

The Biden Administration and Two Looming Crises: An Economic and Financial Crisis and a Hegemonic War

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[Agenda](#)

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*“Our economic leadership **does not seem to be aware** that the normal functioning of our economy leads to financial trauma and crises, inflation, currency depreciations, unemployment and poverty in the middle of what could be virtually universal affluence—in short that financially complex capitalism is inherently flawed.”* **Hyman Minsky** (1919-1996), American economist, (in ‘Stabilizing an Unstable Economy’, 1986)

*“**War deficits are the worst fiscal policy imaginable.** They add to civilian demand but generate no marketable output of consumer products or capital goods. Accordingly, war deficits tip the economy toward excess demand, inflationary bottlenecks, rising interest rates, and financial instability. They destroy wealth and lower living standards.”* **A. Stockman** (1946-), American politician, former U.S. congressman and budget director under President Ronald Reagan, and private equity investor, (in ‘The Great Deformation, 2013, p.214)

*“**The survivors of a generation that has been of military age during a bout of war** will be shy, for the rest of their lives, of bringing a repetition of this tragic experience either upon themselves or upon their children, and... therefore the psychological resistance of any move towards the breaking of a peace... is likely to be prohibitively strong until a new generation... has had time to grow up and to come into power. On the same showing, a bout of war, once precipitated, is likely to persist until the peace-bred generation that has light-heartedly run into war has been replaced, in its turn, by a war-worn generation.”* **Arnold. J. Toynbee** (1889-1975), British historian, (in ‘A Study of History’, vol. 9, 1954)

*“**The tragic truth is that if the West** had not sought to expand NATO into Ukraine, it is unlikely that a war would have raged in Ukraine today, and Crimea would most likely still be part of Ukraine.”* **John J. Mearsheimer** (1947-), political scientist at the University of

Chicago, (in his lecture given at the European University Institute (EUI) in Florence, Italy, on Thursday, June 16, 2022)

“I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones.” **Albert Einstein** (1879-1955), in an interview in ‘Liberal Judaism’, April-May, 1949)

Besides the lingering [Covid-19 pandemic](#) and the on-going [climate crisis](#), which will be accompanied by an [energy crisis](#), not to mention the coming [migration crisis](#), the world could be facing two man-made major crises in the years to come, i.e. an economic and financial crisis and a hegemonic war crisis.

Fundamental imbalances in the world economy

Indeed, fearing a persistent shortage of [aggregate demand](#) in the largest industrial economies (U.S., E.U., Japan, etc.), central banks adopted the unconventional monetary policy of pushing nominal interest rates toward zero and real interest rates into negative territory. This has resulted in investments whose profitability cannot be sustained in the long run when interest rates return to normal levels.

Secondly, the worldwide Covid-19 pandemic of 2020-2022 and demographic shifts have caused a slowdown in [aggregate supply](#) with supply shortages and supply chain disruptions for many commodities and products. Additionally, in the wake of the pandemic, many workers have withdrawn from the labor force, thus creating labor shortages in certain sectors.

Thirdly, one negative consequence of economic and financial globalization has undoubtedly been its fiscal impact on the budgets of national governments. Less able to raise tax revenues on international corporations and other entities operating in their countries, governments felt obliged to raise their [budget deficits](#) and to go deeper into public debt. Any substantial rise in interest rates will result in a fiscal crisis for many governments.

Fourthly, central banks were pressured by treasuries to purchase increased amounts of public debt, thus increasing their [balance sheets](#) and the monetary base of the economy. In the case of the American [Fed](#), its balance sheet was around \$4 trillion in early 2020, and it has ballooned to around \$9 trillion in mid-2022, mainly as a consequence of buying treasury securities and mortgage-backed private securities.

Similar actions by other central banks have also resulted in large increases in their balance sheets. This has pumped excessive liquidity into many economies and that is the first cause of higher [inflation](#) worldwide and the depreciation of fiat currencies. Higher inflation, for people on fixed incomes, means a rise in their [cost of living](#) and a drop in their standard of living. Economically, this is also the main cause behind the current condition of [stagflation](#), i.e. a condition of slow economic growth with rising prices.

It would seem that economic and financial globalization has reached its potential, and its negative consequences have become more important. The fact that the U.S. government imposes unilateral economic and financial sanctions on other sovereign nations raises important legal and political issues about the sovereignty of independent states.

