[Diminishing Democracy]

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Abstract

This thesis argues that the United States is reaching or is at an inflection point in which deterioration of democratic, economic, and even societal systems begin to accelerate. Historical context is driven from ancient Rome–as the United States was largely founded upon similar ideals but with an emphasis on checks and balances–as well as looking into the Soviet Union/Russia and what factors caused their collapse. These "causations of collapse" are then molded into a framework with several other laws that allow for a compare/contrast analysis of Russia and the United States.

By comparing the United States to prior instances of deterioration, the analysis illudes to the side-effects of a deteriorating governance. The subsequent sections will build on this foundation, proposing a forward-looking narrative that acknowledges the complexities of governance, the perils of economic mismanagement, and the volatility of global power structures. This is accomplished by studying historical trends, to then project future outcomes for the United States, done so by analyzing a handful of both economic and political datasets.

[I] Introduction

Democratic backsliding, also known as democratic erosion or de-democratization, is a phenomenon characterized by the gradual decline in the quality of democracy and the weakening of political institutions that sustain democratic governance. This process is often subtle, involving incremental steps that individually may be ambiguous or seem benign but collectively represent a significant shift away from democratic principles such as the rule of law, free and fair elections, freedom of the press, the integrity of political rights, and civil liberties–all of which affect society's potential. It is often initiated by elected leaders who, once in power, manipulate laws, institutions, and norms to consolidate their control and stifle opposition. Unlike coups or sudden authoritarian reversals, backsliding occurs through a series of seemingly legal adjustments that cumulatively undermine democratic checks and balances.

Backsliding sets the stage for a broader and perhaps more insidious phenomenon known as diminishing democracy. This concept extends beyond the mere regression of democratic norms to encompass a range of systemic inefficiencies that echo *The Law of Diminishing Returns*. In this context, diminishing democracy proposes that at a certain point, the input of democratic efforts–be it through policy reforms, civic engagement, or institutional restructuring–yields progressively smaller outputs in terms of democratic health and societal well-being. The study of diminishing democracy is not just about identifying the symptoms of democratic erosion but also understanding how the very mechanisms intended to protect and advance democracy may become less effective over time–then projecting these trends out into the future for *risk assessment*.

Implementation and reforms to new and current systems respectively–will require more energy from society itself. These changes that are required may be hard to achieve as according to Lieberman, the author of Four Threats, "..we are facing four major difficulties at once, polarization, conflict over who belongs, rising economic inequality, and executive aggrandizement; all of which have never occurred all at once.". Continuously calibrating a government to function within a framework that neither stifles progress nor ignores the nuanced intricacies of a collective experience is essential to creating a successful governance.

The second law used in this analysis is *The Law of The Jungle*[1] which often alludes to a world where only the strong survive, and strength is seen through individual might and the relentless pursuit of self-interest. Yet, Rudyard Kipling's interpretation adds nuance to this concept, suggesting that the true strength of any individual–be it a wolf or an empire–derives from its role and function within a cohesive group.

The discourse on democracy must extend beyond national borders, considering the interconnected nature of our global society. The recent pandemic has served as a *catalyst* for change, accelerating transformations in governance and societal structures worldwide. It has laid bare the vulnerabilities of democratic institutions and the fragility of global cooperation, raising questions about the resilience of our international order.

When extending the analysis to the global stage, it is beneficial to consider the ramifications of the pandemic on the interplay between democracy/western culture and international dynamics. The shifting geopolitical landscape, marked by changing alliances, economic upheavals, and a reevaluation of global governance, demands a continuous recalibration of expectations and strategies for democratic engagement. Global events, including the pandemic's aftermath, and the foreign conflicts that have followed, have influenced democratic potentials worldwide, affecting not just the economic and social spheres but also the ideological underpinnings that sustain democratic societies. Understanding the systems that burden governance is crucial when it comes to constructing a resilient system that can withstand the pressures of an ever-evolving global structure.

[II] Literature Review

Over the course of our democracy political scientists, economists, and the regular citizen have always theorized, debated, and researched aspects of their democracy functions to determine if democratic backsliding has occurred or is occurring. The term has been written about for many years but only became a "mainstream" term around April of 2018 (Google Trends) and has only continued to be searched and mentioned.

The academic discourse around democratic backsliding gained prominence in the 21st century, as instances of backsliding became apparent in both emerging and established democracies. The work of scholars such as Nancy Bermeo and Steven Levitsky have been pivotal in cataloging these trends and proposing theoretical frameworks especial Bermeo as she has written about the main factors of backsliding and corruption. For example, Levitsky and Ziblatt in "How Democracies Die" argue that the erosion of democratic norms is a key early warning sign

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[1] *This is The Law of The Jungle. As old and as true as the sky. The Wolf that shall keep it, may prosper, but the Wolf that shall break it must die. As the creeper that girdles the tree trunk, the law runneth forward and back; For the strength of the pack is the wolf, and the strength of the wolf is the pack.* - Rudyard Kipling

of backsliding. Economists like Daron Acemoglu and James A. Robinson have explored how economic factors intersect with political power to either support or undermine democratic structures, as detailed in their book "Why Nations Fail."

This study will investigate the possible existence of diminishing returns within the realms of democratic governance, exploring how the inputs of democratic action correlate with the outputs of societal gains. It seeks to answer critical questions: Is there a point at which the marginal gains of democratic investments begin to taper off? How do various political, social, and economic factors contribute to a decrease in the efficiency of democratic processes? Furthermore, it will explore how these diminishing returns impact the shaping of national destinies, influencing not only the trajectory of individual nations but also the global democratic landscape. By examining the interplay between democratic engagement and its returns, the study will shed light on the thresholds beyond which additional efforts fail to produce the desired effects, potentially leading to stagnation or even regression in democratic quality. In doing so, it aims to offer a nuanced understanding of how many democratic systems are experiencing such diminishing returns, and how society will be affected.

This analysis on the United States largely stems from the works of Ray Dalio and two of his books "Principals for Dealing with The Changing World Order" and "The Big Debt Crisis". Both of these are very extensive studies that look at dozens of instances of how nations have declined in the past. His studies range from many economic factors to crisis such as global warming and its effects on the world, its damages, and costs.

Discussions also stem from his appearance on the Lex Friedman podcast where he also speaks on the implications of the ever-evolving global power structure. Other discussions from the Lex Friedman podcast involve Andrew Callaghan in regards to San Francisco. There is no reference in the thesis to, and Annie Jacobsen whose work is not used in this thesis but is highly recommended for content related to the inner workings of the government[2].

[III] Methods

Historical Context

The first part of the thesis is a discussion based on context from history that is important when discussing how democratic institutions slowly lose aspects designed to make them resilient and immune to harmful change. This consists of the transition of the Roman republic to empire and what inevitably led to collapse. Much of this information stems from Fordham University as they have a very good record of Rome, however the discussion originally stems from the work of Ammos in "The Bitcoin Standard". The next discussed state stems discussion on the USSR and it's the similarities is shared with Rome in its collapse. This information largely stems from works and class notes that amassed as I took Russian Foreign Policy at the height of the Ukraine invasion–taught by Valentin Dumitrascu a scholar who fled during the collapse–as well as International Relations and International Political Economies.

[2] Her work revolves around the military complex, CIA, FBI, DOJ… She has dedicated her life to interviewing some of the highest officials the United States produces and has written a plethora of books that discuss her findings over the years.

Structure of the United States

Once there is a solid historical framework set–the large analytical phase of dissecting the United States begins. First, findings pertaining to the inefficiencies of the two-party system and the effects it has on democratic institutions. It is important to highlight polarization and how it has dramatically worsened over recent decades. A comprehensive study on polarization and the White House Occupant is a perfect example of how such polarization can eventually spiral out of control unless addressed and mitigated. The majority of the data collection pertaining to the United States will involve pulling official economic data from sources such as the FRED database and using data collected from similar studies of the past which include Ray Dalio and Oluwole Owoye–both of which have contributed extensive political and economic thought which has fueled this discussion.

Analysis of Deterioration

Projecting out the United States' long-term sustainability by plotting future growth, spending, debts, and inequalities assuming no major changes to systems occur to reverse such deterioration of the United States due to increasing polarization–constraining political productivity. Here this study will analyze metrics pertaining to socio-economic inequalities, economic indicators, government productivity, and polarization.

Projections

Linear Methodology

- The linear projection assumes a constant growth rate based on the historical average rate of change. This method is useful when the underlying growth trend is steady over time.
- $\mu\Delta$ is the average change over the selected time frame.
- R represents the random +/- adjustment within n standard deviations–*for the sake of varied data simulation*.

$$Y_{LP} = Y_{previous} + \mu\Delta + R$$

Exponential Methodology

- Exponential projection assumes that growth is proportional to its current size, which implies a compounding effect over time. This model is used when the growth rate is expected to accelerate.
- The expression $\mu\Delta_t$ represents a moving-average rate of change based off of the most recent t datapoints.

$$Y_{EP} = Y_{previous}\,(1 + \mu\Delta_t) + R$$

Hybrid Methodology

- The hybrid projection is a weighted combination of both linear and exponential projections. The weight applied to the exponential projection allows for adjusting the model between purely linear or purely exponential growth based on the variables set.
- w is the weight for the exponential growth rate.

$$Y_{HP} = Y_{LP}\,(1 - w) + (Y_{EP} * w)$$

[Data Analysis]

This is The Law of The Jungle.
As old and as true as the sky.

The Wolf that shall keep it, may prosper,
but the Wolf that shall break it must die.

As the creeper that girdles the tree trunk,
the law runneth forward and back;

For the strength of the pack is the wolf,
and the strength of the wolf is the pack.

Rudyard Kipling

When examining the collapse of historical powers like Rome and the USSR, The Law of The Jungle can serve as an *important interpretive lens*. The cohesion and collective force of these entities acted as the bedrock of their might and potential. As this thesis explores historical events, observations of deterioration begin to set in when this collective strength was eroded–be it through political fragmentation, economic crises, or societal upheaval. The lesson parallels Kipling's poetic wisdom: the power of a state is formidable when it operates as a unified 'pack,' but when solidarity crumbles, so too does the empire.

[1] Rome

Power and Class Structures

The Roman Republic's governance structure was based on a complex interplay between democratic and oligarchic principles, with power vested in the Senate, consuls, and various popular assemblies. The Senate represented the patricians, the aristocratic elite, while the Centuriate and Tribal Assemblies served the plebeian class, allowing common citizens to participate in governance. According to the *Internet Ancient History Sourcebook* by Fordham University, this intricate system ensured that "no single entity could dominate the state," with shared power among various institutions balancing influence.

