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A World Gone MAD

"I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma; but perhaps there is a key." So spoke Winston Churchill at the outbreak of World War II. The Germans and Soviets—two totalitarian states—had just signed a non-aggression pact, and it was unclear on which side Russia would ultimately fight.

Yet Churchill understood history, and he surmised, correctly: "That key is Russian national interest. It cannot be in accordance with the interest of the safety of Russia that Germany should plant itself upon the shores of the Black Sea, or that it should overrun the Balkan States and subjugate the Slavonic peoples of south eastern Europe. That would be contrary to the historic life-interests of Russia."[1]

Noted investor Simon Mikhailovich (who grew up in the USSR) points out that Churchill's view was informed by the conflict of the 1850s. In 1854, twice-UK prime minister Lord Palmerston stated:

> We are pledged by the national interest, by European interests, and by our convention with France to prevent the recurrence of the causes which have brought the war on, and this can be accomplished only by weakening Russia for a time at least, if we cannot do so permanently, in some material point.
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> The best and most effectual security for the future Peace of Europe would be the severance from Russia of some of the frontier territories acquired by her in later times, Georgia, Circassia (Chechnya), the Crimea, Bessarabia (Moldova), Poland & Finland.
>
> If these were taken from her she would still remain an enormous power, but far less advantageously posted for aggression on her neighbors.[2]

The two quotations above illustrate the folly of the Western media narrative that the current conflict in Ukraine is idiosyncratic to Putin: a mark of his insanity, the means to crush domestic enemies, fear that the example of a prosperous democratic Ukraine would undermine Russia's more statist system.

As Lord Palmerston explained: "We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow."[3] So it is with Russia.

1 http://www.churchill-society-london.org.uk/RusnEnig.html
2 https://matiane.wordpress.com/2009/10/17/lord-palmerston-on-security-for-future-of-peace-of-europe/
3 https://tinyurl.com/84rm9356

The great game of European politics was balance of power: shifting alliances ensured that no one entity grew overly powerful in order to preserve the core national interest of each participant. The current conflict in the Ukraine is the meeting of two core sets of national interests. Russia was invaded by the Poles in 1605, the Swedes in 1707, the French in 1812, the Germans in 1914 and again in 1941. Russia's military problem is that it sits in the great European plain, which offers few geographic assets for defense, the reason why invaders make rapid progress into Russian territory. Russia prevails in the end because the vast distances make supply lines precarious especially when fighting in harsh winters. These victories, however, come at horrific cost in lives and infrastructure. Having friendly (or at least neutral) buffer states is an eternal Russian "life-interest."

Russia's neighbors see history differently, of course. Russia's need to create defensive buffer states has subjected all of them to Russian conquest—the Poles will not soon forget the Soviet murder of 22,000 Polish officers in the Katyn Forest—they share Palmerston's view that European security requires stripping Russia of its influence in its border countries. And thus the problem: Russia's and its neighbors' security concerns are all valid.

Palmerston feared Russia because he foresaw, "Russia will in due time become a power almost as great as the old Roman Empire … when enlightened arrangements shall have made her revenue proportioned to her territory, and railways shall have abridged distances, her command of men will become enormous, her pecuniary means gigantic, and her power of transporting armies over great distances most formidable."[4]

Policy based on that assessment is no longer valid. Russian military aggression no longer poses a threat to the world or Europe. Russia has become a poor kleptocracy where success correlates with rapine and journalists are shot regularly. It is an aging country with a falling population (the fertility rate is a catastrophic 1.5 births per woman) and plunging GDP ($10,126 per person in 2020, down from $15,974 in 2013). It also has a rising and aggressive China to its east. Russia may be able to project military power nearby for limited goals, but financing long-term occupations is beyond its economic and organizational capacity (it seems to be having a tough time even in Ukraine, which contains a sizable segment of the population sympathetic to Russia). Nor does it have an ideology, like communism, to spread its influence abroad.

The larger threat currently is from American neo-conservatives. The movement began as a collection of students, notably Irving Kristol, at City College of New York. Attracted first to the Marxists and then Trotskyists, the neocons were soon "mugged by reality," as Kristol put it. Love of communism turned into hatred particularly of the Soviet Union—George Kennan's containment strategy was too soft: the neocons wanted to roll back the iron curtain.

