**In Quest of a Multipolar Economic World Order**

**With Michael Hudson and Pepe Escobar**

(Transcript)

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Link to the video

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**Ibrahima:** [00:00:00] Good morning or good evening, depending on where you are located and welcome to the Henry George School. My name is Ibrahima Drame and I'm the director of education. It's a great honor to have you with us today for another joint webinar co-organized with the International Union for Land Value Taxation with two great thinkers, Professor Michael Hudson and Pepe Escobar to discuss the emerging economic world order.

I 'd like to, thank Michael and Pepe for accepting to share their ideas with us and my friend Alanna Hartzok co-founder of Earth Rights Institute, who will be moderating the session this morning. So, before I hand it over to Alana, I'd like to ask all attendees to keep muted until we open the Q&A session. And of course, in the meantime, you are free to use the chat and, please do so responsibly. So, Alanna, please go ahead and introduce our speakers.

**Alanna:** [00:00:55] Yes. Happy to do so I'm also an administrator for the International Union for Land Value Taxation, and we are on the web@theiu.org. I'm so delighted to have Michael Hudson and Pepe Escobar join us once again for "In Quest of a Multipolar World Order".

 Michael Hudson is an American economist and professor of economics at the university of Missouri, Kansas City and a researcher at the Levi Economics Institute at Bard college. He's a former Wall Street analyst, political consultant, commentator, and journalist.

He's also teaching at the University for Sustainability in Hong Kong. Michael was the author of *J is for Junk Economics*, *Killing the Host*, *The Bubble and Beyond*, Super Imperialism: the Economic Strategy of American Empire. And he has a new edition of that coming up now. Also, *Trade Development and Foreign Debt*, and *The Myth of Aid,* and others.

Those books have been translated into Japanese, Chinese, German, Spanish, and Russian, and they are very popular in China right now, I might add.

 Pepe Escobar, born in Brazil is a correspondent editor at large at Asia times and columnist for Consortium News and Strategic Culture, Moscow. He has extensively covered Pakistan, Afghanistan, Central Asia, China, Iran, Iraq and the wider Middle East Pepe is the author of *Globalistan: How the Globalized World is Dissolving into Liquid War*, *Red Zone Blues*: *a Snap of Bagdad during the Surge*. He was contributing editor to the Empire and the Crescent. His last two books are *Empire of Chaos* and T*he Raging Twenties: Great Power Rivalry Meets Techno Feudalism*. Pepe is also associated with the Paris based European Academy of geopolitics.

He does have a new book out, *The Raging Twenties*, which is a collection of his excellent essays and articles for the several publications, for which he writes. So, when he's not on the road and covering the New Silk Road, he is living in Sao Paulo, Paris, and most recently in Bangkok. So welcome both of you.

I must say that, for the chat, if you have questions, viewers, listeners, please ask your questions in the chat. And then we will ask them at the end of the conversation between Pepe and Michael. Thank you. Go right ahead.

**Pepe Escobar:** [00:03:38] Michael you want to start?

**Michael Hudson:** [00:03:41] Oh no, I don't know what to talk about.

**Pepe Escobar:** [00:03:44] Come on now you should start. OK, why don't you start with your last revised chapter for *Super Imperialism*.

**Michael Hudson:** [00:03:51] All right. 50 years ago, I wrote *Super Imperialism* about how America dominates the world financially and gets a free ride.

I wrote it, right after America went off gold in 1971, when the Vietnam war – which was responsible for the entire balance-of-payments deficit – forced the country to go off gold. And everybody at that time worried the dollar was going to go down. There'd be hyperinflation. But what happened was something entirely different.

Once there was no gold to settle U.S. balance-of-payments deficits, America's strong armed its allies to invest in US Treasury bonds, because central banks don't buy companies. They don't buy raw materials. All they could buy is other government bonds. So, all of a sudden, the only thing that other people could buy with all the dollars coming in were US Treasury securities. The securities they bought essentially were to finance yet more war making and the balance-of-payments deficit from war and the 800 military bases America has around the world.

The largest customer – I think we discussed this before – was the Defense Department and the CIA. They looked at it as a how-to-do-it book. That was 50 years ago. What I've done is not only re-edit the book and add more information that's come out, but I've summarized how the last 50 years has transformed the world. It's a new *kind* of imperialism. There was still a view, 50 years ago, that imperialism was purely economic, in the sense that there's still a rivalry, for instance, between America and China, or America and Europe and other countries. But I think the world has changed so much in the last 50 years that what we have now is not really so much a conflict between America and China, or America and Russia, but between a financialized economy, run by financial planners allocating resources and government spending and money creation, and an economy run by governments democratic or less democratic, but certainly a mixed economy.

Everything that made industrial capitalism rich, everything that made America so strong on the 19th century, through its protective tariffs, through its public infrastructure investment all the way down through world war two and the aftermath, was that we had a mixed economy in America. Europe also had a mixed economy, and in fact, every economy since Babylon has had a mixed economy.

But in America you've had something entirely different since 1980. Something that was not foreseen by anybody, because it seemed to be so disruptive: namely, the financial sector saying, “We need liberty – for ourselves, from government.” By “liberty” they meant taking planning and subsidy, economic and tax policy, out of the hands of government and put into the hands of Wall Street. The result was libertarianism as a “free market.” In the form of a centralized economy that is concentrated in the hands of the financial centers – Wall Street, the City of London, the Paris Bourse. What you're having today is an attempt by the financial sector to take on the role that the landlord class had in Europe, from feudal times through the 19th century. It's a kind of resurgence of feudalism.

If you look at the last 200 years of economic theory from Adam Smith and Marx, onward, everybody expected a mixed economy to become more and more productive, and to free itself from the landlords – and also to free itself from banking. The expectation was to make land a public utility, the tax base, and to make finance basically something public. Government would decide who gets the funding. Thus, the idea of finance in the public sector was going to be pretty much what it is in China: You create a bank credit in order to finance capital investment in factories. It means the production of machinery, agricultural modernization, transport infrastructure of high-speed trains, ports and all of that.

But in the United States and England, you have finance becoming something completely different. Banks don't lend money to build factories. They don't create money to make means of production. They make money to take over existing assets. Some 80% of bank loans are mortgage loans to transfer the ownership of real estate.

But of course, that's what created a middle class in the United States. The middle class was able to buy its own housing. It didn't have to pay rent to landlords or absentee owners, or to warlords and their descendants as in England and Europe. They could buy their own homes. What nobody realized is that if you borrowed the money to take a mortgage, there’s still an economic rental value. Most of it is no longer paid to the landlords. It's paid to the banks. And so in America and Europe, the banks now play the role that landlords played a hundred years ago.

Just as landlords are trying to do everything they could through the House of Lords in England and the upper houses of government in Europe, they're trying to block any kind of democratic government. The fight really is against government that would do anything that is not controlled by the 1%, and by the banks. Essentially, the merger between Finance, Insurance and Real Estate – the FIRE sector. So, you have a relapse of capitalism in the West back into feudalism, but feudalism with a financialized twist much more than in medieval times.

The fight against China, the fear of China is that you can't do to China what you did to Russia. America would love for there to be a Yeltsin figure in China to say, let's just give all of the railroads that we've built, the high-speed rail, let's give all the factories to individuals and let them run everything. Then Americans will lend them the money or buy them out and thus control them financially. China's not letting that happen. And Russia stopped that from happening. The fury in the West is that the American financial system is unable to take over foreign resources and foreign agriculture. It is left only with military means of grabbing them, as you are seeing in the Near East, and you're seeing in Ukraine right now.

**Pepe Escobar:** [00:10:40] Well, as an introduction, Michael that was perfect, because now, now we have the overall framework, especially geo-economic and historically, at least for the past 70 years. Let's put it this way.

I have a series of questions for you. I was saving one of these for the end, but I think I should start really the Metallica way. Let's go heavy metal for a start, right? So, considering what you describe as a new kind of imperialism, and the fact that this sort of extended free lunch cannot apply anymore because of sovereigns around the world, especially Russia in China. I tried to formulate the idea that there are only three real sovereign powers on the planet, apart from the hegemon: Russia, China and Iran. These three, which happened to be the main hub and the main focus of not only of the New Silk Road but of the Eurasia integration process, are actively working for some sort of change of the rules that predominated for the past 70 years.

So my first question to you would be, do you see any realistic possibility of a Bretton Woods 2.0, which would imply the end of dollar hegemony as we know it? These petrodollar recycling, on and on and on, with the very important presence of that oily hacienda in Saudi Arabia. And do you think this is possible considering that President Putin himself only a few days ago reiterated once again that the US is no longer agreement-capable. That destroys already the possibility of the emergence of the new rules of the game, but do you think this is still realistically possible?

**Michael Hudson:** [00:12:47] I certainly do not see any repetition of a Bretton Woods because as I described in *Super Imperialism*, Bretton Woods was designed to make American control over Britain over Europe total. Bretton Woods was a US-centered system to prevent England from maintaining its empire. That was okay. It also was to prevent France from maintaining its empire, and for America to take over the Sterling Area. The World Bank was to prevent other countries from becoming independent and feeding themselves, to make sure that they supported plantation agriculture, not land reform. The one single fight of the World Bank was to prevent land reform and to make sure that America and other foreign investors would take over the agriculture of these countries.