The Senate, initially an advisory council, evolved into a powerful body shaping policy, military strategy, and foreign affairs. Senators, often drawn from Rome's aristocratic families, wielded significant influence due to their financial and social status. Although assemblies represented the lower classes, they held less power and often struggled to counter the Senate's authority. The establishment of the Tribune of the Plebs provided plebeians, the lower class citizens, with officials who could directly advocate for their interests and veto unfair legislation (Bagnall et al., 2016).

The plebeian reforms introduced the Tribune of the Plebs as a mechanism to counter the patrician dominance over governance structures, enabling plebeians to have a stronger voice in politics. Despite these measures, patricians continued to exploit political structures, routinely sidelining plebeian interests. This power struggle remained a constant feature of Roman politics, where political infighting and manipulation of laws by powerful individuals weakened the Republic's institutions (Potter, 2015).

Ultimately, the consolidation of power in the hands of figures like Julius Caesar marked the erosion of the Republic's foundational principles. Caesar's dictatorship set the stage for the gradual shift from republican to autocratic rule, which was cemented under Augustus. This transformation highlighted the fragility of Rome's political institutions, especially when individuals could manipulate emergency powers for personal gain.

Socioeconomic Inequities and Political Tension

The Roman class system, rooted in its economic and political structures, created deep societal rifts that eventually contributed to the Republic's downfall. Patricians, who wielded significant influence, maintained their wealth and power through inheritance, political marriages, and financial alliances. Plebeians, on the other hand, faced systemic barriers to social mobility, often relegated to subsistence farming or unskilled labor.

The plebeian class included not just free citizens but also freedmen and slaves. Freedmen, although emancipated, were barred from holding public office, while slaves had no rights. The equestrians, originally a military class, transitioned into a commerce class and often found themselves between the patricians and plebeians. Despite being wealthier than many plebeians, equestrians had limited political influence, highlighting the rigid nature of Rome's social hierarchy.

As economic conditions deteriorated, plebeians and veterans increasingly turned to populist leaders like Marius and Caesar, who promised land reform and better economic opportunities. The Marian reforms opened the Roman military to landless citizens, shifting loyalty from the state to individual generals. These reforms, though beneficial for recruiting soldiers, contributed to political instability as generals leveraged their personal armies for political gain.

Social unrest often flared up in the form of revolts and civil wars, with the elite viewing the lower classes as a potential threat to their control. The Tribune of the Plebs sought to mitigate these tensions by representing the interests of common citizens, yet it struggled against the Senate's entrenched power. The failure to adequately address class disparity fostered resentment among the plebeians, setting the stage for further conflict. These societal dynamics reflected a broader issue of governance in Rome, where class disparity undermined efforts to maintain a cohesive state. The inability to effectively balance the interests of different groups ultimately weakened Rome's institutions and made it susceptible to the rise of autocratic rule.

Currency Debasement and Wealth Distribution

Rome's economic landscape was deeply influenced by its governance structures, with the patrician class largely controlling wealth through land ownership, slave labor, and trade. The plebeians, however, relied on subsistence farming or day labor, leaving them vulnerable to economic shifts. As Rome expanded, the conquest of new territories provided vast resources, but these benefits disproportionately enriched the elite while leaving common soldiers and citizens struggling for their share. Currency management became a significant issue as Rome's financial demands grew. Saifedean Ammous points out that "the Roman government's frequent debasement of currency to finance military campaigns and public expenditures led to inflation, disproportionately affecting the lower classes and exacerbating wealth inequality" (Ammous, 2018). This debasement, known as coin clipping, undermined the value of the denarius and eroded public trust in the state's financial stability. This trend continued from one authoritarian leader to the next.

The overreliance on slave labor and conquered resources entrenched a class system that widened the gap between rich and poor. The expansion of vast *latifundia* (large estates) displaced small farmers, forcing them to migrate to urban centers in search of work. The resulting urban poverty and unemployment led to increased social unrest, with the government often responding through "bread and circuses" programs that provided free food and entertainment to pacify the masses (Lambert, 2022). These programs included the distribution of free grain and the organization of public games, gladiatorial combats, and chariot races. They were designed to keep the lower classes content and prevent unrest, ensuring continued support for those in power despite the growing economic inequality in Roman society.

The patricians maintained their grip on power through this system, while plebeians struggled to gain upward mobility. The economic benefits of Roman expansion, particularly in trade and agriculture, largely bypassed the lower classes. The Gracchi brothers, Tiberius and Gaius Gracchus, introduced agrarian laws aimed at redistributing public land (*ager publicus*) to the poor, reducing the amount any one person could hold. Despite their efforts, these reforms met fierce resistance from the Senate, which sought to protect the interests of wealthy landowners[3] (Schroeder). These economic policies and societal structures significantly contributed to Rome's eventual decline. The government's inability to address growing inequality, coupled with corruption and mismanagement, weakened the Republic's institutions and further exacerbated class tensions.

Comparing Rome to the United States

The United States, with its constitutional framework of separation of powers, checks and balances, and federalism, draws many parallels to the Roman Republic. The U.S. Founding Fathers were influenced by Roman governance and aimed to create a federal system that would avoid the pitfalls of tyranny. The U.S. government's structure, with its distinct legislative, executive, and judicial branches, ensures that no single branch can dominate. Similar to ancient Rome, the U.S. system aims to balance the interests of different societal groups and prevent the concentration of power. However, concerns have been raised about the potential erosion of these checks and balances in the United States, These issues include but are certainly not limited to executive overreach, partisan gerrymandering, and the influence of money in politics. These challenges reflect some of the same tensions that ancient Rome faced, highlighting the importance of vigilance in maintaining a democratic system. In both Rome and the United States, the structures of government were designed with the intent to balance power, prevent tyranny, and ensure the participation of citizens in governance. However, the effectiveness of these systems in achieving their aims has been challenged by both internal and external pressures throughout history. The analysis of these ancient and modern systems reveals the ongoing struggle to balance the efficiency of governance with the ideals of democratic participation and the prevention of power concentration.

In the context of the United States, there are important lessons to be learned from Rome's experience. While the U.S. has a more developed system of checks and balances designed to prevent the concentration of power and ensure democratic governance[4], vigilance is necessary to prevent the erosion of these mechanisms over an extended period of time. The influence of money in politics, lobbying, logrolling[5], executive, legislative, judicial, and military overreach, as well as partisanship poses challenges to the American democratic system, much like the challenges faced by Rome.

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[3] A sign that shows those in power–the wealthy–usually reject notions in favor of equality through wealth distribution.

[4] In the form of its constitution and the powers it then distributes to the three branches of government, the states, and its citizens.

[5] The process of exchanging votes.

Ultimately, the decline of Rome serves as a cautionary tale for modern democracies as it provides valuable insights into the dynamics of power, governance, and societal change that remain relevant in today's complex global landscape. By learning from Rome's successes and failures, contemporary democracies can strive to avoid similar pitfalls and ensure their resilience in the face of internal and external pressures.

[2] USSR

Fred Halliday has explained several reasons for the collapse of the USSR which involve both domestic and foreign issues just as those Rome once faced. The USSR was confronted with several issues that ultimately led to its demise. These issues were economic, ideological, and political[6]. In his words these are called *the three levels of international competition*. This thesis will briefly explore these three levels, using context on Eastern European history, an area that has been marked by conflict and disputes spanning over a millennium.

Unraveling the Soviet Slide and Regression

After World War II, starting in the late 1940s, the Soviet Union expanded its control across Eastern European territories. The USSR enforced strict economic policies and centralized political governance through a series of measures implemented over the next two decades. While these efforts aimed to create unity and promote rapid industrialization, they deepened internal tensions.

In the late 1920's and early 1930's, Stalin had introduced collectivization and the Five-Year Plans, which were imposed on the newly acquired territories after WWII. These measures disrupted local economies, pushed populations into challenging living conditions, and were detrimental to agricultural productivity. The result was widespread shortages and growing dissatisfaction that eroded confidence in Soviet governance. Diverse ethnic and social groups faced severe hardships, particularly in the 1950s and 1960s, as they struggled under the centralized economy.

These policies undermined social cohesion and created structural inefficiencies that the Soviet Union could not easily resolve. While Soviet authorities tried to secure loyalty among the newly acquired regions, internal dissent grew as ethnic minorities and regional groups became increasingly dissatisfied with Soviet rule. This led to regional resistance movements (DailyHistory.org).

Cold War Ambitions and Economic Strain

Shortly following these events the Cold War started to affect foreign relations. The Cold War differed from traditional conflicts. It was an influence struggle that forced each side to display its model of governance as superior, often through the exhibition of technological advancement and geopolitical influence without warfare. The ideological conflict between democracy and communism pushed each side to prove its governance model as superior (Halliday, 1994). While

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[6] The USSR was paired with both domestic and foreign issues, possessing similar characteristics that Rome once had. In regards to the USSR, Halliday refers to *the three levels of international competition* (economic, ideological, and political)

Western nations showcased economic growth and technological advancements. The Soviet Union was unable to replicate such competition.

At the time the USSR was spending roughly 20% of its GDP on its military which is a large amount[7]. This allocation reduced funding for social welfare programs, causing living standards to decline, inflation to rise, and internal instability to accumulate. When this large spending is paired with a centrally planned economy, disaster is destined to spread within.

Meanwhile, the Soviet Union had to maintain international strength while managing domestic pressures. The confidence that had characterized the early 1900s quickly deteriorated over a few short years, as resources became scarce, and citizens faced increasing prices for basic goods. The Soviet Union's internal weaknesses made it difficult to defend its socioeconomic system while simultaneously upholding global influence.

Finally, the issue of a divergence between the society that the USSR controlled and the western society's system put citizens in a situation where more started to question whether or not the Soviet system was resilient. Radical reform was necessary to bring society back to an efficient level after the cumulative effects of neglect and corruption.

Internal unrest was manifested in Poland's Solidarity movement in the early 1980s, reflecting the discontent with Soviet control that had been growing for quite some time. The Soviet administration imposed martial law to suppress dissent, but this underscored its inability to control the ideological shift towards Western values (Davis Center, Harvard).

Fred Halliday explained that the Soviet Union's ultimate failure to compete with Western capitalist societies signaled its decline. However, examining the collapse of the USSR through the lens of Kipling's law of the jungle, the erosion of collective strength becomes evident. Internal fragmentation, economic instability, and external pressures gradually weakened the cohesive force that once held the union together. This disintegration exemplified how the pack–the Soviet Union–lost its strength as internal solidarity crumbled.

The aggressive economic stance adopted by the West further exploited these vulnerabilities. In line with Kipling's wisdom, the USSR's collapse underscored that even mighty powers fold when unity is replaced by fragmentation, leaving them *exposed to external forces* that can further contribute to deterioration. By 1991, the USSR had disintegrated due to the combination of internal decay and international pressures.

