

Richard J. Maybury: The War that Will Kill the Dollar

Speech given at the Casey Research/Sprott Summit Phoenix, Arizona, USA, October 1, 2011

I write mainly about two subjects: economics and geopolitics, or you might call it military affairs. In recent years I've devoted most of my writing to economic topics such as malinvestment and velocity — especially velocity, the speed which money changes hands — because the economy is what's on most people's minds.

But at this conference you're already hearing a lot about economics — about the federal debt, money supply, stimulus, Tarp, QE, gold, silver, raw materials, currencies, and lot of other economic subjects I could talk about — and most or all the analysis will paint a picture of the dollar and other currencies dying.

I haven't heard all the presentations yet, but I'm sure I will agree with them that the dollar has one foot in the grave and the other on a banana peel.

After all, according to the government's own Consumer Price Index, since the Federal Reserve began operations in 1914, the dollar has lost 95% of its value. Once velocity turns sharply upward, I'm sure all hell is going to break loose, and the dollar will lose the final 5%.

But what David Galland asked me to be here for is to call your attention to something other than the economics — something much bigger — that's sneaking up on us unnoticed.

In my opinion, even if all the economic analysis at this conference is wrong — even if none of the forecasted economic events happen — the dollar is still going to die, because it will be killed by geopolitical events, meaning war.

You already know about the government debasing the currency to pay for the bailouts, the stimulus, unemployment insurance, and other things, but you probably haven't heard much about printing money to pay for new wars.

I don't know anyone in the mainstream press who's paying attention to this, so here's the story.

Writers for thousands of years have observed that political power corrupts the morals and the judgment. This was as true in the days of the Roman warfare/welfare state as it is today for the US warfare/welfare state.

To me, the evidence is overwhelming that civilizations fall because political power corrupts.

The more political power there is, the faster and harder the civilization falls.

The primary purpose of the American Constitution, especially the Bill of Rights, was to limit power, because the founders understood power, and were very

much afraid of it. John Adams referred to “cruel power,” and his colleague John Dickinson referred to “brutal power.”

In his book *The Ideological Origins Of The American Revolution*, historian Bernard Bailyn wrote about the beliefs of the early Americans regarding power. One writer during the Revolutionary period said “power is known to be intoxicating.” Another said power “converts a good man in private life to a tyrant in office.”

After the Revolution was over, the primary issue was, what to do about power. And that question was an obsession of Americans until the Civil War, when Lincoln answered it once and for all. He said, don’t even think about trying to escape from the federal government, or you will be dead. And 625,000 Americans ended up dead.

One of the main points I’m focusing on today is power, because I believe that this is the fundamental thing that’s wrong with the world. All this chaos — the financial problems, the wars, the riots, the declining incomes, the debasement of the currencies — at bottom it’s all caused by political power.

The enemy isn’t the democrats or republicans, the liberals or conservatives, the Chinese, Russians, the EU, or the Federal Reserve. These are not the enemy. The enemy is political power.

In the US, practically everyone believes the problem is that the wrong people are in power, and if we put the right people in power, then everything will be okay.

But the problem isn’t people, it’s power. No matter who gets it, they will be corrupted by it. The early Americans knew this, which is why they wrote the Bill of Rights.

One of the power holders’ main activities is robbing Peter to subsidize Paul. No one wants to be Peter and everyone wants to be Paul, so the victims use various forms of bribery and other political games to curry favor with the power holders. And the whole civilization just rots away.

I remember watching Milton Friedman in an interview once. He said that as far as he could tell, the collapse of every previous civilization — the Romans, Egyptians, Chinese and on and on — was preceded by the rise of a huge, powerful, ravenous government, which either grew up from within the civilization or was imposed from the outside.

A big government means your days are numbered.

Political power corrupts because it is, itself, corruption. It is the legalized privilege of using brute force on persons who have not harmed anyone. Only governments have this privilege. It’s what sets them apart from all other institutions. No one in a church, charity or business can use force except in self defense. Only governments have the legal privilege of initiating the use of brute force.

For our purposes here today, I want to home in on the fact that power corrupts not only the morals, but also the judgment.

If you have any trouble believing that, I urge you to study, for instance, the Cuban Missile Crisis. In that debacle, it was as if the top people in both Washington and Moscow were hell bent on blowing up the world, and they would have done it were it not for a single Russian submarine officer who said, you know, I think blowing up the world may not be a good idea, and I'm not going to do it.

When his submarine came under attack, its rules of engagement authorized it to go nuclear, but this man refused to do it. In all probability, you and I and our loved ones are alive today only because of the courage, tenacity and political cynicism of that one man.

