

# Book Reviews by Ian Robertson

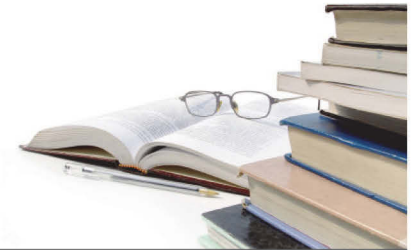


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**Title:** *Currency Wars*  
**Author:** James Rickards  
**First Edition:** Penguin (2011)  
**Reviewed:** October 2012



***“A brilliant exposé of the financial shock and awe unfolding in our economies.”***

James Rickards has combined history, economics, current events, and his own experience to produce a fascinating and thought-provoking book. As the title suggests, it focuses on the relative value of the U.S. dollar versus other currencies, and the possible and probable outcomes of the current fiscal and monetary policies (the so-called ‘wars’) of major economies. Crisply written with just the right level of theory to prove points without dragging the reader into detailed economic formulas.

**Rating:**



Out of 5 Stars

Rickards provides a historical overview, drawing important lessons and debunking some myths from the gold standard era, two previous currency war eras (post WWI and 1967-1987), and the recent rise of the G20, globalization and state capital. For example, he debunks the myth that German hyperinflation in 1921 was to devalue war debts; rather, it was an effort to spur an export-led economic recovery when no other options were acceptable. Lessons abound in thinking of who fared better than whom in that era; debtors and owners of businesses, real property, and foreign assets far outpaced people on a fixed income or with simple savings accounts. With respect to recent history, Rickards is outstanding in highlighting recent news items such as Gazprom’s shutting of the valve on Ukraine’s natural gas lines and China’s and Russia’s statements and actions with respect to developing an alternative reserve currency.

Rickards shows the weaknesses in monetarism and Keynesianism, and then introduces complexity theory, in which increasingly complex systems – societies and financial institutions to name but two – require exponentially higher levels of energy to sustain. With respect to society and its energy – money – “at some point productivity and taxation can no longer sustain [it], and elites attempt to cheat the input process with credit, leverage, debasement and other forms of pseudo-money that facilitate rent seeking over production.” A point broadly made more than 60 years ago by Thomas Robertson in his little read work *Human Ecology*.

Following his description and analysis of complexity theory, and addressing the increased rather than decreased complexity and size of banks since the financial crisis of 2008, he states “a new collapse, larger than the one in 2008, [is] not just a possibility but a certainty. Next time, however, it really will be different ... [and] will not be stopped by governments, because it will be larger than governments.”

Rickards concludes with sobering words. “At some point society has three choices: simplification, conquest or collapse.” “Currency wars are just an attempt at conquest without violence. Collapse is a sudden, involuntary and chaotic form of simplification.”

Despite its considerable strengths, the book is not flawless. The introductory section that introduces the concept of currency wars is weak but short. Readers can skip or skim this to no ill effect. As well, in his excellent description of cause and effect with respect to the U.S. Federal Reserve's quantitative easing actions on China's exchange rate and inflation rates, Rickards notes the Fed was able to "ease conditions in China," implying this was a desirable outcome. Many economists would counter that one of China's problems is that monetary conditions are too easy already, as defined by their real rather than nominal interest rates, though the benefit falls almost exclusively to business rather than to consumers. Finally, Rickards approaches his argument with a subtle right wing bias (tax cuts, smaller government) and is given on occasion to hyperbole (for example, "Bernanke was increasingly out of touch with the world."). Minor complaints for such a compelling book.

Many people are far more nervous today about our current fiscal and monetary direction, though for most it is just a general nervousness – recognition that our economic path, now illuminated by the 2008 crisis, is not a smooth road but a precipice edge. They don't have a map to provide context or the options as we move forward. Rickards does an excellent job providing that map, and as with the geographic maps in the early centuries of exploration, competing economic cartographers might debate the details, but all would acknowledge that having a map is far superior to just following a crowd. Concise, well-written, and thought-provoking, *Currency Wars* should be read by all.