Historical Takeaways

The Roman Republic's initial success was largely due to its innovative governance structure, which balanced power among its branches and provided mechanisms to prevent tyranny. The erosion of Rome's checks and balances didn't occur overnight; it was a gradual process, influenced by a multitude of interconnected factors that destabilized the very foundations of the Republic, culminating in its transition to an Empire. Ultimately Rome could not sustain its vast territorial and economic ambitions, leading to its decline internally–while external barbaric forces caused havoc. This transformation was marked by several critical developments that underscored

[7] This would be a large amount in the modern age as well.

its fall, most notably the exacerbation of economic disparities, the shift in military loyalty, the concentration of power in the hands of ambitious leaders, and external pressures.

The USSR's collapse speaks to the illusion of monolithic stability in a state burdened by ideological dogmatism and economic inefficiency. Halliday's three levels of international competition–economic, ideological, and military–map out the battlefield on which the USSR lost its footing. Domestically, the diversion of extensive GDP to military expenditure, at the cost of consumer welfare and economic diversification, caused disillusionment within the populace.

Ideologically, the competition with democratic capitalism on the global stage exposed the structural inadequacies of Soviet governance. The USSR's failure to adapt to the shifting tides of technological advancement and global economic integration left it floundering in the wake of more adaptable nations. The fall the USSR is a chronicle of a superpower's struggle with the punitive costs of failing to evolve.

Revisiting the histories of Rome and the USSR offers more than just a retrospective of empires lost; it serves as a vital prelude to understanding the ebbs and flows of superpower status. Both civilizations illustrate the frailty of even the most formidable states when plagued by internal strife, economic mismanagement, and the pitfalls of centralized authority. Their histories underscore how external pressures can exploit these vulnerabilities, *significantly impacting their trajectories*–akin to those studied in *game theory*[8].

It's imperative to recognize that the stability and longevity of any government are contingent upon the resilience of its checks and balances, the equitable distribution of economic resources, and the maintenance of societal cohesion. Persistent domestic issues and external pressures have historically contributed to rapid collapse, as evidenced by both Rome and the USSR, reinforcing the notion that an ideological shift from contentment to discontent also moves stability to instability. Domestic deterioration leads to vulnerability to foreign pressures and vice versa. This shift represents a natural societal regression, moving away from maintaining the equilibrium between freedom and security, wealth and welfare, innovation and tradition requires a continuous effort. The threads of history teach us that this balance is not a fixed state but a dynamic process, necessitating constant vigilance and adaptation.

[3] The Law of Diminishing Domestic Cohesion

In a rapidly evolving global landscape, nations use various strategies to secure their interests and exert influence on the world stage. This revolves around *game theory.* Fred Halliday's framework of the three levels of international competition also offers critical insights into understanding the dynamic shifts of global power. Each level reflects the delicate balance between strength, adaptability, and internal cohesion required for any nation's success. The pursuit of unchecked dominance across these dimensions can threaten this balance, leading to diminishing returns that ultimately erode the strength of the "pack"–its polity.

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[8] The strategic calculations made by states and their leaders, especially in their international interactions and conflicts around being *the dominant* superpower.

The Law of Diminishing Domestic Cohesion (DDC) represents a comprehensive principle that builds upon two foundational laws while drawing from Fred Halliday's framework of international competition. While empirically grounded, DDC operates almost as an *axiom* within theoretical framework, providing a fundamental principle from which further analysis and understanding of national cohesion, and stability are derived–a measurement of society.

The first fundamental law is The Law of The Jungle, which emphasizes that a cohesive "pack" is crucial for collective strength in the face of external threats, this being a nation's polity or a coalition of nations acting together. The second is The Law of Diminishing Returns, which highlights how excessive focus on one competitive level can diminish a nation's overall effectiveness in the other levels.

In this context, the Law of DDC posits that unchecked dominance in any single level of competition can lead to diminishing returns, ultimately eroding a nation's domestic cohesion. For instance, if a country excessively prioritizes its military ambitions, it neglects crucial social programs or economic growth, weakening internal solidarity. Similarly, an unchecked ideological agenda may create internal polarization and undermine the nation's credibility on the global stage. By synthesizing The Law of The Jungle, The Law of Diminishing Returns, and Halliday's framework, the Law of DDC provides a multifaceted understanding of how strategic balances and imbalances affect democratic health and societal well-being.

DDC expands Fred Halliday's framework by integrating a fourth aspect, specifically tailored to democratic bodies: *Diminishing Democracy*. This new component recognizes the unique challenges faced by democracies in managing their internal and external affairs without compromising democratic integrity and societal cohesion.

As democratic efforts become less effective due to unchecked dominance or imbalances in the allocation or ambitions of the three levels–economic, ideological, or military–the systemic inefficiencies of diminishing returns lead to cumulative internal fragmentation. These dynamics reinforce one another, making it increasingly difficult for nations to face challenges with a unified approach, while external forces can exploit the resulting divisions. In this way, the Law of DDC provides a foundational framework for assessing the risks posed by these trends and understanding their long-term impact on societies.

Dynamics: *Economic Competition*

Economic competition underpins national power, facilitating significant investments in technological advancements and infrastructure development. However, DDC highlights the risks associated with a disproportionate emphasis on relentless economic expansion without equitable distribution. Such imbalance can lead to systemic economic disparities that undermine social cohesion and stability, which are crucial for maintaining a resilient democratic "pack." A balanced and inclusive approach to economic growth is vital, ensuring that it contributes positively to societal welfare and does not trigger the diminishing returns that can destabilize a nation.

Dynamics: ***Ideological Competition***

Ideological competition involves the propagation of a nation's values, governance models, and cultural norms not just internationally, but also within its own borders to ensure societal coherence and unity. Effective management of this competition is crucial to avoid the pitfalls of excessive polarization, as emphasized by DDC. This broader approach helps to prevent the fragmentation that can occur when aggressive ideological pushes lead to internal divisions and weaken a nation's global stance. Ensuring that ideological expansion does not undermine the nation's internal stability is key to maintaining a strong, cohesive national identity that supports both domestic harmony and international influence.

Dynamics: ***Military Competition***

Military strategy in democracies must strike a delicate balance between defending national interests and upholding democratic values. DDC warns against the diminishing returns of excessive militarization, where extensive defense spending and aggressive postures can detract from public welfare and democratic integrity. Strategic military endeavors should be balanced with additional commitments to domestic ambitions and international peace, ensuring that military strength does not come at the cost of democratic health or societal cohesion.

Dynamics: ***Diminishing Democracy***

The newly defined aspect of Diminishing Democracy within the DDC framework addresses the unique challenges that democratic systems face in balancing power. This dimension explores how unchecked dominance in any of the three spheres–economic, ideological, or military–can erode democratic norms and principles, leading to a decline in societal cohesion and democratic health. It highlights the risk that democracies face from internal fragmentation when democratic efforts yield diminishing returns. This deterioration can be triggered by imbalances that compromise the equitable distribution of resources, skew political representation, or misalign foreign policy with domestic needs. By ensuring that democratic systems are well-calibrated and inclusive, nations can protect against the internal decay that threatens democratic integrity and stability.

[4] Russian Rebuild

After the Soviet Union's collapse, Russia experienced a significant transformation while grappling with domestic challenges and international scrutiny. Privatization efforts shifted state-controlled industries to private ownership, exacerbating economic inequality and corruption. The nation's heavy reliance on oil and gas exports further exposed economic vulnerabilities, highlighting the urgent need to diversify and modernize (Tsygankov).

Russian leaders struggled to balance national interests with international expectations while striving to maintain strategic influence in a rapidly changing geopolitical environment. Tensions with the West deepened after the annexation of Crimea in 2014 and the invasion of Ukraine, underscoring ideological rifts that persisted beyond the Soviet era.

Despite these challenges, Russia sought to reassert its global influence by promoting a multipolar worldview. It emphasized national sovereignty and independence while aligning with non-Western powers like China and India in the BRICS alliance (Shiraev & Khudoley, 2019).

Russia aimed to diversify its trade relationships and reduce its dependency on the West by strengthening partnerships and maintaining ties with former Soviet republics.

These alliances provided a platform for Russia to address global issues such as energy, trade, and regional security. Tsygankov notes that this strategic pivot reduced Russia's economic dependence on Western markets, while opening new opportunities across Asia and other emerging regions.

The rebuilding phase following the Soviet collapse laid the groundwork for Russia's evolving foreign policy[9], which is now shaped around the three levels of international competition. The next section will explore how Russia leverages these Halliday's pillars to solidify its global standing and challenge Western dominance, as well as DDC's role through the other two laws.

Economics of the East and West

The Russian economy has been a critical factor in shaping its foreign policy in recent years. The country has historically relied on its vast natural resources, particularly oil and gas exports, as a major source of revenue. Russia's oil exports to the West, particularly to the European Union, have been a key element of its economic policy. In recent years, however, economic sanctions, and conflicts of interest regarding the war in Ukraine have had a significant impact on the country's economy, leading Russia to pursue alternative options elsewhere.[10]

Sanctions have been a significant factor in shaping Russia's economic policy in the last decade. Following Russia's annexation of Crimea in 2014, the West imposed a range of economic sanctions on the country, targeting its energy, finance, and defense sectors. These have had a significant impact on Russia, particularly in the energy sector. According to Tsygankov, "Sanctions and counter-sanctions imposed by Russia and the West have negatively impacted bilateral trade and investment flows, leading to lower growth rates and higher inflation." In response, Russia has pursued a number of alternative economic policies, including a greater focus on domestic economic development and an increase in economic cooperation with other countries.

Russia's strategic pivot towards Asia has been a calculated move to diversify its economic partnerships and reduce dependence on Western markets. According to Shiraev and Khudoley, this shift reflects Russia's efforts to explore new economic opportunities and spread risk in rapidly expanding Asian markets. The move aligns with a broader geopolitical strategy to assert its influence in a multipolar world and find allies outside traditional Western spheres.

A significant aspect of this strategy is Russia's "import substitution" policy, which aims to replace foreign imports with domestically produced goods. This initiative promotes domestic economic resilience, particularly in high-tech manufacturing and agriculture, through protective

[9] The *Foreign Policy Concept of the Russian Federation* outlines the key principles, goals, and priorities of Russia's international strategy. This reflects the shifting global dynamics and Russia's evolving diplomatic stance.

[10] Not to mention the Nord stream being attacked and destroyed, the main source of natural gas to the European Union. I closely followed and wrote about this instance as I was enrolled in International Relations and Russian Foreign Policy. America points its finger at Russia–which seems illogical due to the profitability of this pipeline–but this pipeline was instrumental to its economic success. If the United States were to be behind this attack, it would be one of the largest attacks on foreign infrastructure in the history of the world, amounting to an unprecedented amount of Co2 to be released into the atmosphere. It will likely forever remain "unsolved".

tariffs, state-led investment, and subsidies for local industries. Tsygankov explains that these measures reflect Russia's response to sanctions, geopolitical tensions, and the global trend toward localized supply chains. The approach is designed to enhance Russia's long-term economic stability by reducing dependency on foreign products.

