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Is the US a Failed State?

Why the U.S. Economy cannot Re-Industrialize

MICHAEL HUDSON • JULY 15, 2023 • 7,200 WORDS • 17 COMMENTS

**Michael Hudson [Intro/Music]:** America cannot re-industrialize without reversing this whole philosophy of post-industrial society as a class war against labor. You can’t have both. You can’t have a class war against labor and reindustrialization with the labor unionization that goes with it.

Countries who let an oligarchy develop end up pushing their own economies into obsolescence and a kind of Dark Age. It’s policy, and most of all, it’s the policy of the Democratic Party’s administration here.

[00:01:35] **Geoff Ginter [Intro/Music]:** Now, let’s see if we can avoid the apocalypse altogether. Here’s another episode of Macro N Cheese with your host, Steve Grumbine.

[00:01:43] **Steven Grumbine:** All right. This is Steve with Macro N Cheese. Today’s guest is none other than Michael Hudson. Michael Hudson’s the president of the Institute for Study of Long-Term Economic Trends (ISLET), a Wall Street financial analyst, Distinguished Research Professor of Economics at the University of Missouri, Kansas City, and he is the author of many, many books you’ve probably read, including *Superimperialism: The Economic Strategy of American Empire, Forgive Them Their Debts, J is for Junk Economics, Killing The Host, The Bubble And Beyond: Trade, Development and Foreign Debt*, amongst others. Without further ado, I want to bring on my guest, Michael Hudson. Michael, thank you so much for joining me today, sir.

[00:02:26] **Michael Hudson:** Good to be back.

[00:02:27] **Grumbine:** Absolutely. So one of the things that’s stressing me out, as far as being an economic podcast and reviewing the dialogue that is going on in the ecosphere and lefties trying to make heads or tails of the world around them, is watching the fallout of decisions that the United States have made in regards to Ukraine, China, Russia, and this divergence into a multipolar world. The steps that the United States have taken appear to be shooting themselves in the foot.

An empire that has lost its grip on much of what it once had, and it’s doing things that I think most people would say are really horrible, from war, to austerity, to using the IMF and NATO as tools of aggression. There’re so many aspects to the United States approach to geopolitical relationships, that I think most people are trying to get a grip on.

What does this mean to them? In discussing this, before we started this podcast, you gave us some notes, and it was quite clear that the United States is a failed state. I don’t fully understand what that means, but I’m hoping that maybe you can help us understand why is the US a failed state and what is it about its recent behavior?

What does it indicate to us about where it’s headed, and what we can expect in the future?

[00:03:58] **Hudson:** Well, I think it’s a failed state because its economy is paralyzed and we’re in a debt deflation, an economic polarization, that is just transferring all wealth and income away from labor, away from industry, into really the financial sector and what I call the finance, insurance, and real estate sector.

And what’s failed is, right now, President Biden says that he wants the future to re-industrialize. He realizes that ever since the Clinton administration, the Democratic Party has been solidly behind de-industrializing the United States, and that’s actually going back to the 1960s and early 70s when economists were celebrating what they called, a post-industrial society.

Well, what does a post-industrial society mean? It meant a society without blue collar labor, really, service labor, which happened to be a society without labor unions. And the promise was that a post-industrial society was going to make everybody richer, and you’d have easier working conditions, and shorter working days, and productivity would rise, and everybody would have an easier, more prosperous life.

Well, that hasn’t happened, so the question is: Why did the United States decide to de-industrialize? And I think it was done as a combination between two parties. You had the Democrats with a pro-financial anti-labor policy, and the Republicans with a pro-financial, pro-landlord, pro-1% policy, wanting tax cuts; and the real objective of de-industrialization from Clinton on, was an anti-labor policy, because de-industrialization meant essentially lowering employment, and thereby lowering the demand for labor, and lowering the wages. And the question that everyone was asking from 1980 on was, why were wages having to be reduced, and why are wages lower right now? Well, for years, American dominance, as an industrial power in the late 19th century, was a result of low wages, as a result of low housing costs, low debt, free education, public services, and this had created a very prosperous US economy, from right after the Civil War, down through Roosevelt’s New Deal.

But all of this began to come under attack. Really beginning with the Carter administration, when he was promoting immigration as a means of cutting wages in the southwest. It was Carter that began to realize that, well, there’s a lot of labor that’s making too much money in the southwest, so we’ll spur immigration.