This hell-bent for war psychology was the same in 1914. The major European rulers had all made agreements each other — alliances — that said, if you get yourself into a war, I'll get into it with you!

You see, alliances cause a domino effect. One man, Archduke Ferdinand of Austria, got killed, and only a month later, all the dominos had fallen and the Europeans were in a world war. Because of one man's death, these rulers triggered off their dominoes, and marched into a world war.

And if that wasn't stupid enough, in the 1930s, they did it again. They rebuilt their alliances, the shooting started, the dominos fell, and they were in another world war.

Let me emphasize, an alliance is a guaranteed domino effect. To enter an alliance is to give other people the privilege of getting us into their wars.

Let's take a closer look at World War II.

It can be enlightening to ask a member of the World War II generation, why did the Japanese attack Pearl Harbor?

I've met very few who know. They just think, America was good, Japan was bad, and the bad guys attacked the good guys.

You see, US foreign policy is made mostly in Hollywood. Good guys against bad guys. It's never more complicated than that.

But ask yourself, did the Japanese really just wake up one morning and say, hey, here's something that would be fun. Let's attack the most powerful industrial giant ever seen on earth. That ought to be good for a laugh.

What actually did happen?

Thanks to the Freedom of Information Act and a lot of research by military historians since World War II, we have a pretty good idea. Mountains of secret information have been uncovered.

In the months before the attack on Pearl Harbor, President Roosevelt cut off the Japanese oil supply. He also cut off Japan's supplies of metals, machinery and machine tools — which are essential for modern civilization. Then he secretly sent cruisers and destroyers to invade Japanese home waters.¹

There were people in Washington who said, you know, like all the other rulers in Asia, the Japanese rulers are a nest of rattlesnakes, and maybe it's not a good idea to be poking sharp sticks at rattlesnakes.

But these people were ignored, the Japanese were made desperate, and they attacked Pearl Harbor.

We know now that at the Atlantic Charter conference, Roosevelt had secretly told Churchill he was looking for a way to get into the war.²

Summarizing what we've covered so far, political power corrupts not only the morals, but also the judgment. It makes people stupid. Among other things, it causes them to poke sharp sticks at rattlesnakes.

I'd like you to keep that in mind as I describe two trends in Chaostan that are likely to have a profound effect on you and your loved ones, as well as on the US dollar.

I coined the term Chaostan in 1992. It means the land of the great chaos. It refers to the area from the Arctic Ocean to the Indian Ocean, and Poland to the Pacific, plus North Africa. This is the most important area that entered the modern era without legal systems that were rational — meaning, for the most part, laws were and are simply made up out of nothing. There's no requirement for ethics or logic, and so that area of the world has been a vast sea of blood and destruction for centuries.

If you don't have law based on ethics and logic, that's what you get. Chaostan has easily been the bloodiest place in all of world history.

Ever since the Soviet empire fell apart, launching the "new era of peace and brotherly love" two decades ago, I've been saying, invest in things that do well in wartime. As you can imagine, those who have followed this advice have earned astounding profits.

Since the Soviet empire fell, more than a hundred wars have broken out in Chaostan, killing more than five million.

I think the spectacular performance of investments that do well in wartime has plenty of life left in it. The main reason is called Westphalia.

As I explain Westphalia, keep in mind that since 1945, Washington has been the leader of the world and the top player in international agreements and international law.

Ten years ago I began warning about the 1648 Treaties of Westphalia. These agreements were a reaction to the invention of gunpowder during the Middle

Ages. Gunpowder was unnerving to rulers because the new weapon made it cheap and easy to blow down the walls of the castles where rulers lived.

The treaties were a partly successful attempt to keep any Tom, Dick or Harry from settling old scores.

The treaties said no nation could attack another unless the other was a clear and present danger. This was a principle of ethics drawn from the old Common Law. My right to swing my fist ends where your nose begins.

We don't know how many wars were prevented by Westphalia; none of this is measurable. We do know Westphalia eventually led to the Nuremberg Trials in which Nazi leaders were sentenced to death for starting a war in the absence of clear and present danger.

In 2001, I warned that Clinton's attack on Serbia and Bush senior's attack on Iraq were precedents replacing this ancient Westphalian principle with a more primitive Roman one. The Roman principle says, the only justification you need to get into a war is the belief that the other side up to no good.

Qaddafi is one of the least important tinpot dictators of modern times. In the vast array of great political leaders, I doubt he has murdered enough people to rate an honorable mention.

You might remember that until this year, US officials were boasting about taming Qaddafi. They said they had forced him to give up his weapons of mass destruction and he was no longer a serious threat.

