

## Russia, Iran, and the Red Sea: NATO's War Economy Collapses

by **Michael Hudson** on [The Unz Review](#)



[MICHAEL HUDSON ON RUSSIA, IRAN AND THE RED SEA: NATO'S WAR ECONOMY COLLAPSES](#)

**HAIPHONG:** Welcome, everyone. Welcome to the stream. It's Danny Haiphong, your host. As you can see, I'm joined by the renowned economist and author, Professor Michael Hudson. You can find his website in the video description. Please do hit the like button as we begin. That helps boost this stream. And, of course, you can find not only Michael's website, but all the ways you can support this channel in the video description. How are you doing today, Michael?

**HUDSON:** Pretty good. It's snowing here in New York, so I'm pretty much snowed in.

**HAIPHONG:** Yep. Yes, yes, it is quite bad out there today. But I am glad to have you here because there's a lot of economic news. But you emphasize, and this channel tries to emphasize, the relationship between geopolitics and economics, geopolitical economy, as you, Radhika [Desai], and Ben Norton, and other great journalists have attempted to do.

And so I wanted to start, then, let's talk about Ukraine first. Let's begin there. There's all kinds of talks about there being a quote-unquote stalemate with regard to Ukraine.

However, the realities, especially economically and on the battlefield, are a lot different. So, Michael, I'm just going to let you go on what you would like to comment on with regard

to Ukraine, because the situation is not as hot in the news, but there are massive changes happening in this conflict.

**HUDSON:** Well, it's the United States that's saying that it's a stalemate in Ukraine. What they mean is that the Ukraine counter-offenses have been utterly ineffective. Ukraine has lost the war.

And there have been almost all of the discussions that you get, for instance, on Judge Napolitano's interviews, and the European press, the Russian press, the Chinese press, they all say, Well, the war is over. Russia can just continue to take however much it wants, but there is no point in Russia trying to take more land right now because Ukraine, or rather Mr.

Zelensky, is sending all of the Ukrainians he can find, especially the Hungarian Ukrainians, the Russian-speaking Ukrainians, and the Romanian Ukrainians, in the fight to get killed.

So, maybe we can convince Russia, Don't mop up, don't lock in your victory. Why don't we just say it's a stalemate and leave things the way they are since you're winning so strongly?

Well, obviously, Russia has already said, We've already given the terms for our peace. Of course, we can negotiate anytime. Our terms are simple, total surrender. We're going to get rid of Nazism. We're going to make sure that Ukraine will never join NATO. And we're going to make sure that the Russian speakers and Crimea are part of Russia. So anytime you want to negotiate, meaning, say yes to our terms, we'll be glad to. But meanwhile, we're just going to sit here. And if you want to send more and more troops in, that's fine.

Now, the Americans think that, okay, if Russia isn't taking any more land, it's a tie. But it's really not a tie because if you read President Putin's speeches and Foreign Secretary Lavrov's speeches, he says, Well, Ukraine is only the tip of the iceberg. We're talking about the big picture. The big picture is, for instance, that Russia on January 1st became the lead administrator of the BRICS+.

And the United States is meanwhile losing the fight all over the world. It's losing the economic fight against Russia and China. Russia is increasing its industrial production, not only military, but in the production of aircraft, automobiles. China is growing and the United States is not. And most of all, Europe is going into a depression led by the collapse of, or I should say, the destruction of German industry as a result of the sanctions against Russia. And also the sanctions that the United States are insisting that Europe impose against China.

The United States has told Europe, you really can only trade with us and our NATO allies.

We want you to reduce your trade with China to what the head of the EU, Mr. Borrell, has said. He said, Well, you know, China, we import a lot more from you than we export. It's got to be even. And China said, well, there are plenty of things we'd like to import from you, Europeans, such as the chip-making etching machinery for ultraviolet etching that's made by Holland. And Borrell says, Oh, we can't, the United States won't let us send you, sell you anything that potentially is used in the military. And China says, well, anything that can be used economically

can be military because the military is part of the economy.

So I guess we're quite happy to agree with you and have balanced trade between China and Europe. We'll just cut back our trade with you to maybe the \$100 a year trade that you have to trade with us.

So Europe is voluntarily isolating, limiting its trade and investment to the United States, cutting off the trade with Russia. And without Russian gas and oil, you're going to have the German, French, and Italian manufacturing industry, chemical industry, fertilizer industry, and agriculture continue to shrink.

And so the stalemate that America is talking about really means we're shrinking our allies in Europe. We're losing the third world. And what is happening in Ukraine, fighting to the last Ukrainian, now looks like a similar fight in the Near East, where it looks like there's a similar stalemate, which really has been inflaming the world's global majority and the global South into thinking that all of a sudden this is something awful. I'll get to that later.

But the important thing is that I think the Americans have already realized that they're going to lose the war in Ukraine. And the problem, as you read the New York Times and the Washington Post, and especially the Financial Times, is if we lose the war in Ukraine, how will Biden win the election in November? Because he's been pushing, his whole policy is we can essentially wreck Russia. Our sanctions are going to lead to the collapse of Russian industry. The Russian people will get so upset with the war, there's going to be a regime change. They'll overthrow Mr. Putin and we can get another Boris Yeltsin in who is going to really wreck Russia in the way that our neoliberal advisors were able to wreck it in the 1990s.

