

US Economy – Surprisingly Resilient or Potemkin Village?

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An interview with Prof Michael Hudson

For today's episode, we want to talk about what's going on in the US economy. Because when you look at the discussion that's going on, you see a lot of contradictory narratives. On the one hand, you have people like Bank of America's CEO Brian Moynihan, who said on Sunday that the country may face a mild recession later this year. You see a lot of major CEOs making similar predictions. By contrast, the Biden administration and much of the US mainstream media are insisting that the US economy is showing extraordinary resilience. So, Michael, I want to ask you, what is your analysis on the current state of the US economy?

It looks very bad. It never really recovered from the Obama depression that begun in 2009 when the banks were bailed out and all of the debts were kept on the book. The debt has been growing very rapidly because of the Federal Reserve's 14 years of zero interest rates that flooded the economy with money, which means debt, to try to prop up the stock market and the real estate market. The debt has grown much higher than it was way back in 2008, when you had the junk mortgage crisis. The arrears and defaults are rising for student loans, for automobile loans, for credit card loans. Commercial property is not only defaulting, but large companies are simply walking away from their office buildings. Many banks are in the same position that Silicon Valley Bank was in. There's almost a negative equity because the mortgage holdings and their long-term bond holdings market value has gone way down below what they owe their depositors. As long as depositors don't take their money out, banks don't have to report how much they've lost and how much their acquisition price of mortgages and stocks exceeds the actual market price today. But Americans are pulling their money out of banks because banks don't pay very much interest. When you have the government paying 4 to 5% on your money, why would you leave your money in banks that are paying maybe 0.2%? But as banks try to prevent the withdrawals, they're raising the rates they pay depositors and all of a sudden their earnings are way down. So the economy is being squeezed financially.

So, I just want to try and clarify this for our readers. In 2008, you had the big housing bubble explode. Based on what you're telling me right now, this time around, we have multiple bubbles and multiple industries starting to come apart at the seams right now.

Yes, that's one way to put it. There's not the fraud that there was in 2008. That was really a bank fraud crisis, which is why they called it 'junk mortgages' and why they coined new terms for the English language like 'NINJA', meaning 'no income, no job, no assets'. We all know that the government can pay its bills. And we know that for home mortgages, the real estate prices have gone way

up, that's squeezing labor, and that they can pay the banks. But the problem is that with the interest rates all of a sudden going way up, the higher the interest rate is, the lower the market value of an asset, a bond or a stock or a real estate mortgage is. What you're having now is just mismanagement by the Federal Reserve.

I guess that really does beg the question because as I mentioned in my first question, the Biden administration says that the US economy is showing incredible resilience. They say that, "Look at the job numbers. We are creating so many new employment opportunities. We're bringing jobs back to America." What do you think they're getting wrong? Why aren't things as good as they say they are?

Well, let's look at what they're getting right here. Just in the agreement Biden made with the Republicans the other day, he said 'We're not going to give Medicaid and social support to mothers with children and poor people unless they actually get a job for their food stamps.' If you take the poor, homelessness is rising in American cities — here in New York, it's way up in San Francisco. Biden says unless these poor single mothers and poor people who get food stamps register for a job, then we're cutting off the food stamps and we're going to starve them to go back to work. So they're forced to go back to work just as a result of cutting back all of the social support system. America is the only industrial country that doesn't feed starving mothers and other starving poor and doesn't give support to the people who are being dislocated so much. So, yes, there's a kind of desperate going back to work, but it's not at high wages particularly, and it's not a job that people want. And if you look at what they're working at, they're not working at jobs that actually contribute to an economic surplus. That's the problem. A lot of them are in the military industrial complex. A lot of them are going back to work in restaurants. Now that the government says 'COVID is just like having a cold, we're not recognizing COVID anymore'. The CDC is not producing figures on COVID. So right now, here in New York and across the country, people are going back to the movie theaters, they're going back to restaurants and they're getting COVID, but it's not being reported. Excess deaths are being reported, but they're not being attributed to COVID. So, you all of a sudden have a reopening of the economy that was closed to protect the population that had COVID. And now America said, "Well, we don't want to lose any more economic activity. Let's just say COVID is over and let the people get COVID. As long as they go back to work." So, yes, they're going back to work, but they're getting COVID and about one out of every ten people who get COVID have long-term COVID, and that's causing another real long-term problem.