The Soviet Union collapsed in 1991 because of economic exhaustion. Frank Chodorov's 1947 commentary had been vindicated: "We must admit as a matter of experience that slaves are poor producers, and we can predict the collapse of communism in Europe from lack of production.… The more the Russian state spreads itself the weaker it must become; the further the central commissars are from their agents, the more tenuous the tie; and the impact of foreign languages, customs, and traditions must undermine the cohesion necessary to centralized power.…"[5]

But the neocons gave sole credit to Reagan's military buildup for the victory and determined to use that strength to chase other international demons. Charles Krauthammer, a leader of the contemporary neocon movement, declared in 1990 that

4 https://tinyurl.com/5n93fv5f

5 https://oll.libertyfund.org/title/hamilton-fugitive-essays-selected-writings-of-frank-chodorov#Chodorov_0126_778

the world had entered a "unipolar moment," which he amended to an "era" in 2002: this "dominance of a single power [is] unlike anything ever seen … American military spending exceeds that of the next twenty countries combined."

Krauthammer observed:

> Our experience with hegemony historically is that it inevitably creates a counterbalancing coalition of weaker powers, most recently against Napoleonic France and Germany (twice) in the 20th century. Nature abhors a vacuum; history abhors hegemony. Yet during the first decade of American unipolarity no such counterbalancing occurred. On the contrary, the great powers lined up behind the United States, all the more so after September 11.[6]

The great threat was instead:

> the proliferation of weapons of mass destruction and their means of delivery.… That is what makes a new international order not an imperial dream or a Wilsonian fantasy but a matter of the sheerest prudence.… There is no alternative to confronting, deterring and, if necessary, disarming states that brandish and use weapons of mass destruction. And there is no one to do that but the United States, backed by as many allies as will join the endeavor.... Accordingly, not one but a host of new doctrines have come tumbling out since September 11. First came the with-us-or-against-us ultimatum to any state aiding, abetting or harboring terrorists. Then, pre-emptive attack on any enemy state developing weapons of mass destruction. And now, regime change in any such state.[7]

The neocon hubris was at its highest display when Secretary of State Madeleine Albright proclaimed in 1998: "But if we have to use force, it is because we are America; we are the indispensable nation. We stand tall and we see further than other countries into the future."[8] Shortly thereafter, the U.S. began an aerial bombing campaign of Russia's allies in Yugoslavia, an action which many ascribed to Clinton's need to distract from the Lewinsky scandal. After all, Kosovo was a place devoid of U.S. strategic interest or historical connection. Russia had both. From Putin's perspective, as he explained on the eve of Russia's invasion:

> Without any sanction from the UN Security Council, [the Americans] carried out a bloody military operation against Belgrade, using aircraft and missiles right in the very center of Europe. Several weeks of continuous bombing of civilian cities, on life-supporting infrastructure. We have to remind these facts, otherwise some Western colleagues do not like to remember those events, and when we talk about it, they prefer to point not to the norms of international law, but to the circumstances that they interpret as they see fit.
>
> Then came the turn of Iraq, Libya, Syria. The illegitimate use of military force against Libya, the perversion of all decisions of the UN Security Council on the Libyan issue led to the complete destruction of the state, to the emergence of a huge hotbed of international terrorism, to the fact that the country plunged into a humanitarian catastrophe that has not stopped for many years. Civil war. The tragedy, which doomed hundreds

6 https://nationalinterest.org/article/the-unipolar-moment-revisited-391
7 Ibid.
8 https://1997-2001.state.gov/statements/1998/980219a.html

> of thousands, millions of people not only in Libya, but throughout this region, gave rise to a massive migration exodus from North Africa and the Middle East to Europe.…
>
> In general, one gets the impression that practically everywhere, in many regions of the world, where the West comes to establish its own order, the result is bloody, unhealed wounds, ulcers of international terrorism and extremism.[9]

These may be Putin's "talking points," but are they not true? As Calgacus said battling the Roman Empire: "they make a wasteland and they call it peace."

The obvious diplomatic solution to the Ukrainian issue would have been a prosperous, neutral, demilitarized Ukraine, providing a buffer state both for Russia on its east and the Eastern Europeans on their west. Indeed, this is all that Putin has demanded. And if Putin were removed, as American neocons dream, his successor would demand it as well: it is an eternal Russian life-interest.

