The Ottoman Empire: An American Tragedy?

A quick review of world history shows us that power (economic, political, and military) is illusive. Once- great empires have long been forgotten by students and scholars alike. In 480 BC, the Achaemenid Empire ruled 44.5% of the world’s population. In 250 BC, the Mauryan Empire ruled a full third of the world’s people. By 117 AD, the Roman Empire presided over 39.5% of the people in the world. Then came the Umayyad Caliphate (29.5%, 750 AD), the Mongol Empire (25.6%, 1270 AD), the Qing Dynasty (36.6% , 1790 AD), and the British Empire (20%, 1922 AD). A story can be told of the rise and fall of each of these empires.

A look at the [history of world GDP](http://www.ritholtz.com/blog/wp-content/uploads/2010/08/GDP-History.gif) shows similar, though longer, patterns. India and China used to make up the lion’s share of the world economy. Then the industrial revolution hit Europe and it became a much larger global economic powerhouse, only to be somewhat replaced by the US. Now the US share of world output is falling. The US economy, though growing, is doing so at a slower rate that the world average. European economic dominance is even further faded than is that of the US. As the US aims to replicate Europe’s “social safety net economy”, [the US will follow the path of Europe’s decline.](http://www.realclearmarkets.com/articles/2011/12/05/europes_predicament_similar_to_ours_99403.html)

Looking to American literature for metaphors for the rise and decline of the US economy, we can turn to [The Rise of Silas Lapham](http://www.amazon.com/Rise-Silas-Lapham-Penguin-Classics/dp/0140390308) (William Dean Howells). It’s a classic story of economic boom and bust. The Paul Newman starred TV show based on the book is more aptly titled, [The Rise and Fall of Silas Lapham](http://www.imdb.com/title/tt0737184/). [An American Tragedy](http://www.amazon.com/American-Tragedy-Signet-Classics/dp/0451527704) (Theodore Dreiser) occurs in a similar vein (the movie was [A Place in the Sun](http://www.imdb.com/title/tt0043924/) with Elizabeth Taylor). The poor young American, George Eastman, works really hard to climb out of poverty only to muck it up with a series of very bad personal choices.

The 19th Century was known as the British Century. The 20th Century was known as the American Century. If the US wants to lay claim to the 21st Century title as well, it has gotten off to a bad start. America is turning into the new Ottoman Empire. Having achieved vast amounts of wealth, Americans in large numbers have decided to sit on the couch, prop their feet up on their ottoman, and gorge themselves to death on the [Turkish Delight](http://en.wikipedia.org/wiki/Turkish_delight) of their choice. (Think Edmund in [The Lion the Witch and the Wardrobe](http://www.amazon.com/Lion-Witch-Wardrobe-Chronicles-Narnia/dp/0060764899)).

The [US employment rate](http://data.bls.gov/cgi-bin/surveymost) has fallen from 64.4% in January 2001 to 58.5% in November 2011. That’s nearly a ten percent decline in the percentage of Americans with jobs in just a single decade! While the unemployment rate is still 8.6%, fewer Americans are even bothering to look for work. [The US labor force participation rate 1948-2011](http://en.wikipedia.org/wiki/File%3AUS_Labor_Participation_Rate_1948-2011.svg) shows a dramatic decline in the last decade. The [Chicago Tribune](http://www.chicagotribune.com/business/ct-biz-1205-skills-gap-20111205%2C0%2C4924301.story) is just the latest in a number of publications pointing out that there are currently 3.4 million job openings currently unfilled in the US.

The US labor market faces three major problems. First, people are less likely to want to work. The expansion of the social safety net has meant that people have chosen to rationally remain on the public dole rather than go to work. Secondly, those who do want to work increasingly lack the skills necessary to take the jobs that are available. The [US isn’t even average](http://www.nytimes.com/imagepages/2010/12/07/education/07education_graph.html?ref=education) when it comes to math competency compared to other industrialized countries. Why major in engineering when you can major in community organizing? Thirdly, the demographic tide is causing there to be fewer and [fewer workers per retiree](http://www.heraldtribune.com/apps/pbcs.dll/article?AID=/20110917/GRAPHICS02/110919675&template=graphics). Together, these trends point to a diminished US role in the world economy.

I suppose an end to American economic dominance was bound to come, but poor economic policies have really hastened the decline. That reminds me, my wife was just asking to buy a new ottoman. I better buy one to keep up with the Jones’s and join the Ottoman Empire. There’s no sense being uncomfortable while watching the decline of the economy around me.