Furthermore, Russia has sought to bolster its own domestic industries. North Korea, known for its almost fully self-reliant economy, serves as an example of the extreme end of this approach. The focus on high-tech manufacturing and agriculture illustrates Russia's understanding that these sectors are critical for sustainable economic growth. By promoting local production, Russia aims to reinforce its economic sovereignty and resilience (Tsygankov). Considering the amount of farmland in Ukraine, It is understandable they are "claiming" their land back for the sake of their national security going forward.

Military Might

According to Tsygankov in his book "Russia's Foreign Policy: Change and continuity in national identity," Russia's military modernization program is driven by the country's national interests. Tsygankov argues that Russia is trying to protect its territorial integrity and maintain its status as a great power. He writes, "The resurgence of Russia as a great power and the growth of its military might are motivated by the desire to protect the country's territorial integrity and strategic interests, and to assert Russia's place in the world." Russia has also been involved in conflicts in Ukraine and Syria, which have strained its relations with the west even further. Russia's military budget is significant compared to its GDP. The Stockholm International Peace Research Institute (SIPRI) has highlighted the continuous rise in global military expenditure, with a notable increase in Europe due to the heightened tensions following the Russian invasion of Ukraine. SIPRI's 2022 report indicates a marked upswing in military spending across various regions, signifying an growing global arms race.

In 2022, Russia significantly raised its military budget to approximately $86.4 billion, marking an uptick to 4.1% of its GDP, suggesting a deeper commitment to military capabilities amid ongoing conflicts. This move reflects a deliberate strategy by Russia to fortify its defense and assert its position on the global stage, a stance further exemplified by its activities in Ukraine and heightened military readiness. Russia's assertive military modernization program underscores its desire to protect its territorial integrity and maintain its status as a rival power. Its significant military spending, involvement in conflicts such as Ukraine and Syria, and investment in advanced technologies such as hypersonic missile systems are a testament to Russia's commitment to its strategic interests.

This is a major shift from the previous soviet era where cooperation played a major role with developing relations with the west, today we are seeing the opposite play out–as Russia is now seeking independence from the west. Russia has also sought to use "soft power" to extend its influence in the world. Tsygankov notes that "the Kremlin has been increasingly assertive in promoting a vision of the world that challenges Western values and norms". Almost seen as an ideological push towards the alternative.

The Wall of BRICS

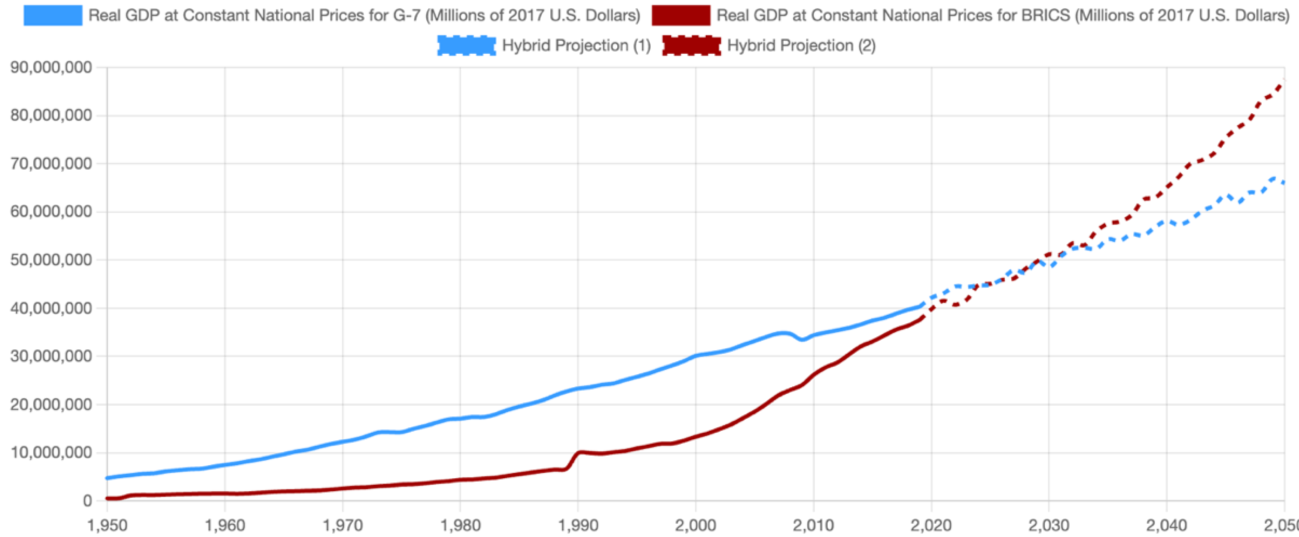
Putin has been a vocal critic of what he sees as the West's dominance of global trade and finance and has called for a more balanced global economic system. "Putin's push for a multipolar world reflects his belief that Russia's economic interests are best served by a more diverse and balanced global economic system." (Tsygankov). This has led Russia to pursue closer economic ties with other countries outside of the West, particularly those in the BRICS group (Brazil, Russia, India, China, and South Africa). As a collective, BRICS countries have been gaining influence in the global economy, with their combined GDP slowly gaining on the G7 in recent years (United States, United Kingdom, France, Germany, Italy, Japan, and Canada). Russia's membership in BRICS has allowed it to diversify its trade relationships and reduce its dependence on the West. This has provided a platform for Russia to collaborate with other emerging economies on issues such as trade and investment, energy, and regional security.

The BRICS alliance is seen as a counterweight to Western dominance in global affairs. According to Shiraev and Khudoley in their analysis of Russian foreign policy, "The establishment of BRICS is a clear sign that the rise of China and India, along with Brazil and Russia, is a signal that the world is moving toward a multipolar system.". Other countries around the world have shown interest in joining BRICS, including Turkey, Indonesia, and Mexico, as well as other Latin American countries. This could potentially lead to the group's further expansion and increase in economic power. Tsygankov further notes that "joining BRICS can provide smaller and medium-sized states with greater bargaining power in their relations with the dominant powers of the West, and possibly reduce the inequalities in the global economic system." This may also have implications for Russia's relations with the West, as BRICS continues to challenge the Western-dominated global economic order.

One of the major issues that BRICS has been working on is the establishment of a new development bank to provide financial assistance to member countries. The New Development Bank (NDB) was established in 2015 and has since provided financial assistance to several infrastructure projects in member countries. This development bank is seen as a way to counterbalance the influence of the Western-dominated International Monetary Fund (IMF) and World Bank (Shiraev, Khudoley). As Russia seeks to promote a multipolar world, its participation in BRICS is likely to remain a key aspect of its economic strategy going forward, especially if global trade liquidity is slowly bleeding away from the G7 and being drawn into BRICS nations. In the most recent *Concept of Foreign Policy*[11] produced by Russia, they have addressed how cooperation within these nations will continue to strengthen as it is one of the nation's biggest interests.

[11] Extensive document released by Russia annually to address its interests and goals it wishes to accomplish.

Model BRICS vs G7[12] – *t = all, w = 0.2 with +/- 0.5 stdDev* – (Projected after 2019) *Source: FRED*



This model is a measurement of the two organizations' gross domestic product. As mentioned earlier, BRICS has gained on and surpassed the G7 as of recent. Based on historical trends, the following decades could be dominated by BRICS in terms of GDP. The United States does have the highest GDP, but when grouped with its allies, it appears to be diminishing relative to BRICS.

The GDP trajectory of these nations overtaking the G7 represents a pivotal shift in global economic momentum. Historically, the G7 has been at the forefront of economic influence, but the surge in production from BRICS countries suggests a transition toward a more diverse global economic landscape. This economic evolution could redefine international trade routes, alliances, and power dynamics, placing the BRICS at the center of new growth narratives. As these nations potentially spearhead global economic expansion, the United States and the G7 could experience heightened competition for foreign investment and leadership on the global economic stage.

Applying DDC to Russia

A nuanced view of its economic strategies and military initiatives becomes clear, especially in the context of its pivot towards the BRICS alliance. Shiraev and Khudoley (2019) underline Russia's strategy to "diversify its economic partnerships and reduce dependence on Western markets," a crucial move aimed at countering vulnerabilities from Western sanctions and geopolitical isolation.

Russia's significant alignment towards BRICS, as noted by Tsygankov (2016), represents a crucial strategic realignment essential for promoting economic resilience through diversified alliances, moving beyond sole reliance on aggressive geopolitical maneuvers or resource exploitation. Tsygankov underscores that the "centralization of power and the state-led economic model" poses significant risks to domestic cohesion, potentially stifling innovation, restricting economic freedoms, and exacerbating social inequalities.

[12] This official dataset does not include the most recent years.

Furthermore, the substantial allocation of resources towards military spending, highlighted by the Stockholm International Peace Research Institute (SIPRI, 2022), detracts from domestic welfare and economic diversification. This heavy investment in military capabilities, while securing short-term geopolitical objectives, poses long-term risks to domestic resilience and prosperity, reflecting the core concerns of DDC regarding the diminishing returns from an overemphasis on military prowess in maintaining societal well-being and internal stability.

In conclusion, while Russia's strategic efforts to form a multipolar economic order and strengthen ties with BRICS signify robust attempts to forge a new path in global economics, these moves need to be balanced with initiatives that bolster domestic innovation, economic freedom, and social welfare in order to maintain internal solidarity. The effectiveness of these strategies in balancing global influence and nurturing domestic cohesion, as suggested by Tsygankov (2016), will significantly determine Russia's future trajectory on the global stage. With this economic power shift in mind for the *future* we can now analyze the future of the United States.

[5] Domestic Deterioration

As the thesis pivots to the United States, it will critically assess the current health of its democratic systems, the functionality of its checks and balances, and the societal cohesion that has historically underpinned its stability. American economic policies, military commitments, and social contracts will be analyzed against the backdrop of the rise and fall of Rome and the USSR, drawing parallels and contrasts where they offer insight. Can the U.S. learn from history and chart a path forward that avoids the pitfalls of its predecessors, or is it destined to repeat the cycle of rise and decline that seems to be an intrinsic rhythm that continues to echo throughout history.

Memento Mori

The United States nation finds itself navigating a labyrinth of internal and external pressures that may seem similar but are different from past occurrences of decline. This expansive narrative seeks to scrutinize the internal struggles–social, economic, and political–that ripple through the American fabric, shaping its global stance. Simultaneously, the country grapples with a complex web of international relationships that exert a relentless force, influencing domestic affairs and foreign policy alike.

The exploration of America's current landscape reveals an intricate interplay of factors: economic stratification that widens the chasm between the affluent and the impoverished, cultural movements that outpace governance, and a national debate that is increasingly polarized. The external pressures are just as formidable, with geopolitical tensions mounting across the globe and the nation's influence being both challenged and coveted on the world stage.

