

# REPUBLIC OR EMPIRE

## A National Intelligence Estimate on the United States <sup>1</sup>

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### KEY JUDGMENTS

The United States remains, for the moment, the most powerful nation in history, but it faces a violent contradiction between its long republican tradition and its more recent imperial ambitions.

The fate of previous democratic empires suggests that such a conflict is unsustainable and will be resolved in one of two ways. Rome attempted to keep its empire and lost its democracy. Britain chose to remain democratic and in the process let go its empire. Intentionally or not, the people of the United States already are well embarked upon the course of non-democratic empire.

Several factors, however, indicate that this course will be a brief one, which most likely will end in economic and political collapse.

**Military Keynesianism:** The imperial project is expensive. The flow of the nation's wealth from taxpayers and (increasingly) foreign lenders through the government to military contractors and (decreasingly) back to the taxpayers—has created a form of "military Keynesianism," in which the domestic economy requires sustained military ambition in order to avoid recession or collapse.

**The Unitary Presidency:** Sustained military ambitions inherently anti-republican, in that it tends to concentrate power in the executive branch. In the United States, President George W. Bush subscribes to an esoteric interpretation of the Constitution called the theory of the unitary executive, which holds, in effect, that the president has the authority to ignore the separation of powers written into the Constitution, creating a feedback loop in which permanent war and the unitary presidency are mutually reinforcing.

**Failed Checks on Executive Ambition:** The U.S. legislature and judiciary appear to be incapable of restraining the president and therefore restraining imperial ambition. Direct opposition from the people, in the form of democratic action or violent uprising, is unlikely because the television and print media have by and large found it unprofitable to inform the public about the actions of the country's leaders. Nor is it likely that the military will attempt to take over the executive branch by way of a coup.

**Bankruptcy and Collapse:** Confronted by the limits of its own vast but nonetheless finite financial resources and lacking the political check on spending provided by a functioning democracy, the United States will within a very short time face financial or even political collapse at home and a significantly diminished ability to project force abroad.

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<sup>1</sup> The CIA's website defines a National Intelligence Estimate as "the most authoritative written judgment concerning a national security issue prepared by the Director of Central Intelligence." These forecasts of "future developments" and "their implications for the United States" seldom are made public, but there are exceptions. One was the NIE of September 2002, "Iraq's Continuing Programs for Weapons of Mass Destruction," which became notorious because virtually every word in it was false. Another, an April 2006 NIE entitled "Trends in Global Terrorism: Implications for the United States," was partly declassified by President Bush because its main conclusion—that "activists identifying themselves as jihadists" are "increasing in both number and geographic dispersion"—had already been leaked to the press.

<sup>2</sup> The CIA is prohibited from writing an NIE on the United States, and so I have here attempted to do so myself, using the standard format for such estimates. I have some personal knowledge of NIEs because from 1967 to 1973 I served as an outside consultant to the CIA's Office of National Estimates. I was one of about a dozen so-called experts invited to read draft NIEs in order to provide quality control and prevent bureaucratic logrolling.

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## DISCUSSION

### Military Keynesianism

The ongoing U.S. militarization of its foreign affairs has spiked precipitously in recent years, with increasingly expensive commitments in Afghanistan and Iraq. These commitments grew from many specific political factors, including the ideological predilections of the current regime, the growing need for material access to the oil-rich regions of the Middle East, and a long-term bipartisan emphasis on hegemony as a basis for national security. The *domestic* economic basis for these commitments, however, is consistently overlooked. Indeed, America's hegemonic policy is in many ways most accurately understood as the inevitable result of its decades-long policy of military Keynesianism.

During the Depression that preceded World War II, the English economist John Maynard Keynes, a liberal capitalist, proposed a form of governance that would mitigate the boom-and-bust cycles inherent in capitalist economies. To prevent the economy from contracting, a development typically accompanied by social unrest, Keynes thought the government should take on debt in order to put people back to work. Some of these deficit-financed government jobs might be socially useful, but Keynes was not averse to creating make-work tasks if necessary. During periods of prosperity, the government would cut spending and rebuild the treasury. Such countercyclical planning was called "pump-priming."

