Europeans once believed that all swans were white. But in the 17th century, the impossible happened: Black swans were spotted in Australia.

Following the lead of Nassir Taleb, a scientific-minded public intellectual, policy wonks now use the term "black swan" as shorthand for any event with an extremely large impact, something outside the realm of human expectations and quantitative calculations.

Kevin Phillips sees a black swan -- no, a flock of them -- on the horizon. Once a political strategist for Richard Nixon and now a born-again economic populist, he believes that the crisis of American capitalism has begun.

In his new book, he examines the weapons of mass destruction now detonating all around us:

Housing prices, credit-bubbles, untested and unstable financial instruments (including derivatives and hedge funds), increasingly inadequate supplies of oil, dynastic politicians in thrall to entrenched interests and imperial hubris that has wreaked havoc with the prestige of the United States around the world.

Sensing that fear has begun to supplant greed on Wall Street and Main Street, Phillips hopes to pressure candidates for national office in both parties to confront "domestic and international problems bearing down like an express train."

His book provides a primer in economics, detailed but not dull, accessible to the uninitiated, and useful to the already well-informed.

Phillips' dire warnings rest in part on his partial to substantial belief in several worst-case scenarios. But even if the black swans stay down under, his brief against the risky gambits of the venal center in American politics and finance is provocative, and perhaps prescient.

The domination of financialization, Phillips observes, presaged the decline of global powers in...
Spain, the Dutch Republic and Great Britain. Unfortunately, the United States now "luxuriates in finance at the expense of harvesting, manufacturing or transporting things."

Constituting 21 percent of gross domestic product, the financial services sector, which is loosely regulated by government, has made billions promoting, packaging and leveraging public and private debt.

By bundling debt, whose market value is difficult to specify, Phillips maintains, liquidity factories, in forms ranging from private equity to hedge funds, have created a money pyramid without parallel in history.

In 20 years, debt has quadrupled to $43 trillion, and, after 9/11, President Bush gave debt a nudge by adding "a slight tint of red, white and blue."

Then-Federal Reserve Board Chairman Alan Greenspan cooperated by slashing interest rates and ratings agencies bestowed high safety classifications on questionable loans. Delayed-fuse mortgages went to buyers with no income, jobs or assets.

Phillips predicts that the impact of financial sector securitization and the real-estate bubble will be deadly. Responsible for about 40 percent of economic growth and employment during Bush's tenure, housing now seems to be leading the nation into a recession.

Lenders find themselves holding "neutron loans" -- like the neutron bomb, they kill the people and leave the houses standing. If prices fall 15 percent to 20 percent from their peak, about $3 trillion in value will be lost.

Compounding these perils is the entwined vulnerability of U.S. oil supremacy and the embattled dollar. After all, as J. Paul Getty once quipped, "The meek shall inherit the earth, but not its mineral rights."

Four-fifths of the world's oil reserves are controlled by the state-run companies of 13 nations. Holding more and more of the trump cards, they've begun to look at the United States in the rearview mirror.

Reluctant to peg oil prices to an ever weaker dollar, Phillips suggests, they might switch to the euro or a market basket of currencies and could instruct their sovereign wealth funds to stop buying assets in the United States. Either action, of course, would send dollars, bonds and stocks into free fall.

And if the supply of oil is at or approaching its peak they might decide to do business with China and India, leaving America high and dry.

The President's Working Group on Financial Markets (nicknamed "The Plunge Protection Team") has its work cut out for it. And, as Phillips reminds us, historical precedent suggests skepticism about both sustained public attention and effective government action to address the economic problems of empires in decline.
After raising the specter of blighted cities and conflict over immigration, he strains to find a silver lining.

America's landing might be somewhat softer, he indicates in a concluding paragraph, because of its natural resources, large population and continental hegemony, especially if the next administration abandoned a (costly) militaristic foreign policy.

He points out that after a half century or more in the shadows, Spain, Holland and Great Britain re-emerged, shorn of imperial glory, but more prosperous than ever.

Glenn C. Altschuler is the Thomas and Dorothy Litwin Professor of American Studies at Cornell University.