This following discussion aims to dissect these elements, laying bare the forces at play within the nation's borders and beyond. It is a quest to comprehend the internal strains that threaten to erode the pillars of democracy from within, coupled with the external forces that seek to reshape America's role in the global hierarchy. In weaving together the insights gleaned from historical parallels and the stark realities of the present, this study aims to illuminate the paths that might lead to reform, resilience, and a reinvigorated democracy.

Economic Entropy

The United States' biggest weapon was the dollar. The dollar was recently weaponized in the form of sanctions, the greatest display as of recent times are the severe sanctions posed on Russia in retaliation to the invasion of Ukraine. Not only did the United States impose these sanctions but its allies in NATO followed suit, crippling the Russian economy. Unfortunately, these did not work as intended unless the intent of economic punishment was a short-term play by the United States in a long-term match. This response to Russia's invasion of Ukraine was designed to isolate Russia from the international financial system and exert pressure on its economy.

These measures included freezing assets and blocking transactions of Russian financial institutions, which effectively barred these institutions from accessing the US dollar and other reserve currencies in international transactions. Key financial systems like SWIFT, which is integral to global banking, removed several Russian banks from its network, further hindering Russia's ability to conduct international trade and financial transactions. In addition, the assets of certain Russian individuals and entities were frozen, and this included seizing assets and restricting access to bank accounts held abroad. Visa and Mastercard, two of the largest payment network providers, suspended their operations in Russia, which meant that cards issued by Russian banks would no longer work abroad, and those issued outside Russia could not be used for transactions within the country.

This step was part of broader efforts to penalize Russia economically and was seen as a move to leverage the dominance of Western financial systems as a form of economic warfare. However, the effectiveness of these sanctions has been debated, with some arguing that they could also have long-term ramifications for the role of the US dollar as the world's primary reserve currency, prompting some countries to seek alternative transaction mechanisms that are less susceptible to geopolitical influence. Russia quickly adapted and began to strengthen its ties through trade deals with other countries, especially those who belong to BRICS as noted earlier.

The Century of Solace

The period post-World War II saw the U.S. dollar rise to unprecedented dominance, in part due to its convertibility to gold, which was set at a fixed rate under the Bretton Woods system– largely adopted after the restructuring of the world following the defeat of Germany. This convertibility made the dollar a reliable and attractive reserve currency for the rest of the world. Nations around the globe stashed dollars as a safeguard against economic uncertainty, allowing the U.S. to borrow at lower costs and exert considerable influence in international matters.

However, by the late 1960s, the U.S. did not have enough gold to cover the dollars in circulation. The resulting pressure led President Richard Nixon to announce in 1971 that foreign countries could no longer redeem U.S. dollars for gold, thus ending the Bretton Woods system and the dollar's peg to gold. The post-Bretton Woods era ushered in a fully fiat currency system for the dollar, allowing greater flexibility for the U.S. in *monetary policy* at the cost of ending the gold guarantee.

Quietly over that century, the dollar has continued to slowly erode. The shift toward a 2% inflation target started gaining traction among many major economies in the early 1990s. New Zealand was the first country to adopt an explicit inflation target in 1990, setting the stage for others to follow. The idea was to anchor inflation expectations and avoid the high inflation of the 1970s and early 1980s, as well as the deflationary risks associated with the 1930s.

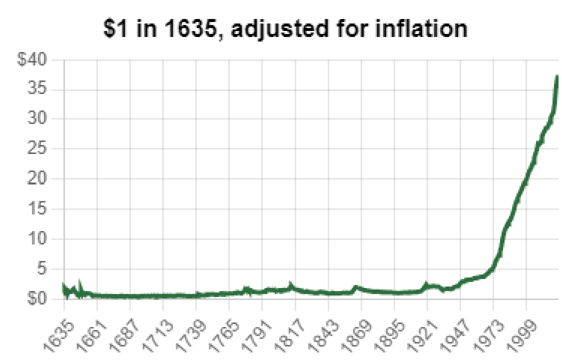
By the end of the 1990s and into the early 2000s, several other central banks, including the Bank of Canada, the Bank of England, and the European Central Bank, had established similar targets. The rationale behind aiming for low, stable inflation was that it would foster a suitable environment for economic growth, allowing for predictable financial planning and investment. The Federal Reserve in the United States did not formally adopt a 2% inflation target until 2012, but it had been informally aiming for a similar level of inflation for some time prior to that. It's important to note that while 2% is a common target, not all economies adhere to this figure, and some have adopted slightly higher or lower targets depending on their specific economic circumstances and policy objectives.

The idea of cumulative inflation or the general knowledge that assets and goods rise overtime is an economic inequality passed on from government to the people. Generally, most people understand this mechanic behind money, but this means that each person then needs to outpace inflation in order to not lose purchasing power. Many laborers cannot get raise increases or even jobs for that matter that allow their income to be pegged to inflation and so investments need to be made.

The essential premise is that inflation, particularly in the wake of a global crisis such as a pandemic, functions as an insidious tax, disproportionately impacting those without the means to hedge against its effects. It becomes apparent that those who are unable to invest in appreciating assets are the ones most disadvantaged by inflation, while asset owners see the nominal value of their holdings increase, wage earners, particularly those in the lower income brackets, struggle as their earnings buy less over time.

This dynamic underscores the argument that inflation is not just an economic issue but a social one, with far-reaching implications for equity and the structure of society. Since the pandemic, the dollars purchasing power has decreased by 20%. All long-term savings that Americans hold must seek yields higher than this average of 4% per year just to maintain its real value–*remember that the target is 2%, this is twice of that.*

Those who cannot reach yields either because rates may not be on par with inflation or even those who are unbanked, taking inflation head–on with little ability to safely hedge. Some can't or don't hedge at all. A counter argument to this would be to apply The Law of The Jungle–where the strongest survive–but the problem is created by the institution put in place to uphold our best interests, the Federal Reserve (FED). This institution is seen as the most



independent in the world[13] and has a dual mandate to control inflation[14] while maintaining a healthy labor market.

Unfortunately, this is a hard task to achieve when they are also the one who controls the money supply–the printer. Their track record of raising rates and *not* causing a recessionary period are slim and nothing to brag about. Maintaining the backend of the worlds reserve currency is easily one of the hardest jobs in the world *to do well.* Independent or not, this institution may try to uphold the packs best interests, but often damages[15] the economy further.

This chart illustrates the correlations between the Federal Reserve's response to inflation and unemployment. When inflation rises (green), the Federal Funds Rate (FFR, blue) then rises to mitigate. More often than not, unemployment (red) follows closely behind FFR as the labor market is often the last to move out of the three. Many instances of this behavior can be displayed by the shaded recessionary zones, which are all declared *after* the recession hits.

The dynamics of the Federal Funds Rate (FFR) involve careful adjustments to either cool down or stimulate economic activity. Increasing the FFR generally slows economic growth by making borrowing more expensive, which can help tame inflation/demand but may also lead to higher unemployment if businesses reduce spending and investment due to higher borrowing costs. Conversely, lowering the FFR is aimed at boosting economic activity by making borrowing cheaper, which encourages spending and investment but can lead to higher inflation if the economy overheats. However, if the rate is kept too low for an extended period, it can lead to an overheated economy and subsequently high inflation, necessitating a tightening of monetary policy.

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[13] One of the main backings behind the dollar being the world's reserve currency–it is *more* immune to manipulation relative to other currencies.

[14] It is a bit more complicated than that but nonetheless, inflation is *mitigated* via the Federal Reserve from an array of tactics, the main being interest rates which eventually touch every corner of the debt-based economy

[15] All and all, recessionary periods are a healthy aspect that clear sectors of bad actors that may be over leveraged or are committing bad practices.

Debt Dynamics

With a devaluing dollar and monetary mismanagement, the next topic of interest[16] is debt. With the Federal Reserve navigating the intricate balance between curbing inflation and encouraging economic growth, the escalating national debt introduces a crucial complexity into the economic equation. The weakening dollar alongside rising debt levels presents substantial challenges for both monetary policy and fiscal sustainability. Understanding these intertwined economic factors is vital for dissecting the sustainability of the United States economy.

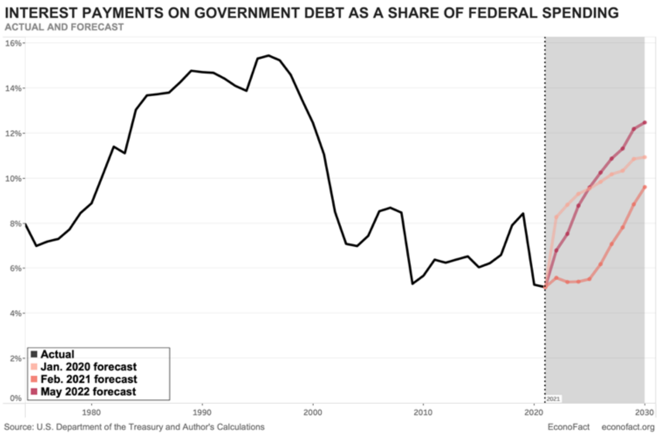
As Ray Dalio (2018, 2023) highlights, a significant issue with central bank policies is their limited focus on inflation and growth while neglecting the management of debt-related speculative bubbles. He critiques this approach stating, “Central bankers target either inflation or inflation and growth and don’t target the management of bubbles, the debt growth that they enable can go to finance the creation of bubbles if inflation and real growth don’t appear to be too strong” (Dalio, 2018). This oversight can lead to scenarios where income growth fails to keep pace with debt servicing, heightening the risk of financial crises. Dalio underscores the importance of debt management in maintaining economic stability, warning that “The greatest depressions occur when bubbles burst, and if the central banks that are producing the debts that are inflating them won’t control them, then who will?” (Dalio, 2023).

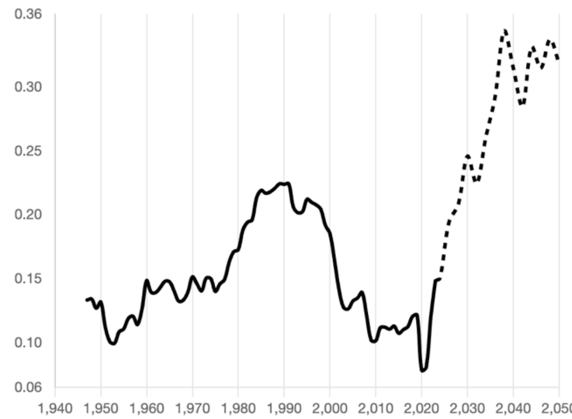
Moreover, Daniel Bergstresser wrote an article detailing the current maturity structure of U.S. debt. Approximately 30% of the U.S.’s outstanding debt, which amounts to about $7 trillion dollars in 2023. As interest rates on U.S. Treasury securities rise, so too will the federal government’s borrowing costs. The United States was able to borrow cheaply to respond to the pandemic because interest rates were historically low. However, as the Federal Reserve increased the federal funds rate, short-term rates increased substantially making some federal borrowing more expensive.