Russia's stance is supported not just by Putin but by American academics such as John Mearsheimer, who argued in 2015 in a now famous lecture:

> I believe that the policy that I'm advocating, which is neutralizing Ukraine and then building it up economically and getting it out of the competition between Russia on one side and NATO on the other side, is the best thing that could happen to the Ukrainians.
>
> What we're doing is encouraging the Ukrainians to play tough with the Russians. We're encouraging the Ukrainians to think that they will ultimately become part of the West because we will ultimately defeat Putin, and we will ultimately get our way, time is on our side.
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> And of course the Ukrainians are playing along with this, and the Ukrainians are almost completely unwilling to compromise with the Russians and instead want to pursue a hardline policy. If they do that the end result is that their country is going to be wrecked. And what we're doing is encouraging that outcome.[10]

Henry Kissinger made similar points in 2014:

> Far too often the Ukrainian issue is posed as a showdown: whether Ukraine joins the East or the West. But if Ukraine is to survive and thrive, it must not be either side's outpost against the other—it should function as a bridge between them.…
>
> Any attempt by one wing of Ukraine to dominate the other—as has been the pattern—would lead eventually to civil war or break up. To treat Ukraine as part of an East–West confrontation would scuttle for decades any prospect to bring Russia and the West—especially Russia and Europe—into a cooperative international system.[11]

Mearsheimer and Kissinger were not the only Americans who warned against U.S. policy. A 92 year-old George Kennan in 1997 predicted that expanding NATO "may be expected to inflame the nationalistic, anti-Western and militaristic tendencies in Russian

9 https://www.spectator.co.uk/article/full-text-putin-s-declaration-of-war-on-ukraine

10 https://www.youtube.com/watch?v=j46yCkKQJp8

11 https://www.washingtonpost.com/opinions/henry-kissinger-to-settle-the-ukraine-crisis-start-at-the-end/2014/03/05/46dad868-a496-11e3-8466-d34c451760b9_story.html

opinion; to have an adverse effect on the development of Russian democracy; to restore the atmosphere of the cold war to East-West relations."[12] The final U.S. ambassador to the Soviet Union Jack Matlock, Clinton's defense secretary William Perry, Bush's defense secretary Bob Gates, American scholar of Russian studies Stephen Cohen, CIA director Bill Burns, and many more serious voices all made similar warnings.

To the list of those faulting U.S. policy we may also add President Monroe, who in 1823 proclaimed American's eternal life interest: "We should consider any attempt on [the Europeans'] part to extend their system to any portion of this hemisphere as dangerous to our peace and safety."[13] Why should Russia be condemned for pursuing their own version of the Monroe Doctrine, to which the U.S. has adhered for two centuries?

We may also add John Quincy Adams, who as Secretary of State penned the Monroe Doctrine. Adams himself famously warned against empire:

> [The United States] has abstained from interference in the concerns of others, even when conflict has been for principles to which she clings, as to the last vital drop that visits the heart. She has seen that probably for centuries to come, all the contests of that Aceldama the European world, will be contests of inveterate power, and emerging right. Wherever the standard of freedom and independence has been or shall be unfurled, there will her heart, her benedictions and her prayers be. But she goes not abroad, in search of monsters to destroy. She is the well-wisher to the freedom and independence of all. She is the champion and vindicator only of her own. She will commend the general cause by the countenance of her voice, and the benignant sympathy of her example. She well knows that by once enlisting under other banners than her own, were they even the banners of foreign independence, she would involve herself beyond the power of extrication, in all the wars of interest and intrigue, of individual avarice, envy, and ambition, which assume the colors and usurp the standard of freedom. The fundamental maxims of her policy would insensibly change from liberty to force.[14]

Neocon policy is directly contrary to the founding principles of the United States. Their new international order can never consent to peace, only submission: having meddled in wars of intrigue, extraction is nigh impossible. A corollary to the neocon unipolar view is that Russia no longer has claim to nuclear arms, as Krauthammer implied: "The Soviet Union ceased to exist, contracting into a smaller, radically weakened Russia." Russia is merely a rogue state, like North Korea, to be confronted, deterred and, if necessary, disarmed, a monster to destroy.

To this end, the U.S. expanded its military alliance to include all of the countries to Russia's west beyond Ukraine and Belarus, including Estonian, Latvia, Lithuania, Poland, Slovakia, Hungary, Romania, and Bulgaria.

The U.S. also took steps to include Georgia, a highly strategic country on Russia's southern boarder and flanked by the Black and Caspian seas. The U.S. poured billions of dollars of arms into the country, set up CIA listening posts, and ignored Georgian accommodation for jihadist activities directed toward Russia. Similar to current Ukrainian leaders, Georgian President Saakashvili was emboldened by U.S. support and attacked the Russian separatist region South Ossetia, provoking a swift military response from Russia

12 https://thehill.com/opinion/national-security/591787-what-would-george-kennan-say-aboutukraine

13 https://avalon.law.yale.edu/19th_century/monroe.asp

14 https://millercenter.org/the-presidency/presidential-speeches/july-4-1821-speech-us-house-representatives-foreign-policy

and loss of territory.[15] According to a former U.S. official: "At best Georgia would win, in which case Russia would fall apart, and at worst the spectacle of Russia crushing little Georgia would reinforce Russia's reputation as the cruel Goliath. So Cheney was telling Misha [Saakashvili], 'We have your back.'" [16]

