

Video: How the US Makes Countries Pay for Its Wars: Economics of American Imperialism with Michael Hudson

Part 2 of the interview with Prof. Michael Hudson

By [Prof Michael Hudson](#), [Ben Norton](#), and [Max Blumenthal](#)

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***Economist Michael Hudson** explains how American imperialism has created a global free lunch, where the US makes foreign countries pay for its wars, and even their own military occupation.*

***Max Blumenthal** and **Ben Norton** discuss the economics of Washington's empire, the role of the IMF and World Bank, attempts to create alternative financial systems like BRICS, and the new cold war on China and Russia.*

Full transcript follows.

MICHAEL HUDSON: The World Bank has one primary aim, and that's to make other countries dependent on American agriculture. This is built into its articles of agreement. It can only make foreign currency loans, so it will only make loans to countries for agricultural development, roads, if it is to promote exports.

So the United States, through the World Bank, has become I think the most dangerous, right-wing, evil organization in modern in history — more evil than the IMF. That's why it's almost always been run by a secretary of defense. It has always been explicitly military. It's the hard fist of American imperialism.

Its idea is that, we'll make Latin American, and African, and Asian countries export plantation crops, especially plantations that are foreign owned. But the primary directive of the World Bank to countries is: "You must not feed yourself; you must not grow your own grain or your own food; you must depend on the United States for that. And you can pay for that by exporting plantation crops."

(Intro - 1:45)

BEN NORTON: Here at Moderate Rebels we talk a lot about imperialism. I mean it's really the kind of main point of this show. This program explores how US imperialism functions, how it works on the global stage, how neoliberal policies of austerity and privatization are forced at the barrel of a gun through the US military, through invasion and plunder.

We talk about it in Venezuela, and Iraq, and Syria, and so many countries. But we often don't talk about the specific economic dynamics of how it works through banks, and loans, and bonds.

Well today we are continuing our discussion with the economist Michael Hudson, who is really one of the best experts in the world when it comes to understanding how US imperialism functions as an economic system, not just through a system of military force.

Of course the economics are maintained, are undergirded, by that military force. And we talk about how the military force is expressed through regime-change wars and military interventions.

But Michael Hudson also explains how the International Monetary Fund and the World Bank, and the US financial system, and banks and Wall Street, they all work together, hand in glove with the military, to maintain that financial chokehold.

He spells this all out brilliantly in a book called "Super Imperialism: The Economic Strategy of American Empire." He originally wrote that book back in 1968, and then recently updated it in 2002, published again in 2003 with the war in Iraq and the war in Afghanistan, and kind of updated and showed how, even though the system that he detailed 50 years ago hasn't really changed, but it has shifted in some ways.

So today we're gonna talk about how that international imperialist system dominated by the US works.

Michael Hudson, who in the first part of this talked about the scheme that is the coronavirus bailout — if you want to watch the first part you can go find that at [moderaterebels.com](https://www.moderaterebels.com); it's on YouTube, Spotify, iTunes, any other platform.

Michael Hudson is an economist and he's also a longtime Wall Street financial analyst. He is also a professor of economics at the University of Missouri, Kansas City, and you can find his work at [michael-hudson.com](https://www.michael-hudson.com), which I will link to in the show notes for this episode.

So without further ado, here is the second part of our interview with Michael Hudson.

(4:37)

MAX BLUMENTHAL: I think it's a good transition point to talk about another kind of scam you've identified. There's a really hilarious aside in the second preface to your book "Super Imperialism," where Herman Kahn, who is, I think he was a founder of the Hudson Institute, which you went to work for, he was also the inspiration for the Dr. Strangelove character and Stanley Kubrick's film.

Herman Kahn is, there's an award that the neocons give out every year named for him; Benjamin Netanyahu is a recent award winner.

But he was he was in the audience, or on a panel for one of your talks, where you laid out your theory of "Super Imperialism," and how the United States actually gets other countries to subsidize its empire, and is able to expand and carry out this massive imperial project without having to impose austerity on its own population, as other countries have to do under IMF control.

So Herman Kahn comes up to you after the talk and says, “You actually identified the rip-off perfectly.” And your book starts selling like hotcakes in DC, I guess among people who work for the CIA, and people who work in the military-intelligence apparatus.

