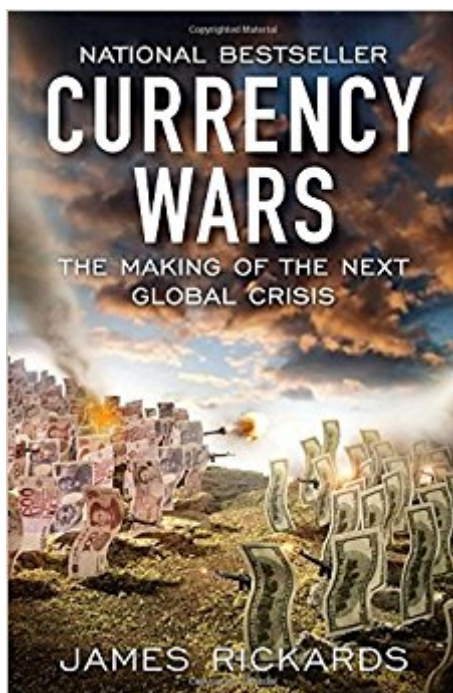


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# Currency Wars: The Making Of The Next Global Crisis



## Synopsis

In 1971, President Nixon imposed national price controls and took the United States off the gold standard, an extreme measure intended to end an ongoing currency war that had destroyed faith in the U.S. dollar. Today we are engaged in a new currency war, and this time the consequences will be far worse than those that confronted Nixon. Currency wars are one of the most destructive and feared outcomes in international economics. At best, they offer the sorry spectacle of countries' stealing growth from their trading partners. At worst, they degenerate into sequential bouts of inflation, recession, retaliation, and sometimes actual violence. Left unchecked, the next currency war could lead to a crisis worse than the panic of 2008. Currency wars have happened before—twice in the last century alone—and they always end badly. Time and again, paper currencies have collapsed, assets have been frozen, gold has been confiscated, and capital controls have been imposed. And the next crash is overdue. Recent headlines about the debasement of the dollar, bailouts in Greece and Ireland, and Chinese currency manipulation are all indicators of the growing conflict. As James Rickards argues in *Currency Wars*, this is more than just a concern for economists and investors. The United States is facing serious threats to its national security, from clandestine gold purchases by China to the hidden agendas of sovereign wealth funds. Greater than any single threat is the very real danger of the collapse of the dollar itself. Baffling to many observers is the rank failure of economists to foresee or prevent the economic catastrophes of recent years. Not only have their theories failed to prevent calamity, they are making the currency wars worse. The U. S. Federal Reserve has engaged in the greatest gamble in the history of finance, a sustained effort to stimulate the economy by printing money on a trillion-dollar scale. Its solutions present hidden new dangers while resolving none of the current dilemmas. While the outcome of the new currency war is not yet certain, some version of the worst-case scenario is almost inevitable if U.S. and world economic leaders fail to learn from the mistakes of their predecessors. Rickards untangles the web of failed paradigms, wishful thinking, and arrogance driving current public policy and points the way toward a more informed and effective course of action.

## Book Information

Paperback: 320 pages

Publisher: Portfolio; Reprint edition (August 28, 2012)

Language: English

ISBN-10: 9781591845560

ISBN-13: 978-1591845560

ASIN: 1591845564

Product Dimensions: 5.4 x 0.8 x 8.4 inches

Shipping Weight: 10.4 ounces (View shipping rates and policies)

Average Customer Review: 4.5 out of 5 stars 647 customer reviews

Best Sellers Rank: #32,268 in Books (See Top 100 in Books) #22 in Books > Business & Money > Management & Leadership > Planning & Forecasting #26 in Books > Business & Money > Economics > Money & Monetary Policy #44 in Books > Politics & Social Sciences > Politics & Government > International & World Politics > Security

## Customer Reviews

“One of the scariest books I’ve read this year. The picture that emerges is dark yet comprehensive and satisfying.” Bloomberg Businessweek  
“One of the most urgent books of the fall.” Mike Allen, Politico  
“Let’s hope he’s wrong.” Financial Times  
“Unsettling | fascinating | a thorough analysis of how nations have manipulated their currencies | with disastrous consequences.” Fort Worth Star-Telegram

James Rickards is a counselor, investment banker, and risk manager with over thirty years’ experience in capital markets. He advises the Department of Defense, the U.S. intelligence community, and major hedge funds on global finance, and served as a facilitator of the first ever financial war games conducted by the Pentagon. A frequent guest on CNBC, CNN, Fox, C-SPAN, Bloomberg TV, and NPR, Rickards also lectures at Northwestern University and at the School of Advanced International Studies. Visit [currencywarsbook.com](http://currencywarsbook.com)