Well, that hasn't happened. So what's going to happen? Well, the public relations people of the Democratic Party have got together and they've all decided, Okay, what we want to tell the people is, it really didn't matter in Ukraine. It doesn't matter because we don't have to win in Ukraine because America can fight [with] a kind of soft power. And we have other ways of dominating the world and maintaining America number one, even though we're de-industrializing our economy. Even though we're the largest debtor in the world, we're going to be able to dominate. And the new Democratic Party public relations push is what's called "soft power".

And in yesterday's January 15th Financial Times, there was a long discussion. They had

a whole page by a man who had been President Clinton's advisor, National Intelligence Council advisor Joseph Nye. For a whole page. And it was Nye who coined the term soft power. A few decades ago, when he was arguing with Paul Kennedy, who was saying that the Americans were on the decline. And he came up with this idea to say, the United States can still be able to exert influence, but not of a military type, but of financial power, regime change.

And what he said, he gave five reasons why the United States would not necessarily be eclipsed by China or by Russia or by any other countries. And it's hilarious to look at the five reasons

that the Financial Times yesterday trotted forth for why there's not going to be any threat to the United States.

The first reason he gave was geography and friendly neighbors. Well in the last few months, especially since the fighting and Israeli attacks on Gaza have occurred, America's lost public opinion. And even Secretary Blinken has said that the fight in Israel is creating antagonism, not only against Israel, but America has lost its moral dominance as a result of backing the genocide and opposing any criticism of Israel within the United Nations. So it's lost foreign support. There's a growing anti-Americanism, not only in Asia, Africa, and the global South, but in Europe.

Well, the second reason that Nye cited was domestic energy supplies. America controls oil. Not only does it produce its own oil, but it's just been able to block the rest of the world from importing Russian oil, and it's been able to blow up Nord Stream. And now it's pushing Israel to essentially act as another Ukraine. It's pushing Israel to incite Lebanon and Iran into a provocation, into a military response to the Israeli attacks that is going to enable Israel to do what a Senate majority leader, the Republican leader, has been pushing for, and what Biden is pushing for, and what the neocons have been pushing for for 20 years, war with Iran to grab the oil reserves of what were Iran, Syria, Iraq, and Libya. And if it can control the oil reserves of the Near East and be able to block off their energy exports to all the other countries, just as it's been able to block Russia's oil exports to Europe, then it can control the industrialization of other countries because industry basically runs on oil and gas. Industry is energy, and without energy, you're not going to be able to have your own industrialization independently of the United States. So the U.S. foreign policy, as we've talked before, I think, in our last show, for 100 years, the United States has used oil as an attempt to control the world's economy.

Well, the third point that Nye points out is the dollar-based financial system. Well, it's amazing that he could say that in yesterday's Financial Times when the whole world was trying to de-dollarize. You're getting one speech after another, not only from Russia and from China, but from the global South countries. And even in the Near East, they're saying now that America has grabbed Russia's foreign exchange reserves, \$300 billion, all of the money that we've saved in our domestic monetary reserves are subject to confiscation by the United States. And they've already told Saudi Arabia that if they do not keep their international reserves from oil exports in the form of United States stocks and bonds, that would be treated as an act of war. So here in the Near East, you're having Saudi Arabia and Bahrain under increasing pressure to support the Arabs being attacked by Israel, and yet they're afraid to act because the United States is holding their dollars hostage. Well, very quickly, you're seeing other countries move out of dollars as quickly as they can.

And finally, the fifth argument that Nye points out for why America cannot lose is demographic and technological leadership. But that's the one fatal Achilles heel of the United States economy. Its hope, its idea of technological leadership is to get monopoly power over information technology, pharmaceuticals, and other areas that it can dominate for intellectual property through copyrighting and through essentially suing countries that will adopt the technology that's developed in the United States.

Prof. Hudson steps away for a minute.

**HAIPHONG:** That summary, Joseph Nye outlined it, and Professor Hudson broke it down, broke down the facade, or the reality behind the facade that the neocons spread. And what's so interesting about this piece is that, I mean, Joseph Nye, I mean, he is a Carter and then

Clinton functionary, someone who served as an Undersecretary of State and Undersecretary of Defense for these administrations. And he is someone who actually has been considered less hawkish, but if we went through this article, you would see that what he is arguing with regard to soft power is actually regime change by other means.

And that regime change is heavily connected to the economic realm, as perhaps Professor Hudson outlined so eloquently. There is so many connections to be made. We have a lot of them I'm going to raise with Professor Hudson, including on Russia, Russia being now the biggest economy in Europe by purchasing power parity terms.

Also, the China collapse theory. There's new news. There's recent news about China actually surpassing Japan and leading the world now in car manufacturing and how its electric vehicle production is causing so much alarm.

Prof. Hudson returns

I wanted to now ask you about a development, given all that you outlined with regard to Joseph Nye's assessment and analysis on soft power in the US's so-called advantages. I wanted to talk to you about this story here. Vladimir Putin was just meeting with business leaders in the Far East, and he made a claim about Russia now being the biggest economy in Europe by purchasing power parity (PPP) terms, becoming Europe's first economy, despite pressure from all sides.

And here's what he said. He said, It seems that we are being strangled and pressured from every side, but still we are the largest economy in Europe. We left Germany behind and climbed into fifth in the world. China, the U.S., India, Japan and Russia. We are number one in Europe. And so there's reports in that conversation with business leaders from the region that Russia is set to grow three percent year on year, and it's likely to be even higher, maybe four and five percent.

Now, there's also the news, you brought it up, but there is a huge stagnation going on in Europe. In an analysis also in Financial Times, there are 48 economists that talked about the eurozone set for weak growth this coming year. And the prediction was across these economists, zero point six percent on average, with many indicating less than that. And of course, some indicating more. But the vast majority said it was going to be less than half of one percent. So, Michael, your thoughts. How did this, how did this happen? And perhaps you can explain the economic intricacies on how this happened.

