

Going South

Militaristic, corrupt America increasingly resembles a Third World state.

By Ximena Ortiz

DESPITE A CHANGE of presidents, America remains mired in economic, institutional, and cultural purgatory, with Obama's exalted oratory circling the stratosphere like a taunt.

Angry nationalism shouts down prudence. Disproportionate military spending threatens economic wellbeing. Industry has its hand so deep in the government's purse that private enterprise is becoming public property. The currency falters, the infrastructure crumbles. And a supine media, once a watchdog of the powerful, happily licks the strongman's hand.

If the picture looks familiar, that's because we've seen it many times before, from Argentina to Chile to Russia. The U.S. is third worlding.

That statement may smack of hyperbole. It may also understate the phenomenon, for many of the countries that the United States increasingly resembles are not only Third World—they are authoritarian, even rogue.

This is not to say the U.S. will be indistinguishable from a Third World country any time soon. We're clearly nowhere near Sudanese levels of violence or Bangladeshi depths of poverty. But in terms of institutional structure, financial stability, and even national spirit, the U.S. looks little like the country it was a generation ago and more like nations it has long condemned.

The turning point came on 9/11. Terrorism is now a weary concern: other issues dominate the headlines—stimulus, healthcare, climate change. Yet the attacks were a pretext for a host of for-

eign and domestic policies that promised to secure America against its hell-bent enemies but have instead dragged the country down, eroding the qualities that distinguished it from the rest of the world.

Honor Killing

As George W. Bush was fond of doing, Barack Obama looks penetratingly into the camera, addressing all the South Asian terrorists watching CNN from their burrows. He vows to defeat them—using other people's lives. With demagogic mastery, he, too, has tapped America's proud warrior culture, a latent force before the age of terror.

This emphasis on offended honor—particularly male honor—is an integral part of life in the Third World. Where the rule of law is weak, men learn to fend for their own charges, and humiliation must be quickly avenged to uphold street cred. This cultural strain exists even among educated elites, who dress and sound much like their American counterparts, but harbor ingrained machismo.

A repressive leader quickly realizes that the best way to unite his countrymen is to rally them against an outside threat—actual or invented. When Evo Morales became president of Bolivia, he stoked hostility with Chile, blocking the construction of a pipeline to export Bolivian natural gas, at significant cost to his own nation, because it would pass through Chile. In North Korea, a tradition of defiance and nationalistic self-reliance, known as *juche*, is a cultural imperative. If the regime abandoned its bellicose posturing, its power mystique

would shatter. Across the Muslim world, the pursuit of honor is a crucial driver in jihadi recruitment. As Akbar Ahmed puts it in *Islam Under Siege*, a sense of grievance motivates extremism, but even “those societies that economists call ‘developed’ fall back to notions of honor and revenge in times of crisis.” Sept. 11 proved his point.

The fact that 19 misfits with boxcutters scarcely constituted an invading army was of little consequence—that anyone could touch us so shocked the American system that we lashed out with disproportionate fury. When wounded ego drives policy, force becomes the default. Far from being a passing spasm, this honor impulse has become a way of life. It rules our international conduct and makes our wars nearly impossible to quit. Andrew Bacevich, a former U.S. Army colonel and author of *The New American Militarism*, writes, “There was a time in recent memory, most notably while the so-called Vietnam Syndrome infected the American body politic, when Republican and Democratic administrations alike viewed with real trepidation the prospect of sending U.S. stoops into action abroad. Since the advent of the new Wilsonianism, self-restraint regarding the use of force has all but disappeared.”

As the martial spirit rises, soldiers are necessarily heroes, even though they are treated as expendable. Patriotism is defined in militaristic terms. And it's not unusual for an American president to wear a jacket with “Commander in

Chief” emblazoned across the chest—an only slightly subtler version of Chavez and Castro couture.

From the Shadows

In countries with a history of authoritarianism, it is not uncommon for the practiced agitators who presided over a crisis to hold sway long after they appear to exit power. In Russia, former president Vladimir Putin rules extra-officially. In Chile, for years after the transition to democracy, the military was guaranteed seats in the legislature. In Argentina after the Dirty War, the army staged rebellions to compel the executive to limit the scope of prosecutions. Even after a crisis subsides, much of the population remains in panic mode and supports the bare-knuckled approach of the previous government.

