

War and the Global Economy: Financial Experts on “Why We Are Drifting Towards World War Three”

By [Washington's Blog](#)

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Theme: [Global Economy](#), [History](#),
[Militarization and WMD](#)

The Economist [argues](#) that there are ominous parallels between the conditions which led to the first world war and today:

“The United States is Britain, the superpower on the wane, unable to guarantee global security. Its main trading partner, China, plays the part of Germany, a new economic power bristling with nationalist indignation and building up its armed forces rapidly. Modern Japan is France, an ally of the retreating hegemon and a declining regional power. The parallels are not exact—China lacks the Kaiser’s territorial ambitions and America’s defence budget is far more impressive than imperial Britain’s—but they are close enough for the world to be on its guard.

Which, by and large, it is not. The most troubling similarity between 1914 and now is complacency. Businesspeople today are like businesspeople then: too busy making money to notice the serpents flickering at the bottom of their trading screens. Politicians are playing with nationalism just as they did 100 years ago. China’s leaders whip up Japanophobia, using it as cover for economic reforms, while Shinzo Abe stirs Japanese nationalism for similar reasons.”

The New Republic [points out](#) that global downturns can lead to war:

As the experience of the 1930s testified, a prolonged global downturn can have profound political and geopolitical repercussions. In the U.S. and Europe, the downturn has already inspired unsavory, right-wing populist movements. It could also bring about trade wars and intense competition over natural resources, and the eventual breakdown of important institutions like European Union and the World Trade Organization. Even a shooting war is possible.

The Telegraph [notes](#) that the economic crisis in Europe is increasing tensions:

Tensions between European countries unseen in decades are emerging.

(Indeed, Europe is stuck in a downturn [worse than the Great Depression](#).)

Well-known economist Nouriel Roubini [tweeted](#) from the gathering of the rich and powerful at the World Economic Forum in Davos last year:

Many speakers compare 2014 to 1914 when WWI broke out & no one expected it. A black swan in the form of a war between China & Japan?

[And:](#)

Both Abe and an influential Chinese analyst don't rule out a military confrontation between China and Japan. Memories of 1914?

Paul Craig Roberts – former Assistant Secretary of the Treasury under President Reagan, former editor of the Wall Street Journal, listed by Who's Who in America as one of the 1,000 most influential political thinkers in the world, PhD economist – wrote an article about the build up of hostilities between the U.S. and Russia titled, simply: [“War Is Coming”](#).

Similarly, Ronald Reagan's head of the Office of Management and Budget – David Stockman – is posting pieces [warning of the dispute between the U.S. and Russia leading to World War 3](#).

Trend forecaster Gerald Celente – who has been making some accurate financial and geopolitical predictions for decades – says [WW3 will start soon](#).

Investment fund manager and adviser Martin Armstrong has charted the “cycles of war” back to 600 BC ... and [says](#) that we'll have major wars between now and 2020. He has written pieces recently entitled, [“Why We will Go to War with Russia”](#), and another one saying, [“Prepare for World War III”](#).

Investment adviser Larry Edelson – who has long studied the “cycles of war” – [wrote](#) last month:

This year ... we will also be hit by another ramping up of the related war cycles.

All part and parcel of the rising war cycles that I've been warning you about, conditions that will not abate until at least the year 2020.

Former Goldman Sachs technical analyst Charles Nenner – who has made some big accurate calls, and counts major [hedge funds](#), banks, brokerage houses, and high net worth individuals as clients – [says](#) there will be “a major war”, which will drive the Dow to 5,000.

Veteran investor adviser James Dines [forecast](#) a war as epochal as World Wars I and II, starting in the Middle East.

Bad Economic Theories

What's causing the slide towards war? We discuss several causes below.

Initially, believe it or not, one cause is that many influential [economists](#) and [talking heads](#) hold the [discredited belief](#) that war is good for the economy.

Therefore, many are [overtly](#) or [more subtly](#) pushing for war.