U.S. policy became based on the propaganda that Russia was the sole aggressor in Georgia, and in 2014 Obama's CIA toppled the Russia-friendly government in Kiev.[17] Two years later, Senator Lindsey Graham (who last week called for Putin's assassination) told the Ukrainian troops in Ukraine: "Your fight is our fight. 2017 will be the year of offense. All of us will go back to Washington and we will push the case against Russia. Enough of Russian aggression. It is time for them to pay a heavier price." The late war-hawk Senator McCain added: "I believe you will win. I am convinced you will win. We will do everything we can to provide you with what you need to win."[18]

More recently, in 2020, Congressional impeachment ringleader Adam Schiff declared:

> Most critically, the military aid that we provide Ukraine helps to protect and advance American national security interests in the region and beyond. America has an abiding interest in stemming Russian expansionism … as one witness put it during our impeachment inquiry, the United States aids Ukraine and her people so that we can fight Russia over there and we don't have to fight Russia here.[19]

And the American media calls Putin insane for fearing Western encroachment.

Average Americans pouring Stolichnaya vodka down the drain may be forgiven for not being acquainted with pre-1940 European history and the context of the current conflict. Since 1949, when the Soviet Union acquired its first nuclear bomb, the doctrine of Mutual Assured Destruction (MAD) froze European borders in place. The Cold War may have turned hot in other parts of the world through proxies and may have involved intense diplomatic and propaganda struggles, but neither side dared test the MAD doctrine against the core national interests of the other: Eisenhower undermined the British and French at Suez, and Khrushchev removed Soviet missiles from Cuba as examples. There is no excuse, however, for the ignorance of professional U.S. diplomats or for the fantasies of Western Europeans that the pause in history created by the American nuclear umbrella could be maintained by EU bureaucracy.

The neocons seem bent on testing Russia's resolve and the MAD doctrine itself. They may view Russia as a rump state, but Russia does not so view itself. In 2018, when the U.S. withdrew from the Intermediate-Range Nuclear Forces Treaty, Putin reacted: "The threat of mutual destruction has always restrained participants of the international arena, prevented leading military powers from making hasty moves, and compelled participants to respect each other."[20] Russia has six thousand nuclear warheads.

According to Harry Kazianis, editor of the *The National Interest*, repeated war simulations by American military officials, which eerily predict the course of events that have occurred so far, suggest that NATO and Russia will continue to escalate until there are over a billion dead: MAD.[21] Let us hope the warning of the simulations prevents the

15 https://www.reuters.com/article/us-georgia-russia-report/georgia-started-war-with-russia-eu-backed-report-idUSTRE58T4MO20090930

16 https://harpers.org/2013/10/the-bloom-comes-off-the-georgian-rose/

17 https://www.cato.org/commentary/americas-ukraine-hypocrisy

18 https://twitter.com/jackposobiec/status/1499762190387195904?s=21

19 https://tinyurl.com/3fspz7rz

20 https://www.reuters.com/article/uk-russia-putin-highlights/key-quotes-from-russian-president-putins-annual-phone-in-idUKKCN1J30X

21 https://thefederalist.com/2022/03/04/nato-involvement-in-ukraine-could-spark-nuclear-genocide-heres-how-it-could-happen/

U.S. from escalating the conflict so as to threaten the survival of the Russian state and also that Russia has unforeseen deterrent capabilities to prevent the need to jump to nuclear escalation.

One such unforeseen weapon might be commodity prices. According to British Petroleum, Russia supplies 17% of the world's gas and 12% of the world's oil. According to KPMG, Russia also supplies 38% of the world's palladium, 13% of platinum, 9% of nickel, 8% of gold, and 6% of aluminum. Russia and Ukraine collectively produce a quarter of global wheat and a fifth of corn: being on the great European plain has some advantages.

The West faces a choice: allow Russian exports to continue, which will provide financial liquidity to ensure victory in Ukraine, encourage China's ambitions against Taiwan and other neighbors, and deal a mortal blow to American unipolarity, or cut Russia off from trade in earnest and watch commodity prices rocket higher. The Biden regime seems to have stumbled into the latter path.

Neocon policy supports the U.S. war footing, but its immediate cause may also be the Democrats' dismal election prospects after badly mishandling the recent health crisis. It is not just the example of Clinton's foreign adventures that guides them. In 1935, six years *before* the U.S. entered World War II, historian Charles Beard perceived: "Confronted by the difficulties of a deepening domestic [economic] crisis and by the comparative ease of a foreign war, what will President Roosevelt do? Judging by the past history of American politicians, he will choose the latter, or, perhaps it would be more accurate to say, amid powerful conflicting emotions he will 'stumble into' the latter."[22] As Chodorov wrote: "war is the state's escape from a collapsed internal economy."