Very often people think of capitalism, certainly in the sense that Marx described in Volume One, as being limited to the exploitation of wage labor by employers. But capitalism also is an appropriation of the land rent, the agricultural rent, the natural-resource rent, the oil and mineral rent. The idea of Bretton Woods was to make sure that other countries could not impose capital controls to prevent American finance coming in and appropriating their resources. The aim was to make the loans to governments so that they would not create their own money to promote their own social development but would have to borrow from the World Bank and the IMF. That essentially meant borrowing from the Pentagon and the State Department in U S dollars. They would dollarize their economies and the economic surplus would all be sucked abroad. The economic rents from oil, agriculture and mining would all be sucked into the United States.

That kind of Bretton Woods cannot be done again. Since Bretton Woods was an idea of centralizing the world's economic surplus in a single country, the United States, no, that can never be done again.

What is happening? You mentioned the world of a free lunch That's was the theme of my *Super Imperialism*: When America issues dollars, and these end up in central banks, what can these banks do with them? All they really can do is lend them back to the United States Government. So, America got a financial free lunch. It can spend and spend on its military or bump up corporate takeovers of other countries. The dollars have gone out, but foreign countries can’t cash them in for gold. They have nothing to cash them into. All they can do is finance the U S budget deficit by buying more and more Treasury IOUs. These are the liabilities side of the balance sheet of foreign military bases and related operations.

What's is ironic now is what has happened in the last few years in the fight against Russia and China. America has killed the free lunch. It said, okay, now we're going to have sanctions against Russia and China. We're going to grab whatever money you have in foreign banks, like we grabbed Venezuela's money. We're going to excommunicate you from the SWIFT bank clearing system. So, you can't use banking. We're going to put sanctions against banks that deal with you.

So Russia and China have seen that they can't deal with dollars anymore, because the United States just unilaterally rejected their use by any country that does not follow its military and financial diplomacy. If countries do have dollars as reserves and lend them back to the United States, it's going to spend them on building more military bases around Russia and China, to make them waste their money on military defense spending. So, America itself has ended the free lunch, by the way in which it's fighting against China and Russia.

And now Russia and China, as you pointed out, are de-dollarizing. They're trading in each other's currency. They're doing the opposite of what Bretton Woods tried to create. They're inspiring monetary independence from the United States. Bretton Woods sponsors dependence on the United States, a centralized system dependent ultimately on Wall Street financial planners. What China and Russia are trying to create is an economy that's not run by the financial sector, but run by, industrial and economic engineering principles.

At issue is what kind of an economy we need in order to raise living standards and, wages and self-sufficiency and preserve the environment. What is needed for the ideal world that we want? Well, for starters you're going to need a lot of infrastructure. In America and Britain, infrastructure has been privatized. It has to make a profit. And railroads or electric utilities, as you’ve just seen in Texas, are natural monopolies. For 5,000 years, infrastructure in Europe, the Near East and Asia was kept in the public domain. If you give it to private owners, they'll charge a monopoly rent.

China’s idea is to provide the educational system freely and let everybody try to get an education. In America, to get an education you have to go into debt for between $50,000 and $200,000. Most of whatever you make is going to be paid the creditor. But in China, if you give free education, the money that students earn will be spent into the economy, buying the goods and services that they produce. So, the economy will be expanding, not shrinking, not being sucked up into the banks that are financing the education. The same avoidance of privatized financialized or monopolized rent-seeking applies to the railroads, and also to healthcare.

If you provide healthcare freely then employers do not have to pay for it. In the United States, if companies and their employees have to pay for healthcare, this means that employees have to be paid a much higher wage in order to afford the healthcare. They also have to be paid more in order to afford the privatized transportation that gets them work, or auto loans in order to drive to work. Such costs are free or at least subsidized in other countries. Their governments can create their own credit. But in the United States and Europe, governments feel that they have to borrow from the wealthy and pay interest. China’s government doesn’t need to borrow from a wealthy bondholding class. It can simply print the money. That's Modern Monetary Theory. As Donald Trump has explained in the United States, we can print whatever we want. Dick Cheney said that deficits don't matter, because we can just print what we need to invade Iraq or bomb Libya. And of course, Stephanie Kelton and my other colleagues in MMT at Kansas City for many years have been saying that.

The banks fear this because they see that Modern Monetary Theory no longer gives them control. They want the rich One Percent to be able to have a choke point on the economy, so that that people cannot survive without borrowing and paying interest. They want to control the choke points to extract economic rent. So, you have the West turning into a rent-extractive economy, a rent-seeking economy. The ideal of Russia, China, and other countries is that not only of Mar, but also of Adam Smith, John Stuart Mill and even Ricardo in the sense that the aim of classical economics was to free economies from economic rent. The American economy is all about extracting rent through the real estate sector, the financial sector, the health insurance sector, monopolies and the infrastructure sector.

The US economy has been Thatcherized and Reaganized. The result is a fight of rentier economic systems against China and Russia. So, it's not simply a fight between who makes the best computer chips and the best iPhones. It’s over whether we are going to have a fallback of civilization back into feudalism, back into control by a narrow class at the top of the economy – the 1% – or are we going to have democratic industrialization? That used to be called socialism, but it also was called capitalism. Industrial capitalism was evolving toward socialism. It was socialized medicine, socialized infrastructure, socialized schooling. So, the fight against socialism is also a fight against what made industrial capitalism so successful in the United States and Germany.

What you're seeing now is a fight for what direction civilization will follow. You can't have a Bretton Woods for a single worldwide organization, because the United States would never join what it can’t control. The United States accuses a country trying to make its labor force prosperous, educated and healthy instead of sick with shorter lifespans of being communist or socialist. That means independent of the U.S. financialized “Free World” austerity economics.

**Pepe Escobar:** [00:21:40] Well, you put it very starkly. The opposition between two completely different systems, what the Chinese are proposing, including, from productive capitalism to trade and investment all across Eurasia and beyond, including Africa and parts of Latin America as well. Recognizing the *rentier* obsession of the 0.01% that controls the U S financial system, in terms of facts on the ground: Are we going slowly but surely and ominously toward an absolute divorce of a system based on *rentier* ultra-financialization, which is the American system, not productive capitalism at all?

I was going through a small list of what the U S exports. It’s not long, as you know. Agricultural products, always privileging US farmers. Hollywood? We are all hostages of Hollywood all over the world. Pop culture? That's not the pop culture that used to be absolutely impregnable and omniscient during the sixties, the seventies, during the Madonna, Michael Jackson era and in the eighties? Infotech? And that's where a big bet comes in. This is maybe the most important American export at the moment, because American big tech controls social networks all over the planet.

Big pharma? Now we see the power of big pharma with the whole COVID operations, right? But Boeing prefers to invest in financial engineering instead of building decent products. Right? So, in terms of being a major superpower, the hyper power, that's not much. Obviously, buyers all over the world already noticed that. So, what is China proposing in terms of the New Silk Road? It is a foreign policy strategy, a trade investment and sustainable development strategy applied not only to the whole of Eurasia, but beyond Eurasia to grow a great deal of the global South. That's why we have global South partners to the New Silk Road. 130 and counting as we speak. Right?

So, the dichotomy could not be clearer. What will the 0.0 0.1% do? They don't have anything seductive to sell. To all those nations in the global South to start with; the new version of the non-aligned movement, the countries that are already part of New Silk Road projects. We could see this by the end of last year when the China European union agreement was more or less sealed. It's probably going to be sealed in 2021 for good.

At the same time, we had the Regional, Economic and Comprehensive Partnership at the ASEAN 10, my neighbors here, the Association of South East Asian Nations, China, Japan, South Korea, Australia, and New Zealand. So, when you have the China -EU deal, and when you have R C E P, you have China as the number one trade partner on the planet, no competition whatsoever.

Every one of these players wants to do business with China. They're privileging doing business with China to doing business with US, especially with a country that once again, according to President Putin is non-agreement-capable. So, Michael, what is your key economic view of the next steps? Are we going toward the divorce of the American financialization system and the Eurasia-and-beyond integration system?

**Michael Hudson:** [00:25:51] Well, you you've made the whole point clear. There is a basic incompatibility between a *rentier* society controlled by the finance and real estate interests – and military interests – and an industrial democracy. For industry in England and Europe in the 19th century, the fight for democratic reform was to increase the role of the House of Commons against the House of Lords in England and other lower houses in Europe was a fight to get labor on the side of industry to get rid of the landlord class. And it was expected that once you had capitalism free of the landlord class, free of something that wasn't really industrial capitalism at all (it was a carry-over from feudalism), you wouldn't have this overhead of the idle 1%, only consuming resources and going to war.

World War I changed all that. Already in the late 19th century the landlords and the banks fought back. They fought back largely through the Austrian School of individualism and the English marginalists, and they euphemized it as free markets. That slogan meant giving power to the monopolists, to the oppressors, to violence. A free market was where armies can come in, take over your country, impose a client dictatorship like Pinochet in Chile or the neo-Nazis in Ukraine. Americans call that a free market. The Free World was a world centrally planned by the American military and finance. So, it's Orwellian double-think. The dynamic of this world is shrinking because it's polarizing. You've seen with the COVID pandemic in the United States, the economy has polarized much more sharply between the 1%, the 10% and the rest of the economy.