I want to touch a bit more on an idea that you mentioned that a lot of the jobs that are being created are in sectors like the military industrial complex, which are not necessarily the most economically productive sectors. Could you elaborate on that idea? Where are we seeing the job growth and to what extent are these sectors conducive to long-term economic growth and development?

It's hard to see exactly what the composition of the labor force [is] right now, but it's not in industry and manufacturing. America's already moved its manufacturing and industrial base off offshore. So, yes, some of them are in military. And what the military industrial complex produces is campaign contributions for the congressmen who are supporting the NATO's war in the Ukraine and the China Sea, but there's not really much activity of the kind that made America strong in the early 20th century. It's not really industrial activity. There is a construction uptick. I'd say it's construction and public entertainment, restaurants, contact with people, the sectors that were closed down during COVID.

How is that possible since Biden has touted reshoring as one of the central platforms of his presidency? He says, "We're going to bring jobs back to America. We're going to be manufacturing semiconductors, microchips and other strategically important technologies here at home." Isn't that supposed to be happening right now?

You can't just go out on the street and hire people to make microchips. I think there's a new factory being made for them that cost over \$10 billion. And that factory by a Taiwanese microchip company is going to take quite a few years to make. There's no way that America can become an industrial power again. There is no way that it can restore its industry unless it writes down the enormous amount of debt and housing prices and medical insurance that the American wage earner asked to make. Just imagine this. If you were to give wage earners everything they buy at the stores for nothing, give them all the food, all the clothing, all of the transportation, everything they need. They still couldn't compete with foreign workers because they have to pay so much money on debt service, on housing, which takes between 30 and 40% of their income. They have to have medical care. That's 18% of America's GDP, higher than any other country. So the money that is paid to the financial, insurance and real estate sector in America is so large that there's no way that America can be competitive with other countries. So, what the Biden administration is trying to do is saying, "Well, okay, I understand that we can't compete on prices. I understand that our labor cannot compete with foreign labor anywhere near it, but if we can militarily tell everybody not to go China, Russia, India, Asia and other countries what they need to make wafers, chips, and information technology, then they'll have to buy everything here from high cost. We can charge monopoly prices and our prices will be so high that we can basically impoverish the rest of the world by controlling everything that they really need to work. We can control their energy, we can control their oil, we can control their computers by sanctions against China, Russia, Iran, Venezuela, any country that does not agree to let us control their economy and buy control of it." Any country that doesn't agree to let America produce all of the monopoly goods that are most profitable, will be treated like we've treated Ukraine."

You know, this is fascinating because when we generally talk about sanctions, we think of them first and foremost as geopolitical pulls of pressure. That the United States uses sanctions as an alternative to military force. But what I'm hearing from you is that for the United States

sanctions has not only become a political tool, but an economic necessity as well.

Well, that's what the sanctions are. They're intended to be an economic tool of coercion. Sanctions are a form of coercion, saying, "If you can depend on us for your food, for your oil, and we can turn off your oil, then you'll be freezing in the dark. If we can block food to you, then you can't afford to eat. If we can get you high enough and debt to us that all of your export surplus has to go to paying the money that the IMF and the World Bank and other foreigners have lent you, then you're totally dependent on [us]." And that's what America's strategy is — to make other countries dependent on it so that they don't have a choice. For America, a free market is to take away the economic freedom of every other country and make that freedom completely dependent on the US. The United States wants to have the freedom to tell other countries what to buy, what to produce, what to import, what not to export. It's a one sided asymmetrical freedom, and it has nothing to do with the 'free market' part of talk that you hear out of the speechwriters for Mr. Biden.

I mean, that's the goal, right? But, I'm recording this from Moscow, Russia, and since the start of the Ukraine conflict, I've had an opportunity to travel to several different cities across Russia. I have to admit, I'm pretty surprised by how little life has changed in Russia as a result of sanctions. I had an opportunity to talk to business people in different industries and they're also pretty surprised at how quickly Russian economy has adapted to sanctions. So I guess from your point of view, are sanctions still the effective tool that it once was or has it lost its edge?

