BOOK REVIEW

The Military Dimension of American Hegemony

Thomas Oatley, *A Political Economy of American Hegemony - Buildups, Booms and Busts,* Cambridge University Press, 2015, Kindle Edition

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A Political Economy of American Hegemony - Buildups, Booms and Busts by Thomas Oatley offers relevant historical and statistical evidence regarding military buildups in postwar America, assessing the economic and political impact of deficit financed military spending. From this point of view the book proves to be a very instructive and challenging reading.

Thomas Oatley is professor of political science at North Carolina University, teaching courses on international politics and political economy. He is also the author of a series of papers and books on international political economy. His main theme of research is the interaction between economic interests and political institutions and how it shaped governments' foreign economic policies. *A Political Economy of American Hegemony Buildups, Booms and Busts* is the most recent and also the most challenging of his books, in terms of inquired questions and defended theses.

1. Thomas Oatley's Main Theses and Arguments on Military Dimension of American Hegemony

The central problem examined in the book is how the military dimension of American hegemony has shaped the global political economy. The main thesis defended is that America's military buildup has repeatedly pushed a distinctive "political economy of imbalance" to the center of the global political economy and also that this type of imbalances emerged each time the United States has embarked on a deficit-financed military buildup in response to unexpected security shocks.

The author attempts to link military Keynesianism to the financial and economic crises that characterized the economy of postwar America. Reading the book, we find out that U.S. military spending have averaged roughly 6 percent of American income across postwar period – an amount equal to 1 to 2 percent of world income. The defense budget has been the single largest category of U.S. government expenditures across this period, accounting for between one-quarter and one-half of all government spending. Because military spending accounts for such a large share of total government spending, military buildups have been the single most important source of sudden, large, and persistent changes in U.S. government spending across the postwar period, according to Oatley. Moreover, the author insists that credit booms and asset bubbles occurred only in the context of military buildups. (Oatley 2015, Chapter 6, Par. 2)

Let's pass in review the main arguments advanced by the American professor in defending the central thesis of his book.

Two key factors that contributed to the military buildups and to the global economic imbalances emerged after the World Wars are highlighted in the first chapter of the book: America's political institutions and America's financial power. According to Thomas Oatley, America's political institutions contributed significantly to the augmentation of the U.S. twin deficits – the federal (fiscal) deficit and the balance of payment deficit – and also to the broadening of global imbalances that emerged in the context of unexpected military challenges. Foreign security shocks prompted American policymakers to increase military spending significantly. America's political institutions transformed these military buildups into large and persistent budget deficits by allowing policymakers to increase military spending and at the same time constraining their ability to equilibrate the federal budget by cutting spending on other programs or raising taxes. Also, America's financial power enabled U.S. government to pay for military buildups, especially to finance budget deficits without paying high interest rates or crowding out private investment or consumption.

The author emphasizes that sudden large changes in defense spending in America were possible only in response to military challenges such as September 11, 2001 attacks. Such challenges produced immediate convergence of policymakers' opinions regarding the need to increase military spending, but did not modify policymakers' beliefs regarding other aspects of the budget, such as the appropriate tax rate or the level of spending on other programs. Thus, although policymakers agreed that military spending need to increase in the context of security shocks, they disagreed sharply on raising taxes or cutting funds from other programs and, consequently, U.S. paid for most postwar military buildups by borrowing (i.e. selling government IOUs).

America's financial power is considered by Oatley a key factor for U.S. ability to pay for military buildups, enabling U.S. to borrow from the rest of the world in large volumes, for extended periods at low interest rates. He emphasizes that financial power does not inhere solely in the ability of the government to borrow cheaply from the rest of the world but lies also in the ability of the economy as a whole to borrow cheaply in large volumes for extended periods. U.S. residents sell financial assets, such as mortgage-backed securities, corporate bonds, stocks, bank deposits, as well as government bonds, to foreigners. The author believes that America's financial power consists primarily in the ability to escape the "crowding out" constraint so that when government borrowing increases, foreign capital covers the domestic demand, filling "*the gap between the increased demand for and an unchanged domestic supply of savings*" (Oatley 2015, Chapter 1, Par. 2). Moreover, America benefits from the dollar's role as world's primary reserve currency. Foreign investors think that U.S. default risk and liquidity risk are lower than in the case of many other countries, mostly because U.S. has the largest and most active capital market in the world and the liquidity of such a market generally enables holders of dollar denominated assets of all kind to liquidate their holdings quickly and at low cost. Also, the U.S. central location in the global financial network encourages capital to flow to the U.S. from the rest of the world. The extent to which the U.S. attracts foreign capital, increasing the volume of dollar-denominated assets foreigners hold stimulates other foreign investors to acquire additional dollar-denominated assets. Thomas Oatley observes that somehow "*U.S. has more and more financial power because it already has financial power*" (Oatley 2015, Chapter 1), this dynamic contrasting sharply with the capital market dynamics that applies to other countries, where the volume of capital inflows is typically a negative function of current exposure. Financial power thereby enables the U.S. government to increase military spending without having to cut social welfare programs and without having to reduce private consumption or to reduce private sector investment.