Well, when Clinton came in later, he wanted to deregulate the economy and he wanted free trade, for basically, corporations to de-invest from the United States, and invest abroad, and hire low wage labor. He pressed to accept China into the World Trade Organization in 2001, and that’s basically the Democratic Party program today, to fight against labor, and reduce its wages, and favor Wall Street. Obama typified this. He promised a card-check to support unionization, and then just refused to do it. And instead of introducing card check, he devoted his time to hoping to work with the Republicans, to cut back Social Security, on the grounds that you had to balance the budget. And by balancing the budget, that would force the economy to rely on private banks lending money at interest, instead of the government creating money to spend into the economy by running budget deficits. Well, Biden has topped it all off by not supporting labor unions, as you saw during the railroad strike, and by the Democrats having a trick that they pull. They have some postgraduate lady – maybe she does have a degree, as the Parliamentarian, who, just in case the Democrats and Congress would pass a law that people want, the parliamentarian said, you can’t pass that because that’s pro-labor. And being pro-labor is against the Constitution. Because that’s against what the original leaders of the Constitution meant. And you can’t pass a law favoring blacks or hispanics, as you saw with the Harvard case, because after all, the original authors of the Constitution were mostly slave owners, and they wouldn’t have wanted any such favoritism to the blacks.

So if you’re an originalist, of course you’re going to have the Parliamentarian lady say, well, that’s not really what the Supreme Court will agree with. And of course, when it finally did get to the Supreme Court, they said: you can’t do this, this is not what the original founders of the Constitution wanted and believed.

They wanted to enslave the blacks, not get them into Harvard for heaven’s sakes. Well, I don’t want to leave the Republicans out of this, because they’ve had a kind of complementary pro-rentier policy, favoring real estate under Reagan, with his accelerated depreciation. He basically made absentee ownership and commercial real estate tax exempt, and he slashed the taxes on wealth, and moved away from progressive taxation to regressive taxation.

As did Donald Trump, and of course the Democrats have accepted all of this. There was no attempt by the Democrats to fight back against the Republicans regressive taxation, and the difference is that the Republicans have a kind of libertarian, anti-government policy, which is their euphemism for a government strong enough to control the economy, and the interests of the 1%, who are their campaign donors.

And the Democrats are pro-government. Namely, they want a pro-government strong enough to defend the 1% against the rest of the economy, but they use a different rhetoric for all of this. So the problem is that both US political parties are committed to de-industrialization for the reasons that the head of the Federal Reserve has explained over the last few months: if you have more industrialization, you’ll have more employment, and if you have more employment, you’ll raise wages. And our philosophy, Democrats and Republicans alike, is to keep wages down so that corporate profits can be higher. And it’s worth it to the employing class, it’s worth it to the corporate monopolies to impose a depression on the United States, as long as that will reduce wages and strengthen the power of the 1% over the 99%. So the 1% is willing to lose sales, to lose profits, as the economy falls into what they call a recession, as long as their power over the 99% increases.

That’s the basic key to understanding where American politics is going. And this is why the Davos gang says the world is overpopulated. Who needs labor, when it really can’t afford to pay interest. For the financial sector and the [FIRE sector](https://en.wikipedia.org/wiki/FIRE_economy), the 1% or the 10%, the role of labor is to make enough earnings so that it can pay interest to the banks, pay rents or interest to the mortgage lenders, and can basically pay money to the [FIRE sector](https://en.wikipedia.org/wiki/FIRE_economy). And if labor’s wages really are forced down to break-even subsistence levels, then who needs labor? Time for population control. And basically the US problem is not only low wages, but it’s tax favoritism for the [FIRE sector](https://en.wikipedia.org/wiki/FIRE_economy). And this cannot be reversed without causing a bank crisis. Because if you were to tax real estate and home ownership, for instance, and commercial real estate with a land tax, which is what the whole 19th century’s classical economics is all about, then the banks couldn’t get paid. So we’re stuck. America cannot re-industrialize without reversing this whole philosophy of post-industrial society as a class war against labor.

You can’t have both. You can’t have a class war against labor and reindustrialization, with the labor unionization that goes with it. That’s the conundrum. So when Biden talks about, we at the Democratic Party want to re-industrialize, there’s no way that his policies can possibly permit any real re-industrialization to occur.