Oh, sanctions have been very, very effective, but I think you've got the players wrong. The sanctions were against Europe, not against Russia. The United States calculated two years ago that it cannot compete with Eurasia. It's losing. It knows that it's lost the long-term fight for not only dominance, but the long-term fight to be a major player. So it says, "What can we do? We know that we cannot compete with Eurasia, with China, Russia, Iran and the rest, but the one thing we can do is [to] lock in American prosperity by making Western Europe and the English speaking countries, Australia and New Zealand, completely dependent on us." The sanctions are to lock in European and English-speaking dependency on the US. Russia is just a side beneficiary. The sanctions have done for Russia what our protective tariffs did for the American economy in the 19th century. The sanctions have obliged Russia to become self-sufficient in food production, manufacturing production and consumer goods. The sanctions have helped Russia rebuild its industry and cured it of the neoliberal sort of junk economics that the Americans sponsored in the 1990s. The sanctions have helped Russia and China not hurt it, but they've made Europe totally dependent on the United States. This whole NATO war is a war to make the NATO countries subservient. It's to recolonize Europe. That's what it is. Not to hurt Russia and China.

You provided a really in-depth analysis of Russia, but could you elaborate a little bit more on China? What do you think has been the effect of Trump's trade war and more recently, Biden's various tax restrictions

against the Chinese economy. Will this hurt Beijing or actually empower Beijing?

Well, China has a great benefit that the Western countries don't — it treats money as a public utility. Its banking is a state bank, not a private banking system. In America, the private banks lend money to the financial sector to make money in the stock market, in the bond market by buying stocks and bonds already issued, and in the real estate market by buying homes and commercial real estate that's been built long ago. Banks in the West do not lend money to build factories or machinery. They don't lend money to set up business. They leave that to the stock market, basically, but not the banks. China uses its Bank of China, its government central bank, to actually spend money and provide credit to the real economy, to build new real estate, to finance new industrial producers, new manufacturing facilities. That's the great advantage of China. To the extent that America tries to produce sanctions on China, the effect will be the same as producing sanctions on any other country. They'll force the country being sanctioned to replace imports with its domestic production to do import substitution. You can be sure that that's what China is doing right now, especially with the information technology that America is concentrating its sanctions on. If you look at the number of patents that are made in information technology, China's way ahead of every other country in this. They're producing an enormous educated engineering class that is not being produced in the United States or the West. If you are a leading student and you want to make money in the West, you'll go into finance. And finance has the effect of destroying industry, not helping it. Whereas China is sending its graduates into engineering and the computer technology and the science primarily not into making money by financial maneuvering and getting the rest of the economy into debt to yourself.

Michael, I want to return to the issue of the US debt, because a debt ceiling deal was recently adopted after weeks of very tense negotiations. There were fears of a default. Everyone was panicking, but now it seems like things have calmed down. Do you expect the debt ceiling deal to help stabilize the American economy or will it only make things worse in the long-run?

The intention was to make things worse. There was never any debt crisis at all. The government could have simply continued to pay its bills for projects that Congress had already approved. There is no way that the government was going to default on its Treasury debt because, after all, the Treasury debt is held by the wealthiest 10% and the government is not going to do anything that hurts the 10% and benefits the 90%. The Biden is sort of the anti-Roosevelt. Ninety years ago, when Roosevelt wanted to introduce productive social policies, he went to the left wing groups in the Democratic Party and said, "Make me do this, make me do all of the public reforms that I'm putting in the New Deal." And they did. Well, Biden met in January with the Republicans that were coming in and he said, "Look, we're all in agreement. We want to cut wages. We want to break labor unions. We want to help the oil industry and just ignore all of the environmentalism. Most of all, we want to help Wall Street and that 10%, but make me do it. You'll need to have a crisis so people think that I really have to