Challengers Give Declining Empires “Itchy Fingers”

Moreover, historians say that declining empires tend to attack their rising rivals ... so the risk of world war is rising [because the U.S. feels threatened by the rising empire of China](#).

The U.S. government considers [economic rivalry to be a basis for war](#). Therefore, the U.S. is systematically [using the military to contain China’s growing economic influence](#).

Competition for Resources Is Heating Up

In addition, it is well-established that competition for scarce resources often leads to war. For example, Oxford University’s Quarterly Journal of Economics [notes](#):

In his classic, *A Study of War*, Wright (1942) devotes a chapter to the relationship between war and resources. Another classic reference, *Statistics of Deadly Quarrels* by Richardson (1960), extensively discusses economic causes of war, including the control of “sources of essential commodities.” A large literature pioneered by Homer-Dixon (1991, 1999) argues that scarcity of various environmental resources is a major cause of conflict and resource wars (see Tostet, Gleditsch, and Hegre 2000, for empirical evidence).

In the War of the Pacific (1879–1884), Chile fought against a defensive alliance of Bolivia and Peru for the control of guano [i.e. bird poop] mineral deposits. The war was precipitated by the rise in the value of the deposits due to their extensive use in agriculture.

Westing (1986) argues that many of the wars in the twentieth century had an important resource dimension. As examples he cites the Algerian War of Independence (1954–1962), the Six Day War (1967), and the Chaco War (1932–1935). More recently, Saddam Hussein’s invasion of Kuwait in 1990 was a result of the dispute over the Rumaila oil field. In *Resource Wars* (2001), Klare argues that following the end of the Cold War, control of valuable natural resources has become increasingly important, and these resources will become a primary motivation for wars in the future.

Former Federal Reserve chairman Alan Greenspan (and [many world leaders](#)) *admitted* that [the Iraq war was really about oil](#), and former Treasury Secretary Paul O’Neill [says](#) that Bush planned the Iraq war before 9/11. And see [this](#) and [this](#). Libya, Syria, Iran and Russia are all oil-producing countries as well ...

Indeed, we’ve extensively documented that the wars in the Middle East and North Africa are [largely about oil and gas](#). The [war in Gaza](#) may be no exception. And [see this](#). And Ukraine may largely be [about gas](#) as well.

And [James Quinn](#) and [Charles Hugh Smith](#) say we’re running out of *all sorts* of resources ... which will lead to war.

Central Banking and Currency Wars

We’re in the middle of a [global currency war](#) – i.e. a situation where nations all compete to

devalue their currencies the most in order to boost exports. Brazilian president Rousseff [said](#) in 2010:

The last time there was a series of competitive devaluations ... it ended in world war two.

Jim Rickards [agrees](#):

Currency wars lead to trade wars, which often lead to hot wars. In 2009, Rickards participated in the Pentagon's first-ever "financial" war games. While expressing confidence in America's ability to defeat any other nation-state in battle, Rickards says the U.S. could get dragged into "asymmetric warfare," if currency wars lead to rising inflation and global economic uncertainty.

As does billionaire investor [Jim Rogers](#):

Trade wars always lead to wars.

Given that China, Russia, India, Brazil and South Africa have joined together to create a [\\$100 billion bank](#) based in China, and that more and more trades are being settled in Yuan or Rubles – instead of dollars – the currency war is quickly heating up.

Indeed, many of [America's closest allies are joining](#) China's effort ... which is challenging America and the Dollar's hegemony.

Multi-billionaire investor Hugo Salinas Price [says](#):

What happened to [Libya's] Mr. Gaddafi, many speculate the real reason he was ousted was that he was planning an all-African currency for conducting trade. The same thing happened to him that happened to Saddam because the US doesn't want any solid competing currency out there vs the dollar. You know Gaddafi was talking about a [gold](#) dinar.

