

War Threat Rises As US Economy Declines

Paul Craig Roberts, Keynote Address to the Annual Conference of the Financial West Group, New Orleans, May 7, 2015

By [Dr. Paul Craig Roberts](#)

Global Research, May 11, 2015

PaulCraigRoberts.org

Region: [Russia and FSU](#), [USA](#)

Theme: [Global Economy](#), [US NATO War](#)
[Agenda](#)

The defining events of our time are the collapse of the Soviet Union, 9/11, jobs offshoring, and financial deregulation. In these events we find the basis of our foreign policy problems and our economic problems.

The United States has always had a good opinion of itself, but with the Soviet collapse self-satisfaction reached new heights. We became the exceptional people, the indispensable people, the country chosen by history to exercise hegemony over the world. This neoconservative doctrine releases the US government from constraints of international law and allows Washington to use coercion against sovereign states in order to remake the world in its own image.

To protect Washington's unique Uni-power status that resulted from the Soviet collapse, Paul Wolfowitz in 1992 penned what is known as the Wolfowitz Doctrine. This doctrine is the basis for Washington's foreign policy. The doctrine states:

"Our first objective is to prevent the re-emergence of a new rival, either on the territory of the former Soviet Union or elsewhere, that poses a threat on the order of that posed formerly by the Soviet Union. This is a dominant consideration underlying the new regional defense strategy and requires that we endeavor to prevent any hostile power from dominating a region whose resources would, under consolidated control, be sufficient to generate global power."

In March of this year the Council on Foreign Relations extended this doctrine to China.

Washington is now committed to blocking the rise of two large nuclear-armed countries. This commitment is the reason for the crisis that Washington has created in Ukraine and for its use as anti-Russian propaganda. China is now confronted with the Pivot to Asia and the construction of new US naval and air bases to ensure Washington's control of the South China Sea, now defined as an area of American National Interests.

9/11 served to launch the neoconservatives' war for hegemony in the Middle East. 9/11 also served to launch the domestic police state. While civil liberties have shriveled at home, the US has been at war for almost the entirety of the 21st century, wars that have cost us, according to Joseph Stiglitz and Linda Bilmes, at least \$6 trillion dollars. These wars have gone very badly. They have destabilized governments in an important energy producing area. And the wars have vastly multiplied the "terrorists," the quelling of which was the official reason for the wars.

Just as the Soviet collapse unleashed US hegemony, it gave rise to jobs offshoring. The Soviet collapse convinced China and India to open their massive underutilized labor markets to US capital. US corporations, with any reluctant ones pushed by large retailers and Wall Street's threat of financing takeovers, moved manufacturing, industrial, and tradable professional service jobs, such as software engineering, abroad.

This decimated the American middle class and removed ladders of upward mobility. US GDP and tax base moved with the jobs to China and India. US real median family incomes ceased to grow and declined. Without income growth to drive the economy, Alan Greenspan resorted to an expansion of consumer debt, which has run its course. Currently there is nothing to drive the economy.

When the goods and services produced by offshored jobs are brought to the US to be sold, they enter as imports, thus worsening the trade balance. Foreigners use their trade surpluses to acquire US bonds, equities, companies, and real estate. Consequently, interests, dividends, capital gains, and rents are redirected from Americans to foreigners. This worsens the current account deficit.

In order to protect the dollar's exchange value in the face of large current account deficits and money creation in support of the balance sheets of "banks too big to fail," Washington has the Japanese and European central banks printing money hand over fist. The printing of yen and euros offsets the printing of dollars and thus protects the dollar's exchange value.

The Glass-Steagall Act that separated commercial and investment banking had been somewhat eroded prior to the total repeal during the second term of the Clinton regime. This repeal, together with the failure to regulate over the counter derivatives, the removal of position limits on speculators, and the enormous financial concentration that resulted from the dead letter status of anti-trust laws, produced not free market utopia but a serious and ongoing financial crisis. The liquidity issued in behalf of this crisis has resulted in stock and bond market bubbles.

Implications, consequences, solutions:

When Russia blocked the Obama regime's planned invasion of Syria and intended bombing of Iran, the neoconservatives realized that while they had been preoccupied with their wars in the Middle East and Africa for a decade, Putin had restored the Russian economy and military.

The first objective of the Wolfowitz doctrine—to prevent the re-emergence of a new rival—had been breached. Here was Russia telling the US "No." The British Parliament joined in by vetoing UK participation in a US invasion of Syria. The Uni-Power status was shaken.

This redirected the attention of the neoconservatives from the Middle East to Russia. Over the previous decade Washington had invested \$5 billion in financing up-and-coming politicians in Ukraine and non-governmental organizations that could be sent into the streets in protests.

When the president of Ukraine did a cost-benefit analysis of the proposed association of Ukraine with the EU, he saw that it didn't pay and rejected it. At that point Washington called the NGOs into the streets. The neo-nazis added the violence and the government unprepared for violence collapsed.

Victoria Nuland and Geoffrey Pyatt chose the new Ukrainian government and established a vassal regime in Ukraine.

