

THE 26TH JOHN BONYTHON LECTURE 2010

NIALL FERGUSON

EMPIRES ON THE EDGE OF CHAOS:
THE NASTY FISCAL ARITHMETIC OF IMPERIAL DECLINE



Empires on the Edge of Chaos: The Nasty Fiscal Arithmetic of Imperial Decline

Niall Ferguson

The 26th John Bonython Lecture
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Chairman's Remarks

Michael Darling

Chairman, CIS Board of Directors

Sydney 2010

Your Excellency Professor Marie Bashir, Ladies and Gentlemen. Welcome to the twenty-sixth annual John Bonython Lecture of The Centre for Independent Studies. It is my special pleasure to welcome our speaker, Professor Niall Ferguson, and we very much look forward to his lecture tonight. To those companies and supporters who have organised tables for themselves and their guests, many thanks to you. I would also like to add my special thanks to the Macquarie Group, who once again have shown their commitment to the Centre and its work by sponsoring the lecture, as they have done in the years past.

The John Bonython Lecture was established in 1984 and named after the late John Bonython of Adelaide and the first chairman of what was then the Centre's board of trustees. The principal purpose of the lecture is to examine the relationship between individuals and the economic, social and political elements that make a free society.

The first lecture was delivered by Professor Israel Kirzner of New York University. Over the years, the lectures have been presented by an extraordinary range of speakers across many disciplines, including Nobel Laureate James M. Buchanan; Czech president Václav Klaus; Peruvian novelist Mario Vargas Llosa; chairman of News Corporation Rupert Murdoch; and satirist and author P.J. O'Rourke.

For anyone who is not a member of the Centre or involved in some way, I urge you to consider becoming so. There are very few organisations like the CIS in Australia and New Zealand, unlike, say, the United States, where think tanks play important role in public debates and the formation of good public policy.

The CIS is probably the most recognised of the independent think tanks in Australia. In the past 12 months, for instance, its

output, and the quality of it, has been remarkable. Its recognition by way of media coverage has never been higher, and its membership and support growth have been vigorous and helped us through the troubled economic times of the past few years. Yet we believe its best years are to come. In the weeks following the lecture, you will no doubt hear from the Centre's Executive Director, Greg Lindsay, and I urge you to join the many people who are becoming a part of this very important Australasian institution.

Thanks again for being here and do enjoy your evening.

Introduction

Greg Lindsay

Executive Director, The Centre for Independent Studies

Sydney 2010

Your Excellency Professor Marie Bashir, Ayaan Hirsi Ali, Niall Ferguson, members, supporters, and friends of the CIS—it is my great pleasure to welcome you and introduce you to our 2010 John Bonython Lecturer, who follows in such a long line of distinguished speakers. I'd also like to thank the Macquarie Group for their support of tonight's event.

In Edinburgh in August 1696, a particularly cold month, a group of four young men, shuffled down one of its streets, past a church, shielding themselves from the sort of cold wind we don't get here too often. Maybe they had been to the pub or even to the church, but battling the cold was foremost on their mind. One of the group, Thomas Aikenhead, a young man of 19, joked that it was probably warmer in the place Ezra called hell. Who knows about Ezra these days! I certainly don't, but it seems that Aikenhead more broadly had questioned aspects of the truth of the Bible as they knew it then and that really was a heresy. The Scottish Kirk had at this point reached the start of its Enlightenment, and the whistle that blew for that start was probably the execution of Thomas Aikenhead for blasphemy.*

Now this probably seems an odd way to introduce a modern-day historian of the eminence of Niall Ferguson. I'll try to explain. The year 1696 isn't one of those years that sticks in our minds. Maybe 1688, the year of the Glorious Revolution, or 1776, the year of the publication of *The Wealth of Nations* and the US declaration of independence. But something started around 1696

* A fuller description of this episode may be found in Arthur Herman, *The Scottish Enlightenment* (Fourth Estate: London, 2003), 1–11.

that is still with us today and of which we are all the legatees—the Scottish Enlightenment. It's worth noting that much of the push for the rationality and science of that early Enlightenment period was promoted by religious figures who had no time for the fundamentalists of the time. They argued to spare Aikenhead. That too is worth bearing in mind in 2010.