Indeed, due to the resurgence of international military and geopolitical tensions (see below), the system of economic and financial globalization erected after the Second World War is rapidly weakening. If such geopolitical tensions were to escalate, this could lead to a dislocation of the global economy and to a [global economic slowdown](#), which could last many years.

A centenary hegemonic war could be in the making

Small-scale [regional wars](#) have been numerous and prevalent since World War II, but this does not mean that world wars have been eradicated from the international system.

History shows that such large-scale wars seem to occur in each century. It is an observed [historical fact](#) that countries with great military power always attempt to bend the international economic, financial and political systems to their advantages. And such dominating states in international politics do not hesitate to resort to a cold-blooded game of power politics to achieve their objectives.

Indeed, through the ages, such behavior has resulted in horrific [hegemonic wars](#) that peoples had to suffer, time and again, when empires engaged in the deadly game of “great power competition”.

The cycles of murderous and destructive hegemonic wars and efforts to avoid them have been well analyzed by British historian [Arnold Toynbee](#) (1889-1975), [Charles Kindleberger](#) (1910-2003) and other international scholars.

This time around, as far as [U.S. foreign policy](#) is concerned, a cohort of [neoconservatives](#) in positions of authority within the Biden administration, supported by a score of Washington-based hawkish [think tanks](#) and weapons-making firms, is *de facto* calling the shots, along the lines of the doctrine of [permanent war](#) for the United States.

The United Nations is presently powerless to prevent hegemonic wars

After World War II, the creation of the United Nations, in 1945, raised the hope that such hegemonic wars would be a fixture of a more barbaric past. The purpose was “*to save succeeding generations from the scourge of war*”.

The central article of the [U.N. Charter](#), which spells out the way to avoid war, is ‘Article 33’.

It reads:

1. The parties to any dispute, the continuance of which is likely to endanger the maintenance of international peace and security, shall, first of all, seek a solution by negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies or arrangements, or other peaceful means of their own choice.
2. The Security Council shall, when it deems necessary, call upon the parties to settle their dispute by such means.

But lo and behold, the great powers of the time (U.S., Russia, China, U.K. and France) did find a way to exclude themselves from the rules designed to maintain world peace. This was done mainly in obtaining a veto for themselves at the 15-member U.N. Security Council, a

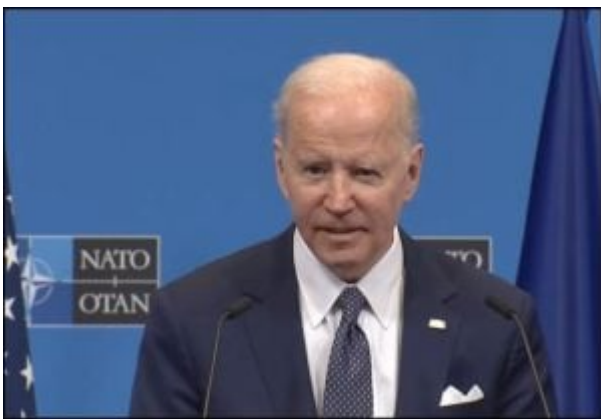
body whose decisions are binding on all UN members. And that is where the world stands today. Great powers can always wage aggressive wars with impunity.

The United States government in particular has *de facto* sidelined the United Nations. This was done behind the screen of [NATO](#), originally a defensive alliance to contain the old Soviet Union, but redefined for the purpose nowadays as a *de facto* offensive military alliance, under U.S. control. NATO should have been [abolished](#) in 1991, when the USSR collapsed. Many European countries and [Canada](#) have fallen in line in backing the new warmongering NATO.

Suddenly, [militarism](#) is on the rise in the United States and some parts of the world, at a time when the United Nations has been rendered impotent. The Biden administration, as the head of the so-called 'free world', has not shown much interest in diplomacy and in negotiations to solve international conflicts, along the lines of a rule-based international system centered on the U.N. Charter and the legal prohibition of the use of force in international relations.

Joe Biden and the U.S. commitment to militarism and permanent global war

Image source: The Last Refuge



By coincidence or not, the arrival of Democratic U.S. President [Joe Biden](#) (1942-) in the White House, less than two years ago, has been followed by a chaotic period of unfolding international and domestic [tensions](#).