produce a Republican program because, after all, I'm a Republican. I'm from Delaware and Delaware is the state where most corporations in America have their head offices because the Delaware rules are so pro-corporate and anti-labor that corporations want to be there." So Biden said, "Okay, because I'm a Democrat, I can't come out with anti-labor anti-economic-growth policies, but if you can force me to do it and we can pretend that there's a government debt limit, even though there really isn't an effective one, then we can orchestrate it over television and we'll make it for a couple of weeks. It'll be like you're watching a wrestling match, a good guy and the bad guy. We can say, 'How on earth can America pay its debts?' And we can somehow say, 'Yes, the problem solved.'" We have canceled the Medicaid support for the poor. We've given the go ahead to the oil industry to drill on public lands. We've cut back on social programs. And then, of course, the day after the debt agreement adopted, you had the Senator from Maine, Susan Collins, say, "Well, now that we've balanced the budget, made a debt limit for this, we have to realize the war in Ukraine requires us to vastly increase the military budget because there are no more tanks and all the tanks and the armaments and the airplanes have been all used up in Ukraine. We have to vastly increase the military budget and because we've agreed on a spending limit, we've got to cut back the social programs that we've just cut back, and cut them back even more." So, what you're seeing is right now the class war is back in business in the United States. This is class war with a vengeance. You're seeing labor being squeezed without really much to do. Local city and urban budgets are being squeezed throughout the country. That's one of the big problems, the budgetary squeeze. You're having the banks being squeezed by the defaults on commercial real estate that they're exposed to, and the rising defaults on the personal debts that I mentioned before that they're exposed to. So, the economy is really in trouble. And when you have a crisis like this, fortunes are made from other people's distress. You're going to see a huge sucking up of money from the 90% of the population to the richest financial 10%. That's really what was orchestrated in the last weeks docudrama over the pretense that America might not have paid its Treasury bills.

You know, it's quite interesting because I'm old enough to remember Obama-Biden back in 2008-2012, and they were talking about that, "we as Democrats support a redistribution of wealth. And at the time, it was assumed that this redistribution of wealth would be from upper income to lower income brackets. But now it seems that the redistribution of wealth is going the other way around, taking from the poor to give to the rich.

That's what politics is all about in America. You can look at the donors. If you look at the donor class, who are the donors? The donors are the wealthy, the beneficiaries of government policy.

But if we take a look at the national debt, for example, the US federal government budget deficit hit \$1.1 trillion in the first half of this fiscal year. The Congressional Budget Office predicts that this problem is only going to get worse over the next decade as interest rates go up. I guess this begs the question: how sustainable is the US federal deficit and how

much longer can the US keep up the seemingly unlimited spending that we've become accustomed to?

To an infinite amount as long as the debt is in its own currency, and as long as you print the currency, you can print however much you want. You'll never default because you can just create the credit. That's what the Federal Reserve did with its zero interest rate policy. It distorts the economy, and the economy can shrink and be torn apart, but the government can always pay its debt by simply printing the money. The problem that is tearing the American economy apart is not the government debt — it's the private debt that is leading to a default. When you default on your debt, you forfeit your property to the creditors. So, what you're seeing now is a large scale transfer of property, a transfer of real estate, a transfer of cars that people had bought, but couldn't keep up the payments on, a transfer of income from the 90% to the 10%. That's private debt. That's where the real problem is. And as long as the television programs can keep talking about the government debt, not the private debt, people are somehow not going to see that the problem that is tearing their own personal life apart is actually the problem that's tearing the whole American economy apart.

So would you say that the government debt is not a problem and that Americans shouldn't really worry about that?

That's right. It's all just a made up. When they talk about cutting back the government debt, what they mean is cutting back social services. They would like to do what Biden and Obama wanted to do after 2009. They want to cut back Social Security. They want to privatize it as if that will somehow solve the problem. They want to cut back medical care. They want to cut back most social programs so that the money that the government does spend will be exclusively to support the financial sector, the military sector, the insurance sector, and the real estate sector. That's where the property owning classes, the 'rentier economy', the rent recipients who make money from stocks and bonds and real estate and monopolies. The government will help the top 1% at the cost of the 99%, but it need to pretend that it's forced to do this because there's a government deficit. The only government spending they really want to cut back of the spending on the 90%. They want to cut back Social Security, Medicare, local social spending, support for local cities and states. Everything that made America more democratic and strong in the past.

But how much longer can the US just keep printing money in order to service this government deficits? Is this really sustainable indefinitely?