Yet this year, on the completely unverifiable assumption the new rulers of Libya will be more ethical than Qaddafi, Obama followed the precedent of Clinton and Bush. He jumped into the North African war on the side of the Libyan rebels.

He apparently paid no attention to what happened in Egypt. The dictator Hosni Mubarak was overthrown, and now a broad range of Islamic groups is calling for the establishment of Islamic law in Egypt.³ No one knows how this will play out except to say it probably won't be good for us.

How are federal officials going to keep that from happening in Tunisia, Syria and Libya, and wherever else they get into these new wars?

I submit that they don't much care. They are war shopping — shopping for new wars to get into — because they are in search of greatness, and to make an omelet, you need to break eggs, right?

Obama's participation in the Libyan war certainly completes the demise of the Westphalian principle. You no longer need clear and present danger to get into a war with someone. But I've seen little about this in the mainstream press.

By replacing the Westphalian rule with the primitive Roman one — that is, by cementing the Clinton and Bush precedents — Obama has given any Tom,

Dick or Harry permission to settle old scores. Because all you need now to start a war is the belief that the other side is up to no good.

Again clear and present danger is no longer required.

In an armed forces journal article titled “A Darwinian world — Libya points to a new era of aggression and turmoil,” Colonel Robert Killebrew reports — and this is my key point of this speech today — “armed intervention across international boundaries into the internal affairs of other states is now accepted,” and “the Westphalian ideal of noninterference in the internal affairs of other states is as dead as a doornail.”⁴

So, geopolitically, we are back to the Dark Ages. As the title of Killebrew’s article indicates, whatever geopolitical ethics were in effect for centuries are gone. We are entering a dog-eat-dog Darwinian free-for-all, a “new era of aggression and turmoil.”

You can hit anyone for any reason.

Washington’s obliteration of the Westphalian principle must be one of the most extreme cases of hubris in world history. What’s important about this for investors is Killebrew’s logical observation that, as the protective function of borders evaporates, military power “matters more and more.”

As we saw from the examples I gave earlier, one of the things political power does is cause people to go war shopping — shopping for wars.

Look at the Arab Revolt in Tunisia, Egypt, Syria and Libya. Washington is encouraging these rebellions and participating in them strictly on the assumption that the new governments that arise in these countries will be better than the old ones.

Well how does anybody know that? Is someone in Washington a mind reader? A fortune teller? How do they know what rebel leaders are really thinking?

How many Patrick Henry’s and James Madisons do you think there are in those countries?

I am convinced that the real purpose of Washington’s participation in these wars can only be to participate in wars.

No one ever got on Mount Rushmore for avoiding a war. What is represented on Mount Rushmore are the victors in the Revolutionary War, Civil War, the first Barbary War, and the Conquest of the Philippines.

To go down in history as a great president, you need to win a war, and to do that, you need a war.

So, that’s one big development in Chaostan. US officials are again war shopping — shopping for more wars.

The other new development in Chaostan is the use of mercenaries.⁵

At their peak in 2008, there were more than 160,000 mercenaries operating in Iraq. They outnumbered the uniformed US Army, Navy, Marines and Air Force combined.⁶

The mercenary casualties are “off the books,” no reliable count is kept by anyone we know of, so these casualties do not affect the political decisions about getting into a war or about staying in one.

Most importantly, mercenaries are called military contractors, which leads us to assume these are all guys who are our friends and neighbors, who were in the US armed forces and went private. They’re really American troops but they just aren’t wearing uniforms.

Actually, a lot of them are Iraqi and Afghan warlords and their troops who are on the federal government’s payroll.

For instance, Washington doesn’t have enough of its own troops to secure the supply lines from Pakistan to Afghanistan, so it hires local warlords to do that job. These warlords are paid a hefty amount of money, part of which they hand over to al-Qaeda or the Taliban to buy passage along the road.

In effect, dear fellow taxpayer, the use of these mercenaries means our tax money is buying weapons and ammunition for al-Qaeda and the Taliban.

What’s worse is that everyone in Iraq and Afghanistan knows these warlords are on Washington’s payroll, so when one of the warlord troops murders an innocent person, we Americans get blamed for it.

Also, by hiring the local warlords — by giving them money — Washington strengthens them, and helps them compete for control of their central government. So at the same time Washington is spending American lives to prop up the Iraqi and Afghan governments, it is also helping strengthen the rivals who are trying to overthrow these governments.

In short, Washington is paying for the bullets being fired at American troops.

Mercenaries have worked so well for Washington — because they are, in effect, Washington’s private army that is not subject to the law or to political debate — that lots of other governments around the world are getting interested in mercenaries.

Think about that.

Put the two new Chaostan factors together — the abolishment of Westphalia and the rise of mercenaries — and what picture do you get?

