

America Has Just Destroyed a Great Empire

By Michael Hudson - June 29, 2023

Herodotus (*History*, Book 1.53) tells the story of Croesus, king of Lydia c. 585-546 BC in what is now Western Turkey and the Ionian shore of the Mediterranean. Croesus conquered Ephesus, Miletus and neighboring Greek-speaking realms, obtaining tribute and booty that made him one of the richest rulers of his time. But these victories and wealth led to arrogance and hubris. Croesus turned his eyes eastward, ambitious to conquer Persia, ruled by Cyrus the Great.

Having endowed the region's cosmopolitan Temple of Delphi with substantial silver and gold, Croesus asked its Oracle whether he would be successful in the conquest that he had planned. The Pythia priestess answered: "If you go to war against Persia, you will destroy a great empire."

Croesus therefore set out to attack Persia c. 547 BC. Marching eastward, he attacked Persia's vassal-state Phrygia. **Cyrus mounted a Special Military Operation to drive Croesus back, defeating Croesus's army, capturing him and taking the opportunity to seize Lydia's gold to introduce his own Persian gold coinage. So Croesus did indeed destroy a great empire, but it was his own.**

Fast-forward to today's drive by the Biden administration to extend American military power against Russia and, behind it, China. The president asked for advice from today's analogue to antiquity's Delphi oracle: the CIA and its allied think tanks. Instead of warning against hubris, they encouraged the neocon dream that attacking Russia and China would consolidate U.S. control of the world economy, achieving the End of History.

Having organized a coup d'état in Ukraine in 2014, the United States sent its NATO proxy army eastward, giving weapons to Ukraine to fight an ethnic war against its Russian-speaking population and turn Russia's Crimean naval base into a NATO fortress. **This Croesus-level ambition aimed at drawing Russia into combat and depleting its ability to defend itself, wrecking its economy in the process and destroying its ability to provide military support to China and other countries targeted for seeking self-dependency as an alternative to U.S. hegemony.**

After eight years of provocation, a new military attack on Russian-speaking Ukrainians was conspicuously prepared, ready to drive toward the Russian border in February 2022. Russia protected its fellow Russian-speakers from further ethnic violence by mounting its own Special Military Operation. The United States and its NATO allies immediately seized Russia's foreign-exchange reserves held in Europe and North America, and demanded that all countries impose sanctions against importing Russian energy and grain, hoping that this would crash the ruble's exchange rate. **The Delphic State Department expected that this would cause Russian consumers to revolt and**

overthrow Vladimir Putin's government, enabling U.S. maneuvering to install a client oligarchy like the one it had nurtured in the 1990s under President Yeltsin.

A byproduct of this confrontation with Russia has been to lock in America's control over its Western European satellites. The aim of this intra-NATO jockeying was to foreclose Europe's dream of profiting from closer trade and investment relations with Russia by exchanging its industrial manufactures for Russian raw materials. The United States derailed that prospect by blowing up the Nord Stream gas pipelines, cutting off Germany and other countries from access to low-priced Russian gas. That left Europe's leading economy dependent on higher-cost U.S. Liquefied Natural Gas (LNG).

In addition to having to subsidize domestic European gas to prevent widespread insolvency, a large proportion of German Leopard tanks, U.S. Patriot missiles and other NATO "wonder weapons" are being destroyed in combat against the Russian army. It has become clear that the U.S. strategy is not simply to "fight to the last Ukrainian," but to fight to the last tank, missile and other weapon being deleted from NATO stocks.

This depletion of NATO's arms was expected to create a vast replacement market to enrich America's military-industrial complex. Its NATO customers are being told to increase their military spending to 3 or even 4 percent of GDP. But the weak performance of U.S. and German arms on the Ukrainian battlefield may have crashed this dream, while Europe's economies are sinking into depression.

And with Germany's industrial economy deranged by the severing of its trade with Russia, German Finance Minister Christian Lindner told the *Die Welt* newspaper on June 16, 2023 that his country cannot afford to pay more money into the European Union budget, to which it has long been the largest contributor.

Without German exports supporting the euro's exchange rate, the currency will come under pressure against the dollar as Europe buys LNG and NATO replenishes its depleted weaponry stocks by buying new arms from America. A lower exchange rate will squeeze the purchasing power of European labor, while lowering social spending to pay for rearmament and provide gas subsidies is plunging the continent into a depression.

A nationalist reaction against U.S. dominance is rising throughout European politics, and instead of America locking in its control over European policy, the United States may end up losing – not only in Europe but most crucially throughout the Global South. Instead of turning Russia's "ruble to rubble" as President Biden promised, Russia's balance of trade has soared and its gold supply has increased. So have the gold holdings of other countries whose governments are now aiming to de-dollarize their economies.

It is American diplomacy that is driving Eurasia and the Global South out of the U.S. orbit. America's hubristic drive for unipolar world dominance could only have been dismantled so rapidly from within.

The Biden-Blinken-Nuland administration has done what neither Vladimir Putin nor Chinese President Xi could have hoped to achieve in so short a period. Neither was prepared to throw down the gauntlet and create an alternative to the U.S.-centered world order. **But U.S. sanctions against Russia, Iran, Venezuela and China have had the effect of protective tariff barriers to force self-sufficiency in what EU diplomat Josep Borrell calls the world "jungle" outside of the US/NATO "garden."**

Although the Global South and other countries have been complaining about U.S. dominance ever since the Bandung Conference of Non-Aligned Nations in 1955, they have lacked a critical mass to create a viable alternative. **But their attention has now been focused by the U.S. confiscation of Russia's official dollar reserves in NATO countries. That dispelled the thought of the dollar as a safe vehicle in which to hold international savings. The Bank of England's earlier seizure of Venezuela's gold reserves kept in London – promising to donate them to whatever unelected opponents of its socialist regime U.S. diplomats designate – shows how sterling and the euro as well as the dollar have been weaponized.** And by the way, what ever happened to Libya's gold reserves?

American diplomats avoid thinking about this scenario. They rely to the one unique advantage the United States has to offer. It may refrain from bombing them, from staging a color revolution to "Pinochet" them by the National Endowment for Democracy, or install a new "Yeltsin" giving the economy away to a client oligarchy.

But refraining from such behavior is all that America can offer. It has de-industrialized its own economy, and its idea of foreign investment is to carve out monopoly-rent seeking opportunities by concentrating technological monopolies and control of oil and grain trade in U.S. hands, as if this is economic efficiency, not rent-seeking.

What has occurred is a change in consciousness. We are seeing the Global Majority trying to create an independent and peacefully negotiated choice as to just what kind of an international order they want. Their aim is not merely to create alternatives to the use of dollars, but an entire new set of institutional alternatives to the IMF and World Bank, the SWIFT bank clearing system, the International Criminal Court and the entire array of institutions that U.S. diplomats have hijacked from the United Nations.

The upshot will be civilizational in scope. We are seeing not the End of History but a fresh alternative to U.S.-centered neoliberal finance capitalism and its junk economics of privatization, class war against labour, and the idea that money and credit should be privatized in the hands of a narrow financial class instead of being a public utility to finance economic needs and rising living standards.

The irony is that America's historical role has been that although it itself was not able to lead the world forward along these lines, its attempts to lock the world into an antithetical imperial system by conquering Russia on the plains of Ukraine and trying to isolate China's technology from breaking the U.S. attempt at IT monopoly have been the great catalysts pushing the global majority along these lines.