The end of the seventeenth century, and for the couple of hundred years that followed, set the standard, the institutions, the tone, and the confidence for the modern world. In practical and philosophical terms, it made us prosperous and it made us free. The moral dimension of all this is overwhelming. Niall Ferguson is the foremost modern chronicler of that bequest. He, of course, being from Glasgow, is the inheritor of the ideas of his fellow Scots of that earlier period—Adam Smith, David Hume, Adam Ferguson, Francis Hutcheson, and so many that followed.

So, in what was a period of accelerating British decline in the middle 1960s, another Ferguson appeared, this time in Glasgow. The son of a physician and a physicist, Niall Campbell Douglas Ferguson didn't follow the 'hard' disciplines of his parents or indeed his sister, a professor of physics, and instead took an even harder road into the world of the past to explain the future. And we are all glad he did.

Schooled in Glasgow, he also spent an early couple of pre-school years in Kenya, a remarkable coincidence given that his partner Ayaan spent much of her school life in Nairobi. Upon matriculation, he entered Magdalen College at Oxford, and on graduation began his teaching career at Oxford and Cambridge. In 2002, he became the John Herzog Professor in Financial History at New York University. Two years later, he became the Laurence A. Tisch Professor of History at Harvard and also the William Ziegler Professor of Business Administration at the Harvard Business School. He is also a Senior Research Fellow at Jesus College Oxford and a Senior Fellow at the Hoover Institution at Stanford University.

Fortunately for most of us who don't get to Oxford or Harvard, Niall Ferguson is also a teacher for the world. His books, and the often-related TV programs, are available to all. His explanations

of war, peace, politics, prosperity, or lack of it, entrepreneurship, success and failure in business, banking, and money are compelling. But there's more. The liberal tradition, the liberty of the individual, and all that flows from it seems to be a lens through which he sees and interprets events. The empirical foundations underpinning all this brings an authority that's unmatched. And, of course, he also writes beautifully.

We know many of his books, with *The Ascent of Money* and *Empire* topping the recognition list. TV has no doubt sharpened the focus on these two. But the list is long:

Paper and Iron: Hamburg Business and German Politics in the Era of Inflation 1897–1927 doesn't quite have the ring of the later books, but it was his first.

But then the list starts to sharpen, maybe because of the wonderful titles:

The Pity of War: Explaining World War One

The World's Banker: The History of the House of Rothschild

The Cash Nexus: Money and Power in the Modern World

Empire: The Rise and Demise of the British World Order and the Lessons for Global Power

Colossus: The Rise and Fall of the American Empire

The War of the World: A History of Twentieth Century Conflict

The Ascent of Money

His latest is *High Financier: The Lives and Times of Sigmund Warburg*. A book on Henry Kissinger is on the way.

Niall is a prolific contributor to the print and electronic media and the academic literature. He is a true public intellectual, a term that has sadly been devalued in this country in recent years. Maybe Niall's example will go some way in restoring its true meaning and currency.

Yesterday, at Macquarie University, Niall received an Honorary Doctorate, his first as it turns out. In his address, he discussed many things about the future of Australia. He is unquestionably

optimistic about our prospects. Niall also spoke about Lachlan Macquarie, the colonial administration he headed, and his pre-occupation with infrastructure—and doesn't that resonate today! This year is the 200th anniversary of his arrival as Governor of New South Wales, and I am delighted that Macquarie's current-day successor is here tonight.