And that’s why America’s stuck. That’s why it’s become a failed state, because it can’t compete with other countries in today’s world with this right wing libertarian, anti-labor, neoliberal philosophy.

[00:13:29] **Grumbine:** Every time I think about this, I get enraged. We’ve been speaking with some abolitionists for police abolition. When we talk to them, they explain, you’ve got it all backwards. The police aren’t there after the fact. They’re not there as a result of crime. They’re there to keep order for capital, to make sure that capital runs smoothly.

And to extend this out to NATO, and it does the same thing around the world, it’s there to create chaos, and it’s there to institute order to facilitate these things. The US is losing its grip on its empire, yet has the largest military ever amassed in the history of the world. What about that military maintains hegemony?

And what about that military is costing it its hegemony. Cuz right now something’s outta whack. I’m all about ripping the empire down, but that has a whole lot of downstream dominoes that come with it. I’m interested in your thoughts on the role of the military industrial complex on this failed state.

[00:14:32] **Hudson:** Well, you’re using a trick word: ‘military.’ Military, for the United States, is different from what the word ‘military’ meant in every other society from the beginning of time. When you say military, you think of an army fighting. You cannot conquer a country without invading it, and to invade it, you obviously need an army, you need troops. But the Americans can’t mount an army, of enough size, to occupy anybody except Grenada, or Panama, because the Vietnam War stopped the military draft. What America does have, what it calls military, is what you quite rightly linked it to: **the military industrial complex. It makes arms. And weapons.**

But again, these are a funny kind of weapons. Suppose you had a winery that made wine that was so good, that really wasn’t for drinking. It was for wealthy people to buy, and to trade. And as the years go by, the wine would turn to vinegar. It’s not wine for drinking. It’s wine for making a profit, a capital gain.

Well, you can say the same thing about America’s military arms, as we’re seeing in Ukraine right now — or as President Biden calls it, Iraq. The arms, basically, are there to create a huge profit for Raytheon, and the other companies in the military industrial complex. They’re for buying, and they’re for giving to the Ukrainians, to let Russia blow them up.

But **they’re not for fighting.** They’re not for winning a war. **They’re for being used up**, so you have to replace them now, with yet new buying. And so the United States State Department has asked Germany and other European countries, well, you’d promised to pay 2% of your GDP on military arms **to enrich our military industrial complex**.

But now that we’ve given all these tanks and missiles away – Russia just blew up 12% of all the tanks in just one week – so we only have a few weeks left to go before they’re all wiped out. Because they really don’t work on the battlefield. They’re not for fighting, they’re for being blown up. Now we want you to actually increase your spending to 4%, to replenish all of the stocks, you’ve just depleted, 10 years, maybe 20 years, of your arms stocks. And you have to now replenish them very rapidly, in order to meet the NATO targets that we and the State Department, have set. So military today isn’t really how you control other countries. America’s found it much easier to do this by financial mechanisms.

You conquer a country financially, you conquer a country by getting it to submit to austerity programs by the International Monetary Fund, again, to impose austerity, to keep its local wages down. So you use finance as a means of imposing post-industrialization and depression, in order to prevent democracy from developing.

So any country that is seeking to promote a democracy by public spending on basic infrastructure, or banking, like China is doing, is called an autocracy. And every autocracy that has imposed a client oligarchy, to fight against labor, and to prevent these policies that would help enrich and industrialize the economy, is called a democracy, not an autocracy.

So we’re back in the Orwellian logic to describe a situation, that probably even the cynical George Orwell, would not have thought could go quite this far.

[00:18:29] **Grumbine:** I think about austerity all the time. I read Clara Mattei’s book *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism*[Clara Mattei]. And I guess my question to you is this, given all the work that you’ve put into the historical nature of debt and debt jubilees and austerity, how is it when we look at the domestic policy of the United States, we don’t have money for healthcare, for getting rid of student debt?

We don’t have money to invest in universal basic services, to provide any kind of relief. Housing as a right, any of the basic needs, we have no money for this, but we know as MMT, or economically literate people, from an understanding of state theory of money, that the state itself creates its currency.