MICHAEL HUDSON: What he said was, “We’ve pulled off the greatest ripoff in history. We’ve gone way beyond anything that British Empire ever thought of.” He said, “That’s a success story. Most people think imperialism is bad; you’ve shown how it’s the greatest success story — we get a free lunch forever!”

MAX BLUMENTHAL: Right. So explain the ripoff you identified there, and how it is being perpetuated under the Trump administration in ways that I think are pretty amazing, including through the imposition of unprecedented sanctions on something like one-third of the world’s population.

(6:40)



MICHAEL HUDSON: Well I wrote “Super Imperialism” in 1972, and it was published exactly one month after President Nixon took America off gold in August of 1971. And the reason he took America off gold was the entire balance of payments deficit from the Korean War to the Vietnam War was military in character.

And every time, especially in the '60s, the more money that America would spend in Vietnam and Southeast Asia, all this money had to be spent locally. And the banks were all French banks, because it was French Indochina, all the money would be sent to Paris, to the banks’ head offices, turned over from dollars into francs, and General de Gaulle would end up with all these dollars, and he would, every month, send in the dollars and want payment in gold. And Germany would do the same thing.

And so the more America fought militarily, it was depleting its own gold stock, until finally, in August 1971, it said, “We’ve been using gold as the key to our world power ever since World War I, when we put Europe on rations. So we’re going to stop paying gold.”

They closed the gold window. And most of the economists were all saying, “Oh my heavens, now it’s going to be a depression. “But what I said was, “Wait a minute, now that other countries can no longer get gold from all this military spending” — and when you talked about the balance of payments deficit, it’s not the trade deficit, it’s not foreign investment; it’s almost entirely military in character.

So all these this money that spent abroad, how are we ever going to get it back? Well these dollars we have spent around the world, mainly for the 800 military bases and the other activities we have, these dollars would end up in foreign central banks.

And foreign central banks, what are they going to do with them? Well we wouldn't let foreign central banks buy American industries. We would let them buy stocks, but not a majority owner.

My former boss, the man who taught me all about the oil industry, in Standard Oil, who became undersecretary of the Treasury for international affairs, and when Herman Kahn and I went to the White House, he said, "We've told the Saudi Arabians that they can charge whatever they want for their oil, but all the money they get, they have to recycle to the United States. Mostly they can buy Treasury bonds, so that we'll have the money to keep on spending, but they can also buy stocks, or they can do with the Japanese did and buy junk real estate and lose their shirts."

So basically, when America spends money abroad, central banks really don't have much — they don't speculate. They don't buy companies; they buy Treasury bonds. So we run a monetary deficit; the dollars are spent abroad; the central banks lend them back to the Treasury; and that finances the budget deficit, but it also finances the balance of payments deficit. So we just keep giving paper

And I think President Bush, George W. Bush, said, "Well we're never really going to repay this. They get counters, but we're not going to repay it." And then, as a matter of fact, you have Tom Cotton a senator from [Arkansas] saying, "Well you know China holds savings of \$2 trillion or so in US Treasury bonds. Why don't we just not pay them? They gave us the virus; let just grab it and nullify it."

We can nullify Iranian assets, Venezuelan assets — it's like a bank can just wipe out other deposits you have, if it wants militarily. So the United States doesn't have any constraint on military spending.

Now Herman Kahn and I on another occasion went to the Treasury Department, and we talked about what the world would look like on a gold standard. And I said, "Well gold is a peaceful metal. If you have to pay in gold, no country with a gold standard can afford to go to war anymore. Because a war would be entail a foreign exchange payment, and you'd have to pay this foreign exchange in gold, not IOUs, and you would end up going broke pretty quickly."

Well needless to say, I think someone from the Defense Department said, "That's why we're not going to do it."

Here's an example: Let's suppose that you went to a grocery store. You decided, ok, you go to the grocery store and you buy — you sign an IOU for everything that you buy. You go to a liquor store, IOU. You buy a car, IOU.

You get everything you want just for an IOU, and people try to collect the IOUs, and you say, "Well you know that IOU isn't for collecting from me. Trade it among yourselves. Trade it among yourselves and you'll get rich in no time. But treat it as an asset, just as you treat a dollar bill."

