

Pentagon holds war game simulating world financial crisis

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Two weeks before the April 2 economic summit of 20 leading capitalist countries in London, the American military held a war game simulating a concerted financial attack on the United States. The two-day event was held March 17-18 near Ft. Meade, Maryland, according to report published Thursday by the web site politico.com.

Three participants discussed the first-ever financial crisis war game with the web site, describing how they sat “along a V-shaped set of desks beneath an enormous wall of video monitors displaying economic data.” One participant described the experience as “a little bit like Dr. Strangelove.”

Those engaged in the exercise included hedge fund managers, economics and business professors and executives from UBS, a major investment bank, invited by the Pentagon to help it role-play a global economic crisis in which five “teams” participated, representing the United States, Russia, China, East Asia and “all others.” Uniformed military officers and US intelligence agents observed the exercise and took notes.

According to the account published by politico.com, “the savviest economic warrior proved to be China, a growing economic power that strengthened its position the most over the course of the war game. The United States remained the world’s largest economy but significantly degraded its standing in a series of financial skirmishes with Russia, participants said.”

The exercise was clearly driven by recent economic events. It was held only a few days after the Chinese premier publicly questioned the safety of his country’s vast holdings of dollar-denominated debt, including more than \$1 trillion in US government bonds. Shortly after the exercise, a top Chinese central banker raised

the possibility of replacing the dollar as the principal world reserve currency.

Professor Paul Bracken of the Yale School of Management told politico.com, “The purpose of the game is not really to predict the future, but to discover the issues you need to be thinking about.” The ongoing world financial crisis “loomed large over what everybody was doing,” he said.

Another participant underscored the political implications of the economic crisis, saying, “Why would the military care about global capital flows at all? Because as the global financial crisis plays out, there could be real world consequences, including failed states. We’ve already seen riots in the United Kingdom and the Balkans.”

While the event was not officially classified, many participants declined to discuss it with the press. It was conducted at the Warfare Analysis Laboratory in Laurel, Maryland, run by the Johns Hopkins University Applied Physics Laboratory.

Among the eventualities examined in the war game were the collapse of North Korea, a US blockade of Iran, Russian manipulation of natural gas prices, and increasing tension between China and Taiwan, leading to China dumping some of its US dollar holdings. A group of referees dubbed the “White Cell” decided what the impact of the moves by each team would be.

According to politico.com, “At the end of the two days, the Chinese team emerged as the victors of the overall game—largely because the Russian and American teams had made so many moves against each other that they damaged their own standing to the benefit of the Chinese.”

Bracken told politico.com that the war game shed light on the connection between political-military events, like the US embargo of Iran, and the economic

consequences, and also demonstrated that China could successfully sell off at least a portion of its dollar assets, undermining the financial standing of the United States, without wiping out its own reserves.

US security officials have already pointed to the political impact of the world financial crisis in terms of threats to the dominant position of American imperialism. Admiral Dennis Blair, Obama's choice to head the US spy apparatus as director of national intelligence, told a Senate hearing February 12 that the economic crisis, not terrorism or the wars in Iraq and Afghanistan, is "the primary near-term security concern" of Washington.

In delivering the "annual threat assessment" coordinated by the DNI across 16 separate US intelligence agencies, Blair was setting aside the Bush administration's professed obsession with Al Qaeda, as well as more traditional security concerns with Russia and China, to suggest that "the global economic crisis and its geopolitical implications" constituted a greater danger.

He described the financial crisis in apocalyptic terms, as "the most serious one in decades, if not in centuries," and cited the possibility that economic turmoil could produce political instability and "high levels of violent extremism," not only in the Middle East and South Asia, but in Latin America, Africa and the former Soviet Union.

Only a month after this blunt warning of the threat of social revolution, the Pentagon held its exercise simulating the geo-strategic impact of the crisis on relations among the great powers. It is only logical to assume that similar exercises, albeit unpublicized, are being conducted to prepare the US military forces to repress revolutionary uprisings of the working class both abroad and at home.



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