Upon taking office in 1933, U.S. President Franklin Roosevelt, with the assistance of Congress, put several Keynesian measures into effect, including socialized retirement plans, minimum wages for all workers, and government-financed jobs on massive projects, including the Triborough Bridge in New York City, the Grand Coulee Dam in Washington, and the Tennessee Valley Authority, a flood-control and electric-power generation complex covering seven states. Conservative capitalists feared that this degree of government intervention would delegitimize capitalism—which they understood as an economic system of quasi-natural laws—and shift the balance of power from the capitalist class to the working class and its unions. For these reasons, establishment figures tried to hold back countercyclical spending.

The onset of World War II, however, made possible a significantly modified form of state socialism. The exiled Polish economist Michal Kalecki attributed Germany's success in over-

coming the global Depression to a phenomenon that has come to be known as "military Keynesianism." Government spending on arms increased manufacturing and also had a multiplier effect on general consumer spending by raising worker incomes. Both of these points are in accordance with general Keynesian doctrine. In addition, the enlargement of standing armies absorbed many workers, often young males with few skills and less education. The military thus becomes an employer of last resort, like Roosevelt's Civilian Conservation Corps, but on a much larger scale.

Rather than make bridges and dams, however, workers would make bullets, tanks, and fighter planes. This made all the difference. Although Adolf Hitler did not undertake rearmament for purely economic reasons, the fact that he advocated governmental support for arms production made him acceptable not only to the German industrialists, who might otherwise have opposed his destabilizing expansionist policies, but also to many around the world who celebrated his achievement of a "German economic miracle."

In the United States, Keynesian policies continued to benefit workers, but, as in Germany, they also increasingly benefited wealthy manufacturers and other capitalists. By the end of the war, the United States had seen a massive shift. Dwight Eisenhower, who helped win that war and later became president, described this shift in his 1961 presidential farewell address:

Our military organization today bears little relation to that known by any of my predecessors in peacetime, or indeed by the fighting men of World War II or Korea. Until the latest of our world conflicts, the United States had no armaments industry. American makers of plowshares could, with time and as required, make swords as well. But we can no longer risk emergency improvisation of national defense; we have been compelled to create a permanent armaments industry of vast proportions. Added to this, three and a half million men and women are directly engaged in the defense establishment. We annually spend on military security alone more than the net income of all United States corporations.

This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence economic, political, even spiritual—is felt in every city, every statehouse, every office of the federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources and livelihood are all involved;

so is the very structure of our society.

Eisenhower went on to suggest that such an arrangement, which he called the "military industrial complex," could be perilous to American ideals. The short-term economic benefits were clear, but the very nature of those benefits—which were all too carefully distributed among workers and owners in "every city, every state-house, every office of the federal government" tended to short-circuit Keynes's insistence that government spending be cut back in good times. The prosperity of the United States came increasingly to depend upon the construction and continual maintenance of a vast war machine, and so military supremacy and economic security became increasingly intertwined in the minds of voters. No one wanted to turn off the pump.

Between 1940 and 1996, for instance, the United States spent nearly \$4.5 trillion on the development, testing, and construction of nuclear weapons alone. By 1967, the peak year of its nuclear stockpile, the United States possessed some 32,000 deliverable bombs. None of them was ever used, which illustrates perfectly Keynes's observation that, in order to create jobs, the government might as well decide to bury money in old mines and "leave them to private enterprise on the well-tried principles of *laissez faire* to dig them up again." Nuclear bombs were not just America's secret weapon; they were also a secret economic weapon.

Such spending helped create economic growth that lasted until the 1973 oil crisis. In the 1980s, President Ronald Reagan once again brought the tools of military Keynesianism to bear, with a policy of significant tax cuts and massive deficit spending on military projects, allegedly to combat a new threat from Communism. Reagan's military expenditures accounted for 5.9 percent of the gross domestic product in 1984, which in turn fueled a 7 percent growth rate for the economy as a whole and helped reelect Reagan by landslide.

During the Clinton years military spending fell to about 3 percent of GDP, but the economy rallied strongly in Clinton's second term due to the boom in information technologies, weakness in the previously competitive Japanese economy, and—paradoxically—serious efforts to reduce the national debt.<sup>3</sup> With the coming to power of George W. Bush, however, military Keynesian-

ism returned once again. Indeed, after he began his war with Iraq, the once-erratic relationship between defense spending and economic growth became nearly parallel. A spike in defense spending in one quarter would see a spike in GDP, and a drop in defense spending would likewise see a drop in GDP.