The epistemological approach of the analysis undertaken in the book is depicted by the author himself as analytic eclecticism. Oatley describes analytic eclecticism as a problem oriented and pragmatic approach to social sciences, seeking to deal with real-world issues and complex phenomena by integrating the work generated in separate research programs (Oatley 2015, Chapter 1). Therefore, the author advances both theoretical arguments and empirical evidence in order to substantiate the main theses of the book. Quite often quantitative analysis, especially correlations and regressions are used by the author as empirical tests for his hypothesized relationships and analyses (the link between security shocks and increased military spending, the analysis of budgetary consequences of postwar military buildups, the relation between expansionary fiscal policy and weak current account, the analysis of financial consequences of large and persistent macroeconomic imbalances and so forth).

Having established the key factors that contributed to military buildups in U.S. and the method of analysis, the author undertakes the difficult task of proving that military Keynesianism leads ultimately to economic booms and busts and of explaining how the military dimension of American hegemony had shaped global political economy.

According to Thomas Oatley, capital market dynamics transformed deficit financed military buildups into asset bubbles. He stresses that credit booms and asset bubbles occurred only in the context of military buildups: "*we see no credit booms, or real estate bubbles, or banking crises in the absence of military buildups induced expansion*" (Oatley 2015, Chapter 6 Par. 2). Oatley justifies this important assertion, which happens to be central in the book, by corroborating it with the classic Kindleberger-Minsky (K&M) model that asserts that asset bubbles are triggered by exogenous shocks, that is, by unexpected events that originate outside the financial system (Oatley 2015, Chapter 1). His focus is on security shocks and on the resulting fiscal policy as trigger of the crises. The causal relation between military buildups and economic crises, as the author conceives it, remains to be depicted in Oatley's sequential analysis spread on the next 5 chapters of his book (chapters 2-6).

In the first stage of argumentation (Oatley 2015, Chapter 2), the author reveals that large changes in military spending are correlated with security shocks (i.e. military action of foreign actors that threatens important American interest or ally, according to author's terminology). He uses a statistical model, selecting five conflicts that took place during postwar period and that represented large security shocks for American policymakers: Soviets fighting an American ally (South Korea, South Vietnam), military invasion that threatened an American interest or ally (Soviet Union invading Afghanistan; Iraq invading Kuwait) and direct attack on American territory (Al Qaeda). The author emphasizes that four of all these five security shocks were followed by very large increases in military spending (only Iraqi invasion of Kuwait in 1990 did not spark large military spending increases, mostly because of the brevity of conflict). He assesses also the institutional and political relevance of each security shocks, corroborating statistical results with historical context.

In the second stage of the analysis (Oatley 2015, Chapter 3), the author examines the budgetary consequences of postwar military buildups, arguing both empirically and theoretically that military buildups have been the single most important cause of America's large and persistent budget deficit. He shows that military buildups have widened deficits by 1.5 to 3 percent of GDP and these buildup induced deficits have persisted for more years. The lack of agreement between administrations and congressional leaders concerning the method of deficit reduction delayed the enactment of adjustment packages for years.

