540–1543, quoted in Santo Mazzarino, *The End of the Ancient World*, trans. George Holmes (New York: Alfred A Knopf, 1966), 90.

states.[320] Otto Seeck, a historian of the late nineteenth century, argued that Romans married not for love, but were betrothed for a dowry, and he asserted that the best men of the empire disappeared through demographic decay, bringing the end of the empire.[321] Mazzarino has compiled a large number of first-hand accounts and historical references to support his theory of decadence and the collapse of Rome.

Arnold Hugh Martin Jones cites a "decline in public spirit in the later Roman Empire," and waning civic patriotism as contributing factors.[322] He also notes that the Christian Church was teaching that imperial service was sinful. The church also taught that only heaven mattered, and "that the things of this world did not matter, may have caused apathy and defeatism."[323] Edward Gibbon, in what may be the most famous historical account of the Roman Empire "Decline and Fall of the Roman Empire," also implicates Christianity as a cause for collapse. "The introduction, or at least the abuse, of Christianity had some influence on the decline and fall of the Roman Empire."[324] He goes on to discuss how the clergy taught patience, but discouraged the "active virtues of society," "military spirit were buried in the cloister," and both public and private wealth went to charity.[325] Gibbon goes so far as to say that "the Roman world was oppressed by a new species of tyranny."[326]

Oswald Spengler writes about civilizations as if they were their own living being. "A culture is born in the moment when a great soul awakens out of the proto-spirituality of ever-childish humanity and detaches itself, a form from the formless, a bounded and

320 Mazzarino, *End of the Ancient World*, 90–91.

321 Mazzarino, *End of the Ancient World*, 120, 123–125.

322 Jones, "The Decline of the Ancient World," 140.

323 Jones, "The Decline of the Ancient World," 140.

324 Edward Gibbon, "Decline and Fall of the Roman Empire," vol. 4. 1901 in *The End of the Roman Empire: Decline or Transformation* ed. Donald Kagan, (Lexington, Mass: D.C. Heath and Company, 1978), 22.

325 Gibbon, "Decline and Fall of the Roman Empire," in *The End of the Roman Empire* Kagan, 22.

326 Gibbon, "Decline and Fall of the Roman Empire," in *The End of the Roman Empire* Kagan, 22.

mortal thing from the boundless and enduring."[327] He also states that "Every culture passes through the age-phases of the individual man. Each has its childhood, youth, manhood, and old age."[328] Spengler thought that a civilization dies much like a human. "At last, in the grey dawn of Civilization, the fire in the soul dies down."[329] Arnold Toynbee, a contemporary and critic of Spengler took a different view. His life work *A Study of History*, is twelve volumes. His main theory is that of "challenge and response."[330] Basically, that a civilization faces challenges, which help it grow, until it is no longer able to meet those challenges, and then collapses.[331]

There are three problems throughout mystical explanations that are prevalent in many authors such as Spengler and Toynbee. They are, "reliance on a biological growth analogy, reliance on value judgments and explanation by reference to intangibles."[332] The biological analogy does not advance an understanding of collapse, because unlike a human body that has a scientifically proven biological path, no such path can be proven for a civilization. The problem with value judgments is that they are unscientific and therefore cannot be proven.[333] Robert Merrihew Adams, in his book *Decadent Societies*, gives a counterpoint to the decadence as a cause for collapse argument. Adams states that;

> …we cannot seriously suppose that major political structures disintegrate from anyone's indulgence in excessive food, drink or sex. No, the mechanisms of social disintegration have to be somehow proportionate to the dimensions of the resulting downfall.[334]

---

[327] Oswald Spengler, "The Decline of the West" trans. Charles Francis Atkinson (New York: Modern Library, 1962): 73–75, quoted in Joseph Tainter, *The Collapse of Complex Societies.* (Cambridge: Cambridge University Press, 1988), 78.

[328] Spengler, "Decline of the West," 73–75, quoted in Tainter, *The Collapse of Complex Societies*, 79.

[329] Spengler, "Decline of the West," 73–75, quoted in Tainter, *The Collapse of Complex Societies*, 79.

[330] Tainter, *Collapse of Complex Societies*, 79.

[331] Tainter, *Collapse of Complex Societies*, 79.

[332] Tainter, *Collapse of Complex Societies*, 84.

[333] Tainter, *Collapse of Complex Societies*, 84.

[334] Robert Merrihew Adams, *Decadent Societies*. (San Francisco: North Point, 1983): 149–150, quoted in Joseph Tainter, *The Collapse of Complex Societies.* (Cambridge: Cambridge University Press, 1988), 85.

The third point about reference to intangibles is just that. Once again, it is impossible to prove these intangible ideas and they can therefore be dismissed. Other arguments such as numerology or astrology or reproduction and marriage are also equally useless without any tangible evidence.[335]

In addition to these thoughts, there are several counterpoints to the argument that Christianity was the cause of the fall of Rome. Westermann uses papyri writings and population studies to conclude that there was no appreciable Christian population in the Roman Empire before 300 A.D. He concludes that the lack of Christians means a lack of Christian influence, and therefore Christianity could not have been a factor in the collapse of the empire.[336] Bury counters this argument with more vigor. He contends that the notion that Christianity led to the demise of Rome is not only false, but that the opposite was true. He discusses how the Church would have been a unifying force. He also refutes the assertion that Christian teaching would go against defense of the empire. Additionally, Bury cites a text where St. Augustine shows that Christianity does not condemn all warfare.[337] In all, mystical arguments are not useful for analyzing collapse, because "none has isolated causal mechanism that provides any grounds for building a scientific theory." In other words, mystical factors cannot be scientifically proven, so they are useless for collapse analysis.

10. Chance of Concatenation Of Events

To concatenate by definition is "to link together in a series or chain."[338] Therefore, a chance concatenation of events is a random series of events linked together by chance. John Bagnell Bury, in his classic work "A History of the Later Roman

---

[335] Tainter, *Collapse of Complex Societies*, 83, 85–86.

[336] Westermann, "The Economic Basis of the Decline of Ancient Culture," 725–726.

[337] John Bagnell Bury, "Decline and Calamities of the Empire" from *History of the Later Roman Empire*, vol.1 (London: Macmillan and Co. Ltd, 1923): 308–313, in *The End of the Roman Empire: Decline or Transformation* ed. Donald Kagan, (Lexington, Mass: D.C. Heath and Company, 1978) 16–17.

[338] Merriam–Webster Dictionary, "Concatenate" *Merriam-Webster.com*, http://www.merriam–webster.com/dictionary/concatenation.

Empire," attaches no single event or date to the "Fall of the Western Empire."[339] His larger point is that historically speaking, there is no such thing as a "Western Roman Empire," for although there was more than one emperor at certain times, having a divided empire goes against what constitutes an empire to begin with.[340] He says, that instead, the Roman Empire was "in the process of disintegration"[341] throughout the entire fifth century. He sets the stage with several events such as "the usurpation of Magnentius, the battle of Hadrianople, the consulate of Merobaudes,… Alaric's invasion," of Rome in 410 A.D.[342]

Bury's hypothesis is that, "The gradual collapse of the Roman power in this section of the Empire was the consequence of a *series of contingent events* (emphasis in original). No general causes can be assigned that made it inevitable."[343] The contingencies were: (1) "the irruption of the Huns in Europe," which "drove the Visigoths into the Illyrian provinces," (2) the death of an incompetent emperor, (3) his successor, Theodosius, "who allowed a whole federate nation to settle on provincial soil" died early, and (4) his son, Honorius, who became emperor, was "a feeble-minded boy."[344] Additionally, Honorius' guardian was Stilicho, a half- German Roman who betrayed the Empire through his poor policy caused civil war.[345] Finally, the Roman army had become too reliant upon barbarians to man the army, which led to the dismemberment of the Empire.[346] Bury actually assigns the fall of Irene in 802 A.D. as

---

339 John Bagnell Bury, *A History of the Later Roman Empire: From Arcaduis to Irene (395 A.D. to 800 A.D.).*vol.1, (London: Macmillan and Co., 1889), vii, 395.

340 Bury, *A History of the Later Roman Empire,* vii.

341 Bury, *A History of the Later Roman Empire,* vii.

342 Bury, *A History of the Later Roman Empire,* 107.

343 Bury, "Decline and Calamities of the Empire," in *The End of the Roman Empire* ed. Kagan, 17.

344 Bury, "Decline and Calamities of the Empire," in *The End of the Roman Empire* ed. Kagan, 17–18.

345 Bury, "Decline and Calamities of the Empire," in *The End of the Roman Empire* ed. Kagan, 18. and Bury, *A History of the Later Roman Empire,* 108, 108–113. In *A History of the Later Roman Empire, vol. 1*, Bury names several other people besides Stilicho. He places the treachery within the Empire on three "half–German Romans, like Stilicho, Aetius and Ricimer." Bury, *A History of the Later Roman Empire,* 108.

346 Bury, "Decline and Calamities of the Empire," in *The End of the Roman Empire* ed. Kagan, 19. and Bury, *A History of the Later Roman Empire,* 412.

the date of the end of the Roman Empire.[347] Willey and Shimkin also give a general overview of a multitude of factors in the collapse of the Lowland Mayan Civilization. These factors include immense population growth, competition between socio-political centers, class divisions, budding militarism, increased military and economic pressures, a breakdown in trade, and agricultural problems, which all contributed in their own way to the collapse.[348]

This argument cannot be generalized to a theory, because a number of random factors causing collapse do not provide a construct with which to evaluate other societies under similar circumstances.[349] "There is some validity to the notion that random factors influence all processes," but this is not able to be replicated, and therefore cannot explain collapse in a global context.[350]

11. Economic Factors

Economic factors are the final area requiring review. Economic explanations are varied but can be condensed into several themes. Some of these themes are "declining advantages of complexity, increasing disadvantages of complexity or increasing costliness of complexity."[351]

Colin Turnbull writes of the Ik, a tribe in Africa that is a modern example of both a loss of complexity and of economic collapse. "They live in the North of Uganda, on the borders of Sudan and Kenya," however, their hunting grounds used to extend across the borders of all three countries, until the governments of the other countries kicked them out of their hunting grounds.[352] Because of the interesting climate and rain and flood patterns, the Ik tribe used to travel in a pattern over mountain and desert terrain as

---

Bury also noted that German settlements that eventually became "dismembered and developed into German kingdoms." Bury, *A History of the Later Roman Empire,* 108.

[347] Bury, *A History of the Later Roman Empire,* ix–x.

[348] Willey and Shimkin, "The Collapse of Classic Maya Civilization in the Southern Lowlands," 1.

[349] Tainter, *Collapse of Complex Societies*, 86.

[350] Tainter, *Collapse of Complex Societies*, 86.

[351] Tainter, *Collapse of Complex Societies,* 86–87.

[352] Colin M. Turnbull, *Man in Africa*, (Garden City, NY: Anchor Press/Doubleday and Co., 1977), 206.

nomad hunter gatherers, following the game, until governments discovered them and kicked them out of most of their tribal hunting grounds.[353] This had a profound effect on their internal economy. The Ik were starving, so they took to terrace farming, and cattle raiding, but several droughts later, even this was not enough to provide enough food to survive. They started not feeding the old, and the young, letting them fend for themselves or die. The Ik could not afford even the most basic human luxuries of "generosity, kindness, compassion, considerateness, affection, even love."[354] "Ultimately, the family disappeared, for the Ik had developed their survival organization to the point where family was replaced by system."[355] Mothers wean their children at age three and let them fend for themselves. Packs of children scavenge together to survive, and when they reach the age of 13, they are adults, on their own for life.[356] This harsh survival is necessitated by a collapse in a hunter-gatherer economy. Turnbull states, "Society itself has died."[357] At this point, the Ik have the lowest social complexity available, the individual human.

Owen Lattimore discusses economic collapse in terms of the Chinese dynastic cycle. His words are succinct yet revealing:

> The rise and fall of dynasty after dynasty is a calendar of recurrent events. First, increasing returns as the result of concentrating people in favorable areas in order to organize them for water-conservancy works on a large scale and for the practice of agriculture. Second, apparent stability as production reached its peak by means of these activities…Third, diminishing returns, because the social system emphasized large families, while the economic system resisted new kinds of activity to employ the surplus manpower…Fourth, agrarian risings which destroyed the state but did not open up a way to build a new kind of state.[358]

Lattimore then shows how eventually a strong man comes in, restores order, and starts the whole process of slow economic collapse again. No change was made to the

[353] Turnbull, *Man in Africa*, 206–209.

[354] Turnbull, *Man in Africa*, 211.

[355] Turnbull, *Man in Africa*, 211.

[356] Turnbull, *Man in Africa*, 211–212.

[357] Turnbull, *Man in Africa*, 212.

[358] Owen Lattimore, *Inner Asian Frontiers of China*, (Boston: Beacon Press, 1962), 45.

societal foundation to change this process in any way, so it continued to repeat itself until Westerners inserted themselves into the cycle.[359]

Bernard Lewis chronicles the decline of the Ottoman Empire as economic in nature. "In the sixteenth century, the Ottoman Empire reached the limits of its expansion, and came up against barriers it could not pass."[360] These barriers proved to be both geographical, and ideological, such as fighting other Muslims, when the Empire was accustomed to fighting a holy war on infidels. They advanced on Europe, and after conquering Hungary, they advanced to Vienna on September 27, 1529. On October 15, the army retreated, and from this point on was in a position where it had to defend the loss of its territory, never to expand again.[361] This began a decline in military training, readiness and an empire once on the cutting edge of military science found itself behind its enemies in Europe. This was exacerbated by "a general deterioration in profession and moral standards in the armed forces, parallel to that of the bureaucratic and religious classes."[362]

The Ottoman Empire experienced a major shift in its economic, social and political fabric when it could no longer expand. Much like the early Roman Empire, which relied heavily upon geographic expansion to subsidize the increasing costs of the empire,[363] the Ottoman Empire was similarly structured, and felt the shock as a result.[364] Additionally, new trade routes by European explorers were circumventing the Ottoman Empire, which had a marked effect on trade. At one time the Muslims would have traded the luxuries of India and China to Europeans, now the Europeans were selling these goods to the Muslims at a hefty profit.[365] Then, American gold and silver flooded the

[359] Lattimore, *Inner Asian Frontiers of China*, 45–46.

[360] Bernard Lewis, "Some Reflections on the Decline of the Ottoman Empire" *Studia Islamica* 9, (1958):111–127 in Carlo Cipolla, *The Economic Decline of Empires.* (London: Methuen & Co. Ltd , 1970), 218.

[361] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 219.

[362] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 220.

[363] Tainter, *Collapse of Complex Societies*, 129, 133.

[364] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 221.

[365] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 222–223.

Ottoman Empire. This created a monetary crisis of epic proportions that had never been seen before. Debasement of the currency and control of the money supply in times of austerity were well known to the Turkish rulers, but the sudden excess supply made silver fall by 70 percent and gold by 100 percent. European money exchangers sent money to Turkey, to resell it for a profit. This ended up draining the Turkish Treasury. The monetary crisis also resulted in a price increase on goods that was devastating to the populace.[366]

At the same time, the Ottoman's "were compelled to embark on a great expansion in its salaried personnel and a great increase in expenditure in coin."[367] This resulted in a shift from the sipahis, or cavalrymen, who were paid in fiefdoms, to a salaried professional soldier. This policy spelled the end of the sipahis, who were the foundation of the agrarian economy. Without sipahis to run agricultural fiefs, the agrarian economy collapsed.[368] The shrinking economy had to support a growing number of palatial, bureaucratic, religious and military personnel. This need for increased revenue led to tax farming, but much of the money collected went to the corrupt tax farmers, not the government. Lewis relates that this was a much larger public support structure than the Roman Empire or any medieval state.[369] The other contributing problem was that the financial sector, bankers and merchants, were Christians or Jews, and considered second class citizens in a Muslim land. They did not have the political support needed to "create political conditions more favorable to commerce or to build up any solid structure of banking and credit."[370] "The peace treaty of Carlowitz, signed on 26 January 1699, marks the end of an epoch and the beginning of another. This was the first time that the Ottoman Empire signed a peace as the defeated power in a clearly decided war."[371]

[366] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 223–224.

[367] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 224.

[368] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 224–225.

[369] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 225.

[370] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 226.

[371] Lewis, "Decline of the Ottoman Empire" in Cipolla, *The Economic Decline of Empires*, 231.

These economic theories have some merits beyond other arguments previously addressed. Tainter identifies three supporting arguments for the economic argument. First, economic theories attempt to identify specific internal factors of weakness that caused collapse, as opposed to simply looking at characteristics of the society. Second, "economic explanations identify a specific mechanism or event controlling change."[372] Finally, "economic models identify a definite causal chain between the controlling mechanism and the observed outcome."[373] The economic models reviewed are not without weaknesses, as they only look at one case, instead of generalizing to a greater theory.[374] However, the economic argument also has the potential to include multiple factors already discussed in its framework, such as resources, conflict, mismanagement, weakness to intruders and other arguments as well. They can all be explained within the framework of economics.

Joseph Tainter also regards collapse as an economic problem, but from the strict perspective of declining marginal returns in relation to the increasing costs of complexity.[375] Tainter uses four concepts to help explain his theory of collapse. They are:

> "1. human societies are problem-solving organizations, 2. sociopolitical systems require energy for their maintenance, 3. increased complexity carries with it increased costs per capita, and 4. investment in sociopolitical complexity as a problem-solving response often reaches a point of declining marginal returns."[376]

Tainter's first three points all support the final point, and the final point is the basis of his economic collapse theory. Humans need to problem solve to survive, and societies provide problem solving organizations. Humans also need energy to survive. Energy is used to get food, water, shelter, and protection. Energy is also used to maintain sociopolitical organizations. By organizing into a society, the complexity has increased.

---

372 Tainter, *Collapse of Complex Societies*, 88.

373 Tainter, *Collapse of Complex Societies*, 88.

374 Tainter, *Collapse of Complex Societies*, 88.

375 Tainter, *Collapse of Complex Societies*, 198.

376 Tainter, *Collapse of Complex Societies*, 118.

With increased complexity comes an increase in the need for energy, just to maintain the sociopolitical structure. This increase in complexity also comes with an increased cost per person or per capita.[377]

Tainter's also states that as a society evolves, or grows more complex, greater resources are needed to maintain the level of complexity attained. Initially, as the simplest and least expensive solutions are implemented, the benefit may be high relative to the costs. The society may encounter more difficult problems, which then require more costly solutions. At each successive problem, problem solving involves increasing complexity, but by doing so, it holds higher costs for that society but has a diminishing return.[378] Once that point is reached, no matter how many resources are invested in attaining another level of complexity, the marginal return will still be diminishing.[379] At some point, the costs of maintaining the current level of complexity accelerate, and become too high. The society no longer has the ability or the will to invest the resources needed to maintain this level of complexity, so the system collapses.[380]

In order to further understand this theory, three more economic definitions need to be defined: average product, marginal product and the law of diminishing returns. "The marginal product of an input is the extra output produced by 1 additional unit of that input while other inputs are held constant."[381] For example, assume by placing one worker on a machine, in a manufacturing plant, he or she can produce 100 units of a product in one 8 hour shift. Now if we add another worker (our unit of input) to the same machine (because all other things are left constant), and we may be able to increase output because the second person can hand parts to the first person, or preassemble portions of the product, but with only one machine, they will never be able to product 200 units together. They may only be able to produce 180. The additional 80 units is the increase or the marginal product. Adding a third person to the machine and they may

[377] Tainter, *Collapse of Complex Societies*, 91.

[378] Tainter, "Complexity, Problem Solving and Sustainable Societies" 2–3.

[379] Tainter, *Collapse of Complex Societies*, 92–93.

[380] Tainter, *Collapse of Complex Societies*, 121.

[381] Samuelson and Nordhaus, *Economics*, 108.

only produce 225, a marginal increase in 40. The average product is "the total output divided by the total units of input."[382] Using this same example, the average product for 1 person is 100 units of product, for 2 people is 90 units of product (180/2), and for 3 people is 75 (225/3).

This is related to the law of diminishing returns. Samuelson and Nordhaus define the law of diminishing returns as follows:

> The law of diminishing returns holds that we will get less and less extra output when we add additional doses of an input while holding other inputs fixed. In other words, the marginal product of each unit of input will decline as the amount of that input increases, holding all other inputs constant.[383]

Tainter uses the law of diminishing returns to illustrate how "at some point in the evolution of society, continued investment in complexity as a problem-solving strategy yields a declining marginal return" per unit of investment.[384] Tainter chooses to refer to marginal product as marginal return, because whatever the investment society makes in complexity, the return that society gets out of the investment might not necessarily be a product.[385] He also uses a graph to depict the relationship of diminishing returns to complexity.

---

[382] Samuelson and Nordhaus, *Economics*, 109.

[383] Samuelson and Nordhaus, *Economics*, 109.

[384] Tainter, *Collapse of Complex Societies*, 119–120.

[385] Tainter, *Collapse of Complex Societies*, 92–93.

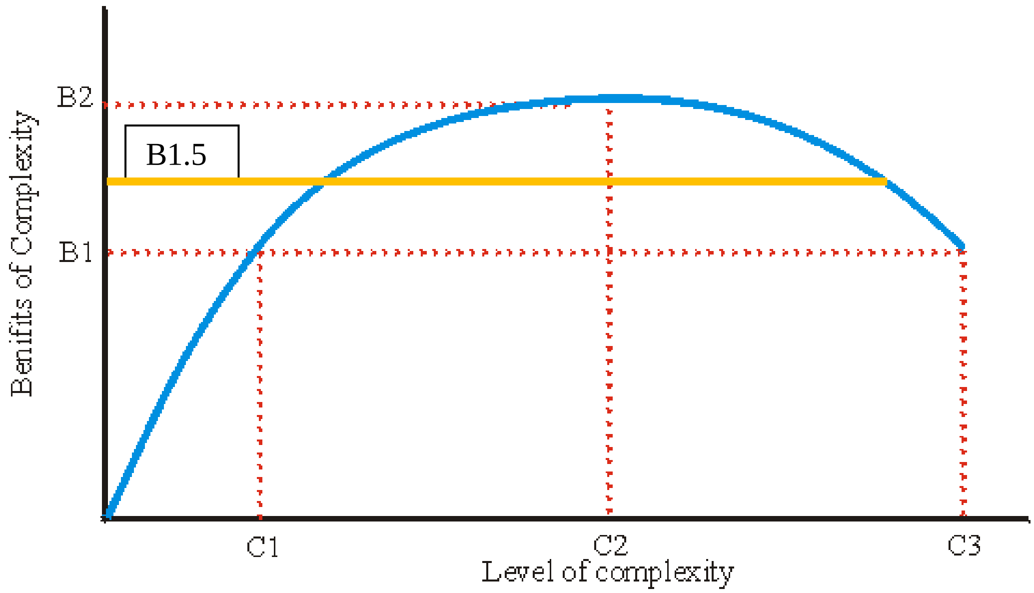

Figure 2. The Marginal Product of Increasing Complexity[386]

In Figure 2, point B1/C1 is a point at which "investment in further complexity yields increased returns, but at a declining marginal rate. When this point is reached, a complex society enters a phase where it becomes increasingly vulnerable to collapse."[387] He points out that between B1/C1 and B2/C2 is a point where declining returns start to affect the society, and its economy. "Taxes rise and inflation becomes noticeable. Prior to point B2/C2 investment and intensification can still produce positive benefits, but collapse becomes increasingly likely."[388] A society between B2/C2 and B1/C3 is at a critical part of the curve. Increasing investment yields decreasing benefits, to the point where investing more yields the same benefits as when between B1/C1 and B2/C2.[389] This can be seen at B1.5, where the benefits of complexity are the same but a significantly greater investment was needed to reach the curve between B2/C2 and

386 After Tainter, *Collapse of Complex Societies*, 119. This figure was altered by the author for this thesis. The alteration is the insertion of line B 1.5, which was added for greater clarity of the original figure.

387 Tainter, *Collapse of Complex Societies*, 120.

388 Tainter, *Collapse of Complex Societies*, 122.

389 Tainter, *Collapse of Complex Societies*, 122–123.

B1/C3. "A society at B1/C3 is in serious danger of collapse from decomposition (as well as from any external threat)."[390]

Tainter uses three examples to prove his point. He looks at the Western Roman Empire, the Classic Maya of the Southern Lowlands and the Chacoan Society of the American Southwest.[391] Only the Roman example will be examined here because it relates to the case study in the next chapter. The Roman Empire grew through an expansionist policy. The conquest of new lands added large sums of money to the Imperial treasury, which many times paid for the conquest and temporarily eliminated the need for taxes. The new lands widened the tax base and added land rentals for additional Imperial income. Many Roman citizens also emigrated into the newly conquered lands.[392] Once the policy of expansion ceased under Augustus, so did the income from conquest.[393] The biggest expense of the Roman Empire was maintaining its large standing army of 25 legions under Augustus. Later, Vespasian increased it to 30 legions.[394] Another drain on the treasury was the wheat entitlement given free to the citizens of Rome. The number of people on the dole varied from 150,000 to as much as 320,000.[395] Roughly 90 percent of the Roman economy was agricultural. Trade and industry accounted for only a small part of revenues. Trade was very expensive due to the high cost of over land transportation. As an agricultural society, the Roman Empire was able to make the money it needed through taxes, but was not able to easily respond to financial crises.[396]

As was already mentioned in the fiscal policy section, the Roman Emperors, starting with Nero in A.D. 64, debased the currency when necessary to be able to afford to pay the military and other obligations.[397] Through a series of crises, costly conquests

---

[390] Tainter, *Collapse of Complex Societies*, 123.

[391] Tainter, *Collapse of Complex Societies*, 127–128.

[392] Tainter, *Collapse of Complex Societies*, 128–129.

[393] Tainter, *Collapse of Complex Societies*, 128, 133.

[394] Tainter, *Collapse of Complex Societies*, 133–134.

[395] Tainter, *Collapse of Complex Societies*, 132.

[396] Tainter, *Collapse of Complex Societies*, 133.

[397] Tainter, *Collapse of Complex Societies*, 133–134.

that were no longer paid for by the plunder taken, and civil war, the Empire was faltering.[398] Before Diocletian took over in 284 A.D. the government coinage was so debased that the economy used payment in kind, and taxes were paid in supplies or bullion, not coins.[399] Diocletian became Emperor in 284 A.D. and staved off collapse for a while, but at a great cost. He increased the size of the army and the civil service, built a series of strategic roads and forts on the frontiers, raised taxes and took away many civil liberties. He introduced a new coin, and issued his Edict of Prices in 301, fixing the price for every good, in order to stop hyperinflation.[400] However, even these drastic measures did not encourage population growth that was desperately needed to increase the agricultural output and widen the tax base after two centuries of plague. Therefore, the Empire was never able to fully recover. The agricultural output shrunk, which had a ripple effect throughout the Empire. Policies were put in place to keep people in hereditary occupations, i.e. the son doing the same job as the father, for life and without choice. This also hurt economic output.[401] Oppressive taxation caused people to abandon their land, joining as serfs for landlords who would feed them and give them protection from the tax collectors in exchange for working the land. This abandonment of land also decreased the tax revenues.[402] "The decreased manpower and wealth of the Western Roman Empire helped contribute to the military successes of the invaders."[403] Tainter concludes that "Rome's collapse was due to the excessive costs imposed on an agricultural population to maintain a far-flung empire in a hostile environment."[404]

G. SUMMARY

The eleven different categories of collapse all aid in our understanding of the plethora of differing views on collapse. Many of the factors espoused by these

---

[398] Tainter, *Collapse of Complex Societies*, 134–139.

[399]Tainter, *Collapse of Complex Societies*, 139.

[400] Tainter, *Collapse of Complex Societies*, 141–144.

[401] Tainter, *Collapse of Complex Societies*, 144.

[402] Tainter, *Collapse of Complex Societies*, 146.

[403] Tainter, *Collapse of Complex Societies*, 146.

[404] Tainter, *Collapse of Complex Societies*, 191.

viewpoints are certainly contributing factors in one way or another to the overall collapse of a society. For example, the eruption of a volcano may or may not cause the collapse of a society, but it is certainly a stress put on the system, and a contributing factor to the decreased resiliency to shocks which that society may face in the future. Resource depletion has its basis in economics, as does weakness to invaders. A weak economy and population cannot support a strong military indefinitely. By using an anthropologists extensive and in depth review of collapse as a basis for this literary review, it has aided in the understanding of the application of the scientific method to these varying theories of collapse. There is not an attempt on the part of the author to disprove any theory of collapse, for that is not the purpose of this thesis. However, that was the intent of Tainter when he wrote his book, so many of his opinions have shown through the analysis, but they have all be referenced in the footnotes. The purpose of this thesis is to examine fiscal policy and its effect on the sustainability or the collapse of the United States. Fiscal policy is a part of economics, so the economic theory that Dr. Tainter postulated will be the one that is used in the rest of this thesis to examine collapse and decline of empires as complex societies.

THIS PAGE INTENTIONALLY LEFT BLANK

II. THE ROMAN CASE STUDY

A. INTRODUCTION

The Roman Empire is the classic example of an ancient empire that collapsed. Why did it collapse, and what implications does the Roman experience have for informing the current U.S. situation? The Roman Empire was by its very nature a complex society, spanning across the Mediterranean, with the peoples of many different languages and cultures under its umbrella of protection. In this respect, Rome is similar to the United States, as the U.S. is a nation with a very diverse population. Rome has some other striking similarities that make it a valuable case study to compare with the United States. It "was massive, heavily populated and rich."[405] Rome "had a transport system of all-weather roads and busy commercial routes by river, canal and sea on a scale unmatched again in Europe until recent centuries."[406] Rome had some of the comforts of the modern world, to include: "glass windows, central heating, bath houses."[407] Also, the Roman military was "a large, sophisticated, permanent and professional force backed by an extensive logistical system."[408] Some of these facts help set the stage for the Roman case study and its relevance to the United States.

This case study will show how the grand strategy of the Roman Empire was disconnected from its fiscal policy. The Roman Empire understood security, as it was the premier fighting force of its time, but it did not understand the relationship between security and economic prosperity. It will also draw parallels with the United States, in an effort to make comparisons between the issues facing Rome and the issues facing the modern day United States. Although it is true that in many ways, Rome and the U.S. are vastly different, there are still enough similarities that will help to illuminate areas where the U.S. can learn from the mistakes of the Romans.

---

[405] Goldsworthy, *How Rome Fell*, 413.

[406] Goldsworthy, *How Rome Fell*, 413.

[407] Goldsworthy, *How Rome Fell*, 1.

[408] Goldsworthy, *How Rome Fell*, 413–414.

B. ROME

The Roman Empire did not start as an empire, it started as a republic. Historians disagree when the Republic actually began, and there are multiple historical narratives on how the Republic was founded.[409] However, at some point in time between the 6th and 3rd centuries B.C. a Roman Republic emerged.[410] The Roman Republic expanded through multiple conquests which benefitted the Roman Empire. The following areas were conquered by the Republic, bringing large monetary surpluses to the Roman treasury: Macedonia in 167 B.C, the Kingdom of Pergamon in 130 B.C., Syria in 63 B.C. and Gaul under Julius Caesar. [411] Later in his reign, internal strife led to the murder of Caesar in 44 B.C. His adopted son, Octavian, defeated Marc Antony in the Battle of Actium in 31 B.C. Octavian, better known as Augustus, became the first Roman Emperor in 27 B.C.[412] Augustus determined that the Republic must die and that the power of rule must rest with one individual. He did this by declaring himself First Citizen. The people were willing to hand over the power of the Roman Senate to him because he was able to provide for their needs. By diminishing the political freedoms of the Romans, Augustus was able to increase the economic freedoms, and usher in a period of economic prosperity.[413] This was how the Roman Republic transitioned into becoming the Roman Empire, with Augustus as its Emperor.

Augustus ended the policy of expansion after he conquered Egypt.[414] So effectively, almost all of the Roman Empire's expansion was done while still a Republic. There were a few deviations from this, for example, Claudius's conquest of Britain and Trajan's conquest of Dacia,[415] but in general, the emperors of the Principate just

---

[409] T.P Wiseman, "Roman Republic, Year One," *Greece & Rome*, Second Series, 45, No. 1 (Apr., 1998): 19, http://www.jstor.org/stable/643205.

[410] Wiseman, "Roman Republic, Year One," 19.

[411] Tainter, *Collapse of Complex Societies*, 129.

[412] Bruce Bartlett, "How Excessive Government Killed Ancient Rome" *The CATO Journal* 14, No. 2, (Fall 1994): 287, http://www.cato.org/pubs/journal/cjv14n2–7.html.

[413] Bartlett, "How Excessive Government Killed Ancient Rome," 287.

[414] Tainter, *Collapse of Complex Societies*, 129.

[415] Hammond, "Economic Stagnation in the Early Roman Empire," 75.

maintained the borders set by Augustus.[416] Once Augustus ended the policy of Roman expansion, he had to come up with a different grand strategy. This strategy will be referred to as the policy of consolidation. By abandoning the policy of expansion, Augustus concentrated on the consolidation of the empire and the defense of its borders. However, this posed a significant fiscal risk.

Geographic expansion under the Republic had served to fill the Roman coffers and in some cases, such as conquering Macedonia in 167 B.C. led to the abolition of taxes. Expansion also served to widen the agricultural base, and required subjugated peoples to pay tribute, taxes and land rentals to the government, further adding to the net benefits of expansion. In many cases, the plunder associated with the expansion more than paid for the cost of the military campaign, making expansion a compelling policy.[417] However, it was not a sustainable model, and when Augustus ended the policy of expansion,[418] the Roman economy had gotten used to an unsustainable economic model that was largely unchanged over the entire history of the empire. Therefore, expansionist policy during the Republic had been a significant fiscal stimulus that had been relied upon by the government to help subsidize the cost of expansion and subsidize the standing army that made it possible. When this was no longer an available option for revenue, the Augustus had to resort to taxing his people.

Many consider Augustus to be the most brilliant of the tax strategists in the Roman Empire, [419] because he was able to revitalize the economy through his tax policy changes. [420] Augustus used direct taxation, which had the effect of stabilizing the tax

---

[416] Hammond, "Economic Stagnation in the Early Roman Empire," 75. Also in Tainter, *Collapse of Complex Societies*, 129.

[417] Tainter, *Collapse of Complex Societies*, 129.

[418] Tainter, *Collapse of Complex Societies*, 129.

[419] Tax World "A History of Taxation" *TaxWorld.org*, Accessed 18 March 2011, http://www.taxworld.org/History/TaxHistory.htm.

[420] Bartlett, "How Excessive Government Killed Ancient Rome," 287, 290.

system, and of getting rid of tax farmers, because there was no longer an incentive to collect taxes without a way to distort the tax burden and make usurious profits.[421]

> Tax farmers were often utilized to collect provincial taxes. They would pay in advance for the right to collect taxes in particular areas… thus the collections by tax farmers had to provide sufficient revenues to repay their advance to the state plus enough to cover the opportunity cost of the funds (i.e., interest), the transactions cost of converting collections into cash, and a profit as well...Augustus ended tax farming, however, due to complaints from the provinces. Interestingly, their protests not only had to do with excessive assessments by the tax farmers, as one would expect, but were also due to the fact that the provinces were becoming deeply indebted.[422]

Augustus then changed the tax system in the Roman Empire. With the new system he almost completely eliminated the need for tax collectors at the central government level and decentralized tax collections, putting the burden on the cities, which saved the emperor money. He used a 1 percent sales tax and imposed a 5 percent inheritance tax, in order to fund military retirements. To start this fund, he donated 170 million sesterces of his own money. Soldiers received 12,000 sesterces after 20 years of service.[423] The provinces now paid a wealth tax of about 1 percent and a flat poll or head tax on each adult.[424]

> The shift to flat assessments based on wealth and population both regularized the yield of the tax system and greatly reduced its "progressivity." …thus any increase in income accrued entirely to the people and did not have to be shared with Rome… this was obviously a great incentive to produce, since the marginal tax rate above the tax assessment was zero.[425]

---

421 Michael Ivanovitch Rostovtzeff, *The Social and Economic History of the Roman Empire*, 2nd ed. Revised by P.M. Fraser. (Oxford: Clarendon Press, 1957): 48.

422 Bartlett, "How Excessive Government Killed Ancient Rome," 289–290.

423 Tenney Frank, *An Economic Survey of Ancient Rome: Rome and Italy of the Empire*. vol. 5, (Baltimore: The Johns Hopkins Press, 1940): 7.

424 Arnold Hugh Martin Jones, "Taxation in Antiquity," in *The Roman Economy: Studies in Ancient Economic and Administrative History*, ed. P.A. Brunt, (Oxford: Basil Blackwell, 1974): 164–166, cited in Bruce Bartlett, "How Excessive Government Killed Ancient Rome" *The CATO Journal* 14, No. 2, (Fall 1994): 290. http://www.cato.org/pubs/journal/cjv14n2–7.html.

425 Richard A. Musgrave, *The Theory of Public Finance* (New York: McGraw–Hill, 1959): 140–159, quoted in Bruce Bartlett, "How Excessive Government Killed Ancient Rome" *The CATO Journal* 14, No. 2, (Fall 1994): 290. http://www.cato.org/pubs/journal/cjv14n2–7.html.

By promoting a system that decentralized the collection of taxes to the provinces and local cities, Augustus ultimately saved money, and made the process more efficient, because the cost of a tax collector traveling to the far reaches of the Roman Empire was eliminated. Now only the provinces had to forward the collected taxes to Rome. Additionally, he encouraged prosperity, because there was now an incentive to earn more money. Once the fixed taxes were paid, the individual kept the rest of the money. This led to a sharp increase in the money supply, but prices remained constant.[426] During this period there were also a significantly higher number of shipwrecks, suggesting that exports increased.[427] "Interest rates also fell to the lowest levels in Roman history in the early part of Augustus's reign."[428] Tiberius (14-37 A.D.) continued Augustus's free market policies, which helped to grow the economy and establish a strong middle class, which Tiberius believed would be the backbone of the Roman Empire.[429]

This is an important parallel with the United States. The lesson that can be drawn from this is that when faced with fiscal difficulties, Augustus restructured the Roman tax system, making it easier to understand, and cheaper to implement. This in turn incentivized people to grow more crops, because they knew that regardless of how much they grew, they would pay their taxes and be able to keep the rest. One a certain tax environment had been established, the economy started to grow, and the government benefitted from it with increased revenues, and decreased costs in implementing the tax code.

The Roman economy was mostly agricultural in nature.[430] This is evidenced by fact that approximately 90 percent of the Imperial revenue was from agriculture.[431] As a result, most of the taxes were levied based on agricultural yields from the land.

[426] Keith Hopkins "Taxes and Trade in the Roman Empire (200 B.C.–A.D. 400)," *The Journal of Roman Studies* 70, (1980): 106–112, http://www.jstor.org/stable/299558.

[427] Hopkins "Taxes and Trade in the Roman Empire (200 B.C.–A.D. 400)," 105–106.

[428] Sidney Homer, *A History of Interest Rates*, 2nd ed. (New Brunswick, N.J.: Rutgers University Press, 1977): 53, cited in Bruce Bartlett, "How Excessive Government Killed Ancient Rome" *The CATO Journal* 14, No. 2, (Fall 1994): 291. http://www.cato.org/pubs/journal/cjv14n2–7.html.

[429] Bartlett, "How Excessive Government Killed Ancient Rome," 288.

[430] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 80.

[431] Tainter, *Collapse of Complex Societies*, 133.

Agricultural problems stemmed more from organization and labor that actual agricultural productivity due to quality of soil.[432] This was problematic as agricultural yields were highly dependent on factors such as rainfall, and most importantly, labor. As a result, drought, wars, plagues and natural disasters greatly affected agricultural yield. While drought is obvious, wars and plagues both negatively affected the working population. Since men both tilled the land and filled the ranks of the military, human capital, and in the case of the Romans, male human capital, was really the most precious resource of the empire. This was especially evident during the reign of Marcus Aurelius from 161-180 A.D., when there were two major crises. A plague that started in about 165 or 166 A.D. and lasted for 15 years killed as much as one third of the population in some areas. Also, he spent much of his reign fighting Germanic tribes.[433] These two crises were a huge drain of human capital, which was needed in the form of manpower for both economic output for farming and manpower for military strength in the face of enemy attack. Marcus Aurelius was so desperate for money, not only did he raise taxes, debase the currency and used his predecessor's entire surplus, but he also sold the Imperial valuables at public auction.[434] This is clear evidence of the negative affect that lack of manpower necessary for farming had on the primitive Roman economy.

There were several other components of the economy that are important to mention, namely industry, trade and finance.[435] Industry never progressed beyond the homemaker, shopkeeper or large estate level, where one or several people were making all the goods by hand.[436] Trade was very expensive, as the cost of overland transportation was prohibitive for any items that were not both small and light or of significant value, such as luxury items. Sea borne transportation was the most

[432] Hammond, "Economic Stagnation in the Early Roman Empire," 65.

[433] Tainter, *Collapse of Complex Societies*, 134.

[434] Tainter, *Collapse of Complex Societies*, 134– 135.

[435] Hammond, "Economic Stagnation in the Early Roman Empire," 65.