The necessity to refinance this substantial debt in a potentially higher interest rate environment could dramatically elevate net interest payments. This situation is exacerbated by long-term bond yields that have escalated to around 5%, with projections suggesting a continuing rise over the next decade. This increase in yields reflects a growing perception of risk among investors, making U.S. debt less attractive, the higher the rates, the more risk. Such trends are troubling indicators of the potential for fiscal strain, particularly if these conditions lead to increased costs of borrowing or worse, failed bond auctions which could signal a lack of confidence in the U.S.’s fiscal health.

[16] *No pun intended.*

It is hard to find accurate projections for the current expenditures on interest payments because it continues to rise rapidly. Projections from 2020-2023 are all falling short, and even reports for 2024 are already wrong. The last reported datapoint from the first quarter of 2024 via FRED stands at 1.05 trillion dollars. This significant portion of debt approaching maturity poses a fiscal challenge, especially if it coincides with rising interest rates which are likely to increase the cost of debt servicing significantly. (Bergstresser: Left, Ferris: Right)[17]





To further contextualize the potential impacts, looking at historical precedents from other nations provides a sobering reminder of the consequences of unchecked debt levels and the challenges in debt management. The Government Default Study Examples by Bloomberg highlight various instances where countries have faced defaults and restructuring under similar conditions of high debt and economic stress. Countries like Argentina in 1827 and Greece in 2010 experienced severe financial crises that led to outright defaults and bailouts, respectively, triggered by a combination of high debt loads, economic downturns, and external pressures on their borrowing costs. Nations seem to have issues after Debt/GDP crosses ~120%-130%.

Government Default Study Examples (Bloomberg)

Source: Reinhard and Ragoff, RETI Japan, Bloomberg, HC estimates

Country	Year 130% Threshold Crossed	Default Year	Time Until Default[18]	Default Type	Default Cause
Argentina	1827	1827	**0**	Outright default	Independence
Spain	1869	1877	**8**	Restructuring	Revolution
Turkey	1872	1876	**4**	Outright default	Drought and floods
UK	1919	1931	**12**	Devaluation	World War I
France	1920	1920	**0**	High inflation	World War I
Germany	1918	1922	**4**	Hyperinflation	World War I
Japan	1943	1943	**0**	Various	World War II
Australia	1945	1946	**1**	High inflation	World War II
Canada	1946	1946	**0**	High inflation	World War II
Ghana	1960	1966	**6**	Restructuring	Lower exports
Costa Rica	1981	1981	**0**	Outright default	Lower exports
Greece	2010	2010	**0**	Bailout	2008 Financial Crisis

[17] Annualized sum of expenditures – Interest/Total
[18] Time to default column added for readability.

As the debt-to-GDP ratio approaches levels that have historically been problematic for other nations, questions arise about the United States' ability to maintain fiscal responsibility and prevent a potential default scenario in the future while maintaining a cohesive debt-based labor market(*negative*), effected by an increase in productivity due to AI[19]. *See Footnote*

In conclusion, the interplay between rising debt levels, the cost of debt servicing, and market perceptions of risk forms a complex fiscal landscape that the United States must navigate with strategic acumen. As Ray Dalio's analysis suggests, understanding and managing these debt dynamics are crucial to averting financial crises that have historically challenged even the most robust economies. The U.S. is at a pivotal juncture where proactive and innovative economic policies are required not just to manage the current debt scenario but also to ensure long-term fiscal and economic health in the face of evolving global financial dynamics.

The rising debt and associated interest expenses, combined with inflationary pressures, directly threaten the United States' domestic economic cohesion. As debt levels soar, interest payments on that debt consume an increasingly large portion of the federal budget, diverting funds from essential domestic programs such as infrastructure, healthcare, and education, which are crucial for maintaining social cohesion and economic stability. David Schweikert's data[20] shows that only about one trillion or ~1/8 of total tax revenue is non-defense discretionary. *In other words–the matters that can readily be voted on by congress.* ***This wouldn't make a dent in the long run even if that eighth of votable funds gets entirely diverted to interest payments as it would only amount to ~385 Billion out of the 1.1 trillion that is currently going parabolic…*** This one datapoint/perspective alone makes me want to scream "It Just Doesn't Matter" like Bill Murray did in the movie *Meatballs* as such an allocation has a near-zero chance of happening because that type of allocation would deter funds from meaningful spending; *and so, the bubble grows except this time it is now exponential.*

High inflation further complicates this scenario by diminishing the real value of wages, eroding purchasing power, and deepening the wealth gap. This erosion of economic equity can lead to heightened social tensions and a fracturing of community solidarity, as citizens feel the impact of economic policies that favor debt management over direct investment in societal well-being. *The necessity to implement measures that can simultaneously control inflation, manage debt growth, and mitigate interest expenses is* ***critical*** *over the next decade.*

Such measures must not only address the immediate fiscal challenges but also consider their long-term effects on social unity and the overall health of the nation's economy. The balance of these fiscal and social objectives is critical, as the cohesion of the domestic front is essential for sustaining the U.S.'s role on the global stage, particularly in times of international financial uncertainty and shifting power dynamics.

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[19] *Assumes Debt/GDP continues to rise with no major trend reversal due to polarization, debt-interest and increased public spending, Assumes AI to weaken LFPR further as labor dynamics shift over the coming decades.* ***(See Appendix For Survey of Literature: Debt & AI on Labor, Secondly: Projection Model: Debt/GDP vs Labor)***

[20] 'This is Immoral': David Schweikert Issues Dire Economic Warning To House Colleagues. (Forbes Breaking News)

American [Day]Dream

Culture itself plays an important role in how we should develop our democratic systems as they need to remain resilient by design; immune to abuse, corruption, and overstepping, but malleable enough to shape around the information we have condensed into norms and ideologies that shape our day to day lives. It is hard to implement culture into society in a well-defined way, especially in policy as these are the laws and rules that will shape society until molded again in the future. The question then becomes who determines what aspects of culture may advance. If society determines what they value first, the government is in many cases slow to act; some for good precautionary reasons, some may be seen as neglect or ignorance. If the government tries to shape culture; frontrunning society, either clearly or unnoticed, this has the ability to create tensions that would otherwise be absent. This can be seen as an act against the will of the government; when told no, certain people, groups, or society as a whole rejects the notion in spite of curiosity or general refusal to do so.

In the past decade or so culture is rapidly progressing at a faster rate than the government can manage. With the political landscape as it is today, which is heavily polarized, cultural movements are often taken under the wing of a political party. The blue team has their own movements they support while the red team has theirs. Polarization as it is today almost forcing one team to oppose the other, only incentivizing more polarization in the sake of ensuring the other team doesn't get their way. Finding a middle ground involves some sort of agreement between the two teams to lay out a foundation which has basic principles and rules that should be followed by both parties when trying to pass legislation–bare minimums that should be met to satisfy each party for the sake of the common folk. Hobbes has proclaimed that peace derives from what the sovereign says it is, which in other words means the government or political leaders are often the ones looked up to in order to determine how a topic should be handled and guided.

This two team structure also creates a yay/nay culture leaving little room for a middle ground or mediation between the two. Oluwole Owoye, a professor here at Western Connecticut State University has done a study on polarization–arguing POTUS being the causal factor, particularly Obama and the racial resentment he received from the republican party. The repercussions of such resentment will only cause the democratic party to further extubate polarization in the next running as it is only fair play.[21]

[21] Polarization feedback loop

Presidents	First Term	Second Term	Δ%	2nd Term Δ%
1. Richard Nixon/Gerald Ford	1,501	—	-27.69	—
2. Jimmy Carter	1,540	—	5.41	—
3. Ronald Reagan	1,206	1,448	-57.40	—
4. H.W. Bush	1,275	—	8.68	—
5. Bill Clinton	810	1,008	-32.59	-43.65
6. George W. Bush	887	943	15.00	-6.89
7. Barack Obama	669	625	-54.92	-50.88
8. Donald Trump	787	—	15.00	—
9. Joe Biden	508* (365 + 47*) + **p**	—	-54.92	—

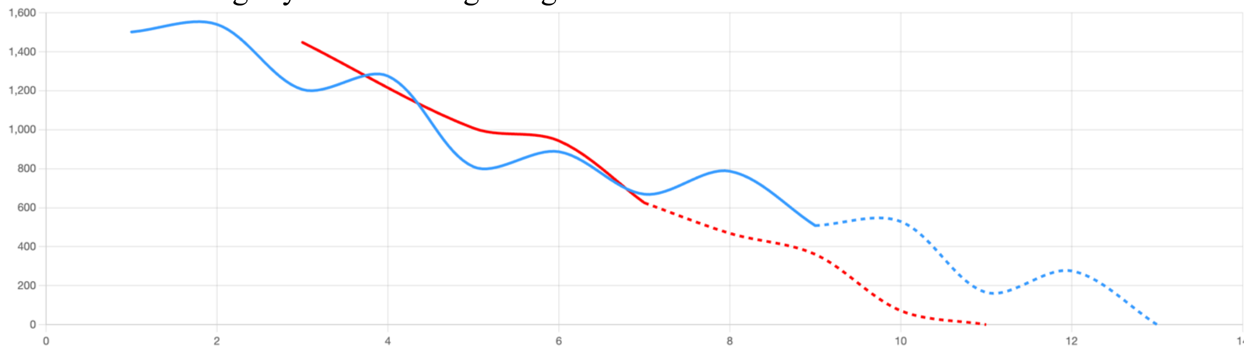
Here Owoye looks at congressional productivity through the amount of laws passed by each White House Occupant (WHO) since Nixon/Ford. All data prior to Trump is from Owoye's study[22]. The projection for total enacted laws under Joe Biden's presidency is based on the average monthly laws enacted since the beginning of the 117th congress which averages out to 12. At the time of writing there are eight months left until the 118th congress comes to a close. The projected laws based on these variables while **p = 96** is 508 laws enacted.

Oddly enough there is an overarching pattern to this data. Every other presidency preforms opposite of the last–that being if one preforms well, the next preforms worse. The only exception is Obama, performing worse in his second term where all other presidents second terms were more productive than their first. This data illudes to an alarming dance of deterioration within congressional productivity over the years averaging a decrease of 17.62 percent each year and a 33.80 percent decrease for all two term presidents since Nixon/Ford.