Well you'd get a free ride. You'd be allowed to go and write IOUs for everything, and nobody

could ever collect. That's what the United States position is, and that's what it wants to keep.

And that's why China, Russia, and other countries are trying to de-dollarize, trying to get rid of the dollar, and are buying gold so that they can settle payments deficits among themselves in their own currency, or currencies of friendly countries, but just avoid the dollars altogether.

(12:21)

BEN NORTON: Michael, in the first part of this interview, when we were talking about the coronavirus bailout and the \$6 trillion that were just basically given to Wall Street, you mentioned that basically it is just — I mean, I also said it — that's it's just a con scheme. But you said, really, that a lot of people are surprised, that they don't think the system can work this way, because it just seems so blatantly stacked against them, so blatantly unfair.

In your book — "Super Imperialism" is just so mind-blowing because, in simplistic terms to someone who is definitely a non-expert like me, it just becomes so clear that, as you put it, the US for decades, since the end of World War Two, has been really obtaining "the largest free lunch ever achieved in history," the way you put it.

I'm gonna read just two paragraphs here really quickly from your book, and then maybe ask you to unpack exactly how this works. But right at the beginning — and this is the updated version of your book, and we'll link to your book in the show notes for this show. So anyone, I would highly recommend anyone listening could go buy "Super Imperialism."

I'm going to be republishing it through my own institute. It's very hard to get the book; that's why I'm buying the rights back. Because it's really not marketed in this country very much. So at any rate it's on my website, and you don't have to buy the book; you can go to my website and get many of the chapters.

Excellent, well I'm gonna link to your website in the show notes that's michael-hudson.com. And thank you for putting that up, because I've been reading the PDF, and it's incredible.

So you write in the the introduction to the new updated version, which you wrote in 2002, on the eve of the invasion of Iraq, you wrote:

"The Treasury bonds standard of international finance has enabled the United States to obtain the largest free lunch ever achieved in history. America has turned the international financial system upside down, whereas formerly it rested on gold, central bank reserves are now held in the form of US government IOUs, that can be run up without limit.

"In effect America has been buying up Europe, Asia, and other regions with paper credit, US Treasury IOUs that it has informed the world it has little intention of ever paying off.

"And there is little Europe or Asia can do about it except to abandon the dollar and create their own financial system."

So this seems to me as an outsider to be totally insane, to be a total con scheme. Can you explain how that scheme works, and especially in light of neoliberal economics?

I took, just in college, basic introductory economics classes that were mandatory, especially microeconomics, and in those classes they teach you this neoliberal, libertarian form of economics, and they teach you the famous Winston Churchill quote, “There is no such thing in economics as a free lunch.” But you’re pointing out that actually, on the international stage, this whole thing is just all a giant free lunch for the US empire.

(15:53)

MICHAEL HUDSON: Well the whole financial economy is a free lunch, and if you’re going to get a free lunch, then you protect yourself by saying there is no such thing as a free lunch. Obviously it does not want to make itself visible; it wants to make itself as invisible as possible.

Well most of these countries in Asia get the dollars from US military spending. They say, “What are we going to do with the dollars?” They buy US Treasury bonds, that finance the military spending on the military bases that encircle them. So they’re financing their own military encirclement!

It’s a circular flow. The United States spends dollars in these countries; the local recipients turn them over for local currency; the local currency recipients, the food sellers and the manufacturers, turn the dollars over to the banks for domestic currency, which is how they operate; and the dollars are sent back to the United States; and it’s a circular flow that is basically military in character.

And the gunboats don’t appear in your economics textbooks. I bet your price theory didn’t have gun boats in them, or the crime sector, and probably they didn’t have debt in it either.

So if you have economics talking as if the whole economy is workers spending their wages on goods and services; government doesn’t play a role except to interfere, but government is 40 percent of GDP, mainly military in character, then obviously economics doesn’t really talk about what you think of the economy; it doesn’t talk about society.

It talks about a very narrow segment that it isolates, as if we’re talking about a small organ in the body, without seeing the body as a whole economic system, a whole interrelated system that is dominated and controlled by the finance and real estate sector, which has gained control of the government.