So, a quick diversion back to Aickenhead before I end. I said that Niall was the inheritor of those great ideas of the Enlightenment, especially the Scottish one. We all are. One of the dangers we face is that what we have learned has tarnished and may be put aside for political, mystical or some other reason. Political correctness, perhaps. That's why we need the Niall Fergusons. We need them to explain to the world what's important. We are also privileged to know that at his side is today's Thomas Aikenhead, Ayaan Hirsi Ali. Fortunately for us, she has not met his fate as she fearlessly powers on in defence of freedom and the traditions of the Enlightenment. That's about as formidable a team for good as you will get.

Ladies and gentlemen, please welcome Niall Ferguson as he delivers the 2010 John Bonython Lecture.

The 2010 John Bonython Lecture

Niall Ferguson

Introduction

It's a huge pleasure for me to be here in Sydney tonight. My thanks go to all at The Centre for Independent Studies who have worked so hard to make this trip so enjoyable and fulfilling, particularly Chairman Michael Darling and Executive Director Greg Lindsay. You've all done so much to make me feel at home since I arrived in Australia last Friday. I attended a conference at Coolum in which every *third* delegate had a Scottish name. I was then awarded an honorary degree by a university named after a Scotsman (Macquarie University). I was given a dinner by a bank named after the same Scotsman (Macquarie Bank). And you have capped it off by laying on authentic Scottish weather for me. Thanks for nothing!

This year, on the 200th anniversary of Lachlan Macquarie's appointment as Governor of New South Wales, I think it's appropriate that the John Bonython Lecture should have an imperial theme. The rather striking pictures on the screens are part of a series of extraordinary paintings, five in all, produced just about 10 years after Macquarie's death by the American artist Thomas Cole, depicting the life-cycle of an empire. The five paintings are collectively titled *The Course of Empire* and hang at the New York Historical Society. Cole used the same geographical location in each of the five paintings. The first is titled *The Savage State* and depicts wilderness. The second depicts a farmer's arcadia and is titled *The Pastoral State*. The third, the largest canvas, depicts a kind of classical emporium, a marble scene of splendour and prosperity, and is titled *The Consummation of Empire*. The fourth in the cycle is *The Destruction of Empire*. The final fifth is titled simply *Desolation*.

The message is clear. All empires, no matter how magnificent, are condemned to decline and fall.

Cyclical theories of history

The idea of the historical process as an essentially cyclical one has a long tradition in Western civilisation, stretching back more than 2,000 years. In one of the oldest such theories, the process that Polybius calls *anacyclosis* proceeds in the following order:

1. Monarchy
2. Kingship
3. Tyranny
4. Aristocracy
5. Oligarchy
6. Democracy
7. 'Ochlocracy' or 'the rule of the mob.'

Another cyclical theory of history from much, much later (1725) is Giambattista Vico's extraordinary *Scienza Nuova*, which has a *ricorso* or recurrence process of three historical phases: from the divine to the heroic (or the feudal/ monarchic) to the human (or democratic).

In the early twentieth century, Oswald Spengler's *The Decline of the West* offered a biological model of civilisations as organisms with a typical life span of a 1,000 years and seasonal cycles, always ending in a miserable winter. Arnold Toynbee—nobody reads Toynbee anymore but he was once a best-selling historian, which is a warning to us all—wrote *A Study of History*, a 12-volume magnum opus in which he posited another cycle: a cycle of 'challenge,' followed by a response of 'creative minorities,' after which inextricably came 'decline' or what Toynbee called 'civilisational suicide,' when leaders stopped responding creatively to the challenges they faced.

Such cyclical theories remain popular to this day. Paul Kennedy's best-seller *The Rise and Fall of the Great Powers*, published in 1987, has another cyclical theory of imperial overstretch. As great powers overextend themselves strategically through conquest and imperial

overstretch, that process causes their economies at home to suffer, decline and bring their empires down with it.

Jared Diamond's *Collapse: How Societies Choose to Fail or Succeed* offers the latest cyclical theory of history: environmental cycles all the way from seventeenth-century Easter Island to twenty-first century China, where societies rise and exploit their natural resources, overdo it, and then succumb to natural disasters.

