

A Global Witches' Brew

*Surviving a new world of debt,
liquidity, corruption, money
laundering, and social entropy.*

BY NORMAN A. BAILEY

It is said that the great Ottoman sultan, Suleiman the Magnificent (1494–1566), was taught the following aphorism by his mother, and that he repeated it often in subsequent years:

To hold a land you need an army. To keep an army you must share out property. To have property you must have prosperous people. Only by just laws can you distribute the wealth. Only by laws can the people be protected. Land, army, property, laws. If one of these lacks, all four will soon lack. If all four lack, the land is lost.

The Sultana was describing the effects of a positive societal feedback loop and contrasting them with the effects of a negative feedback loop. The empire became great under Suleiman and subsequently began to decline. One after the other, property, laws, and army lacked, and as a result of social, economic, political, and military entropy, the land was lost. But it took four hundred years.

The Western world became great by adopting the political principles of freedom, economic policies encouraging wealth creation, an independent judicial system, and a powerful military force. The land under its control was vastly expanded, in all continents. By the dawn of the twentieth century it was triumphant everywhere.

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It then began to engage in a series of fratricidal civil wars: World War I, World War II, and the Cold War, which occupied most of the twentieth century. At the dawn of the twenty-first century, Western civilization, based on liberty and the market economy, again appeared triumphant everywhere, having vanquished fascism, Nazism, and communism.

Four years before the outbreak of the first world war, in his bestselling book, *The Great Illusion* (1910), British author Norman Angell declared that the possibility of generalized war among the great powers was rendered impossible as a result of their economic interdependence. Following the end of the Cold War, American academic Francis Fukuyama proclaimed the universal triumph of democracy and the market economy in his equally famous (and fatuous) work, *The End of History and the Last Man* (1992).

Then “history,” ignoring Fukuyama, began again with the destruction of the twin towers in 2001, followed by the onset of the Great Recession in 2008. Since then, the Sultana’s negative feedback loop has been in full bloom and the forces of civilization have gone into retreat. How was this possible? How did the entire monumental structure of the West, based on Judeo-Christian and Greco-Roman value systems, begin to crumble with such rapidity in the face of the onslaught of a new wave of primitive religious barbarism? Why, by 2016, is

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The Secret to Greatness

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—N. Bailey



Suleiman the Magnificent

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Let’s trace the negative feedback loop which has brought us to where we are now:

Following the onset of the Great Recession, central banks and governments in the Western world unleashed a tsunami of liquidity at low to negative interest rates in order to prevent the recession from turning into a depression, which they succeeded in doing at the cost of chronic economic stagnation, huge increases in public debt almost everywhere, the disincentivation of private saving, and ever-greater stringency in defense and security budgets.

Due to the resulting lack of profitable investment opportunities in the legal economy for the zombie financial institutions kept alive by the liquidity tidal wave, financial flows were diverted to highly profitable involvement in the parallel and criminal economies. Activities such as drug and people trafficking, the smuggling of arms and other goods, and terrorist financing greatly facilitated the operations of non-state actors such as criminal syndicates and terrorist organizations.

This in turn required an increase in money laundering, in itself a highly profitable activity enthusiastically engaged in by many of the very financial institutions that had been kept alive by the governments and central banks. And all of this contributed to an increase

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in corruption at all governmental and non-governmental levels almost everywhere.

Traditional government intelligence, security, and law enforcement agencies, even when not complicit, are usually understaffed, inadequately trained and equipped, and in many cases literally out-gunned by the organizations they are tasked with combating and hamstrung by corrupt politicians and officials.

All of the above is taking place simultaneously with two other phenomena which together are transforming the environment in which the negative social feedback loop is proceeding apace:

One is the increasing role of capital as a factor of production at the expense of labor, which in turn results in the rapidly increasing concentration of wealth (defined as income-producing assets) in a smaller and smaller percentage of the total population, which shares it with a larger group of managers, legal and financial professionals, scientists, and technicians. Or put otherwise, the one percent and the ten percent.

At the same time, the role of land is also decreasing as more financial and commercial activities take place outside the jurisdiction of any land-based legal, financial, or security system; often, indeed, in cyber-space.

The other concomitant phenomenon is the steady advance of technologies such as 3-D printing, advanced robotization, and artificial intelligence, which result in an ever-increasing percentage of the population becoming redundant as far as the productive process is concerned, resulting in chronic unemployment, under-employment, and downward middle-class mobility.

Large segments of the population are literally insolvent, dependent for their survival on government transfers. In the United States, this has reached the point where about half the population is dependent in whole or in part on such transfers; in some European countries even more. Criminal and terrorist groups draw recruits from a growing mass of unemployed and undereducated young men.

The pollyanna-ish bloviations of the likes of Angell and Fukuyama have been replaced by works such as Thomas Picketty's *Capital in the Twenty-First Century* (2014), Jerry Kaplan's *Humans Need Not Apply* (2015), and Tom Wainwright's *Narconomics* (2016).

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This witches' brew of negative factors has resulted in a massive increase in social entropy—rage, despair, envy, and resentment. Rage over the loss of jobs, savings, and opportunities. Fear of immigrants and terrorists, of unemployment and downward social mobility; finally, resentment and envy, indeed often hatred, of the elites who are perceived as the authors and beneficiaries of it all.

Weak and pusillanimous political leadership in the West, clearly at the beck and call of the one percent, has spawned growing movements of the extreme right and

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left in Europe, and in the United States the Trump/Cruz/Sanders phenomena.

The political establishment has little to offer but more of the same. The solution will not come from even greater injections of liquidity, which will simply lead to even more debt, stagnation, or worse. It will not come from larger handouts which will only result in an increasing population of government serfs and eventual national bankruptcy.

Only when and if new leaders emerge who understand that what is required is not expansion of the welfare state, but the adoption of policies and programs to expand the ownership of productive assets (that is, wealth) among ever-greater segments of the population, through such mechanisms as cooperatives, employee stock ownership plans, and community investment trusts, will the process of social entropy begin to be reversed.

During his second term in office, President Ronald Reagan appointed a presidential task force on expanded capital ownership chaired by Ambassador William Middendorf, in which I was a member. The task force recommended the passage of a Capital Homesteading Act, in conscious imitation of the Homestead Act signed by Abraham Lincoln in the midst of the Civil War, which opened up the immense store of wealth represented by the great plains of North America to all citizens who were willing and able to work the land. Tragically, the task force recommendation was never acted upon.

The Sultana knew whereof she spoke. Property is not being shared and the laws are increasingly unjust or simply not enforced. The army can no longer be adequately financed and as a result of all of this, the land is in imminent danger of being lost. ◆