**HUDSON:** Well, we've discussed in the past how it happened. The United States, starting with President Clinton and actually with President Carter, decided to help American firms make

higher profits by moving their labor force out of the United States, by trying to shift manufacturing first to Mexico, along the *maquiladoras* under Carter, and then under Clinton to China and Asia.

And the idea was to create increasing industrial unemployment in the United States to prevent labor's wages from rising. And the theory that has guided the Democratic Party's economists is, if you can cut wages, there will be higher profits and higher profits will lead to more prosperity.

Well, the reality is that you cut wages by moving your industry outside of the country, by de-industrializing. And that is still the policy that America has taken. And it has replaced industrialization with financialization to make money financially, hoping that the companies that have now moved out towards China and Asia and other countries are going to be able to have higher profits and essentially become more prosperous for the donor class to the Democratic and also the Republican parties.

But what President Putin was talking about was something much more. Russia already, along with China, have begun to produce their own airplanes. Take a look at the last week's news, all about Boeing, yet again, having other accidents on its airplanes. Boeing used to be a technological leader in aircraft, but then it was merged with McDonnell Douglas and became a financial company. So it broke up the Boeing system of making airplanes and began to outsource to various other companies, all the little parts. And all Boeing is now is assembling diverse parts that it buys from various suppliers, very much like television sets are made. You buy different parts from different suppliers.

Well, the reason Putin is making his speech in the Near East is Russia and China are working together for an enormous industrial development to take place in eastern Siberia, which has been obviously underpopulated because of the bad weather for many centuries now, but also is now beginning to warm up. And the idea is to integrate Chinese industry and Russian industry and technology and to design entire cities that are going to be technological complexes producing all sorts of interrelated parts together, computer parts, airplanes, trains, automobiles. China is already the largest automobile exporter in the world. And so you're going to have this whole new center of industrial growth in eastern Asia.

Well, the idea is that this is going to be a great increase in prosperity. And the way in which these cities are developing, when I first went to Russia in 1994, I stayed at the home of the professor who had designed Togliatti City, the city where they were going to begin producing automobiles designed by the Italians. And he explained how he designed the whole city together to combine the factories and production to workers' housing, to workers' entertainment, to workers' health, and all of the different forms of supplying materials and parts of cars all dovetailed together. Well, he was basically an industrial engineer. And that is how Russia and China are developing the cities that they're creating along with universities, training systems in East Asia and Siberia.

So essentially, Putin is saying to the world, if you're a global south country or an Arab country, and you want to have your economy grow and trade more, who are you going to tie your economy to? The world is being split into two parts, the US-NATO "garden" and the rest

of the world, 85% jungle. The jungle is growing. The garden isn't growing because its philosophy is not industrialization. Its philosophy is to make monopoly rents, meaning rents that you make in your sleep without producing value. You just have a privilege of a right to collect money on a monopoly technology that you have.

But China and Russia are way ahead of the United States in most of the growth technologies that we're talking about, not yet in the ultraviolet etching of computer chips, but in many areas.

So you're having the whole shift of technological advance move away from North America and the United States, where it was ever since World War I, to Russia and China.

How is the United States going to cope with the rest of the world industrializing and not needing any contact with the United States?

President Biden keeps saying China is our enemy. Ultimately, our military says we're going to have war with China within two or three years. We're at war with Russia right now in the Ukraine. That's our objective, war.

But the rest of the world, essentially, its response is not a mirror image of this, is not to say, well, we can go to war. We're going to have Russia fighting Europe.

Just in the last few days, you had numerous American military magazines and especially European spokesmen saying, if we lose in Ukraine, Russia is going to march right through Poland and Romania, right to retake Germany. It's going to conquer Europe, and maybe it won't even stop in England.

Well, that's just nonsense. The reality is that Russia and China don't need Europe anymore.

They don't need the United States. Whereas under the Clinton administration, Madeleine Albright said, America is the unique country. It's the necessary country.

The fact is that the rest of the world not only finds America unnecessary, but America and its NATO allies to be the major threat to their own prosperity. So they're essentially splitting into their own world. And the BRICS group is expanding its trade relations, its investment relations, and especially its financial clearing and monetary operations to be independent of the dollar, de-dollarizing, and certainly independent of the euro, which seems to have no visible means of support right now, and going their own way.

Now, that is exactly what has led the United States to push Israel [essentially] to follow Netanyahu's belligerence, because the United States says, We realize we're losing power.

We know that it's really not a stalemate. We know that we've lost the chance for world dominance. We may be re-elected by telling people, you know, it doesn't really matter.

But we know that it does matter. The last chance we have to assert American power is military.

And the main military prize is the Near East now, just as it was after 9-11, when Dick Cheney and Rumsfeld pressed for an invasion of Iraq to begin grabbing its soil and to essentially create America's foreign legion in the form of ISIS and al-Qaeda Iraq. So now America has two armies that it's using to fight in the Near East, the ISIS/al-Qaeda foreign legion (Arabic-speaking foreign legion) and the Israelis. The plan is—and America is willing to fight to the last Israeli, just as it's willing—it's trying to fight to the last Ukrainian in order to make this final grab of the Near East in fighting Iran.

This is a crazy idea, but it seems that that's exactly what is being planned.