[436] Hammond, "Economic Stagnation in the Early Roman Empire," 69.

economical way to transport anything of significant weight.[437] It was not always reliable, as seasonal weather patterns affected shipping, however it was still preferred, because "it was less costly to ship grain from one end of the Mediterranean to the other than to cart it 120 kilometers" (74.56 miles).[438] It was also stimulated by the massive amounts of imports of grain, wine and other goods that were needed to feed the population of Rome. The government had to control the shipments and regulate the grain market in Rome in order to effectively feed its citizens. This was very expensive though, because the Roman citizens did not contribute to the economy, but instead were fed using the taxes from the rest of the Empire. Some emperors attempted to limit the number of people being fed by the Empire, but were largely unsuccessful.[439] The finances of the Empire were all done in hard currency. There was not an extensive network of credit or loans.[440]

The lack of available credit and the lack of economic diversity of the Roman Empire made it especially susceptible to economic crisis. Since over 90 percent of the revenue was through one source, agriculture, this left the empire strategically vulnerable. There was no built in resiliency, and no real mechanism by which the Emperor could borrow money in times of crisis. This lack of available credit is an important difference between the Romans and the U.S., but the reliance upon one sector of the economy is not. While the Romans relied too heavily on agriculture, the United States relies far too heavily on the service sector. In 2007 services accounted for 78.5 percent of GDP and manufacturing accounted for 20.5 percent. Although agriculture is still an important industry in America, it only contributed 1 percent toward GDP.[441] This over reliance on one sector of the economy affected the resiliency of the Roman Empire, and poses a

---

[437] Hammond, "Economic Stagnation in the Early Roman Empire," 71, also in Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 21, Tainter, *Collapse of Complex Societies*, 133, and in Rostovtzeff, *The Social and Economic History of the Roman Empire*, 146.

[438] Tainter, *Collapse of Complex Societies*, 133.

[439] Hammond, "Economic Stagnation in the Early Roman Empire," 72–73.

[440] Hammond, "Economic Stagnation in the Early Roman Empire," 78.

[441] Keith Timimi, "Different Sectors of the U.S. Economy," EconomyWatch.com, May 5, 2011, 1, Accessed November 17, 2011, http://www.economywatch.com/world_economy/usa/different-sectors-of-economy/.

serious threat to the resiliency of the modern day United States. Although the Romans had no system of credit, the U.S. is at the opposite end of the spectrum, relying very heavily on borrowing, which poses a different strategic vulnerability.

The Emperor's rule was tenuous, and the disconnect between fiscal policy and grand strategy of the Empire reflected this. The Roman Army was the number one expense for the Roman Empire.[442] The Emperor increasingly derived much of his power from control of the Army.[443] Many times Emperors, such as Septimius Severus and Caracalla used pay increases to win the support of the Army.[444] Another significant expense was the entitlement spending or the public dole.[445] This dole was paid directly out of the emperor's personal wealth, and in some ways was another way to derive power. By bribing the people of the city of Rome, the Emperor was less likely to face civil unrest within the capital city.[446] The bureaucracy or civil service was a significant and growing expense throughout the history of the empire as well.[447] Other expenses included other state employees such as those working in Imperial arms factories, public works, the postal service, and education.[448]

These expenses reflect not only the grand strategy of the empire, but also the individual strategy of the Emperor. Many emperors were simply in survival mode, which explains why the two greatest sources of their power, the military and the citizenry of Rome, were the two biggest expenses in the Imperial budget. By concentrating on what was going to keep them in power, most Emperors made the optimal decision for placating his power base, but at the same time made suboptimal decisions for the sustainability of the Empire. This lack of alignment between strategy and policy, due to the individual needs of the Emperor was made at the expense of the Empire. This is quite relevant to

---

[442] Tainter, *Collapse of Complex Societies*, 129–132.

[443] Tainter, *Collapse of Complex Societies*, 138 and in Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 40.

[444] Tainter, *Collapse of Complex Societies*, 136.

[445] Tainter, *Collapse of Complex Societies*, 132.

[446] Rostovtzeff, *The Social and Economic History of the Roman Empire*, 145.

[447] Tainter, *Collapse of Complex Societies*, 141–142.

[448] Tainter, *Collapse of Complex Societies*, 129.

the United States situation, where politicians, more concerned with reelection than with the long term consequences of their actions and decisions, make optimal decisions for their reelection bid, but make suboptimal decisions for the future viability and the sustainability of the United States of America.

There is a second parallel here that is strikingly similar to the U.S.; the issue of entitlement spending. The entitlement spending or the public dole in Rome was a significant cost to the Emperor. The policy of giving free grain to the citizens of Rome originated during the Republic in 58 B.C. and was continued by Augustus, who had roughly 200,000 citizens on the dole.[449] Over time, this entitlement grew. Some increased the costs of the entitlement by adding additional cities, such as Hadrian instituted a dole in the city of Athens,[450] and Diocletian, who added Constantinople, and an additional 80,000 people. Other Emperors added the cities of Alexandria and Antioch.[451] Another way the entitlements were increased was by adding additional goods. Septimius Severus, added oil to the dole.[452] Aurelian further increased the cost of entitlements to the empire. Instead of giving grain, he gave baked bread, which alone was more expensive because now bakers had to be paid to make the grain into bread. Additionally, he added a reduction in the prices of pork, salt and wine to the benefits of the Roman citizens.[453] On the issue of entitlements, Bernardi notes that "the expansion of public expenditure at a time when inflows of treasures from occupied territories were dwindling added to the financial difficulties of the state."[454] This holds a direct parallel to the United States, which has had significant increases in entitlement spending in recent years. One example of this is President Bush enacting tax cuts and then adding a prescription plan to Medicare. President Obama has further exacerbated the problem by adding a national health care initiative during a time of decreased revenues due to

[449] Bartlett, "How Excessive Government Killed Ancient Rome," 288.

[450] Tainter, *Collapse of Complex Societies*, 134.

[451] Bartlett, "How Excessive Government Killed Ancient Rome," 289, and in Tainter, *Collapse of Complex Societies*, 138.

[452] Frank, *An Economic Survey of Ancient Rome*, 301.

[453] Tainter, *Collapse of Complex Societies*, 138.

[454] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 33.

economic recession. The lesson that can be learned here is that while the Roman Emperors who added these entitlements did so with great personal success at bribing the people, the long term effects of these entitlements put significant pressure on the Roman budget. This is similar to the situation the U.S. is in today, with entitlements growing to the point where they cost more than any other part of the budget.

The growing Roman expenses were increasingly paid for through debasement of the silver denarius, which was the primary Roman currency, and also the currency that was used to pay soldiers wages. This is important to note because it made the most sense to debase the currency that was used to pay the army, because the army was the single largest expense. The subject of debasement of currency was briefly explained in the first chapter, under the definition of monetary policy, as currency debasement in today's world is considered to be monetary policy, not fiscal policy. However, in Roman times, there was no central bank and no distinction between types of economic policies because the policies were all made by the Emperor. Debasement lead to inflation, which in turned eroded the purchasing power of the military and bureaucracy, which were paid in coins.[455] Currency was made of precious metals, namely silver and gold, and the population valued coins based on their metallic content, not their face value. Therefore, the policy of debasement was meaningless to the economy, because people simply conducted transactions based on the content of precious metal, not the face value minted on the coin.[456] Furthermore, people hoarded the coins of higher precious metal content and thus higher value and conducted trade and monetary transactions in the coins with the least value.[457] "Inflation is the expedient governments resort to when, for whatever reason, they feel unable to tax."[458] One measure of inflation was the price of a modius of wheat (about nine liters). In the second century it had been priced at one half a denarius, but in 335 A.D. it sold for over 6000 denarii and in 338 for over 10,000 denarii. In 324 A.D., the gold solidus, a coin introduced by Constantine, was worth 4250 denarii, but by

455 Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 38–40.

456 Hammond, "Economic Stagnation in the Early Roman Empire," 80.

457 Westermann, "The Economic Basis of the Decline of Ancient Culture," 729.

458 Walter A. Goffart, *Caput and Colonate: Towards a History of Late Roman Taxation*, (Toronto: University of Toronto Press, 1974): 20.

337 A.D. it was worth 250,000 denarii and in 363 A.D. one solidus was worth 30 million denarii.[459]

The net effect of the policy of debasement was rampant inflation and rising prices, which led to more debasement. This has an important parallel to today's situation, as the Federal Reserve has largely expanded the U.S. money supply through policies such as "Quantitative Easing" and "Operation Twist." These policies of expanding the money supply are just another term for currency debasement. This had a devastating effect on the Roman Empire, and has the potential to damage the U.S. economy in the same way. Although no longer changing the base content of a coin, printing additional money has the same effect of increasing the money supply, and thereby decreasing the overall value of each dollar printed.

Another problem the Romans faced was that the tax system was inefficient and unable to meet the fiscal demands of the empire. Once Augustus got rid of tax farmers, government agents directly collected taxes from the people. Over time, this responsibility was given to the municipalities, who were made up of the more financially successful members of Roman society. If they were not able to collect sufficient taxes, then they were personally held liable for the expenses. As time wore on, the requirement to make up the tax deficiencies got worse. This eventually turned the middle class into their own form of tax serfdom.[460]

The tax policies of the later emperors did not incentivize economic growth, which hurt revenues. Much of the agricultural output was from large estates. At various points, slaves and then later tenants tilled these lands.[461] As taxes became more burdensome, many small farmers could not escape the tax collectors. They were forced to seek the protection of the large landowners.[462] Tenants fleeing their land became common.[463] One policy that aggravated this situation was the enforcement of uncultivated lands.

[459] Tainter, *Collapse of Complex Societies*, 143.

[460] Hammond, "Economic Stagnation in the Early Roman Empire," 85–86.

[461] Hammond, "Economic Stagnation in the Early Roman Empire," 65–67.

[462] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 56–61.

[463] Hammond, "Economic Stagnation in the Early Roman Empire," 69.

Small landowners were given the uncultivated lands of those who had deserted them, or of lands with marginal yield potential. They were required to pay taxes on the land and therefore were forced to cultivate them at great expense to themselves, [464] but with no additional labor with which to do so. This perpetuated the problem, forcing more small landowners who could not pay, to seek refuge under large landowners. This self-perpetuating problem led to a high rate of tax evasion.[465] Ultimately, the large land holdings promoted a decrease in productivity, for there was no incentive for a tenant or serf to produce high yields like there had been when most of the empire was subsistence farming.[466] This additional burden on the farmers who had not fled meant that they either could not pay the additional taxes, or it forced them seek the protection of a large landowner. Another poor policy was that certain types of agriculture, such as grape vines, were taxed based on the number of vines. This incentivized landowners to destroy crops above the point where the taxes exceeded the value of the income gained, in order not to pay additional taxes.[467]

Many emperors resorted to tax waivers to alleviate this burden. Claudius gave ship owners a subsidy in order to ensure regular grain shipments to Rome.[468] Trajan was the first emperor who had to cancel unpaid taxes. Hadrian implemented "tax waivers that amounted to almost one-fourth of the annual expenses of the State's budget."[469] Pertinax also canceled the back taxes imposed under Commodus.[470] Constantius II gave tax exemptions to senators. Gratianus gave a general amnesty for all tax arrears.[471] The year 313 A.D. is when the first law was published exempting the Christian clergy from some of their taxes. Other laws were passed soon after that completely exempted them from

[464] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 56–57.

[465] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 56–57.

[466] Westermann, "The Economic Basis of the Decline of Ancient Culture," 742.

[467] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 56–57.

[468] Hammond, "Economic Stagnation in the Early Roman Empire," 85.

[469] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 33–34.

[470] Bartlett, "How Excessive Government Killed Ancient Rome," 293.

[471] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 61.

paying taxes.[472] There were multiple other examples of exemptions or tax cancellations in the years, 363-436, 445,450, and 458 A.D.[473]

These fiscal policies were clearly not aligned with the ultimate goal of the emperors, which was ultimately to raise more money. Successive emperors displayed poor judgment in making tax policies that exacerbated the problem, such as the required cultivation of abandoned land. This has relevance with today's situation. While some people evade taxes illegally, many people are able to pay no taxes by simply using the tax code to their advantage. Tax deductions, credits and exemptions are essentially the same as the Roman tax waivers. The wealthy benefit from these, such as the mortgage interest deduction, while the members of society who do not own homes are not afforded this deduction. Although thankfully the United States does not literally levy unpaid taxes on the neighbor of the offender, there is a parallel here too. While 47 percent of the U.S. population pays no taxes, the other 53 percent have to pay taxes for 100 percent of the population.[474] This large section of the populace that does not pay taxes places a larger tax burden on those who do pay.

Another problem with the Roman tax system was it did not respond well to crisis. "Taxes were initially levied at fixed rates, and were typically not flexible enough to be increased in crises. The government operated strictly on a cash basis and rarely borrowed: its budget was at best minimally planned."[475] This changed with Diocletian's tax reforms. "One of Diocletian's major accomplishments was to establish the first mechanism whereby the rate of tax in any given year could be geared to estimated expenditures."[476] Diocletian also resorted to taxing in kind. Essentially, he levied taxes in the form of goods instead of with money.[477] This was to avoid having to accept the

[472] Goffart, *Caput and Colonate,* 22.

[473] Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 61–62.

[474] Spurbeck, "By the Numbers: What the 47 Percent Who Pay No Income Tax Look Like," 1.

[475] Tainter, *Collapse of Complex Societies*, 133.

[476] Tainter, *Collapse of Complex Societies*, 143.

[477] Rostovtzeff, *The Social and Economic History of the Roman Empire,* 517.

worthless coinage the government was minting.[478] His reforms used the land as the primary means of collecting revenue, in order to offset the costs of his administrative reforms.[479]

The Roman Empire was on the verge of collapse when Diocletian became emperor in 284 A.D. His reforms kept the Roman Empire afloat for nearly another 200 years, but his policies also ensured the destruction of the empire. The most radical reform that Diocletian instituted was the "Tetrarchy" or "Rule of Four."[480] In 297, a revolt in Egypt was the catalyst that convinced Diocletian that the Empire had become too big for one administrator to handle. His idea split the empire in half, with an Emperor in the Eastern and Western halves of the Roman Empire, each with a second in command called a Caesar.[481] This also solved the problem of Imperial Succession, with the Caesar later becoming the Emperor, and then picking a new Caesar to eventually become Emperor after him.[482] Diocletian's Tetrarchy had the effect of quadrupling the administration size, as both Emperors and both Caesars held a full imperial court in each of four different capital cities.[483] However, by doing so, he greatly increased the complexity of the administration of the Roman Empire. He also greatly increased Imperial expenses, because four capital cities with citizens on the dole and four administrations exploded the budget. This is a clear example of the increasing costs of complexity, that though for a time may have increased the resiliency of the Empire in one area by decreasing the decision making time to act in a crisis, ultimately also decreased the resiliency of the Empire as a whole by putting more fiscal stress on the already weakened economy by significantly growing the budget.

---

478 Tainter, *Collapse of Complex Societies*, 139.

479 Bernardi, "The Economic Problems of the Roman Empire at the Time of its Decline," 54.

480 Ralph W. Mathisen, "Diocletian (284–305 A.D.)," from *An Online Encyclopedia of Roman Emperors* Last Modified February 17, 1997, 1, Accessed September 28, 2011, http://www.roman–emperors.org/dioclet.htm.

481 Tainter, *Collapse of Complex Societies*, 141.

482 Mathisen, "Diocletian (284–305 A.D.)," 1.

483 Tainter, *Collapse of Complex Societies*, 141.

Diocletian also greatly expanded the military. The size of the military in 235 A.D. was roughly 300,000, and by 284 A.D. it had been increased to 400,000. Under Diocletian it rose to between 500,000 and 600,000 and later Constantine increased it so that it was 650,000 at the end of the fourth century.[484] Both the increase in the size of the military and the increase in the size of the bureaucracy brought with it increased costs.

Finances had gotten to such a point of desperation by the time of Diocletian that in 301, he resorted to issuing his Edict on Prices. It had been tried before but never as a permanent policy.[485] By fixing wages and prices of goods, Diocletian was attempting to curb the inflation mentioned above, but instead set prices too low, favored creditors and lowered the cost of transport, which was to the government's advantage.[486] His imposed price controls only served to push up prices. His fiscal policies, while causing a short resurgence, did nothing to address the systemic causes of the problems. This strategy of survival worked in the short term, but was not sustainable in the long run, and therefore was ultimately ineffective.

There was also a shortage of manpower. This forced Diocletian, and later Constantine to institute policies of hereditary job succession, where the son was forced to do the same occupation as the father.[487] His hereditary requirements caused further land abandonment. The Empire also met its labor shortage by recruiting for the military from the Northern European and Baltic tribal peoples. With the increased barbarization of the army, came an increased threat of problems from the military that began to have not only soldiers, but the officer corps and even generals who were of barbarian or tribal descent.[488]

---

[484] Tainter, *Collapse of Complex Societies*, 141.

[485] Rostovtzeff, *The Social and Economic History of the Roman Empire*, 516.

[486] Tainter, *Collapse of Complex Societies*, 144.

[487] Tainter, *Collapse of Complex Societies*, 144.

[488] Arthur Edward Romilly Boak, "Manpower Shortage and the Fall of Rome," from *Manpower Shortage and the Fall of the Roman Empire in the West* (Ann Arbor: University of Michigan Press, 1955): 109-129 in *The End of the Roman Empire: Decline or Transformation* edited by Donald Kagan, 40, (Lexington, Mass: D.C. Heath and Company, 1978): 42. Also in Ferrill, *Fall of the Roman Empire,* 168–169. And in Bury, "Decline and Calamities of the Empire," in *The End of the Roman Empire* ed. Kagan, 19. and Bury, *A History of the Later Roman Empire,* 412.

This added a completely different strategic problem. This led to the settling of tribes on imperial soil to provide bodies for the army, but the Romans did not subsume the tribes into Roman culture, which caused a rift between them.[489] By filling the military with these barbarians, and letting their nations settle on Imperial soil, the Roman Empire let in the very people it was trying to keep out. The collapse of the Roman Empire, although at the hands of these barbarians, was much more a function of a loss of resiliency, due to a weak economy, and a fiscal policy that was unable to support the grand strategy of a large standing military, the resource requirements of a growing entitlement system and a growing bureaucracy. The pro- growth fiscal policies of Augustus and Tiberius at the beginning of the Roman Empire were forgotten and were replaced by increasingly burdensome taxes, increasingly large standing armies and an increasing public dole, administered by a growing bureaucracy. By implementing policies that incentivized tax evasion and land abandonment, the Emperors undercut the very sector of the economy that supported the majority of the Empire's expenses.

This misalignment of fiscal policy with economic prosperity also robbed the Empire of its most precious resource, human capital. With less able bodies to farm and fill the ranks of the military, the Emperor's resorted to enlisting their enemies into the ranks of their military. The Roman Empire already was maintaining an indefensible border, but by allowing these tribes to settle on Imperial soil, they undermined their own defense for the sake of security. Simply put, Roman grand strategy of securing borders with a large standing army was misaligned with a fiscal policy that was unable to raise sufficient revenues to fund said army through a primitive agricultural economy. Furthermore, due to fiscal policies that incentivized the flight of human capital, the dwindling population was unable to raise enough able bodied men to supply both the billets for the army and the labor necessary for the economy. The costs of maintaining this complex empire were too great for the economy to bear, and successive crises had taxed what resiliency was left in the system. The end of the Roman Empire came in 476 A.D. when Odoacer, a barbarian general overthrew Emperor Romulus Augustulus and

[489] Boak, "Manpower Shortage and the Fall of Rome," in *The End of the Roman Empire* ed. Kagan, 42–43. And in Bury, "Decline and Calamities of the Empire," in *The End of the Roman Empire* ed. Kagan, 17–18.

declared himself king, effectively ending the Imperial succession in the Western Roman Empire.[490] The collapse of Rome was much more a function of poor fiscal policy and economic stagnation resulting from that policy, as it was a function of backwards, tribal nations invading the most powerful Empire of its time.

[490] Tainter, *Collapse of Complex Societies*, 148. And in Goldsworthy, *How Rome Fell*, 367–368.

THIS PAGE INTENTIONALLY LEFT BLANK

III. THE BRITISH CASE STUDY

A. INTRODUCTION

The British Empire is relevant to the discussion of collapse, because although the empire itself collapsed, Britain as a nation did not. This case therefore illuminates the other extreme of empires, where, while losing a level of social-political complexity, and therefore fitting the first part of Tainter's definition of collapse, there was no vacuum with which to completely implode, thus the British did not fit the second part of Tainter's definition of collapse. England was still a vibrant and wealthy nation after the fall of its empire. One example of this is that in 1980, over a decade after the fall of its Empire, England was the world's sixth largest economy.[491] For the purpose of this thesis, this case study will seek to illuminate this other extreme of the collapse of empires, that is, graceful decline or degradation until no longer an empire. The British are a well-known example of this, however, many other European countries, such as Spain, France and the Netherlands, along with other imperial powers such as the Japanese have experienced this same type of collapse from empire to nation state, but not dissolving into obscurity. The British Empire offers a possible conclusion for the United States that is on the opposite end of the spectrum of Rome, the possibility of graceful degradation. Another reason that this case study is helpful is that the British Empire is a more recent empire, which allows some modern comparisons to things such as global trade, industry, central banking, legislative policy decisions and naval power projection.

This case study will show the disconnect between fiscal policy and grand strategy, but it will also demonstrate how fiscal policy can drive grand strategy, and likewise, how grand strategy can drive fiscal policy. Arguably, the early British Empire is an example of how fiscal policy drove grand strategy, as economic success and abundant wealth drove policymakers to drive to find new sources of colonial wealth to exploit. However, the later British Empire is a case where grand strategy drove fiscal policy. The World Wars, which effectively were one of the main contributing factors to the fall of the British

[491] Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Vintage Books, 1987): 425.

Empire, were a case of grand strategy driving fiscal policy. Although some argue that the grand strategy that Britain embarked upon was necessary for the survival of Britain, from a grand strategic standpoint, the vast empire was a burden, not an asset, and the fiscal warning signs were ignored. Britain managed to survive, but the empire did not, and with it went her status as a world power, but the institutions that she left behind have helped both her and the colonies she ruled maintain their stature in the world, a very different outcome from the black hole into which the Roman Empire collapsed.

B. BRITAIN

The British Empire was founded on economics. The mercantilist expansion of the British Empire was for the purpose of colonizing satellites for trade and natural resources. It was also a strategic and fiscally driven move as well. At the outset of the Empire, Queen Elizabeth was fighting for the very existence of both her throne and the English as they were being attacked by Spain, a Roman Catholic nation. England, being an Anglican nation of the Protestant tradition was ethnically, culturally, and religiously different from Spain and other Catholic European nations.

The British Empire began haphazardly as a way of damaging Spain. The first attempts at colonization in the 1580's in Roanoke, Virginia and Newfoundland failed.[492] It wasn't until 1588, when the British defeated the Spanish Armada that England as a nation began to recognize themselves as "a first-class power."[493] They had defeated the Spanish, the strongest empire since the Roman Empire, and then it became apparent that they too could start their own empire.[494] Colonization was primarily seen as an economic and demographic solution to a strained market and overcrowding of population centers. The government supported colonization as well because it would bring a new source of revenue through customs duties, which was the primary form of taxation at the time.[495]

---

492 Lawrence James, *The Rise and Fall of the British Empire* (New York: St. Martin's Griffin, 1994): 5.

493 Winston S. Churchill, *The New World*, vol. 2 of *A History of the English Speaking Peoples* (New York: Dodd, Mead and Company, 1956): 133.

494 Churchill, *The New World*, 133.

495 Churchill, *The New World*, 164–165.

The defeat of the Spanish Armada in 1588 marked a significant shift in the grand strategy of Britain. This victory gave Britain the clout and the freedom to start colonizing on their own, shifting their strategy and policy from one of survival to one of expansion. Much of the colonization was done by companies, who were granted charters signed by the King or Queen. The East India Company started in 1600 with a charter signed by Queen Elizabeth. They would go on to found a British Colony in India.[496] The Virginia Company charter was signed in 1606 and settled at Jamestown, in the Chesapeake Bay in May 1607.[497] While colonization was seen as an answer to economic problems, it was an expedient with which to solve social issues as well. For example, due to differences in religious beliefs, the British Puritan congregation first sailed to Holland in 1607, where they struggled for over 10 years to make a life for themselves. When this did not work, they appealed to England, where King James gave them a license through the Virginia Company. They set sail in September 1620 for America on the Mayflower, where they founded a British Colony in Plymouth, Massachusetts.[498] This colony, founded on religious freedom, gave the British a way to expand their empire and get rid of those who had different religious views at the same time.

The British economy was widely varied at the end of the 1500 and the beginning of the 1600's, but was also plagued with problems. There were still craft guilds, hearkening back to medieval times, where teenage boys became apprentices and rose through the ranks to eventually master a specific trade. However, new apprentices were finding it more difficult to break into the craftsman guilds. Some English peasants still farmers, but many were increasingly being driven off the land. Excessive governmental regulation was oppressing industry. At the same times, a significant rise in prices was eroding the purchasing power of the British people, as prices rose three times faster than wages.[499] "The squirearchy, strong in its political alliance with the Crown, owned most

[496] Churchill, *The New World*, 134.

[497] Churchill, *The New World*, 165–166.

[498] Churchill, *The New World*, 165–169.

[499] Churchill, *The New World*, 164–165.

of the land and ran all the local government."[500] All the while, London's merchants were looking for new markets.[501] Colonies would soon provide these new markets.

The Jamestown settlement in Virginia was struggling to survive, having failed with multiple Mediterranean crops such as wine and olives. However, a new crop was introduced that was to forever transform the economy of the British Empire and stimulate the colonization of the Americas. Tobacco brought in such a boom in revenue to Britain that by 1700, it was importing 13 million pounds of tobacco for domestic consumption and another 25 million pounds for re-export to Europe.[502] It was said that "Spain is more damaged by the King's peace than the Queen's war," showing the incredibly positive impact that colonization was having on the growth and prosperity of the British Empire.[503] It was also this type of contemporary rhetoric that demonstrates how colonization, and the successful economic benefits reaped from it, was driving grand strategy. By successfully colonizing, it was understood that instead of using war as the only way to weaken their opponents, the British could use economics to beat other European powers.

Other colonies began to emerge. Thomas Warner established the first colony in the West Indies in 1623 on the island of St. Christopher. In addition to St. Christopher, by the 1640's, the British controlled Barbados, Nevis, Montserrat and Antigua.[504] The British later acquired Jamaica in 1655. Jamaica was the first colony that was won by conquest of a colony already founded by another European power.[505] Many English adventurers set off to find gold. Among them was Henry Morgan, who with his privateers began to raid Spanish settlements in the Caribbean in 1663. In 1668, he captured so much gold that pieces of eight became legal tender in Jamaica.[506] The

---

[500] Churchill, *The New World*, 165.

[501] Trevor Owen Lloyd, *The British Empire: 1558–1995*. 2nd ed. (Oxford: Oxford University Press, 1996): 2.

[502] James, *The Rise and Fall of the British Empire*, 7.

[503] James, *The Rise and Fall of the British Empire*, 7.

[504] Churchill, *The New World*, 176.

[505] Lloyd, *The British Empire*, 33.

[506] Niall Ferguson, *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power* (New York: Basic Books, 2004. First published in 2002 by Allen Lane): 1–2.

Crown took notice and in 1670 fortified Port Royal. Soon, the Caribbean economy was transformed from plundering of gold to planting of sugar cane.[507] Sugar brought about the need for cheap labor, which was found in the institution of slavery.[508] Slavery "was the foundation of the colonial order."[509] Soon, the Caribbean colonies were economically more important to Great Britain than the American colonies.[510]

As the colonies started to grow and expand, Britain started to see the fiscal revenue stimulus it had anticipated through custom duties levied on the import and trade of goods from the "New World." Tobacco was the first highly profitable commodity to come from Virginia plantations, but sugar and sugar byproducts such as rum from the Caribbean islands called the West Indies soon surpassed the revenue from tobacco. Other products such as fish, and cotton, from North America and silk, tea and spices from India and coffee from Arabia contributed to the continued increase in revenue, filling the coffers of the British government, who was continuously expanding its colonial holdings, and likewise its navy to protect said assets. In order to keep up growth in these commodities, especially in sugar, tobacco and cotton, additional manual labor was needed. This was satisfied through the slave trade, which the British soon became masters of, owning 50 percent of the slave trade at its peak.[511] Slavery made economic growth and expansion possible, which led to a need for even more slaves to sustain growth.

This expansion of the Royal Navy and the continued colonial expansion is a clear example of fiscal policy driving grand strategy. The economic boom that trade and colonial commodities brought to both the British economy and the British government benefitted everyone. This encouraged policymakers in Parliament and the throne to continue to embark upon a grand strategy of expansion. Businessmen were also

---

[507] Ferguson, *Empire,* 9–10.

[508] Lloyd, The British Empire, 22.

[509] James, *The Rise and Fall of the British Empire*, 43.

[510] Ferguson, *Empire,* 80.

[511] Lloyd, *The British Empire,* 71.

encouraged to seek expansion, as is evident by the fact that many British colonies were colonized by businesses, not by military force.

The economic implications of this widely expanding import trade changed the face of the British economy. Although in many ways industry was tied to the guild system of apprenticeship, to journeymen and craftsmen, making the goods at home, many goods began to become imported, which started a consumer revolution in Britain. Overall, the import of Caribbean sugar, Arabic coffee, Chinese tea and later porcelain, Virginia colonial tobacco, wheat and rye, beef, pork, herring and mackerel, Newfoundland cod, fine Indian silk and calico, and Canadian Beaver pelt, marked a drastic change in the British economy.[512] By 1725, the British economy had transformed itself into a consumer driven economy.[513] It imported many of the products it consumed, and in exchange exported capital or British manufactured goods such as glass, castors, shoes, hats, bales of canvas, and pewter, iron and brass utensils.[514] Consumerism was rampant. It changed the economy and the national lifestyle of England.[515] Indian calico and silk were preferred to British wool.[516] Tea, which is today considered a British tradition, came about as a highly sought after drink at this time. The reason tea was preferred to coffee was that coffee had much higher import tariffs. "Like so many national characteristics, the English preference for tea over coffee had its origins in the realm of fiscal policy."[517] Tea, coffee, sugar and tobacco, all stimulant drugs, became very popular in English society.[518] As merchants became more successful from the sale of colonial goods, and the economy expanded, the middle class began to be able to afford

---

[512] James, *The Rise and Fall of the British Empire*, 8, 27. and in Lloyd, *The British Empire*, 35, 39. and in Ferguson, *Empire*, 12–14.

[513] Ferguson, *Empire*, 10–14. Daniel Defoe, the author of *Robinson Crusoe* and son of a London merchant noted this phenomenon in his book *The Complete English Tradesman*.

[514] James, *The Rise and Fall of the British Empire*, 27.

[515] Ferguson, *Empire*, 12.

[516] James, *The Rise and Fall of the British Empire*, 27. and in Ferguson, *Empire*, 13–14.

[517] Ferguson, *Empire*, 13.

[518] Ferguson, *Empire*, 12–13.

to purchase these goods, which fueled further economic growth. Consumerism was enabled by mercantilism, and mercantilism was supported by the British Royal Navy.[519]

This consumer based economy is very similar to the United States economy. The U.S. imports much of what it consumes. This would eventually prove to be a strategic liability for the British in World War One, as will be seen later in this case study. Could this over reliance on foreign imports be a strategic liability for the United States? It is distinctly possible, especially since history shows that it was for the British. This intricate web of trade of goods through various colonial economies also greatly increased the complexity of the British economy, and society at large. With each new colony, came new challenges in integrating that economy into the British realm. While for a time these colonies proved to be economic assets, they were also strategic liabilities, requiring the increase in the size of the British Navy. This is a lucid example to Tainter's point about how increasing the complexity of a society comes with it the increasing costs of maintaining that complexity. The British economy was becoming more flexible and resilient, but with it came the cost of a more strategically vulnerable supply and logistics train, stretching across many oceans. This strategic vulnerability was countered by growing the size of the Navy to protect the shipping lanes.

It was in the middle of the seventeenth century that the true beginnings of Great Britain as a supreme navy began in earnest. The Scottish Revolution in the late 1630's that turned into an English Civil War in the 1640's brought into power a group of people who understood and appreciated the importance of a strong navy. Their motives varied as some were religious in nature, others colonial expansionists and still others were merchants, but all supported the building of a strong navy. From 1649 to 1651 the size of the British Navy doubled from 39 to 80, and by 1660, a total of 207 new ships had been built or purchased for the Navy. It was at this time that the Navy was first seen as an instrument of national policy.[520] The Navigation Act of 1651 sparked a "commercial

[519] James, *The Rise and Fall of the British Empire*, 28–29.

[520] Paul Kennedy, *The Rise and Fall of British Naval Mastery*, (London: The Ashfield Press, 1990. First published in 1976 by Allen Lane): 44–46.

revolution."[521] It supported British shipping by requiring all colonies of the British realm to trade with Britain only.[522] In fact, the economic power of Great Britain was connected to their global mastery, which was a result of the strength of the Royal Navy.[523] This strong mercantilist economy, supported by a strong navy would continue until the Industrial Revolution would change the shape of the British economy, again.

The Industrial Revolution started with the invention of the steam engine.[524] In the late 1700s, industry started to mature, and population growth required new a source of fuel for heating, as wood was no longer abundant. This led to coal mining, which, in turn led to the invention of the steam engine, in order to have a machine powerful enough to pump water out of the mines. Thomas Newcomen built the first steam engine from 1712-1718. James Watt, a Scotsman from the University of Edinburgh, was repairing one of Newcomen's engines in 1776 when he invented his own version that was simpler but with greater efficiency than Newcomen's.[525] The steam engine also enabled the introduction of steam powered ships, which greatly reduced steaming times from the days of sailing vessels. For example, transatlantic passage during the days of sail was 4 to 6 weeks, but in 1830 it was only two weeks, and by 1880 it was merely 10 days, all because of steam.[526] There were three other important inventions or innovations during this time that spurred economic growth and expansion. The invention of the telegraph and undersea cables to carry them opened up global communications for the first time. The invention of the railroad allowed steam engines to be put to work by hauling people and freight over land, a huge improvement over horses.[527] The innovation of cartography, i.e. mapmaking allowed the British to realize the extent of their empire, and knowledge was power. Whoever made the maps first, could take control first. George Everest (the man Mount Everest was named after) was one of the mapmakers who

521 Kennedy, *The Rise and Fall of British Naval Mastery*, 46.

522 Lloyd, *The British Empire,* 32.

523 Ferguson, *Empire,* 138.

524 Fernand Braudel, *A History of Civilizations*. trans. Richard Mayne. (New York: Penguin Books, 1993. First published in 1987 by Les Editions Arthuad, Paris): 374.

525 Braudel, *A History of Civilizations*. trans. Mayne, 377–378.

526 Ferguson, *Empire,* 140.

527 Ferguson, *Empire,* 141–142.

charted, and therefore controlled British India, which at the time included present day Pakistan, Bangladesh, Burma, southern Persia and Nepal.[528]

These innovations helped propel the British economy and the ever growing empire to new heights. They also increased the complexity of the empire. The British Empire was able to maintain connectivity with its colonies through undersea telegraph cables and steam powered ships, that were able to reach anywhere in the world quickly because of the power of the steam engine, and the colonial coaling stations that allowed the British Royal Navy to refuel in every ocean. Now with the ability to communicate over long distances, the British Empire was now armed with timely information. Instead of having to make decisions on information that was weeks or months old, the telegraph enabled them to quickly communicate, which helped the British to disseminate decisions quickly enough to act decisively in the event of a crisis. This was a major advantage and increased the Empire's resiliency.

Britain's Industrial Revolution specifically affected two major industries, mining and textiles.[529] Mining has already been mentioned, but textiles were another story of innovation through scientific discovery. Advances in the bleaching of linen cut almost 6 months off the production time.[530] Also from 1750 to 1830, mechanized spinning increased productivity in the textile sector by a factor of 300 to 400, subsequently increasing total manufacturing output.[531] Between 1760 and 1860, Great Britain's share of world manufacturing output rose from 1.9 percent to 19.9 percent.[532] Paul Kennedy, in his review of Great Britain during the Industrial Revolution, states that:

> Around 1860, which was probably when the country reached its zenith in relative terms, the United Kingdom produced 53 percent of the world's iron and 50 percent of its coal and lignite, and consumed just under half of the raw cotton output of the globe.[533]

---

[528] Ferguson, *Empire*, 143–144.

[529] Braudel, *A History of Civilizations*. trans. Mayne, 377.

[530] Braudel, *A History of Civilizations*. trans. Mayne, 379–380.

[531] Kennedy, *The Rise and Fall of the Great Powers*, 148.

[532] Kennedy, *The Rise and Fall of the Great Powers*, 151.

[533] Kennedy, *The Rise and Fall of the Great Powers*, 151.

In addition, the British conducted one fifth of the world's commerce, two fifths of the world's trade, and owned one third of all merchant vessels. The British were able to achieve this remarkable growth with only 2 percent of the world's population.[534]

The Industrial Revolution changed the British economy again. Now the British were the worlds "first industrial nation."[535] This translated into a significant climb in British income. Average real wages from 1815-1850 increased by 15-25 percent, and another 80 percent from 1850-1900.[536] Before 1850, "agricultural production and distribution formed the basis of national wealth everywhere, even in Britain."[537] This meant that the greater populations of Russia and China, with massive peasant workforces, had greater national wealth.[538] The value of machinery was that it was a workforce multiplier, allowing one person to do the work of many, which increased efficiency. The British were able to use machinery, coupled with coal as an energy source, to create more wealth than their population size would have otherwise allowed.[539] Energy is required for all complex societies, and the greater the complexity, the greater the energy demands.[540] Therefore, energy usage is a helpful metric for determining how complex a society has become. By assessing energy usage in terms of manpower, one can assess just how complex a society has become. In 1870, Great Britain consumed 100 million tons of coal, equal to 800 million million Calories of energy, or the equivalent to feed a population of 850 million adult males in one year. The actual population at the time was only 31 million people.[541] By this measure, the Britain itself was relatively complex, and the added effect of the British Empire made it even more so.

---

534 Kennedy, *The Rise and Fall of the Great Powers*, 151.

535 Kennedy, *The Rise and Fall of the Great Powers*, 148.

536 Kennedy, *The Rise and Fall of the Great Powers*, 147. With increased economic freedom came social awareness. The Industrial Revolution led to a transformation in the social landscape, which was the change of guilds into labor unions. This in turn precipitated the rise of the social welfare state.

537 Kennedy, *The Rise and Fall of the Great Powers*, 152.

538 Kennedy, *The Rise and Fall of the Great Powers*, 152.

539 Kennedy, *The Rise and Fall of the Great Powers*, 146–147.

540 Tainter, *Collapse of Complex Societies*, 91.

541 Kennedy, *The Rise and Fall of the Great Powers*, 147.

Another significant way the Industrial Revolution affected Britain was with the finance sector of the economy. The financial sector invested money that made the Industrial Revolution possible, and in return, made more money off of the capital that was invested. Much of this capital was invested overseas. By 1870-1875, roughly £75 million a year was being invested overseas with a return of £50 million a year in interest and dividends alone. However, most of the money made was reinvested overseas.[542] The main problem with this was that although encouraging growth, this had the effect of 'increasing dependence of the British economy upon international trade and, more important, international finance."[543] The population and economy was becoming too dependent on imported goods for their livelihood, a strategic weakness that could be exploited in time of war by cutting off the supply, or through economic means such as tariffs or raising prices. Also, this meant that by the British investing in foreign countries, they were paying for the "long-term expansion of other nations" both through finance and through the actual building of infrastructure that would later be used to compete with the British.[544]

The long term implications this had on the British economy and the Empire would prove to be fatal. After 1815, the British had a "half-century of virtually unchallenged maritime and imperial preeminence."[545] By 1870, there were two significant problems that were slowly weakening the British economy in relation to other nations. First, industrialization and consequently, military power had started to take off around the world, so other nations were becoming more competitive, relative to Great Britain.[546] Second, and more important, was "the erosion of Britain's industrial and commercial preeminence," which was subsequently also where they drew their military and imperial power from.[547] British industry, which had an annual growth rate during the height of the industrial revolution of 3 to 4 percent, fell to 1.5 percent after 1875.

[542] Kennedy, *The Rise and Fall of the Great Powers*, 156.

[543] Kennedy, *The Rise and Fall of the Great Powers*, 157.

[544] Kennedy, *The Rise and Fall of the Great Powers*, 157.

[545] Kennedy, *The Rise and Fall of the Great Powers*, 226.

[546] Kennedy, *The Rise and Fall of the Great Powers*, 226.

[547] Kennedy, *The Rise and Fall of the Great Powers*, 228.

Although it still had modest growth and increased output, other nations were growing faster, and its "relative share of world production steadily diminished."[548] Foreign products were being imported to Britain, weakening the British industrial base, a sure sign of loss of competitiveness.[549] In 1880, Britain commanded 22.9 percent of global manufacturing and 23.2 percent of global trade, but by 1913, it only held 13.6 percent of global manufacturing and 14.1 percent of global trade.[550] Industrially, both the United States and Germany had moved ahead of Britain, putting it at the number three spot.[551] The United States economy surpassed the British economy in 1894, signaling the beginning of the end for an empire built upon growing its economy.[552]

The British started from a strong position of both economic and military dominance. Then the British started to see their industry decline relative to other developing industrial nations such as Germany and the United States in the later part of the 1800's. This can be attributed to many factors, but one implicitly important factor to recognize is as the first industrial power, they had pioneered all of the original technology, and therefore did not have the latest technology in their manufacturing plants, whereas younger industrial nations such as the U.S. were able to expand with newer and more efficient technology. The British at this time also started exporting their technology and capital investment to their colonies, as a "mature" economy is expected to do. This was in line with their fiscal needs and strategy. By exporting capital investment, the economy initially saw additional growth off of the capital investments. However, this capital investment in foreign countries infrastructure, even though many were colonial assets, took away from improvements in homeland industry and infrastructure, and seems to coincide with their relative decline. One point to take away from this, which should be explored in another thesis, is whether what is generally

---

[548] Kennedy, *The Rise and Fall of the Great Powers*, 228.