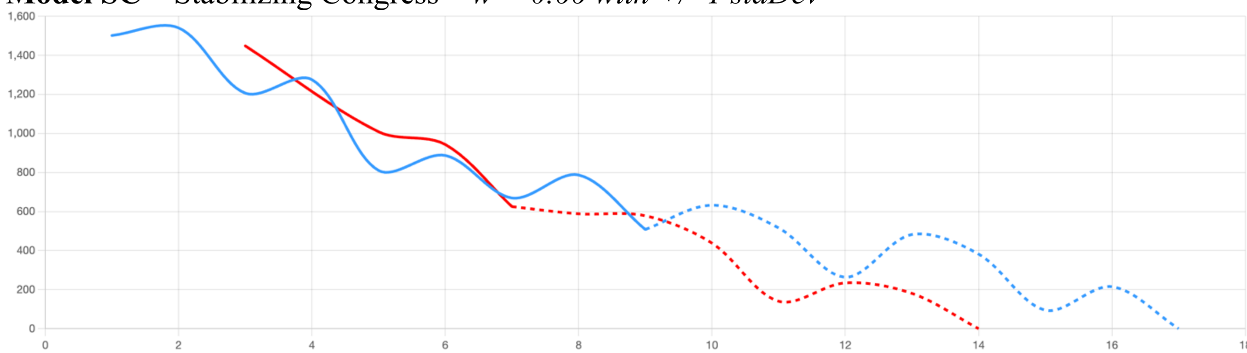
Cumulatively there has been an overall productivity decrease of about two-thirds since 1968 which is quite substantial. Considering how advancements in congress are what fuels advancements in society–this creates an unnecessary bottleneck for development. This study could further be expanded to focus on how many laws are presented to congress vs how many laws are passed, allowing for a way to analyze the success rate of laws over the years as this may illude to further questions. Next I plot the data and project it based on growth trends of the past. In Model SDC we assume more-or-less a continuation of a downward trend of productivity, assuming the polarization feedback loop continues. The model points to a value of zero laws passed which I believe "could" happen if both parties refuse to pass one another's laws but this is a stretch even for this thesis. Some type of congressional production would have to be structural production just like there is structural unemployment, making zero percent unemployment impossible to achieve.

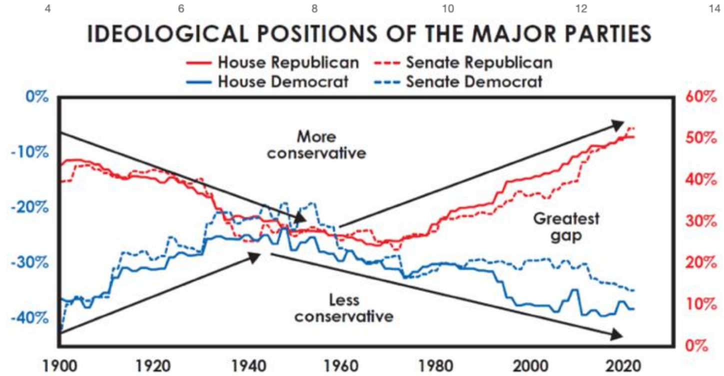
[22] Data that follows is laws enacted by the 115th and 116th Congress for Trumps presidency and Biden's is laws enacted by the 117th Congress and 118th Congress. See methods for hybrid projection.

Model SDC – Slightly-Destabilizing Congress – *w = -0.33 with +/- 1 stdDev*



Model SC – Stabilizing Congress – *w = 0.66 with +/- 1 stdDev*





How can congressional productivity decrease by so much? Dalio in his book "Principles for Dealing with The Changing World Order" provides the previous graph on polarization which depicts the position of politicians within the House and Senate. This was no new knowledge to the average voter in America, many can observe the viewpoints generally getting further apart from one another, but this also indicates that we are more polarized than prior to the great depression. What healed such polarization back then was a common goal–rapidly unifying the nation within the span of a decade or so. Notably republicans have further deviated from their position back in the early 1900s while democrats remain above those levels, in recent times a spike in the positions of republicans in the House spiked up and caught up with the views of the Senate around the time Trump was elected. Owoye claimed polarization would become an increasing issue following the election of Obama, and this further proves that the trend shall continue unless there is a major reversal.

The citizens are the backbone of the polity itself and the pool of which political and cultural developments flow from. The role of a governance especially that of a democracy is to uphold the trust of its citizens–in that the system cares for them and exists to ensure protection and services necessary to create a better and more productive society. Citizens constantly determine what is important and what should be perused by the government. There is an argument that political representatives could be seen as the most important when it comes to political productivity, but I would argue that it is the citizens duty to uphold a sense of responsibility enough to guide politicians and government itself the correct direction. With this amount of decline in congressional productivity it is hard to say if citizens really are holding representatives accountable for political gridlock in the form of laws enacted during presidencies.

Politicians on the other hand can play an important role as well, since oftentimes they can be persuasive or repulsive on what to focus on. Issues often fall under one of two political parties and the answer in one party is usually vastly different from the opposing and because of “cultural politics” one party’s solution could be labeled as a “lack of care” by the other. This creates even more tension between the two parties, further dividing them, resulting in this cycle to repeat.

Often overlooked is the degree to which politicians are invested in an issue or topic. This can be expressed in many ways such as speeches, interviews, letters, and in today’s modern age, social media. Within the first two, speeches and interviews an easy tell that I argue is often overlooked is body language and expression. This being how something is verbalized and projected to the audience through character, emphasis–or the lack of. A weak persona or response can lead to even more uncertainty. An overemphasis can be persuasive and influential, in both a positive or negative way. With the last several presidential elections that have taken place in the U.S. it should be clear that the options available are becoming increasingly divided to say the least. Trump and Biden are examples of what happens when we reach a point of refusing to let the other team win. Less than ideal candidates make their way to the stage in a hopes to beat the other bad candidate. Both presidents have had their fair share of good and bad moments, policies, and public appearances but are an accurate reflection of almost total polarity, *total opposition*.

This is also reflected within both the judicial and congressional branches as well, the overturning of Roe v. Wade being a vote against the societies general conclusion. Congress recently ousted Kevin McCarthy from Speaker of the House, and his replacement Mike Johnson is now receiving threats from the Republican party to repeat the process and leaving him to be the second Speaker of the House to be removed in recent times. This reflects how Congress doesn’t even get along with Congress. Tensions seem generally higher than before weather that be during major bills being passed or even in committees, and hearings. Deterioration of political thought will continue until this trend reverses as the state of politics has shifted towards being handled by the elected representatives but without meaningful oversight–breaking the link between a democratic republic.

The Enemy of an Enemy

Some democracies around the world have a selection of political parties that prevent this totalitarian view of yay/nay, often tweaking a subject to their liking which involves taking the best attributes of both opposing parties as their own "independent" view. In some instances parties can be created and within several election cycles that party can gain significant recognition seemingly overnight relative to the history of a nation. For example, in El Salvador, President Nayib Bukele founded the political party Nuevas Ideas (New Ideas) in 2018, which quickly gained traction among voters dissatisfied with the traditional parties. In the subsequent legislative elections, Nuevas Ideas won a majority in the Legislative Assembly, allowing for significant control over the legislative process. Additionally, the party has been influential in judicial appointments, contributing to an unusual consolidation of power in a short time frame especially when the point of reference is the United States.

This executive to legislative party link is crucial for a sitting president to reach maximum congressional output. When a president has control over congress, they no longer have to face the battles that come with a near perfectly divided congress–of which we are seeing today; a near perfect division of political electees. To diversify congressional thought would involve adding more options to the United States political landscape. All that would be required would be the introduction of a strong independent leader that aims to be a happy medium of the two other parties. This would then spread voting across three different options. Within this "rivalries" and polarization would still exist but to a lesser extent as views are less concentrated; less polarized. Such a dynamic is extremely hard to achieve in the United States as the two-party system is structured in a way that increases the barrier to entry for third-party candidates.

Robert F. Kennedy Jr. the nephew of JFK, is facing significant hurdles in his independent bid for the presidency due to the complex and varied state laws concerning ballot access. Each state in the U.S. has its own set of rules that dictate how a candidate can get on the ballot, including specific signature requirements, legal challenges, and tight deadlines. Kennedy has been contending with these challenges, which include the need to collect tens of thousands of signatures in some states like California and Florida, and even more in Texas (RFK). Additionally, states like North Carolina and Texas have early filing deadlines which add pressure to the campaign's efforts.

Despite having the financial resources and a strong ballot-access team, the Kennedy campaign must also prepare for potential legal challenges from major parties, as these parties may perceive independent candidates as threats to their electoral chances. The Democratic Party, in particular, has expressed concerns about Kennedy's candidacy, viewing it as a potential spoiler that could impact the chances of the presumed Democratic nominee–Joe Biden. This has led to organized efforts to oppose third-party and independent candidates through legal challenges and other strategies aimed at maintaining the traditional two-party dominance.

Kennedy's campaign has taken proactive measures, such as attempting to start new political parties in some states, to ease the process of getting on the ballot. This approach can be advantageous in certain states where it's easier to qualify by registering a new political party rather than as an individual independent candidate. These challenges he faces underscore the difficulties independent and third-party candidates encounter in the U.S. political system and the ability for votes to seek an intermediary between the two dominant parties.

[6] Conclusion

Initially capitalism was invented by the Dutch in the 1500's[23], or the early stages of capitalism through the form of stocks. This was a way to get capital to inventors–those who could then use that capital to create a better society. With late-stage capitalism starting to further synthesize–power has now shifted from inventors to institutions.

Political interest followed suit; the overwhelming majority of legislation is passed to cater to these institutions rather than the people. This is due to the amount of money that can be burned on lobbying by these institutions, just so their opinions, agendas, and ideas are heard by those who are there to represent the people. This ideological shift away from *we the people* has created a narrative that goes against traditional norms and could be argued to be one of the biggest contributors to diminishing democracy.

With the creation of *The Law of Diminishing Domestic Cohesion* as the main takeaway from this study, they key to a deep analysis of any nation. It was imperative that the law focuses on the push/pull structures within a nation and how those forces effect a polity. Ideology fuels the economy, the economy then acts as a boost back into ideology, while also being the source of the military. If the three remain in a *close* balance, democratic systems (if present) should remain healthy and efficient–if not begin a healing/normalization process.

On the other hand, if ideological or economic strength deteriorates both of these systems are brought down together. With this, democratic health diminishes, eventually reaching a point where exponentially more input is required (i.e., the number of pages on bills, democratic engagement, social return, time, foresight) in order to achieve accurate representation and production results.

Many political theorists argue about when the United States began to deteriorate and what aspects have led to such a conclusion but regardless, since the global pandemic this paradigm shift has grown exponentially worse. Economic data shows wealth inequality rapidly increasing before the pandemic and data further supports an argument that it accelerated after. Corporations heavily profited from the years of fiscal stimulus. This only accelerated the transfer of wealth back into the hands of the wealthy.

Culture has also become more diversified in topics and thought, expanding faster than the government can manage and polarization only further slows the process of cultural advances. Distrust in one another, the media, government officials, and the government itself have become increasingly worrisome. The flow and freedom of information has seemingly slowed down, half-truths and deceptions from one party to the other leave many homeless in terms of political representation–seeking only a balance between the two.

