

Welcome to War

Over a year ago, I wrote an article entitled “Why Ukraine should be barred from NATO” that argued that the then-rising tensions over Ukraine (Russia had not yet invaded the country) were entirely avoidable, and that any blood spilled in any ensuing conflict would be on NATO’s hands for not categorically denying Ukraine membership in the alliance. One year, and hundreds of thousands of casualties later, it is clear that provoking a proxy war with Russia in Ukraine was NATO’s objective from the beginning.

Before the invasion, Western media uniformly portrayed Russia as a hostile and unpredictable enemy (reinforcing a caricature burned into our collective consciousness during the Cold War) even as Russian leaders reiterated their desire to negotiate an agreement that would see Ukraine remain an independent and militarily neutral buffer state between Russia and the American-led NATO alliance.

Since the invasion, meanwhile, NATO leaders (notably, Boris Johnson) have both discouraged peace negotiations (1) and escalated the war by supplying vast quantities of weapons, significant intelligence and operational support, and even boots on the ground in the form of advisors and trainers. As Ukrainian defence minister Oleksii Reznikov stated in an interview with BBC just this past January, because of this level of support and training, Ukraine has become a ‘de facto’ member of NATO over the course of the year. (2)

Why has NATO acted in this way? The German foreign minister, Annalena Baerbock, said the quiet part out loud when, in a keynote address to the Council of Europe in January, she stated “We are fighting a war against Russia and not against each other.” (3) Taking things further, Canadian foreign minister Melanie Joly stated in a press conference this month that regime change in Moscow was definitely the goal of the economic, political and diplomatic sanctions put into place in the wake of Russia’s invasion. (4)

Why the push for regime change in Russia? Looking at the pattern of past American interventions in Serbia, Iraq and Libya, the impetus would appear to be to enforce the U.S. dollar-based financial system’s global dominance. With the end of the Cold War, the NATO alliance’s *raison d’être* appears to have become the preservation of the dollar’s world reserve currency status.

But why does use of the dollar need to be enforced? Doesn’t the world benefit from having a common currency for trade and investment? From the 1940s until the 1970s, this may have been the case, but from the 1970s the dollar has increasingly become, as U.S. Treasury Secretary John Connally Jr. put it in 1971 at a meeting of the G-10 in Rome, “our currency, but your problem.” (5)

The problem with global reserve currencies like the dollar is that even as they confer immediate benefits on the issuing country, they simultaneously weaken its long term prospects. The Belgian economist Robert Triffin explained this paradox (known as the Triffin Dilemma) back in

the 1960s. Basically, if foreign countries need dollars to finance trade with one another, and the U.S. is the only source of dollars, the U.S. will need to 'export dollars' by buying more from foreign countries than they sell to them. Put another way, the U.S. will need to run persistent trade deficits with the rest of the world in order to supply dollars to the global trading system.

While America's ability to import cars and televisions and oil in exchange for printed-up dollars has undoubtedly enhanced America's standard of living in the short-term, over time these ongoing trade deficits have both hollowed out America's industrial base and caused the United States to become the most heavily indebted country in the world. Every import paid for with dollars both diverts spending away from domestic producers and increases America's pile of dollar-denominated IOUs.

Unsurprisingly, the U.S. would like to keep the party going. They would like to continue to enjoy the immediate benefits (a.k.a. the 'free stuff') of being the issuer of the global reserve currency, while addressing the negative longer-term consequences with largely symbolic interventions intended primarily to maintain confidence in the indebted U.S. economy and the dollar.

And so, over the past fifteen years we have seen the U.S. engage in the theatre of currency wars (as weakening the dollar can increase foreign spending on now-cheaper American exports) and trade wars (as putting up protectionist barriers against foreign goods can decrease American spending on imports). However, neither 'war' was ever capable of overcoming the long-term pressures placed on the American economy by the global use of the dollar.

As America's falling productive capacity and rising debt levels become increasingly impossible to ignore, other countries are proposing alternatives to the dollar for trade. The BRICS group of large, non-Western industrialised economies (Brazil, Russia, India, China and South Africa) are developing an alternative reserve currency, (6) while Saudi Arabia has indicated a willingness to sell oil in contracts denominated in Chinese yuan. (7)

Faced with the potential loss of its 'exorbitant privilege' American policy-makers appear to have decided to provoke an actual war to preserve it. Russia was chosen as the target as it is both an influential critic of what Joe Biden has termed "the rules-based order" and rich in natural resources. If Russia can be reduced and made a cog in the dollar-based economic machine, the U.S. hope is that other countries (such as the other BRICS and the nations of OPEC) seeking to free themselves from American financial domination and exploitation will be deterred from doing so.

However, the longer the war continues, the greater the risk that what is now a proxy war will become an open war between NATO and Russia. Once this happens, losing would not be an option for either side. Losing against NATO would mean the end of Russia's economic (and therefore political) independence. Losing against Russia, meanwhile, would be a 'Suez moment' for the U.S. that would expose American weakness and lead to a loss of confidence in America and the U.S. dollar, and the consequent end of American dominance in global affairs.

With stakes this high, clearly de-escalation of the conflict and the return of peace should be everyone's top priority. Already, too many Ukrainians and Russians have lost their lives in a war fought to preserve the privileges of those in charge of the existing international financial system. However, having travelled this far down the path of war, I fear that the prophecy of Ukrainian president Volodymyr Zelensky that "the U.S. will have to send their sons and daughters exactly the same way as we are sending our sons and daughters to war" may very well come to pass.

(8) Welcome to war.

- 1) <https://www.commondreams.org/news/2022/05/06/boris-johnson-pressured-zelenskyy-ditch-peace-talks-russia-ukrainian-paper>
- 2) <https://www.bbc.com/news/world-europe-64255249>
- 3) <https://www.newsweek.com/germany-says-quiet-part-out-loud-about-ukraine-war-1776593>
- 4) <https://nationalpost.com/news/politics/regime-change-in-moscow-definitely-the-goal-joly-says>
- 5) <https://www.ipe.com/the-dollar-is-our-currency-but-its-your-problem/25599.article>
- 6) <https://markets.businessinsider.com/news/currencies/dollar-dominance-russia-china-rouble-yuan-brics-reserve-currency-imf-2022-6>
- 7) <https://www.wsj.com/articles/saudi-arabia-considers-accepting-yuan-instead-of-dollars-for-chinese-oil-sales-11647351541>
- 8) <https://www.snopes.com/fact-check/zelenskyy-us-sons-daughters-war-ukraine/>