America is similarly afflicted. Dick Cheney wields such clout that even after his term ended he gave the order and previously classified information on “enhanced interrogation” was made public. His contention that the disclosure proves the value of those interrogations remains inconclusive, but he demonstrated his reach.

Barack Obama, for all his pledges of transparency, has upheld government secrecy to shield the previous administration and the former vice president in particular. He blocked the release of the FBI’s interview of Cheney in the Valerie Plame case, though a federal judge recently rejected arguments for keeping the file sealed. The Obama administration has promoted, through its actions and its rhetoric, the fiction that post-9/11 abuses were committed by “bad apple” agents rather than condoned by high-ranking officials. The Obama and Bush administrations have both sought to block the release of detainee abuse information. Obama has also declined to release new pictures of prisoner mistreatment, breaking his earlier pledge.

His Justice Department’s investigation of CIA excesses will be circumscribed to lower-ranking, “rogue” agents. And Cheney has already de facto immunized those who transgressed the Bush administration’s abusive guidelines. In August, Chris Wallace asked him, “So even these cases where they went beyond the specific legal authorization, you’re OK with it?” Cheney, unhindered by such quaint constraints as the rule of law, responded with a succinct “I am.”

Here the Third World shames us. There, when prosecution has been problematic, post-crisis justice has included truth commissions, which rigorously document abuses (as in Chile after the transition to democracy) or complement prosecutions targeting those on the very top (as in Argentina after the Dirty War). Interestingly, Cheney appears to have cribbed from the Argentine junta’s self-aggrandizing farewell statements. He claims abusive interrogators risked their lives and “deserve our gratitude”—as he surely does, too.

Our current president may make pious pronouncements about America’s founding principles, but his actions belie his luminous words. In a May speech, Obama professed, “I believe with every fiber of my being that in the long run we also cannot keep this country safe unless we enlist the power of our most fundamental values.” He then pledged that he would continue imprisoning detainees who “cannot be prosecuted” for lack of evidence. And the administration is mounting a legal challenge to transfer, in effect, Guantanamo to Bagram, making the latter prison America’s primary human warehouse for detainees that the government holds without charges. In 30 of the 38 Guantanamo-related *habeas corpus* cases lower courts have heard since the Supreme Court’s *Boumediene* decision in 2008, judges have found that the government lacked credible evidence—the

lowest evidentiary burden—to continue incarceration of detainees.

Do indefinite imprisonments, immunity for favored agents, and rule by executive diktat sound like best democratic practice? Crisis-rocked Third World countries eventually move on, setting up truth commissions and holding trials. But the United States remains very much in the grip of a 9/11 emergency mentality.

The War on TV

Writing about the Argentine media during the Falklands War, Rodolfo Braceli recalled, “The majority of the media and many notable journalists, more than being submissive and saving their skin, had a good time. They were not victims. Nor were they innocents. To say they were not innocents is the gentlest of ways of saying that they were, also, particularly culpable. . . . And there is more to reexamine: submission out of fear is one thing, and quite another is the genuflection, sugar-coated and gleeful, of complicity. Of the latter there was too much.”

We are not much better today. Reporter Ashley Banfield described coverage of the Iraq War by embedded reporters: “It was a glorious, wonderful picture that had a lot of people watching and a lot of advertisers excited about cable news. But it wasn’t journalism, because I’m not so sure that we in America are hesitant to do this again, to fight another war, because it looked like a glorious and courageous and so successful, terrific endeavor.”

The U.S. media has long enjoyed an independence that even its European counterparts, with their strict defamation laws, don’t have. In terms of objectivity and freedom, Third World media has always been the weaker cousin of America’s Fourth Estate. Journalists do not come from the moneyed class and are routinely bullied by high-ranking officials who have accrued generations of privilege.

That independence eroded dramatically after Sept. 11. Americans tuning in to the evening news saw flags undulating in the background of war reports, often coupled with a subtle, flapping sound-effect tying war to patriotism. State TV it was not—not yet anyway. But just when the media's role became most critical, it turned uncharacteristically compliant.