In 1941, Roosevelt would seize all Japanese assets in the U.S. and impose a trade embargo. The official State Department history concludes: "Faced with serious shortages as a result of the embargo, unable to retreat, and convinced that the U.S. officials opposed further negotiations, Japan's leaders came to the conclusion that they had to act swiftly."[23] Thirteen days before Pearl Harbor, secretary of war Henry Stimson recorded in his diary a meeting with Roosevelt: "The question was how we should maneuver them into the position of firing the first shot without allowing too much danger to ourselves."[24] The parallel is terrifying as is the realization that Biden's team wanted war. Biden needs a war.

But it is a war the U.S. may not win. As Kissinger also warned: "Public discussion on Ukraine is all about confrontation. But do we know where we are going? In my life, I have seen four wars begun with great enthusiasm and public support, all of which we did not know how to end and from three of which we withdrew unilaterally. The test of policy is how it ends, not how it begins."

Western economic sanctions have had an immediate, visible response on Russia's liquidity: Russia has been forced to close its financial markets and limit the use of foreign currency.

But what about solvency? Russia took the pain in the late 1990s when its debt-to-GDP ratio plunged from near 100% to under 10% (nearly bringing down global financial markets when LTCM failed), standing around 20% today. Russia also took the precaution of backing the ruble with huge gold reserves, which may not help with short-term liquidity but will certainly impart long-term stability. The U.S. debt-to-GDP ratio over that same period has soared from 60% to 120%, well past the level that can send a country's sovereign debt into distress.

22 Beard, Charles. "National Politics and War." Scribner's (Feb. 1935): 70,

23 https://history.state.gov/milestones/1937-1945/pearl-harbor

24 Charles A. Beard, *President Roosevelt and the Coming of the War, 1941* (New Haven and London: Yale University Press, 1948): 517.

The U.S., unlike Russia, holds the world's reserve currency, the reason why markets have allowed debt ratios to climb so high. But debt creates vulnerability. Russia has $1.2 trillion in foreign liabilities and has just ordered its companies to make foreign debt payments only in rubles. What will that do to any levered institution owed money by Russians? The credit-default-swaps of Western banks and other measures of bank liquidity are already starting to sour, and asset markets are sure to follow (at least in real terms).

If we consider the dollar's value in terms of its purchasing power of commodities (from which all products stem), it has collapsed by around a quarter since the beginning of the year (depending on which commodity and index one looks at), whereas Russia's commodity reserves have soared in value. From a solvency perspective, Russia has gained relative to the West. Assuming Russia captures commodity-rich and Russian-speaking eastern Ukraine, it will have even more leverage over real assets.

Those not familiar with commodity markets may not understand how supply interacts with price. If oil production halved, price would not double: it would have to rise far enough to destroy the demand of half of consumption. Short-term oil demand elasticity is estimated to be around -0.1: a 10% increase in price results in a 1% decrease in demand. If Russian oil exports are truly cut off, 12% of the world's oil supply disappears. Food is also extremely price inelastic, especially in poorer countries, where price elasticity approaches zero, at least until people starve.

In addition to the supply of Russian and Ukrainian wheat being interrupted (a quarter of global supply), other suppliers have started limiting exports. Hungary just banned food exports to ensure supply for its population. Argentina, a major grain exporter, has demanded that flour mills supply domestic needs first to keep local prices stable before exporting any surplus.

Russia also exports 22% of the world's supply of ammonia and 14% each of urea and monoammonium phosphate, all critical ingredients of fertilizers. Global fertilizer prices had already tripled before the conflict erupted. Increases in food prices are going to be shocking.

Russia's wealth is based on heavy industry and labor, the dirty part of the production chain upon which Westerners rely but prefer not to see; America's wealth is based on financialization: the value of Twitter and Facebook and Amazon and mortgage-backed securities, the pooled debt of those who work in a country that exported its manufacturing base, a country in which 77% of GDP is based on services (10% of which is fees for financial intermediation).

The conflict between these two economies may not resolve as most in the West expect. Russians are familiar with suffering and have the raw materials to survive (Putin's popularity in Russia has soared since the invasion), whereas Americans have not faced war at home since 1865 nor economic collapse since the 1930s.