Well, as opposed to that, you have economies that are *not* run by a *rentier* class, and that do not have a banking class and landlord class controlling the economy. The kind of arrangement that you had in Germany in the late 19th century: government, industry and labor coordinated. The question was how to provide the financing for industry so that banks can provide not only industrial capital formation, but public funding to build infrastructure and uplift the population.

China is doing just what made America rich in the 19th century, and what made Germany rich. It's the same logic of industrial engineering. This plan is based on economic expansion, environmental preservation and economic balance instead of concentration, so this is going to be a growing economy. So, you're having a growing economy outside of the United States and a shrinking economy in the States and its satellites in Europe.

Europe had a choice: Either it could shrink and be an American satellite economy, or it could join the growth. Europe has decided unanimously to forego growth and become a set of client oligarchies and kleptocracies. It is willing to let its financial sector take over just as in America. That's a “free market,” because I'm told by American officials that they can just buy the European politicians, they're bribable. Being up for sale is what a free political market means. That's why when President Putin says that America and Europe are not agreement-capable, it means they're just in it for the money. There's no ideology there. There is no idea of overall social benefit. The system is based on how to get rich, and you can get rich by being bribed. That's why you go into politics. As you can tell in America with the Supreme Court’s Citizens United ruling saying that politics can be personally financed.

So, you’re having two incompatible systems. They're on different trajectories. If you have a system that is shrinking like the West and growing in the East, you have resentment. People who obtain their wealth in crooked ways, or without working, by inheritance or by crime, by exploitation, they will fight like anything to keep that. People who actually create wealth – labor and capital – they're not willing to fight. They just want to be creative. So, you have a destructive military force in the West, and basically a productive economic growth force in Eurasia. The clash now is occurring largely in Ukraine. You're having the United States back the neo-Nazis.

**Pepe Escobar:** [00:30:40] The old Nazi movement!

**Michael Hudson:** [00:30:41] Yes. It's the same swastika carrying group that threatened Russia in World War II. This is like waving a red flag before a bull. Putin continues to remind the Russians of what happened with the 22 million that died, in World War II. He said that Russia was not going to let it happen again.

You can be certain that Russia is not going to be sucked into invading Ukraine. The United States has its military advisors that the Vineyard of the Saker has a very good report on. America's trying to needle Russia into fighting back against the terrorist groups, but Russia has no desire at all to do that. There's nothing that Russia has to gain by taking it over. It’s essentially a bankrupt country.

The United States is trying to provoke a response so that it can accuse Russia of attacking the West. The result will probably be that Russia will simply provide arms to the Eastern Ukrainians to fight back the invasion. You're going to have a wasteland in Western Ukraine and Poland. This wasteland may be the new buffer state between Europe and Russia. Already you have maybe 10% of Ukrainians having moved to Russia and the East, the other 10% are now plumbers in England and Europe. They’re in flight, and they're beginning to look like Latvia and other neoliberalized countries. If you want to see their future, look at Latvia, Estonia and Greece. That's the American plan. Essentially, an emigration of skilled labor, a sharp reduction of living standards, a 20% decline in population. Although it may appear to have more income, all this income and GDP is essentially interest collection and rents paid to the FIRE sector – as if these payments were for “real product.”

All the American GDP growth is essentially payment to the banks, to the landlords and the monopolists. The population and employees are not sharing in the GDP growth. It's concentrated at the top. High finance is like the Roman Empire: “They make a desert, and call it growth.”

Rome was a predatory economy held by military force that ultimately collapsed, and America is on the same trajectory as Rome. And its managers know this. I have spoken to American policymakers and they say, “We're going to be dead by then. It doesn't matter if the West loses. I'm going to get rich. I'm going to buy a, farm in New Zealand and make a big bomb shelter there and live underground,” like a cave dweller. The financial time frame, the predatory *rentier* timeframe, is short-term. The Eurasian time frame is long-term. So, you've got the short-term burning what wealth it has, as opposed to the longer term building it up.

What you can see in the COVID bill that President Biden just got passed in the Senate. They call it a stimulus bill, but if you're starving, if you haven't been able to pay your rent, if you're six months behind in your rent and you get enough money to pay the landlord, at least one month back rent, that's not a stimulus, that's survival. And it's a one-time payment. This kind of “stimulus” checks that America's sending out are sent out every month in Germany and parts of Europe. The whole idea in Europe is, “Okay, you have a pandemic, you have business interrupted. We're going to proclaim a pause: You don't pay the rent, but the landlords are not going to pay the banks. And the banks are not going to be in arrears. We're just going to have a pause so that when it's all over and cure people, we’ll go back to normal.” Well, China and Russia are already pretty much there and where you are, in Thailand, already back to normal.

They don't have an abnormal thing, but America has pushed anybody who's renting or who's bought a house on mortgage credit, or who has credit-card debt or personal debt or automobile debt – they're way behind. These stimulus checks are just being used to pay the banks and the landlords not to not to buy more goods and services. All they're trying to do is to get out of the hole that they've been dug into in the last 12 months. That's not a stimulus. That’s a partial, desperation payment.

This problem never existed, in other civilizations. You have the whole tradition of the ancient Near East. That's what my book “… *and Forgive them their Debts*” is all about. The whole idea is that when there is an economic interruption, you don't leave people in debt. You wipe out the arrears that have mounted up. You simply wipe out the tax arrears, the rent arrears and other payment arrears.

So once the crisis is over, you can start from a normal position again. But there's no normalization in America. You're starting from a position, even more behind financially than when you went in. The foreign economies of China and Russia don't have a backlog of arrears as a deficit. So, the West is beginning with 99% of its population deeper into debt to the 1%. That polarization between the 1% and the 99% doesn't exist in China. And in Russia, Putin is trying to minimize it, given the legacy of the kleptocracy that the neoliberals put in. He's still trying to deal with that, but you really have a difference in economic systems and the direction in which these systems are moving.

**Pepe Escobar:** [00:36:27] I'm really glad that you brought up Ukraine, Michael, because US foreign policy – even, before Trump, and now with the new Biden-Harris administration – basically boils down to sanctions, sanctions, sanctions – as we know, provocations, which is what they're doing to Greece and certainly in Syria. They already did that with bombing a few days ago.

In the case of Ukraine and Donbass, it's absolutely crazy, because NATO so-called strategists, when you talk to them in Brussels, they know very well that each state or whatever they weaponize and financialize to profit Kiev to mount some sort of offensive against the Donbass. Even if they would have like 300,000 soldiers, like 30,000 in Donbass. If the Russians see that this is going to get really heavy, if they intervene directly with their bombing, with their super missiles, they can finish this story in one day. And if they want, they could finish the whole story, including invading Ukraine in three days, like they did in 2008 with Georgia, and still keep the provocations loosely acted on by people from inside the Pentagon. So, we have sanctions, we have nonstop provocations, and we have also a sort of fifth column, elements inside or at the top of government. I would love to have your personal analysis on the role of super Mario “Goldman-Sachs” Draghi, now in Italy, which is something I had been discussing with my Italian friends. There's more or less a consensus among very well informed, independent Italian analysts that Draghi may be the perfect Trojan horse to accelerate the destruction of the Italian state. That will accelerate the globalist project of the European union, which is absolutely non-state centric. That is also part of the great reset. So, if you could briefly talk to us about the role of Super Mario at the moment.

**Michael Hudson:** [00:38:55] Well, Italy is a very good example to look at. When you have a country that needs infrastructure and public, social democratic spending, you need a government to create the credit. But when Americans – and specifically the University of Chicago free-market lobbyists – created the Eurozone financial system, their premise was that governments should not create money. Only banks should be allowed to do that, for the benefit of their stock and bond holders. So, no European governments can run a budget deficit large enough to cope with the coronavirus or with the problems that have been plaguing Italy for a decade. They can't create their money to revive employment, to revive infrastructure or to revive the economy.

The European central bank only lends to other central banks. It's created trillions of euros just to buy stocks and bonds, not to spend into the economy, not to hire labor, not to build infrastructure, but just to save the holders of the stocks and bonds from losing money from falling asset prices. That makes 1% or 5% of the population richer. So, in practice, the function of the European Central Bank is to create money only for the purpose of saving the wealthiest 5% from losses on their stocks and bonds.

The cost of this limitation is to impoverish the economy and to basically make it looking like Greece, which was a dress rehearsal for how the Eurozone was going to reduce Europe to debt dependency. Under feudalism, everybody had to have access to the land by becoming a serf. Well now you're in debt peonage, modern, finance capitalism's version of serfdom.

So, Italy says, “We're going to need government spending. We're going to need to do in our way what China's doing in its way, and what Russia is doing in its way. We're going to have some kind of government program. We can’t just let the economy be impoverished simply because the University of Chicago has designed a plan for Europe to prevent the Euro from being a rival to the dollar. If there’s no European Central Bank to pump euros into the world economy, then only dollars will be left for central bank reserves.