General Petraeus, who lost the war in Afghanistan, has said, we've got to conquer Iran. That's going to be—we can regain all the power that we've lost by attacking Iran. And so now it looks like President Biden is hoping to make a political comeback by saying, Well, we may not have blocked Russia and Ukraine, but at least we've conquered the Near East.

But the way in which it's conquering it [somehow has] become a catalyst to make the whole global majority, the whole rest of the world, especially Africa, South America, and South Asia, to think, Wait a minute, what's happening in Israel and Palestine today is exactly what happened to us at our beginning.

In the United States, what did the Americans do? The White people came, the Anglo-Saxons and the other Europeans, and they killed 90% of the Indians, drove them out, isolated them, put them in basically concentration camps. And then when they found out that there was oil under these concentration camps, they essentially murdered the Indians there or drove them out to grab the oil.

Same thing in Latin America. When the Spaniards came to Latin America, they grabbed the land, drew up land grants, and these land grants created latifundia, which has been the great problem of Latin America for the last five centuries, because it's prevented Latin America from growing their own food. It's fought against the indigenous population feeding itself to turn the land into export crops, largely under World Bank guidance for all of this.

Same thing in Africa. They say, wait a minute, what is happening in Israel is what happened to us, with the colonizing powers. This is what Germany did in Africa. It's what the Dutch did in South Africa. It's Germany in Namibia, the Dutch in South Africa, the English through Africa, and especially the French in its territories. All of this has occurred before.

And all of a sudden, just as Americans go to the movies and mourn more for the Westerns, they're cheering for the Indians against the cavalry. You're having the rest of the world cheering for the underdog because the underdog is who they were. The underdog is them today.

And this idea is turning into a feeling of, Let's throw off all of the barriers to colonialism.

Let's start with French Africa, which we're throwing off the French there. We're not going to let French banks, French mineral companies, mining companies, French oil companies simply take



all of our wealth because they conquered it five centuries ago. We can identify with the—we know what the Palestinians are fighting for.

And yet, in a way, they're also saying, well, wait a minute, look at what Israel's doing.

Israel says, God gave us this land. We used to have it. Well, the South Americans and Africans and Asians are saying, Well, this is our land, but we never left it. We're still on the land. And even though we're on the land, we're still locked up, like Israel is treating the Palestinians. We don't have to live this way. We can decolonize.

And the whole split of the world and the turning towards the China, Russia, Iran, BRICS

access is an attempt to reverse, undo, and roll back the whole colonial expansion that's occurred over the last five centuries.

**HAIPHONG:** You just gave an incredible summary in breaking down the interconnections of these developments, and I wanted to, given that the Near East, West Asia, is so "hot" right now.

Iran just launched numerous strikes in Erbil, in Iraq, against a Mossad headquarters, as well as other targets locating certain terrorist groups that Israel supported. There are reports now of Pakistan, also in northern Pakistan.

There also is the situation with regard to Yemen, the Red Sea crisis that is ongoing. The Ansar Allah movement has just hit an American ship. There's constant activity there. And of course, there's still the conflict you mentioned, the fighting going on in Gaza, the brutal attack on the people of Palestine that has been correctly labeled a genocide.

And here's what Joseph Nye had to say, and I'll kick it back to you, Michael. He said it with regard to U.S. soft power. In that Financial Times article, he said, The U.S., even so, can seem powerless. It has failed to convince its ally, Israel, to act with restraint in Gaza. Could it have done so in the past? It's not clear they could have done it 20 years ago. George W.

Bush intimated in 1991 that American aid could be cut and that they may have helped to stimulate the Oslo process, but that didn't bring about two states. Israel is not only, not the only ally that has proved quite capable of resisting the U.S., pointing to Saudi Arabia and others. For the moment, Israel is hurting its own soft power and by extension hurting American soft power.

Kick it back to you, Michael.

**HUDSON:** This is the big lie that America is trying to promote. The idea that, the pretense that when Blinken goes to talk to Netanyahu, he says, when you drop the next bombs and kill the next 20,000 Gaza-era Palestinians, please be gentle with them. Please obey the laws of war and stop bombing the ambulances, stop bombing the hospitals.

That's all public relations crap. The reality is that he's telling Netanyahu to go forward.

It's America. All these bombs that are dropping are made in America and sent to Israel to drop. Every week, America is saying, Here is a new delivery of bombs. Go to it. Here is billions of dollars more for you to get by while you've drafted your working population into the army. America is pushing Israel.

Beginning 50 years ago, I used to travel to work with Netanyahu's main Mossad and now National Security Advisor, Uzi Arad. I remember, I think I've mentioned before on one occasion, we were going to Japan and stopped off in San Francisco for some discussions.

An army officer came up, threw his arms around Uzi and said, you Israelis are our landed aircraft carrier in the Near East. Well, that was 50 years ago.

Last week in the New York Times, I hear exactly the same phrase. Israel is our aircraft carrier. To the United States, Israel is America's Ukraine in the Near East. It's the United States that is pushing Israel to goad first Lebanon and then Iran into doing something that will justify a huge American attack, trying to do to Iran what Hillary Clinton did to Libya, utterly destroying it and destroying the population. In the process, grabbing its gold supply, we don't know what's happened to that, installing ISIS as its foreign legion in as much of Libya as possible and grabbing the Libyan oil supply.

In the New York Times, in the Wall Street Journal and on TV, whenever they talk about Hamas or Hezbollah, they don't say Hamas and Hezbollah. They say "Iran-backed Hamas",

"Iran-backed Hezbollah". They don't talk about the Yemeni army, the Houthis. They say the

"Iranian-backed Houthis". There is a huge public relations push to convince the American population that Iran is the big enemy and President Biden says again and again that Iran is the enemy. The army, Petraeus, and the neocons have said from the very beginning, Iraq and Syria are merely the dress rehearsal for where we really want to go, Iran.