Further, the American professor assesses the macroeconomic impact of the budget deficits caused by military buildups (Oatley 2015, Chapter 4): fiscal expansion increased the output, strengthened the currency, weakened the current account and also led to an increase of net capital inflows. The author explains how, in his view, deficit financed military buildups have generated unbalanced growth and crises: (1) deficit financed military buildups impart persistent pro-cyclical stimulus to the economy inducing the economic boom; (2) the current account worsened and net capital inflows increased in order to finance the external deficit; (3) capital inflow strengthened the national currency and the relative price movements encouraged investment and employment in those economic sectors "sheltered from international trade". The author explains in detail that the American economy experienced eleven economic expansions between 1948 and 2008 and that each expansion lasted, on average, just under five years. He notes that these booms are highly correlated with postwar military buildups: the presence and absence of a military buildup correctly classifies nine of eleven postwar expansions into the boom and normal expansion categories, the two misclassified cases including one in which a buildup did not spark a boom and one in which a boom was not accompanied by a buildup. For instance, the Korean War is not associated with a boom, according to Thomas Oatley. He suggests that this happened because additional military expenditures generated by Korean War were paid through tax increases. Thus the author concludes that the modality of payment is more important than the buildup itself. The second exception was the tech boom, which was not associated with a military buildup. Thomas Oatley admits that a deficit-financed military buildup represents only a sufficient condition for a postwar economic boom, but not a necessary one. Further, the author considers that military buildups are highly correlated with changes in relative prices, dollar appreciation and persistent external imbalances. He found that seven of ten largest military spending increases were associated with large deteriorations of the current account balance, while five of ten largest military spending cuts were associated with large improvements in the current account balance.

Further, the author suggests that in order to understand how military buildups evolved into booms it is necessary to find how U.S. exploited his financial power. America's financial power is emphasized by Oately in the analysis of net cross border capital flows between 1970 and 2008. Thomas Oatley measured the concentration of cross-border capital flows by calculating a Gini coefficient for the ten largest national current account deficits in each year. Gini coefficient rises toward unity as cross-border capital flows become heavily concentrated in a single country and falls toward zero as capital flows are more evenly distributed across the ten largest deficit countries. Oately reveals that the cross national distribution of net capital flows has varied substantially over the selected period, ranging from 0.3 to 0.85. He discovered a strong positive relationship between U.S. external imbalances and the concentration of net cross-border capital flows. More exactly, when the U.S. demand for foreign capital rises it attracts an increasing share of total net cross-border capital flows and when U.S. demand for foreign capital falls, net capital flows are more evenly distributed across the world's deficits countries. Thus at one extreme, large U.S. current account deficits are associated with a Gini coefficient of 0.82, while at the other end, small U.S. current account deficits are associated with Gini coefficients that range between 0.3 and 0.5. Therefore the magnitude of the total global imbalance correlates with the concentration of net cross-border flows, at least since 1980. Thus, global imbalances widen as net capital flows become more concentrated in the United States, and they narrow as net capital flows are more widely distributed across the system. Thomas Oatley suggests that because of the easiness of attracting foreign capital, increased government borrowing did not crowd out private investments in the U.S. economy. The author concludes: "*America's financial power thus allows the American economy to benefit from the dual impact of a sustained pro-cyclical fiscal expansion and an increase in private investment. The combination has unfailingly produced economic booms – extended episodes of rising prosperity*." (Oatley 2015, Chapter 4, Par.5)

Thomas Oatley sustains further, in the next chapter (Oatley 2015, Chapter 5) that global imbalances sparked U.S. protectionism, given of the impact that the over-valued dollar has on the international competitiveness of American manufacturing. U.S. started to pressure his trading partners to adjust their policies in order to narrow global imbalances, threatening to withdraw American security commitments and restrict access to the U.S. market unless agree to change policy. The author sustains that postwar American protectionism has also a pro-cyclical nature. By focusing on imposing more trade barrier in U.S. and fewer abroad America's trading partners were indirectly encouraged to embrace a more expansionary fiscal and monetary policy.

Analyzing financial consequences of America's postwar booms, Thomas Oatley sustains that postwar economic booms triggered by military buildups have been the cause of every major episode of financial instability in U.S. Thus, on the one hand the author emphasizes that in all cases a credit boom followed by an asset bubble or real estate bubble occurred only in the context of military buildup induced expansion. On the other hand, he notes that credit booms rarely occur in the absence of macroeconomic imbalances (U.S. twin deficits), but also mentions that no asset bubble emerged in the absence of a credit boom (Oatley 2015, Chapter 6).

