



## **Four Collision Courses for the Global Economy**

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Between US President Donald Trump's zero-sum disputes with China and Iran, UK Prime Minister Boris Johnson's brinkmanship with Parliament and the European Union, and Argentina's likely return to Peronist populism, the fate of the global economy is balancing on a knife edge. Any of these scenarios could lead to a crisis with rapid spillover effects.

NEW YORK – In the classic game of “chicken,” two drivers race directly toward each other, and the first to swerve is the “loser.” If neither swerves, both will probably die. In the past, such scenarios have been studied to assess the risks posed by great-power rivalries. In the case of the Cuban missile crisis, for example, Soviet and American leaders were confronted with the choice of losing face or risking a catastrophic collision. The question, always, is whether a compromise can be found that spares both parties their lives and their credibility.

There are now several geo-economic games of chicken playing out. In each case, failure to compromise would lead to a collision, most likely followed by a global recession and financial crisis. The first and most important contest is between the United States and China over trade and technology. The second is the brewing dispute between the US and Iran. In Europe, there is the escalating brinkmanship between British Prime Minister Boris Johnson and the European Union over Brexit. Finally, there is Argentina, which could end up on a collision course with the International Monetary Fund after the likely victory of the Peronist Alberto Fernández in next month's presidential election.

In the first case, a full-scale trade, currency, tech, and cold war between the US and China would push the current downturn in manufacturing, trade, and capital spending into services and private consumption, tipping the US and global economies into a severe recession. Similarly, a military conflict between the US and Iran would drive oil prices above \$100 per barrel, triggering stagflation (a recession with rising inflation). That, after all, is what happened in 1973 during the Yom Kippur War, in 1979 following the Iranian Revolution, and in 1990 after Iraq's invasion of Kuwait.

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