And if the finance, and the insurance, and military sector, military-industrial complex, make themselves invisible and absent from the textbook, then people are just not going to look there to say, “How did that affect our life? How does that affect the economy?” And they’re not going to see that that’s what’s making the economy poor and pushing it into depression.

(18:11)

MAX BLUMENTHAL: Well I can’t give out IOUs on everything, on my own debts, because when the debt collector comes, I don’t have gunboats; I don’t have machine guns; I don’t have any gun.

I mean if I wanted to get a gun I couldn’t get one, because they’re all bought up in Virginia, across the river, because you know everyone’s panicking. And I’m sure they’re defending themselves by like having their guns accidentally go off and shoot their dogs.

But that's kind of what's missing as well from this theory is that, if people try to collect their debt on the US, the US can do severe damage to them, militarily or otherwise.

Let's game this out. I mean how do you see this playing out in Venezuela, where the Venezuelan government has tried to go around US sanctions, has tried to work with Russia and China to sell gold; it's had something like \$5 billion of assets stolen by the US through sheer piracy in the past year.

And now the US has dispatched I think more naval ships than we've seen in Latin America or in South America at any time in the last 30 years.

(19:27)

MICHAEL HUDSON: Well that's the other part of the "Super Imperialism" book: debt bondage. Venezuela had a US-installed dictator, a right-winger, some years ago, and changed the law in Venezuela so that Venezuela's foreign debt, sovereign debt, when it borrows in dollars, is backed by the collateral of its oil reserves. And it has the largest oil reserves in South America.

So the United States wants to grab the oil reserves. Just as Vice President Cheney said we're going into Iraq and Syria to grab the oil, America would like all these oil reserves in Venezuela.

How does it get the oil reserves? Well it doesn't have to technically invade, or at least finance is the new mode of warfare.

It tried to grab these reserves by saying, "Let's block Venezuela from earning the money by exporting the oil and earning the money from its US investments to pay the foreign debt. So we're just going to grab the investment, and we're going to select a mini dictator; we're going to give it to Mr. Guaidó, and say, "This doesn't belong to Venezuela; we're arbitrarily taking it away and we're giving the oil distribution assets in North America to Guaidó."

"We're going to block Venezuela from paying the debt, and that means it'll default on a foreign debt, and so the vulture funds and the bondholders can now grab Venezuelan oil, anywhere, under international law, because it is pledged as collateral for its debt, just as if you'd borrowed a mortgage debt and you'd pledged your home and the creditor could take away your home" — like Obama had so many people lose their home.

Well now they're trying to force Venezuela into relinquishing its debt, but Venezuela still is managing to scrape by. And so they may need a military force out to invade Venezuela, like Bush invaded Panama or Grenada.

It's an oil grab. So what finance couldn't achieve, finally you really do need the military fist.

Finance is basically backed by military, and domestically by force, by the sheriff, by the police department. It's the force that are going to kick you out of the house.

So the question is, is the only defense by the indebted people in America, your Virginia defense? Does there have to be an armed revolution here to cancel the debts? Do they have to eat the rich? That's the whole question for the politics of America.

I don't see it being solved. If it is not solved by the indebted people simply starving to death,

committing suicide, getting sick, or emigrating, then there will have to be a revolution. Those are the choices in America.

And Venezuela said, “We’re not going to starve quietly in the dark.” And so there’s a military buildup pretending that it’s all about drugs, when Venezuela is threatening to interrupt the CIA’s drug trade. I mean that’s the irony of this! It’s the CIA that’s the drug dealer, not the Venezuelan government.

So we’re in the Orwellian world that works through the organs or the New York Times, the Washington Post, MSNBC, National Public Radio, the real right-wing of America.

(23:00)

MAX BLUMENTHAL: Yeah, I’m so glad you boiled it down like that. Because so much of what we do at The Grayzone is to punch holes in the propaganda constructs that are used to basically provide liberal cover for what is sheer gangsterism.

MICHAEL HUDSON: It’s much more black and white than gray.

MAX BLUMENTHAL: Yeah well, we should call it The Black and White Zone.