[549] Kennedy, *The Rise and Fall of the Great Powers*, 228.

[550] Kennedy, *The Rise and Fall of the Great Powers*, 228. Corelli Barnett in "Total Strategy and the Collapse of British Power," 3, cites an even greater drop, from 31 percent of trade in manufactures in 1880 to 14 percent in 1910.

[551] Kennedy, *The Rise and Fall of the Great Powers*, 228.

[552] Gilbert C. Fite and Jim E. Reese, *An Economic History of The United States*, 2nd Edition, (Boston: Houghton Mifflin Company, 1965): 463.

considered the maturation of an industrial economy i.e. that of investment of capital in foreign countries, always coincides with the relative decline of the nation making the investment. More importantly, this is exactly the same situation that the United States is in today. After World War II, the United States was sitting in a position of economic and military preeminence. However, just like the British before them, the U.S. has followed the exact same path in the last 30- 40 years, moving increasing amounts of American capital and production capabilities overseas. This has significantly weakened the U.S. industrial base, and at the same time financed the rise of industrial nations such as China and India. Additionally, the increase of U.S. dependence on foreign goods and foreign manufacturing is a strategic risk. It cannot be stressed enough that in this example, the U.S. has followed exactly the same path as Britain. It only stands to reason that the U.S. will inherit the same strategic risks that Britain did as a result of these actions.

As the economy had changed in the early part of the Empire from agriculture and guild work to mercantilism to industry, fiscal policy had changed with it. It important to understand that the nature of taxation, the amount of government spending(especially through loans) and the overall fiscal burden had profound effects on the growth and wellbeing of the British economy.

There were two main types of taxation used in Britain, direct taxes and indirect taxes. It was not until 1799 that Britain would adopt an income tax. [553] Direct taxes were taxes on property and wealth, which originally was land, and later included windows, carriages, riding horses and men servants. Indirect taxes were taxes on businesses that were passed on to consumers through higher prices. These taxes were levied on specific consumer goods, so that ultimately indirect taxes were passed onto the customers as higher prices.[554] In the early part of the Empire, revenue from the Crown lands and custom duties were the main forms of revenue for the Treasury and for sustaining the Crown.[555] For example, from 1699-1701, tobacco and sugar provided

---

[553] Patrick, K. O'Brien, "The Political Economy of British Taxation, 1660–1815," *The Economic History Review* 41, no. 1 (Feb. 1988): 14, http://www.jstor.org/stable/2597330.

[554] O'Brien, "The Political Economy of British Taxation," 8, 10–11.

[555] Churchill, *The New World*, 150.

roughly 33 percent of custom duties to the British government, a significant portion of tax revenues for Britain.[556]

Much like Rome, Britain did not have a flexible tax system that was elastic enough to meet crises, specifically, to meet the increases needed for wartime spending. However, unlike Rome, the British government was able to use loans to get around this problem. Of those taxes that were raised during times of war, the lion's share primarily fell on land taxes. The land tax fluctuated from 5 to 20 percent of the value of the land. However, new taxes were levied or tax rates were later raised to pay the increasing interest payments on the loans for war. The table below shows the wartime expenditures and how much was financed using loans from 1688 through 1815.

Inclusive Years	Total Expenditure	Total Income	Balance Raised by Loans	Loans as % of Expenditure
1688–97	49,320,145	32,766,754	16,553,391	33.6
1702–13	93,644,560	64,239,477	29,405,083	31.4
1739–48	95,628,159	65,903,964	29,724,195	31.1
1756–63	160,573,366	100,555,123	60,018,243	37.4
1776–83	236,462,689	141,902,620	94,560,069	39.9
1793–1815	1,657,854,518	1,217,556,439	440,198,079	26.6
Totals	2,293,483,437	1,622,924,377	670,559,060	33.3

Table 2. British Wartime Expenditure and Revenue, 1688–1815 (in pounds)[557]

It wasn't until the middle of the Nine Years War that Britain began to have what can be considered a true national debt. Parliament, in an effort to meet spending without raising taxes, introduced the concept as an emergency procedure in 1692-1693. The national debt would become a permanent fixture in the British government henceforth. The revenue was raised by personal or business purchases of stock, which paid a yearly dividend. This allowed the government to raise additional money without raising taxes.[558] The British "funding system" was based on the capacity of the government to levy taxes. This meant that loans were indirectly another form of increasing future

[556] James, *The Rise and Fall of the British Empire*, 7,17.

[557] Kennedy, *The Rise and Fall of the Great Powers,* 81.

[558] James, *The Rise and Fall of the British Empire*, 52.

taxation, but by using loans instead of increasing tax rates to make up the difference in revenue, the effects were both delayed and muted, and were more politically palatable to the people. Eventually the payments on interest on the national debt became 40 to 50 percent of the government's budget.[559]

Britain also had the good fortune of being able to increase its revenue through a slowly expanding tax base.[560] Part of this expansion has to do with what politicians considered taxable commodities, or the products described under indirect taxes above. The political rhetoric at the time was in favor of taxing the rich more than the poor. It was assumed that "necessities of the poor" should be either exempt or taxed at a low rate. "Luxuries" however, should be taxed.[561] No thought was given to the changing nature of the economy, or the changing patterns of consumption. As a result, when items such as sugar and tobacco became wildly popular there was no thought to how taxes on these items affected the masses. However, because each tax was considered individually, without any thought to the interaction of other taxes, the practical outcome of the tax code was largely inconsistent with policy desires.[562] This illustrates the inconsistency with which the fiscal policy at the time was carried out with regards to taxation, and is a pertinent example to the current U.S. situation. The U.S. tax code is so large and complex, that although policy makers may try to direct policies in a certain way by altering the code, by doing so without taking the whole tax code into consideration, these policies do not always produce the desired effect.

In the 1690's, land and other direct taxes comprised 47 percent of total revenues, but by the 1790's these same taxes only made up 21 percent of revenues.[563] Some historians argue that Britain's increasing tax revenue was due to economic growth, but there is a mounting body of evidence that counters this argument. While Britain's real national income from 1670 to 1810 tripled, tax receipts during the same period increased

---

[559] O'Brien, "The Political Economy of British Taxation,"1.

[560] O'Brien, "The Political Economy of British Taxation,"7.

[561] O'Brien, "The Political Economy of British Taxation,"12.

[562] O'Brien, "The Political Economy of British Taxation,"12–13.

[563] O'Brien, "The Political Economy of British Taxation,"14.

over 16 times.[564] Taxes on domestic consumption, excises and stamps increased tenfold from 1690 to 1815. However, the areas of the economy that were growing as a result of the Industrial Revolution, namely cottons, woollens, metallurgy, pottery, wood products, canals and banking, all escaped these taxes. Therefore, the areas where true economic growth was being seen was not taxed, and a narrow set of services and commodities continued to be taxed more and more severely.[565]

This is important because it shows that early on, the fiscal policy was harnessing the economic growth from mercantilism, because over 50 percent of taxation was through indirect taxes on imported goods but later was not effectively harnessing the growth from the Industrial Revolution. It also demonstrates that economic growth alone was not the predominant factor in revenue growth. If the revenue base had shifted to include more of the Industrial Revolution's growing industries, the income source for the British Empire may have raised revenues more effectively. Also, by structuring fiscal policy to gain revenues from the sectors of the economy that were growing rapidly, the British government may have been able to lower the overall burden of taxation, and still make the same amount of revenue.

Although taxation was not maximized during the Industrial Revolution, government spending was which is how fiscal policy enabled significant economic growth. From 1815 to 1885, Britain was not involved in any exhaustive military struggle.[566] British Expenditure actually decreased in the period from 1820 to 1850. In the 1850's, average annual expenditure rose to £59.6 million. Two decades later, the budget had only grown by slightly less than £7 million to an average annual budget during the 1870's of £66 million.[567] During this period, from 1820 until the 1870's remarkable fiscal restraint was utilized. This helped to enable the economic boom that

---

[564] O'Brien, "The Political Economy of British Taxation," 6.

[565] O'Brien, "The Political Economy of British Taxation," 16.

[566] Kennedy, *The Rise and Fall of the Great Powers,* 191.

The British did fight in the Crimean War, but it was regionally contained, and the British did not utilize all its resources before the war ended.

[567] Aaron L. Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895–1905* (Princeton, NJ: Princeton University Press, 1988): 96.

was coinciding with this period of industrialization. This is similar to the United States from the Civil War to World War I, where for a period of about 50 years, no major war was fought, and government expenditure was relatively benign, fueling the economic growth of the American Industrial Revolution. This is an important concept, as in both cases, decreased government expenditure coincided with periods of significant economic growth. This is not a coincidence, and should be an important consideration when making fiscal policy.

Although fiscal policy generally seemed to support the economy in the early days, there were growing problems in the areas of both taxation and budgeting. One detractor from government revenue was that the poor were exempt from taxation. Tax evasion was also persistent problem faced by Britain. Due to incompetent, underpaid and understaffed local tax collectors, the government was less effective at enforcing tax laws the further a province was geographically from London. For example, it was difficult to force Scotland to pay taxes. Ireland was not even taxed until 1817. Patrick O'Brien, in writing about British taxes, assumes that 40 percent of the population did not pay, either legally or illegally. This increased the burden of taxation on those who did pay, making the effective rate for those paying taxes at 30 percent by 1810.[568] After having been repealed in 1816, [569] the income tax was reintroduced in 1842.[570] This meant that the second half of the nineteenth century would see an increase in direct taxes and a decrease in indirect taxes, a reversal of the policies pursued through most of the eighteenth century. [571] In 1894, Sir William Harcourt introduced a "death duty," or an inheritance tax. It was a direct tax on the value of inheritance and started at 1 percent on £500 and went up to 8 percent on property worth more than £1 million. This shift in the revenue base, along with the rising expenses, began to put pressure on the fiscal situation of Britain leading up to the twentieth century.[572]

[568] O'Brien, "The Political Economy of British Taxation,"5–6.

[569] O'Brien, "The Political Economy of British Taxation,"16.

[570] Martin J. Daunton, "How to Pay for the War: State, Society and Taxation in Britain, 1917-24." *The English Historical Review* 111, no. 443 (Sep., 1996): 884–885, http://www.jstor.org/stable/577566.

[571] Daunton, "How to Pay for the War," 884.

[572] Friedberg, *The Weary Titan*, 98–99.

At the same time, revenues started to increasingly be levied on the population of Britain, as opposed to on imports or other methods, expenditures began to rise as well. Starting in the 1880's, budgets began to grow at an increasing rate. From 1884 to 1890, spending grew 5 percent or an average of £.7 million annually (a total of £4.3 million). Another six years, from 1890 to 1896 saw a 15 percent increase in expenditure which was a £2.3 million pound average annual increase (a total of £13.8 million). One of the contributing factors to these increases in costs was a growing civil service. In order to meet the demand of the labor force, an increase in social welfare programs required an increase in civil servants. The government also provided education assistance, which increased four times between the mid-1870s to the mid-1890s.[573]

One important parallel here with the U.S. is that before 1900, 40 percent of the British population, or possibly more, paid no taxes. Not only is the U.S. is in a similar situation, with 47 percent of the population paying no taxes,[574] if the reader recalls, this problem was also noted in the Roman Case Study, as significant portions of the Roman population paid no taxes. This is a disturbing theme, especially since it is common to all three case studies. Another theme common to all the case studies is that increasing expenditure on social welfare programs was seen at the same time as an increase in the size of the public administration. This is important to recognize, as a secondary effect of social welfare programs is that there is an increase in the size of the civil service to administer those programs, which further increases overall costs. Furthermore, these increases in social welfare programs coincided with a decrease in economic prosperity.

By the early 1900's, the British tax system had evolved to include an income tax exemption, a child tax credit, and a super tax on high incomes. The level of exemption was at £160, which was a relatively high number for total yearly wages. There was a child tax credit of £10 per child under the age of 16. These reforms to the tax code ensured that the poor and most of the middle class were exempt from paying the income tax. This greatly reduced the tax base, which was a fiscal policy that was consistent with the general consensus that the rich should pay and the poor should not. For comparative

[573] Friedberg, *The Weary Titan,* 97.

[574] Spurbeck, "By the Numbers: What the 47 Percent Who Pay No Income Tax Look Like," 1.

purposes, Prussia at the turn of the century had an exemption rate of £45. When comparing the resultant tax bases, Britain's tax base was much narrower, including only one million people, compared with Prussia, whose lower exemption rate included 3.9 million.[575] In addition, Britain's Liberal Party enacted a 'super tax' on the wealthy to pay for social programs and the naval buildup. This 'super tax' was an anathema to the Conservatives, who felt that it was not consistent with their principles or beneficial to their political interests.[576] However, the 'super tax' was levied on yearly incomes above £5,000.[577]

This trend of increasing expenditure showed no signs of stopping either. From 1896 to 1907, expenditure increased by 27.7 percent, from £109.7 million to £151.8 million.[578] This was not, however, without protest from certain members of the government. Edward Hamilton, who took office in the Treasury Department in 1895, sent a memo out to the cabinet with the title "Some Remarks on Public Finance."[579] In it, Hamilton warned of increasing costs in the near future, from commitments that previous governments had made to services such as education, being "in their nature services of automatic growth."[580] He also recognized that "school teachers are demanding pensions: working classes are claiming some provisions for old age- a claim which if it be freely satisfied, may mean boundless subsidy from the State."[581] He ended his memo with this statement. "In view of these considerations, the question of Imperial Finance may very possibly before long become a serious problem."[582] Edward Hamilton could not have been more correct in this assertion.

---

575 Daunton, "How to Pay for the War," 886.

576 Friedberg, *The Weary Titan,* 132–133.

577 Daunton, "How to Pay for the War," 887. Interestingly, this super tax is the very type of tax that is currently being debated in the United States as the Occupy Wall Street protests rally for additional taxes on the top 1 percent of earners.

578 Friedberg, *The Weary Titan,* 131.

579 Friedberg, *The Weary Titan,* 99–100.

580 Friedberg, *The Weary Titan,* 100.

581 Friedberg, *The Weary Titan,* 100.

582 Friedberg, *The Weary Titan,* 101.

The increase in public expenses corresponding to the increase in tax exemptions highlights another lesson for the U.S. When the British increased expenses and decreased taxes at the same time, as has been done many times in recent U.S. history, they soon found themselves in a fiscal crisis, which will be outlined below. Another important concept here, as noted by British Treasurer Edward Hamilton is that the policy commitments of one legislative session carry over into the future, and through automatic increases due to inflation and population growth, can quickly explode in size and cost.

The Boer War helped to precipitate a financial crisis in Britain from 1901-1905, although it was only the catalyst, not the cause. The burdens of the Empire, and the doubts on the limits of British financial power were also contributing factors.[583] During this time, another voice of reason brought serious talk of fiscal constraint into the British fiscal policy dialogue. Austen Chamberlain, son of politician Joseph Chamberlain, became the Chancellor of the Exchequer in 1903. He took the tactic of trying to decrease defense expenditure as a way of balancing the budget. [584] By 1905, Chamberlain brought the concept to the cabinet that any addition in expenditure must be coupled with an increase of taxation.[585] His initiatives gained some traction, and from 1905 to 1906 £2.5 million was saved by the Army, but at the cost of withdrawal of troops from multiple overseas garrisons and the establishment of a cap on defense commitment to India. Likewise, the Navy cut £3.8 million, by decommissioning a number of older ships and reorganizing naval assets across the empire. Savings were coming at the cost of the defensive capabilities of the empire.[586]

In a different memo to the cabinet in 1905, Austen Chamberlain, Chancellor of the Exchequer, wrote that Britain's security rested "under three heads. They are naval, military and financial; each of these divisions is of equal importance both to the successful preparation for war and effective conduct of war."[587] This was a widely held

[583] Friedberg, *The Weary Titan,* 99.

[584] Friedberg, *The Weary Titan,* 121.

[585] Friedberg, *The Weary Titan,* 126.

[586] Friedberg, *The Weary Titan,* 127–128.

[587] Friedberg, *The Weary Titan,* 128.

belief in Britain at the time, but finding the balance between peacetime readiness levels and fiscal austerity was difficult. Too little expenditure on the military during peacetime meant an underprepared Britain, and too much meant an exhausted Treasury on the eve of battle.[588]

This shows that some in the fiscal policy realm recognized a shift in the strategic landscape, due to financial ability. In order to understand this shift, first one must understand the contemporary strategic landscape. In 1889, a new strategic viewpoint had been adopted by the British. This was called the Two Power Standard, and reflected an understanding that the British needed to be able to counter two threats simultaneously, France and Russia. However, in 1904, Lord Selborne wrote a memo to the cabinet that recognized that the two biggest threats to Britain from then on were France and Germany. Although this policy was inconsistent as it did not address the rise in American naval power, nonetheless, this is a clear indication of the grand strategy at the time.[589] The British were prepared to fight off the next two most powerful navies simultaneously, in order to maintain global naval domination. However, this was out of touch with reality. The British Navy had become a European territorial navy, in order to defend itself against the German High Seas Fleet, and therefore was not able to defend both Britain and the colonial holdings of the empire.[590]

It appears that maybe Chamberlain understood this, or at least understood that the finances of the British government were such that increasing in spending could not be afforded. As is usual in these types of situations, defense spending is the first to be cut, and all too often, is cut too far, so that when war strikes, the military has been cut back too much, at the expense of security. The balance that Chamberlain referred to is a difficult one to manage. However, the fiscal policy of the British did not make similar cuts in other areas. This time period where fiscal austerity was recognized as necessary, but appropriate cuts in the budget were not made in other areas is a clear disconnect of fiscal policy and grand strategy. Although the British may not have recognized it at the

[588] Friedberg, *The Weary Titan,* 128.

[589] Friedberg, *The Weary Titan,* 191.

[590] Corelli Barnett, "Total Strategy and the Collapse of British Power." *RUSI Journal*, (1991): 3.

time, by cutting defense spending, but maintaining the size of their Empire, they were advancing a fiscal policy that left their Empire strategically vulnerable. Essentially, if Britain had shed the Empire, or at least consolidated the Empire and shed portions of it, she would have had more resources to defend herself, and needed less resources overall to do so. Also, by assuming a strategy of being able to fight two navies simultaneously, the British overstated their capabilities, and likewise formulated both strategy and policy around an expensive and far reaching goal. The United States is in a similar situation today. By maintaining the costly strategy associated with the capability of simultaneously fighting two wars, the U.S. is now in a position where spending is being restrained and the military will make up a significant portion of those cuts. As a result, the U.S. finds itself in a position where it had too ambitious of a strategy, and now cannot afford that strategy, but instead of changing its strategy, the government is simply changing the military's funding.

Prior to World War I saw the rise of Anglo-German antagonism. One of the primary drivers of this was a tension about the shift of economic power between Britain and Germany, specifically manifested in "colonial quarrels, naval rivalry and disagreement over the European balance of power."[591] This led to a naval buildup between the two countries, which was also an "economic marathon" to see which nation could out-build the other.[592] The British based on number of ships, would end up winning this marathon, but it had come at a price; namely more debt.[593] However, this arms build-up did not mean that Britain was ready for World War I. It only meant that the British Navy was more powerful than the German Navy, a fact which meant that most of the decisive fighting would be done on land, where Britain was not at all prepared.

The decline in Britain's industrial base had dire consequences for Great Britain in World War I, which was alluded to above. By World War I, Britain's industrial base was not sufficient to adequately support the war effort. Corelli Barnett states,

---

591 Paul Kennedy, *The Rise of the Anglo–German Antagonism: 1860–1914*, (London: The Ashfield Press, 1989. First published in 1980 by George Allen): 460.

592 James, *The Rise and Fall of the British Empire*, 337.

593 James, *The Rise and Fall of the British Empire*, 346.

> It is a somber fact that without American steel, we (the British) would have lost the Great War by 1916. It took a wartime industrial revolution using American machine-tools to create the impressive munitions industries of 1918.[594]

By 1914, Britain was already at the point where the costs of the Empire did not offset the benefits. Fortunately for Britain, World War I did not see warfare waged outside Europe, and the colonies were not attacked. This allowed the colonies to send help to Britain. However, it also had the long term strategic effect of blinding the British to the strategic weakness that the Empire was to her security. For example, although India did provide troops for World War I, it was less than the number of British troops who were garrisoned in India. Also, additional troops were tied up in Africa and the Middle East, just to keep the strategic line of communication between Britain and India open.[595] This is a clear example of the diminishing returns to the increasing costs of complexity. If Britain did not have the colony of India at all, she would have had a greater number of available troops to fight in World War I than she did with the assistance of Indian troops.

World War I had a devastating effect on British finances. By April 1, 1917, the total "inter-Allied war credits had risen to \$4.3 billion, 88 percent of which was covered by the British government."[596] As a result, Britain's debt exploded to ten times its size before the war.[597] In fiscal year 1920-1921, the interest payments were £308.7 million.[598] By the mid 1920's, the interest payments on the debt were close to 50 percent of total government expenditure.[599] Although at the end of the war, the British were on the winning side, it transformed them from the world's greatest creditor into a debtor.[600] This manifested itself in a "creeping crisis of confidence" in the British Empire.[601]

---

[594] Barnett, "Total Strategy and the Collapse of British Power," 3.

[595] Barnett, "Total Strategy and the Collapse of British Power," 3.

[596] Kennedy, *The Rise and Fall of the Great Powers*, 268.

[597] Ferguson, *Empire*, 271.

[598] Daunton, "How to Pay for the War," 883.

[599] Ferguson, *Empire*, 271.

[600] Barnett, "Total Strategy and the Collapse of British Power," 3.

[601] Ferguson, *Empire*, 270.

This was met with a significant increase in taxation during and after the war. The tax rate for fiscal year 1913-1914 was still around 5.8 percent, but by 1918-1919, the tax rate was at 30 percent of income.[602] Unlike in the past, when loans had been used and taxes were not significantly altered because of war, this time both loans and tax increases were utilized. The tax base was expanded by lowering the level of exemption in 1915-1916, but still 38 percent of the population was able to find allowances and abatements that kept them from paying. In that same year, the tax free allowance for children was increased, and wives were included as well. This system was out of balance, which the Finance Act of 1920 attempted to address, but again it benefitted married men and children, further distorting the tax system.[603] This shows that British fiscal policy that was fundamentally inconsistent with Britain's strategic aim of winning the war.

In addition to personal tax increases, another tax, the Excess Profits Duty, or EPD, was levied in 1915 on businesses. This tax had further shifted the balance from indirect taxes to direct taxes. Before the EPD, the ratio of taxation in 1913-1914 was 42.5 percent indirect and 57.5 percent direct taxes. In 1918-1919, indirect taxes only made up 20.4 percent of revenue, and direct taxes made up 79.6 percent; 36 percent from EPD, 43.6 percent from all other forms of direct taxation. In 1915, the initial rate was 50 percent of all profits above a rate determined from prewar years of profitability, but by 1917, the tax was on 80 percent of excess profits. This tax was supposed to expire at the end of the war, but in making up over one third of all tax revenues after the war, this was problematic.[604]

This continuation of the wartime EPD did not sit well with businesses. The Federation of British Industries is quoted as saying,

> So long as industry is thus deprived by excessive taxation of the power to recover, the vicious circle of decreasing trade, decreasing national

[602] Daunton, "How to Pay for the War," 889.

[603] Daunton, "How to Pay for the War," 889.

[604] Daunton, "How to Pay for the War," 896.

> revenue, and increasing unemployment, with its accompanying heavy charge upon the State, must continue.[605]

However, the government was stuck. With over a third of their revenue coming from this single tax on business profits, greater loans as a result of the war, and an immediate "floating debt" or short term bills that had to be paid totaling £1,570 million, they were not in a position to get rid of this war time measure.[606] The EPD continued on, fluctuating yearly and by 1925, businesses were paying a rate of 13.5 percent. Finally it was recognized by the Chancellor that although British industry had borne the brunt of the fiscal load during the war, it was not a normal part of tax policy to tax corporate profits. As soon as it was feasible to do so, the standard before the war was reinstated.[607] However, this excessive tax on profits directly affected reinvestment in the economy, which as a result continued to decline. Whereas in 1900, London had been the financial center of the global economy,[608] after World War I, New York began to rival London as the financial center of the world. In the inter- war years, while other nations experienced industrial booms, Britain's heavy industries were in a slump, with output in the 1920's below that of 1913.[609]

This reduction in competitiveness illustrates a significant division between fiscal policy and grand strategy. At a point when Great Britain was engaged in a World War, over a third of the population paid no taxes, and at the same time, additional tax exemptions were put in place on wives and children, exempting more of the population, instead of less. Also, by taxing the corporate profits of British businesses, the government hurt its own economy to its detriment. By taking 80 percent of corporate profits, the government left very little for businesses to use to continue to grow and invest in their corporations, which likewise meant little overall economic growth. This cascading effect had the outcome of continuing the economic decline, causing more job

---

605 Daunton, "How to Pay for the War," 898.

606 Daunton, "How to Pay for the War," 896, 903.

607 Daunton, "How to Pay for the War," 915.

608 Kennedy, *The Rise and Fall of the Great Powers,* 226.

609 Barnett, "Total Strategy and the Collapse of British Power," 3.

loss, and therefore additional tax revenues lost because of unemployment. When a government taxes the profits of its business sector too much, it stunts economic growth. This can be seen today, where the United States has the second highest corporate tax rate in the world, and consequently has seen significant job loss and many corporations move overseas to other, more business friendly locations worldwide.

After WWI, the British were in a period of severe fiscal austerity. The "War to End All Wars," was seen by the government and the public as a good reason to severely cut defense spending, because it seemed inconceivable that another war like that would ever be fought. Military spending between 1922 and 1932 was cut by more than 33 percent, while their French neighbors increased spending by 55 percent and the Italians by 60 percent.[610] The "10 Year Rule" was adopted in 1919, and was used by Parliament to justify putting off increases in military spending by 10 years, so long as no major conflict was foreseen in the next 10 years.[611] While in the minds of the politicians and the people, this peace dividend may have been necessary, it would not help prepare them for the next war. It was also a blatant disregard of the strategic burden that the larger empire was on the homeland. While this would have been a good time to get rid of many colonies that the British could no longer afford to protect, they held on instead. This was probably viewed as a time where fiscal policy and grand strategy was aligned, but in fact, they were not further from the truth. By cutting spending for the military, but not cutting the missions of the military, i.e. getting rid of the strategic burdens of the colonies, the British Empire significantly increased the risks to the Empire. This blindness would not be realized until the eve of World War II.

By the time the British realized what a liability the Empire was to their very existence, it was too late. In April of 1939, a British memorandum summarized this reality:

> We are considering a situation in which we, allied to France, would be engaged in war with Germany and Italy simultaneously and when Japan would also be a potential enemy… The British Empire and France would

[610] Ferguson, *Empire,* 273.

[611] Ferguson, *Empire,* 273–274.

> thus be threatened at home, in the Mediterranean and in the Far East at the same time, and it would be hard to choose a worse geographical combination of enemies.[612]

Finally, the British realized the severity of their strategic misstep, but it was too late to do anything about it. World War II started 5 months later. The Second World War revealed something that on the surface the First World War had not, that the Empire was a strategic liability, not a strategic asset.[613]

By the outbreak of World War II, the British could no longer defend the whole empire, and early in the war abandoned their Asian colonies to focus on self-defense and survival against Hitler and Imperial Nazi Germany. During the campaign "of the winter of 1939-40, the ultimate collapse of British power was drawing steadily nearer."[614] Britain, with its colonial holdings, had the trappings of a global power, "but in terms of financial resources and industrial base, she was merely a regional European power of about half the weight of Nazi Germany Although Lord Stamp, in February of 1940 released a report to the cabinet that showed that the British "grand strategy had only the bog of bankruptcy for a foundation."[615] Lord Stamp was correct. However, Churchill did not listen. Economic collapse was inevitable, but Churchill and his colleagues "opted to wage a war on a scale, far, far beyond British economic resources."[616] Only the Americans, with the Lend-Lease act kept the British war effort from failing. The loans amounted to $26 billion dollars, twice what Britain was able to borrow from allies and colonies.[617] It has been said that World War II turned Britain into "the greatest debtor in the history of the world."[618] The war effort had bankrupted Britain, and the costs of the

---

[612] Corelli Barnett,. *The Collapse of British Power* (London: Eyre Methuen, 1972): 563. Also in Barnett, "Total Strategy and the Collapse of British Power," 5.

[613] Barnett, *The Collapse of British Power*, 584.

[614] Barnett, *The Collapse of British Power*, 576.

[615] Barnett, *The Collapse of British Power*, 576.

[616] Barnett, *The Collapse of British Power*, 586–587.

[617] Ferguson, *Empire,* 294.

[618] J.R.T. Hughes, "Review: Financing the British War Effort," *The Journal of Economic History* 18, no. 2 (Jun. 1958): 193, http://www.jstor.org/stable/2115103.

empire had become too great for it to afford any longer.[619] The foundations of the British Empire were economic, and with $40 billion dollars in debt, Britain could no longer maintain her empire.[620]

Some may argue that the British had to wage a war far beyond their means to counter Hitler. Although this may or may not have been the case, no one will know. The British could have staged a defensive war effort instead of an offensive one, and they certainly could have started preparing earlier. By denying reality, with the strategy of appeasing Hitler, the British government was caught completely unprepared for war. Additionally, by denying the strategic implications of maintaining their Empire, the British set themselves up for defeat.

At first, after the war, the British were deluded into thinking that they could continue with business as usual, using the colonies as "captive colonial markets." This was in part due to the fact that Great Britain was one of the "Big Three" at Potsdam in 1945, which resulted in a return of all of her imperial possessions.[621] Britain's frail global and economic status was also masked by the weakness the surrounding European states, that were all rebuilding as a result of the devastation from the war.[622] Although Britain was initially prosperous in the post-World War II years, they soon fell behind again as the economies of Europe were rebuilt with new machinery after the war had devastated them.[623] The British return to "business as usual" by trying to use the colonial markets to remake their economy is natural, but again, was lacking the clarity of what had happened as a result of World War II. The British should have taken this opportunity to assess the global strategic situation and determine what would best suit their needs moving forward. This is a crucial point for the United States as it moves forward. The current fiscal crisis in the United States should not end with a return to "business as usual." If it does, and nothing is learned from the crisis, than the U.S. may find itself in a

---

[619] Ferguson, *Empire,* 300.

[620] Ferguson, *Empire,* 295.

[621] Kennedy, *The Rise and Fall of the Great Powers,* 423.

[622] Kennedy, *The Rise and Fall of the Great Powers,* 424.

[623] Kennedy, *The Rise and Fall of the Great Powers,* 424–425.

similar situation to Britain, coming out of the other end of a crisis with no lessons learned. One may ask how the current fiscal crisis can be compared to World War II. The current fiscal crisis has seen a great explosion in U.S. indebtedness, much like Britain in World War II, but instead of wartime funding, this is due to stimulus funding to try to jumpstart the economy. The U.S. is also witnessing its relative decline in the face of a rising China, just as Britain witnessed its relative decline in the face of a rising U.S. If the U.S. does not fundamentally change both the grand strategy and the fiscal policy, it could be repeating history.

One of the first post-World War II signs of the decline of the British Empire was the British relinquishment of responsibility in Greece and Turkey, which encouraged the rise of Communist insurgencies in those two countries.[624] Another significant indicator of this was the Suez Canal Crisis of 1956. On July 24, 1956, Colonel Nasser, the head of Egypt, seized the Suez Canal, claiming that it was Egyptian built. He planned to use the money from the Canal Company to fund the building of Aswan Dam.[625] On November 5, 1956, the British and French invaded the canal to regain control, claiming they were keeping the peace between Egypt and Israel. The result was that the task force could not keep the Egyptians from blocking the canal. This led to a run on the British pound sterling. The British were forced to either debase their currency or request American aid. By requesting American aid, it was President Eisenhower, not Prime Minister Eden, who named the final terms which ended the crisis.[626]

The divestiture of British colonies was relatively quick. India, who was already on track to become independent before World War II, gained independence on August 15, 1947.[627] Ireland became a Free State in 1948 (although it had started to gain some level of independence in the early 1920's).[628] The British abandoned Palestine in

[624] Aimee Sexton, "Student Activity: Harry Truman and the Truman Doctrine," *Harry S. Truman Library and Museum.com*, Accessed November 26, 2011, http://www.trumanlibrary.org/teacher/doctrine.htm.

[625] Wilbur Crane Eveland, *Ropes of Sand: America's Failure in the Middle East* (London: W.W. Norton and Company, 1980): 202–205.

[626] Ferguson, *Empire,* 296.

[627] Ferguson, *Empire,* 297.

[628] Ferguson, *Empire,* 275.

1949.[629] In October 1959, the appointment of Macleod to the office of Secretary for the Colonies was the turning point in which Britain changed from a policy "steady progress towards independence to brisk action to get rid of all colonies as fast as possible."[630] As an example of this, in two years Macleod had "taken the main step towards winding up the British Empire in East Africa."[631] The end of the British Empire might be best pegged on January 19, 1968, when Prime Minister Harold Wilson "announced the final homecoming of the British legions."[632] If British fiscal policy and grand strategy had been synchronized before WWI, the British Empire may have lasted a little while longer. Today, Britain is merely a region power, but still a player on the world scene, thanks to the institutions of her colonies, that of British rule of law, free markets, education and parliamentary rule that have continued on as her legacy, and have set her colonies up for success far better than those of her opponents, France and Spain. The maintenance and continued investment in these complex institutions and relationships while lacking the revenues to justify their continued support caused her imperial collapse.

However, there is a significant difference between the collapse of the Roman Empire and the collapse of the British Empire. Referring back to Tainter's discussion of collapse and complexity, it is apparent that after World War II, when the British Empire began divesting itself of its colonies, this action alone constitutes a loss of complexity. "Collapse is a process of decline in complexity."[633] Tainter further states that, "Collapse may also manifest itself in a transformation from larger to smaller states..."[634] Recalling that one part of Tainter's definition of collapse is "a society has collapsed when it displays a rapid, significant loss of an established level of sociopolitical complexity,"[635] it must also be noted that Britain while as an empire did collapse, Britain as a nation did

---

[629] Ferguson, *Empire,* 297.

[630] Lloyd, *The British Empire,* 349.

[631] Lloyd, *The British Empire,* 352.

[632] Colin Cross, *The Fall of the British Empire: 1918–1968* (New York: Coward– McCann, Inc. 1968. First American Edition 1969): 357.

[633] Tainter, *Collapse of Complex Societies*, 31.

[634] Tainter, *Collapse of Complex Societies*, 31.

[635] Tainter, *Collapse of Complex Societies*, 4.

not. The second part of Tainter's definition is that "collapse occurs and can only occur in a power vacuum."[636] There was no power vacuum that sucked up Britain, like the vacuum that was present when the Roman Empire collapsed. Therefore, this is a different situation than Rome, because while the Empire declined and eventually collapsed, that is lost a level of complexity; Britain itself did not. This is sometimes referred to as imperial decline. Another way to think about this process is that the British Empire experienced graceful degradation. This is on the opposite end of a theoretical spectrum of collapse and decline from the Roman experience. By referring back to Tainter's concept of diminishing marginal returns, and looking at Figure 3 below, it is likely that B1/ C3 was achieved somewhere around World War II. Instead of dropping straight down to the X axis as in Tainter's model, the British continued to decline at an accelerating rate, until they had lost their level of social complexity as an empire, and were a nation. This allowed them to start with a somewhat new slate, and enabled them to continue on as a viable socially complex entity, with a more manageable cost of social complexity as a nation.

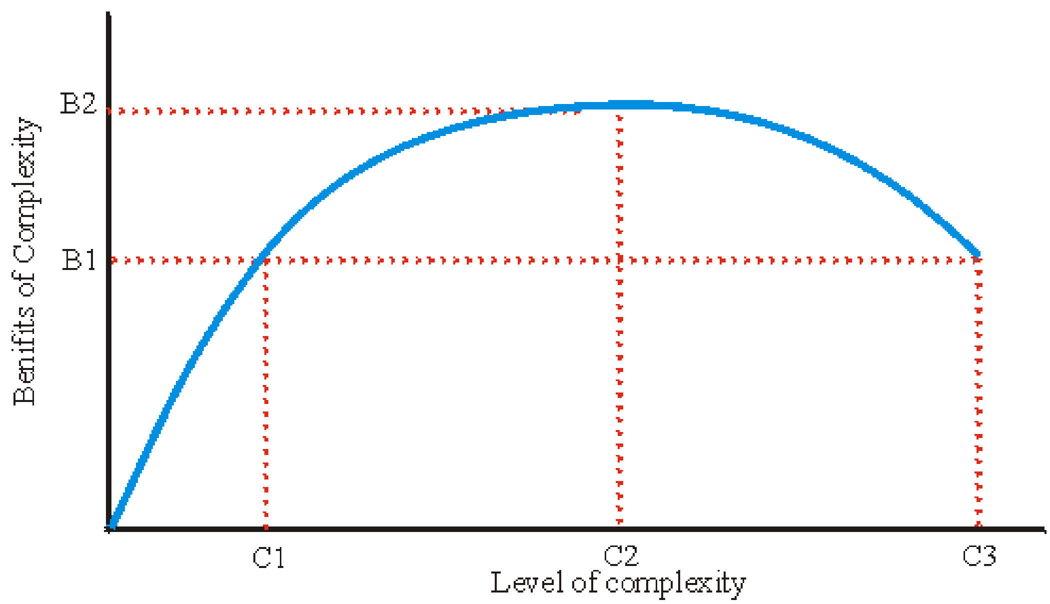

Figure 3. The Marginal Product of Increasing Complexity[637]

[636] Tainter, *Collapse of Complex Societies*, 202.

[637] From Tainter, *Collapse of Complex Societies*, 119.

This is a departure from Tainter's idea that collapse must require a power vacuum, because Britain as a nation did not fall. It is also a departure from his diminishing marginal returns curve which shows that after a certain point, the complex society collapses down to the X axis. This isn't meant to call Tainter's theory in to question, as based on his theory, the British case has not met all the criteria in his definition to collapse. However, regardless of what terminology is used, the British Empire did in fact go away. The British Empire declined, and fell, but does not fulfill Tainter's complete definition of collapse, even though the society lost a level of complexity. While determining the definition for how the British Empires dissolution is not the purpose of this thesis, it is important to keep in mind that this is an example of an Empire that shows a different ending than the total collapse of the Romans. It leaves open the option for an empire such as the United States to have a different end than that of the Roman Empire as well.

IV. THE UNITED STATES CASE STUDY

A. INTRODUCTION

This case study will attempt to summarize and illuminate the history of the United States just as the other case studies have of their respective Empires. It will look at the history of the United States from its inception to the present day. This case study will mirror the other case studies in its format and content, with one important exception. There are primary resources in the form of newspaper articles and current events that will help to contextualize the possible future fate of the United States of America. No attempt will be made to try to forecast or predict the fate of the United States or to put a date on its possible collapse, possible decline or possible resurgence or revitalization toward greatness. Nevertheless, it is important to keep in mind what historian Paul Kennedy said about the British Empire in the context of the present day United States, "Like all other civilizations at the top of the wheel of fortune, therefore, the British could believe that their position was both "natural" and destined to continue. And just like all those other civilizations, they were in for a rude shock."[638] The United States case study is not closed, yet. Will the United States will tend to be more like Rome, ending in catastrophic collapse, or like Great Britain, ending in graceful degradation?

B. THE UNITED STATES OF AMERICA

The American Empire started as the colony of another empire, the British Empire. Without revisiting the colonization of North America that was discussed in the British case study, the summary of the American Empire will start with the causes behind the American Revolution. The American Revolution started as a movement of political opposition to taxes, but more broadly was a moratorium on how the colonies should be governed.[639] It is also interesting that a war should have started in the American colonies over taxation, as the level of taxation on the colonists in relation to British subjects living

[638] Kennedy, *The Rise and Fall of the Great Powers,*158.

[639] Robert Middlekauff, *The Glorious Cause* (Oxford: Oxford University Press, 2005. First published in 1982): 30.

in England was extremely low. In 1763, the average Briton paid 26 shillings in taxes to 1 shilling for a colonist from Massachusetts.[640]

The British debt from the Seven Years War, or the French and Indian War as it was known in American, was huge, standing at £122,603,336 on January 5, 1763. The taxes were not levied, as many suppose, to pay for the French and Indian War, but rather to help pay for the 20 battalions of British troops garrisoned in America in order to protect the frontier from Indian attacks and the colonies from other European powers.[641] However, this did not sit well with the colonists. The phrase "No taxation without representation," a popular phrase to explain the colonist's anger with Britain's policies was just one example of this.[642] The ember that lit the fire of Revolution however, was sparked by General Gage, under orders from the colonial secretary and the king to seize the Provincial Congress. Knowing he would never be able to get to the Provincial Congress from Boston, Gage instead formed an expedition to Concord, Massachusetts to seize an arsenal of weapons, ammunition and gun powder, and the rest is well-known history. The American Revolution had officially started.

On July 4, 1776, the Second Continental Congress issued the Declaration of Independence.[643] It was one of the defining documents of the American Revolution and of American history as a whole. In the preamble, Thomas Jefferson declared, "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable rights, that among these are life, liberty and the pursuit of happiness."[644] This phrase encompasses one of the founding principles of American ideology, which will be readdressed in the final chapter.

The Americans finally got a considerable ally to their cause when France entered the war in 1778. The turning point of the American Revolution was General

---

[640] Ferguson, *Empire*, 70.

[641] Middlekauff, *The Glorious Cause*, 61–62.

[642] Ferguson, *Empire*, 74.