Their hatred of Iran stems from the fact that they overthrew the Iranian government of Mosaddegh back in the 1950s, along with British help as usual. And they're sure that, well, we've hurt you so much that we're sure you must hate us. And since we know you hate us because of what we've done to you, we've got to attack you because we've made you an enemy by overthrowing your government when we grabbed your oil and put in the Shah that ran a murderous torture regime for a few decades in Iran. Well, that basically is the 7

American policy that is goading it into a war that probably will be more disastrous for the United States than the war in Ukraine was.

At least in Ukraine, all the Americans lost were Ukrainians. And I guess they had a few mercenary troops that they hired over there. But in the Near East, they're going to lose a lot more than it was at stake in just Ukraine. They'll probably lose Israel's role as a landed aircraft carrier. And in fact, they're going to lose a lot of their own floating aircraft carriers that are near

there. And they've already lost control of the Red Sea and the oil gulf, basically, between Iran and Egypt.

And there's also a possibility that they'll even lose the support of Egypt and Saudi Arabia.

Because even though in the Arab Spring, the Americans pulled a "color revolution", Arab Spring, where they replaced the hated Egyptian President Mubarak with his own protege, Sisi, who is now running it. Sisi is totally in the US pockets. And yet, the Egyptian population, needless to say, being largely Arabic, is supporting Gaza, not the United States.

Similarly, in Saudi Arabia. Here, Saudi Arabia and Ukraine were in the process of making a rapprochement, actually an alliance with Israel, along sort of the same lines that Greece had been making with Israel for a Mediterranean military force. Well, now much of the Saudi population is Palestinian. They've found jobs in Saudi Arabia, and they're outraged at Saudi Arabia's trying to sit on the fence at the same time that it has joined the BRICS.

It realizes that all of its foreign reserves are held hostage by the United States. What's going to be more important to Saudi Arabia? Fighting to protect the Islamic population under attack, or saving its own reserves that are kept in the United States, not to help Saudi Arabia at all.

Same thing with Egypt.

The population there, between Egypt and Saudi Arabia and Bahrain, these were the main American bastions in the Near East. And now it's in dan-ger of losing them if, in the case of war, they're under tremendous political pressure and instability.

And further to the West in Africa, you have the former French colonies also being Islamic.

You can imagine, you know, they're breaking away not only from France and supporting the rest of Africa, Central Africa, from breaking away from France, but essentially moving into an alliance with the BRICS countries, with Russia and China.

So all of a sudden, the American decision to go to war with Russia in Ukraine after the 2015

Maidan massacre and regime change, putting in the neo-Nazis, you're having the fighting in Israel. And those two US-sponsored attacks have had the exact opposite effect of what the United States politicians promised. Just as they promised that Russia would break up and essentially the economy would crash under the sanctions and under the force of war, they believed that Israel's army was so strong that it was going to simply be able to wipe out Hamas.

And the big fighting--there's not a word of this in the United States press--but the big fighting is on the West Bank. Netanyahu is saying, well, here while they're all looking at what we're bombing the civilians and the hospitals and the ambulances and starving Gaza, we've distracted the world and we can now wipe out the Arabs on the West Bank and move right into Syria on the Golan Heights. And apparently the United States has promised Israel that

it can take whatever it wants of Syria, which it's still opposing.

We don't know what Russia is going to do in all of this. Russia, China have been completely silent in all of this. And I can understand they're silent. China has moved naval ships into the area because it's itself is very dependent on the Red Sea and the sea lanes to oil in Saudi Arabia.

When the United States keeps saying, threatening, oh, the Yemenis are going to bomb ships there and block the trade, that's what they want. The United States realizes that if they can goad Yemen and Iran into blocking the Straits of Hormuz and the Gulf, this will indeed stop the oil trade. And it's true that as Yves Smith pointed out in Naked Capitalism today, the sea lanes to Saudi Arabia were closed for many years after the 1967 war. They were closed numerous times for many months. And it's not unthinkable that they're closed. But that was then.

Now, if you close them, it will be the main energy buyers in Asia, China, and other countries that are going to be hurt. And that is, from the United States point of view, that will give the United States even more power to control the oil supply of the world as a bargaining chip in trying to renegotiate this new international order.

So you're having the United States basically play the only tactic that it can actually use.

It can't use the tactic to say, We're the growing economy and you want to trade with us, not with China and Russia, because they're growing faster than the U.S. and Europe. They don't really have anything to offer except the ability to disrupt foreign trade and foreign monetary and financial systems and agree to stop disrupting it if other countries will simply let the United States be the unipolar decision maker.

And I should have added the dimension before when we were talking about China and Russia and the Siberian development. The Eurasian countries have one great advantage over the United States and Europe. The United States and Europe have essentially privatized what was the whole public infrastructure system. And being privatized, they're now natural monopolies. And they're run in the way that, say, Thames Water is run in England. They're run as monopolies that are under-investing and simply using a choke-hold to increase their monopoly rents, which they report as profits.

But China, Russia, Asian countries have kept the basic infrastructure-transportation, education, health care, communications-as public utilities. And they are investing, they are run by engineers, industrial engineers, not financial engineers. And they are run not only much more efficiently, but they don't have the financial overhead and the monopoly rent overhead that plagues privatized infrastructure. So the cost of production in the non-neoliberalized world, I guess we can call it the world moving towards socialism, is so much more efficient than the neoliberal financialized West that you can see the magnetic pull of Africa and South America.