Washington hoped to use the coup to evict Russia from its Black Sea naval base, Russia's only warm water port. However, Crimea, for centuries a part of Russia, elected to return to Russia. Washington was frustrated, but recovered from disappointment and described Crimean self-determination as Russian invasion and annexation. Washington used this propaganda to break up Europe's economic and political relationships with Russia by pressuring Europe into sanctions against Russia.

The sanctions have had adverse impacts on Europe. Additionally, Europeans are concerned with Washington's growing belligerence. Europe has nothing to gain from conflict with Russia and fears being pushed into war. There are indications that some European governments are considering a foreign policy independent of Washington's.

The virulent anti-Russian propaganda and demonization of Putin has destroyed Russian confidence in the West. With the NATO commander Breedlove demanding more money, more troops, more bases on Russia's borders, the situation is dangerous. In a direct military challenge to Moscow, Washington is seeking to incorporate both Ukraine and Georgia, two former Russian provinces, into NATO.

On the economic scene the dollar as reserve currency is a problem for the entire world. Sanctions and other forms of American financial imperialism are causing countries, including very large ones, to leave the dollar payments system. As foreign trade is increasingly conducted without recourse to the US dollar, the demand for dollars drops, but the supply has been greatly expanded as a result of Quantitative Easing. Because of offshored production and US dependence on imports, a drop in the dollar's exchange value would result in domestic inflation, further lowering US living standards and threatening the rigged, stock, bond, and precious metal markets.

The real reason for Quantitative Easing is to support the banks' balance sheets. However, the official reason is to stimulate the economy and sustain economic recovery. The only sign of recovery is real GDP which shows up as positive only because the deflator is understated.

The evidence is clear that there has been no economic recovery. With the first quarter GDP negative and the second quarter likely to be negative as well, the second-leg of the long downturn could begin this summer.

Moreover, the current high unemployment (23 percent) is different from previous unemployment. In the postwar 20th century, the Federal Reserve dealt with inflation by cooling down the economy. Sales would decline, inventories would build up, and layoffs would occur. As unemployment rose, the Fed would reverse course and workers would be called back to their jobs. Today the jobs are no longer there. They have been moved offshore. The factories are gone. There are no jobs to which to call workers back.

To restore the economy requires that offshoring be reversed and the jobs brought back to the US. This could be done by changing the way corporations are taxed. The tax rate on corporate profit could be determined by the geographic location at which corporations add value to the products that they market in the US. If the goods and services are produced offshore, the tax rate would be high. If the goods and services are produced domestically, the tax rate could be low. The tax rates could be set to offset the lower costs of producing

abroad.

Considering the lobbying power of transnational corporations and Wall Street, this is an unlikely reform. My conclusion is that the US economy will continue its decline.

On the foreign policy front, the hubris and arrogance of America's self-image as the "exceptional, indispensable" country with hegemonic rights over other countries means that the world is primed for war. Neither Russia nor China will accept the vassalage status accepted by the UK, Germany, France and the rest of Europe, Canada, Japan and Australia. The Wolfowitz Doctrine makes it clear that the price of world peace is the world's acceptance of Washington's hegemony.

Therefore, unless the dollar and with it US power collapses or Europe finds the courage to break with Washington and to pursue an independent foreign policy, saying good-bye to NATO, nuclear war is our likely future.

Washington's aggression and blatant propaganda have convinced Russia and China that Washington intends war, and this realization has drawn the two countries into a strategic alliance. Russia's May 9 Victory Day celebration of the defeat of Hitler is a historical turning point. Western governments boycotted the celebration, and the Chinese were there in their place. For the first time Chinese soldiers marched in the parade with Russian soldiers, and the president of China sat next to the president of Russia.

[The Saker's report](#) on the Moscow celebration is interesting. _Especially note the chart of World War II casualties. Russian casualties compared to the combined casualties of the US, UK, and France make it completely clear that it was Russia that defeated Hitler. In the Orwellian West, the latest rewriting of history leaves out of the story the Red Army's destruction of the Wehrmacht. In line with the rewritten history, Obama's remarks on the 70th anniversary of Germany's surrender mentioned only US forces. In contrast Putin expressed gratitude to "the peoples of Great Britain, France and the United States of America for their contribution to the victory." thesaker.is

For many years now the President of Russia has made the point publicly that the West does not listen to Russia. Washington and its vassal states in Europe, Canada, Australia, and Japan do not hear when Russia says "don't push us this hard, we are not your enemy. We want to be your partners."

As the years have passed without Washington hearing, Russia and China have finally realized that their choice is vassalage or war. Had there been any intelligent, qualified people in the National Security Council, the State Department, or the Pentagon, Washington would have been warned away from the neocon policy of sowing distrust. But with only neocon hubris present in the government, Washington made the mistake that could be fateful for humanity.

The original source of this article is PaulCraigRoberts.org
Copyright © Dr. Paul Craig Roberts, PaulCraigRoberts.org, 2015

[Comment on Global Research Articles on our Facebook page](#)

Become a Member of Global Research

Articles by: [Dr. Paul Craig Roberts](#)

About the author:

Paul Craig Roberts, former Assistant Secretary of the US Treasury and Associate Editor of the Wall Street Journal, has held numerous university appointments. He is a frequent contributor to Global Research. Dr. Roberts can be reached at <http://paulcraigroberts.org>

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca