

Will U.S. financial woes lead to new world order?

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Is the U.S. about to lose its status as the dominant global superpower? Will the dollar collapse? If so, what would become the new global reserve currency and what would replace U.S. hegemony in a new world order?

American troops are currently stationed in over 150 countries around the world and have been actively engaged in combat since the beginning of the war in Afghanistan in 2001. The pretext for the invasion of Afghanistan was provided by the 9/11 attacks.

A second front in the U.S. “war on terror” was opened in 2003 with the invasion of Iraq. As well these military expenditures, the U.S. has an outstanding national debt of \$10.8 trillion and rising. Although U.S. President Barack Obama has outlined a timetable for complete U.S. troop withdrawal from Iraq by 2011, he has ordered an increase of 17,000 more U.S. troops in Afghanistan. With no clear end in sight to U.S. military engagement and with the U.S. national debt growing at an accelerating rate, it seems reasonable to ask whether or not the U.S. might be irreversibly overextending itself.

What does “new world order” mean? There are two distinct variations. Both expressions – a new period of history evidencing a dramatic change in world political thought and the balance of power and the advent of a cryptocratic or totalitarian world government – have relevance.

The global geopolitical climate is changing rapidly and appears to be on the verge of a realignment. This has become more apparent since the start of the world financial crisis, which finds its roots in the U.S. economic downturn.

So how would a new world order emerge? It seems that the global population would only be willing to accept the implementation of a new world order, in either form, in the event of a major global crisis, such as the complete economic collapse of the United States of America.

The U.S. is at the heart of the global economy because the U.S. dollar is currently the reserve currency of the world. Oil, gold and all major commodities are measured in U.S. dollars. If the U.S. were to collapse in the same way that Iceland and Latvia already have, the whole world would be affected. A new world order would need to be formed that no longer relied on U.S. global hegemony.

Many experts believe that this is not only possible, but likely. According to Professor Willem Buiter, a former member of the Monetary Policy Committee who is now at the London School of Economics, “There will, before long ... be a global dumping of U.S. dollar assets, including U.S. government assets... The past eight years of imperial overstretch, hubris and domestic and international abuse of power on the part of the Bush administration has left the U.S.

materially weakened financially, economically, politically and morally.”

Other economic gurus agree. Peter Schiff, an American economic commentator and president of the stock brokerage firm Euro Pacific Capital Inc. was mocked by economist Art Laffer, when he accurately predicted, in 2006, that the U.S. housing market “bubble” would burst. Schiff now predicts that gold will climb to \$2,000 per ounce in response to the U.S. dollar dropping “like a stone” and losing its status as the global reserve currency.

Schiff was also an economic adviser to Ron Paul during his 2008 presidential campaign. Paul has been articulating similar concerns regarding the U.S. financial system for over 30 years, and advocates the legitimization of gold and silver as currency, as well as the elimination of the U.S. Federal Reserve System. This he says, “will allow Congress to reassert its constitutional authority over monetary policy.”

Paul sees the Federal Reserve as the main culprit in perpetuating and exacerbating the current U.S. financial crisis: “Americans have suffered a steadily eroding purchasing power because of the Federal Reserve’s inflationary policies. This represents a real, if hidden, tax imposed on the American people.” He has repeatedly introduced a bill to the U.S. Congress that would allow for the auditing of the Federal Reserve Board and provide transparency into its dealings, to no avail.

Meanwhile, the man who accurately predicted the stock market crash of 1987 and the collapse of the Soviet Union has an intriguing prediction that goes even further. Gerald Celente, the CEO of Trends Research Institute, has forecast that by 2012 there will be a revolution in the U.S., accompanied by food riots and tax rebellions.

So, with this in mind, who or what could replace the United States as the world’s dominant player?

One possibility is that the United Nations will take on the role of a global government. This theory seems to be supported in a speech by then-president George H. W. Bush before Congress on March 6, 1991, following the expulsion of Iraqi forces from Kuwait.