Recall May 1, 2003, the “Mission Accomplished” moment, when coverage sounded more like unmodified PR than impartial reporting. An equal participant in the pageantry, CNN informed viewers that Bush had made a “picture-perfect landing,” was greeted by the roar of the seamen's approval, and had underwater survival training to prepare for his flight. All that was missing was a reverential bow to “Dear Leader.”

Long before the Pentagon discovered embedding, the Argentine junta selected the journalists allowed into the Falklands to cover the conflict and checked all news content. As *Stars and Stripes* reported in a recent series, the Defense Department has been following a similar strategy, hiring the Rendon Group to prepare graded reports on journalists seeking embed positions, assessing how favorable their coverage has been. (That the Pentagon continued to use Rendon at all is highly suspect given the group's disreputable history. Prior to the Iraq War, Rendon promoted million-dollar contracts to Ahmad Chalabi, who, in turn, forwarded fraudulent intelligence reports on Iraqi weapons to the Pentagon.)

In September, after the Associated Press distributed a photo of a dying Marine, Secretary of Defense Robert Gates attempted to block publication, claiming it would mark an “unconscionable departure from the restraint most journalists and publications have shown covering the military since Sept. 11.” He was uncharacteristically correct:

AP did break from common practice by showing the reality of the war. Gates's public rebuke highlights the degree to which the U.S. government is willing to interfere with journalistic prerogatives—and how little space remains between us and the Third World nations we condemn for restricting freedom of press.

After eight years of lost life, money, and credibility in Afghanistan, the new administration now promotes the war in a more subdued way. President Obama and General McCrystal acknowledge steep challenges, but argue there is a “newness” to the campaign in Afghanistan. It cannot be put into historical context of any kind. The media and commentariat nod obediently.

The Good War

The armed forces of states such as Russia and Pakistan enjoy considerable clout and resources, but that often benefits only the upper tiers, which deploy foot soldiers with little planning or consideration of risk. In 1996, during Russia's war with Chechnya, national security adviser Alexander Lebed admitted that Russian soldiers were “hungry, lice-infested and underclothed.”

Despite the lip service paid to U.S. troops, they face similar, often life-threatening shortfalls. Recall the hap-hazard, bring-your-own-armor approach to the early phase of the Iraq War. Gen. Anthony Zinni echoed some of Lebed's concerns when he said of the preparations for the Iraq War, “I saw, at a minimum, true dereliction, negligence, and irresponsibility; at worst, lying, incompetence, and corruption.”

In September, a former Air Force staff sergeant working for a private contractor was found dead in a shower in Baghdad's Green Zone. Adam Vernon Hermonson had served three tours of duty in Iraq and one in Uzbekistan. A military medical examiner concluded that he was killed by low-voltage electrocution.

Earlier this year, an electrical expert for the Army Corps of Engineers, Jim Childs, testified that roughly 90 percent of contractor KBR's new construction in Iraq was not properly wired. Yet KBR was paid more than \$80 million in bonuses for its electrical work. To this day, it has not been held accountable for the injuries and deaths of troops who guarded a toxin-polluted facility that provided treated water. According to whistleblowers and memos, KBR knew the facility was contaminated with sodium dichromate, which is linked to cancer, long before the company informed U.S. officials. Nearly 1,200 troops were exposed to the substance, and the Army is refusing to provide most of the injured veterans with health benefits. But again, KBR received bonuses.

How smoothly our leaders speak of supporting the troops—only to command them carelessly and forbid them from leaving when their tours end. To fill its quotas, top brass persists in the institutional sleight of hand known as “stop loss,” forcing troops to serve prolonged and serial deployments. Many who return home scarred will struggle to get care: 37 percent of Iraq and Afghanistan veterans suffer mental-health issues. The *Marine Corps Times* reports that 915,000 unprocessed claims are waiting at the Department of Veterans Affairs.

Once we followed the Third World into the strategic cul de sac of relying on force to solve problems, we needed a deep supply of cannon fodder. And when the democratic will waned, mercenaries were brought in to make up the difference. In Afghanistan, they outnumber U.S. troops, with 68,197 contractors in the theater, 67 percent of the total force. In Iraq, there is one KBR worker for every three U.S. soldiers.