How in the world is the United States able to convince people that it doesn’t have money? And it can’t do any of these things, while it uses every bit of its fiscal power that it’s willing to admit it has, to defeat the rest of the world, but stamps down on its own citizens? I feel like, Michael, this is maybe the most important cog in between, not only the geopolitical world, the larger picture, but as well as the domestic picture, and even down to the local homeless guy living under a bridge.

The things that we’re dealing with here are the same thing, it’s just different in scale, maybe. Can you explain that to me?

I.

[00:20:04] **Hudson:** Well, what this is, is reflecting the power of junk economics and ideology. The right wing economists claim that if government were to provide more public healthcare, and more public services, taxes would go up. And because both Republicans and the Democrats have shifted taxes off real estate, off finance, off the 1% onto the 99%, that means that the wage earners taxes would go up.

But of course, it doesn’t have to be that way at all, because, as you point out, the state theory of money says that governments can create their own money. That’s been the case for the last few hundred years. And China has shown, governments don’t have to borrow money from the wealthy people to pay interest.

They can simply print the money, and the junk economics people say, well, if you print your money, that’s inflationary. But it’s no more inflationary than bank credit. Suppose that a government does indeed borrow a billion dollars from wealthy bond holders, and the wealthy bond holders are going to take the money out of the bank and turn it over to the government for spending.

Why does the government need the bond holders to create this money? Or, why do they need banks to suddenly go to their computer and create a billion dollars, to lend to the government, which the government will then redeposit in these very banks? The government is going to create the money in any case, whether it’s lent by the bond holders, or the banks, or just simply printed.

So the pretense is that the government has to borrow from bond holders. Because the bond holders decide what is economically worthwhile. Well, what does this ignore? That the bond holders are the 1%, and what they find economically worthwhile, isn’t using the government to benefit living standards, benefit labor, and to provide social services.

The government’s role is to provide more money for the 1%, via the military industrial complex, and the other government projects.

[00:22:22] **Intermission:** You are listening to Macro N Cheese, a podcast brought to you by Real Progressives, a nonprofit organization dedicated to teaching the masses about MMT or Modern Monetary Theory. Please help our efforts and become a monthly donor at PayPal or Patreon, like and follow our pages on Facebook and YouTube, and follow us on TikTok, Twitter, Twitch, Rokfin, and Instagram.

[00:23:13] **Grumbine:** So as far as austerity in this country, and making people feel like there is no alternative, you talked about the sale of bonds, and the myth that the rich are financing all of our lives. I listened to your friend Stephanie Kelton, who talks about the deficit myth, and talks about how bonds are after the fact, that they’re not really a funding operation.

And her paper she wrote in 1998, broke down that taxes and bonds cannot finance government. Yet people still acting like we are in debt to the rich, that we need the rich to survive. How does that myth hold water? Why does that still exist? Why are we not in the streets, locking arms, fighting back, taking this leviathan down?

I’ll just interject one thing also. I had the weird opportunity to spend a night with Jerome Powell, even though I didn’t know it, at the Dead and Company show in Virginia. And before I got there, I was driving through Loudoun County, Virginia, the tech corridor where you got Raytheon, and Boeing, and Halliburton. Every big defense contractor, and it just felt like huge trophies for the gods.

It was ridiculous. It was so over the top. That’s what we’re up against. We are up against something so massive, so unbelievably powerful. How does a person that has a leftist perspective, not only of labor and capital, but an understanding of trying to make people’s lives better, how do you do away with empire, when you’re staring at these massive monuments to the gods of industry, of the military industrial complex?

How do we take that leviathan on? It seems too big.

[00:25:08] **Hudson:** Well, in contrast to your trip through Virginia, here in New York, in Chicago, in Toronto, and **in almost all the big cities throughout the world, the biggest buildings are the banks.** They’re not Raytheon, they’re not the military industrial complex. They’re always the banks. They used to be shaped just like ancient Greek and Roman temples, not pyramids, as earlier, but a temple, as **temples of finance**, often they were called. And they’re the largest buildings because the wealthiest sector of society is the banking sector, the financial sector, not the industrial sector, not the military sector, and not even the real estate sector. Because most real estate rents are paid as interest to the banks. Now, the banks do not really help industrialize the economy.

They actually help de-industrialize the economy, because their philosophy is anti-labor and post-industrial. So how do you explain to people that it’s not necessary, for instance, for the governments to abandon public planning, and leave planning to the financial sectors? If the governments don’t do economic forward planning, Wall Street and the financial sectors will do it, because that is where credit is created.