Finally, in the last chapter of the book, the author suggests that America must rely less on military power and proposes to raise awareness of American public regarding the implications of America's wars. The author emphasizes that between 2001 and 2013 the U.S. government spent approximately 6 trillion dollars, fighting two wars. During the same period, close to seven thousands American soldiers have been killed in action, approximately 59.000 have been wounded and an unknown number of others returned home with posttraumatic stress. But American public does not pay too much attention to foreign policy issues or to the economic and humanitarian consequences of the America's wars. Consequently, the politicians did not encounter any electoral pressure or check regarding the cost of wars. The author emphasizes also that America's exploitation of its financial power has been costly in terms of global goodwill, increasing the determination of other nations to create an alternative to the U.S. dollar in order to limit America's global power. Thomas Oatley notes also that, though America is renowned as "system maker and privilege taker"[1], in many occasions it has been rather a system breaker, in the sense that America's determination to defend the postwar liberal order ended up in every instance in weakening substantially key components of this order. Vietnam War undermined the Bretton Woods system of exchange rates, while the subprime crises eroded the confidence in liberal capital markets and international financial interdependence (Oatley 2015, Chapter 7). However, Thomas Oatley's radical solution to raise awareness of American public concerning foreign policy and America's costly wars – National Universal Service Act, i.e. compulsory enlistment of people in the military service – could rather undermine than strengthen the same liberal order that the author seems to defend.

2. Short critical review and conclusions on Thomas Oatley's analysis

First of all, from an historical point of view, Thomas Oatley's account of military buildups in postwar America needs a short but important amendment. Challenging the military dimension of American hegemony, Thomas Oatley highlights the role of America's political institutions and its international financial power as the most important factors in fueling U.S postwar military buildups. The overall impression reading Oatley's account is that military buildups in postwar America are the unfortunate and unintended outcome of some impersonal political and economic causes. Up to one point this account may be true. Nevertheless ignoring the role of military industrial congressional complex (MICC) and of the particularities of U.S. military procurement system gives a simplified and misleading account of the entire process. The problem is that there are no

[1] Michael Mastanduno, "System Maker and Privilege Taker: U.S. Power and the International Political Economy", *World Politics*, Volume 61, Number 1, January 2009 pp. 121-154.

incentives to change the main institutional setting that lead to large military spending because of the alliance between great military corporations and powerful military authorities. Robert Higgs explains that modern MICC originates in World War II time, when an elaborate legal and administrative mechanism was built – big business and its representatives occupying strategic positions in the procurement agencies of the military departments and in the civilian mobilization agencies. Military spending grew tremendously. During the fiscal years 1922-1939 they averaged just 744 million dollars, amounting to one percent of GNP. Between mid-1940 and late 1941 Congress appropriated 36 billion dollars for the War Department alone (more than the army and navy had spent together during the World War I). Besides, government adopted several important changes in its procurement laws and regulations, these changes including "negotiated cost-plus-fixed-fee contracts instead of contracts arrived at within the solicitation-and-sealed-bid system; various forms of tax breaks; government loan guarantees; direct government funding of plants, equipment, and raw materials; and provision of advance and progress payments, sparing the contractors the need to obtain and pay interest on bank loans"[2]. All these arrangements became by and large permanent features of the MICC. After the World War II military spending never fell to the previous level of interwar period. Under such conditions the risk of business for military contractors was completely shift from privileged firms onto the taxpayers, allowing private profits and imposing public risks. Between 1948 and 1989 national defense spending reached 10 trillion dollars, consuming, on average, 7.5 percent of American GNP. Given that great corporations, powerful military authorities, and members of Congress are all linked in a mutually self-serving complex, there is little incentive to change the entire system of military procurement and American foreign policy.[3] Therefore, overlooking what MICC means for American foreign policy and its role in U.S. military buildups, Thomas Oatley gives an altogether simplified and even misleading account of factors that favored large increases in military spending in postwar America.

Secondly, Thomas Oatley main position concerning the military dimension of American hegemony is revealed more clearly in the last chapter of the book when he advocates that time for retrenchment has come, that America has spent too much on wars in Iraq and Afghanistan and too little on the domestic foundations of power. He emphasizes that buildup-related deficits are costly and these costs manifest already in the form of systemic instability and declining political influence. Following Michael Mastanduno who emphasizes that U.S. has been simultaneously a "system maker and a privilege taker", Thomas Oatley emphasizes that on the one hand U.S. took advantage of its privileged position within international order and followed its interests. But he points very perceptively, that on the other hand, U.S. military buildups undermined rather than supported the postwar liberal order and that in this sense U.S. proves to be rather a system breaker and privilege taker than a "system maker". Overall, the account of Thomas Oatley has a general and holistic character, judging all aspects of the problem in terms of macroeconomic implications and general political consequences. This kind of approach has undeniable advantages, giving an all-encompassing perspective of the analyzed phenomena. But on the other side of the coin it has some shortcomings also. Important elements may be overlooked. Thus the author turns a blind eye to the costs of wars in terms of individual liberties and private property protection. The "war on terror" increased tremendously the size and power of government, threating the very foundations of the free society[4]. The solution that Thomas Oatley proposes to raise awareness of American public concerning the realities of U.S. foreign policy and America's wars – i.e. compulsory enlistment of people in the military service – reflects the same holistic or collectivist bias of diminishing the sphere of individual liberties for the sake of an impersonal political or economic good.

