Will 2014 End up like 1914?

TORONTO -- 2014 is a year, if you think about it correctly, of anniversaries. It is the 100th anniversary of 1914, a moment when the world mismanaged itself and reaped the legacy of its mismanagement in as terrible a way as has ever occurred. A weary leading power, Britain, failed to act wisely and consistently in the face of a rising authoritarian German economic machine. Others positioned themselves for the legacy of its mismanagement in as terrible a way as has ever occurred. A weary leading power, Britain, failed to act wisely and consistently in the face of a rising authoritarian German economic machine. Others positioned themselves for advantage as they saw it, let nationalist desires and forces become the glue that provided legitimacy to questionable governments that were not fully delivering in an economic sense. Confusion, complacency and confidence gave way with distressing speed to cataclysm, and the world was never the same.

http://www.huffingtonpost.com/larry-summers/anniversary-years_b_5189494.html
Seventy-five years ago the year was 1939. It had been thought that the war that began in 1914 was a war to end all wars. No one then, while it was being fought, ever thought to call it the First World War. In its aftermath, the victors acted unwisely. They confined their legitimate grievance with their forward looking self-interest and imposed a peace that inevitably bred profound resentment. A power that had led and shaped the global economic system found itself diminished, and as it was diminished, a rising power with the potential to lead did not fully step up, and a system of economic integration was not developed. The world plunged into depression. Nations stressed about the situation of their economies. People who were impoverished failed to look outside at rising threats, and, by 1939, the world was on the brink of the second, even more terrible, war.

1964

Fifty years ago it was 1964. The world was not, at that point, on the brink of any great cataclysm. The economies of the industrialized world were in the midst of a period of performance as spectacular as any in their history. But 1964 was months after the assassination of President Kennedy. It was the year that saw the United States’ entry into Vietnam. This was an event that tore our society apart because of what it meant for a generation of young Americans, an event that changed in a way that was very much not for the better how America was seen in the world. 1964 and the forces associated with Vietnam was also in a historical, if not arithmetical, sense the beginning of the 1960s. This was a period when throughout the industrial world the functioning of democratic societies and the acceptance of democratic societies by their young citizens came into increasing question. It set the stage for the inflation, loss of confidence, and productivity slow-down that came in the 1970s.

1989

Twenty-five years ago it was 1989. It was the year that in a historical sense the 20th century ended. It ended with a remarkable and spectacular victory that everyone in this room, everyone in my country and your country, could and should take great pride in. A totalitarian ideology and empire was defeated without a shot having been fired. How did it happen? It happened in part because of the power of the example of the contrast between the way people lived in the West and the way people lived in the Communist world. It happened in part simply because of the running out of gas of a system that lacked the capacity for dynamism that market capitalism possesses. And it happened in part because of a calm, determined, integrated strategy of strength projected by the Allied nations of the West. This strategy ultimately prevailed in the Cold War, and the world is a vastly better place for it.

So, if you believe in numerology, if you believe in centuries and quarter centuries, this is a remarkable year. History does not repeat itself, it has been said, but it does rhyme. If you think about the challenges that I have described, that sometimes were met well and sometimes were met poorly, echoes of many can be heard today. Again a great and strong power, not growing as rapidly or as confidently as it once did, finds itself in a global system with a determined rising power with nationalist forces. Again a nation that lost a war finds itself unsatisfied with its global position and finds itself with a government that gains legitimacy perhaps through expansionist impulse. Again a concert of lesser powers, each motivated by their own parochial and nationalist concerns, offers the prospect of conflict. Again the challenges of global economic integration loom large; the nation that has for a long time been an ultimate guarantor of global integration finds itself with one of its strongest political parties almost unwilling to support any trade agreement, and the other of its political parties almost unwilling to support participation in any international organization. This nation’s capacity for leadership comes into question.

So there has not been a year, at least in my recent memory, when global challenges are as important to the citizens of each of our countries as they are today. And that is not even to mention the kinds of issues that we face today that do not really have analogues as strong in history. Challenges like global climate change. Challenges like nuclear proliferation and what it could mean for small groups of terrorist actors. Challenges like cyber security at a time when a system, by becoming much more interdependent and gaining from that interdependence, also becomes that much more vulnerable. So it is a remarkable moment at which we come together. I would suggest to you that there are a small number of broad principles that can most effectively animate us going forward.
WHAT IS TO BE DONE?

- First, economic success does not assure peace, but economic failure and disintegration almost assures conflict. It is incumbent on the leaders of the major nations of the world to figure out how to achieve more rapid and sustained economic growth. If there is more rapid economic growth in the industrialized world, debt-to-GDP ratios will start declining rapidly. A spirit of confidence will be much more present among our citizens. The example of democracy will be much more compelling. If we are not successful in assuring growth together, debts will mount and become more problematic, nationalism will rise, and the authoritarian tendency will tempt. And so, a commitment to a shared global prosperity has to be at the center of the foreign policy of any great nation.