Well, you mentioned Stephanie Kelton, and she was my department chairman at the University of Missouri at Kansas City, which was put together with a grant over 20 years ago, by Warren Mosler, and they put all of the Modern Monetary Theorists together there. Randy Wray, myself, Bill Black, explaining bank corruption in his book *The Best Way To Rob A Bank Is To Own One*. So we had developed a whole curriculum to explain what we called reality economics, how the economy and the world really works. Well, needless to say, a lot of students wanted to come to learn this. They were very sympathetic. Intuitively, they felt that, yes, this is how the economy works.

But there’s one problem, when they graduated with their PhD, there’s really only two jobs for economists in the economy: one is to drive a cab and the other is to teach. But in order to teach, you have to be hired according to how many journal articles you write for the most prestigious journals. And almost all the journal articles are controlled by the economics departments of colleges like the University of Chicago, or Berkeley, that are funded by the banks, and the large foundations. And so if you don’t publish in these journals, by saying what the neoliberals, the monetarists, the junk economists say, then you’re not going to get hired. So of course our students did get hired, but not by Harvard, or the University of Chicago, or Princeton, or Columbia. They could get hired by the New School here in New York, and by others, but there is an almost total censorship. And some students came from Asia, and they’ve gone back to Asia. Some were my colleagues in China, and Hong Kong, folks studied at UMKC. But you have the control imposing junk economics in the United States, by the media, such as The New York Times, is almost as strong as their control over reporting about the Ukraine war, as if Ukraine’s winning, and not losing.

They’re saying as if deindustrialization is helping us move into the post-industrial society of mass unemployment and homelessness, as if that’s a good thing. Well, it is a good thing for the 1%, because they get to feel, we’re really it. We’re really the new lords, the financial lords, not landlords, who are also in debt to us, to borrow. So that’s really the situation. Ultimately, if people don’t have a mental model in their mind of how the world works, and how it should work, to promote prosperity, they believe with Margaret Thatcher, as you said, that “there is no alternative.” And the function of economic education is to try to brainwash students into thinking there is no alternative.

Things have to be the way they are. That’s Darwinian evolution. That’s survival of the fittest, the survival of the bankers. To beat society. The bankers have won, labor’s lost. And if you look at what American polls show, the Americans don’t want war in Ukraine.

They want money to be spent domestically — we don’t get it. They want public healthcare — we don’t get it. They want student loans to be forgiven, rather than preventing graduates, debtors, from ever having enough money to actually buy a home of their own and start a family — we don’t get it. And we don’t get it, because neither the Republicans, nor the Democrats support it.

But if they pretend to support it, by passing a law, the Supreme Court is there to make sure that it’s not what the original Constitutional people wanted. Because the Constitution was drafted by authors who feared democracy. Who said that we have to make sure that we have enough checks and blocks, so that the mob cannot rule and take away the power of we, the bond holders, and landlords, and slave owners.

[00:30:45] **Grumbine:** Well stated. This is really important stuff you’re bringing up here, Michael, I appreciate it. Let’s roll into the next phase. We’re going to double back, cuz we talked about the BRICS in the very beginning. We talked about China investing in its own financial sector. One of the concerns that many have is the loss of the world reserve currency.

And I’ve spoken with quite a few economists who have stated, point blank, that one of the reasons why the US is still able to maintain that level of hegemony, and still be able to hold onto reserve status, is because of the amount of deficit spending it was allowed to do previously, and that allowed the money to matriculate throughout the world.

It has a central hub in Wall Street, where people can invest, and so this is one of the primary reasons they say, that and, of course, the military, that allows us to retain that level. What, if anything, do you see has changed in such a way, to make that threatened by the BRICS, and I guess remedially, what exactly are the BRICS, and what does it represent that they’re trying to do?