The one I get is, kings, presidents and prime ministers with their own private, secret armies that invade other countries without regard for any law or any rule of conduct.

Political power corrupts. History teaches no clearer lesson. Once a person crosses the line into thinking he is somehow so special he is entitled to use force on persons who have not harmed anyone, then there's no telling where he will go or what he will do; the sky's the limit.

He'll rob Peter to subsidize Paul. He'll get into other people's wars. He'll send US troops to risk their lives protecting foreign tyrants.

He'll even counterfeit the currency. In the Coinage Act of 1792 — those were the days of George Washington, Thomas Jefferson and the other founders — a person caught debasing the currency was deemed guilty of a felony and sentenced to death.

Let me repeat that. The legal penalty for debasing the currency was death.

Today, politicians go on TV and boast about debasing the currency. They call it QE, quantitative easing. Their minds are so warped by their power that they even publish the statistics on how many dollars they're creating, because they're proud of it!

Political power makes people stupid, and not just in little things, but as we've seen, in really big things. Especially the biggest of them all, war.

If you think the last two decades have been filled with war, I think you haven't seen anything yet, and that brings us to the future of the US dollar. This will be my final point.

War destroys currencies. Government officials must buy the bullets and beans to fight the war, and they must pay for these things. One way they pay is by raising taxes.

Another is to print money, which destroys the value of the money, in the same way counterfeiting does. That's why counterfeiting is illegal.

If a person is in favor of a war, then he is in favor of higher taxes and destroying the value of his own savings. Ultimately, to be in favor of a war is to be in favor of economic chaos.

War is the most expensive thing humans do, not only in terms of blood, but also in terms of treasure. Any alternative is cheaper, and this is why war should always be a last resort — the thing we try after we've tried everything else.

But in Washington, war is very often the first resort. I believe that's because when historians make their lists of the greatest presidents, no one gets to be on those lists unless he's won a war.

Look at the economic consequences.

In a speech⁷ given in 1953, republican President Dwight Eisenhower, who was a five-star general, tried to illustrate the economic cost of war. He said "the cost

of one heavy bomber is this: a modern brick schoolhouse in more than 30 cities. It is two electric power plants, each serving a town of 60,000 population. It is two fine, fully equipped hospitals. It is some fifty miles of concrete highway. We pay for a single fighter plane with a half-million bushels of wheat. We pay for a single destroyer with new homes that could have housed more than 8,000 people.”

Well, I hardly need to point out to you that the US warfare/welfare state now isn't just broke, it's destitute, because socialism doesn't work. And yet, as we see in Tunisia, Egypt, Syria and Libya, the federal government has again gone war shopping — looking for more wars to get into.

So, how do you think they are going to pay for all the bullets and beans they will need for their next crop of wars?

Do you think maybe they will print money?

In my opinion, if the dollar isn't killed by something else first, it will be killed by the new wars.

Westphalia is gone, and the mercenary warlord is the new form of American soldier, so there is nothing to stop the drive toward more war.

To my mind, Washington's war shopping will be by far the most important determinant of the future of the dollar, and, again, I don't know anyone in the mainstream press who is paying attention to this. I cover it in my newsletter, but I doubt you'll hear about it from NBC or the New York Times. So, it may catch the markets by surprise.

But it won't catch you by surprise, because David Galland and his staff arranged for me to be here so that you could hear about it.

As I said earlier, I write about geopolitics and economics, but in recent years I've devoted most of my writing to the economics, because that's what's on most people's minds.

But I'm here to call your attention to something other than the economics — something much bigger — that's sneaking up on us unnoticed, and that's war.

Even if all the economic analysis at this conference is wrong, I think the dollar is still going to die, because it will be killed by war.

I'll finish by emphasizing that the problem isn't people, it's power. Political power corrupts the morals and the judgment. The American golden age can be restored, but only after we drastically reduce the government's power.

Richard J. Maybury

¹ Day of deceit, by Robert B. Stinnett, the Free Press (Simon & Schuster), NY 2000, p.10.

² AND I WAS THERE, by Edwin T. Layton, William Morrow, NY 1985, First Quill Edition, P.131-137, 186, 259.

³ "Egypt's Islamists Demand More Say," Wall Street Journal, 30 July 11, p.A7.

⁴ Armed forces journal, May 2011, p.10.

⁵ "Contract terms," Armed Forces Journal, June 2011, p.8.

"In this issue," Armed Forces Journal, June 2011, p.6.

⁷ to the American Society of Newspaper Editors, April 16, 1953.

<https://oneradionetwork.com/latest/the-war-that-will-kill-the-dollar-article/>