The United States doesn't ever want a rival. It wants satellites. That’s what it's basically turned Europe into. I don't see any response outside of Italy for an attempt to say they can't be a part of this system and so should withdraw from the Eurozone. When I was in Greece years ago, we all thought it might join with Italy, Portugal and Ireland and say that the system wasn't working. But everybody else said no, no, the Americans will just simply get us out of office one way or another. And in Italy, of course, if you look at what happened after World War II, the great threat was Italian communism. You had the Americans essentially say, “Well, we know the answer to communism. It's fascism,” and you saw them buying politicians. They did every dirty trick in the book in order to fight any left-wing group in Italy, just as they did in Yugoslavia, and just as they did in Greece. They wiped out the partisans, all the leading anti-Nazi groups from Greece to Italy to elsewhere. All of a sudden, they were all either assassinated or moved out of office – and replaced by the very people that America had been fighting against during World War II.

Well, now Italy is finally coming to terms with this and trying to fight back. You're having what's happening there, between Northern Italy and Southern Italy, the same splits as in other countries.

**Pepe Escobar:** [00:42:53] Yeah. Well, I'm going to bring up, perhaps an even more extreme case now Michael, which is the case of Brazil, which at the moment is in the middle of an absolutely out of this world mix of telenovela and Kabuki theater that even for most Brazilians, is absolutely incomprehensible, because it’s like a fragmentation bomb exploding over and over again, a Groundhog Day of fragmentation bombs.

In fact, it's completely crazy. Lula is back in the picture as well. We still don't know how the guys who run the show, the Brazilian military, are going to deal with him. I bring up this case because it's happened in the past 48 hours. It has convulsed Brazil completely, and large parts of Latin America, because it is a telenovela with one cliffhanger after another, sometimes in a matter of minutes. But it encompasses all the basic themes of what really interests the 0.01%, which we can identify as a class war against labor, which is the system in Brazil since the coup against Dilma. A war against mixed economies, economic sovereignty, which is something that the masters of the universe of the 0.01% cannot wage against Russia in China. But that was very successfully waged against Brazil and implemented in Brazil. In fact, in a matter of two years they completely devastated the country in every possible sense, industrially, sociologically, you name it...

And of course, because the main objective is something that you keep stressing over and over again: unipolar *rentier* dominance. So, Brazil, I would say is the extreme case not only in the global South, but in planetary terms. Let’s say, the last frontier of the *rentier* economy is when you manage to capture a country that was slowly emerging as a leader in the global South, an economic leader. Don’t forget that a few years ago Brazil was the sixth largest economy in the world, and on the way to become the fifth. Now it's the 12th, falling down nonstop and controlled by a mafia. That includes, not by accident, a Chicago boy Pinochetista minister Paulo Guedes, who is implementing in the 21st century something that was implemented in Chile in the seventies and in the eighties. They were successful. Apparently, at least so far, Brazil is so disorganized as a nation, so shattered so fragmented and atomized as a nation that basically it depends on the re-emergence of a single political leader

In this case it is Lula, to try to rebuild the nation from scratch. Even in a position where he cannot control the game, he can interfere in the game, which is what happened 24 hours ago when he gave a larger-than-life press conference, mixed with a re-presentation of himself as a statesman. He said, look, the whole thing is shattered, but there is some light at the end of the tunnel. But still, he cannot confront the real masters of the universe that have allowed this to happen in the first place.

So just to give an example to many of you who are not familiar with some details of the Brazilian case, it involves directly the Obama-Biden scheme or the Obama-Biden larger operation. When Biden was vice president in 2013, in May he visited Brazil for three days and he met with President Dilma. They discussed very touchy subjects, including the most important one: the absolutely enormous, pre-salt oil reserves. Obviously, the Americans wanted to be part of the whole thing, not by accident. You know what happened one week later: the start of the Brazilian color revolution, and this thing kept rolling and rolling and rolling.

We got to the coup against Dilma in 2016, we got to the carwash operation landing Lula in jail. And we got to the election of Bolsanaro. And now we are in a place where even if the military control the whole process, even Bolsanaro is becoming bad for business. But will he become bad for the *rentier* class business, for the 0.01% in the US that has all the connections in their new, large neo-colony in the tropics, which has enormous strategic value, not to mention unforeseen wealth resources? So, this is an extreme case, and I know that you follow Brazil relatively closely. So, your geo-economic and geopolitical input on the running telenovela I think would be priceless for all of us.

**Michael Hudson:** [00:48:50] Well, this problem goes back 60 years. In 1965 João Goulart, the former president of Brazil, came to New York and we met with each other. He explained to me how the U.S.-backed military got rid of him in 1964 because he wasn't representing the banking class. He said that they built Brasilia, just in order to be apart from the big industrial cities and their constituencies. They wanted to prevent industry and the democracy and the population from controlling the government.

So, they built Brasilia. He said, “Maybe they'll use it as an atom bomb site. It certainly doesn't have economic value.” Well, fast forward, in 1982, after Mexico defaulted on its foreign debt in 1972, nobody would invest in Latin America. And by 1990, Brazil was paying 45% interest per year to borrow the dollars to be able to finance its deficit, which is mainly flight capital by the wealthy. Well, I think I'd mentioned before here, I was hired by Scudder Stevens and Clark to create the first Sovereign Debt bond fund. Brazil and also Argentina were paying 45%. Just imagine that. That's a fortune every year. No American would buy it, no European would buy it. Who bought it? The Brazilians and the Argentineans bought it. They're the government, they're the central bankers. They're the president's family. They're the 1% – the only people that would hold Brazil's dollar debt. So, when Brazil pays its foreign Yankee Dollar debt, it's paying its own 1% who are holding it offshore, for instance in the Dutch West Indies where the fund was located for tax-avoidance purposes. They pretend to be American imperialists, but actually are local imperialists.

Toward the end of Lula's rule, the Brazilian Council of Economic Advisors brought Jamie Galbraith, Randy Wray and me down for a discussion. They were worried because Lula, in order to get elected, had to meet with the banks and agree to give them what they wanted. The banks told him “We can see that you have the power to be elected. We don't want to have to fight you in dirty ways. We will let you be elected, but you're going to have to support the policies, certainly the financial policies that we want.” Lula made a kind of a devil’s agreement with them because he didn't want to be killed, and they were willing to do some good things.

So, he was sort of a Bernie Sanders type character. Okay, you have to go along with a really bad system in order to get something good done, because Brazil really needs something good done. Well, the fact is that the financial groups couldn't take even the little bit he did, because one of the characteristics of financial wealth is to be addictive. It's not like diminishing marginal utility. If you give more food to an employee or to a worker at the end of the meal, you're satiated, you don't want much more. If you give enough money, they buy a few luxuries and then, okay, they save it. But if you give more money to a billionaire they want even more, and they grow even more desperate. It's like a cocaine addict. The Brazilian ruling class wanted it so desperately that they framed up and controlled the utterly corrupt judiciary. The judiciary in Brazil is almost as corrupt as it is in New York city

**Pepe Escobar**: More, even more.

**Michael Hudson:** They frame them up and they want totalitarian control. And that is what a free market is: Totalitarian control by the financial class. It's freedom for the financial class to do what they want to the rest of the economy. That's libertarianism. It's a free market, it's Austrian economics. It's the right wing’s fight against government. It's a fight against any government strong enough to resist the financial and real estate interests. Brazil is merely the most devastating example of this, because it takes such a racial turn there. Brazilians want to make a fortune tearing down the Amazon, cutting up the Amazon, selling the lumber to China, turning the Amazon into soya production to sell to China. But for that, you have to exterminate the indigenous population that wants to use the land to feed itself. So, you see the kind of race war and ethnic war that you have, not to mention the war against the blacks in the Brazilian slums that Lula tried so much to overcome.

So, you have a resumption of the ethnic war there. On Wall Street I had discussions with money managers back in 1990. They saw it as a long-term burden and wondered whether that's going to be a model for what's happening in the United States with the ethnic war here.

Essentially, it's a tragedy what's happening in Brazil, but it's pretty much what happened in Chile under Pinochet, which is why they have the Pinochetista and the Chicago boys that you mentioned.

**Pepe Escobar:** [00:54:07] Absolutely. Coming back to China, Michael, what we had a few days ago, they are still discussing it. It goes on until the 15th of March, the approval of the five-year plan, which is not actually the five-year plan. It's actually three five-year plans in one, because they are already planning for 2035, which is something absolutely unimaginable anywhere in the West. Right? So, it's a different strategy: productive investment, expansion of social welfare and solidifying it with technological improvements. I would say by 2025, China would be very close to the same infotech level of the US, which is part of the Made in China 2025 policy, which is fantastic. They stopped talking about it, but they are still implementing the technological drive in all those standard areas that they had codified a few years ago. And I found this notion particularly fascinating, because it is on one sense socialism with some Confucianist elements, but it's also very Daoist. The dual development strategy, which is an inversion and expansion of domestic investment and consumption, balancing all the time with projects across Eurasia. Not only affiliated with the Belt and Road, with the New Silk Road, but all other projects as well. So, when you have a leadership that is capable of planning with this scope, amplitude, breadth and reach, compare that to the money managers in the West, whose planning goes not even quarterly in many cases, but just for 24 hours.