[643] Ferguson, *Empire*, 75.

[644] Ferguson, *Empire*, 75. Quoted from the Declaration of Independence.

Cornwallis's surrender at Yorktown, VA on October 17, 1781.[645] The war raged on for a while longer, the official peace was signed on September 3, 1783, and the United States was recognized as a sovereign nation.[646] The U.S. Constitution was ratified in 1789, replacing the Articles of Confederation as the abiding law of the land.[647] The birth of a new nation, the United States of America was complete.

The rhetoric around the time of the birth of America foretold of a new empire. At first glance, it would not appear that a series of colonies who had recently thrown off imperial rule would not be good candidates for imperial expansion, but this is not the case. George Washington remarked that the United States was a "nascent empire" and later an "infant empire."[648] William Henry Drayton, the chief justice of South Carolina, stated in 1776, "The Almighty…has made choice of the present generation to erect the American Empire."[649] Thomas Jefferson, in talking with James Madison said he was "persuaded no constitution was ever before as well calculated as ours for extending extensive empire and self-government."[650] Alexander Hamilton, in the first of the *Federalist Papers*, characterized the United States as "in many respects the most interesting…empire…in the world."[651] In 1789, an American minister named Jedidiah Morse, in his book *American Geography*, predicted that America would become "the largest empire that ever existed."[652]

This had its roots in another concept that had started long before the Revolutionary War, called "exceptionalism." Started by John Winthrop, one of the founders of the Massachusetts Bay Colony, he called for his colony to be a "city on a

---

645 Middlekauff, *The Glorious Cause*, 590.

646 Middlekauff, *The Glorious Cause*, 593–595.

647 Patrick M. O'Neill, "Constitution," *Encyclopedia of American Studies,* Johns Hopkins University Press, 2010, 1, Accessed October 31, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/constitution

648 Ferguson, *Colossus*, 34.

649 Ferguson, *Colossus*, 34–35.

650 Ferguson, *Colossus*, 34.

651 Ferguson, *Colossus*, 34.

652 Ferguson, *Colossus*, 35.

hill."[653] This came from Matthew 5:14, a direct quote from the Bible. "Ye are the light of the world. A city that is set on a hill cannot be hid."[654] Although its meaning pertained to Christianity as a religious light in a world of darkness, its biblical meaning was altered to fit the concept of American exceptionalism.[655] This meant that American's saw themselves as the light in world of dark, backwards governments and societies. The founding fathers furthered this notion by calling the U.S. the "grand experiment."[656] The notion of exceptionalism was a part of the national identity, a prideful concept which stated that Americans were better than everyone else. The concept of exceptionalism would be repeatedly used by many to validate the superior and predestined nature of Americans to conquer and convert others to the American government, economy and ideals.

Another key concept to the grand strategy of the United States was isolationism. George Washington codified isolationism in his farewell speech after serving as the First President of the United States:

> The great rule of conduct for us, in regard to foreign nations, is in extending our commercial relations, to have with them as little political connection as possible. Europe has a set of primary interests, which to us have none, or a very remote relation. Hence she must be engaged in frequent controversies the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us to implicate ourselves, by artificial ties, in the ordinary vicissitudes of her politics, or the ordinary combinations and collisions of her friendships or enmities.[657]

In a similar vein, Thomas Jefferson echoed Washington's sentiment during his inaugural address, stating that the U.S. should pursue "peace, commerce, and honest friendship with all nations, entangling alliances with none."[658] This concept of

---

[653] Brian Black, "Manifest Destiny," *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, 1, Accessed December 5, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/manifest_destiny.

[654] Matthew 5:14 (King James Version)

[655] Brian Black, "Manifest Destiny," 1.

[656] Brian Black, "Manifest Destiny," 1.

[657] United States History, "Isolationism," *U–S–History.Com*, 1, Accessed November 2, 2011 http://www.u-s-history.com/pages/h1601.html.

[658] United States History, "Isolationism," 1.

isolationism meant that Americans did not want to get involved in the affairs of Europe, nor did they want Europe getting involved in the affairs of Americans. The three concepts of expansion, exceptionalism and isolationism are the foundation of the narrative of grand strategy in the United States. They form the basis from which American's deny that the United States is an empire to begin with. These ideas masked the imperial tendencies of Americans, even to themselves.

Nevertheless, America as an Empire started its expansion west immediately. The terms of the treaty with Britain included the cession of the Northwest Territory to the United States. This makes up present day states of Ohio, Indiana, Illinois, Michigan, Wisconsin and parts of Minnesota. This was the first official territory (colony) of the United States, and the Northwest Ordinance of 1787 gave its inhabitants some rights to public education, freedom of religion and abolition of slavery in return for solidified congressional control over this area, especially with regards to land sales.[659]

The Louisiana Purchase of 1803 was the next in a series of land acquisitions by the Americans that would continue to greatly expand the territory available to the growing empire. The Louisiana Purchase alone doubled the size of the United States. This was largely made possible because the British Navy was keeping the French tied up on the continent of Europe, making it nearly impossible for them to use the land anyway, and the $11.2 million dollars was badly needed by the French government. The war of 1812 between the British and Americans saw only small gains in territory for the Americans.[660] Florida was also annexed for $15 million in 1819, after the Spanish lost control of their colony.[661]

In 1823, President Monroe, in his speech to Congress, articulated what would later be called the Monroe doctrine. It was a three part doctrine;

---

[659] Andrew R. L. Cayton, "Northwest Territory," *Encyclopedia of the United States in the Nineteenth Century*, Farmington: Gale, 2000, 1, Accessed December 5, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/galeus/northwest_territory.

[660] Ferguson, *Colossus*, 36–37.

[661] Ferguson, *Colossus*, 37, 40.

> …a reaffirmation of American neutrality in European affairs, a warning to the European nations not to interfere with the independent nations of the Western Hemisphere, and a pronouncement that the Western Hemisphere was no longer open to new colonization.[662]

This doctrine was intended by President Monroe as one that would guide the national security policy of the United States and discourage foreign powers from involving themselves in the affairs of the United States. This is yet another example of an isolationist doctrine, imbedded in U.S. grand strategy. However, it later turned into a doctrine that also helped promote the expansion of the United States, another tenet of its grand strategy. Those invoking the Monroe Doctrine did so as a "reaction to threats against the territorial and economic interests of the United States."[663] This was used carte blanche as a doctrine to support the imperial expansion of the United States, first as the U.S expanded westward, and then beyond the borders North America.[664]

The next prize to acquire was Texas. From the time Texas formally requested to be annexed by the United States until the time the United States actually added Texas to the Union was 10 years. The U.S. had already offered Mexico $5 million dollars for it, but Congress was divided over the issue of adding a state that might upset the balance of slave states to free states. As the President of Texas, Sam Houston tried to revive the issue by petitioning Britain to become a satellite state. Even this did not work with another rejection by the Senate in 1844. It finally became the twenty-eighth state in December 1845, after James K. Polk won a presidential election that had the annexation of Texas as a central issue.[665] President Polk was a staunch imperialist, fully believing American exceptionalism and espousing a policy of expansionism.[666] Shortly after his election, Polk made good on his promise to annex Texas, which incited the Mexican American War.

---

[662] Daniel Preston, "Monroe Doctrine," Encyclopedia of American Studies, Johns Hopkins University Press, 2010, 1, Accessed November 1, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/monroe_doctrine

[663] Preston, "Monroe Doctrine," 1.

[664] Preston, "Monroe Doctrine," 1.

[665] Ferguson, *Colossus,* 38.

[666] Brian Black, "Manifest Destiny," 1.

The Mexican American War actually started after Texas became a state. The reason behind this war was American claims of $6.5 million dollars in damage to property by the Mexicans, which the Mexicans denied. President Polk sent General Zachary Taylor to the Rio Grande in March of 1846. The war was short and decisive, with the U.S. crushing the Mexicans.[667] Ulysses S. Grant, one of the many participants who later went on to command troops in the Civil War, called the Mexican American War "one of the must unjust ever waged by a stronger against a weaker nation."[668] The U.S. again greatly benefitted from this war. The Treaty of Guadalupe Hidalgo of February 1848 gave the U.S. Texas and land all the way to the Rio Grande for $5 million (to offset the citizens' claims against Mexico). In addition, the U.S. paid Mexico $15 million for the land which is now comprises most of the land in the states of California, New Mexico, Arizona, Utah, Colorado and Nevada. The discovery of gold in California just before the treaty made this acquisition well worth the cost.[669]

Upon the accession of California into the union in 1850, William Henry Seward made a speech to the Senate where he said,

> The world contains no seat of empire so magnificent as this, which … offers supplies on the Atlantic shores to the overcrowded nations of Europe, while on the Pacific coast it intercepts the commerce of the Indies. The nation thus situated must command … the empire of the seas, which alone is real empire.[670]

The Oregon territory was annexed by an agreement with Canada that the 49th parallel as the upper limit of the United States expansion should be extended all the way to the Pacific Ocean. The Gadsden Purchase of 1853 from Mexico added a small amount of land to New Mexico and Arizona for $10 million. This was the most paid per acre by the U.S. for any land, at $.53 cents per acre.[671] In 1868, Seward, now as Secretary of

[667] Ferguson, *Colossus*, 38–39.

[668] Ferguson, *Colossus*, 39.

[669] Ferguson, *Colossus*, 39.

[670] Ferguson, *Colossus*, 39.

[671] Ferguson, *Colossus*, 39, 40.

State, bought Alaska from the Russians for $7.2 million.[672] This expansion was relatively cheap, considering the amount of territory that was bought, and considering that no shots had to be fired to acquire it. The United States spent a total of $77.2 million for 1,609,550,720 acres of land, 192 million of which had been free, just by drawing a line with Britain on the 49th parallel.[673]

The movement west of people was also relatively easy, because the Native Americans were no match for the American soldiers and settlers or their weapons. The population difference alone was massive. In 1820, the indigenous population of Native Americans was roughly 325,000, or 3 percent of the American population. From 1820 to 1869, 6 million immigrants came to the U.S. looking for opportunities. From 1869 to 1913, another 16 million came. Many of these immigrants headed west, where the enticement of free land for farming and the opportunity to start a new life brought a tidal wave of people into the Native American's traditional hunting grounds.[674]

The strategy of expansion in the late 1700's and early to middle 1800's proved to be extremely beneficial to the U.S., much like Roman expansion in the years of the Republic. This expansion led to large increases in agricultural land availability and output, as Americans headed west and grew large families to tend to the farms. The result was that, in many ways again like Rome, the early American economy was reliant upon agriculture more than any other method of income. From the earliest days, the American economy was reliant on agriculture and trade.[675] In fact, "agriculture was the most important part of economic life from the foundation of Virginia to about 1890."[676] An additional parallel, although contrary to what present day Americans want to admit, was that much of this land was won through conquest. Although the land was purchased, these terms were the terms of treaties after the American Revolution, the War of 1812, and the Mexican American War. The war on the Native American Indians was a war not

---

672 Ferguson, *Colossus*, 39–40.

673 Ferguson, *Colossus*, 40.

674 Ferguson, *Colossus*, 35.

675 Fite and Reese, *An Economic History of The United States*, 30.

676 Fite and Reese, *An Economic History of The United States*, 30.

only of conquest, but also of genocide, completely wiping some tribes off the face of the earth and decimating others to a shell of their former strength.

When expansion was hampered by "unreasonable people," who were unwilling to sell their land, the U.S. took it by force. U.S. exceptionalism preordained that this land would belong to Americans. A few tribal nations were not going to get in the way of territorial expansion of the growing U.S. Empire. This concept of exceptionalism took on a name of its own in 1845, when a journalist named John O'Sullivan, coined the term "Manifest Destiny." O'Sullivan wrote that it is "…the right of our manifest destiny to over spread and to possess the whole of the continent which Providence has given us…"[677] Manifest Destiny, as exceptionalism had before it, also had a religious overtone, using the concept of "Providence," or God bestowing upon the Americans the right and responsibility to take over this land. This helped some Americans justify wiping most of the Native American Indians off the face of the earth for economic gain, knowing that God had ordained it. This expansion paved the way for the economic greatness that America would realize as this windfall profit in land was extremely valuable; not only because it was fertile, but it was abundant in natural resources as well.

While the preponderance of the economy was agricultural in the beginning, this would soon being to change, as the Industrial Revolution made its way across the Atlantic Ocean. Industry in colonial times had been crude compared to today's standards, because manufacturing was done by a skilled craftsman with a few hand tools. Unlike today, where machines do most of the manufacturing, "the worker was the dominant factor in production."[678] The Industrial Revolution, which first started in America in the 1790's, changed this forever. In 1790, Samuel Slater, called the Father of the American Industrial Revolution, built the first textile mill in Pawtucket, Rhode Island.[679] In 1794, Eli Whitney invented the cotton gin, which was a machine that

---

[677] ushistory.org, "Binding the Nation by Rail," *U.S. History Online Textbook*, 2011, 1. Accessed November 15, 2011, http://www.ushistory.org/us/36a.asp.

[678] Fite and Reese, *An Economic History of The United States*, 53.

[679] ushistory.org, "The Rise of American Industry," *U.S. History Online Textbook,* 2011, 1. Accessed November 13, 2011, http://www.ushistory.org/us/25.asp.

separated seeds from cotton more quickly than hand picking.[680] In 1798, Whitney made an even more important contribution to the world of manufacturing, the concept of interchangeable parts. The idea started with making muskets with interchangeable parts, because up until this time, firearms, like everything else were one of a kind, and crafted by hand. This truly was a revolutionary concept, and many industries started to adopt the idea.[681] This concept was what made modern manufacturing possible. With machines making interchangeable parts, the products could be assembled at the end much faster.[682] Additionally products could be repaired with the same interchangeable part, instead of fabricating a new one by hand.

One organizational breakthrough around this time that allowed the Industrial Revolution to really take off was the concept of the "Factory System." Previously, the "Outwork System" had been used, where "small parts of a larger production process were carried out in numerous individual homes."[683] However, when Boston Associates opened a textile factory in Massachusetts in 1823, they recruited thousands of farm girls to work as cheap labor in their centralized facility.[684] Mass production was born. As industry grew from cottage industry to the concentration of labor in factories and manufacturing plants, the industrial strength of the economy began to grow.

Population growth was an important factor in economic growth. The population between 1800 and 1860 doubled every 23 or 24 years, and every decade during that time frame increased by between 32 to 36 percent.[685] This growth was still in a large part due to large farming families. "A large family was a real economic asset in circumstances where labor was scarce."[686] Another area that helped population growth was emigration.

---

680 Martin Kelly, "Industrial Revolution: Important People, Inventions, and Events of the American Industrial Revolution," *About.Com American History*, The New York Times Company, 2011, Accessed November 13, 2011, http://americanhistory.about.com/od/industrialrev/a/indrevoverview_2.htm.

681 ushistory.org, "The Rise of American Industry," 1.

682 Kelly, "Industrial Revolution," 1.

683 ushistory.org, "Economic Growth and the Early Industrial Revolution," U.S. History Online Textbook, 2011, 1. Accessed November 15, 2011, http://www.ushistory.org/us/22a.asp.

684 ushistory.org, "Economic Growth and the Early Industrial Revolution," 1.

685 Fite and Reese, *An Economic History of The United States*, 137.

686 Fite and Reese, *An Economic History of The United States*, 138.

Many Europeans, especially Irish and Germans, immigrated to America primarily for economic opportunities not available in the homelands. The influx of Irish increased significantly after potato famine of the 1840's spurred a mass exodus of Irish citizens to America.[687]

With the charter of the First United States Bank as part of a tariff law in 1789 concerned with raising revenue and protecting American manufacturing, a financial mechanism was now in place to start increasing capital investment in America.[688] This greater flow of capital also had its downside. The increase in the money supply due to lax lending standards by state banks led to "a wave of land-buying and speculation." These inflationary credit policies and increases in private debt directly led to several panics, or depressions, most notably in 1819, 1837 and 1857. Foreign capital was also particularly important in the American expansion.[689] Much of this came from Great Britain, which, as was discussed in the last case study, received in return dividends that were 10 to 20 percent or greater annually.[690] One way that foreign entities invested in the American market and in American industries were through long-term bonds.[691] This was especially true in the growing transportation network, where foreign investments financed the construction of canals and railroads.[692]

Panics notwithstanding, the general growth trend from the 1790's to 1860 was upwards. The growth was uneven due to these setbacks, but it was substantial nonetheless. Using income as a determinant of growth, the average increase in income per capita until 1839 was 0.6 percent. However from 1839 to 1899 it was 1.67 percent.[693] The growth was slower in the first 40 years of the nineteenth century, largely due to "the fact that agriculture was the largest single economic activity. Total

[687] Fite and Reese, *An Economic History of The United States*, 137–139.

[688] Fite and Reese, *An Economic History of The United States*, 128–129.

[689] Fite and Reese, *An Economic History of The United States*, 141.

[690] Fite and Reese, *An Economic History of The United States*, 219–220.

[691] Fite and Reese, *An Economic History of The United States*, 304.

[692] Fite and Reese, *An Economic History of The United States*, 141.

[693] Fite and Reese, *An Economic History of The United States*, 132.

production increased little faster than the population."[694] However, as industry started to pick up, so did the pace of economic growth. By 1860, the U.S. was the number two industrial nation in the world,[695] second only to Great Britain.

With this economic growth came an increase in purchasing power. Like the British before them, the American economy started to take on some traits of consumerism. They also began to take on the trait of greed. Foreigners visiting America in the first half of the nineteenth century noted "American's mad rush after money and wealth."[696] Some of the more well-known department stores started to develop in the 1850's, such as Macy's, Gimbel's and Wanamaker's. As retail outlets became more popular, chain stores started opening at a rapid pace. These retail establishments, coupled with mail order catalogs, which were first offered to the farmers in 1872 from Montgomery Ward and Company and in 1886 from Sears Roebuck and Company, all worked together to grow the American consumer market.[697]

Although industry was starting to make a name for itself, in the first half of the nineteenth century, cotton was still the single most important commodity in the economic expansion of the United States.[698] The South also exported tobacco and sugar, but Southern cotton was the single largest export after 1815. "Between 1836 and 1840, cotton provided 63 percent of the total value of American exports."[699] This helped the Northeast, which provided "the services to finance, transport, insure and market the South's cotton, but also supplied the South with manufactured goods."[700] The West provided the foodstuffs for the South, which in turn fueled Western expansion to meet the need of greater foodstuffs for a growing Southern labor force to harvest a growing supply of cotton. Additionally, both the West and the South provided a market for the growing

---

[694] Fite and Reese, *An Economic History of The United States*, 133.

[695] Fite and Reese, *An Economic History of The United States*, 133.

[696] Fite and Reese, *An Economic History of The United States*, 148.

[697] Fite and Reese, *An Economic History of The United States*, 456–457.

[698] North, Douglass C. *The Economic Growth of the United States: 1790 to 1860* (Englewood Cliffs, NJ: Prentice-Hall, Inc. 1961): 68.

[699] Fite and Reese, *An Economic History of The United States*, 136.

[700] North, *The Economic Growth of the United States*, 68.

manufacturing sector in the Northeast. The increase in foreign demand for cotton brought in the revenue possible to fund the Northern and Western economic expansion. Cotton made all of this possible, and although not the only factor in American economic growth, was of major importance.[701]

Two other factors contributed to this expanded production capability, the increase in foreign credit, which was discussed above, and the building of a transportation network to move raw materials to factories where they could be turned into finished goods, and to move finished goods from factories to markets where they could be sold. The transportation aspect was an essential part of the growth in the U.S. economy. The Erie Canal, built in 1817 in New York, connected the cities of Albany on the Hudson River and Buffalo on Lake Erie. This, along with the invention of the steamboat that could overpower currents to move upriver, started an explosion in canal building, so that by 1840, the United States had a growing network of regional waterways for commerce.[702] These waterways were concentrated in the eastern half of the United States, specifically on major rivers like the Missouri, Ohio and Mississippi, and in the Great Lakes.

Railroad was no less important, as railroads could reach all the way across the United States, something no canal could do. The first transcontinental railroad was completed when the Central Pacific Railroad and the Union Pacific Railroad were joined together at Promontory Summit in Utah.[703] The connection of rail from coast to coast opened up new markets for manufactured goods. Now a good could be transported from the East Coast to California for a more affordable price than by wagonload. This also increased the pace of westward expansion.[704] By 1860, the U.S. had thirty times the railroad mileage of Russia, and even three times the mileage of Great Britain, the number one economy in the world.[705] This is not unreasonable though, given the incentives that

[701] North, *The Economic Growth of the United States*, 67–68.

[702] ushistory.org, "Economic Growth and the Early Industrial Revolution," 1

[703] ushistory.org, "Binding the Nation by Rail," 1.

[704] ushistory.org, "Binding the Nation by Rail," 1.

[705] Kennedy, *The Rise and Fall of the Great Powers*, 179.

the U.S. government gave to the railroads for building a national transportation network. The U.S. government wrote the contracts, gave the loans, and also granted 640 acres of land to the railroad companies for each mile of track that they lay. In all, over 200 million acres of land were given to the railroads, making some of their owners rich.[706] These incentives were enormous, and gave the railroads an unfair advantage in competition with other industries, but ultimately helped to subsidize the upfront costs of building a national transportation network of railways. These subsidies are one clear example of the unity of effort of fiscal policy and grand strategy at the time. Land was cheap, because the government owned all of it, and since it was already paid for, it was an easy subsidy, to help entice railroads into putting in the significant costs needed to feed, house, and pay workers and buy the raw materials needed to lay thousands of miles of railroad track. Fiscal policy was supporting the grand strategy of expansion, and likewise, expansion was supporting economic growth, which in turn increased government revenues and made the country stronger.

The increase in manufacturing output was dramatic, and the numbers speak for themselves. U.S. manufacturing output as a percentage of world output in 1830 was 2.4 percent. However, this had risen to 7.2 percent in 1860, a 200 percent increase in manufacturing output in 30 years. To put this in perspective, in 1860 there were only two nations with a larger share of manufacturing output than the United States: Britain and France.

Another clear indicator of the growth in industrialization is the level of energy usage of a complex society. Kennedy states,

> But perhaps the best measure of a nation's industrialization is its energy consumption from modern forms (that is, coal, petroleum, natural gas, and hydroelectricity, but not wood), since it is an indication both of a country's technical capacity to exploit inanimate forms of energy and of its economic pulse rate.[707]

---

[706] ushistory.org, "Binding the Nation by Rail,"1.

[707] Kennedy, *The Rise and Fall of the Great Powers*, 199, 201.

During the colonial era, and prior to the industrial revolution, wood had been "the universal source of fuel for industry as well as for the home."[708] However, this changed during the Industrial Revolution. There were two significant reasons. One reason is that wood was becoming less plentiful as much of the land had been cleared for farming, and therefore coal was a substitute source of fuel for heating homes and cooking. The other reason is that the U.S. began to adopt this fuel source when it started to use the coal fed steam engines invented in Britain for industrial machinery. By 1890, U.S. consumption of coal had slightly outpaced British consumption at 147 million metric tons to Britain's 145 million metric tons, and was the equivalent of all the consumption for Germany, France, Austria-Hungary, Russia, Japan and Italy, despite having less than 20 percent of the combined population of these 6 nations.[709] America had truly become a complex industrialized society. With the economy connected, the industrial might of the United States, continued its growth and stimulated more western expansion. The complex and interconnected nature of this growing empire made it susceptible to internal strife.

The American Civil War was a devastating war that exploded from discontent into conflict because of a rift between the North and the South that had been growing between slave states and free states for decades. In 1861, a debate which had been raging in politics for some years over state's rights and the right to own slaves exploded. The Civil War was by far the bloodiest conflict in all American history with a death toll of 623,026.[710] The Civil War split the North, who were fighting to keep the Union together, and the South, who were fighting to secede. On January 1, 1863, President Lincoln signed the Emancipation Proclamation, which made the aim of the war twofold, to keep the Union together and to abolish slavery. The war ended in April 1865. The outcome was that the North won and the South was made to abolish slavery and stay as a part of

---

[708] Fite and Reese, *An Economic History of The United States*, 53.

[709] Kennedy, *The Rise and Fall of the Great Powers*, 199, 201.

[710] Military Factory, "American War Deaths Through History: From Independence Day to Iraqi Freedom," *Military Factory.Com.* Accessed October 31, 2011 http://www.militaryfactory.com/american_war_deaths.asp.

the United States.[711] When the North won the war, and preserved the Union, the United States had averted a disaster that might have spelled the end to the growing empire.

While the South was rebuilding from the war, the industrial machine of the North was still growing. This time period, from 1860 to 1900, was not only a period of remarkable growth, but was a period of transformation. "The most important factor in American economic life before 1860 had been the acquisition of vast new territories and the settlement of the West."[712] Although this trend continued after the American Civil War, there started to be a noticeable change. While expansion continued into the Pacific and Caribbean, which will be discussed shortly, the economy that had subsidized its growth through land expansion, much like the Roman Empire, had nowhere to go. A change was needed in order to sustain growth. "The period around 1890 was a turning point in American economic life in that the settlement of the West and agriculture rapidly declined in relative importance and industry became the most significant element in the economy."[713] This is keenly evident in the fact that in 1889, the U.S. census reported that for the first time, the value of manufactured goods had surpassed the value of agricultural goods.[714] By turning to industry, a large part of the American economy, which had previously expanded on cheap land grants, had to reorganize and concentrate on making wealth through manufacturing.

Trade and finance were also growing, and in many ways complimenting each other. The balance of trade shifted in favor of the United States. Tariffs levied in 1864 were set at the high rate of 48 percent due to protectionist legislation intended to shelter the home market from foreign competition.[715] As a result, U.S. exports from 1860 to 1914 increased from $334 million to $2.365 billion, a sevenfold increase while imports

---

711 Russell McClintock, "Civil War," *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, 1, Accessed October 31, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/civil_war.

712 Fite and Reese, *An Economic History of The United States*, 296.

713 Fite and Reese, *An Economic History of The United States*, 296.

714 Fite and Reese, *An Economic History of The United States*, 296.

715 Fite and Reese, *An Economic History of The United States*, 467.

only increased fivefold, from $356 million to $1.896 billion.[716] When, in 1860, imports had been slightly more than exports, by 1914, exports outpaced ports by almost $500 billion dollars. "The vast expansion of foreign trade in the late nineteenth and early twentieth centuries was closely linked to American overseas expansion, to greater foreign investments, and to the rapid growth of industrialism in the United States."[717] The balance of trade began to turn in favor of the U.S. in 1874, and with some fluctuation, by 1894, the tide had permanently turned in favor of the United States, where exports were greater than imports.[718] This "permanent" surplus lasted until 1975, when the balance swayed the opposite direction, and ever since 1976, the U.S. has had a balance of trade deficit, or has imported more than it has exported.[719]

The U.S., as a result of its overwhelming amount of exports, began to affect the global market financially as well. The result of the trade surplus meant that European nations had to pay for the extra exports by capital transfers, or in other words exporting gold bullion to the U.S. This was added to the already high number of direct European investments in the U.S. which totaled about $7 billion dollars by 1914. The situation was compounded by "the U.S. Treasury's policy of accumulating (and then just sitting on) nearly one-third of the world's gold stock."[720]

Population growth during this timeframe also helped with economic growth. The period from 1861 to 1910 was the largest influx of immigrants in U.S. history. During this time period, 23 million immigrants came to America, which accounted for 38 percent of population growth during this period.[721] This contributed to industrialization because immigrants provided cheap labor for factories.[722] Not only was the labor cheap, but it

---

716 Kennedy, *The Rise and Fall of the Great Powers*, 245.

717 Fite and Reese, *An Economic History of The United States*, 463.

718 Fite and Reese, *An Economic History of The United States*, 463.

719 Ross Crooks, "Spending Beyond Our Means: U.S. Trade Balance By Decade," *MintLife*(blog), *Mint.Com*, February 15, 2010, Accessed November 16, 2011, http://www.mint.com/blog/trends/spending-beyond-our-means-us-trade-balance-by-decade/.

720 Kennedy, *The Rise and Fall of the Great Powers*, 245.

721 Fite and Reese, *An Economic History of The United States*, 307.

722 Fite and Reese, *An Economic History of The United States*, 309.

was skilled. Many of the laborers brought valuable skills with them. For example in 1899 alone, roughly 12 percent of the immigrants were skilled craftsmen. This growing population significantly increased the workforce size as well. From 1860 to 1910, the workforce in the United States went from 10.1 million workers to 37.7 million, an increase of over 250 percent in 50 years.[723] This large influx of people from different countries and cultures speaking different languages also added significant complexities to the social and cultural makeup of America with the opening of the borders to immigration. It was during this timeframe that American got the nickname, "the melting pot," because of the vast array of cultures and languages that converged into one complex society.

This "melting pot" also tended to keep to itself in the 1800s. The grand strategy at the time was codified in the Monroe Doctrine, a doctrine of American expansion, and subsequent isolation from Europe and the Eastern Hemisphere. With the exception of trade, immigration and some foreign relations, the Americans preferred to keep to themselves and not be bothered by the affairs of Europe. This isolationist attitude not only informed U.S. grand strategy, but also helped fuel economic growth. An isolationist power, separated by oceans from other major powers, with no perceived threat of attack, did not have to maintain a large military, and could therefore leverage its fiscal policy toward economic growth, instead of funding a large standing military. For example, in 1880, the U.S. only had a total of 34,000 members of all branches of the military, as compared with all the major European powers, who each had between 216,000 and 543,000, and Russia who had 791,000.[724] This enabled the U.S. to prosper without the significant fiscal expenses of a large military to drag down the economy through burdensome taxes to fund said military.

At the same time as isolationists were concerned with consolidating the U.S., expansionists had their eyes set across the ocean. While generally America was isolationist for nearly all of the nineteenth century, isolationism did not necessarily contradict expansion. One part of isolationism was no European interference, and the

[723] Fite and Reese, *An Economic History of The United States*, 310–311.

[724] Kennedy, *The Rise and Fall of the Great Powers*,203.

Monroe Doctrine had solidified this part of U.S. grand strategy. However, expanding to the islands of the Pacific, away from the European powers was still seen by many as advantageous. Once the United States had included the entire width of the continent of North America as part of its growing empire, and after the Civil War was over, it was logical that the next American frontier was the Pacific. At first, the islands in the Pacific were seen as "desirable only as naval bases or sources of guano."[725] Midway was annexed in 1867 by Captain William Reynolds of the *U.S.S. Lackawanna*. Ten years later the U.S. Navy got the rights to Pago Pago, a harbor on Tutuila of the Samoan Island Chain.[726] Another island chain, Hawaii, is considered by Ferguson to be the first American colony in the Pacific. In 1875, a free trade treaty was established between the U.S. and Hawaii. In 1887, a coaling station was built in Pearl Harbor. The minister to the island, John L. Stevens planned and executed the forcible overthrow of Queen Liliuokalani in an 1893 coup d'état.[727] In 1897, Guam and Wake Island were added to the list of U.S. possessions.[728]

Whereas before, expansion had led to subsuming territory into the Union as new states, this westward expansion (with the express exception of Hawaii), largely led to territorializing the islands where the U.S. expanded its presence. These territories were a colony by a different name, and had both strategic implications, such as refueling U.S. Navy warships, and economic ones, with expanding trade and opening new markets for U.S. exports. These islands also in some cases took on a representative form of government similar but subservient to the U.S., further solidifying the case of the United States as a true empire, and not just one in name only. Other islands came into U.S. possession through another war, the Spanish American War.

The Spanish American War was started because of an accidental explosion on the *U.S.S. Maine*, a Navy battleship, in Havana Harbor, Havana, Cuba in 1898. The cause for war is irrelevant here, but essentially the accident was capitalized upon as an excuse

[725] Ferguson, *Colossus*, 45.
[726] Ferguson, *Colossus*, 45.

[727] Ferguson, *Colossus*, 45.

[728] Ferguson, *Colossus*, 46. The examples here are representative, and by no means a complete list of all the overseas U.S. possessions taken in the Pacific.

to wage war with Spain. This was a ruse to allow for further expansion, quelling the isolationists by using "yellow journalism"[729] to shift popular opinion in support for the war. The war lasted three months, and after the war was over, the United States benefitted in getting both Puerto Rico and the Philippines as overseas colonial assets for the cost of $20 million dollars. The Filipinos did not want to be annexed, and under the leadership of Emilio Aguinaldo, they rebelled. This led to a war that did not end until July 1902.[730] Ultimately, the Spanish- American War, and the follow-on Philippine Insurrection, were just additional excuses to expand. The Philippines offered a large new market, and access to Asia, while both Puerto Rico and Cuba allowed the U.S. to start its expansion into the Caribbean. This also offered an opportunity for the U.S. to spread its ideals of exceptionalism, into allegedly more dark and backwards lands. These territories would be forced to adopt the enlightened U.S. form of governance, as territories or colonies of the empire.

Theodore Roosevelt, in reviving the Monroe Doctrine, came up with what is known as the Roosevelt Corollary. The Roosevelt Corollary stated:

> Chronic wrongdoing, or an impotence which results in a general loosening of the ties of civilized society, may in America, as elsewhere, ultimately require intervention by some civilized nation, and in the Western Hemisphere, the adherence of the United States to the Monroe Doctrine may force the United States, however reluctantly, in flagrant cases of wrongdoing or impotence, to the exercise of an international police power.[731]

This allowed the U.S. to involve itself in the Western Hemisphere where intervention was required as the U.S. deemed necessary. Roosevelt, and his successors, Taft and Wilson used this to get involved in Latin America and the Caribbean, namely Nicaragua, Haiti, the Dominican Republic and Panama.[732] The Panama Canal resulted

---

[729] Solomon Davidoff, "Yellow Journalism," *Conspiracy Theories in American History*. Santa Barbara: ABC-CLIO, 2003, 1, Accessed December 5, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/abcconspir/yellow_journalism.

[730] Ferguson, *Colossus*, 47–49.

[731] Ferguson, *Colossus*, 52–53.

[732] Preston, "Monroe Doctrine," 1.

from this intervention, was opened in 1914 and stayed under American control until 1979.[733]

Therefore, it is evident to this point that territorial expansion had both grand strategic and economic advantages. Strategically, the U.S. had isolated itself from major peer competitors by grabbing territory that separated it by an ocean between both Europe and Asia. Also, island expansion ensured a strategic cushion between the U.S. and other powers, and also afforded Navy bases and refueling stations, much like the British Empire before them. This ocean cushion enabled the U.S. to spend significantly less than its peer competitors on defense, and instead allowed it to leverage fiscal policy toward continued economic expansion. This harmony between fiscal policy and grand strategy was clearly successful, because by 1894 the U.S. economy was the largest economy in the world.[734] From an economic standpoint, U.S. expansion had linked the breadth of a continent, which garnered significant and abundant natural resources and arable land suitable for agriculture. Islands territories (or colonies by another name) also provided captive markets, and refueling locations for global shipping of American manufactured goods. Isolation from competition, coupled with expansion into foreign lands which was based in part on spreading American exceptionalism, was alive and well, reiterating American grand strategy and its continued alliance with fiscal policy, which saw even more gains through economic expansion.

There was another significant event in 1914 besides the opening of the Panama Canal that would affect America's future: World War I. The Americans did not want to get involved in a war in Europe due to isolationism. "The isolationist American public had little concern if the British and Germans tangled on the high seas."[735] However, Germany declared unrestricted submarine warfare against all shipping.[736] This quickly

---

[733] Ferguson, *Colossus,* 54.

[734] Fite and Reese, *An Economic History of The United States*, 463.

[735] ushistory.org, "Farewell to Isolation," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/45a.asp.

[736] Greenwood Encyclopedia, "Unrestricted Submarine Warfare," *Greenwood Encyclopedia of International Relations*. Santa Barbara: ABC-CLIO, 2002. Accessed December 5, 2011, 1, http://www.credoreference.com.libproxy.nps.edu/entry/abcintrel/unrestricted_submarine_warfare.

changed American sentiments with the sinking of the cruise ship *Lusitania* on May 15, 1915, which had on board 128 Americans who died as civilian bystanders to a foreign conflict. President Wilson wanted to join the war to protect Britain. British democracy was superior to German authoritarianism. On April 2, 1917, the U.S. declared war on Germany, bringing the U.S. out of isolation and into the First World War.[737] This was a potential opportunity for the U.S. exceptionalism to export democracy to Europe.

The United States began mobilizing the industrial base to meet the needs for war as early as 1916, after the *Lusitania* made it became more and more apparent that the U.S. would be dragged into the war. The United States was able to mobilize its industrial base through "voluntarism." This meant that businesses volunteered to retool their factories to make implements of war, where previously most had only made consumer products. This was marginally effective, so the U.S. government stepped in with the creation of the War Industries Board and helped centralize the effort in order to more efficiently mobilize the industrial base for war. Armistice Day on November 11, 1918, ended the war, and soon after on January 1, 1919, the War Industries Board closed its doors. [738]

Figuratively speaking, America also closed its doors, plunging back into isolationism after World War I. This new period of isolation colored the grand strategy, which pushed for demobilization of the military, and concentration of fiscal policies again towards growth. This was legislatively supported by the U.S. government's fiscal policy of trade tariffs on foreign manufactured goods, which were levied in order to insulate American industry from foreign competition.[739] The 1920's transformed America as an economic boom was realized from the industrial advances of the late nineteenth and early twentieth centuries caught up with the economy.

The United States continued to grow as consumer based or consumer driven economy because the boom in manufacturing allowed for households to buy more and

[737] ushistory.org, "Farewell to Isolation," 1.

[738] Brett Flehinger, "World War I." Encyclopedia of American Studies, Johns Hopkins University Press, 2010, Accessed November 2, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/world_war_i.

[739] United States History, "Isolationism," 1.

more goods more cheaply than before.[740] This was much like Great Britain, although Britain really started to become a consumer economy because of the products imported from colonies, and later continued the trend as an industrial nation, whereas the U.S. really became a consumer economy as a result of industrialization. This consumerism was made possible by rising wages, falling prices, and the changing nature of credit. The concept of cash-and-carry started to become popular, where the customer would package the items themselves, or the manufacturer would package the goods before it hit the store. This decrease in service led to lower prices, and allowed grocers to expand into supermarkets.[741] Before World War I, commercial credit was usually based on a credit line that was extended for two to three years. However, with the introduction of the installment plan, i.e. fixed monthly payments over an agreed upon period of time, many more products became available for purchase. Banks were the ones to furnish the credit, so this led to significant growth in the banking industry.[742]

Many started to buy products that were previously available only to the rich, such as automobiles. This time period was known as the "Roaring Twenties."[743] Even the prohibition of alcohol, rendered illegal in 1919 by the Eighteenth Amendment to the U.S. Constitution,[744] could not spoil the fun of the "Roaring Twenties."[745] However, the stock market crash of October 1929 did. In the 1920's the stock market had dramatically increased, creating a bubble. [746] In all actuality, this was a debt bubble, due to the large amount of debt that had been issued in order to buy more stock. From 1925 to September 1929, the value of the New York Stock Exchange increased from $27 billion to $87 billion. This threefold increase in wealth in four years fueled even more investment. On

[740] ushistory.org, "A Consumer Economy," *U.S. History Online Textbook*, 2011, 1, Accessed November 16, 2011, http://www.ushistory.org/us/46f.asp.

[741] Fite and Reese, *An Economic History of The United States*, 459.

[742] Fite and Reese, *An Economic History of The United States*, 458–459.

[743] ushistory.org, "The Decade that Roared," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/46.asp.

[744] ushistory.org, "Fight Against "Demon Rum"," U.S. History Online Textbook, 2011, 1. Accessed November 2, 2011, http://www.ushistory.org/us/46b.asp.

[745] ushistory.org, "The Decade that Roared," 1.

[746] ushistory.org, "The Market Crashes," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/48a.asp.

Tuesday, October 29, 1929, the Stock Market Crashed, and 16 million shares were exchanged for lesser value.[747]

This loss of wealth plunged the country into the Great Depression. Although only 10 percent of Americans in 1929 owned any stock, there were other problems with the American economy that set off the Great Depression.[748] Corporate profits hit an all-time high of 8.98 percent of GDP.[749] The massive increase in corporate profits had created a bubble due to over investment in expansion. Workers' wages had increased marginally, while the increase in wealth of the richest one percent of Americans was huge. The top one percent of Americans owned one third of the nation's assets. The middle class was too indebted, with too many purchasing cars and household appliances on credit. Banks had encouraged reckless investment in the stock market. The lack of bank guarantees created panic, which lead to runs on banks. At least 9,000 banks failed after the stock market crash.[750]

The Great Depression was not isolated to the United States. This depression, though starting in America, affected the world economy, especially the economies of Europe, a testament to the already complex and interconnected nature of the global market economy in 1929. In an effort to shield businesses from competition because of the loss of liquidity, businesses pushed Congress to pass the Hawley-Smoot Tariff Act of 1930. However, this exacerbated the problem, as contracting European economies were not able to consume their own products, so they stopped importing American goods, and retaliated with their own tariffs. The crisis worsened as a result, and soon became a global depression, which had its origins in the United States.[751]

---

[747] ushistory.org, "The Market Crashes," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/48a.asp.

[748] ushistory.org, "The Great Depression," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/48.asp.

[749] Floyd Norris, "For Business, the Golden Days; For Workers, the Dross," Business- Off the Charts, *The New York Times*, November 25, 2011, Accessed December 1, 2011, http://www.nytimes.com/2011/11/26/business/for-companies-the-good-old-days-are-now.html?_r=3&adxnnl=1&ref=business&adxnnlx=1322803521-AdDVwOtx+3uIuVsRiwoy+A.

[750] ushistory.org, "The Great Depression," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/48.asp.