Thirdly, Thomas Oatley's implicit conception on economic crisis it is also important to depict. The author discovered an important connection between military buildups and economic booms and busts of postwar America. Nevertheless he does not pretend to develop general or universally valid claims about economic and financial consequences of military spending in his book. He rather aims to "*deepen the understanding of the economic and financial consequences of America's postwar military buildup based on established mid-range theories*" (Oatley 2015, Chapter 1). However, to this end, Thomas Oatley enumerates the

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[2] Robert Higgs, "Military-Economic Fascism: How Business Corrupts Government and Vice Versa", *Delusion of Power*, The Independent Institute, 2012.

[3] Robert Higgs, World War II and the Military-Industrial-Congressional Complex, Independent Institute, 1995, http://www.independent.org/publications/article.asp?id=141; Robert Higgs, "Private Profit, Public Risk: Institutional Antecedents of the Modern Military Procurement System in the Rearmament Program of 1940–41", *Depression War and Cold War*, Oxford University Press, 2006;

[4] Robert Higgs, ***Crisis and Leviathan: Critical Episodes in the Growth of American Government*, Oxford University Press, 1987.**

most commonly advanced explanations of the economic crises, highlighting his agreements and disagreements. In his brief analysis of theoretical accounts of the crises (Oatley 2015, Chapter 1), the author rightly rejects some standard explanations of economic crises because they do not cover all the cases. The typical approaches that stress the complexity of financial system, the failure in the management of risk and the lack of appropriate regulations are dismissed by the author because they do not cover the entire range of postwar crises, but mainly the 2007-2008 subprime crisis. The author looks for a broader conception able to explain a wide range of economic booms and busts that occurred in postwar America. But Oatley implicit account of economic crises suffers also from the same type of problem. In explaining American postwar economic booms, he leans too much on particular conditions emphasizing expansionary fiscal policies on account of military buildups. Thus, on the one hand, the author tends to consider deficit financed military buildups as the main cause of economic crises in postwar America, asserting that "*we see no credit booms, or real estate bubbles, or banking crises in the absence of a military induced expansion*" (Oatley, Chapter 6, Para 2). But on the other hand, he admits that not every economic boom is associated with a military buildup and that, for instance, tech boom was not preceded by large military buildups. Consequently, military buildups are not necessary conditions of economic crises. However, the author indicates at some point in his analysis a necessary condition of economic bubbles pointing out that "*no asset bubble emerged in the absence of credit boom*" (Oatley 2015, Chapter 6). But this assertion is not further substantiated and neither the role of FED and commercial banks nor the role of other financial institutions and regulations are inquired or even considered by the author in connection with the analyzed credit booms. He overlooks the possibility of finding a general explanation or a general cause of credit expansion within the financial and banking system[5], adhering instead to an exogenous theory of business cycle. In this view, economic crises are triggered by exogenous shocks (in this case, large deficit spending military buildups).

Thomas Oatley emphasizes also a series of general conditions, such as America's financial power and macroeconomic imbalances, including global imbalances. He asserts that "*America's deficit-financed military buildups have generated economic booms because of America's global financial power*" (Oatley 2015, Chapter 4) and also that "*America's macroeconomic imbalances, characterized by the configuration of robust economic growth, pro-cyclical fiscal policy imparted by military buildups and capital flow bonanzas have generated credit booms*." (Oatley 2015, Chapter 6, Para 2) Capital flow bonanzas are more or less, according to Thomas Oatley, the result of American financial power: the capacity of U.S. government and American citizens to borrow from the rest of the world in large volumes for extended periods of time at low interest rates, benefitting from the dollar's role as the world's primary reserve currency. The author mentions also the massive capital inflow from export oriented countries, like China, that bought IOUs from the U.S. government, preventing their currency to rise and stimulating Americans to buy more imported goods. The capital flows from countries like China or Japan represent the counterpart of the U.S. balance of payment deficit with these countries and this is how the U.S. twin deficits are closely related, feeding into each other. But the causal chain between U.S. twin deficits, capital bonanzas and credit booms is rather fuzzy in Thomas Oatley's account of economic crises. The author's explanation is based in this important point mainly on a discovered covariance: "…*we observe a strong correlation between economic expansion, capital flow bonanzas and pro-cyclical fiscal policy on the one hand and credit booms on the other. The presence and absence of this macroeconomic environment correctly classifies ten of eleven of postwar economic expansions into credit boom and non-credit boom categories.*" (Oatley 2015, Chapter 6, Para 2) In fact, the same conclusion applies for these factors also: neither America's financial power nor macroeconomic imbalances and capital flows bonanza can be considered *per se* necessary conditions of economic crises. However the author insists that when all these factors come together, they are always correlated with credit booms and economic crises.