So, our dichotomy between *rentier* capitalism, financialization, industrial capitalism or whatever we want to call it, and state planning with the view of social benefit, is even starker. I'm not saying that the Chinese system can be exported to the rest of the world, but I'm sure that all across the global South people are looking at Chinese policies, how they are planning long-term, how they are always fine tuning, and what they develop and discuss.

For instance, this week there were over 3000 recommendations coming from different counties and villages and regions and local leaders, et cetera. Some of them are incorporated into the five-year plan as well. So, this, as you said in the beginning, is a frontal shock of two systems. Sooner or later, we're going to have the bulk of the global South, including nations that nowadays are still American vassals or satrapies or puppets or poodles. They're going to see which way the wind was blowing. Right?

**Michael Hudson:** [00:57:27] Why can't the Chinese system be exported to the West? That's a good question. Let's suppose how would you make American industry able to follow the same productive path that China did. Well, for one thing, the biggest element in workers budget today is housing: 40%. There was one way to get rid of the high housing prices that essentially are whatever a bank will lend. The banks lend essentially the economic rent. There's a very simple way to keep housing prices down: Tax the land rent. Use the tax system not to tax labor, because that increases the cost of labor, and not tax industrial capital, but tax the land, the real estate and the banks.

Well, suppose you were to lower the price of housing in America from 40% to 10% like China. This is the big element in the cost-structure difference. Well, if people only had to pay 10% of their income for housing, then all the banks would go under, because 80% of the bank loans are mortgage loans.

The function of housing in a financialized economy is to force new buyers and renters into debt to the banks, so that the banks end up with all of the lend rent that the landlord class used to get. That’s their business plan. This is what's preventing America from being like China.

What if America would try to develop a high-speed railroad like China? Well, then you need the right of way. You'd need to you have to have the railroads go in a straight line. As we've mentioned before, they need a right of way, which it doesn't have because that would conflict with private property and most of the right of way is a very expensive real estate. So, you can't have high-speed rail in the United States, like in China.

Suppose you would have a low-cost public education. well then, you get rid of the whole means of siphoning off labor's income to pay for education loans. Suppose you had public healthcare and prevent Americans from getting sick like they do in, China and Thailand, where, where you are. In that case the health insurance and pharmaceutical companies wouldn't be able to make their interest and dividend payments. So, you could not have America adopt a China-type industrial program without what would be really a revolution against the legacy of monopoly of a private banking, of finance and all the fortunes that have been built up financially in the last 40 years, since 1980.

**Pepe Escobar:** [01:00:22] So, what's going to happen in the short to mid-term in the US, Michael? We are seeing the corrosion of the whole system, not only externally in terms of foreign policy and the end of the free lunch, but internally with those 17 million plus deplorables being literally canceled from public debate, from the impoverishment of the middle classes, with over 50 million people in America, which are becoming literally poor. Obviously, the American dream ended a few decades ago, but now that it's not even a glimpse that there could be a renewal of the American dream. So, we have a larva of civil war situation degrading on a daily basis. What's the end game? What exactly does Wall Street, the American ruling class, the guys who have lunches at the Harvard club – what do they ultimately want?

**Michael Hudson:** [01:01:31] Well, what you call a disaster for the economy is a Bonanza for the 1%. This is a victory for finance. You look at it as a collapse of industrial capitalism. I look at it as the victory of *rentier* finance capitalism. You're having probably 10 million Americans that are going to be thrown out of their apartments and their homes in June, when the moratorium on rents and mortgages ends. You're going to have a vast increase in the homeless population. That will probably represent an increase in people who use the subways. Where else are they going to live? A large number of private capital firms have been created in the last year of wealth accumulation. They're looking forward to great opportunities to pick up real estate at bargain prices, for the commercial real estate that's broke, and all the buildings and restaurants that have to be sold because they can't meet their mortgage payments or rents, all the houses that are going under. Private capital can come in and do what was done after the Obama evictions.

Private capital can do what Blackstone did. It can buy them out for pennies on the dollar. So, they're looking at their own 20-year plan. Their 20-year plan is to grab everything!

**Pepe Escobar:** [01:02:51] What's going to happen with the surplus population Michael, we’re talking about tens of millions of people. It reminds me of those, the projection of those World Bank projections in the early 1980s, when the World Bank projected that the global economy could actually work with only 20% of the global population implying that 80% of the global population was expendable. Are we watching this happening in the West in the next few months and years?

**Michael Hudson:** [01:03:22] It's being compressed into a very short time frame. I heard this from the Club of Rome back in the 1970s when I was with the United Nations UNITAR. Their idea was that the world had too much population and needed to cut it back. It was a giant austerity plan. That was what really spurred Liberation Theology. The Catholic Church saw that cutting the population meant vast birth control. At a Chase Manhattan meeting I talked to the former head of the World Bank, John McCloy, who was also the chairman of Chase Manhattan. I asked him what he thought about Robert McNamara and his population control. And he said, “He just wants to stuff it up women. He doesn't care if they get sick.” McCloy added, “He's not a Wall Street boy.” I could see that he was appalled by it, but I wouldn't use his words for the record, because he used little more vulgar language for just where McNamara was trying to stuff up the population control.

Liberation theology was backed by the Catholic church advocating land reform to feed the population if we're not going to cut it back. Well, of course the result was that America defined a free market as being when its Special Forces go in and shoot the nuns after raping them. They killed liberation theologists. They killed indigenous leaders. They recognized that you can't have a free market Chicago-style without being able to kill everybody who disagrees with you and who thinks that the market is for the people, not for the 1%. In my talks with the Catholic Church, I mean, it's sort of hilarious given my background, which is not exactly religious. But I was working very closely with them at that time, because they were the only ones with an economic plan for how you can avoid this population collapse. The wealthy elite only need a few people. This was before mechanization, already in the 1970s. So, there was this idea that there were too many poor people that don't make enough money for the rich people. We've got to get rid of them.

Many liberals supported them. Bob Heilbroner at the New School criticized me for working with some Liberation Theologists. It was the Catholic Church that published my first book, and articles. So, what you're seeing today is an almost cosmic inversion of everything that people wanted until about the last century. Every country wanted more population. The idea was that population was the source of an army. It was a workforce to produce more goods and services. But now in the West, a population is who you want to get rid of. All you need is an economy that only has a few people and the rich. China, Russia, and Asia want to use the population and essentially, how to enrich the population so we can all have a world of prosperity and leisure.

**Pepe Escobar:** [01:06:12] Absolutely. I'm glad that you brought up Russia and China, because they are not on board. They diplomatically made it very clear that they are not on board for the great reset. Herr Schwab’s absolutely ominous idea and concept, which is supported by the IMF, by the World Bank, by Prince Charles, by big multinational corporations, *et cetera*. It's very crazy, because eugenicist ideas are at the heart of the great reset. We're not only talking about that strange character, Bill Gates; it goes much deeper than that. It's eugenicist ideas in terms of culling of population by all means necessary. So, we are back to the same scenario that you were discussing decades ago.

**Alanna:** [01:07:06] Michael, when you said importantly that we could get the cost of housing down from 40% of income in the United States, can you give more detail on what people can do?

**Michael Hudson:** [01:07:22] The problem is what we can do without a revolution. In the United States you have Ms. Pelosi and the Democrats in Congress having a new voting law that tries to prevent any third party from being developed in the United States. So, there can only be one party, the duopoly between the Republicans and the Democrats. You can't have a Green Party. That's being essentially ruled out. You can't have any political alternative and you cannot have a parliamentary system like you have in Europe's representative voting. The only choice you have is what flavor of oligarchy you want. You can have a Republican white oligarchy, or a mixed identity politics Democratic party, but none of this identity can have to deal with wage-earners, debtors or renters. So, there's very little, that they can do. If you need housing, you don't have an alternative. You rent or go into debt to a bank to outbid other people who are trying buy the house, and the house is worth however much a bank will lend.

The Federal Reserve has flooded the economy with such low-interest credit that banks are able to lend more and more against housing. There's been a huge increase in mortgage refinancing here. People have been able to get through the pandemic by borrowing more money against houses whose market value is rising, because banks are lending so much more debt to equity. So, what people think is making them rich is the housing that's going up in price. Well, it's actually the debt that has been going up. They think that they've been getting rich, but they've been more and more having to go into debt as a condition to get housing, just as they have to go into debt as a condition for getting an education and getting a job, or to get a car to drive to the job, or just to break even and feed themselves.

So, unless people have an idea that there is an alternative, they're not going to be able to create a political movement to create one. And in the United States, if you study economics, you're only taught University of Chicago neoliberal mainstream economics. There's no more history of economic thought, so you don't read Adam Smith, John Stuart Mill or Marx. There’s no economic history. So, you don't know what's the fight against feudalism was all about. You don't have an idea that there's an alternative. As Margaret Thatcher said, There Is No Alternative.

Well, of course there's an alternative, but if people don't know that there's an alternative, they're going to fall for this line, that there's no alternative to the “free market” controlled by the 1% – freedom only for the 1% and debt peonage for the 99%. Unless they know that, I don't have much hope that the people here can do very much at all.