[751] Brian Black, "Great Depression," Encyclopedia of American Studies, Johns Hopkins University Press, 2010, 1, Accessed November 2, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/great_depression.

The response by the newly elected president, Herbert Hoover, was seen as inadequate. The New York Stock Exchange was only worth $15 billion in 1932 as compared to $87 billion in 1929. The national unemployment rate was 25 percent.[752] Franklin D. Roosevelt won the 1932 election in a landslide victory of 472 electoral votes to 59 for Hoover. Promptly, F.D.R. announced his "New Deal." The "New Deal" was a social contract with the American people to make changes that would spur economic growth.[753] In 1935, both the National Labor Relations Act and the Social Security Act were passed. The NLRA transformed labor relations in the United States, strengthening workers' rights.[754] Under the "New Deal," many social and economic changes took place that transformed America and ushered in many of the social welfare programs that still exist today, such as Social Security.[755]

The New Deal also created jobs through several government programs. The Civilian Conservation Corps created about 2 million jobs. This organization was aimed at unemployed single males from ages 17 to 25. They were paid $30 dollars a month, lived in military style camps and built bridges, reservoirs and many other infrastructure projects. The Civil Works Administration put another 4 million to work, and the Works Progress Administration created over 9 million additional jobs.[756]

However, these fiscal stimulus policies, also known as Keynesian economic policies, were not free. In 1932, when F.D.R. took office, both spending and the deficit skyrocketed, while revenues plummeted. Federal Spending increased by $1.082 billion to $4.659 billion, posting a deficit of $2.735 billion. Part of the reason for the deficit was plummeting tax revenues, which dropped from $3.116 billion to $1.924 billion, a loss of 38 percent. This was the single biggest loss in tax revenue during the Great Depression. In 1934, although tax revenues went up by almost $1 billion dollars to $2.955 billion,

[752] ushistory.org, "Sinking Deeper and Deeper: 1929–1933," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/48b.asp.

[753] Black, "Great Depression," 1.

[754] Colin Gordon, "New Deal," *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, 1, Accessed November 2, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/new_deal.

[755] ushistory.org, "An Evaluation of the New Deal," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/49g.asp.

[756] ushistory.org, "Putting People Back to Work," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/49b.asp.

spending went up by almost $2 billion to $6.541 billion, increasing the deficit by almost a billion dollars to $3.586 billion. This was problematic, as the deficit alone from 1932 until 1936 was more than the tax revenues in each year. That means that in each of these years, the U.S. government was spending more than twice the amount of money that was coming in through tax revenues (See Appendix B).[757]

This was unheard of at the time, because historically, the United States had done a pretty good job of living within its means, normally posting surpluses, and only posting deficits during war periods. The debts were then paid off during the postwar period. [758] The government had not only kept within its means regularly, but had required relatively little in the way of revenues as well. For the 1700s and most of the 1800's, revenues were primarily collected through tariffs on imported goods, and on taxes on alcohol, tobacco, sugar and carriages. One exception to this was that the income tax was first introduced in 1861 to pay for the Civil War, but after the war, popular disdain caused politicians to rescind it in 1872.[759] In fact corporate profits did not start being taxed in America until 1909, and even then it was in an effort to pay down debt and attempt to maintain no personal income tax.[760] Nonetheless, the personal income tax started 4 years later, when the 16th Amendment to the Constitution allowed the taxation of personal income in 1913. [761] This was how fiscal policy with respect to budgeting and taxation was handled in the United States until the Great Depression.[762]

The United States muddled through the 1930's with fiscal policy geared toward nothing but survival of the desperate American people and repair of the flailing American economy. These New Deal fiscal stimulus policies, greatly expanded the social welfare state in the United States, and through various public works programs cheaply built

[757] Office of Management and Budget, "The Federal Budget 2012: Historical Tables: Table 1.1," *Whitehouse.gov*, February 14, 2011, 1, Accessed November 18, 2011, http://www.whitehouse.gov/omb/budget/Historicals.

[758] Claire Suddath, "The U.S. Deficit," *Time Magazine.Com*, August, 25, 2009, 1, Accessed November 18, 2011, http://www.time.com/time/magazine/article/0,9171,1919169,00.html.

[759] Boortz and Linder, *The Fair Tax Book*, 10–11,

[760] Daunton, "How to Pay for the War," 897.

[761] Lee, Johnson, and Joyce, *Public Budgeting Systems*, 76.

[762] Claire Suddath, "The U.S. Deficit," 1.

significant infrastructure that would help propel the U.S. economy toward further growth after World War II. However, while important for laying the groundwork for U.S. modern infrastructure, and helping put people back to work, these fiscal policies were not successful in ending the Great Depression. In fact, the double dip recession in 1937, was due to fiscal policy gone awry.[763] Specifically, it was due to Keynesian fiscal policies being in place for too long. In 1939, the unemployment rate was still 19 percent. Herein lays the problem with Keynesian economic policies. Although they can temporarily affect the involuntary unemployment rate, they do not permanently change the structural issues that cause the unemployment. Therefore, sometimes, as in the Great Depression, they can have some positive effect because prices had dropped as a result of several years of depression before the Keynesian policies were enacted. Additionally, there had never been a precedent of this type of policy being used, so special interests groups in the economy were not able to manipulate its effects the same way as they were later.[764] However, this was not Keynes fault. In fact, the idea of a permanent stimulus was not what Keynes was advocating at all. He was in favor of getting rid of the fiscal stimulus once full employment had been achieved. Thus, apart from the necessity of central controls to bring about an adjustment between the propensity to consume and the inducement to invest, there is no more reason to socialize economic life than there was before."[765] This is a sticking point that has squarely divided economists over the years. However, the unemployment rate did not return to pre-Depression era levels until 1943. The massive spending and wartime mobilization of the economy to fight World War II was what actually ended the Great Depression.[766]

The entrance of the United States into World War II was precipitated because of a direct attack by the Japanese on the U.S. Navy stationed at Pearl Harbor, Hawaii on

---

763 Fite and Reese, *An Economic History of The United States*, 626.

764 Olson, *The Rise and Decline of Nations*, 229–231.

765 John Maynard Keynes, *The General Theory of Employment, Interest and Money*, Cambridge: Harcourt, Brace, Jovanovich, 1936, quoted in The Concise Encyclopedia of Economics, "John Maynard Keynes" *The Concise Encyclopedia of Economics*: Library of Economics and Liberty.org, 2008. Accessed December 5, 2011, http://www.econlib.org/library/Enc/bios/Keynes.html.

766 ushistory.org, "An Evaluation of the New Deal," 1.

December 7, 1941.[767] The war had actually started on September 2, 1939 with the invasion of Poland, but the United States did not enter until it was attacked by the Japanese over two years later. The mobilization of the wartime economy included mobilizing women to fill jobs that men had previously held while the men filled the ranks of the military. Nazi Germany surrendered to the U.S., Britain and Soviet Union on May 8, 1945.[768] The Japanese continued to fight until the U.S. dropped two atomic bombs on the cities of Hiroshima and Nagasaki on August 6 and 9, 1945. The Japanese surrendered on August 14, 1945.[769]

With the end of World War II came the rise of the United States as a superpower.[770] In 1945, the United States held 50 percent of worldwide manufacturing output,[771] due to widespread economic devastation during World War II and the massive mobilization of the economy needed to fight a two front offensive World War. These factors, coupled with having already been the largest world economy for 50 years and also having a large and powerful military on the winning side of the war, put the United States into a position of world leadership. It also led to the U.S. brokering the peace for World War II. In the immediate postwar period, the United States also orchestrated the rebuilding of Europe under the Marshall Plan, named for General George C. Marshall. As Secretary of State after the war, Marshall outlined his economic aid plan in a speech at Harvard University in the spring of 1947.[772] While the Marshall Plan was certainly a good example of the United States extending its hand to help rebuild war torn nations, it also had an ulterior motive. The U.S. was able to remake the European economy, with it being dependent upon the United States. This, along with the Bretton-Woods Conference, which created several institutions such as the International Monetary Fund,

---

767 Ferguson, *Colossus*, 61–62.

768 ushistory.org, "D-Day and the German Surrender," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/51c.asp.

769 ushistory.org, "The Decision to Drop the Bomb," *U.S. History Online Textbook*, 2011, 1, Accessed November 2, 2011, http://www.ushistory.org/us/51g.asp.

770 Itai Sneh, "World War II." *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, 1, Accessed November 2, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/world_war_ii.

771 Kennedy, *The Rise and Fall of the Great Powers*, 432.

772 NobelPrize.org, "George C. Marshall Biography," *NoblePrize.Org*, 1, Accessed November 2, 2011, http://www.nobelprize.org/nobel_prizes/peace/laureates/1953/marshall-bio.html.

the World Bank and the General Agreement on Tariffs and Trade, allowed the United States to also transform the global economy with the U.S. as the reserve currency and the global economic leader. This was a case of pure imperial economic expansion, allowing the U.S. to heavily influence the European markets, and helping to export U.S. manufactured goods to Europe. The U.S. also established the North Atlantic Treaty Organization, an organization that would ally much of Europe with the United States during the Cold War.[773] As brokers of the peace, as well as leading, planning and financing the rebuilding effort in Europe through the Marshall Plan, the U.S. became a major player on the world stage. However, at the same time the majority of the American electorate still had strong feelings of isolation.

After WWII, the U.S. faced a strategic dilemma of what to do. This dilemma was quickly solved with the rise of the Soviet Union as a communist menace. Although allies in a common cause to beat Hitler, the U.S. and the Soviet Union were soon engaged in their own war; the Cold War. The Cold War was a war of ideology, fought between the ideology of communism, espoused by the Soviet Union, and the ideology of democracy and capitalism, supported by the United States. The term cold war originated in a 1945 article "You and the Atom Bomb," by George Orwell, where Orwell discussed a post war world where, Russia, China and the U.S. with their nuclear arsenals would put these three "superstates" into a "permanent state of cold war."[774] The strategy of containment that the United States pursued during the Cold War was originally taken from "The Long Telegram," a telegram written by George Kennan, a Foreign Service Officer in Russia. It was published in 1947 in *Foreign Affairs* as an article called "The Sources of Soviet Conduct" by X.[775] Kennan envisioned a strategy that would use economic and diplomatic means to contain the Soviet ideology, allowing it to eventually crumble. Paul Nitze, a contemporary of Kennan, saw things differently. He advocated a military means to contain communism, which was largely advocated in his contribution, National

[773] Sneh, "World War II." 1.

[774] Donald E. Pease, "Cold War." *Encyclopedia of American Studies,* Johns Hopkins University Press, 2010, Accessed November 7, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/cold_war.

[775] Kreis, "George Kennan: The Sources of Soviet Conduct (1947)," 1.

Security Council Resolution 68 or NSC 68. In NSC 68, the military was reorganized to meet the threat of Communism, and fight the war of containment.[776] The Cold War was a peculiar war in that, "There were no direct military campaigns between the two main antagonists, the United States and the Soviet Union. Yet billions of dollars and millions of lives were lost in the fight."[777] However, there were wars that were fought, just not between the United States and the Soviet Union directly.

The wars were not fought directly between the two superpowers. Instead there were several proxy wars, or wars within the Cold War. The first was the Korean War, which started when the North Koreans crossed the 38th Parallel and invaded South Korea on June 25, 1950.[778] The war lasted 3 years, and on July 27, 1953, in a stalemate, an armistice was signed with the dividing line being again the 38th Parallel.[779] Another proxy war within the Cold War was Vietnam. Involved as early as 1950, by 1954, the U.S. had split Vietnam in half at the 17th Parallel to contain Communism.[780] Two North Vietnamese Gunboats firing upon a U.S. warship, led to the passage of the Tonkin Gulf Resolution, giving the President a blank check to wage war in Vietnam with an actual declaration of war.[781] The "war did not go well for the United States."[782] In the U.S. there had been a growing resistance to the war until there was no longer any political support for the war, a clear indication that isolationism was still strong in the American people. In January of 1973, the Paris Peace Accords signaled the end of U.S. combat

---

[776] Office of the Historian: US Dept. of State "NSC 68, 1950," 1.

[777] ushistory.org, "The Cold War Erupts," *U.S. History Online Textbook,* 2011, 1, Accessed November 7, 2011, http://www.ushistory.org/us/52a.asp.

[778] Naval Historical Center, "Remembering the Forgotten War: Korea, 1950-1953." Department of the Navy- Naval Historical Center, Accessed November 8, 2011, http://www.history.navy.mil/ac/korea/korea1.htm.

[779] ushistory.org, "The Korean War," U.S. History Online Textbook, 2011, 1. Accessed November 8, 2011, http://www.ushistory.org/us/52e.asp.

[780] Robert Buzzanco, "Vietnam War," Encyclopedia of American Studies, Johns Hopkins University Press, 2010, accessed November 8, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/vietnam_war.

[781] ushistory.org, "Years of Escalation: 1965-68," U.S. History Online Textbook, 2011, 1. Accessed November 8, 2011, http://www.ushistory.org/us/55b.asp.

[782] Buzzanco, "Vietnam War," 1.

operations in Vietnam.[783] These two proxy wars were a clear indication that the U.S. was willing to export its exceptionalism, because in both cases, the U.S. installed democratic governments on the side it was supporting in the wars, both in South Korea and South Vietnam.

The United States attempted to contain the spread of Communism from the Soviet Union wherever they might try to spread it. The grand strategy of containment led to a fiscal policy that in the beginning, under Truman and Eisenhower, was more concerned with economic strength of America. Some might argue that the increased spending for the Cold War necessitated deficit spending. This was however, not consistent with the thinking or actions of the Presidents at the beginning of the Cold War, although increased spending would become more popular later on, especially during the Reagan Administration. A budget surplus was again seen in 1947. However, in the 64 years since 1947, the United States has seen only 12 budget surpluses, and 52 budget deficits. In other words, over 80 percent of the time since the end of the budget deficits after World War II, the U.S. government has spent more than it has made in revenue.[784] This is problematic, as this trend of spending more than what was made in tax revenues was present in both the days of the Romans and the British towards the end of their Empires.

Initially though, there was a relatively strong sense of fiscal discipline. In 1949, the Defense budget was cut in the face of growing Soviet aggression. Congressman George Mahon, chairman of the House Appropriations Subcommittee on Defense said, "Nothing would please our potential enemy better than to have us bankrupt our country and destroy our economy by maintaining over the years complete readiness."[785] Many members of Congress were concerned with the "large-scale borrowing, destabilizing inflation, and the accumulation of enormous amounts of new debt" that would follow from funding a large standing military. This would weaken America's strong and stable

[783] Buzzanco, "Vietnam War," 1.

[784] Office of Management and Budget, "The Federal Budget 2012: Historical Tables: Table 1.1," 1.

[785] Robert D. Hormats, *The Price of Liberty: Paying for America's Wars from the Revolution to the War on Terror* (New York: Times Books, Henry Holt and Company, 2007): 173–174.

economy.[786] It was also the belief of both President Truman and President Eisenhower that "a strong economy and sound national finances were vital to the country's security."[787]

This is evident in their fiscal policies, as shown through their budgets and their impact on the national debt. As was stated above, only a total of 12 years after World War II until the present day have had a budget surplus, however, six of these years were under the combined Presidencies of Truman and Eisenhower. When Truman took office at the end of World War II, the national debt had been at 110 percent of GDP. By the time Eisenhower left office in 1960, the national debt was just under 60 percent of GDP. This is an incredible accomplishment, especially when considering that during this time period, defense spending rose considerably because of the Korean War, from 5 percent of GDP in 1949 to 14 percent of GDP in 1953.[788] In his farewell speech upon leaving office, Eisenhower warned, "We cannot mortgage the material assets of our grandchildren without asking the loss also of their political and spiritual heritage. We want democracy to survive for all generations, not become the insolvent phantom of tomorrow."[789]

As a result of the strength in manufacturing coming out of World War II and the prudent fiscal policies of Truman and Eisenhower, the 1950's were also a time of economic prosperity. Although the 1950's were also the start of America's relative economic decline, this is understandable. Fully 50 percent of world manufacturing output in 1945 was from the United States, and this percentage could not possibly be maintained. By 1953, the U.S. share of world manufacturing output had fallen to 44.7 percent.[790] An important point here is that the U.S. was and still is the largest economy in the world, but started declining relative to other nations, almost immediately after

[786] Hormats, *The Price of Liberty*, 173.

[787] Hormats, *The Price of Liberty*, 174.

[788] Hormats, *The Price of Liberty*, 174.

[789] Hormats, *The Price of Liberty*, 203.

[790] Kennedy, *The Rise and Fall of the Great Powers*, 432.

World War II. However, relative decline does not mean lack of growth. The U.S. economy was still growing, but just not as quickly as other nations.

There were three obvious reasons for this relative decline that were positive in nature and four additional reasons that were negative. For one thing, the United States had grown at a very high rate for a long time already; therefore, room for additional growth was already less than other countries in the world. A second point is that using the metric of output per man per hour, the U.S. was already operating at a much higher level of efficiency than any other country in the world. Additionally, the U.S. was not structurally damaged by the war like Russia and the European Powers, so while many of these countries were able to rebuild their infrastructure with the newest equipment, the U.S. still had its older factories. The first negative reason was the "fiscal and taxation policies encouraged high consumption but a low personal savings rate."[791] Two other reasons include that with the exception of the military, research and development investment had declined, and defense expenditures as a proportion of Gross National Product or GNP were higher than any other country. The final reason was that "an increasing proportion of the American population was moving from industry to services, that is, into low-productivity fields."[792]

Initially however, this relative decline was masked in the 1950's and 1960's because of the growth in American technology, especially in aircraft, and the consumer boom that followed the purchase of what Paul Kennedy calls "flashy cars and color televisions."[793] In this era, increased consumer spending was an indication of the real wage growth that occurred in this time period. For example, total wages increased from $112 billion in 1946, to $312 billion in 1963. Wages had more than doubled in a space of 17 years. Additionally, U.S. Gross National Product increased from $332 billion to $585 billion in the same time frame. This equates to a 43 percent increase in the total size of the U.S. economy.[794] These are clear signals of economic prosperity. During this time,

[791] Kennedy, *The Rise and Fall of the Great Powers,* 433.

[792] Kennedy, *The Rise and Fall of the Great Powers,* 433.

[793] Kennedy, *The Rise and Fall of the Great Powers,* 433.

[794] Fite and Reese, *An Economic History of The United States*, 653.

the fiscal environment was also pro-growth, largely due to the policies of Truman and Eisenhower.[795] Due to the positive growth and budgetary discipline exercised through trade-offs of a combination of balancing spending and taxation, President Kennedy was left with a surplus when he came into office of $301 billion.[796]

Kennedy embarked on a military buildup, using the surplus and the growing economy to allow him to do so without raising taxes. He thought that President Eisenhower had relied too heavily on nuclear deterrence, and wanted a broader range of military options.[797] His campaign slogan was decidedly imperialist, as Kennedy said "We stand on the edge of a New Frontier."[798] Kennedy sought to export U.S. exceptionalism through such programs as the Peace Corps and the Alliance for Progress, to civil action organizations that provided aid to developing nations.[799] This is yet another example of American politics and the underlying imperial grand strategy that pervaded it.

When President Johnson took office after President Kennedy's assassination, he envisioned a "Great Society." This was the term for his social welfare programs. Johnson was concerned that the Vietnam War would get in the way of his social welfare programs that he advocated in the Great Society.[800] He decided to increase commitment to the war in Vietnam without increasing the fiscal commitment from the people in the form of increased taxes, decreased spending elsewhere, or some combination of the two. Johnson is quoted as saying, "We can continue the Great Society while we fight in Vietnam."[801] Although he was warned by his economic advisor Gardner Ackley in

---

[795] Kennedy, *The Rise and Fall of the Great Powers*, 434.

[796] Office of Management and Budget, "The Federal Budget 2012: Historical Tables: Table 1.1," 1.

[797] Hormats, *The Price of Liberty*, 209.

[798] Britannica Concise Encyclopedia, "Kennedy, John F," *Britannica Concise Encyclopedia*, Chicago: Encyclopedia Britannica, 2009,1, Accessed December 6, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/ebconcise/kennedy_john_f.

[799] Lacie A. Ballinger, and Spencer C. Tucker, "Kennedy, John Fitzgerald," *Encyclopedia of the Vietnam War: A Political, Social, and Military History*, Santa Barbara: ABC-CLIO, 2011, 1, Accessed December 6, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/abcvw/kennedy_john_fitzgerald.

[800] Hormats, *The Price of Liberty*, 209.

[801] Hormats, *The Price of Liberty*, 210.

December 1965 that he would need to raise taxes significantly to counter inflation, Johnson did not listen. In 1965, Johnson also pressured Federal Reserve Chairman Bill Martin, against his better judgment, to "keep interest rates down so that the economy would continue to grow at a rapid rate and generate sufficient tax revenues to pay the mounting costs of his domestic and military programs."[802] Inflation surged in 1966, and Martin stated, "Monetary policy has done about all that it properly can."[803] However, by refusing to raise taxes or cut spending, Johnson had misaligned fiscal policy and grand strategy by relying solely on economic growth pay for increasing costs in both social programs and an escalating war. The budget deficit had increased 133 percent in 1967 to $8.643 billion, but the deficit increased nearly 300 percent in 1968, jumping to $25.161 billion.[804] President Johnson imposed a tax surcharge and some domestic spending cuts in 1968, but it was too little, implemented too late. Needless to say, Johnson's fiscal policies were not effective and signal the start of a disturbing trend in American fiscal policy: that of a widening chasm between the grand strategy and the means to pay for it. His poor policies affected the economy going into Nixon's term, by sending inflation higher and sending the economy into a recession.[805]

The presidency of Johnson was a critical departure from sound fiscal policy and grand strategy. It was here that the first significant disconnect between fiscal policy and grand strategy can be seen in the American case. Johnson completely disregarded sound policy advice from his economic advisors and attempted to grow the economy by increasing spending on social programs, increase spending on a war, and not increase revenues to match with this increase in spending.[806] Conveniently of course, this policy of additional spending in the economy to make it grow was accomplished while spending on the social programs that were a part of Johnson's Great Society. However, the amount of growth necessary to both outpace inflation and provide additional revenue for

[802] Hormats, *The Price of Liberty*, 215.

[803] Hormats, *The Price of Liberty*, 217.

[804] Office of Management and Budget, "The Federal Budget 2012: Historical Tables: Table 1.1," 1.

[805] Hormats, *The Price of Liberty*, 223–225.

[806] Olson, *The Rise and Decline of Nations*, 229–231.

significant increases in spending was unrealistic. This clear departure of fiscal policy and grand strategy from each other, and from sound fiscal policy practices in general, was the first in a series of American presidents and legislatures departing from the basic concepts of budgeting. Johnson envisioned a legacy of social programs and did not want a legacy of war. Instead, not only did he leave a legacy of war, but he also left a legacy of poor fiscal policy, which affected the economy of the 1970's.

The increase in spending with no appreciable increase in revenue brought on inflation that would be a drag on the economy going into the 1970s.[807] However, the economy had already started an ominous trend that stunted growth, similar to the one experienced by the British. The U.S. started to invest large amounts of money into Europe and other foreign countries, "allegedly turning those countries into economic satellites."[808] This coupled with expanding U.S. multinational corporations and the export of "sophisticated management techniques imbued by American business schools,"[809] all led to a general feeling of American supremacy. Labor was cheaper in foreign countries, so investment allowed for U.S. goods to be manufactured more cheaply overseas, and also opened up overseas markets. However, the trend eventually shifted so that the surplus capital made on exports of goods, food supplies and "invisible" services coming back into the U.S. did not exceed the outflow of capital to foreign countries.[810] This was essentially the trade deficit that started in in 1976 and has continued ever since.[811]

This was key turning point in the U.S. economy, just as it was in the British economy. Just as the British had experienced, the U.S. gains from foreign investment were initially very lucrative but eventually were not bringing in as much capital as was being exported. It is interesting that the decline of a modern economy, in both the British and American case, should coincide with the rise of capital investment in emerging

[807] Kennedy, *The Rise and Fall of the Great Powers,* 434.

[808] Kennedy, *The Rise and Fall of the Great Powers,* 433.

[809] Kennedy, *The Rise and Fall of the Great Powers,* 433.

[810] Kennedy, *The Rise and Fall of the Great Powers,* 433–434.

[811] Crooks, "Spending Beyond Our Means: U.S. Trade Balance By Decade," 1.

markets. This has typically been the defining factor of a modern economy, but seems to also be the defining factor in the decline of that same economy. One reason for this may be that there is no longer incentive to invest in new technology to update the manufacturing base and infrastructure in the homeland, which inherently puts whatever manufacturing sector, is left at a significant disadvantage, as it is competing with newer technology in foreign countries that also have lower labor costs. This could be the topic of another thesis, but is an unmistakable commonality between both Britain and the United States at the time of their economic decline.

When President Nixon took office, he had a surplus in his first year, due to the tax increases imposed by Johnson. Nixon started to deescalate the war subsequently cut military spending, from 8.7 percent of GDP in 1969 to 5.9 percent in 1973. However, the damage by President Johnson's poor fiscal policies had already been done. Inflation in 1970 hit 5.5 percent. In 1971, Nixon took the U.S. off the gold standard, free floating the U.S. dollar against foreign currencies, which undermined the Bretton Woods system that the U.S. had implemented after World War II, because the U.S. was no longer financially strong enough to continue to make it work.[812] President Nixon also imposed wage and price controls, in an effort to stabilize the economy, but they were unevenly applied and caused major market imbalances.[813] Wage and price controls are typically instituted in order to combat inflation, but as was seen in the Roman Case, Diocletian's attempt at wage and price controls made the problem larger, eventually leading to hyperinflation. One of the problems with wage and price controls is that they do not usually get the wage or price set at the correct value, in relation to other values. For example, as outlined in the Roman case, Diocletian did not accurately account for transportation costs. Nixon's wage and price controls, worked no better than Diocletian's attempt over 1,600 years before. After Israel defeated its Arab enemies in the Yom Kippur War, the price of oil shot up when the Arab nations used OPEC to increase oil prices in retaliation for the defeat. This further harmed the economy, which soon felt significant inflation. President

[812] Kennedy, *The Rise and Fall of the Great Powers*, 434.

[813] Hormats, *The Price of Liberty*, 224.

Ford and President Carter were unable to stop the rise in inflation, which went above 18 percent in the summer of 1980 under President Carter.[814]

In order to fix the economy, President Reagan introduced a fiscal policy plan which was called "Reaganomics." He proposed tax cuts, mostly on the upper classes, in order to encourage investment in the economy, called trickle-down economics. However, this plan did not work. Reagan's saving grace was that in August 1979, before he was even elected, Paul Volcker had been brought on as the Federal Reserve Chairman.[815] Volker and the Federal Reserve raised interest rates from 12.28 percent in October of 1980 to 18.9 percent in December of 1980.[816] This triggered a recession from 1981-1982.[817] By raising interest rates sharply, Volcker deliberately traded off short term growth by triggering a recession, for long term control of inflation, a disinflationary monetary policy.[818] The interest rate eventually stabilized at 5 percent by the end of 1983,[819] and the economy began to grow.

The 1980's also saw resurgence in active measures to contain the Soviet Union and win the Cold War.[820] President Reagan embarked on an expensive buildup that was due to a "window of vulnerability" to Soviet nuclear attack.[821] President Reagan's fiscal policies caused "large-scale increases in defense expenditures, plus considerable decreases in taxation, but *without* significant reductions in federal spending elsewhere," (emphasis in original).[822] This caused the U.S. Federal debt to balloon. In 1980, when Reagan took office, the national debt was roughly $900 billion dollars. When he left 8

---

814 ushistory.org, "The Sickened Economy," *U.S. History Online Textbook*, 2011, 1, Accessed December 1, 2011, http://www.ushistory.org/us/58b.asp.

815 Marvin Goodfriend and Robert G. King, "The Incredible Volcker Disinflation," *Carnegie-Rochester Conference on Public Policy*, November 2004, 2, http://www.carnegie-rochester.rochester.edu/Nov04-pdfs/GK.pdf.

816 Goodfriend and King, "The Incredible Volcker Disinflation," 34.

817 Goodfriend and King, "The Incredible Volcker Disinflation," 6.

818 Goodfriend and King, "The Incredible Volcker Disinflation," 36.

819 Goodfriend and King, "The Incredible Volcker Disinflation," 2.

820 Pease, "Cold War." 1.

821 ushistory.org, "Reaganomics," *U.S. History Online Textbook*, 2011, 1, Accessed November 8, 2011, http://www.ushistory.org/us/59b.asp.

822 Kennedy, *The Rise and Fall of the Great Powers*, 527.

years later, it had tripled in size to $2.7 trillion dollars.[823] President Reagan's fiscal policies had turned "the world's largest creditor to the world's largest debtor nation, *in the space of a few years,*" (emphasis in original).[824] This was the same milestone that Britain achieved as a result of World War I. Reagan, while hailed as a hero by conservatives and liberals alike, set the U.S. on a poor fiscal footing.

Reagan's fiscal policy turned toward leveraging the economy to fund the effort to build up a military capable of beating the Soviet Union. Ultimately, this was a clear disconnect of fiscal policy and grand strategy. There may have been the illusion of alignment, as it was thought prudent to 'outspend' the Soviet Union. Whether or not this deficit spending by Reagan actually caused the collapse is not known, however, based on structural problems in the Soviet economy, it is likely that the Soviet Union would have eventually suffered from its own political and economic collapse anyway. There was no real end to the Cold War, as the Soviet Union broke up starting in June of 1989 and ending in December of 1991.[825] This caused a problem of historical closure. "The events that had taken place during the cold war simply ceased happening, and the narratives that had endowed historical events with their intelligibility simply broke off."[826] This caused a strategic dilemma for Americans of what to do next.

Francis Fukuyama coined the phrase "end of history," as a symbol of closure, trying to signal that once and for all, the Western way of life had triumphed over Communism.[827] This was really was nothing more than another assertion of American exceptionalism. When the Soviet Union fell, the strategy of containment was deemed justified, and the profligate spending that accompanied the strategy in the latter half of the Cold War was likewise seen as necessary. This was seriously flawed thinking, and allowed the strategic mismatch between fiscal policy and grand strategy to continue.

---

[823] Sheldon L. Richman, "The Sad Legacy of Ronald Reagan," *The Free Market* 6, no. 10 (October 1988): 1, http://mises.org/freemarket_detail.aspx?control=488.

[824] Kennedy, *The Rise and Fall of the Great Powers*, 526.

[825] ushistory.org. "The End of the Cold War," *U.S. History Online Textbook*, 2011, Accessed November 8, 2011, http://www.ushistory.org/us/59e.asp

[826] Pease, "Cold War." 1.

[827] Pease, "Cold War." 1.

There was no acknowledgement of what had led to the collapse of the Soviet Union, as many assumed that it was deficit spending that had bankrupted the rival of the U.S. This gave politicians carte blanche to use deficit spending as a tool to win wars in the future.

As the Cold War came to a close, a separate conflict in the Middle East flared up. In August of 1990, Iraqi troops invaded Kuwait. The U.S. responded with Operation Desert Shield/ Desert Storm, a U.S. military operation defending Saudi Arabia and pushing the Iraqi's out of Kuwait.[828] This was not the only menace from the Middle East, as the 1990's also saw the rising threat of terrorism. On February 26, 1993, a bomb in the underground parking garage of the World Trade Center in New York City went off, killing 6 people, and wounding over 1,000.[829] Terrorism would continue to be a growing problem throughout the 1990's.[830]

The next phase in U.S. fiscal policy was somewhat similar to the British 10 year rule, when the British justified that they would not fight in another war for at least 10 years, and therefore cut defense spending as a peace dividend. The same was true in the U.S., as the post- Cold War 1990's were a time of significant personnel and budget cuts to defense spending under President George H.W. Bush and President Bill Clinton. The U.S. military went from 2.1 million personnel under President Bush to 1.4 million under President Clinton,[831] and spending was cut appropriately in conjunction with these cuts. President Clinton also managed to balance the budget 1998 and bring in a surplus in the

[828] ushistory.org, "Operation Desert Storm," U.S. History Online Textbook, 2011, 1. Accessed November 8, 2011, http://www.ushistory.org/us/60a.asp.

[829] FDNewYork, "The Day the World Shook," *FDNewYork.Com*, Accessed November 9, 2011, http://www.fdnewyork.com/wtc.asp.

[830] The start of terrorist attacks on the U.S. originating from Islamic groups started in 1979 when radical Islamic students in Tehran, Iran kidnapped 66 Americans from the U.S. Embassy. The threat intensified in the 1990's. On August 7, 1998, the U.S. Embassy's at Dar es Salaam, Tanzania and Nairobi, Kenya were simultaneously bombed. A total of 224 Americans were killed, 213 in Kenya and 11 in Tanzania, with over 4,500 injured. On October, 12, 2000, the U.S.S. *Cole*, a U.S. Navy guided missile destroyer, which was in port at Aden, Yemen, was severely damaged during a refueling detail when shaped charge from a small boat ripped through the hull, killing 17 sailors. See infoplease, "Terrorist Attacks in the U.S. or Against Americans," 1.

[831] Ron Chusid, "Factchecking Republicans on Bill Clinton and Military Spending," (blog) *LiberalValues.com*, January 6, 2008, 1, Accessed December 9, 2011, http://liberalvaluesblog.com/2008/01/06/factchecking-republicans-on-bill-clinton-and-military-spending/.

last few years of his time in office (see Appendix B).[832] While these efforts to control spending worked in the short run, they left the U.S. military unprepared for the challenges ahead, and they failed to alter the true debt drivers: mandatory spending on entitlement programs. Additionally, this surplus should have been used to pay down the national debt, as a peace dividend should be used to get out of debt, not enable the country to get into more debt. Therefore, while a balanced budget temporarily restored sound fiscal practices, it failed to address the real underlying issues behind the debt, and wasted a peace dividend that could have been used to start paying down the national debt. This is not only a misalignment of fiscal policy and grand strategy, but it is eerily similar to the British, as at the other end of their peace dividend was World War II, which bankrupted them, and at the other end of the U.S. peace dividend was the Global War on Terror.

On September 11, 2001, the World Trade Center in New York City was again bombed but this time both towers were toppled using kamikaze style attacks with commercial airliners. A plane also hit the Pentagon in Washington, D.C., and another was taken down in Shanksville, Pennsylvania before it could meet its target. A total of 2,953 innocent people died as a result of the attacks.[833] This attack prompted a response from America that had not been seen before as the result of terrorist attacks. In an address to Congress on Sept. 20, 2001, President George W. Bush stated, "Our war on terror will not end until every terrorist group of global reach has been found, stopped and defeated."[834] The Bush administration demanded that the Taliban, the ruling party of Afghanistan, surrender Osama bin Laden and the Al Qaeda terrorists to the U.S. The Taliban refused, which prompted the start of Operation Enduring Freedom.[835] The Global War on Terror had begun, and America's strategic dilemma had been solved in

---

[832] Office of Management and Budget, "The Federal Budget 2012: Historical Tables: Table 1.1," 1.

[833] infoplease, "Terrorist Attacks in the U.S. or Against Americans," 1.

[834] Scott Wilson and Al Kamen, "'Global War On Terror' Is Given New Name," Post Politics, *The Washington Post*, March 25, 2009, http://www.washingtonpost.com/wp-dyn/content/article/2009/03/24/AR2009032402818.html.

[835] Laura Hayes, Borgna Brunner, and Beth Rowen "Who Are the Taliban? Their history and their resurgence" *Infoplease.Com*, Pearson Education, 2007, Accessed May 13, 2011, http://www.infoplease.com/spot/taliban.html.

one day. This new war would be a change from the strategy of conventional warfare on state actors, such as Germany in World War II or Iraq in Desert Storm, to an unconventional war on non-state actors, such as Al-Qaeda.

Operation Enduring Freedom began on October 7, 2001, just four weeks after the September 11 attacks. The first American ground troops were Special Operations Forces, working alongside Taliban opposition forces. [836] However, the war and reconstruction in Afghanistan continues to this day. The Global War on Terror was expanded when the United States invaded Iraq on March 19, 2003. President Bush declared major combat operations over on May 1, 2003, and a transition to stability and reconstruction operations. [837] Those operations are in the process of ending, as President Barrack Obama has declared that all U.S. troops will be out of Iraq by December 31, 2011.[838]

Fiscal policy was again not aligned with grand strategy. President Bush enacted tax cuts in 2001 and 2003[839] while simultaneously starting two wars in the same years. "If the war on terrorism was considered the nation's highest priority, it was not reflected in U.S. fiscal policy, which was not altered to free up resources to pay for it."[840] Additionally, the population was not mobilized for these wars, and the funding of the wars turned surpluses into deficits. The decision to fight two wars on the heels of two tax cuts was based on flawed logic. The rhetoric at the time suggested that the tax cuts "actually result in more money for the government."[841] The Bush Administration thought that tax cuts would spur enough economic growth to produce enough revenue to offset the cuts, although the economists in the administration admitted this was not the

[836] John Pike, "Operation Enduring Freedom- Operations." *GlobalSecurity.Org*, Last updated February 9, 2008, Accessed May 13, 2011, http://www.globalsecurity.org/military/ops/enduring-freedom-ops.htm.

[837] John Pike, "Operation Iraqi Freedom." *GlobalSecurity.Org*, Last updated May, 7, 2011, Accessed November, 9, 2011, http://www.globalsecurity.org/military/ops/iraqi_freedom.htm.

[838] Justin Fishel, "As Troops Leave In Droves, Old Killer Still Looms," Politics, *Fox News*, November 3, 2011, http://politics.blogs.foxnews.com/2011/11/03/troops-leave-iraq-droves-old-killer-still-looms.

[839] Hormats, *The Price of Liberty*, 267, 269. Of course, the 2001 tax cuts were in June, several months before the September 11th attacks, but no thought was made to rescinding them to pay for the conflict in Afghanistan.

[840] Hormats, *The Price of Liberty*, 270.

[841] Hormats, *The Price of Liberty*, 270.

case in the *2003 Economic Report of the President*.[842] Tax cuts can only produce more revenue when the tax base is widened. This is usually accomplished by removing deductions, exemptions and tax credits from the tax code. While tax cuts may temporarily increase economic growth, as was noted in 2003, the growth does not usually make up the difference in revenue. However, while the economy did not grow enough to offset the tax cuts, it did grow nonetheless.

The current financial crisis started in 2007. In 2007, gas prices in the United States began to rise. According to a CNN Money News Article, on May 21, 2007, gas prices were at their highest level, adjusted for inflation.[843] This gas crisis was followed by a subprime mortgage crisis that started in June 2007 when two Bear Stearns hedge funds that were heavily invested in mortgages collapsed. This sent a ripple effect through the financial market and subsequently the world markets. Foreclosures on homes began to increase dramatically.[844] This led to both President Bush[845] and President Obama[846] enacting stimulus bills, which have not had the desired effects. They have simply raised the deficit and national debt to record levels (See Appendix B).[847]

This economic crisis coupled with the fiscal stimuli to combat it led to a federal government fiscal policy crisis. There are multiple clear examples of this. The first example is that the Federal government has not passed a Federal Budget since April 29, 2009.[848] There are multiple examples in the last few years of how the U.S. government

---

842 Hormats, *The Price of Liberty*, 274.

843 CNN Money.com, "Gas Prices: Worse than '81 Oil Shock," Money, *CNN Money*, May 21, 2007, http://money.cnn.com/2007/05/21/news/economy/record_gas_monday/.

844 Samantha Parks, "The Subprime Mortgage Crisis: How Did It All Start?" Foreclosure Data Online, Accessed November 8, 2011, http://www.foreclosuredataonline.com/blog/foreclosure-crisis/the-subprime-mortgage-crisis-how-did-it-all-start/.

845 Investopedia Dictionary. "Troubled Asset Relief Program-TARP," *Investopedia.com*, 2011. Accessed November 10,2011, http://www.investopedia.com/terms/t/troubled-asset-relief-program-tarp.asp#axzz1dKFcZSKQ.

846 Ira Stoll, "New Nobel Laureate Warned Against Obama Stimulus Package, Calling It 'Surprisingly Naïve'," *The New York Sun*, October, 10, 2011, Accessed December 2, 2011, http://www.nysun.com/national/new-nobel-laureat-warned-against-stimulus-package/87512/.

847 Office of Management and Budget, "The Federal Budget 2012: Historical Tables: Table 1.1," 1.

848 Byron York, "The Dems' 'breathtaking' refusal to pass a budget," Politics, *The Washington Examiner*, May 23, 2011, Accessed November 10, 2011, http://washingtonexaminer.com/politics/2011/05/dems-breathtaking-refusal-pass-budget.

has been unable to enact sound fiscal policies. One clear indicator of this dysfunction was the fight over raising the debt limit. Without the debt ceiling being raised, by law, the federal government could not spend any more money beyond what was coming into the Treasury.[849] However, with the federal government currently borrowing 48 percent of its operating funds, tax revenues alone were not enough to keep the government from shutting down.[850] The debt limit was raised by Congress and signed by the President just hours before the deadline.[851]

The sheer amount of borrowing is an important indicator of the declining fiscal health of the U.S. government. U.S. exceptionalism is used to justify this incredible over–reliance on debt to fund the government, because Americans tell themselves that the U.S. is different, as the strongest economy in the world. However, history paints a different picture of what happens when governments leverage themselves too heavily. Peter Bernholz, professor emeritus at Basel University, Switzerland in his book *Monetary Regimes and Inflation: History, Economic and Political Relationships*, recognized that prolonged government deficits above 40 percent of spending is the common tipping point for a country to experience hyperinflation.[852]

This massive amount of borrowing is coming at the same time as the Federal Reserve's actions to expand the U.S. money supply through Quantitative Easing. Quantitative easing is none other than printing money to expand the money supply when the interest rate is zero. This runs the risk of "spurring hyperinflation, or the risk of not being effective enough, if banks opt simply to pocket the additional cash in order to

[849] New York Times, "Federal Debt Ceiling," Times Topics- National Debt, *The New York Times*, August, 3, 2011, 1, Accessed November 10, 2011, http://topics.nytimes.com/topics/reference/timestopics/subjects/n/national_debt_us/index.html.