[00:31:57] **Hudson:** Well, the BRICS was an acronym formed over a decade ago, for Brazil, Russia, India, and China. But now that the United States, in February of last year, 2022, confiscated Russia’s dollar reserves in the west, and told the Bank of England to confiscate Venezuela’s gold reserves. **The United States says that any country that we declare to be an enemy, any country that we call an autocracy, namely democracies, is our enemy, and we can just grab all of your reserves.**

Well, needless to say, this makes other countries afraid to use it, and they realize that the United States deficit, that has been pumping all these dollars into foreign economies, and their central banks, they end up being re-lent to the US government in treasury bills, and these treasury bills are used to finance the deficit, that’s largely military in nature. The budget deficit is primarily military, and the entire balance of payments deficit, after the Korean War, was entirely overseas military spending. That is what forced the United States to abandon convertibility of the dollar into gold in 1971. Not only General DE Gaulle, but Germany, was cashing in every month, the extra dollars that were ending up in their central banks.

The United States was fighting in Vietnam and Southeast Asia, which were French colonies, and **the only banks there at the time were French banks. They’d received this local spending in dollars, sent it to France and De Gaulle would cash it in for gold.** And so it was America’s military spending that forced the United States off gold.

Well, when it went off gold, what were foreign countries going to spend their dollar inflows on? They don’t really buy real estate, and they don’t really buy stocks and bonds, at that time. They buy government bonds, and so it was the military spending for the balance of payments deficit, that financed the government domestic deficit.

The government didn’t have to borrow from abroad. Of course, it could have created its own money, but it had to provide some vehicle to absorb all of these dollars, that were being thrown off to other countries. So creating government bonds, by a deficit, was the means of giving foreign central banks an opportunity to dump, and recycle, and save, all of their dollars that America spent on 800 military bases, to encircle them, and have organized color revolutions, for any country that didn’t follow what American wanted, but responded to their own democratic wishes. So the BRICS are onto this, finally. They’ve been expanded to many other countries that want to join them, including Saudi Arabia, Iran. Basically, the BRICS are becoming an expanded Shanghai cooperation organization.

They’re the BRICS alternative to NATO, and we’re seeing a whole bunch of shadow international institutions, to counter those of the United States. An alternative to the IMF with a BRICS Bank, an alternative to the World Bank. Not to lend just for dependency on US exports, but to actually help other countries grow, instead of to become dependent.

So they realize that the American economic philosophy is junk economics, and the objective of American economic policy is to make other countries dependent, and to make sure that they can install client oligarchies to prevent democracy from occurring, right? So that if Chile would elect a socialist president like Allende, America will promote Pinochet to overthrow the whole group.

Other countries, they’ve been protesting this ever since the Bandon conference, in the mid-1950s. But there wasn’t a critical mass, and for the first time, the success of China, and other Asian countries, and having a mixed economy, and really doing exactly what industrial capitalism was supposed to do, namely evolving into socialism.

By creating a mixed economy with a government infrastructure, lowering the cost of living, and the cost of doing business, they’re finally succeeding, and leaving America way behind, in a paralyzed form. So it’s as like, America would like to grow as rapidly as China, but it can’t grow as rapidly as Asia, and still have a class war against industrialization.

How on earth are you going to maintain American prosperity without industry? How can you rule the world without having something to export, like industrial goods, or agriculture, or raw materials, or something other people need? The Americans only have one thing to offer. And it’s an offer really, that China and Russia can’t match.

The American can offer not to bomb other countries, not to overthrow their governments, not to have a color revolution. They’ll say what we can offer: your life. We’ll agree not to kill you, not to overthrow you, not to bomb you, not to do to you what we did to Libya, to Iraq, to Syria. If you don’t want that, then why don’t you be ‘our friend’, and join the free world?

That is what America has to offer, and other countries, I guess now that you’ve seen the year and a half war in Ukraine, you see that American weaponry, as we discussed, is what Mao called, a paper tiger. It’s not weaponry to fight. All that America has is one weapon, the hydrogen bomb. There is no other weapon that works.

There’s nothing in between, launching the Marines on shore, and dropping an atom bomb. There’s nothing in between that works, as we’re seeing. So that’s the problem. And the question is, now that you have a lot of American officials that say, well, you know, it’s really not necessarily so bad a thing if we use atom bombs, and the world comes to an end, because as Secretary of State and CIA head, Pompeo said, if the world blows up, Jesus will come, and he’ll send all of my people to heaven, and everyone else to hell. And there’s this end time mentality, with Blinken, Biden, the State Department, after us the deluge. We might as well have it come now, and we’ll have done a really big thing that’s changed history. Kaboom.