**Alanna:** [01:10:26] So Michael, what about one city that it's desperate that could be educated, that there is an alternative with clarity about a land value tax system and a public bank. For instance, the city of Baltimore that desperately needs a new economy. Can you give us some hope that we could focus on a city level and begin building a template for how cities and like Sao Paulo where Pepe is born from the cities that desperately need change? Michael, can you give us some sort of template?

We know the federal government is hopeless for us now for we, the people. Texas is having a vote to form the Republic of Texas to secede to have a beginning conversation. There are other growing secessionist movements in the United States. Could we imagine that there could be an implosion away from centralized control to the us to a regional and city level. Michael, give us some hope.

**Michael Hudson:** [01:11:30] I can't give you hope. I am all in favor of public banking and I'm on Ellen Brown's board of directors for her group. However, supposing you had a public bank in Baltimore and the public bank said, we want to provide credit for Baltimore people to be able to afford homes. They would still have to out create enough credit and enough debt to outbid what commercial banks are lending other people that want to buy houses there. So, you can't have an Island of efficiency and public banking in a system that basically is still financialized. The problem is systemic.

It goes to the courts. You talk about seceding. Then of course it's possible. And people in Texas were talking about seceding in the 1840s when it was largely a German population. There were more publishers publishing German language books in Texas than there were English language books. But now, I think the way Texans think, if they were to succeed it is not going to be along the lines of public banking that you want . It would be a private bank owned by the oil companies that calls itself, a public bank. We're in a world of Orwellian rhetoric.

What can the Americans do? They already have voted. We have democracy, they've voted for what they wanted to do. What did they vote for? They want shorter lifespans, lower wages, less education and less public services. Their choice is to get these things by a Democrat or by a Republican. But that’s the only choice they have. Other countries have a choice to emigrate, as the Ukrainians and the Greeks and Latvians have done. But I have no idea where Americans can emigrate to.

**Alanna:** [01:13:21] Perhaps they could emigrate to some of Bill Gates, who now owns more agricultural land. He's a top agricultural landowner in the United States. So, there are plenty of vacant lots all over our cities. What about some direct land-rights movements? Michael, what about depositing the land rent in Baltimore in a public bank and generating a local based economy?

**Michael Hudson:** [01:13:45] I think that’s unlikely as long as the city is controlled by the landlord interests. Almost all cities are controlled by the landlord interest. This is what Thorstein Veblen wrote about in *Absentee Ownership* in 1923. As long as you have the system that already was pretty clear a century ago, it doesn't help to build up a few vacant lots and say, okay, we're not going to tax that, because pretty soon you're going to have people selling out the vacant lots and they will be gentrified.

A hundred years ago you had communities that were founded by followers of Henry George. They had the idea that, just that you have, we're going to collect the land rent. They've all now become bourgeois, gentrified yuppie communities.

It's a fight of economic systems. It's a systemic fight. You can't fix it at the margin. The problem goes deep to the core.

**Alanna:** [01:14:40] Well, the city of Allentown, Pennsylvania voted in land rent to shift largely to land rent. That was a vote. Can the people not vote in an economic democracy once they have the understanding of how to do so. And the landlord population is after all the majority. The minority is that landlord ownership. Can we not have the majority vote in a land rent system?

**Michael Hudson:** [01:15:05] Good question. If you said, okay, we are now going to tax all of the land rent, the problem is that as of right now, most land rent is pledged to the banks as mortgage interest. The banks have lent money against the rent-of-location – the fact that some houses and some properties and homes are in a better location than others, near parks and schools. Suppose that all of a sudden, the owners would have to pay the full land tax that you and Henry George’s followers want. How are they going to pay the banks? Are they going to pay the land rent *on top* of the mortgage interest, or are they going to default?

The reality is you would have massive defaults and foreclosures by the banks taking over the properties of families and cities that had collected the land rent for themselves. You can't have the same rent paid to two different parties. You have the land rent either paid to the government *or* paid to the banks. If you pay it to the government, then you'll take it away from the banks. And the banks will use American law to say that this is appropriation of property without compensation. You really would need a new constitution, and that would need a revolution. A revolution is a step function, a discontinuity. You cannot have a continuity to make a rational economic system pasted on to an irrational economic system at the margin. You have to have a revolution.

**Alanna:** [01:16:33] The template needs to be for a nonviolent revolution based on the Jubilee principles that you teach so well Michael, of debt cancellation and restore the land for the people.

**Michael Hudson:** [01:16:46] You may be non-violent. But the bankers and the landlords are not. One group will be non-violent and the other will be violent. Who's going to win?

**Alanna:** [01:16:56] That's where getting the military to understand the new system comes in.

**Michael Hudson:** [01:17:01] Well it's true that much of the military did defect to Russia’s Communists in October 1917. But I'm not sure today's military is like that. They'll have special advisors, Blackwater or whatever that group was in Afghanistan. We don't have as much military as we have the advisers that we've hired, or we'll just bring our foreign legion in. We'll bring ISIS and they'll fight for the landlords.

**Alanna:** [01:17:31] Well, it's the same thing globally. It's the same thing of what this discussion is Pepe and Michael about "in quest of a multipolar world" the hegemon up against up against three rivals as Pepe points out Iran, China and Russia, trying to be sovereign. We are again at a violent point.

**Michael Hudson:** [01:17:56] Yep, absolutely.

**Pepe Escobar:** [01:17:58] Yep. I think people want to ask a few questions. So, before we move to the questions, I selected one particular sentence, which more or less encapsulates where we are at the moment geopolitically. I don't know if you agree with me. So, I’m, throwing this fragmentation bomb out. Zbig Brzezinski in the famous, *The Grand Chessboard* published in 1997. I think this sentence is more or less the definition of the empire of chaos in the modern era until now. So, what was Zbig saying? The three grand imperatives of Imperial geostrategy are:

*To prevent collusion and maintain security dependence among the vassals*. So, a security dependence among vassals – so far, basically Germany and Japan, which are the key hubs in the Rimland and to control the heartland and isolate the Heartland. If America could control two key hubs in the Rimland they will get the job done, which is more or less what happened for decades, right?

Continuing with Zbig. *Tributaries, pliant and protected*. Then we can go all the way from Latin America to the Middle East, especially in Saudi Arabia, right? And *to keep the barbarians from coming together*. So, when he wrote that in 1997, he meant the barbarians, obviously Eurasia, like the old rear Asia of the golden horde invading Kiev in the 13th century. But he meant essentially Russia and China. So, what do we have now? We have the three sovereigns getting together. Iran Russia and China. We have a strategic partnership between peer competitors, Russia and China, which was a Brzezinski and his acolytes’, supreme nightmare. The Americans need to prevent the emergence of a peer competitor in Eurasia.

Now they have a strategic partnership. So now, what that means is that Pax Americana in a nutshell is completely unraveling. That's when we reached the possibility of a sort of Samson option by the 0.001%. They are little by little being expelled from Eurasia. So, this could create the conditions for an absolutely demented Dr. Strangelove kind of adventure, which even some generals in the US are already saying they are. These people are completely nuts. They are talking about the possibility of a nuclear war without advising the population of the United States and the rest of the world that the next war is going to be the last. So, this is where we are at the moment, I would say an incandescent crossroads, all of our history. And even if we look in real-politic terms some of the possibilities are beyond the ominous, right?

**Michael Hudson:** [01:21:21] Well, if you're China or Russia, I think you're saying that there was a kind of inversion of the direction of barbarism of the Golden Horde. Today, Europe is the barbarian trying to break into the Eurasian core. Think of what Brzezinski said about how the barbarians can prevent their own allies from working together in Europe. I think your point is quite right. If it's an atomic war, and it will wipe out the world. As you know, I worked with Herman Kahn for many years. He said that there are going to be some survivors. I think that in Russia the other day President Putin said if there's any missile of any kind coming in, it's assumed to be atomic. And they're going to retaliate in kind.

I can imagine Mr. Putin and Mr. Biden getting together and saying, “Look, I know that you’re trying to provoke us. We are going to respond militarily, but let's not fight against each other. We have 20 atom bombs. We'll take out England and London, Manchester and Frankfurt, but not Berlin because that's East German; but Munich, Stuttgart, and certainly Brussels and Paris just to show you what can be done. You can try to use your defense to stop it, but let's agree we'll only knock out each other's proxies. We won't go to war with each other.”

I can imagine the Americans saying, “Well, that's fine. No more Europe. So now we will be the leaders. We won't have Europe to contend with anymore. We will just have ourselves. This will sort of stabilize things for the next 50 years. Europe will be devastated, and we can help rebuild it like we did after World War II. And this time, we’ll lock in our control even more. Russia and China can go their own way. And then, in 50 years, we'll see whether there's any kind of relation that we can have.”

I can see them making a deal like that. The Americans want war. The people that Biden has appointed have an emotional hatred of Russia. I've spoken to government people who are close to the Democratic Party, and they've told me that there's a pathological emotional desire for war with Russia, largely stemming from the fact that the Tzars were anti-Semitic and there's still the hatred about their ancestors: “Look what they did to my great-grandfather.” And so they're willing to back the Nazis, back the anti-Semites in Ukraine. They're willing to back today’s anti-Semites all over the world as long as they're getting back at this emotional focus on a kind of post 19th-century economy.