The symbiosis between credit expansions fuelled by government borrowing in context of war has been revealed also in relation to some of the economic crises of XIX century – 1819, 1837, 1857 and so forth[6]. This

[5] See for example Austrian business cycle theory (Ludwig von Mises, "The 'Austrian' Theory of Trade Cycle", *The Austrian Theory of Trade Cycle and Other Essays*, Ludwig von Mises Institute, 1996; G. Hülsmann, "Toward a General Theory of Error Cycle", The Quarterly Journal of Austrian Economics, vol. 1, no.4)

[6] "In the United States, mass suspension of specie payment in times of bank troubles became almost a tradition. It started in the War of 1812. Most of the country's banks were located in New England, a section unsympathetic to America's entry into the war. These banks refused to lend for war purposes, and so the government borrowed from new banks in the other states. These banks issued new paper money to make the loans. The inflation was so great that calls for redemption flooded into the new banks, especially from the conservative nonexpanding banks of New England, where the government spent most of its money on war goods. As a result, there was a mass "suspension" in 1814, lasting for over two years (well beyond the end of the war); during that time, banks sprouted up, issuing notes with no need to redeem in gold or silver. This suspension set a precedent for succeeding economic crises; 1819, 1837, 1857, and

pleads for the idea that Thomas Oatley analyzes in his book a very significant and persistent historical relation but also raises questions regarding the role he attributes to "capital flow bonanzas" or America's twin deficits in sparking credit booms, given that economic environment in XIX century was quite different. M. Rothbard emphasizes instead the role played by banks, through inflation and "wild-cat banking", in fuelling credit expansion in case of XIX century economic crises, and also stresses the role of governments that tried to patronize banks in order to control and direct credit expansion according to their immediate political interests.

In the cases of postwar credit booms it could be also significant to examine the role of banks, including FED and the foreign central banks of exporting countries, like China. Thomas Oatley main suggestion is that America's military buildups are deeply interlaced with global economic imbalances and that this type of economic environment generated crises. He turned a blind eye to the role of banks and other financial institutions in credit expansion and economic bubbles. But the question is whether there would be any story about America's twin deficits in the absence of practice of "lending fiat money to buy fiat promises"[7] at the global level. From this perspective the causes of economic crises are more deeply rooted in the very settlement of our global financial system[8].

As a final remark, it is important to note that although the author denounces the costs generated by deficits financed military buildups, such as "systemic instability and declining political influence" and requires a more responsible fiscal policy, he does not reject in principle military Keynesianism. Oatley assumes the Keynesian theoretical framework of analysis. He adheres to the standard conception of pro-growth fiscal stimulus, accepting that "*deficit-financed military buildups have ushered in extended periods of exceptional prosperity*". (Oatley 2015, Chapter 4)

A Political Economy of American Hegemony Buildups, Booms and Busts is an altogether interesting read. The author finds an historical correlation between military buildups, macroeconomic imbalances and economic crises in postwar America. Overall, the most important contribution of the book is factual or empirical, in the field of economic and political statistics. The main theses and arguments rely mostly on discovered statistical correlations and less on theoretical explanations. Nevertheless, insightful considerations on America's recent wars are sprinkled throughout the book, Thomas Oatley challenging America's reliance on military power, analyzing its economic and political impact at the global level and raising important questions on military dimension of American hegemony.

so forth. As a result of this tradition, the banks realized that they need have no fear of bankruptcy after inflation, and this, of course, stimulated inflation and "wildcat banking." (Murray Rothbard, *What has Government Done to Our Money*, Ludwig von Mises Institute, 2010)

[7] Gary North, "Twin Deficits", *Mises Daily*, 2012.

[8] M. N. Rothbard, History of Money and Banking in the United States: the Colonial Era to World War II, Luwig von Mises Institute, 2002.