We’re seeing it as well in Syria, where we’ve had one kind of human rights propaganda construct after another. And now at the end of the line, as the whole proxy war ends, Trump says, “We have to keep the troops there because of oil. We need them to guard the oil fields.”

So it all becomes clear. But it’s unclear to everyone who’s been confused for the past years, following the way that the war has been marketed to them through these corporate media and US government publications that you just named. It’s just, we’re there for the oil.

BEN NORTON: Michael, I mean there are so many ways we could explore this topic further, and hopefully we can have you back more often in the future, because we definitely need more economics coverage. We frequently talk about the political side of a lot of these issues of US imperialism, but of course the economic element is absolutely integral to understand what’s happening.

I’m also very interested, you mentioned before we started this interview, that your book “Super Imperialism” is very popular in China, and that even in schools there people are reading it.

And the question of China I think is the central question of this century — the rise of China, the so-called “threat” that China poses, in scare quotes, to the US. Of course China doesn’t threaten the American people, but rather the chokehold that the US has on the international financial system.

And we have seen under Trump — I mean it’s been happening for years; it really actually began under Obama with the “Pivot to Asia,” and that was really Hillary Clinton’s State Department strategy was to move toward the encirclement of China.

But now under Trump it has really become the main foreign policy bogeyman of the Trump White House. And especially now with coronavirus, every single day the corporate media is full of non-stop anti-china propaganda — “China is the evil totalitarian regime that’s going to

take over the world, and we have to unite with the Republicans in order to fight against China.”

And we now even see figures openly defending the “new cold war,” as they call it. They say we’re in a new Cold War, as the right-wing historian from Harvard Niall Ferguson put it in the New York Times recently.

So I’m wondering, your book I think is even more relevant now than it was when you first wrote it, it’s so, so relevant. But what about the question of China? And what about the question of this new cold war?

Do you think that could challenge the US-dominated financial system that was created after World War II, using the weapons of the World Bank and the IMF, as you spell out? Are we heading maybe toward the creation of a new international financial system?

(26:24)

MICHAEL HUDSON: Well what makes China so threatening is that it’s following the exact, identical policies that made America rich in the 19th century. It’s a mixed economy.

Its government is providing the basic infrastructure and subsidized prices to lower the cost of living and the cost of doing business, so that its export industry can make money. And it’s subsidizing research and development, just like the United States did in the 19th century and early 20th century.

So America basically says to the rest of the world, “Do as we say, not as we do, and not as we’ve done.”

So China has a mixed economy that is working very well. You can just see the changes occurring there. And it realizes that the United States is trying to disable it, that that the United States wants to control all the sectors of production that have monopoly pricing — information technology, microchip technology, 5G communications, military spending.

And the United States wants to be able to essentially buy goods from the rest of the world with overpriced exports, American movies, anything that has a patent that yields a monopoly price. And China wants to become — it has decided that.

America, in the 1950s tried to fight China by sanctioning grain exports to China. You mentioned sanctions earlier, the first sanctions were used against China, to prevent them, trying to starve them with grain.

Canada broke that embargo for grain, and China was very friendly to Canada, until Canada turned out to be — the prime minister, now that he has moved into a small basement in the Pentagon, and has agreed to grab Chinese officials. It’s right there in Washington; Canada is right there in Washington in one of the basements. It’s not a country anymore. So China does not feel so friendly towards Canada now that it’s moved.

But it realized, we can’t depend on America for anything. It can cut us off with sanctions like it has tried to do with Iran, with Venezuela, with Cuba.

So the idea of China, Russia, and the countries in the Shanghai Cooperation Organization has been: “We have to be independent within ourselves, and make a Eurasian trading area,

and we will take off because we are successful industrial capitalism, evolving into socialism, into a mixed economy, with the government handling all of the monopoly sectors to prevent monopoly pricing here.”

“And we don’t want American banks to come in, create paper dollars, and buy out all of our industries. We’re not going to let America do that.”

(29:29)

I have gone back to China very often. And I’m a professor at Peking University; I have honorary professorships in Wuhan. I probably lecture mainly in Tianjin. There are a number of articles on my website from the Chinese Academy of Social Sciences on de-dollarization, essentially how China can avoid the use of the dollar by becoming independent in agriculture, and technology, and other goods.