I’ve met these people. Their emotion is one of hatred and anger. You can look at their face and see what they’ve become. This is really dangerous. They are crazy. And Putin is quite right. America has got its power by breaking contracts. It broke all of the contracts with the native Americans to take their land. It's broken the Iranian contract. It broke most recently the Ukrainian Minsk agreement, and the JCP before. So, what's the point of making an agreement with any Americans, if they're going to say, “Okay, now that we've got a compromise. You've given me and we've given. Now, let's take that as a beginning point. We're going to break that old agreement and we're going to ask you for yet more.” They call that salami tactics. Slicing and slicing and slicing. So, I can see that essentially America telling Ukrainians, “Let's you and Russia fight – to the last Ukrainian.”

And I think it would be Western Ukrainians, the people who used to be part of Poland.

**Pepe Escobar:** [01:25:00] And we, we call it, Bandera Land. Perfect. Okay.

**Questions and Answers**

**Alanna:** [01:25:06] Now David Spangler once said that the "role of the prophet is to preach the doom, to wake people up". And that we're certainly preaching, showing the doom right now. And the role of the priest is to show the new way, the new direction. So, do we want to have another half hour or so for this? Can Pepe and Michael stay on because we do have some questions from those who've been listening. I see Ed Dodson's hand is up, and then Tom Rossman, and then I'll be looking at the chat questions.

Ed are you able to talk with us now and ask your question?

**Ed Dodson:** [01:25:46] Okay. As I'm listening to you, Michael, and not to you Pepe so much, but Michael’s gloom and doom, I keep thinking that the one opportunity the people of the world have is to go back to Proudhon and the whole concept of mutualism to create societies within societies. With all the positive components that have been raised, public banking and labor organizations, I just wonder. I know you have a relationship with Richard Wolf, Michael, in your conversations with him, he's so positive about the socialism attached to the cooperative movement and places like Mondragon are these avenues. And Pepe you might want to comment on this, about countries other than the Western democracies. Is this an opportunity for people to come together under a common philosophy, a set of principles that would operate independent of the nation-state?

**Michael Hudson:** [01:26:57] There are many areas where a mutualism works. Farmer's markets, distributors and small factories like in Mondragon. However, how are you going to have a mutual oil company? That's very capital intensive. How will you have mutualism in a high-speed railway transport system? How will you have mutualism in building a system of foreign ports? Like what China's doing with the belt and road extension.

Mutualism is very good when labor is the main element of all this. But once you have a strong capital element, and where it's very capital intensive with not much labor, it's very hard to see where the mutualism is. Suppose an oil company 10 oil producers making $10 million a year in profit. Are they going to just give each other a million dollars each? What about the rest of the economy? One mutual group can be cut off from another. In fact, when I went through the Basque country (I was brought over by the labor unions) some of the unions were complaining that Mondragon doesn't want labor unions.

Yes, it's a cooperative, but they don't want a labor union. So, mutualism can only work as a particular sector of the economy. It can't be *the* economy. Proudhon wrote a lot about compound interest. He said that debt is going to grow so large that it can't be repaid. You'll have to be able to deal with that. So, you can't really have a mutual banking based on compound interest and everybody getting deeper and deeper into debt. Proudhon-style also wanted to tax the land and Marx wrote a long discussion explaining why a Proudhon mutualism wouldn't work. In *The Poverty of Philosophy*, a response to Proudhon’s *Philosophy of Poverty*, he pointed out what was progressive and predominant to a point, became unprogressive *after* a point.

**Alanna:** [01:28:49] Okay, thank you, Michael. I want to read this from Carl Sanchez in the chat. He says that the purpose of the federal government is to form a more perfect union. Do you think it's possible to rally the reds and blues into a coalition of purples to reassert those government goals?

**Michael Hudson:** [01:29:17] Well, you already have them together we already have a purple. You have the blue Wall Street and the red oil industry and mining industry. You have both kinds of the *rentier* 1% all together in one happy purple *rentier* duopoly controlling the political system.

**Alanna:** [01:29:34] Well then, relevant to the impossible task. Walter wants to know what's the new HR 1 law, Michael that you mentioned that prevents or will prevent third parties.

**Michael Hudson:** [01:29:43] I think it's 700 pages. So, I can't go through the whole thing. But there's a lot of discussion in today's Internet about it. If you look at Naked Capitalism, the site run by Yves Smith, she has a citation of articles that explain why it's aimed to prevent the green party or any other kind of reform party. The idea is to prevent any alternative to the hardline democratic pro-Wall Street, pro-pharmaceutical industry. Essentially, you're going to have Obamanomics with a sledgehammer, particularly against the Black and Hispanic populations.

**Tom Rossman:** [01:30:29] Great. Thanks Alanna. So, your comments about the war reminded me of an Albert Einstein quote. He said, I do not know with what weapons world war three will be fought but world war four will be fought with sticks and stones. So, it kind of reminded me of that. And so, my question is you know, based on the fact that, you know, it's pretty, pretty well established that narratives really drive people's economic behavior.

 What is the type of narrative that can kind of shift the Overton window in the direction that we all seem to want to go? And if there isn't a narrative that could shift the Overton window, is the only alternative then revolution – potentially violent revolution.

**Michael Hudson:** [01:31:11] Well, my narrative is about how civilization has developed. I published the first volume of *"… and Forgive them their Debts"* to show how civilization took off, and narrates how the idea was to create resilience in an economy – how you would wipe out the debt, you would wipe out of the debt bondage, you'd restore free liberty to the people. That worked for thousands of years.

I'm just finishing now the second volume, *The Collapse of Antiquity*. That's about how Greece and Rome, and hence subsequent Western civilization, made a complete break from the Near East. They didn’t cancel the debts. Western civilization was oligarchic from the beginning. There never was really a democracy here except for a very short revolution in the seventh and sixth centuries BC, catalyzed by the “tyrants.” What you think of as democracy, the rule by the people overthrowing the oligarchy, was called tyranny in Greece. In Rome it was called “seeking kingship,” because what did kings were able to do. Kings kept the oligarchs in place, just as the tyrants redistributed the land and cancelled the debts in Corinth and other Greek cities, and finally Solon did that in an Athens after Sparta did it. So, if you see that our civilization doesn't have to be this way, that Western civilization has taken a wrong turn – and it’s a *rentier* turn that earlier civilizations didn't have – then you can see there is an alternative. And once you see there is an alternative, you have a narrative that can show the kind of future.

Well, Marx had one kind of alternative like that worked in the late 19th century. The classical economists had an alternative leading into Marxism. I'm now publishing my long lecture series in China on *The Fight for Civilization: Rentier Capitalism, Industrial Capitalism or Socialism.* I'm trying to show what is positive in China system and still needs to be done. There are plenty of alternatives, but the fact is that the West – as Pepe and I've described – are set on fighting against an alternative that would make other people prosperous. They fought against the Soviet Union in the Cold War. You have the ruling classes in America and Europe wanting to concentrate all the wealth in their own hand. They're against the whole wave of democratic reform that the 19th century was all for. The 19th century was for a land tax. It was for public banking. It was all public infrastructure to lower the cost of doing business. This was taught in the business schools in America. But all that has been expurgated from economic history and from the history of social thought – into the memory hole, as George Orwell would say. So, you have to let people know that there's been a whole suppressed history, not only of civilization but as recently as the 19th century concerning where civilization was going. There has been a counter-revolution. In America you have people saying anything that promotes democracy, anything that's antiwar is a propaganda for Russia, because who's trying to avoid war Russia. So, if you believe what Alanna believes and you want a peaceful world, then you're pro-Putin.

**Alanna:** [01:34:33] David Lee has a question for Pepe. He says, what do you think are the possibilities that Lula can (A) be allowed to win an election in Brazil, and (B) return Brazil to the BRICS?

**Pepe Escobar:** [01:34:50] Wow. Assuming he would run and win an election, the first things he will do of course, is to get the back to BRICS. That is what Lula would do in terms of policy, because he believes in it. And because he was one of the main drivers of the BRICS union, but because Putin and (as I get from our connections in Moscow, in Beijing, they are dying for it to happen. Obviously, their ministry of foreign affairs cannot express this in public, especially the Chinese, because the Chinese are very reactive and very cautious in terms of emitting their opinions on internal policy, even if they're their allies.

I'm trying to get some feedback from Russian analysts in the next few days about what happened in Brazil in these past few days, and to see how the Kremlin and the ministry of foreign affairs view the possibility of Lula being back in the game. But the most important thing is whether he will be allowed to be back in the game. Considering the Kabuki telenovela configuration moment that's a major if. This would only happen if there is a deal cut in the shadows. Lula is very good at cutting deals. He's a master negotiator, probably in terms of an international statesman, he's the number one master negotiator in the world for the past two decades. But this is very, very complicated because it involves the military, who run the show in Brazil. It involves the Brazilian ruling class the 0. I would say the 0.00001% in Brazil. You have no idea in terms of an absolutely rapacious, ignorant, arrogant, and absolutely disgusting ruling class. I had the displeasure to meet these people when I still lived in Brazil years ago. So, if they think that Lula might be good for business, which means their own exploitation business, *rentier* business inside Brazil, allied and as subordinates to the masters of the universe in New York and the beltway, they would allow it.