[00:38:44] **Grumbine:** Wow. Biden’s First State of the Union address, I was appalled to hear him already calling out China. His first intent was to demonize China, and you focus in on why? All I could see was, the United States government had allowed itself to be hollowed out, it allowed all its infrastructure to fall apart, it allowed its entire industrial base to collapse, and the pandemic showed the frailty of supply chains.

They go after Russia, they go after China, and they create enemies to buy time, to try to reinvent what the US is, to allow it to survive without its hegemony. What are your thoughts on why China and Russia became the targets?

[00:39:35] **Hudson:** It’s not what you say, it’s not that America ‘allowed’ other countries to go ahead, that was the deliberate policy, from Clinton on. They wanted to get rid of manufacturing labor here, in order to create what Marx called, a reserve army of the unemployed. They wanted to create unemployment here, by hiring foreign labor instead of American labor, and in the process, to make huge profits for companies, multinational firms, which produced abroad, with lower priced labor, from the United States.

So, it’s not that they allowed China to do something to pull ahead, America pushed these other countries to develop. That was part of the American’s anti-labor policy. And if you don’t realize that the aim is to cut living standards and reduce wages, except to the extent that wages can be spent on interest, to the financial sector, insurance, to the health providing sector, and housing sector, and rents for the real estate sector.

If they can’t provide this, the function of labor is not to produce commodities, as occurs under industrial capitalism. It’s not to be employed by manufacturers, to use equipment, to produce goods or services, it’s to serve as a market for the [FIRE sector](https://en.wikipedia.org/wiki/FIRE_economy). That really is the guiding line, and it was the guiding line in Rome, which is why Rome fell apart.

It’s been the reason why countries, who let an oligarchy develop, end up pushing their own economies into obsolescence, and a kind of Dark Age. It’s policy, and most of all, it’s the policy of the Democratic Party’s administration here. Yeah. So look at what the laws do, and how the Supreme Court is there to prevent any kind of re-industrialization in the United States.

You cannot re-industrialize in a way that the original slaveholding authors of the Constitution would have approved of, if they were there today. They would be like the billionaires of Microsoft, and Facebook, and the others. That would be their philosophy.

[00:41:49] **Grumbine:** With the United States, this was by design. And we keep going through this dance, and if you’ve ever been to marriage counseling or anything like that, they always tell you, in order to get different results, you gotta change the dance. We’re still continuing to do the same dance, and the American people really haven’t got a clue, Michael.

How do we get the word out? It doesn’t seem to be making nearly enough of a dent. How do you get this word out to people, given the fact that the state itself, controls the media. How do we get out of that hell, or is it done, and we just have to stare the tsunami in the eye, and just let it take us out to sea.

[00:42:33] **Hudson:** Not at all like marriage counseling. My wife is a psychotherapist, and she’s counseled couples, and there’s one basic rule in counseling couples, she tells me. That if there’s a chance of violence, then you can’t do couples therapy, because they really can’t talk freely. You have to have each member of the couple go to a separate therapist and work them out individually.

It doesn’t work having them together. Well, there really isn’t a harmony of interest in the United States enough, so you can put labor and capital together, and come to a happy medium. There isn’t a medium. The economy’s polarizing. The interests of the financial, and the FIRE sector, are so antithetical to the interest of labor, and industry, that there’s no way you can meet in the middle, because the dynamic is polarizing, not converging.

The dream of most Americans is, we can somehow make a happy medium and bipartisanship. The bipartisanship is, what part of the FIRE sector do you want to rule: the Republicans cutting taxes for the rich, or the Democrats cutting employment for labor? Well, they’re two peas in the same pod, as they say. So you have to realize that **the interests of labor are not those of capital**. And yet, since I guess, the 1840 revolutions in Europe, there’s been this ideal that somehow the wage earning class can evolve into the middle class, first by owning its own home.

Although today, if you own your own home, you have to go into a lifetime of mortgage debt, or you can maybe buy an apartment somewhere and rent it out, and get that. Or you can use your retirement account to try to make money in the stock market. Good luck betting against the big guys. And there’s a myth that somehow the wage earners can become capitalists in miniature, as if they’re winning a lottery.

And as long as they don’t realize that the interests of labor and capital, and labor and capital they’re against finance, are antithetical, they’re not going to be the motivation for developing an economic ideology, to replace the pro 1% ideology, that we have today. Well, you could say the same problem is occurring in the BRICS countries.