The timeframe

I'm always struck by how the idea of these different cyclical theories prevails in the popular psyche, in our subconscious, even if we haven't read these books. We naturally tend to assume that in our time, too, history will move cyclically—and slowly. Think of the environmental or demographic threats that we all like to talk about. They do seem very, very remote, don't they? Maybe that's why we don't mind talking about them. But in an election year, who really cares about the average atmospheric temperature or the population demographics in 2050? The cycle will take care of those threats, while we focus on burning issues like traffic congestion. And yet it's possible that this entire cyclical framework is, in fact, flawed. Maybe, just maybe, Cole's artistic representation of imperial birth, growth and eventual death is a misrepresentation of the historical process itself.

What if history isn't cyclical and slow moving? What if it's arrhythmic—at times almost stationary but also capable of accelerating suddenly, like a sports car? What if collapse does not arrive over a number of centuries but comes suddenly, like a thief in the night?

Complex systems

Great powers and empires are complex systems made up of a large number of asymmetrically organised interacting components, which means their construction more resembles a termite hill than an Egyptian pyramid.

They operate somewhere between order and disorder—on the ‘edge of chaos,’ in the wonderful phrase of the computer scientist Christopher Langton.

Complex systems as they’re properly understood can appear to operate quite stably for some time; they can seem to be in equilibrium but, in reality, are constantly adapting, evolving, mutating.

But there comes a moment when all complex systems ‘go critical.’ A very small trigger can set off what scientists call a ‘phase transition’ from a benign equilibrium to a crisis—the single grain of sand that causes the whole sand pile to collapse, or the legendary butterfly that flaps its wings in the Amazonian rainforest and causes a hurricane in south-eastern England.

To understand what I mean by complexity, let’s see how natural scientists use the concept:

- Water molecules unpredictably and yet symmetrically form themselves into snowflakes.
- Anthills or termite mounds—complex things—are not the products of a plan but of almost arbitrary interaction of lots of tiny little insects.
- The canopy of a rainforest.

All of these are authentically complex systems. But complex systems have something in common. A small input to a complex system can produce huge and often unanticipated changes. This is what scientists call the ‘amplifier affect.’ When things go wrong in a complex system, the scale of disruption is impossible to anticipate because there is no such thing as the typical or average forest fire, for example. To use the jargon of modern physics, a forest before a fire is in a state of ‘self-organised criticality’; it is teetering on the verge of a breakdown. But the size of the breakdown is unknown. Will it be a huge and devastating conflagration or a small, controllable fire? It’s hard to say: A forest fire twice as large as last year’s is in fact roughly four or six or eight times less likely to happen this year. This kind of pattern, known as a ‘power-law distribution,’ is remarkably common in the natural world. It applies not just to forest fires but also to earthquakes and epidemics.

The empire analogy

Regardless of whether a great political entity is democratic or authoritarian, any large-scale political unit like an empire or a great power is a complex system in that sense. Most great empires have a nominal central authority—either a hereditary emperor or an elected president—but in practice, the power of the individual ruler is a function of that network of economic, social and political relations over which the emperor resides. Very little control was exercised over Lachlan Macquarie by the men back in London. In fact, the British Empire was a perfect example of a self-organising complex system in which constant adaptation occurred on the periphery as individuals made decisions. It was a very, very large version of the ant hill.

Empires share many of the characteristics of other complex adaptive systems, including the tendency to move quite suddenly from apparent stability to instability. This key fact challenges the cyclical theory of history but is rarely recognised because of our addiction to the cyclical theory of history.

The Bourbon monarchy in France in the eighteenth century passed with amazing speed from triumph to terror. French intervention on the side of the colonial rebels against British rule in North America in the 1770s seemed like a great idea to France. It was a perfect opportunity to take revenge on Great Britain for its victory in the Seven Years War a decade earlier. But that decision to intervene in the American War of Independence tipped the French monarchy over the edge into chaos.