Well, what usually stops a situation like that is a political revolution. The answer is it's sustainable until people fight back, until there is a revolution. But as long as you have a political system where you have only two parties that are really the same party, and as long as you have the Democrats as the only alternative to the Republican Party, it can go on indefinitely because people will not have a political alternative to vote for. There is no alternative. You're going to have elections bouncing back and forth, from Republicans to Democrats to back. And yet neither of them are an alternative to the whole financialization of the

economy that's been taking place really since World War Two and especially since the 1980s. So, America is ending up looking like England under Margaret Thatcher and even worse, Labor Party that followed her.

And why is financialization of the economy a bad thing? I'm in Russia but I was born and raised in the United States. I remember all my teachers at school were telling us students — and we asked them, “Why are all these factories going to China? Isn't that a bad thing? Isn't that bad for the US economically in the long-run?” And they told us, “No, you're too young. You don't understand. They're taking that blue collar jobs while we're getting to more advanced white collar jobs in finance and technology.” What's the problem with that sort of model? Why can't the United States just have an economy that's built mostly on white collar professionals and offices?

Finance is really not part of the economy. There are two economies in every country. You have the production and consumption economy, which often people call the 'real economy', making things and selling them and using them, and you have the financial sector that provides credit for this. The financial sector lives in the short run. How can we make money over the next three months or over the next year? The financial managers make money according to how much they can push up the stock of their company, the share price of their stocks. You can push up in the short run the shares of your stocks by not investing, but by using your profits to pay out the dividends, which will push up the share price. Or just simply use the profits to buy your shares. That'll push up the share price. Or go out and borrow money. You could do that for the last 14 years. Borrow money at 1% and buy your shares that are yielding more, and that'll push up the price. So if your idea of getting wealthy is what's the market price of your houses and your stocks and bonds, then America was getting richer financially, but it wasn't getting richer for the real economy. Real wages were not going up. You've had an enormous increase in the wealth of stocks and bonds and owned by the wealthiest 10%, but the 90% of the population owned maybe 10% of the stocks and bonds, and they're dependent on working for a living and getting a paycheck. Their living standards have not gone up. Their working conditions have gone way down and become a much more tightened and unpleasant, quite frankly. So, there's a confusion about whether you are going to think of the economy as Wall Street and making money on stocks and bonds and lending money to real estate, or are you going to think of an economy employing workers and rising living standards, that kind of growth? What is your idea of what an economy is all about? Well, 80% of bank loans in America are mortgage loans, and most layered house is already built. The effect of more mortgage lending is to push up the price of housing. So, the people who are making the loans and the new absentee real estate companies are getting rich. But when housing prices go up, that means that wage earners have to pay higher and higher proportions of their wages to pay their rent and to take out a mortgage and buy their house. And as long as more and more personal income is spent on housing or medical care or retirement pension income, then they're going to have less and less to spend on goods and services. If you say “forget goods and services, we'll have China and Asia and the foreigners produce them,” then all you really have is a hollowed out, empty

economy. The policy of the Democrats and the Republicans is to empty out the American economy. That's why COVID is such a godsend to the Democrats. They're just saying, "Take off your masks. It's just like a cold. Forget the long COVID. Forget the increasing debt rate." America is the country where the life spans are shortening more than any other country in the world. They know that that's happening. That's happening because of the policies that they're producing. That's the idea of equilibrium. To have equilibrium, you have to make American wages go down even more below the reproduction rate. You have to have a shrinkage of population throughout the United States, that's their idea of equilibrium and their definition of equilibrium is how can the debts be paid? Well, if that's your equilibrium, the debts can only be paid, as they grow exponentially, by consuming less and less, by living standards going down and down, by real wages going down and down, by social services being cut back more and more, by social security and Medicare being cut back more and more. That's the program of both American political parties.

Michael, I want to talk to you about the US dollar, because over the past year we see more and more countries start to trade with alternative currency in the trade settlements. And we are also seeing ever greater talk about establishing a BRICS currency or some other alternative as a competitor to the US dollar. What is your assessment of the current state of the US dollar? What's going on here? Why are so many countries looking for options to dump the dollar?