[850] Timothy Geithner, *2010 Financial Report of the United States Government*, Department of the Treasury, 2010, 42–43. The consolidated net cost of the U.S. government for FY 2010 was $4.296 trillion dollars, and the consolidated revenue was $2.216 trillion. This leaves a net operating cost (the actual deficit) of $2.080 trillion. This means that the U.S. government is borrowing 48.4 percent of funds necessary for operating the government. The unified budget deficit (stated deficit) is only $1.294 trillion. This number, although correct for governmental accounting purposes, understates the severity of the deficit.

[851] New York Times, "Federal Debt Ceiling,"1.

[852] Peter Bernholz, "How Likely is Hyperinflation?" The American, The Online Magazine of the American Enterprise Institute, December 15, 2009, Accessed December 2, 2011, http://www.american.com/archive/2009/december-2009/how-likely-is-hyperinflation/.

increase their capital reserves."[853] In other words, this is debasement of currency by another name only this time by printing more paper money instead of melting and reminting coins. While it is distinctly a monetary policy today, it must be remembered that in the Roman case study, this was considered fiscal policy because there was no differentiation between the two as the Emperor was in charge of all policy decisions and will be considered here as a contributing factor to the U.S. fiscal crisis. These factors contribute to the perilous nature of the current budget deficits. This is not to say that the U.S. will experience hyperinflation, for only the future will tell, but history shows that it is possible, and it is certainly a clear warning signal that something in the fiscal policy arena is broken. Though some may be skeptical of the possibility of hyperinflation, this again is purely hubris, and evidence of American exceptionalism. By believing that history will have a different outcome for the U.S. than for every other nation before it, Americans deny the facts.

The debt limit fight led to a crisis in confidence in the U.S. government, which prompted Standard and Poor's, a credit rating agency, to downgrade the U.S. treasury bonds on August 5, 2011. "Yesterday's downgrade of T-bonds that had long been treated as literally as good as gold by the world's central bankers marks the first full, public admission that this is no longer the case."[854] This has prompted central banks to buy 148.4 metric tons of gold, the largest amount of gold in one quarter since the World Gold Council was established in 1987. In fact, central banks have been net sellers of gold for two decades until that trend reversed in 2009.[855] This downgrade of the U.S. debt rating and loss of faith in the U.S. dollar as the world's reserve currency, illustrates two more examples of the depth of the fiscal policy crisis in the United States. These are also clear

[853] Business Insider, "What is Quantitative Easing?" *BusinessInsider.com*, August 9, 2010. Accessed December 2, 2011, http://articles.businessinsider.com/2010-08-09/news/30063162_1_central-bank-money-supply-financial-institutions.

[854] David Graeber, "How Debt Has Defined Human History," *Speakeasy* (blog), *The Wall Street Journal*, August 6, 2011, Accessed November 10, 2011, http://blogs.wsj.com/speakeasy/2011/08/06/how-debt-has-defined-human-history/.

[855] Rhiannon Hoyle, "Central Banks in Scramble to Buy Gold," *Marketbeat* (blog), *The Wall Street Journal*, November 17, 2011, Accessed December 2, 2011 http://blogs.wsj.com/marketbeat/2011/11/17/central-banks-in-scramble-to-buy-gold/.

indicators that the U.S. is not as insulated from hyperinflation as may be suspected, because gold is typically seen as a hedge against inflation and weak currencies.

America is caught in a political fiscal crisis, that is a crisis of lack of leadership and lack of global confidence, which is evidenced by the downgrade of U.S. sovereign debt, the fleeing of central banks from Treasuries into gold as reserve currency, and the political stalemate of the U.S. executive branch and legislature to effectively work together to pass a budget for nearly three years. This fiscal crisis, along with monetary policies that have the potential[856] to produce significant inflation or hyperinflation, and coupled with an uneven implementation of grand strategy, has cause for concern with regards to the future sustainability of the U.S. Empire.

The U.S. economy is also plagued with significant structural problems. The service sector dominates the U.S. economy today. In 2007 services accounted for 78.5 percent of GDP and manufacturing accounted for 20.5 percent. Although agriculture is still an important industry in America, it only contributed 1 percent toward GDP.[857] Interestingly, these numbers closely match employment levels as well. In 2009, the services sector employed 79.1 percent of the workforce, with manufacturing, mining, transportation and crafts accounting for 20.3 percent of the economy and agriculture (farming, fishing, and forestry), accounting for 0.7 percent of the labor force.[858] This is a clear indicator of how the American economy has grown and evolved. It is also clear that because the service sector is the largest sector of the U.S. economy, it would be hit the hardest by the recent recession. The service sector is now contributing only 67.8 percent toward GDP, a drop of over 10 percent in just a few short years.[859] This can probably be attributed to the massive amounts of capital that were lost during the recession in the financial services sector, and the large numbers of unemployment, which have decreased output in services. This can be compared to similar situations in both case studies. In the

[856] Let it be known that the author is not stating that the U.S. will have hyperinflation. That is far beyond the scope of this thesis and the forecasting ability of the author. However, this is a case study that is looking at the future possibilities of where the U.S. will end up. Hyperinflation is within the realm of possibility, just as collapse is within the realm of possibility.

[857] Timimi, "Different Sectors of the U.S. Economy," 1.

[858] CIA-The World Factbook, "North America: United States," 1.

[859] Timimi, "Different Sectors of the U.S. Economy," 1.

case of the Roman economy, an over reliance on one economic sector for both its economic output and its government revenue meant that during periods of drought and plague, like seen during Marcus Aurelius, saw a significant decrease in both, which decreased the Roman's economic resilience towards crises. In the British case, an over reliance on the service sector, and especially financial services, directly correlated to their economic decline, which lowered their economic resiliency, making them vulnerable to the shocks brought on by World War I and II. The U.S. has likewise suffered a similarly significant decline in resiliency, and a drop in 10 percent of GDP coming from the largest sector of the economy of services, with the largest subsector of financial services, is a clear parallel and a significant problem for the U.S. economy as it attempts to recover.[860]

The very complex nature of today's world poses a significant risk to the United States. As the shift from wood to coal during the nineteenth century was a clear indicator of the increasing complexity of industrial societies, the late twentieth and early twenty–first centuries see a similar transformation taking place. The rise of the computer, and the recognition of Moore's Law[861], are a clear indicator of an exponential mathematical shift in increasing complexity. Computer technology and the subsequent increase in the volume and velocity of information have significantly increased the complexity of not only the United States, but of the world. One example of this is especially evident in the financial sector, where complex derivatives that contributed to the 2008 financial crisis are still not fully understood three years later.

This technology has also led to an increasing amount of interconnectedness. The world is globally connected, but it is also full of people. Referring back to Tainter's

[860] One indicator that the economy may not be recovering is that the U.S. economy has recently surpassed two key thresholds that have not been met since the onset of the Great Depression. In 2010, corporate profits were 9.56 percent of GDP and 10.3 percent in the third quarter of 2011. The previous record breaker to 2010 was in 1929, when corporate profits immediately preceding the Great Depression were at 8.98 percent of GDP. Additionally, wages have never been a lower percentage of GDP than in last year. In 2010, wages were 43.7 percent of GDP, falling from 45 percent in 2009. Before 2009, the last time wages were at 45 percent of GDP was also 1929, right before the Great Depression. These two indicators are showing a historical imbalance that hasn't been seen since the Great Depression. See Norris, "For Business, the Golden Days; For Workers, the Dross," 1.

[861] intel, "Moore's Law." intel.com, 2005, 1. Accessed November 8, 2011, ftp://download.intel.com/museum/Moores_Law/Printed_Materials/Moores_Law_2pg.pdf. Moore's Law, written in 1965, which states that "the number of transistors on a chip roughly doubles every two years."

second portion of the definition of collapse, where a vacuum of power is required for a collapse, one can see that the world is completely populated, unlike in Roman times, where there was no power big enough to fill the Roman's shoes. Today is far different. It is for the reasons of global interconnectedness, and of no vacuum existing due to a fully populated planet, that Tainter postulates that "Collapse, if and when it comes again, will this time be global. No longer can any individual nation collapse. World civilization will disintegrate as a whole."[862] Whether or not this is true is yet to be seen, but it does raise a good point about the complexity of the United States Empire. The U.S. is globally interconnected in a much more complex manner than even the British Empire was. This indication of the seriousness of complexity and the effects it has on collapse is relevant to the current U.S. situation.

The United States stands at a crossroad. U.S. fiscal policy and grand strategy have been misaligned for forty years, and the chasm is getting both deeper and wider, spurred along by the political divisiveness that the two party system engenders. Yet, the three main tenets of U.S. grand strategy, isolationism, exceptionalism and expansionism are all alive and well. As the U.S. draws down from Iraq, and Afghanistan, a popular feeling of isolationism is breeding in the populace. The U.S. does not want to get involved in any more foreign conflicts. Likewise, Americans also do not want to be a part of the solution to the Euro crisis, which in a globally interconnected world will greatly affect America. However, most Americans falsely believe that the exceptional U.S. economy, American resolve and superior will power, and a strong government will isolate this nation from the worldwide crisis that is unfolding. Americans wrongly believe that this crisis is nothing that can't be handled, as many other crises in the past have been.

At the same time as the U.S. is drawing down troops overseas and making significant cuts to the Defense Budget, President Obama sent 100 American Special Forces troops into Uganda on Wednesday, October 12, 2011, to help the government fight the Lord's Resistance Army, a rebel group that has been in Uganda for at least 20

[862] Tainter, *Collapse of Complex Societies*, 214.

years.[863] If the Lord's Resistance Army has not threatened the United States in the last 20 years, it is not a threat today either. This simply illustrates another example of American exceptionalism and expansionism playing out in the current sitting President of the United States. The United States feels like it has to help Uganda, because the U.S. an exceptional country and is allegedly much better than Uganda. Additionally, Africa has mineral resources that the U.S. expansion, not through colonization, but a "strategic partnership," might benefit from. However, with no stated strategic objective, a shrinking defense budget, and no real bearing on the security of the United States, the President is getting ground troops involved in another foreign conflict. This is yet another example of the problems the U.S. is facing in realigning fiscal policy with grand strategy.

While there will always be a reason to support increased spending in the face of some "threat," there is no greater threat that the U.S. faces today than economic disaster due to high levels of debt and the debasement of the U.S dollar. This is a problem that no bomb or bullet can fix. It is clear that the United States has a choice. The choice is this: Does the United States want to pursue a realignment of fiscal policy and grand strategy that will allow the U.S. to more closely mirror Britain's decline and maintenance as a regional power and world influence? Or does the United States prefer to continue profligate spending until it flat lines like Rome? Decline is already on the doorstep. The International Monetary Fund already stated in April of 2011 that China's economy will be larger than the U.S. economy by 2016.[864] The flawed strategic concept of exceptionalism has blinded Americans to the reality of both historical lessons and contemporary signals of decline. The final chapter will explore the range of possibilities available for the United States Empire, and make recommendations on how the United States could change its course, before history repeats itself again.

---

863 Ed Henry and Justin Fishel, "Obama Sends U.S. Troops to Central Africa to Aid Campaign Against Rebel Group," Politics, *FoxNews.Com*, October 14, 2011, Accessed December 9, 2011, http://www.foxnews.com/politics/2011/10/14/obama-sends-us-troops-to-central-africa-to-aid-campaign-against-rebel-group/.

864 Brett Arends, "IMF Bombshell: Age of America Nears End," *MarketWatch.Com, The Wall Street Journal*, April 25, 2011, 1, Accessed November 17, 2011, http://www.marketwatch.com/story/imf-bombshell-age-of-america-about-to-end-2011-04-25.

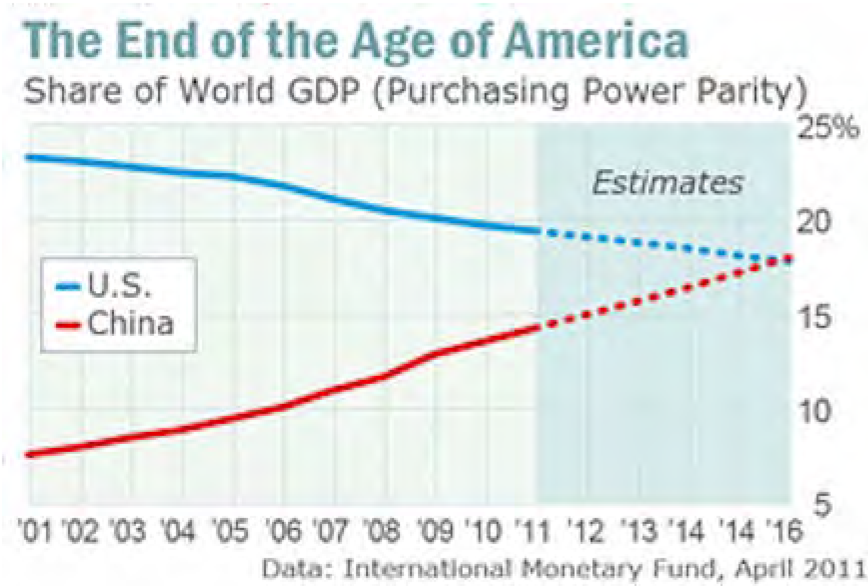

Figure 4. The End of the Age of America[865]

865 From Arends, "IMF Bombshell: Age of America Nears End," 1.

V. COMPARISON, CONCLUSIONS, AND RECOMMENDATIONS

A. INTRODUCTION

This chapter will seek to explore the similarities and differences between the case studies, make conclusions about them and recommendations for the United States moving forward. This chapter will also look at whether or not the hypothesis was sustained. This thesis set out to look at the collapse and decline of empires through the lenses of the relationship between fiscal policy and grand strategy, using a case study framework. The first two case studies, Rome, and Britain were explored in an effort to inform about the future of the third case study, the United States. This comparison was made in order to make a generalization about the theory that fiscal policy has a critical role to play in the sustainability of the United States Empire, which is the hypothesis of this thesis. Rome is useful in that it shows one end of the spectrum, that of collapse. Rome ended in chaos, with tribal nations attacking and taking over parts of it, and the Empire as a whole leaving behind nothing but archaeological ruins and old manuscripts. Britain is on the other end of the spectrum, that of a graceful degradation. The Empire did collapse, but the nation lived on and is still a strong nation today. Britain is also a good case study for the other end of the spectrum because the Empire dissolved under peaceful conditions, unlike Rome. These two cases allow for a wide range of options for the United States, which may fall on one end or the other of the spectrum or somewhere in the middle. The following comparisons, conclusions and recommendations will attempt to bring clarity to the position the United States is in, using the historical lenses of economic analysis, and hopefully will shed light on the path that needs to be taken by policy makers in order to avoid some of the clear mistakes made by Rome and Britain.

B. COMPARISONS

One method useful for comparison is using a table to compare the similarities and differences of all three cases studies. Please see Table 3 before reading further.

Category	**Rome**	**Britain**	**United States**
Era	Ancient 31 A.D to 476 A.D	Middle Ages to Modern 1588 to 1967	Modern 1776 to Present
Complex Society?	Yes	Yes	Yes
Loss of Complexity?	Yes	Yes	Potential Exists
Empire Collapsed?	Yes	Yes; nation survived	Potential Exists
Collapsed into Vacuum?	Yes	No	Potential Exists
Grand Strategy and Fiscal Policy Aligned: During Prosperity?	Yes	Yes	Yes
Aligned: During Crises?	No	No	No
Budgets: Type of Budget	Simple	Complex	Complex/Split (12 part)
Methods to meet budget shortfalls: Raised Taxes?	Yes	Yes	Yes
Debasement?	Yes	No	Yes
Loans?	No	Yes	Yes
Deficit spending used for Funding: Military?	Yes-(when including debasement)	Yes	Yes
For:Entitlements/Welfare?	Yes (same as above)	Yes	Yes
Taxation: Type of Tax System	Relatively Simple	Sophisticated	Very Sophisticated
Tax Exemptions?	Yes	Yes	Yes
Tax Evasion prevalent?	Yes	Yes	Yes
Large % of people pay no taxes?	Yes	Yes	Yes
Income Tax?	Yes	Yes	Yes
Corporate Income Tax?	N/A- No corporations	Yes	Yes
Income Tax high during growth?	No	No	No
CIT high during growth?	N/A	No	No
Majority of Taxes from Income/ Direct taxes during periods of growth?	%'s unknown- but tribute from new lands substantial	No- used custom duties from imports, indirect/ sales taxes on goods	No- used tariffs from imports, indirect/sales taxes on goods
Economy: Type of Economy during decline	Agrarian	Industrial to Financial & Services	Industrial to Financial & Services
Consumer Based?	No	Yes	Yes
Economy peaked before military?	Yes	Yes	Yes
Over reliance on one sector?	Yes, Agricultural Sector	Yes, Service Sector	Yes, Service Sector
Expansion a boon to economy?	Yes (during Republic)	Yes	Yes
Price Controls spurred inflation?	Yes (Diocletian)	No- did not use.	Yes (Nixon)
Experienced Hyperinflation?	Yes	No	Potential Exists

Table 3. Comparison of Rome, Britain and U.S.

After reviewing Table 3, it is evident that there are many similarities and differences between the three case studies. Rome is an ancient empire, while Britain and the United States are both modern empires, and although Britain was certainly an older empire, it did last until the middle of the twentieth century. Rome had a much more primitive monetary system in general than the other two. It had a simple budget, a relatively simple tax system and a financial sector that did not have the sophistication for modern loans or substantial credit. In these terms, the British and American cases are much closer to each other. While the British had a sophisticated budget, the U.S. budgetary system, with its 12 different budget resolutions covering different parts of the government, is even more complex and disjointed than the British. The British and U.S. tax systems were far more advanced than the Roman tax system. One example of this is that Rome did not have corporations in the modern sense, and therefore had no corporate income tax. Like the U.S., the British also had a modern financial system that could handle loans. The Roman economy was agrarian, and the British and American economies were relatively similar, with the exception that the British economy went through a period of mercantilism that the U.S. was a part of as a colony, but not really a part of once it became an independent nation. So far, it may seem that there is no common ground between the U.S. and Rome.

However, this is far from the truth. The U.S. and Rome both debased their currencies, something that Britain did not do. Rome had a wheat entitlement, something that can be related to the social welfare programs in Britain and the U.S. Both Rome and the U.S. used price controls during times of crisis to curb inflation but were unsuccessful. Rome also experienced hyperinflation, something that Britain did not. Although the U.S. has not seen hyperinflation yet, the third case study outlined some indicators that leave the U.S. vulnerable in this respect.

In addition to this, there is common ground to all three case studies. All three were complex societies. All of them had their grand strategies aligned in times of prosperity and misaligned during crises. For example, in the beginning of the Roman Empire, Emperor Augustus saw a time of unprecedented economic growth, and his grand strategy of consolidation was in line with his fiscal policy of encouraging economic growth within the empire. His successor Tiberius followed suit. Soon after however, grand strategy shifted toward survival while fiscal policy was a means to survive. This is really no alignment at all, and the poor policies of successive emperors began to kill the sector of the economy that accounted for most of the wealth of the empire. The British had their policies aligned well with strategy in the beginning, using colonies to weaken their opponents on the mainland of Europe. This continued until eventually their fiscal ability to pay for the security of the British Empire decreased, but the number of colonies did not. The United States sits in a similar situation today, with a massively contracting defense budget, and seemingly no equal decrease in missions. In fact, new missions are being embarked upon while spending is decreasing.

Deficit spending was used to pay for the military and the growing entitlements in all three empires. While the Roman budget was not sophisticated enough to record a deficit, it is akin to running out of money, which emperors did often. Debasing the currency, as Nero did, or selling palace furniture, as Marcus Aurelius was forced to do, is the real acceptance of a budget deficit by using other means to pay the bills. Therefore, all three empires experienced budget deficits and because of the nature of their strategies and their situations, all three expanded their militaries using budget deficits to meet real or perceived threats, a clear departure from sound fiscal policy. Although deficits were paid for in Rome by using debasement and in Britain by leveraging themselves with loans, the U.S. has used both methods.

Taxation is another area that all three empires find similarities, which outweigh the differences in the complexity of the system itself. Even Rome, which clearly had a much simpler tax system than the other two, had tax waivers that at one point accounted for a fourth of the budget, something eerily similar to the U.S. situation today. Another similarity besides the tax waivers, exemptions, deductions, credits or whatever name might be assigned to them, is that at the point of decline or collapse, both previous empires had a situation where a significant portion of the population was paying no taxes, which is also the case in the United States today, with 47 percent of Americans paying no taxes last year. All three empires saw the need to tax incomes, but did not do so at all, or did sparingly during the times of growth in the beginning of the empires. For example, Rome got a significant portion of tax revenues from the tribute from captured lands, which continued even after the Roman Republic became the Roman Empire. Later however, the burden fell to the farmers to pay the taxes for Rome. In the beginning, Britain was able to tax mostly imported goods using custom duties, indirect taxes on the consumption of luxuries and varying levels of land taxes. Later, as the government needed more revenue, this was shifted toward personal and corporate incomes. The United States is similar as well, relying on tariffs on imported goods and sales taxes on the consumption of certain luxury items in the beginning, but later shifted to direct taxation of both corporate and personal incomes. This essentially equates to a low or non-existent level of taxation on incomes during periods of great economic growth, and a higher level of income taxation during periods of low or no growth.

The economies, while very different, provide some powerful similarities as well. Putting aside the fact that the Roman economy was primitive compared to Britain and the U.S., it is important to understand that the structures were similar. All three societies relied heavily on one sector of the economy. This similarity outweighs the differences in the types of economies, because it draws on the concept of risk diversification, regularly cited in today's investment world. By having most of the economy structured around one type of economic activity, the risk is much higher than an economy that is diversified across many different types of activities. This is masked in modern days by the fact that the economy at face value is vastly complex, and seemingly diversified. However, at the core of what the current U.S. economy is made up of, the service sector dominates with 79.1 percent of the total employees. This was made clear at the end of the last chapter, and just like droughts or plagues, or war sufficiently shocked the Roman economy, the 2008 financial crisis shocked the U.S. economy enough that it decreased the service sectors percentage of GDP by over 10 percent in a few short years.

Essentially, while it may be easy to look at the big picture and discount the similarities between the Roman and British Empires with the current U.S. experience, history tells a different story. Once the differences are accounted for, and in many cases they are just nuance, the similarities are significant. It is difficult to ignore how closely the U.S. is following in the steps of these two once great, but fallen empires.

C. CONCLUSIONS

It is the conclusion of this author that the similarities displayed in the case studies support the hypothesis that fiscal policy plays a critical role in the sustainability of the United States Empire. Judging from the historical case studies, it not only plays a critical role, but may in fact play *the most critical* role in the sustainability of empires. Fiscal policy and monetary policy are the critical underpinnings to an empires economy, and therefore drive the health and wealth of the economy. However, in the same fashion, fiscal policy is also reliant upon the economy to gain its revenues, and therefore the economy is also where the government derives its wealth from. That being said, it is imperative for the United States government to recognize that because fiscal policy is critical to the sustainability of the United States and its ability to prosecute a national grand strategy, it is of utmost importance to return the current U.S. fiscal situation to a responsible state of affairs.

There was also a corollary to the hypothesis stated at the beginning of this thesis, and that was whether or not the National Strategic Narrative can be used to make recommendations about fiscal policy that would positively affect the course the United States of America. Before answering this, it is important to reiterate the relationship between fiscal policy and grand strategy. As was shown in the case studies, when fiscal policy and grand strategy were aligned, empires could achieve greatness, and their economies boomed. However, in the same vein, when grand strategy went in a different direction than sound fiscal policy, the economy suffered through stagnation or slow growth, the government suffered through smaller revenues, the military suffered with significant budget cuts, and the empire eventually suffered through strategic defeat, collapse or decline in greatness.

This is essential for policy makers to recognize, as the realignment of grand strategy and fiscal policy is the only way to maintain some level of greatness without going bankrupt from overstretching the fiscal abilities of the empire. There is more to security than military might. Prosperity, specifically economic prosperity, is the key to a sustainable future for any empire, and as this thesis has shown, when empires had a prosperous economy, they also were secure militarily. It is when the economy was weakened, and the military is cut in the face of smaller tax revenues that true challengers start to make considerable dents in the armor of the strongest empires. This thesis has shown that grand strategy and fiscal policy are inextricably linked. For example, when the British started cutting the size of the aging fleets amid a budget crisis following the Boer War, they were no longer capable of defending all of the colonies of their far flung empire. They started to draw down their military, but did not take steps to draw down their missions in conjunction with this. In the case of the British, this would have meant turning loose some of the colonies that were outside the realm of their protection. This does not mean they would have had to sever all ties, as the British could have continued to trade with these new formed countries, but the British would have no longer been politically, militarily or strategically responsible for their former colonies.

Based on this historical example, the U.S. needs to learn from the British experience and fundamentally realign its military strategy with its financial capabilities or it may find itself in the same situation as the British were prior to World War I. This will mean cutting missions, not just men. Ultimately this means that the U.S. will have to downsize its military, but it will also mean closing foreign bases, ending missions and bringing troops home from places where the U.S. may have had a clear presence for a long time. What missions should be cut or which bases should be closed is outside the scope of this thesis. However, it is clear that without cutting missions, there not only be the "phantom" of cost savings, by hollowing out the military force and leaving the structure intact, but the U.S. will be left strategically vulnerable. This vulnerability may not be realized until it is too late, as it was in the case of the British in World War II. Although they were vulnerable going into World War I, the support they got from the colonies masked the fact that World War I was only a world war because the world got involved. It was mainly a regional war fought on a global level, because the fighting really did not leave Europe. However, when World War II was fought, and the British Empire was pressed in on all sides by enemies in both Europe and the Pacific, it was too late to recover.

The United States has a similar situation in that it is spread all across the world, with bases in 135 countries and "strategic" interests almost everywhere. Literally anything can be justified as a strategic interest in this day and age. This was alluded to in the last paragraph of the U.S. case study, as new “threats” surface nearly every day. That type of thinking is not only dead, but decaying:

> In our complex, interdependent, and constantly changing global environment, security is not achievable for one nation or by one people alone; rather it must be recognized as a common interest among all peoples. Otherwise, security is not sustainable, and without it there can be no peace of mind.[866]

The United States needs to consider a method with which to frame this paradigm shift in thinking. It truly will need to be a paradigm shift. In order to realign grand strategy with fiscal policy, an attitude of sustainment will have to pervade over the old and established attitude of containment. Although the Cold War ended 20 years ago, the attitude still permeates every level of the military, with policymakers still thinking that they can use the military to “control” foreign entities. Control is relative, but the U.S. certainly no longer possesses the financial capability to control others by using superior military forces (it is questionable if the U.S. ever really did). This is supremely evident in the current conflicts in Iraq and Afghanistan, where the best trained military force ever to set foot on the earth, with the most advanced technology that has ever been used in warfare in the history of the world, cannot control two insurgencies run by Islamic fundamentalists who have neither military capability, the financial capability, nor the technological capability to match the U.S. force on force. However, after 10 years in Afghanistan alone, and less than a month from pulling out of Iraq, the U.S. still manages to lose soldiers every month to insurgent attacks.

Ultimately, the grand strategy of the Global War on Terror “has a bog of bankruptcy.” As Lord Stamp recognized going into World War II, the U.S. needs to recognize today that it cannot kill enough terrorists to end the Global War on Terror. Ideologies cannot be stamped out by force, unless they are eliminated through genocide. The U.S. government needs to realize that the grand strategy going forward needs to

[866] Porter and Mykleby “A National Strategic Narrative,” 8.

reflect strategic partnerships, where other partners actually participate on their own, without U.S. assistance.

If the U.S. attempts to continue to strategically hold the hand of every nation in the world, the U.S. will fail. However, if the U.S. were to adopt the National Strategic Narrative, and move forward in identifying what missions need to be turned over to allies and partners, then there is hope for the sustainability of the United States Empire. The National Strategic Narrative fundamentally can provide a framework with which fiscal policy and grand strategy can be realigned. Therefore, the corollary to the hypothesis is also sustained. How the National Strategic Narrative could shape a framework for the fundamental realignment of fiscal policy and grand strategy will be explored in the final section, Recommendations for the United States of America.

Finally, in order to end the conclusions completely, complexity and collapse need to be revisited. The U.S. is in a complex and interdependent world. Globalization is real. This means that, as Tainter states, the next collapse could very well be a global collapse.[867] This does not mean that the collapse of the United States Empire has to involve a global collapse, mass anarchy and a return to the Stone Age. There is the other end of the spectrum to consider, that of graceful degradation. Will the U.S. go quietly into the night, slipping slowly from its number one status? Or will the U.S. fight to maintain its global predominance? Only time will tell. The good thing is that there is a spectrum, and not a single point where the fall of all empires must end up. That being said, the U.S. is not only in relative decline, but in the opinion of the author, in real decline, and soon will face reality, whether by global economic collapse, by slipping to the number two economy in 2016 because of an ascendant China, or by some other means. The very nature of the complex and interconnected nature that the Internet and computers in general have brought to the world also means that collapse has the potential to happen far more quickly this time around than in the past. The speed of information is partly responsible for the speed of collapse. With electrons moving at incalculable speed through fiber optics Internet cables worldwide, a collapse could happen in the space of

[867] Tainter, *Collapse of Complex Societies*, 214.

hours or days as opposed to months or years. Without any way to predict what will happen, the best course of action is for the United States to fundamentally return to a course of sound and responsible fiscal policies.

D. RECOMMENDATIONS FOR THE UNITED STATES OF AMERICA

How can the United States return to a course of sound and responsible fiscal policies? The answer lies with history. By analyzing the historical faults of the Roman and British Empires, a lot can be learned from their mistakes. First and foremost, fiscal policy and grand strategy need to be reunited. This could happen, but it will take a fundamental paradigm shift in the way the U.S. thinks about strategy.

The National Strategic Narrative provides that shift. By focusing on sustainability instead of capability, and opportunities instead of threats, the National Strategic Narrative paints a picture of a national dialogue where "life, liberty and the pursuit of happiness" or as Porter and Mykleby distill down to prosperity and security, drive the nation to meet its goals. Prosperity and security, they argue, are the United States two fundamental and enduring national priorities. Prosperity and security sound a lot like fiscal policy and grand strategy. Is this a coincidence? History tells us that it is not. What Porter and Mykleby fundamentally understood when they wrote the National Strategic Narrative, is that history has shown that prosperity and security go hand in hand. They *require* each other in order to be successful. For example, no matter how great or small a level, if someone makes money, they need to safeguard that money so it will not be stolen. The only way to do so is to protect that money. This is typically achieved by spending money for a safe, or dog, or gun, or bodyguard or bank account. At the same time, a mansion with body guards, a high tech laser security system and a pack of rabid attack dogs is useless if the mansion is empty, due to the owner selling all his valuable possessions to pay for the security system.

The National Strategic Narrative recognizes this, and calls for a realignment of U.S. strategy to reflect the environment the U.S. is in, not the environment the U.S. came from. Heisenberg uncertainty principle is famous for recognizing "that it is impossible to determine with perfect accuracy both the position and momentum of a particle at any given point in time."[868] In the same vein, the National Strategic Narrative is calling for the U.S. to stop focusing on its *position* and start focusing on its *momentum*. This document will not solve the problems of the United States. It is only the first step in the right direction. However, by generating a national conversation around the fundamental and enduring ideals that form what is called America, the National Strategic Narrative has the potential to unlock the greatest treasure of its people, their ideas. America was founded by great men with great ideas. America will only find its resurgence in allowing new great men and women to shape a national conversation rooted in sound fiscal principles.

The current path the U.S. is on is unsustainable, as is evidenced by the condemning analysis in the historical case studies. However, by utilizing historical lessons from these and other case studies yet to be looked at, the U.S. has the potential to learn from the past while shifting its momentum in a sustainable direction for the future. Some of the fundamental principles found in the case studies are as follows. The first lesson, as the Romans found out, is that debasing currency only leads to currency collapse. The Federal Reserve needs to stop debasing the U.S. dollar, or history tells us that it too will eventually collapse, or at the very least will lead to significant inflation, and possibly even hyperinflation.

The tax structure needs to be fundamentally reformed. The best way to reform 11,000 pages is probably to throw them in the recycling and start over again. While Augustus was very successful in implementing a flat tax, the British were equally successful in taxing the consumption of goods. A national flat tax, or a national sales tax should be considered when reforming the U.S. tax code. While this thesis did not study tax policy in depth enough to make a determination of what is the best tax policy, history has shown that both can be effective. More research into the best possible tax structure should be made with the goal of reducing the tax burden and providing a sustainable source of revenues, unable to be altered by interest groups. This could mean that a constitutional amendment to make it unconstitutional to carve out any exemptions from

[868] Anne Marie Helmenstine, "Heisenberg Uncertainty Principle Definition," About.com, Copyright 2011, Accessed December 3, 2011, http://chemistry.about.com/od/dictionariesglossaries/g/bldefhup.htm.

the tax code may be needed to keep the tax code free from all distortions, allowing politicians to only raise or lower the rate of taxation, but not touch the code itself. The reason a constitutional amendment is recommended for re-writing the tax code, is so that it is sufficiently difficult for the tax code to be changed and distorted. The tax base also needs to be widened, as in both Rome and Britain a significant portion of the population both legally and illegally, evaded taxes, which was a structural problem that hurt revenues. A constitutional amendment could eliminate that problem. Also, a lower corporate tax should be considered to allow for the reinvestment of corporations in America. With the second highest corporate tax rate in the world,[869] and the fifth highest on new investments,[870] it is really no mystery why the U.S. manufacturing jobs have been moving overseas over the past 30 to 40 years. In the British case study and the American case study (as Rome did not have corporations), the taxation of corporate profits was not permanently implemented until after both economies had grown to their full or nearly full potential. This would suggest that high corporate tax rates are a drag on economic growth. This is another area that should be studied further, and while this thesis did not dig deep enough to find the definitive answer with regards to this assertion, the historical trend is at least present on the surface. If further research sustains this assertion, then a lower corporate tax rate might have the potential to bring an inflow of corporate investment funding back into the United States.

The U.S. budgetary process also needs to be reformed. It is critical that the U.S. budget get balanced. This is the only way to get out of debt. In fact, there would need to be an eventual surplus in funding to pay down the principal balance in order to get out of debt. No historical example is needed to support this assertion, as this is just a fundamental principle of finance. However, the case studies support it anyway, as balanced budgets were another feature that was seen regularly in prosperous times of the case studies. In the early days of both the British and U.S. Empires, deficits were only

---

[869] David Kocieniewski, "U.S. Business Has High Tax Rates but Pays Less," Economy, *The New York Times*, May 2, 2011, Accessed December 9, 2011, http://www.nytimes.com/2011/05/03/business/economy/03rates.html.

[870] Seeking Alpha.com, "High U.S. Corporate Tax Rate a Barrier to Economic Growth?" *Seeking Alpha.com*, March 13, 2011, Accessed December 9, 2011, http://seekingalpha.com/article/257977-high-u-s-corporate-tax-rate-a-barrier-to-economic-growth.

seen during wars, and then subsequently the debt was paid off after the war was over. In keeping with this line of reasoning, it is recommended that the U.S. pass a Balanced Budget Amendment to the Constitution, as it is keenly evident that policymakers are more concerned with their reelection than the sustainable future of the United States, something President Eisenhower noted in his farewell speech upon leaving office over 50 years ago.

The only way to make the budgets sustainable are to prioritize spending that is essential to the grand strategy of the United States, and cut spending that is not. This sounds easier that it really is, and therefore, the National Strategic Narrative could help in guiding this process. As was seen in the British case, cutting the funding for the military in times of austerity is a popular sport for politicians, but this alone cannot balance the U.S. budget. In fact, every last dime of the DOD budget could be cut (which would obviously have a significant impact on U.S. security), and the budget would only be halfway to being balanced. This means that while it is convenient to cut the military, it is not feasible to only look to the military for cost savings. The bigger problem is the entitlements that are contained in mandatory spending, namely Social Security, Medicare and Medicaid, along with a host of other smaller Federal entitlement programs. Everyone knows that this is the largest portion of the budget but no one is willing to tell the American people that relying on Social Security and Medicare for retirement is no longer affordable. This too was seen in the case of Rome specifically, and although Britain also had its own social welfare programs, this thesis did not discuss them in any detail. However, the Roman Emperor's had a hard time controlling the amount of people who were on the "dole" and in some cases, they enlarged the dole, to the budgetary detriment of the Roman Empire. While it is true that 48.5 percent of Americans are currently dependent upon some form of government benefit,[871] entitlement spending, is not an essential government function, and further study should be undertaken to determine the best way to phase them out, or at the very least, decrease the level of future

[871] Sarah Murray, "Nearly Half of U.S. Lives in Household Receiving Government Benefit," Politics: Fox Nation, *FoxNews.com*, October 5, 2011, Accessed December 3, 2011, http://nation.foxnews.com/government-programs/2011/10/05/nearly-half-us-lives-household-receiving-government-benefit.

benefits, because they are not sustainable. If all that the U.S. government spent its money on was looked at through the lens of sustainability, a lot of cuts could be made to responsibly balance the budget, something that will eventually need to be done. No person or corporation can continue to borrow without paying off any debt indefinitely, or they will eventually go bankrupt. The same is true for governments, but they have a much larger bank account and credit limit, so it just takes longer to get there.

The structural problems in the U.S. economy also need to be addressed. As long as the service sector, and more specifically the financial services subsector, dominates the U.S. economy, and manufacturing continues to leave America's shores, the economy will continue to be vulnerable to shocks to the system like the one that was seen in 2008, due to a lack of economic diversification. This was seen in Rome as has already been mentioned several times, but was also seen in Britain, as the cause of their economic decline was basically the same as the U.S. only Britain did it first. By sending their investments overseas, and growing their financial services sector, Britain sent much of their manufacturing overseas, just as the U.S. has done, except once again, the British did it first. The U.S. should learn from this example, which is *exactly* the same as what the U.S. is continuing to do today. Additionally, the U.S. economy is highly regulated. Although not explored in any great depth, this thesis did mention the business government partnership in the early part of the British Empire which helped to grow the economy. This means that while it appears the case studies support less regulation, much more research would be needed to determine the right answer to this question. However, the fact is, U.S. regulations cost businesses $1.75 trillion dollars in 2008.[872] While the merits or political feelings about more or less regulation tend to cloud people's decisions, essentially, a bipartisan economic study should be done on a wide range of U.S. regulations across the economy to determine the cost benefit analysis of the regulations themselves. If this were accomplished, then a well informed decision about this topic could be made.

[872] Elaine L. Chao, "Another Jobless Labor Day For America," Opinion, *FoxNews.Com*, September 2, 2011, Accessed December 3, 2011, http://www.foxnews.com/opinion/2011/09/02/another-jobless-labor-day-for-america/.

Another recommendation comes directly from the Roman case study. When Diocletian increased the size of the Roman government, he did so to better be able to handle a crisis. However, this had the ultimate effect of significantly increasing the budgetary pressure due to the increase in the size of the bureaucracy. The size of the U.S. government has increased significantly since the start of the fiscal crisis at 11.7 percent, or the equivalent of 230,000 jobs, however during this same time period the private sector has lost 6.6 percent or the equivalent of 7.5 million jobs.[873] That U.S. government jobs have increased since the crisis does not mean that they were all created because of the crisis, as they were in the days of Diocletian. However, just as the military has grown in recent years and will need to be cut in size, the federal workforce will also need to be cut. One argument that regularly is made against cutting federal employees is that those jobs will just be filled by contractors. As of June 2011, the U.S. federal payrolls had 2.1 million workers while contractors had 10.5 million workers.[874] This is not a solution at all, and is yet another reason why it is essential to rewrite U.S. grand strategy to synchronize with fiscal policy. Firing a federal employee and replacing their position with a contractor is not a cost savings and is not sound fiscal policy. Firing a federal employee and terminating their position is a cost savings and will be required, as essentially, no area of the budget should be considered sacrosanct. Adding to the bureaucracy when revenues are decreasing due to a recession is not sound fiscal policy any more than pursuing two wars with no tax increases to pay for them is. The blame does not lie with one president, on political party or one political ideology.

If the United States wants to fundamentally return to sound fiscal policies, it will require lawmakers finding a way come up with a bipartisan solution to effectively find real savings, and effectively find ways to reform the tax code to permit real revenue increases. The true answer comes with analyzing history and implementing sound fiscal policy to cut the budget in such a way that spending actually decreases and revenue

[873] Conn Carroll,"Federal Workforce Continues to Grow Under Obama Budget," The Foundry (blog), *Heritage.org*, February 22, 2011, Accessed December 3, 2011, http://blog.heritage.org/2011/02/22/federal-workforce-continues-to-grow-under-obama-budget/.