In May 1789, with the summoning of the Estates-General, France's long-dormant representative assembly, a political chain reaction was unleashed that led to a swift collapse of royal legitimacy in France. Only four years later, in January 1793, Louis XVI was decapitated by that extraordinary machine, the guillotine.

Take the more familiar case of the collapse of the British Empire. We tend to think of that as a rather protracted process, and much history is written as if the British Empire began declining in the late nineteenth century. This is quite wrong. The sun set on the British Empire almost as suddenly as the decline of the French monarchy. The zenith of the power of the British Empire in territorial

terms was in fact in the 1930s. And to Winston Churchill in 1945, sitting as an equal at Yalta with the other members of the Big Three, dividing up the world with US President Franklin Roosevelt and Soviet Premier Joseph Stalin, it didn't seem as if the sun was going to set on the British Empire on his watch. And yet, within just a dozen years of Yalta, the United Kingdom had given up what became Bangladesh, Burma, Egypt, Eritrea, Ghana, India, Israel, Jordan, Malaya, Newfoundland, Pakistan, Sri Lanka and Sudan. All gone. The Suez Crisis in 1956 revealed the reality that the United Kingdom could no longer act in defiance of the United States in the Middle East, or pretty much anywhere else for that matter.

The empire was in effect at an end.

Implications for America

So if complex systems sooner or later succumb to sudden and catastrophic malfunctions rather than cycling sedately from Arcadia to Apogee to Armageddon, what are the implications for the United States today? What are the implications of complexity theory for today's Anglophone Empire?

The most obvious point is that imperial falls are nearly always associated with fiscal crises, with sharp imbalances between revenues and expenditures and, above all, with the mounting cost of servicing a huge public debt. I'm going to give you four examples to illustrate my point.

Spain in the sixteenth century. As early as 1543, nearly two-thirds of the ordinary revenue of the Habsburgs was going on interest payments on the *juros*, the loans by which the Habsburg monarchy used to finance itself. By 1559, total interest payments on the *juros* exceeded ordinary Spanish revenue. By this stage, the Spanish monarchy was running on extraordinary financial expedients and the returns of its silver mines in Spain. The situation was not better in 1584 when 84% of ordinary tax revenues were going on interest payments. By 1598, the proportion was back to 100%.

When all of your ordinary revenues are going on tax repayments, it is game over.

France in the eighteenth century. Between 1751 and 1788, the eve of the French Revolution, interest and amortisation payments and debt service rose from just over a quarter of tax revenue to 62%.

Ottoman Turkey in the nineteenth century. In one of the great empires of the early modern period, debt service rose from 17% of revenue in 1868 to 32% in 1871 to 50% in 1877, two years after the great Ottoman default, which ushered in the disintegration of the Ottoman Empire in the Balkans.

Britain after the two World Wars. By the mid-1920s, debt charges, interest and amortisation were absorbing 44.5% of total government expenditure. Debt charges were exceeding defence expenditure by a considerable margin. It wasn't until 1937 that the British government was spending more on defence than on interest payments, a very late stage indeed to embark on rearmament, given the German and Japanese threats.

Note a really important kicker: Britain's problems really got nasty after 1945 when the Americans cancelled lend lease. A very substantial proportion of Britain's debt was held in foreign hands. Of the \$21 billion national debt at the end of World War II, around \$3.4 billion was owed to foreign creditors, equivalent to around a third of Britain's GDP in 1945.

The United States

Alarm bells should therefore be ringing very loudly indeed in Washington, as the United States contemplates a deficit for 2010 of more than \$1.47 trillion—around 10% of GDP for the second year running.

Since 2001, in the space of just 10 years, the federal debt in public hands—that is, excluding those parts of the debt held by US government agencies like the Social Security Trust Fund—has doubled as a share of GDP from 32% to a projected 66% in 2011 and keeps going up. According to the Congressional Budget Office's latest projections (using the 'Alternative Fiscal Scenario,' which the CBO regards as more politically likely than its 'Extended Baseline Scenario'), US federal debt could rise above 90% of GDP by 2020 and reach 146% by 2030, 233% by 2040, and 344% by 2050.