Well, for the last year and a half, America has said, "if other countries hold their dollars and European banks or American banks and they do something that we don't like, we have a right to grab all of their dollars and simply take them". For instance, Venezuela wanted to have a socialist government. So the America told England, "Take all of Venezuela's gold and seize it, and we will designate somebody we think should be president of Venezuela, Mr. Grito, or Guaido. And so Venezuela lost its gold supply. A year ago February, America simply grabbed all of Russia's savings in the West. Americans told, "China, Iran, other countries, if you don't impose the sanctions against Russia and China, if you don't commit economic suicide by letting America colonize you financially, we will just grab all of your money. Everything's fair play. You're holding dollars. We get to grab it." So they've told the whole world that the dollar is no longer safe. The dollar is now a political currency. And other countries look at the statistics and they realize that, how are these dollars being pumped into the world economy? Ever since the Korean War, the major factor in the American balance of payments deficit that sent dollars abroad has been military spending. So when other countries keep their foreign exchange reserves in dollars, Europe, Russia, China, then by holding the dollars, they hold these dollars safely in Treasury securities. Buying the Treasury Security has been the way of funding America's 800 military bases surrounding them. So foreign countries have paid for America to surround them with military bases and to fund America's military, because the dollars that are in the world are the monetization of American military spending. That's what my book *Super Imperialism* was all about. And this was a very conscious policy by the United States, by the Defense Department. I had many meetings with the State Department, the Defense Department way back right after America went on gold. And they were very

clear that, “yes, as long as we can have other countries holding their reserves in dollars, not in gold, not in any alternative to the dollar, then we can spend all the money we want militarily and they will not dare fight against us.” So other countries now decide, “wait a minute, we’re saying what NATO’s doing in Ukraine, fighting to the last Ukrainian. We see that they’re now trying to get Taiwan, they would like Taiwan to fight to the last Taiwanese. They’d like to promote military instability all over.” So they’re bailing out of the dollar. How do they do this? How do they finance their trade? Well, Saudi Arabia and China sat down and said, well, most of our trade really is with each other. Saudi Arabia has been buying American military goods, but then it realizes that America can simply stop giving them spare parts and repairing their goods so Saudi Arabia and China are dealing in their own currencies now with currency swaps and the BRICS countries Russia, China, Iran, other countries, they’re all putting in place currency swaps to deal in their own currencies for trade amongst themselves. Well, so far, these are only bilateral deals because there isn’t really a common alternative currency. In order to make an alternative currency beyond merely holding each other’s currency, you would have to have an alternative to the International Monetary Fund. And that’s what Lula was talking about when he went to Asia. How do we make a common a common alternative bank? Well, the problem with an alternative bank is [that] you need its members to agree on who gets the credits. The idea is to make something like what John Maynard Keynes proposed way back in 1944, a bank that would create paper gold, artificial money, and essentially give it to various countries. The kind of special money that this bank would create isn’t the kind of money that you spend at the grocery store. It’s not money that would spend domestically. It’s money to do what gold does. And that is only subtle balance of payments deficits among central banks. That’s what gold is now. Before you had the dollar standard or Treasury bills standard in 1971, when countries would run a balance of payments deficit, they’d have to pay in gold. So every month during the Vietnam War, the soldiers and the army would spend money in Vietnam, in Southeast Asia, that used to be part of the French colonial empire. The banks were mainly French. The banks would send the dollars that were spent to the central bank in Paris. And General de Gaulle would take these dollars and would say, okay, here are the dollars we have. Give us your gold at \$35 an ounce. And that was how America’s gold stock was going way down. It’s spending abroad, not only France was getting gold, but Germany was getting gold by export, running a trade surplus and cashing its surplus into gold. So you’re seeing right now other countries and running instead of getting more dollars as they run the balance of payments surplus, they’re buying gold and they’re buying each other’s currencies. It’s going to be a while before there can be a real BRICS bank, because you’re going to have to have a political agreement among a large group of countries over what kind of money is really going to be created, how are we going to create and allocate this paper gold among countries that can be used among ourselves? That is still being discussed. But when it is finished being discussed, people will not have to deal with dollars at all anymore. And in fact, of their trade with the United States, they can say, well, if you want to buy something from China, you pay in our currency. We’re not going to cut back our spending on the United States. And all of a sudden, if the United States is unable to have other people keep their savings in dollars, meaning buying Treasury securities, then how are they going to pay the international balance of