[874] Alicia Mazzara, "The Myth of "Rightsizing" the Federal Workforce," Politics: Huff Post (blog) , *Huffington Post.com*, June 3, 2011, Accessed December 3, 2011, http://www.huffingtonpost.com/steve-ressler/the-myth-of-rightsizing-t_b_870983.html.

actually increases. Raising taxes and cutting spending is truly a bipartisan solution, but will not be popular with anyone. Ultimately, many of the recommendations in this thesis are just that, not popular. However, they are sound fiscal policies, backed by historical economic case studies. More research should be done in this area to determine a range of options available to meet the policy priorities as spelled out in a new grand strategy. In order to do that, a new grand strategy has to be crafted. The only way that a new strategy will be successful is by coming up with a bipartisan agreement on what that strategy should look like. The National Strategic Narrative can provide the framework with which to realign fiscal policy and grand strategy in such a way that the nation's priorities are focused on, with an attempt to leverage opportunities and create a national momentum in the direction of sustainability. If Americans really want to sustain the United States of America "for ourselves and our posterity," as the preamble to the U.S. Constitution states, then tough, unpopular, and sound fiscal policies will need to be implemented. No person, party, faction, special interest group, rhetoric or ideology should come between the National Strategic Narratives goal of creating a National Prosperity and Security Act, which would lawfully direct the United States in a new strategic direction. Fiscal policy is the keystone in the archway of grand strategy, with a solid foundation representing the prosperity that it is built upon and a strong door providing the security for those who would enter. Stone masons knew that without a keystone and archway would collapse, and likewise, without sound fiscal policy, the grand strategy of the United States will collapse into a pile of rubble. The National Strategic Narrative can provide the mortar to hold the archway together if given the opportunity, but only if politicians and the American people come together and decide to pick up the trowel.

APPENDIX A. NATIONAL STRATEGIC NARRATIVE BY MR. Y

Published April 8, 2011 by the Woodrow Wilson International Center for Scholars, with Preface by Ann-Marie Slaughter.

A. PREFACE

By Anne-Marie Slaughter, Bert G. Kerstetter ’66 University Professor of Politics and International Affairs Princeton University, Director of Policy Planning, U.S. Department of State, 2009–2011.

The United States needs a national strategic narrative. We have a national security strategy, which sets forth four core national interests and outlines a number of dimensions of an overarching strategy to advance those interests in the twenty-first century world. But that is a document written by specialists for specialists. It does not answer a fundamental question that more and more Americans are asking. Where is the United States going in the world? How can we get there? What are the guiding stars that will illuminate the path along the way? We need a story with a beginning, middle, and projected happy ending that will transcend our political divisions, orient us as a nation, and give us both a common direction and the confidence and commitment to get to our destination.

These questions require new answers because of the universal awareness that we are living through a time of rapid and universal change. The assumptions of the twentieth century, of the U.S. as a bulwark first against fascism and then against communism, make little sense in a world in which World War II and its aftermath is as distant to young generations today as the War of 1870 was to the men who designed the United Nations and the international order in the late 1940s.

Consider the description of the U.S. president as “the leader of the free world,” a phrase that encapsulated U.S. power and the structure of the global order for decades. Yet anyone under thirty today, a majority of the world’s population, likely has no idea what it means. Moreover, the U.S. is experiencing its latest round of “declinism,” the periodic certainty that we are losing all the things that have made us a great nation. In a National

Journal poll conducted in 2010, 47 percent of Americans rated China's economy as the world's strongest economy, even though today the U.S. economy is still 2 ½ times larger than the Chinese economy with only 1/6 of the population. Our crumbling roads and bridges reflect a crumbling self-confidence. Our education reformers often seem to despair that we can ever educate new generations effectively for the twenty-first century economy. Our health care system lags increasingly behind that of other developed nations – even behind British National Health in terms of the respective overall health of the British and American populations.

Against this backdrop, Captain Porter's and Colonel Mykleby's "Y article" could not come at a more propitious time. In 1947 George Kennan published "The Sources of Soviet Conduct" in Foreign Affairs under the pseudonym X, so as not to reveal his identity as a U.S. Foreign Service Officer. The X article gave us an intellectual framework within which to understand the rise and eventual fall of the Soviet Union and a strategy to hasten that objective. Based on that foundation, the strategic narrative of the Cold War was that the United States was the leader of the free world against the communist world; that we would invest in containing the Soviet Union and limiting its expansion while building a dynamic economy and as just, and prosperous a society as possible. We often departed from that narrative in practice, as George Kennan was one of the first to recognize. But it was a narrative that fit the facts of the world we perceived well enough to create and maintain a loose bipartisan national consensus for forty years.

Porter and Mykleby give us a non-partisan blueprint for understanding and reacting to the changes of the twenty-first century world. In one sentence, the strategic narrative of the United States in the twenty-first century is that we want to become the strongest competitor and most influential player in a deeply inter-connected global system, which requires that we invest less in defense and more in sustainable prosperity and the tools of effective global engagement.

At first reading, this sentence may not seem to mark much of a change. But look closer. The Y article narrative responds directly to five major transitions in the global system:

1) From control in a closed system to credible influence in an open system. The authors argue that Kennan's strategy of containment was designed for a closed system, in which we assumed that we could control events through deterrence, defense, and dominance of the international system. The 21st century is an open system, in which unpredictable external events/phenomena are constantly disturbing and disrupting the system. In this world control is impossible; the best we can do is to build credible influence – the ability to shape and guide global trends in the direction that serves our values and interests (prosperity and security) within an interdependent strategic ecosystem. In other words, the U.S. should stop trying to dominate and direct global events. The best we can do is to build our capital so that we can influence events as they arise.

2) From containment to sustainment. The move from control to credible influence as a fundamental strategic goal requires a shift from containment to sustainment (sustainability). Instead of trying to contain others (the Soviet Union, terrorists, China, etc), we need to focus on sustaining ourselves in ways that build our strengths and underpin credible influence. That shift in turn means that the starting point for our strategy should be internal rather than external. The 2010 National Security Strategy did indeed focus on national renewal and global leadership, but this account makes an even stronger case for why we have to focus first and foremost on investing our resources domestically in those national resources that can be sustained, such as our youth and our natural resources (ranging from crops, livestock, and potable water to sources of energy and materials for industry). We can and must still engage internationally, of course, but only after a careful weighing of costs and benefits and with as many partners as possible. Credible influence also requires that we model the behavior we recommend for others, and that we pay close attention to the gap between our words and our deeds.

3) From deterrence and defense to civilian engagement and competition. Here in many ways is the hard nub of this narrative. Chairman of the Joint Chiefs Admiral Mike Mullen has already said publicly that the U.S. deficit is our biggest national security threat. He and Secretary of Defense Robert Gates have also given speeches and written articles calling for "demilitarizing American foreign policy" and investing more in the

tools of civilian engagements – diplomacy and defense. As we modernize our military and cut spending the tools of twentieth 20th century warfare, we must also invest in a security complex that includes all domestic and foreign policy assets. Our credibility also requires a willingness to compete with others. Instead of defeatism and protectionism, we must embrace competition as a way to make ourselves stronger and better (e.g. Ford today, now competing with Toyota on electric cars). A willingness to compete means a new narrative on trade and a new willingness to invest in the skills, education, energy sources, and infrastructure necessary to make our products competitive.

4) From zero sum to positive sum global politics/economics. An interdependent world creates many converging interests and opportunities for positive-sum rather than zero-sum competition. The threats that come from interdependence (economic instability, global pandemics, global terrorist and criminal networks) also create common interests in countering those threats domestically and internationally. President Obama has often emphasized the significance of moving toward positive sum politics. To take only one example, the rise of China as a major economic power has been overall very positive for the U.S. economy and the prosperity and stability of East Asia. The United States must be careful to guard our interests and those of our allies, but we miss great opportunities if we assume that the rise of some necessarily means the decline of others.

5) From national security to national prosperity and security. The piece closes with a call for a National Prosperity and Security Act to replace the National Security Act of 1947. The term “national security” only entered the foreign policy lexicon after 1947 to reflect the merger of defense and foreign affairs. Today our security lies as much or more in our prosperity as in our military capabilities. Our vocabulary, our institutions, and our assumptions must reflect that shift. “National security” has become a trump card, justifying military spending even as the domestic foundations of our national strength are crumbling. “National prosperity and security” reminds us where our true security begins. Foreign policy pundits have long called for an overhaul of NSC 68, the blueprint for the national security state that accompanied the grand strategy of containment. If we are truly to become the strongest competitor and most influential player in the deeply interconnected world of the twenty-first century, then we need a new blueprint.

A narrative is a story. A national strategic narrative must be a story that all Americans can understand and identify with in their own lives. America's national story has always see- sawed between exceptionalism and universalism. We think that we are an exceptional nation, but core part of that exceptionalism is a commitment to universal values – to the equality of all human beings not just within the borders of the United States, but around the world. We should thus embrace the rise of other nations when that rise is powered by expanded prosperity, opportunity, and dignity for their peoples. In such a world we do not need to see ourselves as the automatic leader of any bloc of nations. We should be prepared instead to earn our influence through our ability to compete with other nations, the evident prosperity and wellbeing of our people, and our ability to engage not just with states but with societies in all their richness and complexity. We do not want to be the sole superpower that billions of people around the world have learned to hate from fear of our military might. We seek instead to be the nation other nations listen to, rely on and emulate out of respect and admiration.

The Y article is the first step down that new path. It is written by two military men who have put their lives on the line in the defense of their country and who are non-partisan by profession and conviction. Their insights and ideas should spark a national conversation. All it takes is for politicians, pundits, journalists, businesspeople, civic leaders, and engaged citizens across the country to read and respond.

B. A NATIONAL STRATEGIC NARRATIVE

By Mr. Y

This Strategic Narrative is intended to frame our National policy decisions regarding investment, security, economic development, the environment, and engagement well into this century. It is built upon the premise that we must sustain our enduring national interests – prosperity and security – within a "strategic ecosystem," at home and abroad; that in complexity and uncertainty, there are opportunities and hope, as well as challenges, risk, and threat. The primary approach this Strategic Narrative advocates to achieve sustainable prosperity and security, is through the application of credible influence and strength, the pursuit of fair competition, acknowledgement of interdependencies and converging interests, and adaptation to complex, dynamic systems – all bounded by our national values.

1. From Containment to Sustainment: Control to Credible Influence

For those who believe that hope is not a strategy, America must seem a strange contradiction of anachronistic values and enduring interests amidst a constantly changing global environment. America is a country conceived in liberty, founded on hope, and built upon the notion that anything is possible with enough hard work and imagination. Over time we have continued to learn and mature even as we strive to remain true to those values our founding fathers set forth in the Declaration of Independence and our Constitution.

America's national strategy in the second half of the last century was anchored in the belief that our global environment is a closed system to be controlled by mankind – through technology, power, and determination – to achieve security and prosperity. From that perspective, anything that challenged our national interests was perceived as a threat or a risk to be managed. For forty years our nation prospered and was kept secure through a strategy of containment. That strategy relied on control, deterrence, and the conviction that given the choice, people the world over share our vision for a better tomorrow. America emerged from the twentieth century as the most powerful nation on earth. But we failed to recognize that dominance, like fossil fuel, is not a sustainable source of energy. The new century brought with it a reminder that the world, in fact, is a complex, open system – constantly changing. And change brings with it uncertainty. What we really failed to recognize, is that in uncertainty and change, there is opportunity and hope.

It is time for America to re-focus our national interests and principles through a long lens on the global environment of tomorrow. It is time to move beyond a strategy of containment to a strategy of sustainment (sustainability); from an emphasis on power and control to an emphasis on strength and influence; from a defensive posture of exclusion, to a proactive posture of engagement. We must recognize that security means more than defense, and sustaining security requires adaptation and evolution, the leverage of converging interests and interdependencies. To grow we must accept that competitors are not necessarily adversaries, and that a winner does not demand a loser. We must regain our credibility as a leader among peers, a beacon of hope, rather than an island fortress. It is only by balancing our interests with our principles that we can truly hope to sustain our growth as a nation and to restore our credibility as a world leader.

As we focus on the opportunities within our strategic environment, however, we must also address risk and threat. It is important to recognize that developing credible influence to pursue our enduring national interests in a sustainable manner requires strength with restraint, power with patience, deterrence with detente. The economic, diplomatic, educational, military, and commercial tools through which we foster that credibility must always be tempered and hardened by the values that define us as a people.

2. Our Values and Enduring National Interests

America was founded on the core values and principles enshrined in our Constitution and proven through war and peace. These values have served as both our anchor and our compass, at home and abroad, for more than two centuries. Our values define our national character, and they are our source of credibility and legitimacy in everything we do. Our values provide the bounds within which we pursue our enduring national interests. When these values are no longer sustainable, we have failed as a nation, because without our values, America has no credibility. As we continue to evolve, these values are reflected in a wider global application: tolerance for all cultures, races, and religions; global opportunity for self-fulfillment; human dignity and freedom from exploitation; justice with compassion and equality under internationally recognized rule of law; sovereignty without tyranny, with assured freedom of expression; and an environment for entrepreneurial freedom and global prosperity, with access to markets, plentiful water and arable soil, clean and abundant energy, and adequate health services.

From the earliest days of the Republic, America has depended on a vibrant free market and an indomitable entrepreneurial spirit to be the engines of our prosperity. Our strength as a world leader is largely derived from the central role we play in the global economy. Since the Bretton Woods agreement of 1944, the United States has been viewed as an anchor of global economic security and the U.S. dollar has served as an internationally recognized medium of exchange, the monetary standard. The American economy is the strongest in the world and likely to remain so well into the foreseeable future. Yet, while the dramatic acceleration of globalization over the last fifteen years has provided for the cultural, intellectual and social comingling among people on every continent, of every race, and of every ideology, it has also increased international economic interdependence and has made a narrowly domestic economic perspective an unattractive impossibility. Without growth and competition economies stagnate and wither, so sustaining America's prosperity requires a healthy global economy. Prosperity at home and through global economic competition and development is then, one of America's enduring national interests.

It follows logically that prosperity without security is unsustainable. Security is a state of mind, as much as it is a physical aspect of our environment. For Americans, security is very closely related to freedom, because security represents freedom from anxiety and external threat, freedom from disease and poverty, freedom from tyranny and oppression, freedom of expression but also freedom from hurtful ideologies, prejudice and violations of human rights. Security cannot be safeguarded by borders or natural barriers; freedom cannot be secured with locks or by force alone. In our complex, interdependent, and constantly changing global environment, security is not achievable for one nation or by one people alone; rather it must be recognized as a common interest among all peoples. Otherwise, security is not sustainable, and without it there can be no peace of mind. Security, then, is our other enduring national interest.

3. Our Three Investment Priorities

As Americans we have access to a vast array of resources. Perhaps the most important first step we can take, as part of a National Strategy, is to identify which of these resources are renewable and sustainable, and which are finite and diminishing. Without doubt, our greatest resource is America's young people, who will shape and execute the vision needed to take this nation forward into an uncertain future. But this may require a reawakening, of sorts. Perhaps because our nation has been so blessed over time, many of us have forgotten that rewards must be earned, there is no “free ride” – that fair competition and hard work bring with them a true sense of accomplishment. We can no longer expect the ingenuity and labor of past generations to sustain our growth as a nation for generations to come. We must embrace the reality that with opportunity comes challenge, and that retooling our competitiveness requires a commitment and investment in the future.

Inherent in our children is the innovation, drive, and imagination that have made, and will continue to make, this country great. By investing energy, talent, and dollars now in the education and training of young Americans – the scientists, statesmen, industrialists, farmers, inventors, educators, clergy, artists, service members, and parents, of tomorrow – we are truly investing in our ability to successfully compete in, and influence, the strategic environment of the future. Our first investment priority, then, is intellectual capital and a sustainable infrastructure of education, health and social services to provide for the continuing development and growth of America’s youth.

Our second investment priority is ensuring the nation’s sustainable security – on our own soil and wherever Americans and their interests take them. As has been stated already, Americans view security in the broader context of freedom and peace of mind. Rather than focusing primarily on defense, the security we seek can only be sustained through a whole of nation approach to our domestic and foreign policies. This requires a different approach to problem solving than we have pursued previously and a hard look at the distribution of our national treasure. For too long, we have underutilized sectors of our government and our citizenry writ large, focusing intensely on defense and protectionism rather than on development and diplomacy. This has been true in our approach to domestic and foreign trade, agriculture and energy, science and technology, immigration and education, public health and crisis response, Homeland Security and military force posture. Security touches each of these and must be addressed by leveraging all the strengths of our nation, not simply those intended to keep perceived threat a safe arm’s length away.

America is a resplendent, plentiful and fertile land, rich with natural resources, bounded by vast ocean spaces. Together these gifts are ours to be enjoyed for their majesty, cultivated and harvested for their abundance, and preserved for following generations. Many of these resources are renewable, some are not. But all must be respected as part of a global ecosystem that is being tasked to support a world population projected to reach nine billion peoples midway through this century. These resources range from crops, livestock, and potable water to sources of energy and materials for industry. Our third investment priority is to develop a plan for the sustainable access to, cultivation and use of, the natural resources we need for our continued wellbeing, prosperity and economic growth in the world marketplace.

4. Fair Competition and Deterrence

Competition is a powerful, and often misunderstood, concept. Fair competition – of ideas and enterprises, among individuals, organizations, and nations – is what has driven Americans to achieve greatness across the spectrum of human endeavor. And yet with globalization, we seem to have developed a strange apprehension about the efficacy of our ability to apply the innovation and hard work necessary to successfully compete in a complex security and economic environment. Further, we have misunderstood interdependence as a weakness rather than recognizing it as a strength. The key to sustaining our competitive edge, at home or on the world stage, is credibility – and credibility is a difficult capital to foster. It cannot be won through intimidation and threat, it cannot be sustained through protectionism or exclusion. Credibility requires engagement, strength, and reliability – imaginatively applied through the national tools of development, diplomacy, and defense.

In many ways, deterrence is closely linked to competition. Like competition, deterrence in the truest sense is built upon strength and credibility and cannot be achieved solely through intimidation and threat. For deterrence to be effective, it must leverage converging interests and interdependencies, while differentiating and addressing diverging and conflicting interests that represent potential threats. Like competition, deterrence requires a whole of nation effort, credible influence supported by actions that are consistent with our national interests and values. When fair competition and positive influence through engagement – largely dependent on the tools of development and diplomacy – fail to dissuade the threat of destructive behavior, we will approach deterrence through a broad, interdisciplinary effort that combines development and diplomacy with defense.

5. A Strategic Ecology

Rather than focusing all our attention on specific threats, risks, nations, or organizations, as we have in the past, let us evaluate the trends that will shape tomorrow's strategic ecology, and seek opportunities to credibly influence these to our advantage. Among the trends that are already shaping a "new normal" in our strategic environment are the decline of rural economies, joblessness, the dramatic increase in urbanization, an increasing demand for energy, migration of populations and shifting demographics, the rise of grey and black markets, the phenomenon of extremism and anti-modernism, the effects of global climate change, the spread of pandemics and lack of access to adequate health services, and an increasing dependency on cyber networks. At first glance, these trends are cause for concern. But for Americans with vision, guided by values, they represent opportunities to reestablish and leverage credible influence, converging interests, and interdependencies that can transform despair into hope. This focus on improving our strategic ecosystem, and favorably competing for our national interests, underscores the investment priorities cited earlier, and the imaginative application of diplomacy, development, and defense in our foreign policy.

Many of the trends affecting our environment are conditions-based. That is, they have developed within a complex system as the result of conditions left unchecked for many years. These global trends, whether manifesting themselves in Africa, the Middle East, Asia, Eurasia, or within our own hemisphere impact the lives of Americans in ways that are often obscure as they propagate over vast areas with cascading and sometimes catastrophic effect.

Illiteracy, for example, is common in countries with high birth rates. High birth rates and illiteracy contribute to large labor pools and joblessness, particularly in rural areas in which changing weather conditions have resulted in desertification and soil erosion. This has led to the disruption of family and tribal support structures and the movement of large numbers of young, unskilled people into urban areas that lack infrastructure. This rapid urbanization has taxed countries with weak governance that lack rule of law, permitting the further growth of exploitive, grey and black market activities. Criminal networks prey upon and contribute to the disenfranchisement of a sizeable portion of the population in many underdeveloped nations.

This concentration of disenfranchised youth, with little-to-no licit support infrastructure has provided a recruiting pool for extremists seeking political support and soldiers for local or foreign causes, often facilitated through the internet. The wars and instability perpetrated by these extremists and their armies of the disenfranchised have resulted in the displacement of many thousands more, and the further weakening of governance. This displacement has, in many cases, produced massive migrations of disparate families, tribes, and cultures seeking a more sustainable existence. This migration has further exacerbated the exploitation of the weak by criminal and ideological profiteers and has facilitated the spread of diseases across natural barriers previously considered secure. The effect has been to create a kind of subculture of despair and hopelessness that is self-perpetuating. At some point, these underlying conditions must be addressed by offering choices and options that will nudge global trends in a positive direction. America’s national interests and values are not sustainable otherwise.

We cannot isolate our own prosperity and security from the global system. Even in a land as rich as ours, we too, have seen the gradual breakdown of rural communities and the rapid expansion of our cities. We have experienced migration, crime, and domestic terrorism. We struggle with joblessness and despite a low rate of illiteracy, we are losing our traditional role of innovation dominance in leading edge technologies and the sciences. We are, in the truest sense, part of an interdependent strategic ecosystem, and our interests converge with those of people in virtually every corner of the world. We must remain cognizant of this, and reconcile our domestic and foreign policies as being complementary and largely congruent.

As we pursue the growth of our own prosperity and security, the welfare of our citizens must be seen as part of a highly dynamic, and interconnected system that includes sovereign nations, world markets, natural and man-generated challenges and solutions – a system that demands adaptability and innovation. In this strategic environment, it is competition that will determine how we evolve, and Americans must have the tools and confidence required to successfully compete.

This begins at home with quality health care and education, with a vital economy and low rates of unemployment, with thriving urban centers and carefully planned rural communities, with low crime, and a sense of common purpose underwritten by personal responsibility. We often hear the term "smart power" applied to the tools of development and diplomacy abroad empowering people all over the world to improve their own lives and to help establish the stability needed to sustain security and prosperity on a global scale. But we can not export "smart power" until we practice "smart growth" at home. We must seize the opportunity to be a model of stability, a model of the values we cherish for the rest of the world to emulate. And we must ensure that our domestic policies are aligned with our foreign policies. Our own "smart growth" can serve as the exportable model of "smart power." Because, truthfully, it is in our interest to see the rest of the world prosper and the world market thrive, just as it is in our interest to see our neighbors prosper and our own urban centers and rural communities come back to life.

6. Closing the "Say-do" Gap - the Negative Aspects of "Binning"

An important step toward re-establishing credible influence and applying it effectively is to close the "say-do" gap. This begins by avoiding the very western tendency to label or "bin" individuals, groups, organizations, and ideas. In complex systems, adaptation and variation demonstrate that "binning" is not only difficult, it often leads to unintended consequences. For example, labeling, or binning, Islamist radicals as "terrorists," or worse, as "jihadis," has resulted in two very different, and unfortunate unintended misperceptions: that all Muslims are thought of as "terrorists;" and, that those who pervert Islam into a hateful, anti-modernist ideology to justify unspeakable acts of violence are truly motivated by a religious struggle (the definition of "jihad," and the obligation of all Muslims), rather than being seen as apostates waging war against society and innocents. This has resulted in the alienation of vast elements of the global Muslim community and has only frustrated efforts to accurately depict and marginalize extremism.

Binning and labeling are legacies of a strategy intent on viewing the world as a closed system. Another significant unintended consequence of binning, is that it creates divisions within our own government and between our own domestic and foreign policies. As has been noted, we cannot isolate our own prosperity and security from the global system. We exist within a strategic ecology, and our interests converge with those of people in virtually every corner of the world. We must remain cognizant of this, and reconcile our domestic and foreign policies as being complementary and largely congruent. Yet we have binned government departments, agencies, laws, authorities, and programs into lanes that lack the strategic flexibility and dynamism to effectively adapt to the global environment. This, in turn, further erodes our credibility, diminishes our influence, inhibits our competitive edge, and exacerbates the say-do gap.

The tools to be employed in pursuit of our national interests – development, diplomacy, and defense – cannot be effective if they are restricted to one government department or another. In fact, if these tools are not employed within the context of a coherent national strategy, vice being narrowly applied in isolation to individual countries or regions, they will fail to achieve a sustainable result. By recognizing the advantages of interdependence and converging interests, domestically and internationally, we gain the strategic flexibility to sustain our national interests without compromising our values. The tools of development do not exist within the domain of one government department alone, or even one sector of society, anymore than do the tools of diplomacy or defense.

Another form of binning that impedes strategic flexibility, interdependence, and converging interests in the global system, is a geo-centric approach to foreign policy. Perhaps since the Peace of Westphalia in 1648, westerners have tended to view the world as consisting of sovereign nation-states clearly distinguishable by their political borders and physical boundaries. In the latter half of the twentieth century a new awareness of internationalism began to dominate political thought. This notion of communities of nations and regions was further broadened by globalization. But the borderless nature of the internet, and the accompanying proliferation of stateless organizations and ideologies, has brought with it a new appreciation for the interconnectivity of today's strategic ecosystem. In this "new world order," converging interests create interdependencies. Our former notion of competition as a zero sum game that allowed for one winner and many losers, seems as inadequate today as Newton's Laws of Motion (written about the same time as the Westphalia Peace) did to Albert Einstein and quantum physicists in the early twentieth century. It is time to move beyond a narrow Westphalian vision of the world, and to recognize the opportunities in globalization.

Such an approach doesn't advocate the relinquishment of sovereignty as it is understood within a Westphalian construct. Indeed, sovereignty without tyranny is a fundamental American value. Neither does the recognition of a more comprehensive perspective place the interests of American citizens behind, or even on par with those of any other country on earth. It is the popular convergence of interests among peoples, nations, cultures, and movements that will determine the sustainability of prosperity and security in this century. And it is credible influence, based on values and strength that will ensure America's continuing role as a world leader. Security and prosperity are not sustainable in isolation from the rest of the global system. To close the say-do gap, we must stop behaving as if our national interests can be pursued without regard for our values.

7. Credible Influence in a Strategic Ecosystem

Viewed in the context of a strategic ecosystem, the global trends and conditions cited earlier are seen to be borderless. The application of credible influence to further our national interests, then, should be less about sovereign borders and geographic regions than the means and scope of its conveyance. By addressing the trends themselves, we will attract others in our environment also affected. These converging interests will create opportunities for both competition and interdependence, opportunities to positively shape these trends to mutual advantage. Whether this involves out-competing the grey and black market, funding research to develop alternate and sustainable sources of energy, adapting farming for low-water-level environments, anticipating and limiting the effects of pandemics, generating viable economies to relieve urbanization and migration, marginalizing extremism and demonstrating the futility of anti-modernism, or better managing the global information grid – international divisions among people will be less the focus than flexible and imaginative cooperation. Isolation – whether within national borders, physical boundaries, ideologies, or cyberspace – will prove to be a great disadvantage for any competitor in the evolution of the system.

The advent of the internet and world wide web, that ushered in the information age and greatly accelerated globalization, brought with it profound second and third order effects the implications of which have yet to be fully recognized or understood. These effects include the near-instantaneous and anonymous exchange of ideas and ideologies; the sharing and manipulation of previously protected and sophisticated technologies; vast and transparent social networking that has homogenized cultures, castes, and classes; the creation of complex virtual worlds; and, a universal dependence on the global grid from every sector of society that has become almost existential. The worldwide web has also facilitated the spread of hateful and manipulative propaganda and extremism; the theft of intellectual property and sensitive information; predatory behavior and the exploitation of innocence; and the dangerous and destructive prospect of cyber warfare waged from the shadows of non-attribution and deception. Whether this revolution in communication and access to information is viewed as the democratization of ideas, or as the technological catalyst of an apocalypse, nothing has so significantly impacted our lives in the last one hundred years. Our perceptions of self, society, religion, and life itself have been challenged. But cyberspace is yet another dimension within the strategic ecosystem, offering opportunity through complex interdependence. Here, too, we must invest the resources and develop the capabilities necessary to sustain our prosperity and security without sacrificing our values.

8. Opportunities beyond Threat and Risk

As was stated earlier, while this Strategic Narrative advocates a focus on the opportunities inherent in a complex global system, it does not pretend that greed, corruption, ancient hatreds and new born apprehensions won't manifest into very real risks that could threaten our national interests and test our values. Americans must recognize this as an inevitable part of the strategic environment and continue to maintain the means to minimize, deter, or defeat these diverging or conflicting interests that threaten our security. This calls for a robust, technologically superior, and agile military – equally capable of responding to low-end, irregular conflicts and to major conventional contingency operations. But it also requires a strong and unshakable economy, a more diverse and deployable Inter Agency, and perhaps most importantly a well-informed and supportive citizenry. As has also been cited, security means far more than defense, and strength denotes more than power. We must remain committed to a whole of nation application of the tools of competition and deterrence: development, diplomacy, and defense. Our ability to look beyond risk and threat – to accept them as realities within a strategic ecology – and to focus on opportunities and converging interests will determine our success in pursuing our national interests in a sustainable manner while maintaining our national values. This requires the projection of credible influence and strength, as well as confidence in our capabilities as a nation. As we look ahead, we will need to determine what those capabilities should include.

As Americans, our ability to remain relevant as a world leader, to evolve as a nation, depends as it always has on our determination to pursue our national interests within the constraints of our core values. We must embrace and respect diversity and encourage the exchange of ideas, welcoming as our own those who share our values and seek an opportunity to contribute to our nation. Innovation, imagination, and hard work must be applied through a national unity of effort that recognizes our place in the global system. We must accept that to be great requires competition and to remain great requires adaptability, that competition need not demand a single winner, and that through converging interests we should seek interdependencies that can help sustain our interests in the global strategic ecosystem. To achieve this we will need the tools of development, diplomacy and defense – employed with agility through an integrated whole of nation approach. This will require the prioritization of our investments in intellectual capital and a sustainable infrastructure of education, health and social services to provide for the continuing development and growth of America's youth; investment in the nation's sustainable security – on our own soil and wherever Americans and their interests take them, including space and cyberspace; and investment in sustainable access to, cultivation and use of, the natural resources we need for our continued wellbeing, prosperity and economic growth in the world marketplace. Only by developing internal strength through smart growth at home and smart power abroad, applied with strategic agility, can we muster the credible influence needed to remain a world leader.

9. A National Prosperity and Security Act

Having emerged from the Second World War with the strongest economy, most powerful military, and arguably the most stable model of democracy, President Truman sought to better align America's security apparatus to face the challenges of the post-war era. He did this through the National Security Act of 1947 (NSA 47). Three years later, with the rise of Chinese communism and the first Russian test of a nuclear device, he ordered his National Security Council to consider the means with which America could confront the global spread of communism. In 1950, President Truman signed into law National Security Council finding 68 (NSC 68). Often called the "blueprint" for America's Cold War strategy of containment, NSC 68 leveraged not only the National Security structures provided by NSA 47, but recommended funding and authorization for a Department of Defense-led strategy of containment, with other agencies and departments of the Federal government working in supporting roles. NSA 47 and NSC 68 provided the architecture, authorities and necessary resources required for a specific time in our nation's progress.

Today, we find ourselves in a very different strategic environment than that of the last half of the twentieth century. The challenges and opportunities facing us are far more complex, multinodal, and interconnected than we could have imagined in 1950. Rather than narrowly focus on near term risk and solutions for today's strategic environment, we must recognize the need to take a longer view, a generational view, for the sustainability of our nation's security and prosperity. Innovation, flexibility, and resilience are critical characteristics to be cultivated if we are to maintain our competitive edge and leadership role in this century. To accomplish this, we must take a hard look at our interagency structures, authorities, and funding proportionalities. We must seek more flexibility in public / private partnerships and more fungibility across departments. We must provide the means for the functional application of development, diplomacy, and defense rather than continuing to organizationally constrain these tools. We need to pursue our priorities of education, security, and access to natural resources by adopting sustainability as an organizing concept for a national strategy. This will require fundamental changes in policy, law, and organization.

What this calls for is a National Prosperity and Security Act, the modern day equivalent of the National Security Act of 1947. This National Prosperity and Security Act would: integrate policy across agencies and departments of the Federal government and provide for more effective public/private partnerships; increase the capacity of appropriate government departments and agencies; align Federal policies, taxation, research and development expenditures and regulations to coincide with the goals of sustainability; and, converge domestic and foreign policies toward a common purpose. Above all, this Act would provide for policy changes that foster and support the innovation and entrepreneurialism of America that are essential to sustain our qualitative growth as a people and a nation. We need a National Prosperity and Security Act and a clear plan for its application that can serve us as well in this strategic environment, as NSA 47 and NSC 68 served a generation before us.

10. A Beacon of Hope, a Pathway of Promise

This Narrative advocates for America to pursue her enduring interests of prosperity and security through a strategy of sustainability that is built upon the solid foundation of our national values. As Americans we needn't seek the world's friendship or to proselytize the virtues of our society. Neither do we seek to bully, intimidate, cajole, or persuade others to accept our unique values or to share our national objectives. Rather, we will let others draw their own conclusions based upon our actions. Our domestic and foreign policies will reflect unity of effort, coherency and constancy of purpose. We will pursue our national interests and allow others to pursue theirs, never betraying our values.

We will seek converging interests and welcome interdependence. We will encourage fair competition and will not shy away from deterring bad behavior. We will accept our place in a complex and dynamic strategic ecosystem and use credible influence and strength to shape uncertainty into opportunities. We will be a pathway of promise and a beacon of hope, in an ever changing world.

Mr. Y is a pseudonym for CAPT Wayne Porter, USN and Col Mark "Puck" Mykleby, USMC who are actively serving military officers. The views expressed herein are their own and do not reflect the official policy or position of the U.S. Navy, the U.S. Marine Corps, the Department of Defense or the U.S. government.

APPENDIX B. UNITED STATES OF AMERICA SUMMARY OF RECEIPTS, OUTLAYS, AND SURPLUSES OR DEFICITS: 1789–2016

Year	Total		
	Receipts	Outlays	Surplus or Deficit (−)
1789–1849	1,160	1,090	70
1850–1900	14,462	15,453	-991
1901	588	525	63
1902	562	485	77
1903	562	517	45
1904	541	584	-43
1905	544	567	-23
1906	595	570	25
1907	666	579	87
1908	602	659	-57
1909	604	694	-89
1910	676	694	-18
1911	702	691	11
1912	693	690	3
1913	714	715	–*
1914	725	726	–*
1915	683	746	-63
1916	761	713	48
1917	1,101	1,954	-853
1918	3,645	12,677	-9,032
1919	5,130	18,493	-13,363
1920	6,649	6,358	291
1921	5,571	5,062	509
1922	4,026	3,289	736
1923	3,853	3,140	713
1924	3,871	2,908	963
1925	3,641	2,924	717
1926	3,795	2,930	865
1927	4,013	2,857	1,155
1928	3,900	2,961	939
1929	3,862	3,127	734
1930	4,058	3,320	738
1931	3,116	3,577	-462
1932	1,924	4,659	-2,735
1933	1,997	4,598	-2,602
1934	2,955	6,541	-3,586
1935	3,609	6,412	-2,803
1936	3,923	8,228	-4,304
1937	5,387	7,580	-2,193
1938	6,751	6,840	-89
1939	6,295	9,141	-2,846

1940	6,548	9,468	-2,920
1941	8,712	13,653	-4,941
1942	14,634	35,137	-20,503
1943	24,001	78,555	-54,554
1944	43,747	91,304	-47,557
1945	45,159	92,712	-47,553
1946	39,296	55,232	-15,936
1947	38,514	34,496	4,018
1948	41,560	29,764	11,796
1949	39,415	38,835	580
1950	39,443	42,562	-3,119
1951	51,616	45,514	6,102
1952	66,167	67,686	-1,519
1953	69,608	76,101	-6,493
1954	69,701	70,855	-1,154
1955	65,451	68,444	-2,993
1956	74,587	70,640	3,947
1957	79,990	76,578	3,412
1958	79,636	82,405	-2,769
1959	79,249	92,098	-12,849
1960	92,492	92,191	301
1961	94,388	97,723	-3,335
1962	99,676	106,821	-7,146
1963	106,560	111,316	-4,756
1964	112,613	118,528	-5,915
1965	116,817	118,228	-1,411
1966	130,835	134,532	-3,698
1967	148,822	157,464	-8,643
1968	152,973	178,134	-25,161
1969	186,882	183,640	3,242
1970	192,807	195,649	-2,842
1971	187,139	210,172	-23,033
1972	207,309	230,681	-23,373
1973	230,799	245,707	-14,908
1974	263,224	269,359	-6,135
1975	279,090	332,332	-53,242
1976	298,060	371,792	-73,732
TQ	81,232	95,975	-14,744
1977	355,559	409,218	-53,659
1978	399,561	458,746	-59,185
1979	463,302	504,028	-40,726
1980	517,112	590,941	-73,830
1981	599,272	678,241	-78,968
1982	617,766	745,743	-127,977
1983	600,562	808,364	-207,802
1984	666,438	851,805	-185,367
1985	734,037	946,344	-212,308
1986	769,155	990,382	-221,227
1987	854,288	1,004,017	-149,730

1988	909,238	1,064,416	-155,178
1989	991,105	1,143,744	-152,639
1990	1,031,958	1,252,994	-221,036
1991	1,054,988	1,324,226	-269,238
1992	1,091,208	1,381,529	-290,321
1993	1,154,335	1,409,386	-255,051
1994	1,258,566	1,461,753	-203,186
1995	1,351,790	1,515,742	-163,952
1996	1,453,053	1,560,484	-107,431
1997	1,579,232	1,601,116	-21,884
1998	1,721,728	1,652,458	69,270
1999	1,827,452	1,701,842	125,610
2000	2,025,191	1,788,950	236,241
2001	1,991,082	1,862,846	128,236
2002	1,853,136	2,010,894	-157,758
2003	1,782,314	2,159,899	-377,585
2004	1,880,114	2,292,841	-412,727
2005	2,153,611	2,471,957	-318,346
2006	2,406,869	2,655,050	-248,181
2007	2,567,985	2,728,686	-160,701
2008	2,523,991	2,982,544	-458,553
2009	2,104,989	3,517,677	-1,412,688
2010	2,162,724	3,456,213	-1,293,489
2011 estimate	2,173,700	3,818,819	-1,645,119
2012 estimate	2,627,449	3,728,686	-1,101,237
2013 estimate	3,003,345	3,770,876	-767,531
2014 estimate	3,332,588	3,977,141	-644,553
2015 estimate	3,583,043	4,189,773	-606,730
2016 estimate	3,819,103	4,467,806	-648,703

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF REFERENCES

Adams, Richard E.W. *Prehistoric Mesoamerica*. revised edition. 1977, reprinted. Norman, OK: University of Oklahoma Press, 1991.

Adams, Robert Merrihew. *Decadent Societies*. San Francisco: North Point, 1983, quoted in Joseph Tainter, *The Collapse of Complex Societies.* Cambridge: Cambridge University Press, 1988.

American Economic Association. "What are the fields in Economics?" American Economic Association.org, 2011, http://www.aeaweb.org/students/Fields.php

——— "What is Economics?" American Economic Association.org, 2011, http://www.aeaweb.org/students/WhatIsEconomics.php

American Progress. "Tax Expenditures 101: What They Are and How They Slip Under the Radar," *Center for American Progress.org*, 15 April 2010 http://www.americanprogress.org/issues/2010/04/tax_expenditures101.html

Arends, Brett. "IMF Bombshell: Age of America Nears End," *MarketWatch.Com*, *The Wall Street Journal*, April 25, 2011, Accessed November 17, 2011, http://www.marketwatch.com/story/imf-bombshell-age-of-america-about-to-end-2011-04-25

Ballinger, Lacie A. and Spencer C. Tucker. "Kennedy, John Fitzgerald," *Encyclopedia of the Vietnam War: A Political, Social, and Military History*, Santa Barbara: ABC-CLIO, 2011, 1, Accessed December 6, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/abcvw/kennedy_john_fitzgerald

Barnett, Corelli. *The Collapse of British Power*. London: Eyre Methuen, 1972.

——— "Total Strategy and the Collapse of British Power." *RUSI Journal*, 1991: 1–6.

Barnett, R.D. "The Sea Peoples," in *The Cambridge Ancient History* Vol. 2, bk. 2, 3rd ed. *History Of The Middle East And The Aegean Region c. 1380–1000 B.C.* edited by I. E. S. Edwards, C. J. Gadd, N. G. L. Hammond and E. Sollberger, Cambridge: Cambridge University Press, 1975, 359–378.

Bartlett, Bruce. "How Excessive Government Killed Ancient Rome" *The CATO Journal* 14, No. 2, (Fall 1994): 287–301. http://www.cato.org/pubs/journal/cjv14n2-7.html

Bernardi, Aurelio. "The Economic Problems of the Roman Empire at the Time of its Decline," ed. Carlo Cipolla, *The Economic Decline of Empires.* London: Methuen & Co. Ltd , 1970, 16–83.

Bernholz, Peter. "How Likely is Hyperinflation?" The American, The Online Magazine of the American Enterprise Institute, December 15, 2009, Accessed December 2, 2011, http://www.american.com/archive/2009/december-2009/how-likely-is-hyperinflation/

Black, Brian. "Great Depression." *Encyclopedia of American Studies,* Johns Hopkins University Press, 2010, Accessed November 2, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/great_depression

——— "Manifest Destiny," *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, Accessed December 5, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/manifest_destiny

Blanton, Richard E. *Monte Alban: Settlement Patterns at the Ancient Zapotec Capital.* New York: Academic Press, 1977.

Blinder, Alan S. "Keynesian Economics" *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008. http://www.econlib.org/library/Enc/KeynesianEconomics.html

Boak, Arthur Edward Romilly. "Manpower Shortage and the Fall of Rome," from *Manpower Shortage and the Fall of the Roman Empire in the West* (Ann Arbor: University of Michigan Press, 1955): 109–129 in *The End of the Roman Empire: Decline or Transformation* edited by Donald Kagan, 40, Lexington, Mass: D.C. Heath and Company, 1978.