If the people can't thrive in a society that promotes their full potential, then the nation will never truly prosper. "As soon as any man says of the affairs of the State 'What does it matter to me?' the State may be given up for lost" (Rousseau, The Social Contract). This statement

[23] Discussed by Ray Dalio in an interview by Lex Friedman. (2021)

emphasizes the rising wave of individualism that threatens the collective spirit and national identity necessary for a functioning democracy. As citizens become more self-centered and less concerned about the systems dependent on democratic participation, those systems can therefore become compromised.

After a certain amount of time, point-case scenarios become clear such as San Francisco where laws and politicians may mean well but lack execution–failing to produce an ideal foundation for society to build upon. Such disparities can be projected to any specific area in the United States, the severity of disfunction largely derives from how states handle these matters with the powers they possess.

The reversal of this major trend of diminishing democracy falls into the hands of the people to prevent the mistakes of the past to so history doesn't repeat itself once again. For the betterment of humanity, the United States cannot fall.

With the deterioration and weaponization of the world's reserve currency–once sought after by all–is now avoided by some nations and groups. Sanctions, fiscal/monetary effectiveness, political efficiency/production all have contributed to a weaking domestic and international view of the dollar as it is beginning to fade in terms of hardness and trust. What is worrying is that the dollar is and will likely remain as the dominant reserve currency because the U.S. will not let it go down without a fight, unless it's the United States that shoots itself in the foot, which seems to be the current trajectory.

This study largely focused on the fiscal and monetary health of the United States, as well as the deterioration of its political ideologies. One important note is that the strength of the dollar deteriorating at a faster rate since the end of the gold standard in 1971, accelerating due to the pandemic spending and recovery approach. Other nations currencies should experience significantly more volatility as their institutions and monetary systems may not be as resilient and robust as the United States[24], although there are always outliers.

It is evident that there are many domestic issues that the United States is now facing, as well as foreign threats and issues such as the potential loss of the world's reserve currency, possibly being handed off to the United States adversaries in the BRICS nations. Conflicts around the globe that the United States is actively involved in or has obligations to be involved in are growing in numbers all while tensions are rising. Foreign issues are becoming more prevalent, more costly, and more frequent than in the past. We are living in some of the most uncertain and unpredictable times in human history and it is hard to say if the United States is currently on the same path of previous empires or great powers that have fallen in the past–although when comparing similarities, a case can be made for such a claim.

The United States has been seen as the center of attention when it comes to the "leader" of democracy. Many nations around the world look at us for guidance, assistance, aid, and support in many ways and we must maintain a good global position in order to maintain that type of respect

[24] Other nations have less-independent systems than the Federal Reserve in the United States. In many cases the federal government directly controls these systems, leading to higher persistent inflation in these areas due to the dynamic of interest rates, borrowing, and bonds.

around the world. The U.S. is in a position of power but it must humble itself to the realities of domestic and foreign conflict in order to seek resolution that benefits all in a peaceful and equitable way.

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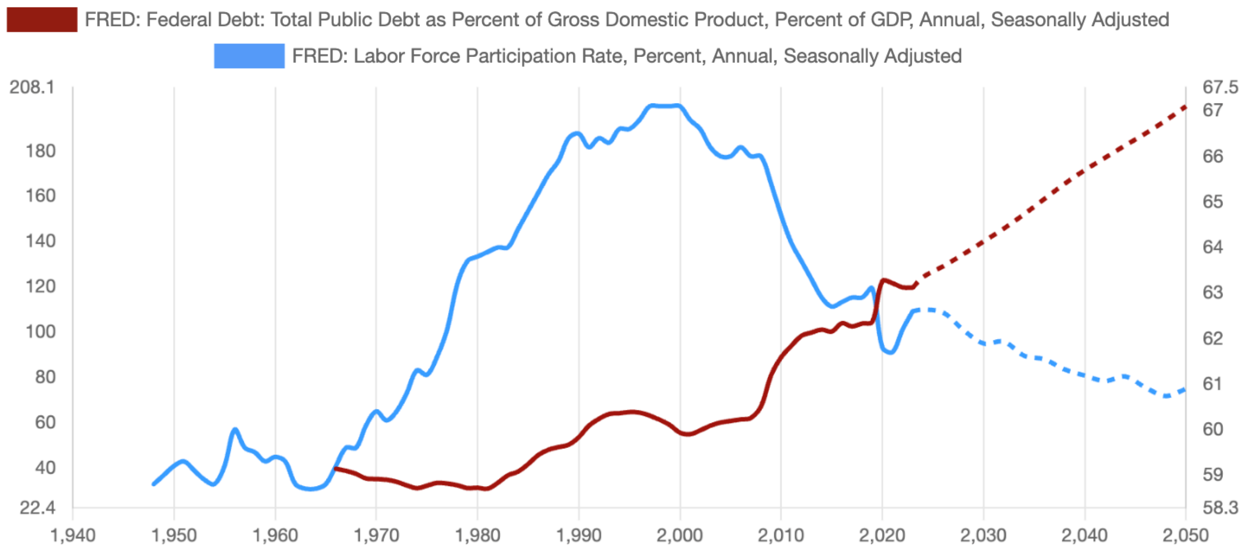
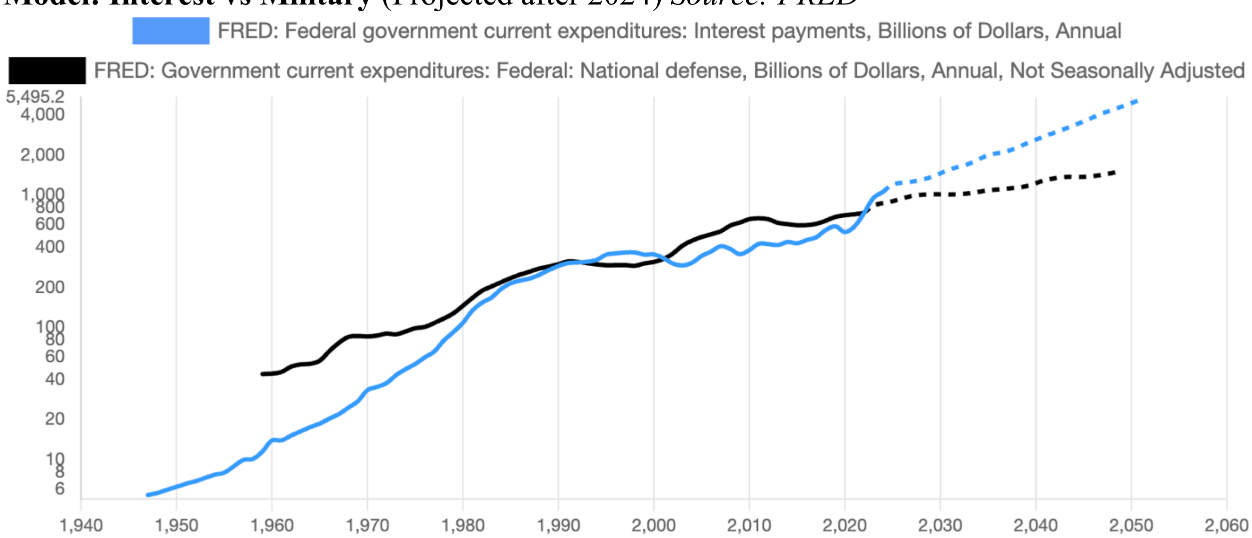
Appendix

Model: Debt/GDP vs Labor (Projected after 2023) *Source: FRED*



DEBT/GDP *(Left) (Hybrid Projection)* *t = 23, w = 0.25, +/- 1*
LFPR *(Right) (Hybrid Projection)* *t = 23, w = 1.5, +/- 0.25*

Model: Interest vs Military (Projected after 2024) *Source: FRED*



Interest Accounting for Spiral *(Exponential Projection) (Optimistic)* *t =8, +/- 100*
Military Accenting for Post-Covid Increase *(Hybrid Projection)* *t = 8, w = 1.2, +/- 100*

Survey of Literature: Debt & AI on Labor

Focus	Summary	Source(s)
1. Debt and Labor Market Investments	Public debt reduces investments in labor market supports like education and training, impacting labor force participation rates.	Ghourchian, N.G., & Yilmazkuday, H. (2020); Lim, H. (2019)
2. Gender-Specific Labor Impact	Fiscal policies influenced by public debt can disproportionately affect women's labor market participation, especially in developing nations.	Gaddis, I., & Klasen, S. (2014)
3. Economic Growth and Public Debt	High public debt levels are often shown to constrain economic growth, which in turn affects labor markets by increasing unemployment and underemployment.	Pegkas, P., Staikouras, C., & Tsamadias, C. (2020); Reinhart, C. M., & Rogoff, K. S. (2010)
4. Debt Cycles and Economic Downturns	Analysis of debt cycles shows how prolonged high debt levels can lead to severe economic downturns, affecting labor force participation and widening inequality.	Dalio, R. (2018, 2023)
5. Government Fiscal Health and Debt	Projections of public debt growth suggest significant long-term fiscal challenges, which are expected to impact labor market conditions through constrained fiscal capacity and forced policy adjustments.	The U.S. Government Accountability Office (2024)
6. Public Debt and Productivity	Studies on the productivity impact of public debt show varying results but generally indicate that higher debt may lead to lower productivity in	National Bureau of Economic Research (2023)

	the absence of effective governance and economic management.	
7. Public Debt and Trade Balance	Exploring how public debt and trade balance relate, highlighting their effects on labor market dynamics.	Butkus, M., & Seputiene, J. (2018)
8. Public Debt in Developing Economies	Public debt in developing economies affects economic growth and labor participation, offering insights into broader implications.	Dincă, G., & Dincă, M. S. (2015)
9. Impact of Fiscal Policies on Economic Sectors	Investigating broad impacts of public debt on various economic sectors, influencing labor markets through altered fiscal policies and government spending.	Topal, M. H. (2014)
10. Global Fiscal Health and Economic Stability	Discussing the critical nature of major fiscal policy changes to prevent long-term economic instability and its impact on labor markets.	The U.S. Government Accountability Office (2024)
11. Public Debt and AI Productivity	Analyzing how AI tools mitigate some negative impacts of high public debt on productivity through enhanced efficiency.	National Bureau of Economic Research, 2023; International Monetary Fund, 2023
12. AI and Labor Dynamics	Examining how AI integration in industries affects labor dynamics, focusing on automation, job displacement, and new job creation.	Brookings Institution, 2023; Economic Policy Institute, 2022
13. Global Fiscal Health and Economic Stability	Discusses the critical nature of major fiscal policy changes to prevent long-term economic instability and its consequent impact on labor markets.	International Monetary Fund (2021)

Janet Yellen Testimony – July 12, 2017

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