Jim Rickards, who is famous, among other things, for his ability to accurately predict the Fed’s moves ahead of time. His most recent accurate call was the implementation of Operation Twist, i.e. the selling of short-term government debt and the buying of long-term government debt in order to increase short-term interest rates and decrease long-term interest rates. The main theme of the book is that the world is already heading toward a full-blown currency war which will bring even harsher economic turmoil to the world economy than the one we experienced in the last three years since the housing bubble burst in the U.S. Rickards explores in depth, basing his arguments on past currency wars such as the one after WW1 between several European countries and the U.S., and why currency wars are a lose-lose situation. In short, Rickards’s main argument is that countries

around the world are devaluing their currencies in order to boost their exports (domestically produced goods and services will be cheaper for foreigners) thereby increasing their GDP. However, such actions will frequently be met by mutual currency devaluation by other countries or by some protectionist policy such as tariffs. Therefore, countries will gain a temporary advantage until other countries retaliate, the end result of which will be: inflation brought on from currency devaluation, protectionism and the halt of free trade, thus - wealth destruction. And in a worst case scenario, an outright military conflict. As was mentioned above, I found Rickards's thesis to be well argued and backed with plenty of historical facts. To sum up, this book just has it all, great and engaging writing, fascinating economic history, and shrewd analysis of the current and coming global crisis.

The author gives a clear and relevant perspective on the issues of money and banking in a complex, globalized world. His warnings and suggestions are important to consider - particularly in light of the fact that the scenarios presented seem to be rarely addressed in more "popular" media. Drawbacks? This is an esoteric, complex arena of discussion. I have much more formal "economics" training than most, and I was scratching my head on a number of occasions. This is certainly not a flaw of this book. It was well written, and as clearly written as the subject matter allowed. But, it is a step or two above light evening reading. Two highlights: I found the author's integration of "chaos" or "Complexity Theory" a fascinating and somewhat surprising approach to the stated problem of the book. In so doing, he has opened up what may prove to be a very fruitful avenue for further explanation and critique. A second highlight and fascinating window on the problem was the author's personal experiences around military "war-gaming" using currency manipulations as a strategy. Really illustrates the problem well. Admittedly, I do not understand all the intricacies of national and international banking. But the chapters on currency manipulation as a military strategy, and the chapter on "Complexity Theory" are alone worth the read. Having said that, the rest of the book is still very well structured and written. A must read for anyone seriously interested in really understanding the current global financial situation. If you are like me, you will come away from this book with a few good answers - but also many more questions than you started with. But they will be really good questions!

What I liked about this book was the way the author was able to break down ultra complex financial theory/ banking subterfuge so as to be understood by the simple man I.e (me). When checking the facts in the book I kept say to myself... "hey that can't be true" only to research it and realize it is in

fact accurate. The author then presents his case in such a simple way it has the appearance of common sense, and must terrify those that rely on slight of hand and a uneducated populace to support their life style. Join us who prepare for the worst, but also want to have a viable option to rebuild... Because if you've read this far... You know it's coming.

The writer does a good job of describing how nations use monetary policy to conduct war, in a non traditional sense of the word. While some gains made by such policies are short term and may end badly for all players involved, he does highlight that some nations actually have the chance of ruining other nations without firing a single shot. The writer gives historical and real life examples of currency manipulation and their effects, and how a possible future war can be fought. He does a good job of explaining why irresponsible monetary policies used by politicians for short term gains, are likely to cause the next big crash as well as the potential role of gold to restore confidence in a monetary system and achieve stability. The author explains well that in recent decades, global economy grew in complexity due to globalization, and how central banks and short term political decisions, endanger us all and pave the way to the next economic crisis.

An eye opener to say the least. A crash course in many aspects of economic theories, practices and their impacts. We see that a dollar collapse is not a question of "if" but a question of "when".

Unfortunately that last piece can't be predicted with precision. One possible scenario to redeem the currencies is the return to a gold standard. What is troubling is the potential for a windfall tax on gold sales once the new currency(ies) have adopted the paper-to-gold ratio. How realistic would that windfall profit tax be? Would it apply to all private storages of gold globally or locally? Would it apply to all owners of gold whatever their nationality and residency or just one country? The potential almost discourages private gold ownership. I recommend this book to anyone who wants to understand the geopolitical implications of currency wars, why they occur and, as the case of wars, why nobody really wins in the end. I really appreciate the chapter on economic theories. I am looking forward to read the follow up to this

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