But then, Lula will have to convince more than just these people. He'll have to convince the military and he'll have to convince the market – you know, this entity that rules Brazil and is reaping all the benefits of the destruction of Brazil. And the fourth component is the media. In Brazil that means the Globo network, which plays a role that in the US would be equivalent to all the major US networks, plus CNN, Fox and all that, but concentrated in only one media and buyer. This is very complicated because they have the same interest of the Brazilian ruling class. They have the same interests of the military, and they have their own monopolistic interests in terms of controlling the flow of public information to the mass of Brazilians. But now at least there is a counter movement, which is via social networks and the internet.

So, they have been losing ground, but still, if you look at the 8:00 PM newscast in Brazil, every night people who are in the middle of the Amazon or in the deserts, in the Northeast, they are tuning to Globo and they get their news from Globo Open TV, not paid cable. So, if Lula wins, wow, this is titanic. If he's able to navigate all of these interests and prove to them that he is good for their business, this means that you have to make a lot of concessions, just like Michael explained to us in the beginning. He had to make concessions when he was first elected. And even with that, he managed to turn a little bit of the game around in Brazil, in terms of bringing 30 million people out of poverty. In terms of having a more decent minimum wage, you name it, and basic income for a lot of people in the middle of nowhere. So, to have this back under negotiation, it is going to be much harder than it was in the early two thousands, right before Shock and Awe, by the way. It's, crazy to remember that the first Lula government came to power two months before Shock and Awe, which we're going to have the anniversary next week. So, it's complex. It's extremely complicated to explain this to an international audience. The complexity of the game in Brazil is absolutely mind boggling. And the absolute majority of the Brazilians have no clue what's going on because it's one fragmentation bomb after another, like a semiotic free for all. It's completely crazy, but if there's only one person that could pull that off, that would be Lula.

**Alanna:** [01:40:10] Well praise be Lula. This is a question and a rather long comment that will draw out more on this "in quest of a multipolar world", and it's for both of you to respond because he mentioned both of you. This is from Zach for Pepe. What, what do you believe is the future of the Shanghai Cooperation Organization? Will it become stronger and work a closer Alliance between its member States, sort of like NATO, or it will keep being a loose association? And then, where is India going to orient to? He's also curious about the Bretton Woods and how it was established, was it the brainchild and one or two economists, like Keynes? Was It designed by a genius? How are we going to relate to this Bretton Woods? Are we going to be able to break free? Are Russia and China clearly going to break free?

**Michael Hudson:** [01:41:08] That's what the talk is about you know. I think the first discussion of the Shanghai Cooperation Organization in the Western media was an op-ed I did for the *Financial Times* of London. Nobody was mentioning it.

The idea was that it was only marginal, it's going to go away. There was always a sense of denial in the West that the Shanghai Cooperation Organization could develop a different economic philosophy of development. And that's what we're really talking about. It’s not simply an organization of people wanting to help each other. It's the *way* they're trying to help each other. It's a mode of development. It's the idea that any rent-yielding resource – banking, land, natural resources and natural infrastructure monopolies – should be in the public domain to provide basic needs to everybody freely. That essentially means that the private sector won't have to pay for services that should be available to everybody, at the minimum cost. If you privatize them as in the West, they're going to be provided at a financialized maximum cost, including interest rates, dividends management fees, corporate manipulation for capital gains, and stock and bond buyback programs. It's a whole different economic philosophy.

Well, there is no need for China or Russia or Iran to go to war to do this. They're doing it. They can do it quite simply. They don't need a revolution to do it, because they don't have a vested interest fighting against them and killing them if they do it. If the West wants to resist this, and all the West can do is number one, kill its own leaders who want to do something like this. If they have a Latin American leader, if you have Venezuela trying to use this oil wealth for the public good, then you isolate and attack Venezuela. If you have a Honduran president who wants to distribute the land, you have a coup d' etat and give it to the drug dealers to run. They'll be pro-American. If you have anyone in the West who tries to do something productive, you marginalize them and prevent them. And if there's a threat of China and Russia and Iran growing, then you try to do what Americans did to Russia in the 1920s. You will fight it militarily you at their borders, you fund color revolutions, so that they have to dissipate the wealth that they create in military overhead to match the military overhead of the United States. The dream today is to make Ukraine Russia's Afghanistan.

**Pepe Escobar:** [01:43:53] Yeah, absolutely.

**Michael Hudson:** [01:43:55] Yeah. The difference is what gives China and Russia the advantage. Defense is only 10% as expensive as offense. America needs a huge offense, and it needs huge corruption. To be offensive, America has to corrupt European politics, corrupt the labor union, the corrupt the whole educational system, corrupt the media into junk media and junk economics.

And it has to have enormous profits for the military-industrial complex. That is America's version of industrial capitalism. All China and Russia have to do is develop high-speed missiles, the defensive missiles to stop it. So, they're not being bled. It's not going to be Russia's Afghanistan. It's America's Afghanistan all over again.

**Pepe Escobar:** [01:44:47] I was just the one to compliment one minute what Michael said and answering the question as well, in terms of the importance of the Shanghai Cooperation Organization. It has changed so much in the past few years. I remember years ago, I used to mention the Shanghai Cooperation Organization to people in Brussels, the European Union or European commission. They were saying, “No way. It's not important. It's ridiculous. It's a talk shop, blah, blah, blah, blah.” Years ago, in fact in the early 2000s, it was essentially Russia, China and four of the central Asian states against terrorism, against separatism. And then, little by little, they started to evolve. Now it's also a trade and investment cooperation organization. I went to some of the round tables of the Shanghai Cooperation Organization, for instance, in the St Petersburg Economic Forum. There's always a meeting of the SCO and it's absolutely fascinating. You have Russians, Chinese and a lot of central Asians (not a single one Westerner) discussing trade deals. They are not only discussing terrorism, but also discussing the Islamic movement of Uzbekistan allied with the Taliban, that kind of things. They are discussing business. And now it’s even more important, because now with the expansion you have Russia, China, the Central Asians, and India and Pakistan as well. And sooner or later, not only as observers, but as full members, you're going to have Turkey and Iran.

So, this means every single major player in the Eurasian arc, in the heartland in fact, is part of the Shanghai Cooperation Organization. To give a practical example, the solution for Afghanistan is being debated by them for years now. The Russian solution for Afghanistan was discussed with China and the other central Asians, especially Tajikistan and Uzbekistan, which are neighbors of Afghanistan.

They want a SCO-brokered Asian solution for the Afghan problem. So, what the Americans are proposing –or the American plan B, or C with the same Zalmay Khalilzad – they know this thing's never going to work. And they have a direct conversation with Afghanistan, because Afghanistan is an associate member of the SCO as well. So, it makes total sense. We see them all converging. You have the original economic union, the Shanghai Cooperation Organization, the Belt and Road initiative, the Asian Infrastructure Investment Bank – everybody’s converging and following more or less the same path. Later, you're going to have a total integration of these organizations working for a common purpose in terms of security, of course, but also especially in terms of business.

**Michael Hudson:** [01:47:57] So the question is, why are other people not discussing what you and I are discussing? Why are people only talking about this on the web? Nothing in *The New York Times* or other mainstream media.

**Pepe Escobar:** [01:48:06] Nothing Michael. You will never read something like this in the *Washington Post* or *The New York Times*. They don't even know what the Shanghai Cooperation Organization is.

**Alanna:** [01:48:19] Well, there's more questions and comments coming in on chat, and we're not going to be able to handle now, but I'm thinking maybe I'll just copy and paste what everybody's asked, and we’ll have another session with all the questions may be a good idea.

**Pepe Escobar:** Fantastic I think that's a very good idea Alanna.

**Alanna:** Okay, great and thank you both, this has been sponsored by the Henry George School of Social Science. Please go to their website. They're doing a lot of online courses on land rents and the land rent problem. The International Union for Land Value Taxation, iu.org. Please also sign up for our newsletter and connect with people around the world. We're looking for socializing the land rents.

We're now starting a conversation with the public banking Institute with a focus on Baltimore, which is why I had those questions. So again, I'm going to copy everything from chat. And then we'll talk about having a session that will start in with the questions. I think has been a great overview.

We know we're at a dangerous point. We know that we, the people, have got to get it together and provide a really clear direction now to the world. We are the people who are really thinking and concerned and, in many ways, privileged. I think we're going to need to get to the military and get to those kinds of power people, and get them to think in terms of who are they protecting?

What are they protecting? What side are they going to be on? Because clearly, we do need a nonviolent revolution, we're at a dangerous point. So, thank you, Michael Hudson and Pepe Escobar. Thank you so very much all the best of both of you forever.

**Pepe Escobar:** [01:49:56] Thank you, Michael. Thanks a lot. Thanks everybody.

**Ibrahima:** [01:49:59] Thank you all very much. And we hope to see you again.

**Pepe Escobar:** [01:50:04] Absolutely.