And these figures do not take into account the \$100 trillion of unfunded liabilities of Medicare and Social Security.

These sums may sound fantastic in Australia where the net debt is miniscule compared to the rest of the Anglosphere. But what is even more terrifying is to consider what this ongoing deficit finance could mean for the burden of interest payments as a share of federal revenues. The CBO projects that net interest payments could rise from 9% of federal revenues in 2010 to 20% in 2020, 36% in 2030, 58% in 2040, and 85% in 2050.

As Larry Kotlikoff recently pointed out in the *Financial Times*, by any meaningful measure, the fiscal position of the United States is worse than that of Greece.

But Greece is not a global power. It hasn't been a major empire for a very long time indeed. Surely the real point is that, in historical perspective, unless something very drastic and radical is done soon, the United States is heading into Habsburg Spain territory. It is heading into Bourbon France territory. It is heading into Ottoman Turkey territory. It is moving into post-War Britain territory.

The geopolitical implications

The fiscal numbers are bad, no doubt. But in the realm of political entities and power, the role of perception is crucial. Perception may be more important than the actual numbers because in imperial crises, it is not the material underpinnings of power that really matter but the expectations of future power in the eyes of those with the power and even more so in the eyes of their enemies.

For now, at least the Western world still expects the United States to muddle through, eventually confronting its problems—as Churchill famously said, to do the right thing after having exhausted every other alternative. With sovereign debt crisis in Europe dominating the headlines and growing fears of a deflationary double-dip recession, bond yields are at historic lows. There's a pretty strong incentive for Congress to do nothing and to put off fiscal reform, to say 'This is a problem for the next generation, not for us.'

I was recently invited to a dinner in Washington to discuss radical fiscal reform for the United States, and I was quite excited because

I thought it would be like this (lecture). I wondered which huge hotel in Washington they'd booked and which ballroom we'd be eating in. Three Congressmen turned up. It's funny, except it's not. It's scary. There was only one Congressman who had seriously thought about how we should deal with this problem and it was Paul Ryan. I commend him to you as one of the few young Republicans prepared to talk seriously about stabilising the fiscal position of the United States before it gets critical.

The trouble is that, for all those complacent members of Congress from both parties who think this isn't an imminent problem, there's a zero sum game at the heart of the budgetary process. Even if I'm wrong and my old rival Paul Krugman is right—and interest rates stay low, the bond market stays in a coma and the vigilantes take up some other activity; even then, recurrent deficits year after year, never much less than 5% of GDP even on the administration's optimistic forecast, plus the consequent debt accumulation inevitably mean that interest payments will consume a rising proportion of tax revenue. This process is independent of any bond market panic. And as interest payments consume more and more tax revenue with every passing year, guess what gets squeezed? Not Social Security, not Medicare, not Medicaid—the mandatory and seemingly unreformable entitlements—but defence spending. Military expenditure is the item most likely to be squeezed to compensate because it is discretionary.

It is, in other words, a pre-programmed reality of US fiscal policy today that the resources available to the Department of Defense will be reduced significantly in the years to come. Indeed, by my reckoning, at some point within the next decade, the United States will reach the crossover point at which it will be spending more on debt service and on interest payments than on defence.

Remember, half the federal debt in public hands is in the hands of foreign creditors and, of that, a fifth (22%) is in the hands of the monetary authorities of the People's Republic of China, down 27% in July last year. China is now the second largest economy in the world and likely to be America's principal strategic rival in the twenty-first century, particularly in the Asia-Pacific region.

Quietly, discreetly, the Chinese have been reducing their exposure to US Treasuries as a result of a conscious policy decision to switch out of dollar dominated claims on the US government and into nice, hard commodities and preferably the mines that produce them. Perhaps the Chinese have noticed what the rest of the world's investors pretend not to see—that the United States is on a completely unsustainable fiscal course with no apparent political means of self-correcting.