The other day I was asked, how are you going to get China, and Saudi Arabia, and African, and South American countries all to work together? They all have such different religions, and ethnicities, and social status. Well, **the common denominator is, they’re all wage earners**. And they all have a common objective in making enough money, by working for a living, so that they can increase their living standards, have a home of their own, and have a shorter working day, and a less intensive, less exploitative, working conditions.

That’s all the common denominator that you need for these countries to work together, and it should be all the common denominator that you need in the United States, but as long as people think there are only two alternatives, the Republicans or the Democrats, well, that’s the same thing as saying there’s no alternative to the 1%, the FIRE sector, ruling society.

[00:45:57] **Grumbine:** Michael, if you were to have **one parting word**, to let our listeners know where we are, what would you describe the world as today? How would you describe the existence of the US, in this failed state that it’s in?

[00:46:15] **Hudson:** That **America is in the same position as the Roman Republic, when it finally turned into the Roman Empire.** The polarization has gone so far that there cannot be any recovery of living standards, any rise in wages, any improvement in living conditions, without radically changing the tax policy, the economic policy, without having a policy that benefits labor and productive industry, not the financial sector, and the real estate sector. That **the financial sector and the property owning sector is outside of the economy. It’s external, it’s imposed on the economy. The economic core is workers for wages, producing goods and services. That core doesn’t need a financial wrapping.**

**You don’t need a wealthy 1% to finance the government’s budget deficit. Governments can do it by itself.** The **governments should have the role that the banks have today. That means there are not going to be anymore big bank buildings overshadowing urban skylines. It means that there will be, basically, a return to what the whole world thought was an ideal of industrial capitalism, before World War I.** And that was that capitalism would evolve steadily into socialism, to be a more productive economy, to free itself from the financial class, from the landlord class, and from the monopolists, and that **a free market is**

A market

* free from land rent,
* free from bank rent, and
* free from unearned income, and
* [free from] wealth, that doesn’t play any productive role at all.

[00:48:01] **Grumbine:** Well stated, sir, well stated. Michael, do you have any other projects coming up? What are you working on? You’re always doing something, what’s happening over there?

[00:48:10] **Hudson:** Well, I’ve just published the second volume of my history of debt, *The Collapse of Antiquity*, and I’m now working on the third and final volume, which **picks up the story of debt** in the Crusades, in the 11th century to the 13th century. And I find that **the whole financial system was transformed by the crusades.**

Christianity had been denouncing interest payments and usury, ever since it became the Roman State religion. But Rome wanted to fund the Crusades, which were mainly against other Christian countries, mainly against France, and Germany, and Southern Italy, and Sicily, and Constantinople, is a kind of power grab.

And these wars required financing. So it was the papacy that introduced interest bearing debt and bankers, back into Christian civilization. And **the modern financial system was introduced by the papacy itself, reversing all of the early Christian denunciation of usury.** As Islam had denounced that, and freed its society from usury. All of this was a result of the Crusades, and the associated Inquisition, that was used to essentially wipe out all opposition from the real Christians:

1. in Southern France, [the Cathars](https://en.wikipedia.org/wiki/Catharism), and
2. the Christianity of the German states, the Holy Roman Empire and
3. the strongest survival of Christianity in Constantinople,
4. and its allied churches.

[00:49:56] **Grumbine:** I look forward to reading this, I’m excited about it. We have a bookstore at Real Progressives, on our website, and we will definitely fill it up with all the books. We have a bunch of them already there, but we’re going to keep adding to it. Michael, thank you so much for joining me today. This was an absolute pleasure.

I hope that we can have you back on. Your friend, and my friend, Virginia Cotts, would like to have you join us also, for what we call an RP Live. Really fun opportunity to do give and take, with our volunteers, and our donors, and other people that come to Real Progressives for this kind of information, and you sir, are a rockstar.

I really appreciate you taking the time, and look forward to having you back on soon.

[00:50:39] **Hudson:** Well, thanks for having me. I always enjoy our discussions, cuz I think of new things as we’re talking.

[00:50:44] **Grumbine:** Awesome. My name’s Steve Grumbine with my guest, Michael Hudson.   
This is the podcast, Macro N Cheese, and we are outta here.

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