- Second, a commitment to maintain strength, to uphold the international order, is an inherent and deeply-seated part of any successful global system. Great powers can never bluff. When they bluff, when their intentions are uncertain, they are tested. When they are tested, questions arise, and the prospect of conflict mounts.

I recently re-read John Kennedy's famous book "Why England Slept." It actually does not say what I thought it was going to say. I thought it was going to explain to me the historic errors of Munich. In a way it did, but it actually said something I did not expect it to say. It said that Chamberlain at Munich had no choice because Britain had no force to speak of. So, Chamberlain had no alternative but to play for time. There is nothing on the global scene today that one should think of as being like Hitler in 1937. But I would suggest that this lesson still holds. That being prepared for every contingency, being engaged in every place, is essential if the prospects for preserving the peace are to be maximized. Everything we know of history teaches that isolationism never stays permanently isolated, but only results in greater conflicts later.

- I would suggest third that a lesson of this experience is that, as I once read, "The essence of diplomacy is to be able to distinguish degrees of evil." That no nation, no matter how strong, no matter how great, no matter how determined, can right every wrong, can shape every outcome, or can respond to every injustice. Therefore, a sound approach to international relations must be based on an ability to distinguish those interests that are most fundamental from those interests that are desirable, but less fundamental. That nations that go lightly into conflict exhaust themselves and make it difficult for themselves to be able to respond at the moment when response is most important.

- I would suggest last that history teaches that no individual nation can be a guarantor of the stability of the system. It is only through the cooperation of nations, through the establishment of institutions, through the legitimacy that comes from conviction and dialogue that firm and clear lines can be drawn and that others can be enticed in.

So, I say this in Canada because it is something that you have preached for many decades now. The importance of international cooperation in the economic development sphere has been a Canadian message for the better part of half a century. It was your Finance Minister and then-Prime Minister Paul Martin who played a central role in the Group of 20 nations to recognize the fact that a Group of seven, of whom four were in Europe, could no longer claim legitimacy in leading and guiding the global system. It has been your advice to my nation not to stand back from the world, but to enter the world in conjunction with others. That has been wise advice. When we have followed it, it has been to our great profit. Often, when we have ignored it, we have regretted it.

My impulse to government, in a sense, came to me as a young child watching the first rally. It was your advice to my nation not to stand back from the world, but to enter the world in conjunction with others. That has been wise advice. When we have followed it, it has been to our great profit. Often, when we have ignored it, we have regretted it.

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Watch the full speech here (http://opencanada.org/gala/)
No, the problem is not sufficient economic growth in a broad sense. It is literally "figure out how to achieve more rapid and sustained economic growth." It's quite impossible for economies to have incessant growth. What's needed is a more equitable distribution of wealth.

It's not about the basic "having" of resources. It's when some people have excess resources and flaunt it to those who have insufficient resources. This is not to say that everyone needs to have exactly the same amount. People rarely start major fights simply because one person or group has somewhat more than they do if
there seems to be reasonable justification for it.

However, conflict always arises when the people are divided into ever more extreme Haves and Have Nots... The greater the disparity, the greater the unrest.

A large part of our problem is a myopic focus on economic growth (wealth). If we spent more effort on enjoying life and connectedness with others instead of obsessing over more and "Mine!", we'd all be much happier.

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"In WW you need equal enemies and Russia is not: neither for US, neither for EU as a whole.

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"Hitler's war impetus collapsed without a shot being fired? Tell that to the Vietnamese, Afghans, and all the other proxy battlegrounds.

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Johnny LaRue  (J_LaRue) (/social/J_LaRue?action=comments)
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It didn't start it (we weren't there til 1917). It's started all the recent ones

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is the U.S. debt to real growth ratio:

"If there is more rapid economic growth in the industrialized world, debt-to-GDP ratios will start declining rapidly."

The debt-to-Real GDP ratio will follow a rapid pace of decline only when:

1. Central banking is eliminated, U.S. Treasury goes back to printing currency. See:

http://en.wikipedia.org/wiki/United_States_Note
http://en.wikipedia.org/wiki/United_States_Note

Or

2. U.S. Treasury sells equity claims on future tax revenue and uses proceeds to retire debt.

During the period from 1947 to present the U.S. had both periods of high growth and periods of low negative growth and so increasing growth will not reduce debt or reduce the debt to GDP ratio.

Having Treasury sell equity most assuredly will.

22 APR 7:00 PM [HTTP://WWW.HUFFINGTONPOST.COM/SOCIAL/FRESTLY/ANNIVERSARY-YEARS_B_5189494_311087198.HTML]

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I know the international bankers hope so...

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For Debt to Real GDP ratio is here:

http://research.stlouisfed.org/fred2/graph/?g=ycz
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SUPER USER  · 615 Fans  ·  stuck in the wrong demographic
Dr. Summers, on most topics, especially our economy and monetary policy, and a couple of others, too, you don't want to know my opinion. However, I think this may be a reasonable post.