To understand the real weight of military Keynesianism in the American economy today, however, one must approach official defense statistics with great care. The "defense" budget of the United States—that is, the reported budget of the Department of Defense—does not include: the Department of Energy's spending on nuclear weapons (\$16.4 billion slated for fiscal 2006), the Department of Homeland Security's outlays for the actual "defense" of the United States (\$41 billion), or the Department of Veterans Affairs' responsibilities for the lifetime care of the seriously wounded (\$68 billion). Nor does it include the billions of dollars the Department of State spends each year to finance foreign arms sales and militarily related development or the Treasury Department's payments of pensions to military retirees and widows and their families (an amount not fully disclosed by official statistics). Still to be added are interest payments by the Treasury to cover past debt-financed defense outlays. The economist Robert Higgs estimates that in 2002 such interest payments amounted to \$138.7 billion.

Even when all these things are included, Enron-style accounting makes it hard to obtain an accurate understanding of U.S. dependency on military spending. In 2005, the Government Accountability Office reported to Congress that "neither DOD nor Congress can reliably know how much the war is costing" or "details on how the appropriated funds are being spent." Indeed, the GAO found that, lacking a reliable method for tracking military costs, the Army had taken to simply inserting into its accounts figures that matched the available budget. Such actions seem absurd in terms of military logic. But they are perfectly logical responses to the requirements of military Keynesianism, which places its emphasis not on the demand for defense but rather on the available supply of money.

## The Unitary Presidency

Military Keynesianism may be economic development by other means, but it does very often lead to real war, or, if not real war, then a significantly warlike political environment. This creates a feedback loop: American presidents know that military Keynesianism tends to con-

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<sup>3</sup> *Military Keynesianism, it turns out, is not the only way to boost an economy.*

concentrate power in the executive branch, and so presidents who seek greater power have a natural inducement to encourage further growth of the military-industrial complex. As the phenomena feed on each other, the usual outcome is a real war, based not on the needs of national defense but rather on the domestic political logic of military Keynesianism. As U.S. Senator Robert La Follette Sr. observed, "In times of peace, the war party insists on making preparation for war. As soon as prepared for war, it insists on making war."

George W. Bush has taken this natural political phenomenon to an extreme never before experienced by the American electorate. Every president has sought greater authority, but Bush whose father lost his position as forty-first president in a fair and open election—appears to believe that increasing presidential authority is both a birthright and a central component of his historical legacy. He is supported in this belief by his vice president and chief adviser, Dick Cheney.

In pursuit of more power, Bush and Cheney have unilaterally authorized preventive war against nations they designate as needing "regime change," directed American soldiers to torture persons they have seized and imprisoned in various countries, ordered the National Security Agency to carry out illegal "data mining" surveillance of the American people, and done everything they could to prevent Congress from outlawing "cruel, inhumane, or degrading" treatment of people detained by the United States. Each of these actions has been undertaken for specific ideological, tactical, or practical reasons, but also as part of a general campaign of power concentration.

Cheney complained in 2002 that, since he had served as Gerald Ford's chief of staff, he had seen a significant erosion in executive power as post-Watergate presidents were forced to "cough tip and compromise on important principles." He was referring to such reforms as the War Powers Act of 1973, which requires that the president obtain congressional approval within ninety days of ordering troops into combat; the Budget and Impoundment Control Act of 1974, which was designed to stop Nixon from impounding funds for programs he did not like; the Freedom of Information Act of 1966, which Congress strengthened in 1974; President Ford's Executive Order 11905 of 1976, which outlawed political assassination; and the Intelligence Oversight Act of 1980, which gave more power to the House and Senate select committees on intelligence. Cheney said that these reforms were "unwise" because they "weaken the presidency and the vice presidency," and added that he and the

president felt an obligation "to pass on our offices in better shape than we found them."

No president, however, has ever acknowledged the legitimacy of the War Powers Act, and most of these so-called limitations on presidential power had been gutted, ignored, or violated long before Cheney became vice president. Republican Senator John Sununu of New Hampshire said, "The vice president may be the only person I know of that believes the executive has somehow lost power over the last thirty years."