In tone, President Obama departs from the Third World approach to problem solving. He outlines a decorous AfPak policy, calling for development

funding, declaring America's "great respect for the Pakistani people," and stating that "a campaign against extremism will not succeed with bullets or bombs alone"—all while ratcheting up violent confrontation and employing the bluntest instruments of warfare. He has escalated drone attacks, which have caused significant civilian deaths, and has requested an increase in funding for unmanned aircraft.

During his campaign, Obama promised to raise military spending—as did every other major candidate. He has kept his word, even though the United States spends more than all other countries combined on defense. In the CIA's ranking of military spending as a percentage of GDP, Third World countries dominate the first 50-plus slots, with the United States in the middle of the heap at number 28, flanked by Chad and Libya—hardly flattering company. This disproportionate devotion to military spending has had profound costs, hastening the country's economic meltdown.

Bailout of Necessity

In the Third World, crises often beget ill-considered policies that result in economic blowback—which in turn breeds further crises. Leaders try to rush their initiatives before legislatures (where they exist) and the media (where it is allowed to operate) have a chance to air drawbacks or propose more moderate alternatives.

This became America's *modus operandi* after the banking crisis morphed into a global economic catastrophe. The U.S. government found itself in an unenviable position: the treasury had been depleted by two wars, and the American people had already been called upon to show their patriotic conviction by shopping. So it resorted to calling for emergency measures with a huge price tag and, in Third World-style, courted considerable moral hazard.

Like America today, Argentina in the 1980s had not recovered economically from its war and the profligacy of the junta when crisis struck. President Carlos Menem responded by invoking 472 Decrees of Urgency and Necessity from 1989 to 1998, refining the Third-World art of crony capitalism and state-power centralization. He used privatization as a form of political patronage, doling out the country's assets at below-market prices, with no bidding, or vetting.

Now the U.S. government has passed its own bipartisan policies of urgency and necessity. In a letter to congressional leaders shortly before Obama's inauguration, Larry Summers made the appeal for the second round of TARP funds, claiming that the need for billions of dollars was "imminent and urgent." Obama promised to improve TARP's transparency: "Many of us have been disappointed with the absence of clarity, the failure to track how the money's been spent." But his Treasury Department has done the opposite. Moreover, TARP has overwhelmingly aided the big banks; homeowners have seen scant relief. The rhetoric is populist, the practice elitist.

It is not only the opacity with which TARP spoils have been divided that suggests crony capitalism; the banking sector itself is becoming an oligopoly, less removed from the Third World's skewed, non-competitive structures than U.S. citizens would like to admit. TARP, after all, amounts to small change when compared to the arcane government programs benefiting the big banks—TLGP, TALF, PPIP: a stew of acronyms incomprehensible to the citizens who write checks. Banks with more than \$100 billion in assets are borrowing at interest rates 0.34 percentage points lower than the rest of the industry. In 2007, that difference was only 0.08 percentage points.

In his book *Latin America at the End*

of Politics, Forrest Colburn argues that economic turmoil shocked Third World citizens into accepting a strain of so-called liberalization that is heavily weighted toward monopolies and maintains chasmic inequalities in exchange for relative stability. America's bank rescues have taken on similar dimensions.

As in Menem's Argentina, the Obama administration has chosen winners and losers. And as the market-distorting impact of his programs becomes evident and public anger grows, our president has taken to the bully pulpit to showcase his talent for economic demagoguery, another well-worn tactic of Third World leaders. Obama singles out unpopular market actors for scorn, much like former Malaysian Prime Minister Mahathir Mohamed, who at the end of the '90s blamed George Soros and other "speculators" for the collapse of his country's currency. A decade later, the American president would fault "a small group of speculators" who endangered "Chrysler's future."

Hector E. Schamis wrote of Menem's maneuvers, in a passage that now seems prophetic of what would happen in the U.S., "by colluding with the largest segments of Argentina's business groups, Menem cemented a minimum winning coalition that benefited from the economic reform program and provided key political support. By distributing selective incentives among potential opponents, he divided and disarticulated rivals."