Senior CNBC editor John Carney [noted](#):

Is this the first time a revolutionary group has created a central bank while it is still in the midst of fighting the entrenched political power? It certainly seems to indicate how extraordinarily powerful central bankers have become in our era.

Robert Wenzel of [Economic Policy Journal](#) [thinks](#) the central [banking](#) initiative reveals that foreign powers may have a strong influence over the rebels.

This suggests we have a bit more than a ragtag bunch of rebels running around and that there are some pretty sophisticated influences. "I have never before heard of a central bank being created in just a matter of weeks out of a popular uprising," Wenzel writes.

Indeed, [some say](#) that recent wars have really been about bringing all countries [into the fold](#)

[of Western central banking.](#)

Debt

Martin Armstrong argued that war plans against Syria are really about [debt and spending](#):

The Syrian mess seems to have people lining up on Capital Hill when sources there say the phone calls coming in are overwhelmingly against any action. The politicians are ignoring the people entirely. This suggests there is indeed a secret agenda to achieve a goal outside the discussion box. That is most like the debt problem and a war is necessary to relief the pressure to curtail spending.

The same logic applies to Ukraine and other countries.

Billionaire hedge fund manager Kyle Bass [writes](#):

Trillions of dollars of [debts](#) will be restructured and millions of financially prudent savers will lose large percentages of their real purchasing power at exactly the wrong time in their lives. Again, the world will not end, but the social fabric of the profligate nations will be stretched and in some cases torn. Sadly, looking back through economic history, all too often war is the manifestation of simple economic entropy played to its logical conclusion. We believe that war is an inevitable consequence of the current global economic situation.

Runaway Inequality

Paul Tudor Jones – founder of the Tudor Investment Corporation and the Tudor Group, which trade in the fixed-income, equity, currency and commodity markets – [said](#) this week:

This gap between the 1 percent and the rest of America, and between the US and the rest of the world, cannot and will not persist.

Historically, these kinds of gaps get closed in one of three ways: by revolution, higher taxes or wars.

And [see this](#).

Distraction

Billionaire investor Jim Rogers [notes](#):

A continuation of bailouts in Europe could ultimately [spark](#) another world war, says international investor Jim Rogers.

“Add debt, the situation gets worse, and eventually it just collapses. Then everybody is looking for scapegoats. Politicians blame foreigners, and we’re in World War II or World War whatever.”

Economist and investment manager Marc Faber [says](#) that the American government will start new wars in response to the economic crisis:

- [“The next thing the government will do to distract the attention of the people on bad economic conditions is they’ll start a war somewhere.”](#)
- [“If the global economy doesn’t recover, usually people go to war.”](#)

Martin Armstrong – who has managed multi-billion dollar sovereign investment funds – [wrote](#) in August:

Our greatest problem is the bureaucracy wants a war. This will distract everyone from the NSA and justify what they have been doing. They need a distraction for the economic decline that is coming.

War Is Destroying Our National Security, Our Democracy and Our Economy

We spent *trillions* in Iraq and Afghanistan.

Yet a [top Pentagon official say](#) we’re no safer – and perhaps *less safe* – after 13 years of war. Indeed, war only [PROMOTED](#) the [dramatic expansion](#) of even worse terrorists.

Never-ending wars are also destroying our democratic republic. The Founding Fathers [warned against standing armies, saying that they destroy freedom](#). ([Update](#)). Perversely, our government treats [anti-war sentiment as terrorism](#).

The Founding Fathers – *and* the father of free market capitalism – also warned against [financing wars with debt](#). But according to Nobel prize winning economist Joseph Stiglitz, the U.S. debt for the Iraq war could be as high as [\\$5 trillion dollars](#) (or [\\$6 trillion dollars](#) according to a study by Brown University.)

Indeed, top economists say that war is [destroying our economy](#).

But war is [great](#) for the [bankers](#) and the [defense contractors](#). And – as discussed above – governments are desperate for war.

So it’s up to us – the *people* – to stop wider war.

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