payments cost of their military spending? They won't be able to spend militarily abroad. The only way they can do it is drastically cut back imports in the America. And to do that, you have to cut wage rates by 20%. You have to make the American labor force the poorest labor force in the West so that all of the balance of payments, money that's spent, is not on buying goods and services to consume, but only for military spending. That is the Cold War and the American wage earning class and the labor unions are committing labor suicide by not realizing that, if you refocus your balance of payments away from industry and towards military, that it's the consumers and the wage earners that have to suffer. And of course, if the wage earners and the domestic market really has its wages go down, why would anyone invest in the United States if no workers can afford to buy the products that they produce and other countries are buying product from each other, not from the United States? That's what the future is looking like for the US economy.

You provided a very in-depth, comprehensive look of how dollarization is happening and why it's happening. But I want to play devil's advocate for a moment, because the argument that you hear from mainstream economists like Paul Krugman in The New York Times and other mainstream outlets is that although there is some incentive for countries to move away from the dollar, there isn't really a viable alternative at the moment, and that the countries of BRICS that, although they may have a common interest in forming a BRICS currency, an alternative to the dollar, these economies are too different too varied in order to be able to join forces and form their own alternative currency. What do you say to that? How serious are the obstacles to de-dollarization? Can they be overcome?

Well, let's look at what happened with Colonel Gaddafi, the head of Libya. Gaddafi said we want a gold based currency for Africa. And so instead of holding dollars, he bought gold. So NATO bombed the country to smithereens, caught Colonel Gaddafi, tortured him to death and grabbed the gold from the central bank and nobody knows where it disappeared to. But it seems to have disappeared into the State Department to play dirty tricks throughout the world. So Krugman advocates militarily forcing and destroying any country that wants an alternative to the dollar. He's a hawk and basically says, "do it by force". And in his notorious article in The New York Times, he said, "Well, everybody is so used to dealing the dollar, they can't find an alternative." Well, almost everybody with a broader mind can find an alternative. But if you can have the other central bankers think in the tunnel vision that Mr. Krugman was educated in and share this tunnel vision to say there is no alternative to the dollar, then they're not going to think of how to make an alternative to the dollar. Well, most of my books are all about how to make an alternative to the dollar and the interviews that I'm doing, and my colleagues and I are spending our full time writing. We write for the Valdai Club in Russia. I write for the Chinese Academy of Social Sciences. We're writing for other countries to help create an alternative to the dollar because we don't want to see the world militarized in the way that the US is militarizing it. We want to see a resumption of the economic potential that the world seemed to have leading up to World War One before the whole economy got derailed a century ago.

So, de-dollarization is possible. It's mainly a question of political will. Whether the countries interested in the process are willing to undertake the necessary policy changes in order to make it a reality.

This is exactly right. And this is why the United States spends so much money on non-governmental organizations and think tanks in Europe, Russia, China, the Near East, all to try to prevent, to say it's impossible to have an alternative to the US dollar. It's impossible to change the world. Let's just keep doing what we're doing now and to promote people who are very loyal to the United States, like the politicians who are in charge of Europe, von der Leyen, to promote 'IMF thinking' where, if countries can't repay their foreign debt, they have to impose austerity and lower their wage levels and devalue the currency, meaning the price of that their labor exchange's for. The United States is about to do to itself what it's been doing through the IMF to third world countries and Global South countries. It's going to devalue the dollar, going down. And when the dollar goes down in price against the other currencies that are not waging war and spending their money abroad, then it'll take more and more dollars to buy the imported consumer goods that you're now buying from China or other Asian countries. You're going to have the prices going way, way up in the United States without wages going up, and you're going to have a wage squeeze, and that's going to lead to even more debt defaults than you're having now. So the result of lowering income for the United States when people already are spending almost all their income just to break even, just to meet their basic needs. Well, what you're going to have is more defaults and a forfeiture of property and the degree of economic polarization in the United States, the inequality of wealth and income is going to widen even more than the amazing degree that it's widened since the 2009.

Does the Biden administration really have any instruments at its disposal other than direct military intervention to try and stop the process of de-dollarization?