“...We can see a new world coming into view,” said Bush. “A world in which there is the very real prospect of a new world order. In the words of Winston Churchill, a ‘world order’ in which ‘the principles of justice and fair play ... protect the weak against the strong ...’ A world where the United Nations, freed from cold war stalemate, is poised to fulfill the historic vision of its founders. A world in which freedom and respect for human rights find a home among all nations.”

Until recently, the advent of a global government seemed unrealistic, and reserved for conspiracy theorists. But since the acknowledgement by then-president George W. Bush in September 2008 that the United States is indeed “in the midst of a serious financial crisis”, there have been numerous calls for a “new world order” by global leaders and prominent intellectuals.

In January, Henry Kissinger told CNBC reporters that the current world economic crisis is a “great opportunity” for President Barack Obama to help form a “new world order.” British Prime Minister Gordon Brown actually began the call for a new world order before the acknowledgement of the current financial downturn.

Speaking in June 2007, Brown said: "I believe it will be said of this age, the first decades of the 21st century, that out of the greatest restructuring of the global economy, perhaps even greater than the industrial revolution, a new world order was created."

The British leader has continued to press for a new world order since that speech. Even a few weeks ago he declared the need for a "global new deal."

"Britain and America may be separated by the thousands of miles of the Atlantic, but we are united by shared values that can never be broken. And as America stands at its own dawn of hope, I want that hope to be fulfilled through us all coming together to shape the 21st century as the first century of a truly global society."

Could this "truly global society" be the same society that Bush Sr. spoke of, with the UN fulfilling "the historic vision of its founders"?

It is certainly possible, but would be rather difficult to implement. The government of every nation in the world would either have to willingly surrender sovereignty to the United Nations or be forced into doing so by the use of military force. Both options are utterly improbable -unless an upheaval on a massive scale resulted in a new-found willingness by the big players in the global arena to submit to an international body.

The only such event that seems even remotely likely is the end of Western global dominance and the transfer of global hegemony to the Eurasian powers. Perhaps it would not be a "global government", but a "new world order", with the central power of the world residing in Asia.

This seems to be the most realistic scenario, particularly as China is the largest creditor to the U.S. If the Chinese government decided to dump all of its U.S. dollars, the entire U.S. economy would collapse overnight.

But would China do that? The motivation would be two-fold; firstly, the U.S. Federal Reserve's "inflationary policies" (as described by Ron Paul) devalue the U.S. currency to the point that China no longer has an incentive to hold U.S. dollars, and secondly, China sees an opportunity to become the dominant player in the new world order.

Perhaps this is the scenario that Buiters envisions when he describes a "global dumping of U.S. dollar assets." If the Chinese government were to abandon the U.S. dollar it would certainly trigger such a "dumping" of U.S. assets.

In fact, just last week China's premier hinted that Beijing is concerned about its creditor-debtor relationship with the U.S.:

"We have lent a huge amount of money to the United States. I request the U.S. to maintain its good credit, to honor its promises and to guarantee the safety of China's assets."

In addition, the Kremlin last week called for the creation of a "supranational reserve currency" to be on the agenda at the upcoming G20 meeting in London. Zhou Xiaochuan, the governor of China's central bank, has expressed a similar desire for a new global reserve currency "that is disconnected from individual nations and is able to remain stable in the long run, thus removing the inherent deficiencies caused by using credit-based national currencies."

China and Russia have both experienced severe economic downturns since September 2008, but both blame the U.S. for initiating the global crisis.

If such a currency were to be formed, one that was “disconnected from individual nations,” it is possible that some form of global bank would be the creditor. According to Zhou Xiaochuan, the International Monetary Fund is one potential candidate for this role. The U.S. president, meanwhile, has said that he does not support a global currency.

Looking at history, there is only one circumstance under which a very large and diverse population would be willing to accept such a massive override and restructuring of the global order. That circumstance is chaos.

The collapse of the United States of America would certainly create the chaos necessary to justify the formation of a new global reserve currency and ultimately a new world order, with its central power residing in Eurasia.

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