And as it happens, these are also the main raw material suppliers of the world. So if the United States and Europe don't have raw materials, don't produce their own oil, except what

the Europeans have to pay enormous markups to American producers, you're going to have Europe looking pretty much like post-Soviet Latvia and Estonia. The population is going to emigrate. They're going to shrink. You're going to have a flowering of interaction throughout all of Eurasia and Africa.

And essentially, the United States can try to stop this by triggering a new oil war in the Near East. But that's really the last gasp. It's very unlikely that this is going to lead Taiwan to say, Well, you know, we're going to follow Ukraine and Israel and you can fight to the last Taiwanese, just as you're fighting to the last Ukrainian, the last Israeli. I think that the United States is creating a turmoil that is demonstrating to the other world the need for essentially, I won't call it an iron curtain, but for it to go its own way and for a break in economic systems.

And as President Putin has said again and again, this is a civilizational war. It's a war to say in what direction is civilization going to go? Is it going to be towards neo-feudalism, back toward feudalism, which is the neoliberal rent-seeking 1%? Or is it going to be towards where industrial capitalism was originally evolving towards, towards socialism and towards raising living standards instead of imposing IMF financial austerity on the dollar block? So that's the choice that America is seeing in the Near East and in other countries right now.

Are you going to have a future of austerity or essentially prosperity and economic growth?

**HAIPHONG:** I don't think there's a better way to connect all of those developments, especially with regard to what's happening in the Near East, or what some call the Middle East, or what others call West Asia. I mean, the clashes are escalating. There's clashes even between Egypt and Israel, which is almost unheard of.

With everything that you said, you're saying that this is not going to work at all, that the United States won't be able to wrestle control as it is seeking in the region. How do you see this playing out? Maybe we can close on this point, given that it's not going to work.

And if it's not going to work, then what other options do the United States and maybe the broader collective West have? Because you've outlined it perfectly, this is an economic war, this is a war for economic dominance and control. So will it just crumble on its own, or will the United States and whoever it can drag along with it, you know, escalate and maneuver in a manner that we should all be aware of?

**HUDSON:** The United States has one dynamic more than any other country of the world, and that is rage. That is the feeling that you have in Washington now. Not only rage, but as with most rage, it's combined with fear. The Democrats fear that they're going to lose the election and that Donald Trump is going to come in and clean up the FBI police state and to get rid of the CIA. That's basically what he's pledged to do, the deep state.

So the deep state is worried that it's going to be, not that the United States is going to be left to stagnate, but that they themselves, their control of the United States will stagnate.

And the deep state is willing to destroy the U.S. economy. The Democratic Party, since

Clinton, has the objective of destroying the U.S. economy in order to benefit the control of the 1% over the 99%. And it's willing to use military war to fight, to escalate in the Near East, to escalate in Ukraine, and to escalate, presumably, in the China Sea to somehow provoke and essentially saying, Well, we're going to go to war. We're going to have a grab bag because who wants to live in a world that we don't control?

Well, just, you know, this is like what Russia said when America was threatening to atom bomb it with its withdrawal from the arms agreements. Russia said, Don't think that we won't fight back. Who wants to live in a world without Russia? Well, the United States government is saying, who wants to live in America that we can't control? That the banks and the military industrial complex and the pharmaceutical complex and basically the finance-monopolist sector can't control. If we can't control it, we're willing to have the whole country go under. That's really what it is. And they're using the control of the press for any of this.

For instance, on Saturday and Sunday in Washington, there were huge demonstrations against the attacks on the Palestinians. Not a word of this in the New York Times or not a word of it on television. There's not a word of what's happening in the Near East or what President Putin and President Xi are saying in the news at all. It's as if the world is already divided into a visible world, the deep state world and the invisible world, reality, of the 95% or 85%.

The fight politically towards November is, are people going to be able to really believe that the Biden administration is helping the economy instead of defending the CIA, the FBI, the national security state, the military industrial complex, the pharmaceutical complex, real estate, and Wall Street against the population by de-industrializing? Or has all this been a detour that's made us poor? That's going to be the question.

And the fact that you're already having on social media, blocking of any criticism of Israel or the United States, you're having a kind of control here that is a very similar control that you're having in the Ukraine.

**HAIPHONG:** It really is mind blowing how quickly all of these developments have, in many senses, spiraled out of control. Even if we can look at this in years, but even in just the last few months, of course, with October 7th being another breaking point.

**HUDSON:** I think you should say October 2nd. That was the destruction of the attempt to destroy the mosque. It's October 2nd that triggered all of this. It was the Israeli attack on the mosque that was intended to say, We are going to destroy the Islamic presence in Palestine so that it can be entirely non-Islamic. That was the declaration of war. So don't be suckered into the New York Times saying it's all October 7th.

It began the week earlier, just as in Ukraine. The Ukraine war did not begin with Russia moving to protect its population, its Russian speaking population in Donetsk and Luhansk.

It began not only with Maidan, but with the Ukrainian army shelling, bombing civilian apartment buildings and civilians in the Russian speaking territories and refusing to pay any social security or healthcare to the Russian speaking territories and banning the Russian language. Russia was

the country under attack, not the attacker.

So again, you have to be very careful as when you date the beginning of this. And the Americans want to date all wars as when after it attacks and when other countries are protecting themselves. They call other countries protecting themselves an attack on the United States. Yeah.

