

Review of Empire of Debt by Bill Bonner & Addison Wiggin

A friend sent me this book. If you feel that everything the good old USA does is wrong, you will enjoy this book. Bonner & Wiggin have an axe to grind. They believe that US monetary policy and the free spending ways of US consumers is putting our nation on the path to financial disaster.

I will admit that there is plenty of thought provoking material in this book. The authors make the case that the United States is an Empire similar to the Roman Empire. And to the authors' point of view like the Roman Empire in the 5th century, the USA is headed for decline. The reason can be tied to our indebtedness.

There is plenty of revisionist history here. Who are the worst Presidents in US history? Bush of course. But also Reagan, Lincoln, Theodore Roosevelt and Woodrow Wilson. They have particular disdain for Wilson. Why? Because they all led us into expensive wars that were meant to expand the Empire and place future financial burdens on the American people.

Benjamin Franklin said, "Above all avoid foreign entanglements." This is a great ideal. There is merit to what Bonner and Wiggin are saying. We have probably meddled in places where we should not have meddled. But they hold up Switzerland as the greatest country on Earth. If only we could be like enlightened Europe. Europe has learned that war is stupid and are on their way to harmony and bliss. Oh, the greatness of human secularism. Yeah right. I like Europe, but when I have visited it hasn't seemed like paradise to me.

Neutrality is a neat idea. Maybe if there was no sin or evil in the world it would work out great. But unfortunately there are Hitlers, Stalins, Bin Ladins, Husseins, Jong IIs that would like nothing more than to impose their radical totalitarian ways on others. I doubt they will go away if people mind their own business. Someone has to speak softly and carry a big stick.

Bonner and Wiggin have contempt for Thomas Friedman— NY Times columnist and author of the best-seller *The World is Flat*. They believe Friedman is a sunshine pumper for the Empire. They are vicious in the personal attacks on Friedman's intellect. But after reading both books, I have to side more with Friedman than I do Bonner and Wiggin.

Money manager Chris Davis of the well respected Davis Advisors firm often says, "It pays to be an optimist." He is right. Who knows maybe one day this nation will experience serious financial decline. God is in control of all of that. But Bonner and Wiggin discredit many very intelligent minds who don't believe our nation's debt issues are leading us off a cliff. Men like Ben Bernacke who have addressed at length why our debt levels are not dangerously high. I know, Ben is drinking the kool-aid. Only our French residents Bonner and Wiggin have a good handle on how bad a shape we are in.

I agree with Bonner and Wiggin on this: having a value oriented strategy is a better approach. And also debt is to be avoided whenever possible. They make a case that real estate is going to disappoint many people in the next couple of decades. They cite that real estate prices have been flat in real terms from 1890 to 2004 if you take out the period right after WWII and the more recent 1998-2006. But you can always do all kinds of funny things with figures when you start taking out the best years or worst years.

I agree that real estate is not the place to be loading up. But I wouldn't load up on gold either as these authors suggest. Both assets make sense in a well diversified plan. I don't buy into *Empire of Debt's* doomsday scenario.

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