President Biden's choices for his foreign policy team may have revealed his real bellicose intentions. This was the case when he diverted from tradition and named a career general (Lloyd Austin) instead of a civilian as Secretary of Defense. He also chose a known neoconservative (Antony Blinken) as Secretary of State. Mr. Biden probably knew what he was doing and that he had no real desire to put diplomacy ahead of warmongering in his international dealings. Numerous members of Biden's national [security advisors](#) are in the same bellicose camp.

During the [2020 U.S. presidential election](#) campaign, the media did not report much about Senator Joe Biden's [warmongering past](#). Rightly or wrongly, the Democratic candidate was considered more mentally stable, less arrogant and less 'dangerous' than outgoing incumbent Donald Trump. At least, that was what Mr. Biden's [campaign promises](#) conveyed.

There is a [lesson](#) here, and it is about the necessity to know about a presidential candidate's past to predict future U.S. government policies. The other lesson is that American

policymaking is [dominated](#) by powerful business organizations and by a small group of affluent Americans. In American politics—money rules.

Therefore, after the [botched](#) and chaotic American [withdrawal from Afghanistan](#), it was not a complete surprise when the Biden administration adopted an aggressive foreign policy, especially against Russia, Iran and China. It is a policy based on '[power politics](#)' in international relations. And it is characterized by provocations, threats and economic and [proxy wars](#).

The military conflict in Ukraine could have been avoided

The [Russo-Ukrainian](#) war is a good example of a proxy war between the United States and Russia. It is a war that could have been avoided with a modicum of diplomacy. Indeed, everything was in place for this to be the case.

Image: Ukrainian troops prepare to fight Russian forces in Donbass (Source: Indian Punchline)



When the UN Security Council unanimously adopted [Resolution 2199](#) on February 12, 2015, which called on the countries involved (mainly Ukraine, Russia and the United States) to respect the two [Minsk agreements](#) of September 5, 2014 and of February 12, 2015, a diplomatic solution seemed possible.

{ As a reminder, these agreements provided for the establishment of a federal system in Ukraine, so that the Russian-speaking Ukrainian minority of the Donbas mining basin contiguous to Russia, and mainly located around the cities of Donetsk and Luhansk, could enjoy autonomous status, in order to preserve its language and culture. —France and Germany had brokered such agreements. }

Although the Security Council resolution was binding on all UN members, its guidelines were not followed. This failure prompted the Russian government to officially recognize the independence of the Russian-speaking territories and to invade the region militarily on February 24, 2022.

The alleged objective was to defend the inhabitants against the ongoing military attacks by the Ukrainian government, which took place after the '[coup d'état](#)' against the pro-Russian Ukrainian government of President Viktor Yanukovich, on February 22, 2014, (with a strong implication by the U.S. government.) —Yanukovich and his Party of Regions had been elected in the February [2010 Ukrainian Presidential election](#) with 48,95% of the popular vote.

Over the last six months of this year, there has been an [escalation](#) of the Russo-Ukrainian war. There lies a real danger of an all-out military confrontation of the United States and

NATO against Russia. European countries would then be on the front line of such a devastation. The world could then be facing a [World War III](#), which could possibly degenerate, by accident, into a [nuclear World War](#), a first in history and probably the last.

Leadership crisis in the West

Currently, many countries are facing a major leadership crisis, with several nations having political leaders who do not seem to be able to solve problems, some even [welcoming](#) a thermonuclear war. In other cases, they even seem to enjoy throwing gasoline on the [fire](#) and making matters worse.

European leaders are actively supporting a dangerous military escalation in Ukraine, where the war has become a daily disaster for [civilians](#) because of severe violations of [international humanitarian law](#).

In their unconditional support of the Ukrainian [Zelensky regime](#), it is as if such leaders were ready to accept a world war on European soil. If so, this would be the third major European war in a century. One has no need to look any further to understand [Europe's decline](#) and marginalization in world affairs during the last quarter century.

Conclusion

Many people alive today have never experienced a period characterized by difficult economic times and war. However, this is the type of world that leaders without much substance and judgement have been trying to create for the past few years.

On the economic front, a perfect storm is brewing, as economic and financial imbalances, coupled with demographic problems and costly environmental policies, risk being a drag on future economic progress for years to come.

On the geopolitical front, the post World War II uni-polar world order is crumbling before our very eyes, leading to more frequent hegemonic military conflicts.

The combination of a global economic and financial crisis and a serious geopolitical crisis could throw the world into a devastating perfect storm.

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This article was originally published on the author's website, [Dr. Rodrigue Tremblay](#).

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