Conclusion

Military retreat from the mountains of the Hindu Kush or the plains of Mesopotamia has long been a harbinger of imperial fall. It is no coincidence, after all, that the Soviet Union withdrew from Afghanistan in the *annus mirabilis* of 1989, an event closely followed by the collapse of the Russian empire in Eastern Europe and Central Asia.

What happened 20 years ago, like the events of the distant fifth century, is a reminder that empires do not in fact appear, rise, reign, decline and fall according to a recurrent and predictable life cycle. Rather, they behave like all complex adaptive systems. They function in apparent equilibrium for some unknowable period. And then, quite abruptly, they collapse.

This has profound implications not only for the United States but also for all countries that have come to rely on it, directly or indirectly, for their security.

Australia was born and grew up under the umbrella of the British Empire. Its post-War foreign policy has been, in essence, to be a committed ally of the United States. But what if the sudden waning of American power brings to an abrupt end the era of US hegemony in the Asia-Pacific region?

Like changes to the climate or the population, we tend to think of such a geopolitical shift as a protracted and gradual phenomenon, far from our quotidian concerns.

But history suggests it may not be so slow-acting. To return to the terminology of Thomas Cole, the painter of *The Course of Empire*,

the shift from consummation to destruction and then to desolation is not cyclical.

It can be sudden.

Are we ready for such a dramatic change in the global balance of power?

Judging by what I have heard since I arrived here last Friday, the answer is no. Not bloody likely.

Australians are simply not thinking about such things.

A favourite phrase of this great country is 'no dramas.' But dramas lie ahead as the nasty fiscal arithmetic of imperial decline drives yet another great power over the edge of chaos.

Thank you.



The Centre for Independent Studies is a non-profit, public policy research institute. Its major concern is with the principles and conditions underlying a free and open society. The Centre's activities cover a wide variety of areas dealing broadly with social, economic and foreign policy.

The Centre meets the need for informed debate on issues of importance to a free and democratic society in which individuals and business flourish, unhindered by government intervention. In encouraging competition in ideas, The Centre for Independent Studies carries out an activities programme which includes:

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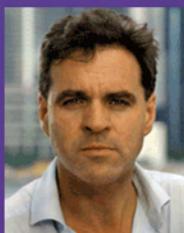
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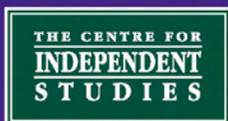
Empires on the Edge of Chaos: The Nasty Fiscal Arithmetic of Imperial Decline

In the 26th John Bonython lecture, Niall Ferguson, one of the world's leading geo-economic thinkers and historians, discussed the complexity behind great national powers and whether the rise and fall of empires is cyclical or arrhythmic.

Perhaps best known for writing *The Ascent of Money: A Financial History of the World*, Ferguson offered an alternative analysis to commonly accepted history. With the rise of China as a viable superpower, a Keynesian president at the helm of United States, India now the world's largest democracy, and rampant global economic instability, Ferguson's address offered a timely review of primacy, leadership, and the complex systems that make up civilisations. In his exclusive talk for the Centre, Ferguson examined whether the rise and fall of empires is cyclical or arrhythmic in nature, and to what extent arrogant—or naïve—economic profligacy contributes to their downfall.



Niall Ferguson is Laurence A. Tisch Professor of History at Harvard University, William Ziegler Professor at Harvard Business School, and a Senior Fellow at Stanford University's Hoover Institution. A prolific commentator on contemporary politics and economics, Ferguson is a regular television, radio and print contributor on both sides of the Atlantic. The author of numerous books, including *Empire: The Rise and Demise of British World Order* and *Colossus: The Rise and Fall of the American Empire*, Ferguson is a contributing editor of the *Financial Times*, a contributing editor of *Newsweek*, and one of *Time* magazine's world's 100 most influential people in 2004.



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