Bush and Cheney have made it a primary goal of their terms in office, nonetheless, to carve executive power into the law, and the war has been the primary vehicle for such actions. John Yoo, Bush's deputy assistant attorney general from 2001 to 2003, writes in his book *War By Other Means*, "We are used to a peacetime system in which Congress enacts laws, the President enforces them, and the courts interpret them. In wartime, the gravity shifts to the executive branch." Bush has claimed that he is "the commander" and "the decider" and that therefore he does not "owe anybody an explanation" for anything.<sup>4</sup>

Similarly, in a September 2006 press conference, White House spokesman Tony Snow engaged in this dialogue:

Q: Isn't it the Supreme Court that's supposed to decide whether laws are unconstitutional or not?

A: No, as a matter of fact the president has an obligation to preserve, protect, and defend the Constitution of the United States. That is an obligation that presidents have enacted through signing statements going back to Jefferson. So, while the Supreme Court can be an arbiter of the Constitution, the fact is the president is the one, the only person who, by the Constitution, is given the responsibility to preserve, protect, and defend that document, so it is perfectly consistent with presidential authority under the Constitution itself.

Snow was referring to the president's habit of signing bills into law accompanied by "statements" that, according to the American Bar Association, "assert President Bush's authority to disregard or decline to enforce laws adopted by Congress." All forty-two previous U.S. presidents combined have signed statements

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<sup>4</sup> In a January 2006 debate, Yoo was asked if any law could stop the president, if he "deems that he's got to torture somebody," from, say, "crushing the testicles of the person's child." Yoo's response: "I think it depends on why the president thinks he needs to do that."

exempting themselves from the provisions of 568 new laws, whereas Bush has, to date, exempted himself from more than 1,000.

### **Failed Checks on Executive Ambition**

The current administration's perspective on political power is far from unique. Few, if any, presidents have refused the increased executive authority that is the natural byproduct of military Keynesianism. Moreover, the division of power between the president, the Congress, and the judiciary—often described as the bedrock of American democracy has eroded significantly in recent years. The people, the press, and the military, too, seem anxious to cede power to a "wartime" president, leaving Bush, or those who follow him, almost entirely unobstructed in pursuing the imperial project.

**Congress:** Corrupt and indifferent, Congress, which the Founders believed would be the leading branch of government, has already entirely forfeited the power to declare war. More recently, it gave the president the legal right to detain anyone, even American citizens, without warrant, and to detain non-citizens without recourse to habeas corpus, as well as to use a variety of interrogation methods that he could define, at his sole discretion, to be or not be torture.

**The Courts:** The judicial branch is hardly more effective in restraining presidential ambition. The Supreme Court was active in the installation of the current president, and the lower courts increasingly are packed with judges who believe they should defer to his wishes. In 2006, for instance, U.S. District Judge David Trager dismissed a suit by a thirty-five-year-old Canadian citizen, Maher Arar, who in 2002 was seized by U.S. government agents at John F. Kennedy Airport and delivered to Syria, where he was tortured for ten months before being released. No charges were filed against Arar, and his torturers eventually admitted he had no links to any crime. In explaining his dismissal, Trager noted with approval an earlier Supreme Court finding that such judgment would "threaten 'our customary policy of deference to the President in matters of foreign affairs.'"

**The Military:** It is possible that the U.S. military could take over the government and declare a dictatorship.<sup>5</sup> That is how the Roman republic ended. For the military voluntarily to move toward direct rule, however, its leaders would have to ignore their ties to civilian society, where the symbolic impor-

tance of constitutional legitimacy remains potent. Rebellious officers may well worry about how the American people would react to such a move. Moreover, prosecutions of low level military torturers from Abu Ghraib prison and killers of civilians in Iraq have demonstrated to enlisted ranks that obedience to illegal orders can result in their being punished, whereas officers go free. No one knows whether ordinary American soldiers would obey clearly illegal orders to oust an elected government or whether the officer corps has sufficient confidence to issue such orders. In addition, the present system already offers the military high command so much—in funds, prestige, and future employment via the military-industrial revolving door—that a perilous transition to anything resembling direct military rule would make little sense under reasonably normal conditions.

**The People:** Could the people themselves restore constitutional government? A grassroots movement to break the hold of the military industrial complex and establish public financing of elections is conceivable. But, given the conglomerate control of the mass media and the difficulties of mobilizing the United States' large and diffuse population, it is unlikely. Moreover, the people themselves have enjoyed the Keynesian benefits of the U.S. imperial project and—in all but a few cases—have not yet suffered any of its consequences.<sup>6</sup>

### **Bankruptcy and Collapse**

The more likely check on presidential power, and on U.S. military ambition, will be the economic failure that is the inevitable consequence of military Keynesianism. Traditional Keynesianism is a stable two-part system composed of deficit spending in bad times and debt payment in good times. Military Keynesianism is an unstable one-part system. With no political check, debt accrues until it reaches a crisis point.