Soaring commodity prices in the U.S. will create domestic turmoil. The Atlanta GPDNow forecast for real GDP growth in Q1 stands at 0.5%, and that was before war sent input costs soaring. Our banking system, buttressed by the Federal Reserve, has massively concentrated wealth, meaning the middle class will sink increasingly into poverty as inflation bites and savings are depleted, with unknown political consequences. Americans have been told for two years to sacrifice for the nation's health; now the government is demanding even greater sacrifices for a country most Americans cannot locate on a map: it won't play well at the polls.

Europe faces even larger problems, having pursued green-energy policies more vigorously, which may cause cracks in the U.S. alliance. Germany's Economy Minister has admitted: "Germany is currently still dependent on Russian fossil fuels … a shortage in supply could threaten social cohesion in Germany."

The Fed says it is going to raise interest rates to constrain inflation, but that will not reduce commodity price increases caused by the absence of Russian supply. Biden's cancellation of the Keystone Pipeline and other decisions that harm mining (such as last month's cancellation of two valuable copper-nickel mineral leases in Minnesota as well as the permit to build Ambler Road to open up an Alaskan mining district) is already causing the cost of capital for extraction industries to soar; rising interest rates will make it even more difficult to finance domestic projects that might relieve commodity scarcity.

Rising interest rates will, on the other hand, cause asset market stress, especially as a recession looms. Falling asset prices combined with rising cost of living expenses makes people poor fast. At what point of market pain will the Fed be forced to start printing again? And what will that do to inflation?

Soaring food prices will also create geopolitical instability in other areas of American tutelage: wheat prices have increased 50% in just the past two weeks. The last time food prices spiked like this, half the Middle East went up in flames: how many international demons will spring from that chaos that will require American intervention? With its back against the wall, Russia might also pursue more direct attacks on the West short of nuclear engagement, perhaps cutting the undersea internet cables or launching cyber attacks on U.S. infrastructure.

The U.S. is making two additional tactical moves that are strategic folly. First, the immobilization of the Russian central bank's international assets has put every other country on notice that reserves held abroad are not money but political tokens. Every country that is not a staunch ally of the U.S. will look to diversify reserves away from the dollar and into gold, threatening America's exorbitant privilege of running deficits without tears. In addition, revealing the ability of Visa and Mastercard to turn off Russia's credit card system will encourage regionalization of critical banking infrastructure and reduce America's financial power.

Second, the U.S. now hopes to replace part of Russia's supply of oil by making a deal with Iran. Since the Iranians will not negotiate with the U.S. directly, Biden's team is—absurdly—negotiating through Mikhail Ulyanov, Russia's emissary. Not only would a deal enable Iran to increase its arms purchases from Russia, it would also antagonize American's primary client Saudi Arabia. The kingdom's crown prince and *de facto* ruler told journalists last week: "In the same way we have the possibility of boosting our financial interests [in the U.S.], we have the possibility of reducing them."[25] This week both Saudi and UAE leaders refused to take Biden's calls while taking calls from Putin.

Kissinger helped defuse the 1970s oil spike and dollar collapse by convincing Arab countries to recycle dollar profits into deposits at American banks and purchases of American military hardware. Biden's team is threatening both pillars of the petrodollar system.

Myrmikan's investment thesis is that the fiat currency world, supported by debt and political power, will shift back to market-based money, as has always occurred at the end of empires. As the U.S. loses its political force, the market will evaluate the assets that back the dollar: the long-term, fixed rate, low yielding Treasury bonds and mortgage-backed

25 https://www.reuters.com/world/middle-east/saudi-crown-prince-plays-oil-card-quest-us-recognition-2022-03-03/

securities on the Fed's balance sheet. The dollar will trade very much lower, gold and commodities very much higher.

The forces that cause this transition build slowly, but the actual event is generally sudden. The underlying causes are a combination of economic, financial, political, and geopolitical instability, the reason these pages have covered these four areas over the past dozen years. The actual catalyst is unknowable: which snowflake causes the avalanche. But war is a good candidate.

Any student of history knows that war creates unforeseen consequences for all involved. Britain's attempt to occupy Suez in 1956, for example, proved to be the end of its empire and caused it to suffer decades of stagnation as the former world power transitioned to a socialist backwater. Ukraine may prove the same for U.S. unipolar ambitions, only on a much larger scale. Having joined the Ukrainian conflict, the West risks the unforeseen consequences of the conflict between hard and imaginary wealth.

The war with Russia and present threat to America's prosperity was avoidable not only in the limited sense that America should have respected balance of power principles with regards to Russia and its neighbors but also with regards to China. Eastern hierarchy and Western individualism have been at war ever since Xerxes crossed the Hellespont to fight the Greeks. But America's leaders ignored the threat, many of them bought off by Chinese money. Trump's efforts to resist Chinese encroachment were undermined by those same elites.

