

‘On the Brink’ of Repeating History?

The only thing more global than Twitter arguments these days is war.

War has always been as much of an economic event as it is a military one. In a recent [working paper](#) that I came across, Economists Efraim Benmelech and Joao Monteiro (NBER, 2025) provide systematic evidence that conflicts reduce GDP by an average of 13%, showing no recovery even a decade after the conflict. They also observed that government finances deteriorate, with governments placing dependence on inflation to finance their deficits. If you thought inflation was bad, wait until you realise it’s an actual war strategy. Their dataset, covering 115 conflicts across 145 countries, is one of the most comprehensive studies that I’ve seen on the subject. If there’s one thing that we can learn from this, it’s that war is an economic earthquake with aftershocks that last generations.

The First World War, triggered by the assassination of [Archduke Franz Ferdinand](#) in 1914, was structured by imperialism and extreme protectionist policies. WWI essentially showcased a collapse of old-school globalisation. It forced nations into a new pecking order, which led to civilian industries being converted into arms factories. The Second World War followed a similar path, but this time, it was structured by the Great Depression instead. Economic collapse fueled extremist ideologies and invasion/expansionist policies, with Germany’s invasion of Poland in 1939 being the catalyst. The estimated cost of WWII is [\\$19.2 trillion](#) in today’s money.

Coming back to today, the usage of the phrase “We’re on the brink of World War III” seems to be borderline abused. The conditions of global war are already present. Russia’s invasion of Ukraine, escalating conflicts in the Middle East, hostility in the Americas, and tensions in East Asia have drawn in major world powers into regional conflicts directly or indirectly. Post the last weekend’s events, The [Washington Post](#) reports that the Saudi crown prince pushed for Trump to attack Iran, while The [New York Times](#) warns that a Taiwan crisis could cripple global semiconductor supply chains, devastating the world economy.

Unlike the trench warfare of 1914 or the blitzkrieg of 1939, today’s war is hybrid. It is a war that is being fought through cyberattacks, disinformation, misinformation, economic strangulation, and biological warfare. Sanctions, tariffs, and technological decoupling are now as much weapons of warfare as missile launchers and tanks. The [BBC](#) has also noted at the beginning of this decade that defence budgets of countries worldwide have risen to Cold War levels, with public opinion surveys showing increasing alarm about the risk of global conflict.

To call this “the brink” is to ignore reality. WWI and WWII began with localised triggers that spread through alliances and economic rivalries. Similarly, today’s conflicts are cascading across continents. The economics of war are none other than sanctions and resource struggles that the common man is facing today as a result of years of geopolitical issues. Thanks to globalisation, the economics of war are already in motion. World War III has begun, not with a single declaration, but with a thousand fractures in the global order. All that’s left is for two nuclear powers to collide, for “on the brink” to catch up to reality.