In the fiscal 2006 budget, the Congressional Research Service estimates that Pentagon spending on Operation Enduring Freedom and Operation Iraqi Freedom will be about \$10 billion per month, or an extra \$120.3 billion for the year. As of mid-2006, the overall cost of the wars in Iraq and Afghanistan since their inception stood at more than \$400 billion. Joseph Stiglitz, the Nobel Prize-winning economist, and his colleague, Linda Bilmes, have tried to put together an estimate of the

<sup>5</sup> Though they undoubtedly would find a more user-friendly name for it.

<sup>6</sup> In 2003, when the Iraq war began, the citizens of the United States could at least claim that it was the work of an administration that had lost the popular vote. But in 2004, Bush won that vote by more than 3 million ballots, making his war ours.

real costs of the Iraq war. They calculate that it will cost about \$2 trillion by 2015. The conservative American Enterprise Institute suggests a figure at the opposite end of the spectrum—\$1 trillion. Both figures are an order of magnitude larger than what the Bush Administration publicly acknowledges.

At the same time, the U.S. trade deficit, the largest component of the current account deficit, soared to an all-time high in 2005 of \$782.7 billion, the fourth consecutive year that America's trade debts set records. The trade deficit with China alone rose to \$201.5 billion, the highest imbalance ever recorded with any country. Meanwhile, since mid-2000, the country has lost nearly 3 million manufacturing jobs. To try to cope with these imbalances, on March 16, 2006, Congress raised the national debt limit from \$8.2 trillion to \$9 trillion. This was the fourth time since George W. Bush took office that the limit had to be raised. Had Congress not raised it, the U.S. government would not have been able to borrow more money and would have had to default on its massive debts.

Among the creditors that finance this unprecedented sum, two of the largest are the central banks of China (\$854 billion in reserves of dollars and other foreign currencies) and Japan (\$850 billion), both of which are the managers of the huge trade surpluses these countries enjoy with the United States. This helps explain why the United States' debt burden has not yet triggered what standard economic theory would predict, which is a steep decline in the value of the U.S. dollar followed by a severe contraction of the American economy—Chinese and Japanese governments continue to be willing to be paid in dollars in order to sustain American demand for their exports. For the sake of domestic employment, both countries lend huge amounts to the American treasury, but there is no guarantee how long they will want or be able to do so.

## CONFIDENCE IN KEY JUDGMENTS

It is difficult to predict the course of a democracy, and perhaps even more so when that democracy is as corrupt as that of the United States. With a new opposition party in the majority in the House, the country could begin a difficult withdrawal from military Keynesianism. Like the British after World War II, the United States could choose to keep its democracy by giving up its empire. The British did not do a particularly brilliant job of liquidating their empire, and there were several clear cases in which British imperialists defied their nation's commitment to democracy in order to keep their foreign privileges—Kenya in the 1950s is a particularly savage example—but the people of the British Isles did choose democracy over imperialism, and that nation continues to thrive as a nation, if not as an empire.

It appears for the moment, however, that the people of the United States prefer the Roman approach and so will abet their government in maintaining a facade of constitutional democracy until the nation drifts into bankruptcy.

Of course, bankruptcy will not mean the literal end of the United States any more than it did for Germany in 1923, China in 1948, or Argentina in 2001. It might, in fact, open the way for an unexpected restoration of the American system, or for military rule, revolution, or simply some new development we cannot yet imagine. Certainly, such a bankruptcy would mean a drastic lowering of the current American standard of living, a loss of control over international affairs, a process of adjusting to the rise of other powers, including China and India, and a further discrediting of the notion that the United States is somehow exceptional compared with other nations. The American people will be forced to learn what it means to be a far poorer nation and the attitudes and manners that go with it.<sup>7</sup>

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<sup>7</sup> *National Intelligence Estimates seldom contain startling new data. To me they always read like magazine articles or well-researched and footnoted graduate seminar papers. When my wife once asked me what was so secret about them, I answered that perhaps it was the fact that this was the best we could do.*