**HAIPHONG:** October 7th, February 22nd, 2022. I mean, it's a tactic. So it's a great point that you brought up.

And maybe, Michael, we could close our conversation with China because China, you mentioned earlier in your analysis. And, you know, I believe China is the end game here. And there are a few developments. You mentioned China surpassing, in terms of car exports, car manufacturing, Japan, and becoming number one in the world. There and I'm going to pull up the articles as you speak.

There's also the boards of the major auto manufacturers, the monopolies in a state of shock over BYD, the car manufacturer in China that has essentially taken over the world market with regard to electric vehicles. And there's also reports that China is going to meet its 5

percent growth target. Despite the fact I'm sure you've seen this, Michael, there is collapse after collapse after collapse theory being bandied about in the mainstream media by the deep state. "China's on the collapse. China's economy is flailing. It's declining. It's crashing."

So, Michael, I'm going to pull up the pieces as you go. But perhaps you can give your take, your reaction to this development and the notion of China being the end game for the neocons and the monopoly system of post-industrial capitalism, finance capitalism that you write and analyze so much about.

**HUDSON:** Well, there are a number of reasons why China is becoming the main car producer. This is led by the shift towards electric vehicles. And there's one key dimension of electric vehicles.

Number one is they're electric. You need electricity. How are you going to produce the electricity: with American oil, with Russian oil? How are you going to make it with atomic power? The other thing is once you get the electricity into the car, how are you going to get a battery to run the car and not have to keep stopping at the filling station even more often than you have to go to the bathroom?

Well, the answer is you need lithium for that. And China has been controlling most of the lithium sites. And you also need to have computerized vehicles. You need all sorts of materials that are cobalt, the rare earths that also are controlled with China. And China has gained control of most of the metallurgy, of the refining of the key metals that are needed for automobile production and for other industrial production.

So you have China as an integrated economy producing all of these. And you have the West

becoming dependent on achieving these same metals. Now, let's look at what could have happened back in 1990. Suppose there had not been a Cold War. Suppose that America actually in 1990, when the Soviet Union disbanded, America would have disbanded NAT and really had a mutual kind of growth with open, continued international trade.

Well, without the world splitting into the two parts, somehow there wouldn't have been enough motivation for other countries to explicitly make the civilizational break from neoliberalism to socialism. There would have been a kind of social democracy in Asia, but it could have been the social democracy going the oligarchic way that it's gone in, say, Sweden, which used to be called a great social democracy. And now it's the most unequal country in Europe. You could have had slowly that development, but there would have been world trade and anybody could have bought the various metals, lithium, the rare earths. There would have been oil. There would have been continued trade and the whole world economy could have grown.

All of that was broken up by the American insistence that if we can't control world trade, there won't be world trade. If we can't control world international finance and make the whole world use the U.S. dollar that we can print on computers and print and issue to finance all of the military spending to encircle the rest of the world with military bases, if we can't do that, then there won't be a world financial system because the United States believed that without the dollar, there couldn't be de-dollarization because there was no alternative.

They're tricked into the Margaret Thatcher type slogan. There is no alternative. And they really believe that the rest of the world could not prosper without using the dollar. They could not prosper without selling off and privatizing their public utilities and making natural monopolies that would be bought up by American buyers printing the dollars to say, we'll print the dollars and we'll buy your transportation system, your communication system and your factories. They couldn't believe that there was an alternative to neoliberalism. And yet you're seeing this. They couldn't believe that if they simply bombed another country, that somehow the population of that country would say, Oh, we don't want to be bombed.

We're going to overthrow our government and support a government that supports you so that you won't bomb our country anymore.

Instead, the effect of bombing a country when the United States does it is the same as bombing a country when any other country does it. It galvanizes the population together to oppose the country that's bombing it and defend the country that's under attack. So the whole image that the United States has is, there's only one actor in the world, and that's us. And we can smash other countries. And if that doesn't work, we'll upset the chessboard and just wreck the whole game.

So the United States is acting in the role of wrecker and other countries are in the role of builder. And the whole global majority is saying, What side do you want to be on, the wreckers or the builders?

And you can look at Ukraine as an example of how the United States would like Russia, China, and the Arab countries to exist. You would suspend elections once you have your guys, your



president in there. You would become the most corrupt country in your region, as Ukraine has been. You will ban local languages and religions that are not Judeo-Christian.

You will essentially prevent strikes.

And you know the joke, the aristocrats. A stage group of actors talks about a family coming on and doing all sorts of horrendously devious sexual acts and incest, and it goes on and on. The producer who's being offered this act and said, what do you call this act? And the answer is, the aristocrats.

Well, what do you call the Ukrainian act of suspending elections, banning foreign languages, assassinating critics? We call it democracy. Well, that's hilarious. That's indeed what America calls it. America has two models of democracy, Ukraine and Israel. Again and again in the press, it says Ukraine is the model of democracy that we want for what used to be the whole Soviet Union. And you have Latvia and Estonia and Lithuania clapping, and we want the democracy in Israel. Israel is the only democratic country in the Near East.

We want Israel to be the model for the Near East.

Well, what are they saying? That there won't be any more Arabs in the Near East? That they'll all be Americans with dual citizenship? This is what it's all come to. We're living in an Orwellian world is trying to deter people's consciousness from realizing the reality of work and the dynamics that are at work. And how long can you convince people that they're really not doing well just because the 1% is doing well? How can you convince the people that America is really a model leader when it's trying to destroy the whole rest of the world instead of helping it, as at least it could pose to be doing back in 1945 when World War II ended?