In Lord Palmerston's time, balance of power required bolstering central Europe: "Germany ought to be strong in order to resist Russian aggression, and a strong Prussia is essential to German strength." The British certainly had no love for the Prussians, but they were realists, the reason their empire lasted so long. Similarly, whatever American views of Russia, that state should have played the part of Germany: America needs a strong, neutral Ukraine to bolster Russia, and a strong Russia in order to resist Chinese ambitions and contain Islamic extremism.

Instead, U.S. policy reignited historic Russian fears of its western flank, legitimate European fears of its eastern, and drove two powerful historical enemies together. Zbigniew Brzezinski, National Security Advisor under Carter, warned in 2017: "the most dangerous scenario a grand coalition of China and Russia … united not by ideology but by complementary grievances." Senator Biden told supporters in 1997: "[the Russians] talked about how they don't want this NATO expansion, they know it's not in their security interests, and said if you do that we may have to look to China... I said 'good luck,' and if that doesn't work try Iran. [laughter] I'm serious. I said that to them. They know, I knew, they knew, everybody knows that that is not an option. They resent it, but they need, they need to look west."[26] America's arrogance, represented in that speech by Biden, created the counterbalancing coalition the absence of which was the basis of unipolarity.

China is studying the West's financial campaign against Russia with regards to its own contemplated assault on Taiwan. China has access to Russia's commodities and can pressure the West with supply chain interruptions. Russian success will invite Chinese opportunism. This realization prompted *The Economist* to write: "The instant immiseration of a big economy [by sanctions] is unprecedented and will cause alarm around the world, not least in China, which will recalculate the costs of a war over Taiwan. The West's priority must be to win the economic confrontation with Russia." The conflict with Russia is more about American empire than about Ukraine.

26 https://twitter.com/JackPosobiec/status/1501074242045153281?s=20&t=uCFjtBDNVjEG3b85nVm8WQ

The inability of hostile powers to deescalate is what turned World War I from a minor skirmish into the conflagration that destroyed a civilization. Will the neocons allow American influence to decline peacefully as did Gorbachev with the Soviet Union? Or will they adhere to their simulations and kill a billion people? The Democrats' returning to power in 2021 prompted the media refrain: the adults are back in charge. But children could hardly do worse.

At the height of its empire, the British required the children of its elite to study Latin and Greek not only as mental training but to learn from history. British rulers would have translated the Sicilian Debate of 415 BC as recorded by Thucydides. The aging general Nicias, playing the part of Henry Kissinger, warned the Athenians against invading Sicily:

> We ought not to give so little consideration to a matter of such moment, or let ourselves be persuaded by foreigners into undertaking a war with which we have nothing to do.... I advise you to keep what you have got and not risk what is actually yours for advantages which are dubious in themselves and which you may or may not attain. I will content myself with showing that your eagerness is untimely and your aims not easy to achieve....
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> It is folly to go against men who could not be controlled even if conquered, while failure would leave us in a very different position than that which we occupied before the enterprise.... At the least setback, [our enemies' allies] would at once begin to look down upon us, and would join our enemies here against us.... Instead, however, of being puffed up by the misfortunes of your adversaries, you ought to think of breaking their spirit before giving yourselves up to confidence, and to understand that the one thought awakened in the Lacedaemonians by their disgrace is how they may even now, if possible, overthrow us and repair their dishonor; inasmuch as military reputation is their oldest and chiefest study.
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> We should also remember that we are but now enjoying some respite from a great plague and from war, to the no small benefit of our estates and persons, and that it is right to employ these at home on our own behalf, instead of using them on behalf of these exiles whose interest it is to lie as fairly as they can, who do nothing but talk themselves and leave the danger to others, and who if they succeed will show no proper gratitude, and if they fail will drag down their friends with them. And if there be any man here, overjoyed by being chosen to command, who urges you to make the expedition merely for ends of his own ... do not allow such a fellow to maintain his private splendor at his country's risk, but remember that such persons injure the public fortune while they squander their own.
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> Remember how rarely success is got by wishing and how often by forecast, and to leave to them the mad dream of conquest, and as a true lover of his country now threatened by the greatest danger in its history, let him hold up his hand on the other side; to vote that the Sicilians be left in the limits now existing between us, limits of which no one can complain (the Ionian sea for the coasting voyage, and the Sicilian sea across the open main), to enjoy their possessions and to settle their own quarrels; that the Egesteans, for their part, be told to end by themselves with Selinuntines the war which they began without consulting Athenians; and that for the future we do not enter into alliance, as we have been used to do, with people whom we help in their need, and who can never help us in ours.