As in so many collapsed countries, an increasingly large portion of American wealth goes toward debt. Infrastructure sags. Only industries favored by the government thrive. The middle class shrinks as it is squeezed to fund programs that keep the wealthy comfortable and the poor from rioting. The only difference is that the U.S. has an ability to continue borrowing—for now.

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How to Become a Trillionaire

All the money that's unfit to print

By Tom Streithorst

THE MCDONALD'S on Spring Street has shut down. I had sold my first edition of *Infinite Jest* for \$500,000 and figured I would treat myself to a Happy Meal. But when I got there, the manager was boarding up. "Can't get potatoes, can't get meat," he told me. "It's all the hoarding in the Farm Belt." I can't blame the farmers; why sell food for worthless dollars when you can make real money exporting to Mexico?

Di Tommasso's down the block is still open, but I can't afford \$1 million for their linguini a la vongole. They have no problem getting supplies since the owner was savvy enough to shift his assets into Swiss francs early. The speculators and oligarchs who eat there pay in foreign currency.

As I'm walking by, glancing at the girls holding "Will Strip For Food" signs, I see one of my old students tucking into veal scaloppini. George has done well for himself, buying Detroit factories for a song then selling them for scrap to Brazilian steelmakers. I stand in his eye line, hoping he will recognize me and buy me lunch.

It's my lucky day. He waves me over. "Professor, come, sit down. My friends and I were just discussing whether the destruction of the dollar was inevitable." He turns to the table. "Let's see what a real scholar has to say." I am happy to sing for my supper.

Some of the faces at the table are familiar from RichPeople.com. George introduces the others. Ofra, a fashion designer—her expression bland as her Pucci dress is bright—has just opened a

sweatshop in Long Island City. She does good business exporting high-end couture to East Asia. Jun used to be with the Korean central bank but is now buying up American companies. Bruce, fat and sloppy with spaghetti stains trailing down his striped shirt, is a currency and commodities trader who made his fortune early in the crisis, shorting T-bills and buying wheat futures. Fernando is a Sao Paulo industrialist—elegant suit, no tie. He is looking to move his factories out of high-wage Brazil into low-wage America. His watch cost more than my car. And then there's Mindi, my neighbor's daughter, a blonde pixie who dropped out of Princeton when her parents couldn't afford the tuition. Now she is Bruce's arm candy. I don't think she is that fond of him.

"The dollar had been overpriced for generations," Ofra pronounces. "As long as we were the world's reserve currency, we got to consume more than we produced. That made us fat and lazy and we lost our competitive edge." For Ofra, there is no greater offense than growing fat. She pauses to light a cigarette. "Everybody knew the dollar had to fail. And as soon as it started to go, no one wanted to be the last sucker holding greenbacks."

George shakes his head. "No, it wasn't inevitable, not at all. It wasn't even economics, it was politics. If it hadn't been an election year, if President Levi Johnston hadn't tried to distract the press from his daughter's pregnancy by making that speech defending Taiwan's Declaration of Independence, we could have kept muddling along."

Jun interjects that the Chinese weren't the first to dump dollars: "The Chinese probably would have swallowed their pride and kept on buying. They needed your market as much as you needed their money. But when we in Korea, and the sovereign wealth funds of Brazil, Saudi Arabia, and Germany, began to worry that the Chinese were going to pull out, all of us had to get rid of dollars."

I figure I should say something uncontroversial, just to earn my supper. "If the Fed had mastered the political courage to raise interest rates when it saw the dollar collapsing, that would have strengthened the currency and bankrupted the short sellers," I venture. "Instead, it figured that higher rates would raise unemployment too much, so it kept rates close to zero. Naturally, private buyers then boycotted the auctions for T-bills and the Fed did the same thing the German Central bank did in 1922: they bought all the new debt themselves. That's what turned the fall into a collapse."

Jun agrees: "If we had seen the Fed defending the dollar by raising rates, we might have stopped selling. No one wanted to be locked out of the U.S. market. But when we realized that the American government was willing to let its currency collapse ..." He shakes his head.

A bum with one leg stops by our table. He has a crutch under one arm and a bouquet of flowers in the other. "A rose for the pretty lady? Help an old soldier who has served his country." I've seen this guy around the neighborhood.