Boortz, Neal and John Linder. *The Fair Tax Book: Saying Goodbye to the Income Tax and the IRS*. New York: Harper Collins, 2005.

Bove, Fredrick. "Trend Surface Analysis and the Lowland Classic Maya Collapse," *American Antiquity* 46, no. 1 (Jan., 1981): 93–112. http://www.jstor.org/stable/279989

Braudel, Fernand. *A History of Civilizations*. Translated by Richard Mayne. New York: Penguin Books, 1993. First published in 1987 by Les Editions Arthuad, Paris.

Brewbaker, James. "Disease of Maize in the Wet Lowlands Tropics and the Collapse of the Classic Maya Civilization" *Economic Botany* 33, (1979): 101–118.

Britannica Concise Encyclopedia. "Kennedy, John F." *Britannica Concise Encyclopedia*, Chicago: Encyclopedia Britannica, 2009, Accessed December 6, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/ebconcise/kennedy_john_f

Bury, John Bagnell. *A History of the Later Roman Empire: From Arcaduis to Irene (395 A.D. to 800 A.D.).* vol.1, London: Macmillan and Co., 1889.

——— "Decline and Calamities of the Empire" from *History of the Later Roman Empire*, vol.1 (London: Macmillan and Co. Ltd, 1923): 308–313, in *The End of the Roman Empire: Decline or Transformation* ed. Donald Kagan, Lexington, Mass: D.C. Heath and Company, 1978.

Business Insider. "What is Quantitative Easing?" *BusinessInsider.com*, August 9, 2010. Accessed December 2, 2011, http://articles.businessinsider.com/2010-08-09/news/30063162_1_central-bank-money-supply-financial-institutions

Buzzanco, Robert. "Vietnam War." *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, Accessed November 8, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/vietnam_war

Carroll, Conn. "Federal Workforce Continues to Grow Under Obama Budget," The Foundry (blog), *Heritage.org*, February 22, 2011, Accessed December 3, 2011, http://blog.heritage.org/2011/02/22/federal-workforce-continues-to-grow-under-obama-budget/

Cayton, Andrew R. L. "Northwest Territory," *Encyclopedia of the United States in the Nineteenth Century*. Farmington: Gale, 2000, Accessed December 5, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/galeus/northwest_territory

Chao, Elaine L. "Another Jobless Labor Day For America," Opinion, *FoxNews.Com*, September 2, 2011, Accessed December 3, 2011, http://www.foxnews.com/opinion/2011/09/02/another-jobless-labor-day-for-america/

Churchill, Winston S. *The New World*. vol. 2 of *A History of the English Speaking Peoples*. New York: Dodd, Mead and Company, 1956.

Chusid, Ron. "Factchecking Republicans on Bill Clinton and Military Spending," (blog) *LiberalValues.com*, January 6, 2008, Accessed December 9, 2011, http://liberalvaluesblog.com/2008/01/06/factchecking-republicans-on-bill-clinton-and-military-spending/

CIA-The World Factbook. "North America: United States." *Central Intelligence Agency.Gov*, Accessed November 17, 2011, https://www.cia.gov/library/publications/the-world-factbook/geos/us.html

Cipolla, Carlo. *The Economic Decline of Empires.* London: Methuen & Co. Ltd , 1970.

CNN Money.com. "Gas Prices: Worse than '81 Oil Shock," Money, *CNN Money*, May 21, 2007, http://money.cnn.com/2007/05/21/news/economy/record_gas_monday/

Cowgill, George L. "The End of Classic Maya Culture: A Review of Recent Evidence." *Southwestern Journal of Anthropology* 20, no. 2 (Summer 1964): 145–159. http://www.jstor.org/stable/3629323.

Collins, John M. *Grand Strategy: Principles and Practices*. Annapolis, MD: Naval Institute Press, 1973.

Crooks, Ross. "Spending Beyond Our Means: U.S. Trade Balance By Decade." *MintLife*(blog), *Mint.Com*, February 15, 2010, Accessed November 16, 2011, http://www.mint.com/blog/trends/spending-beyond-our-means-us-trade-balance-by-decade/

Cross, Colin. *The Fall of the British Empire: 1918–1968*. New York: Coward– McCann, Inc. 1968. First American Edition 1969.

Daunton, Martin J. "How to Pay for the War: State, Society and Taxation in Britain, 1917–24." *The English Historical Review* 111, no. 443 (Sep., 1996): 882–919, http://www.jstor.org/stable/577566

Davidoff, Solomon. "Yellow Journalism," *Conspiracy Theories in American History*. Santa Barbara: ABC–CLIO, 2003, Accessed December 5, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/abcconspir/yellow_journalism

Desborough, V. R. D'A. "The End Of Mycenaean Civilization and the Dark Age (a) The Archaeological Background," in *The Cambridge Ancient History* Vol. 2, bk. 2, 3rd ed. *History Of The Middle East And The Aegean Region c. 1380–1000 B.C. e*dited by I. E. S. Edwards, C. J. Gadd, N. G. L. Hammond and E. Sollberger, Cambridge: Cambridge University Press, 1975, 658–712.

Diamond, Jared. *Collapse: How Societies Choose to Fail or Succeed*. New York: Penguin Books, 2005.

Dwyer, Jim. "A National Security Strategy That Doesn't Focus On Threats." *New York Times*, May 4, 2011, Accessed July 15, 2011, http://www.nytimes.com/2011/05/04/nyregion/a-strategy-for-national-security-focused-on-sustainability.html

Economy Watch. "The World's Largest Economies," *EconomyWatch.com*, Accessed July 13, 2011 http://www.economywatch.com/economies-in-top/

Eichengreen, Barry. “Why the Dollar’s Reign is Near and End,” *Wall Street Journal,* March, 2, 2011. http://online.wsj.com/article/SB10001424052748703313304576132170181013248.html

Eisenstadt, Shmuel N. *The Political Systems of Empires*. New York: The Free Press of Glencoe, 1963.

Ekholm, Kasja. “On The Limitations of Civilization: The Structure and Dynamics of Global Systems” *Dialetical Anthropology* 5, no. 2 (1980): 155–166.

Erwin, Robert. "Civilization as a Phase of World History." *The American Historical Review* 71, no. 4 (Jul 1966): 1181–1198. http://www.jstor.org/stable/1848583.

Eveland, Wilbur Crane. *Ropes of Sand: America’s Failure in the Middle East*. London: W.W. Norton and Company, 1980.

FDNewYork. “The Day the World Shook.” *FDNewYork.Com*, Accessed November 9, 2011, http://www.fdnewyork.com/wtc.asp

Feaver, Peter. “What is grand strategy and why do we need it?’ *Foreign Policy Magazine.com*, April 8, 2009 http://shadow.foreignpolicy.com/posts/2009/04/08/what_is_grand_strategy_and_why_do_we_need_it

Ferguson, Niall. "America: an Empire in Denial” an excerpt for The Chronicle Review from *Empire: The Rise and Demise of the British World Order and Lessons for Global Power.* London: Penguin Books, 2002. http://chronicle.com/article/America-an-Empire-in-Denial/29867

——— *Colossus: The Rise and Fall of the American Empire*. New York: Penguin Books, 2004.

——— *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power*. New York: Basic Books, 2004. First published in 2002 by Allen Lane.

Ferrill, Arther. *The Fall of the Roman Empire: The Military Explanation.* London: Thames and Hudson, 1986.

Fishel, Justin. “As Troops Leave In Droves, Old Killer Still Looms,” Politics, *Fox News*, November 3, 2011, http://politics.blogs.foxnews.com/2011/11/03/troops-leave-iraq-droves-old-killer-still-looms

Fite, Gilbert C. and Jim E. Reese. *An Economic History of The United States*, 2nd Edition, Boston: Houghton Mifflin Company, 1965.

Flannery, Kent V. "The Cultural Evolution of Civilizations." *Annual Review of Ecology and Systematics* 3 (1972): 399–426. http://www.jstor.org/stable/2096853.

Flehinger, Brett. "World War I." *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, accessed November 2, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/world_war_i

Frank, Tenney. *An Economic Survey of Ancient Rome: Rome and Italy of the Empire*. vol. 5, Baltimore: The Johns Hopkins Press, 1940.

Friedberg, Aaron L. *The Weary Titan: Britain and the Experience of Relative Decline, 1895–1905.* Princeton, NJ: Princeton University Press, 1988.

Friedman, Jonathan. "Marxism, Structuralism and Vulgar Materialism," *Man* 9, no. 3 (Sept. 1974): 444–469. http://www.jstor.org/stable/2800695

Gaddis, John L. "What is Grand Strategy," Prepared as the Karl Von Der Heyden Distinguished Lecture, the keynote address for a conference on "American Grand Strategy after War," sponsored by the Triangle Institute for Security Studies and the Duke University Program in American Grand Strategy, Duke University, February 26, 2009, http://www.duke.edu/web/agsp/grandstrategypaper.pdf

Gates, Robert M. "National Defense Strategy," *U.S. Dept. of Defense.gov* June 2008 http://www.defense.gov/news/2008%20national%20defense%20strategy.pdf

——— "Quadrennial Defense Review," *U.S. Dept. of Defense.gov*, 12 February 2010 http://www.defense.gov/qdr/ and http://www.defense.gov/qdr/images/QDR_as_of_12Feb10_1000.pdf

Garrison, Jim. "America as Empire" an excerpt for EnlightenNext magazine from *America as Empire: Global Leader or Rogue Power*? San Francisco: Berrett-Koehler Publishers, 2004. http://www.enlightennext.org/magazine/j24/garrison.asp

Geithner, Timothy. *2010 Financial Report of the United States Government*, Department of the Treasury, 2010.

Genesis 6: 12–14, 17–18 (New International Version)

Gibbon, Edward. "Decline and Fall of the Roman Empire." vol. 4. 1901 in *The End of the Roman Empire: Decline or Transformation* ed. Donald Kagan, Lexington, Mass: D.C. Heath and Company, 1978.

Goetze, A. “The Hittites and Syria (1300-1200 B.C.),” in *The Cambridge Ancient History* Vol. 2, bk. 2, 3rd ed. *History Of The Middle East And The Aegean Region c. 1380–1000 B.C.* edited by I. E. S. Edwards, C. J. Gadd, N. G. L. Hammond and E. Sollberger, Cambridge: Cambridge University Press, 1975, 252–273.

Goffart, Walter A. *Caput and Colonate: Towards a History of Late Roman Taxation*. Toronto: University of Toronto Press, 1974.

Goldsworthy, Adrian. *How Rome Fell: Death of a Superpower*. New Haven, CT: Yale University Press, 2009.

Goodfriend, Marvin and Robert G. King, “The Incredible Volcker Disinflation.” *Carnegie-Rochester Conference on Public Policy*, November 2004, http://www.carnegie-rochester.rochester.edu/Nov04-pdfs/GK.pdf

Gordon, Colin. “New Deal.” *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, accessed November 2, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/new_deal

Graeber, David. “How Debt Has Defined Human History.” *Speakeasy* (blog), *The Wall Street Journal*, August 6, 2011, Accessed November 10, 2011, http://blogs.wsj.com/speakeasy/2011/08/06/how-debt-has-defined-human-history/

Greenwood Encyclopedia. “Unrestricted Submarine Warfare,” *Greenwood Encyclopedia of International Relations*, Santa Barbara: ABC-CLIO, 2002. Accessed December 5, 2011, 1, http://www.credoreference.com.libproxy.nps.edu/entry/abcintrel/unrestricted_submarine_warfare

Hamblin, Robert and Brian Pitcher. “The Classic Maya Collapse: Testing Class Conflict Hypotheses” *American Antiquity* 45, no. 2 (Apr 1980): 246–267. http://www.jstor.org/stable/279284

Hammond, Mason. "Economic Stagnation in the Early Roman Empire." *The Journal of Economic History* 6, Supplement: The Tasks of Economic History (1946): 63–90. http://www.jstor.org/stable/2113075

Harner, Michael J. "Population Pressure and the Social Evolution of Agriculturalists." *Southwestern Journal of Anthropology* 26, no. 1 (1970): 67–86. http://www.jstor.org/stable/3629271

Hayes, Laura, Borgna Brunner, and Beth Rowen. “Who Are the Taliban? Their history and their resurgence” *Infoplease.Com*, Pearson Education, 2007, Accessed May 13, 2011, http://www.infoplease.com/spot/taliban.html

Helmenstine, Anne Marie. “Heisenberg Uncertainty Principle Definition,” About.com, Copyright 2011, Accessed December 3, 2011, http://chemistry.about.com/od/dictionariesglossaries/g/bldefhup.htm

Henry, Ed and Justin Fishel. “Obama Sends U.S. Troops to Central Africa to Aid Campaign Against Rebel Group,” Politics, *FoxNews.Com*, October 14, 2011, Accessed December 9, 2011, http://www.foxnews.com/politics/2011/10/14/obama-sends-us-troops-to-central-africa-to-aid-campaign-against-rebel-group/

Hodge, Scott A. “Record Numbers of People Paying No Income Tax; Over 50 Million "Nonpayers" Include Families Making over $50,000” *The Tax Foundation.org*, 10 March 2010, http://www.taxfoundation.org/publications/show/25962.html

Hodge, Scott A., J. Scott Moody and Wendy P. Warcholik, Ph.D. “The Rising Cost of Complying with the Federal Income Tax,” *The Tax Foundation.org*, 10 January 2006, http://www.taxfoundation.org/publications/show/1281.html

Homer, Sidney. *A History of Interest Rates*. 2nd ed. New Brunswick, N.J.: Rutgers University Press, 1977, cited in Bruce Bartlett, “How Excessive Government Killed Ancient Rome” *The CATO Journal* 14, No. 2, (Fall 1994): 287–301. http://www.cato.org/pubs/journal/cjv14n2-7.html

Hooks, Gregory. “The Rise of the Pentagon and U.S. State Building: The Defense Program as Industrial Policy.” *American Journal of Sociology* 96, no. 2 (Sep., 1990): 358–404, http://www.jstor.org/stable/2781106

Hopkins, Keith. “Taxes and Trade in the Roman Empire (200 B.C.-A.D. 400),” *The Journal of Roman Studies* 70 (1980): 101–125, http://www.jstor.org/stable/299558

Hormats, Robert D. *The Price of Liberty: Paying for America’s Wars from the Revolution to the War on Terror*. New York: Times Books, Henry Holt and Company, 2007.

Hoyle, Rhiannon. “Central Banks in Scramble to Buy Gold,” *Marketbeat* (blog), *The Wall Street Journal*, November 17, 2011, Accessed December 2, 2011, http://blogs.wsj.com/marketbeat/2011/11/17/central-banks-in-scramble-to-buy-gold/

Hughes, J.R.T. “Review: Financing the British War Effort.” *The Journal of Economic History* 18, no. 2 (Jun. 1958): 193–199, http://www.jstor.org/stable/2115103

Huntington, Ellsworth. "Climatic Change and Agricultural Exhaustion as Elements in the Fall of Rome." *The Quarterly Journal of Economics* 31, no. 2 (1917): 173–208. http://www.jstor.org/stable/1883908.

infoplease. "Terrorist Attacks in the U.S. or Against Americans." *Infoplease.Com*, Pearson Education, 2011, Accessed November 9, 2011, http://www.infoplease.com/ipa/A0001454.html

intel. "Moore's Law." *intel.com*, 2005, Accessed November 8, 2011, ftp://download.intel.com/museum/Moores_Law/Printed_Materials/Moores_Law_2pg.pdf

Internal Revenue Service. "The Agency, Its Mission and Statutory Authority," *IRS.gov*, http://www.irs.gov/irs/article/0,,id=98141,00.html

Investopedia Dictionary. "Reserve Currency." Investopedia.com, 2011. http://www.investopedia.com/terms/r/reservecurrency.asp#ixzz1USqLcQv9

——— "Troubled Asset Relief Program–TARP." *Investopedia.com*, 2011, Accessed November 10, 2011, http://www.investopedia.com/terms/t/troubled-asset-relief-program-tarp.asp#axzz1dKFcZSKQ

James, Lawrence. *The Rise and Fall of the British Empire*. New York: St. Martin's Griffin, 1994.

Johnson, Chalmers. "America's Empire of Bases" *TomDispatch.com*, January 15, 2004. http://www.commondreams.org/views04/0115-08.htm

Jones, Arnold Hugh Martin. "The Pressure of the Barbarians," from *The Decline of the Ancient World* (Longman Group Ltd, 1966): 362–370, in *The End of the Roman Empire: Decline or Transformation* edited by Donald Kagan, 132–140, Lexington, Mass: D.C. Heath and Company, 1978.

——— "Taxation in Antiquity." in *The Roman Economy: Studies in Ancient Economic and Administrative History*, ed. P.A. Brunt, (Oxford: Basil Blackwell, 1974): 151–185, cited in Bruce Bartlett, "How Excessive Government Killed Ancient Rome" *The CATO Journal* 14, No. 2, (Fall 1994): 287–301. http://www.cato.org/pubs/journal/cjv14n2-7.html

Jones, William Henry Samuel. *Malaria: A neglected Factor in the History of Greece and Rome*. London: Macmillan and Bowes, 1907.

Karran, Terence. "The Determinants of Taxation in Britain: An Empirical Test." *Journal of Public Policy* 5, no. 3 (Aug., 1985): 365–386, http://www.jstor.org/stable/3998444

Kelly, Martin. “Industrial Revolution: Important People, Inventions, and Events of the American Industrial Revolution,” *About.Com American History*, The New York Times Company, 2011, Accessed November 13, 2011, http://americanhistory.about.com/od/industrialrev/a/indrevooverview_2.htm

Kennan, George. “The Sources of Soviet Conduct.” *Foreign Affairs* 25, no. 4 (1947):566–582. http://www.jstor.org/stable/20030065?origin=JSTOR-pdf

Kennedy, Paul. *The Rise and Fall of British Naval Mastery*. London: The Ashfield Press, 1990. First published in 1976 by Allen Lane.

——— *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*. New York: Vintage Books, 1987.

——— *The Rise of the Anglo-German Antagonism: 1860–1914*. London: The Ashfield Press, 1989. First published in 1980 by George Allen.

Keynes, John Maynard. *The General Theory of Employment, Interest and Money*, Cambridge: Harcourt, Brace, Jovanovich, 1936, quoted in The Concise Encyclopedia of Economics, “John Maynard Keynes” *The Concise Encyclopedia of Economics*: Library of Economics and Liberty.org, 2008. Accessed December 5, 2011, http://www.econlib.org/library/Enc/bios/Keynes.html

Kreis, Steven. “George Kennan: The Sources of Soviet Conduct (1947)” *History Guide.org*, May 13, 2004, http://www.historyguide.org/europe/kennan.html

Kocieniewski, David. “U.S. Business Has High Tax Rates but Pays Less,” Economy, *The New York Times*, May 2, 2011, Accessed December 9, 2011, http://www.nytimes.com/2011/05/03/business/economy/03rates.html

Lanning, Edward. *Peru before the Incas.* Prentice- Hall, Englewood Cliffs, NJ, 1967.

Lattimore, Owen. *Inner Asian Frontiers of China*. Boston: Beacon Press, 1962.

Lee, Robert D. Jr., Ronald W. Johnson, and Philip G. Joyce. *Public Budgeting Systems.* 8th ed. Sudbury, MA: Jones and Bartlett Publishers, 2008.

Lewis, Bernard. “Some Reflections on the Decline of the Ottoman Empire” *Studia Islamica* 9, (1958):111–127, in Carlo Cipolla, *The Economic Decline of Empires.* London: Methuen & Co. Ltd , 1970.

Lloyd, Trevor Owen. *The British Empire: 1558–1995*. 2nd ed. Oxford: Oxford University Press, 1996.

MacKie, Euan W. "New Light on the End of Classic Maya Culture at Benque Viejo, British Honduras." *American Antiquity* 27, no. 2 (1961): 216–224. http://www.jstor.org/stable/277836.

Madison, "2011 Tax Rates and 2011 Tax Brackets" *MyDollarPlan.com*, Accessed March 18, 2011, http://www.mydollarplan.com/tax–brackets/ (page discontinued)

Marinatos, Spyridon. "The Volcanic Destruction of Minoan Crete" *Antiquity* 13, (1939): 425-439.

Marshall, Alfred. *Principles of economics; an introductory volume.* London: Macmillan, 1890. quoted in American Economic Association "What is Economics?," American Economic Association.org, 2011, http://www.aeaweb.org/students/WhatIsEconomics.php

Martin, M. Kay. "South American Foragers: A Case Study in Cultural Devolution." *American Anthropologist* 71, no. 2 (1969): 243–260. http://www.jstor.org/stable/669856.

Martin, Paul S., George I. Quimby and Donald Collier. *Indians before Columbus: Twenty Thousand Years of North American History Revealed by Archeology*. Chicago: The University of Chicago Press, 1947.

Matthew 5:14 (King James Version)

Mathisen, Ralph W. "Diocletian (284-305 A.D.)," from *An Online Encyclopedia of Roman Emperors* Last Modified February 17, 1997, Accessed September 28, 2011, http://www.roman-emperors.org/dioclet.htm

Mazzara, Alicia. "The Myth of "Rightsizing" the Federal Workforce," Politics: Huff Post (blog), *Huffington Post.com*, June 3, 2011, Accessed December 3, 2011, http://www.huffingtonpost.com/steve-ressler/the-myth-of-rightsizing-t_b_870983.html

Mazzarino, Santo. *The End of the Ancient World*. translated by George Holmes, New York: Alfred A Knopf, 1966.

McClintock, Russell. "Civil War." *Encyclopedia of American Studies*, Johns Hopkins University Press, 2010, accessed October 31, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/civil_war

Meggers, Betty J. "Environmental Limitation on the Development of Culture." *American Anthropologist* 56, no. 5, Part 1 (1954): 801–824. http://www.jstor.org/stable/663814.

Merriam-Webster Dictionary. “Concatenate,” *Merriam-Webster.com*. http://www.merriam-webster.com/dictionary/concatenation

——— “Economics,” *Merriam-Webster.com*. http://www.merriam-webster.com/dictionary/economics

——— “Imperial,” *Merriam-Webster.com*. http://www.merriam-webster.com/dictionary/imperial

——— “Income,” *Merriam-Webster.com.* http://www.merriam-webster.com/dictionary/income

——— “Income Tax,” *Merriam-Webster.com*. http://www.merriam-webster.com/dictionary/income+tax

Middlekauff, Robert. *The Glorious Cause.* Oxford: Oxford University Press, 2005. First published in 1982.

Mikesell, John L. *Fiscal Administration: Analysis and Applications for the Public Sector*. 7th ed. Belmont, CA; Thomson Wadsworth, 2007.

Military Factory. “American War Deaths Through History: From Independence Day to Iraqi Freedom” *Military Factory.Com* Accessed October 31, 2011 http://www.militaryfactory.com/american_war_deaths.asp

Mullen, Michael, ADM. “National Military Strategy” *U.S. Dept. of Defense.gov,* February 8, 2011, http://www.jcs.mil//content/files/2011-02/020811084800_2011_NMS_-_08_FEB_2011.pdf

Mumford, Lewis. *The Condition of Man*, New York: Harcourt, Brace, Jovanovich, Inc. 1973.

Murray, Sarah. “Nearly Half of U.S. Lives in Household Receiving Government Benefit,” Politics: Fox Nation, *FoxNews.com*, October 5, 2011, Accessed December 3, 2011, http://nation.foxnews.com/government-programs/2011/10/05/nearly-half-us-lives-household-receiving-government-benefit

Musgrave, Richard A. *The Theory of Public Finance*. New York: McGraw-Hill, 1959, quoted in Bruce Bartlett, “How Excessive Government Killed Ancient Rome” *The CATO Journal* 14, No. 2, (Fall 1994): 287–301. http://www.cato.org/pubs/journal/cjv14n2-7.html

Naval Historical Center. "Remembering the Forgotten War: Korea, 1950–1953." *Department of the Navy- Naval Historical Center*, Accessed November 8, 2011, http://www.history.navy.mil/ac/korea/korea1.htm

New York Times. "Federal Debt Ceiling," Times Topics- National Debt, *The New York Times*, August, 3, 2011, Accessed November 10, 2011, http://topics.nytimes.com/topics/reference/timestopics/subjects/n/national_debt_us/index.html

NobelPrize.org. "George C. Marshall Biography." *NoblePrize.Org*, Accessed November 2, 2011, http://www.nobelprize.org/nobel_prizes/peace/laureates/1953/marshall-bio.html

Norris, Floyd. "For Business, the Golden Days; For Workers, the Dross," Business- Off the Charts, *The New York Times*, November 25, 2011, Accessed December 1, 2011, http://www.nytimes.com/2011/11/26/business/for-companies-the-good-old-days-are-now.html?_r=3&adxnnl=1&ref=business&adxnnlx=1322803521-AdDVwOtx+3uIuVsRiwoy+A

North, Douglass C. *The Economic Growth of the United States: 1790 to 1860*. Englewood Cliffs, NJ: Prentice-Hall, Inc. 1961.

Nye, Joseph. "Is America an Empire?" *Project Syndicate.org*, January 26, 2004, http://www.project-syndicate.org/commentary/nye5/English

Oak Ridge Institute for Science and Education. "Differences Between Qualitative and Quantitative Research Methods" Dept. of Energy.gov, Accessed July 13, 2011, http://www.orau.gov/cdcynergy/demo/content/activeinformation/tools/toolscontent/soc_qual_quant_chart.htm

Obama, Barrack. "National Security Strategy," *Whitehouse.gov* May 2010 http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf

O'Brien, Patrick, K. "The Political Economy of British Taxation, 1660–1815." *The Economic History Review* 41, no. 1 (Feb. 1988): 1–32, http://www.jstor.org/stable/2597330

Office of Management and Budget. "The Federal Budget 2012: Historical Tables: Table 1.1." *Whitehouse.gov*, February 14, 2011, Accessed November 18, 2011 http://www.whitehouse.gov/omb/budget/Historicals

Office of the Historian: US Dept. of State. "National Security Act of 1947" *U.S. Dept of State.gov* http://history.state.gov/milestones/1945-1952/NationalSecurityAct

——— "NSC 68, 1950" *U.S. Dept of State.gov* http://history.state.gov/milestones/1945-1952/NSC68

Olson, Mancur. *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities.* Yale University Press, New Haven, 1982.

O'Neill, Patrick M. "Constitution." *Encyclopedia of American Studies,* Johns Hopkins University Press, 2010, Accessed October 31, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/constitution

Ott, Mack. "National Income Accounts" *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008, http://www.econlib.org/library/Enc/NationalIncomeAccounts.html

Parks, Samantha. "The Subprime Mortgage Crisis: How Did It All Start?" *Foreclosure Data Online*, Accessed November 8, 2011, http://www.foreclosuredataonline.com/blog/foreclosure-crisis/the-subprime-mortgage-crisis-how-did-it-all-start/

Pease, Donald E. "Cold War." *Encyclopedia of American Studies,* Johns Hopkins University Press, 2010, accessed November 7, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/cold_war

Preston, Daniel. "Monroe Doctrine." *Encyclopedia of American Studies,* Johns Hopkins University Press, 2010, Accessed November 1, 2011, http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/monroe_doctrine

Pike, John. "Operation Enduring Freedom- Operations." *GlobalSecurity.Org*, Last updated February 9, 2008, Accessed May 13, 2011, http://www.globalsecurity.org/military/ops/enduring-freedom-ops.htm

——— "Operation Iraqi Freedom." *GlobalSecurity.Org*, Last updated May, 7, 2011, Accessed November, 9, 2011, http://www.globalsecurity.org/military/ops/iraqi_freedom.htm

Polybius. quoted in Santo Mazzarino, *The End of the Ancient World*, trans. George Holmes. New York: Alfred A Knopf, 1966.

Porter, Wayne, and Mark Mykleby. "A National Strategic Narrative." presented at "The National Conversation at the Woodrow Wilson Center" Woodrow Wilson International Center for Scholars, Washington, D.C, April 8, 2011.

Reinhardt, Claudia. "Victory Gardens," *Wessel's Living History Farm.org*, Accessed Sept. 14, 2011 http://www.livinghistoryfarm.org/farminginthe40s/crops_02.html

Rheticus. *Narratio prima.* 1540-1543, quoted in Santo Mazzarino, *The End of the Ancient World*, Translated by George Holmes. New York: Alfred A Knopf, 1966.

Richman, Sheldon L. “The Sad Legacy of Ronald Reagan.” *The Free Market* 6, no. 10 (October 1988): 1, 6–7, http://mises.org/freemarket_detail.aspx?control=488.

Robbins, Lionel. *An Essay on the Nature and Significance of Economic Science.* London: MacMillan, 1932. quoted in American Economic Association “What is Economics?” American Economic Association.org, 2011, http://www.aeaweb.org/students/WhatIsEconomics.php

Rostovtzeff, Michael Ivanovitch. *The Social and Economic History of the Roman Empire*. 2nd ed. Revised by P.M. Fraser. Oxford: Clarendon Press, 1957.

Ryan, Paul. “Where’s Your Budget Mr. President?” *Wall Street Journal*, August 3, 2011. http://online.wsj.com/article/SB10001424053111903341404576484124282885188.html?mod=WSJ_hps_sections_opinion

Sabloff, Jeremy A. and Gordon R. Willey. "The Collapse of Maya Civilization in the Southern Lowlands: A Consideration of History and Process." *Southwestern Journal of Anthropology* 23, no. 4 (Winter 1967): 311–336. http://www.jstor.org/stable/3629449.

Sallust. quoted in Santo Mazzarino, *The End of the Ancient World*, trans. George Holmes, New York: Alfred A Knopf, 1966.

Samuelson, Paul and William Nordhaus. *Economics*. 18th ed. New York: McGraw-Hill, 2005.

Seeking Alpha.com. “High U.S. Corporate Tax Rate a Barrier to Economic Growth?” *Seeking Alpha.com*, March 13, 2011, Accessed December 9, 2011. http://seekingalpha.com/article/257977-high-u-s-corporate-tax-rate-a-barrier-to-economic-growth.

Service, Elman R. “The Law of Evolutionary Potential,” Reprint from *Evolution and Culture*, ed. Marshall D. Sahlin and Elman R. Service, Ann Arbor: University of Michigan Press, (1960): 93–122.

Sexton, Aimee. “Student Activity: Harry Truman and the Truman Doctrine,” *Harry S. Truman Library and Museum.com*, Accessed November 26, 2011, http://www.trumanlibrary.org/teacher/doctrine.htm

Schnepper, Jeff. “Your 15-point tax-return checklist” *MSN Money.com*, 22 October 2010 http://money.msn.com/tax-preparation/your-15-point-tax-return-checklist-schnepper.aspx

Schroeder, Paul. “Is the U.S. an empire?” George Mason University’s History News Network, February 10, 2003 http://hnn.us/articles/1237.html

Slaughter, Ann Marie. “Preface to A National Strategic Narrative.” presented at "The National Conversation at the Woodrow Wilson Center" Woodrow Wilson International Center for Scholars, Washington, D.C, April 8, 2011.

Sneh, Itai. “World War II.” *Encyclopedia of American Studies,* Johns Hopkins University Press, 2010, accessed November 2, 2011. http://www.credoreference.com.libproxy.nps.edu/entry/jhueas/world_war_ii

Spengler, Oswald. “The Decline of the West” translated by Charles Francis Atkinson, New York: Modern Library, 1962, quoted in Joseph Tainter, *The Collapse of Complex Societies.* Cambridge: Cambridge University Press, 1988.

Spurbeck, Jared. “By the Numbers: What the 47 Percent Who Pay No Income Tax Look Like.” *Yahoo News*, October 12, 2011, Accessed on November 22, 2011, http://news.yahoo.com/numbers-47-percent-pay-no-income-tax-look-170500327.html

Stoll, Ira. “New Nobel Laureate Warned Against Obama Stimulus Package, Calling It ‘Surprisingly Naïve’,” *The New York Sun*, October, 10, 2011, Accessed December 2, 2011, http://www.nysun.com/national/new-nobel-laureat-warned-against-stimulus-package/87512/

Stubbings, Frank H. “The Recession of Mycenaean Civilization,” in *The Cambridge Ancient History* Vol. 2, bk. 2, 3rd ed. *History Of The Middle East And The Aegean Region c. 1380–1000 B.C. e*dited by I. E. S. Edwards, C. J. Gadd, N. G. L. Hammond and E. Sollberger, Cambridge: Cambridge University Press, 1975, 338–358.

Suddath, Claire. “The U.S. Deficit.” *Time Magazine.Com*, August, 25, 2009, 1, Accessed November 18, 2011, http://www.time.com/time/magazine/article/0,9171,1919169,00.html

Tax World. “A History of Taxation” *TaxWorld.org*, Accessed 18 March 2011 http://www.taxworld.org/History/TaxHistory.htm

Tainter, Joseph. "Archaeology of Overshoot and Collapse." *Annual Review of Anthropology* 35 (2006): 59–74. doi:10.1146/annurev.anthro.35.081705.123136.

——— “Complexity, Problem Solving and Sustainable Societies” from *GETTING DOWN TO EARTH: Practical Applications of Ecological Economics*, Washington D.C.: Island Press, 1996, http://www.goldonomic.com/tainter.htm

——— *The Collapse of Complex Societies.* New York: Cambridge University Press, 1988.

Timimi, Keith. "Different Sectors of the U.S. Economy," *EconomyWatch.com*, May 5, 2011, Accessed November 17, 2011, http://www.economywatch.com/world_economy/usa/different-sectors-of-economy/

Turnbull, Colin M. *Man in Africa*. Garden City, NY: Anchor Press/Doubleday and Co., 1977.

The Concise Encyclopedia of Economics. "Friedrich August Hayek" *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008. http://www.econlib.org/library/Enc/bios/Hayek.html

——— "Milton Friedman" *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008. http://www.econlib.org/library/Enc/bios/Friedman.html

The Office of Insular Affairs, Department of the Interior. "Puerto Rico" and "Commonwealth of the Northern Marianas," Dept. of Interior.gov http://www.doi.gov/oia/Islandpages/prpage.htm http://www.doi.gov/oia/Islandpages/cnmipage.htm

Tobin, James. "Monetary Policy," The Concise Encyclopedia of Economics: Library of Economics and Liberty.org, 2008, http://www.econlib.org/library/Enc/MonetaryPolicy.html

Trotsky, Leon. *History of the Russian Revolution.* 1930, translated by Max Eastman 1932, New York: Pathfinder, 2001, quoted in Elman R. Service, "The Law of Evolutionary Potential," Reprint from *Evolution and Culture*, ed. Marshall D. Sahlin and Elman R. Service, Ann Arbor: University of Michigan Press, (1960): 93–122.

U.S. General Accounting Office. *Federal Debt: Answers to Frequently Asked Questions*, GAO/AIMD-97-12, Washington D.C.: GPO, 1996.

United States History. "Isolationism." *U–S–History.Com*, Accessed November 2, 2011, http://www.u-s-history.com/pages/h1601.html

ushistory.org. "A Consumer Economy," *U.S. History Online Textbook*, 2011, Accessed November 16, 2011, http://www.ushistory.org/us/46f.asp

——— "An Evaluation of the New Deal." *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/49g.asp

——— "Binding the Nation by Rail," *U.S. History Online Textbook,* 2011, Accessed November 16, 2011, http://www.ushistory.org/us/36a.asp

——— "D-Day and the German Surrender." *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/51c.asp

——— "Economic Growth and the Early Industrial Revolution," *U.S. History Online Textbook*, 2011, Accessed November 15, 2011, http://www.ushistory.org/us/22a.asp

——— "Farewell to Isolation." *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/45a.asp

——— "Fight Against "Demon Rum"." *U.S. History Online Textbook*, 2011, Accessed November 2, 2011,http://www.ushistory.org/us/46b.asp

——— "Operation Desert Storm." *U.S. History Online Textbook*, 2011, Accessed November 8, 2011, http://www.ushistory.org/us/60a.asp

——— "Putting People Back to Work." *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/49b.asp

——— "Reaganomics." *U.S. History Online Textbook*, 2011, Accessed November 8, 2011, http://www.ushistory.org/us/59b.asp

——— "Seeking Empire," *U.S. History Online Textbook*, 2011, Accessed November 16, 2011, http://www.ushistory.org/us/44.asp

——— "Sinking Deeper and Deeper: 1929–1933," *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/48b.asp

——— "The Cold War Erupts." *U.S. History Online Textbook*, 2011, Accessed November 7, 2011, http://www.ushistory.org/us/52a.asp

——— "The End of the Cold War," *U.S. History Online Textbook*, 2011, Accessed November 8, 2011, http://www.ushistory.org/us/59e.asp

——— "The Decade that Roared." *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/46.asp

——— "The Decision to Drop the Bomb," *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/51g.asp

——— "The Great Depression." *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/48.asp

——— "The Korean War." *U.S. History Online Textbook*, 2011, Accessed November 8, 2011, http://www.ushistory.org/us/52e.asp

——— "The Market Crashes." *U.S. History Online Textbook*, 2011, Accessed November 2, 2011, http://www.ushistory.org/us/48a.asp

——— "The Rise of American Industry." *U.S. History Online Textbook*, 2011, Accessed November 13, 2011, http://www.ushistory.org/us/25.asp

——— "The Sickened Economy," *U.S. History Online Textbook*, 2011, Accessed December 1, 2011, http://www.ushistory.org/us/58b.asp

——— "Years of Escalation: 1965–68." *U.S. History Online Textbook*, 2011, Accessed November 8, 2011, http://www.ushistory.org/us/55b.asp

Vance, Laurence. "The U.S. Global Empire," *LewRockwell.com*, (March, 16, 2004). http://www.lewrockwell.com/vance/vance8.html

Wallace-Hadrill, Andrew. "Pompeii: Portents of Disaster," *BBC History.co.uk*, March 29, 2011, http://www.bbc.co.uk/history/ancient/romans/pompeii_portents_01.shtml

Weil, David. "Fiscal Policy" *The Concise Encyclopedia of Economics: Library of Economics and Liberty.org*, 2008, http://www.econlib.org/library/Enc/FiscalPolicy.html

Westermann. W. L. "The Economic Basis of the Decline of Ancient Culture." *The American Historical Review* 20, no. 4 (Jul., 1915): 723–743. http://www.jstor.org/stable/1835540

White, David and Daniel P. Murphy. "Rationing," from *World War II: Life at Home in America*, Net Places.com, accessed Sept. 14, 2011, http://www.netplaces.com/world-war-ii/life-at-home/rationing.htm

——— "War Bonds," from *World War II: Life at Home in America*, Net Places.com, accessed Sept. 14, 2011, http://www.netplaces.com/world-war-ii/life-at-home/war-bonds.htm

Willey, Gordon R. and Demitri B. Shimkin. "The Collapse of Classic Maya Civilization in the Southern Lowlands: A Symposium Summary Statement." *Southwestern Journal of Anthropology* 27, no. 1 (Spring, 1971): 1–18. http://www.jstor.org/stable/3629181

Wilson, Scott and Al Kamen. "'Global War On Terror' Is Given New Name," Post Politics, *The Washington Post*, March 25, 2009 http://www.washingtonpost.com/wp-dyn/content/article/2009/03/24/AR2009032402818.html

Wiseman, T.P. "Roman Republic, Year One." *Greece & Rome*, Second Series, 45, No. 1 (Apr., 1998): 19–26, http://www.jstor.org/stable/643205

Woodrow Wilson International Center for Scholars. "National Security Is First Topic Explored in the New Series: The National Conversation at the Woodrow Wilson Center," *WilsonCenter.org*, April 8, 2011. http://www.wilsoncenter.org/article/national-security-first-topic-explored-the-new-series-the-national-conversation-the-woodrow

World Debt Clock. *U.S. Debt Clock.org* accessed May 22, 2011 http://www.usdebtclock.org/world-debt-clock.html

Yin, Robert K. *Case Study Research: Design and Methods.* Thousand Oaks, CA: Sage Publications, 1994.

York, Byron. "The Dems' 'breathtaking' refusal to pass a budget," Politics, *The Washington Examiner*, May 23, 2011, Accessed November 10, 2011, http://washingtonexaminer.com/politics/2011/05/dems-breathtaking-refusal-pass-budget

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center
   Ft. Belvoir, Virginia

2. Dudley Knox Library
   Naval Postgraduate School
   Monterey, California

3. CAPT. Wayne Porter, USN
   Robert M. Gates Chair for Systemic Strategy and Complexity
   Naval Postgraduate School
   Monterey, California

4. Mark Mykleby, Col. USMC Ret.
   Military Thesis Sponsor
   Prescient Avenue
   Beaufort, South Carolina

5. Jane Harmon c/o Meg King
   Woodrow Wilson International Center for Scholars
   Pennsylvania Ave,
   Washington, District of Columbia

6. Dr. Laura Junor
   Deputy Assistant Secretary of Defense for Readiness
   Defense Pentagon
   Washington, DC

7. ADM Michael Mullen, USN (ret)
   Buchanan Rd
   US Naval Academy
   Annapolis, Maryland

8. Dr. William Gates
   Dean, Graduate School of Business and Public Policy
   Naval Postgraduate School
   Monterey, California

9. Dr. Jonathan E. Czarnecki
   Professor, Naval War College Monterey
   Naval Postgraduate School
   Monterey, California

10. Dr. Nicholas Dew

Associate Professor, Graduate School of Business and Public Policy
Naval Postgraduate School
Monterey, California

11. CAPT. Barbara Ford
Military Associate Dean, Graduate School of Business and Public Policy
Naval Postgraduate School
Monterey, California