America has its own Nicias who speaks to us from the grave to those who would listen:

> Europe has a set of primary interests which to us have none; or a very remote relation. Hence she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us to implicate ourselves by artificial ties in the ordinary vicissitudes of her politics, or the ordinary combinations and collisions of her friendships or enmities.
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> Our detached and distant situation invites and enables us to pursue a different course.… Why forego the advantages of so peculiar a situation? Why quit our own to stand upon foreign ground? Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humor or caprice? It is our true policy to steer clear of permanent alliances with any portion of the foreign world.[27]

Such was George Washington's parting advice to his new country, advice to which America adhered in the main, if imperfectly, until the Wilsonian adventure of World War I. But now a mad desire for domination has succumbed to the arguments that the confident, youthful, ambitious Alcibiades made against Nicias:

> The cities in Sicily are peopled by motley rabbles, are unstable and easily change their governments … every man thinks that either by words or by party strife he can obtain something at public expense, and then in the event of a catastrophe settle in some other country, and he makes his preparations accordingly. From a mob like this you need not look for either unanimity in counsel or concert in action; but they will probably one by one come in as they get a fair offer, especially if they are torn by civil war as we are told. Moreover, the Siceliots have not so many heavy infantry as they boast … and we shall have the help of many barbarians, who from their hatred of the Syracusans will join us in attacking them.
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> In this state of things what reason can we give to ourselves for holding back, or what excuse can we offer to our allies in Sicily for not helping them? They are our confederates, and we are bound to assist them, without objecting that they have not assisted us. We did not take them into alliance to have them help us in Hellas, but that they might so annoy our enemies in Sicily as to prevent them from coming over here and attacking us. It is thus that empire has been won, both by us and by all others that have held it, by a constant readiness to support all, whether barbarians or Hellenes, that invite assistance; since if all were to keep quiet or to pick and choose whom they ought to assist, we should make but few new conquests, and should imperil those we have already won. Men do not rest content with fending off the attacks of a superior, but often strike the first blow to prevent the attack being made. And we cannot fix the exact point at which our empire shall stop; we have reached a position in which we must not be content with retaining but must scheme to extend it, for, if we cease to rule others, we are in danger of being ruled ourselves.
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> Be convinced then that we shall augment our power at home by this adventure abroad, and let us make the expedition, and so humble the pride of the Peloponnesians by sailing off to Sicily, and letting them see

27 https://www.ourdocuments.gov/doc.php?flash=false&doc=15&page=transcript

> how little we care for the peace that we are now enjoying; and at the same time we shall either become masters, as we very easily may, of the whole of Hellas through gaining hegemony of the Sicilian Hellenes, or in any case ruin the Syracusans, to the no small advantage of ourselves and our allies.

The Athenians chose overwhelmingly to pursue the campaign. Their army and navy were crushed, their government was overthrown, their allies defected, and Sparta would soon occupy their city. The defeat shocked the Greek world.

America's army is not at risk in the current conflict, but its economy and financial system may be overthrown even if Russia is defeated on the battlefield. If Russia "falls apart," Cheney's hope with the intrigue in Georgia, the ensuing chaos in terms of commodity prices and migration would be worse for Western countries than the relative geopolitical stability to be gained by a swift Russian military victory.

The best outcome would a diplomatic settlement that allows Russia to dominate the Russian-speaking portions of eastern Ukraine and keeps the rest of Ukraine independent and out of NATO. Eastern Europeans NATO members would demand and receive additional U.S. military hardware. If the 2024 election were to bring a new president aligned with the tradition of America's founding values, the U.S. could work to resolve Eastern European tensions. Even assuming deescalation, however, America's vulnerabilities have been revealed to the world, allies and adversaries alike. Notably, both Brazil and India have refused to condemn Russia's actions in Ukraine.

American policy has been so destructive that the conspiracy theorist might credibly argue that it must have been executed by design. Ignorance, incompetence, hubris, and corruption are, however, more likely agents of government action. One cannot but wonder to what extent U.S. policy is affected by payments by Ukrainian oligarchs to the Clinton foundation (its largest donors), Hunter Biden, House Minority Leader Kevin McCarthy, and a host of others in the Washington establishment (to be fair, Hunter was also paid by the Russians and Chinese).[28]

Thucydides justified his work: "It will be enough for me if these words of mine are judged useful by those who want to understand clearly the events which happened in the past and which (human nature being what it is) will, at some time or other and in much the same ways, be repeated in the future." Future school children will marvel at how the U.S. managed to repeat the Sicilian disaster so precisely.

28 https://www.hsgac.senate.gov/imo/media/doc/Ukraine%20Report_FINAL.pdf