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The Death of Money: The Coming Collapse of the International Monetary System

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James Rickards

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America actively attempted to thwart these developments, creating a major diplomatic campaign for the permanent establishment of neutral trading rights in wartime without restriction on privateering. Secretary of State William Marcy proposed, in what was soon dubbed the “Marcy amendment,” that the United States would accept the abolition of privateering only if it was linked to the complete immunity of merchant shipping in wartime, regardless of flag. Through the initiative of the business community in the city-state of Bremen, this diplomatic initiative nearly isolated Britain. During the American Civil War, as the Confederacy issued letters of marque, the United States offered to join the declaration, only to withdraw its offer when it became apparent that France and Britain would not attack Southern privateers.

The participants in the Austro-Prussian War of 1866 nearly created a precedent in practice for Marcy's suggestion. The subsequent Franco-Prussian War in 1870–71 involved a global French war on German trade that even led French warships into American waters in search of their prey. Germans saw the French blockade as illegal in terms of the declaration. At first Prussia invoked Marcy’s principle, but when Otto von Bismarck saw what he termed French violations of the declaration he responded in a way based on his belief that the violation of international law justified unrestricted attacks on French trade. Convinced that when a neutral state is wronged it has the unqualified right of reprisal, Bismarck established a singular interpretation of international law, which it would use again in its policy of unrestricted submarine warfare of the First World War.

In conclusion, Lemnitzer comments ruefully that "it is the enforcement dilemma that constantly reminds us that for all our progress, our present international community centered on the [United Nations] is a thin veneer, masking the fact that the basic fabric that holds our rapidly globalizing world together is a cloth made in the late nineteenth century.”

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Admiral Michael Mullen, former Chairman of the Joint Chiefs of Staff, stated in a 21 January 2014 speech that the national debt is the biggest threat to national security. James Rickards underscores that view in this sequel to his earlier Currency Wars: The Making of the Next Global Crisis (reprinted 2012). Rickards, a consultant to both the Defense Department and the Central Intelligence Agency, addresses a range of other national-security issues in the financial realm. Among them are currency inflation and deflation, cyber attacks, and financial manipulations by terrorist groups and other adversaries.

Terrorist groups such as Al Qaeda and Islamic State in Iraq and the Levant (ISIL; also called ISIS) have become adept at “insider” trading and other schemes to enrich themselves at the expense of Western nations. As the author notes, such activity was present well before 9/11, but lacking expertise in financial operations, the CIA failed to spot it as an indication of a
possible attack. Fortunately, the author argues, this deficiency has been partly corrected with the acquisition of expertise in “market intelligence,” the ability to analyze “big data” in stock exchange trading for unusual activity. The author discusses at length Chinese financial and cyber capabilities and vulnerabilities. Cyber attack and financial/currency manipulation have become Chinese specialties, as manifested in recent attacks on the U.S. Postal Service. At the same time, the Chinese economy has become shaky as a result of poor investments, exemplified by the construction of numerous huge buildings with no prospect of occupation and by capital flight. The latter results from the placement by financial elite of their capital gains in safe havens, mainly the United States.

On the other side of the world, Germany, under the leadership of Angela Merkel, has become the dominant player in the European Union, through its powerful position in the EU central bank. According to the author, however, the strengthened euro is threatened by the weakened U.S. dollar, through the export of inflation. Rickards discusses how the U.S. Federal Reserve’s “printing” of money to support the national deficit has led to such export and the dangers it poses for the world economy. The weakening of the dollar, until now the world’s “reserve currency,” has led to demands that it be replaced by “special drawing rights” (SDRs) on the International Monetary Fund (IMF), a creation of the post–World War II Bretton Woods agreements. Rickards discusses how uncertainties inherent in fiat currencies (the U.S. dollar, the Chinese yuan, the EU euro, IMF SDRs, etc.) have led to proposals for return to the pre-1914 gold standard. The possibility, even likelihood, of the adoption of that currency standard has resulted in buildups of national gold reserves, especially by the Chinese. Rickards closes with an analysis of a maelstrom that may very well result if the present currency and financial threats are not resolved.

Like its predecessor, this work will be of interest to military officers because of its analyses and predictions of economic stress and the associated effects on national defense.

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I remember the first time that I heard the name of Andrew Marshall. Here was a man, I was told, who in his early nineties, a man of the “greatest generation,” was still working away in a small office in the Pentagon. He had worked for every president since Richard Nixon and every Secretary of Defense since James Schlesinger. I was both curious and awed. Who has the grit to last so long in our bureaucracy? I could only imagine the level of intellectual power it would take to remain trusted and valued not only for a few years but decades. With Marshall’s upcoming retirement in early 2015, it is only fitting that someone write a biography of this great civil servant, an assessment of his forty-plus years of public service and of the impact of his