No, that's all that America has now. It's muscle-bound because for years America has put all of its money into atomic war. So America can't reintroduce a draft and have an army invading another country because you'd have student protests like you had in the Vietnam War. So all that America really has to fight with militarily is atom bombs. Unless it can get other countries to commit suicide, like the Ukrainians are doing after the American coup d'etat of 2015. But it looks like it's going to have difficulty having other countries follow Ukraine. And I don't see the Taiwanese doing this, only the Japanese might be willing to do this.

You know, I think we have time for one more question. And over the course of this interview, one thing that you've really hammered home is that over the past several decades, and especially over the past ten years, since the 2008 crash, we've seen the US slowly transform into a financial oligarchy with massive amounts of debt. Now, I'm sure this is not the first case in history where we've seen the emergence of such a society. What does history tell us about the dangers of becoming so reliant on debt and giving political power over to a select few financial oligarchs?

Well, I've just written a whole book about how this occurred in ancient Roman Greece, *The Collapse of Antiquity*. You had the oligarchy reduced the rest of the population into debt, and as a result, the Roman citizens lost their land to the creditors, and the land was all concentrated in the hands of a creditor class. They got poorer and poorer and ended up in the Dark Ages. That's the result. There were five centuries of attempted revolution in classical Greece and classical Rome and my book outlines how the common demand of the people in Roman Greece was number one, cancel the debts and free the bondservants, the people who have to work off the debts forever to their creditors, and redistribute the land. Everybody should have a right to housing. Housing should be a basic need and the means of self-support. Well, in antiquity, housing meant your own land where you could feed yourself, grow your own crops, and become self-sufficient. The revolution failed and when a revolution fails, you have the Dark Ages. That's what made Western civilization different from everything that went before. Throughout the whole rest of the Near East and Asia, there were regular debt cancellations, but these were not oligarchies. You had the Near East and Asia run, essentially, there was always a king or someone like a king, and his role was to prevent an oligarchy from developing. Because if an oligarchy developed, then instead of labor being able to fight in the army to defend itself, they'd be working on the land of the oligarch. And instead of paying taxes on the grain that they would produce and sell when the harvest was end, they would pay debt service and the state wouldn't have any tax money anymore, any revenue. If the labor were owned of the oligarchy, they wouldn't be available to build public infrastructure, to build roads and irrigation dikes and walls and palaces and temples. So what you're seeing today have been happening for thousands of years, and there are plenty of examples throughout history of where other countries have done just what the United States has done. If they didn't have a debt cancellation and, it usually takes a revolution, if the revolution fails, there is a dark age.

You know, ancient Rome was temporarily saved by Julius Caesar and Augustus Caesar. Do you see an 'American Caesar' on the horizon who could potentially take control, rid the country of oligarchs, and give it a chance of second life?

Well, Caesar was assassinated because the Senate said, "We're worried he is going to cancel the debts." Rome had just had a whole fight against the advocates of debt cancellation, the Catiline conspiracy. Catiline had mounted a force to try to fight Rome and they were all murdered and Cicero had killed them illegally, for which reason Cicero himself was banned from Rome. But throughout history, the creditors, people who do not work for a living, who are simply inherit their money or have their money by exploiting people, are willing to fight and die for this right to fight for other people. But people actually produce the wealth. The victims are much less willing to fight militarily or by violence. And the first thing that creditors, the ruling class, do is to have a monopoly of violence. You had assassinations every single century in Rome. The advocates of debt cancellation and redistribution of land were assassinated. That's what you seem to be facing in the United States, just as the United States has been assassinating foreign leaders for the last 75 years. African leaders, Latin American leaders, Pinochet, the man coming in and

assassinating Allende. The same thing happened in Africa. Same thing has happened throughout the Near East with Gadhafi. As long as you have America saying, "We know the secret to economic stability, it's assassinating everybody who disagrees with us and who wants independence from the United States." As long as other countries said, "Yes, that's what democracy is, we're for the United States," then they're committing suicide and then their leaders will be killed again and again and again. That's how the world economy is keeping equilibrium today. It's an equilibrium trying to subject the entire world to the Dark age into which Roman Empire itself declined.