You're having really unwinding of the whole world system of the World Bank, the IMF, the United Nations, the whole diplomatic system of the world that was put together in 1945 is now being outmoded. And you could see the inability of the United Nations to cope with the war in the Near East, to cope with the war in Ukraine. This is the death knell of the old world. And you're seeing a new world being created spontaneously, not ideologically, but basically spontaneously in an ad hoc fashion by China, Russia, and the 99%.

**HAIPHONG:** Yes. Yeah, yes, indeed, Michael. And, you know, final thoughts on the fact that given all that you said, and this reality, I mean, it's this myth and reality, the myth, the idea, that China's collapsing, you know, China's economy is in decline. And yet you have not only these recent developments, but you also have these broader developments that you speak of.

So can you just give a sense, you've been to China, you've studied China's economy very deeply. Just to close, help our audience here understand why China's economy is able to industrialize like it is.

Europe is about to go through this probe. I don't know if you've heard of this, this probe of the, you know, Chinese auto manufacturing, especially around electric vehicles, because of these nefarious state subsidies. Can you talk about this, talk about China's economy, how

it works, and why Europe and the United States, of course, has been waging economic war as well, why they would resort to what seems to be counterproductive measures?

**HUDSON:** Well, the key to understanding the West is neoliberalism is privatization of basic needs and basic utilities. The most important public utility throughout history has always been the ability to create money and credit.

And what China has that no other country had was its central bank created the own money.

And when the government creates money through the treasury, spending money into the economy, it spends money in order to actually build things, mainly to build real estate, to house the Chinese, but also to build the high speed railroads, to provide an educational system, universities all over China, to build communications.

Other countries, such as the United States, don't have this. Money is created, especially in the United States, by commercial banks, and they create money not to finance new construction of factories or new investment of any sorts. Banks lend money in the West against collateral that is already in place. You can go to a bank to get money to buy a building that exists, an office building, although the office building's prices are all collapsing now. You can go and borrow money to buy a whole company. That's what private capital does. It buys money to buy Sears. It drives it bankrupt, collapses it, and fires the [workers].

It can buy Toys R Us, drives it bankrupt, collapses it, and it's gone. You can buy companies and loot them and essentially close them down and turn factories into gentrified buildings for the 1% of financial operatives who are doing the looting.

But banks in the West do not fund public utilities, and once you cut the taxes and force a government into deficit, you then finance the deficit by privatizing your roads, turning them into toll roads. You privatize your postal system. You privatize your health care system so that there's not much health care anymore, as you have in England, for instance, the crisis that you're having in English medicine and hospitals and privatization. You make the whole economy in the West look like England after Margaret Thatcher, where people who are actually wage earners can't afford to live in London anymore. That's for the foreign investors or the people who work in the financial sector. The wage earners have to live in suburbs to take privatized rail transportation.

In the United States, for instance, Greyhound, the bus system, was just bought out by private equity. They did exactly what Stagecoach, England's largest bus company, did in England. They sold off the bus terminal that was in the center of the city that people would go to to catch the buses, and they sold it for gentrified real estate and told people, there's now a parking lot we have on the outside of the city. You go and wait in the parking lot.

We hope it's not raining or too cold or snowing, but we don't have a terminal anymore. Well, you can just imagine this way of doing things. It turns into a race to the bottom.

Well, China, by [keeping control of] finance, really controls who is going to get the credit, and

credit is really the economic planner. Neoliberalism in the West says the government shouldn't do the planning. Wall Street should do the planning because Wall Street is what provides the credit that determines who is going to get the resources and what they're going to do with it.

Well, Wall Street gives the credit to financial engineers that are trying to make money by increasing stock prices, increasing capital gains, and making money financially.

It's true that China has made many billionaires. That was part of the Let 100 Flowers Grow, but now that it's had that spontaneous growth, now it's seen what forms work and what forms don't work. Now it's consolidating the economy to essentially create credit to finance tangible industrial growth, tangible infrastructure growth, tangible agricultural modernization, and general improvement of living standards.

The whole aim of the Chinese economy is growth, not looting and downsizing and a smash-up of corporate raiding. There's no corporate raiding going on in China. There's not going to be any financial interest that's going to buy Huawei or the other Chinese developers. You don't have the parasitical financial class that have become the central economic planners of the United States.

Because that's what libertarianism is. Libertarians want a centralized economy, not run by government but run by Wall Street and the financial sector. The libertarians are essentially the advocates of what normally used to be called fascism, central planning by the wealthy financial and monopoly sector against the population at large.

You have the Republican and the Democratic Party both supporting a dismantling of government just with a different kind of rhetoric, but the same policies, the same military policies and the same anti-industrial policies. China, Russia and their now more and more BRICS countries are rejecting that whole self-defeating neo-feudal path of growth.

**HAIPHONG:** Well, Michael, you've been very generous with your time today. I really appreciate you giving this what was an incredible rundown of all the interconnections, all the developments geopolitically that have, at their base, economic roots. And so, Michael, thank you so much.

Where can people find you? I have your website in the video description.

**HUDSON:** My website is michael-hudson.com and there's a Patreon list associated with that. But all my articles are on my website and the other sites that I publish on, Naked Capitalism and Counterpunch and other such sites.

**HAIPHONG:** Well, definitely check out his work. He has a number of books that are key reads. So, Michael, it was great to be with you. Thanks so much for joining me today and I'll talk to you again soon.

**HUDSON:** Thanks for having me. We were lucky politically, but the whole world was at a turning



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point this week, it looks like.