And the threat of China is that it will not be a victim. Victimizers always look at the victims as vicious attackers of themselves. So America says China is a vicious threat because it’s not letting us exploit them and victimize them.

So again, it’s an Orwellian rhetoric of the bully. The bully always believes that the person he’s attacking is a threat. Just like in Germany, Goebbels said that their surefire way to mobilize the population behind any attack is to say, “We’re defending ourselves against foreign attack.”

So you have the American attack on China pretending to be defense against their wanting to be just as independent as the United States always has been. The United States doesn’t want any other country to have any leverage to use over the United States. The United States insists on veto power in any organization that it’ll join — the World Bank, the IMF, the United Nations.

And China essentially says, ok, this is the very definition of national independence, to be independent from other countries available to choke us, offering a choke point, whether it’s a grain that we need; or technology; or the bank clearing system, the SWIFT interbank clearing system, to make our financial system operate; or the internet system.

So by essentially waging this economic warfare against China to protect America monopolies, America is integrating China and Russia. And probably the leading Chinese nationalist in the world, the leading Russian nationalist, is Donald Trump.

He’s saying, “Look boys, I know that you’re influenced by American neoliberals. I’m gonna help you. I believe that you should be independent. I’m gonna help you, Chinese, and Russians, and Iranians, be independent. I’m going to keep pushing the sanctions on agriculture, to make sure that you’re able to feed yourself. I’m gonna be pushing sanctions on technology, to make sure that you can defend yourself.”

So he obviously is, I believe he’s a Chinese and Russian agent, just like MSNBC says.

(32:09)

BEN NORTON: Yeah and Michael, this actually reminds me, I used to follow you regularly at The Real News, and I worked there for a bit, and unfortunately there was kind an internal coup there, and it has moved to the right a bit.

But the point is, a few years ago at The Real News, I remember you did an amazing debate between you and the Canadian economist Leo Panitch, and it was about the nature of the BRICS system.

This was when this is before the series of coups that that overthrew the left in Brazil and installed the fascist government now of Jair Bolsonaro, a right-wing extremist. And at the time there was Dilma Rousseff, a progressive from the Workers' Party.

And Brazil and Russia were helping to take the lead in the BRICS system. This is Brazil, Russia, India, China, and South Africa.

And of course the coups, the series of coups in Brazil, kind of ended that project of South-South regional integration. And also the rise of the right-wing, the far-right, in India with Narendra Modi.

But there was a moment there when the BRICS community, these countries were trying to build their own bank. China of course has a series of banks. You mentioned the Shanghai Cooperation Organization.

So there have been these international institutions, multilateral institutions, created to kind of challenge the hegemony of the World Bank and the IMF.

And I remember in that debate, Leo Panitch was arguing that, "Oh the BRIC system and the Shanghai Cooperation Organization, all of these institutions are just going to be the new form of neoliberalism, and they're just going to replace the World Bank and implement many of the same policies." You disagreed with that.

So maybe can you kind of relitigate that debate here a little bit and just kind of articulate your position for our viewers?

(34:08)

MICHAEL HUDSON: The World Bank has one primary aim, and that's to make other countries dependent on American agriculture. This is built into its articles of agreement. It can only make foreign currency loans, so it will only make loans to countries for agricultural development, roads, if it is to promote exports.

So the United States, through the World Bank, has become I think the most dangerous, right-wing, evil organization in modern in history — more evil than the IMF. That's why it's almost always been run by a secretary of defense. It has always been explicitly military. It's the hard fist of American imperialism.

Its idea is that, we'll make Latin American, and African, and Asian countries export plantation crops, especially plantations that are foreign owned. But the primary directive of the World Bank to countries is: "You must not feed yourself; you must not grow your own grain or your own food; you must depend on the United States for that. And you can pay for that by exporting plantation crops that can't be grown in temperate zones like the United States."

So China and Russia, they're not really agricultural economies. The buttress of America's trade balance has been agriculture, not industry. Obviously, we de-industrialized. Agriculture, since World War II, has been the foundation of the trade balance.

And you need foreign dependency. The purpose of the World Bank is to make other countries' economies distorted and warped into a degree that they are dependent on the United States for their trade patterns.

BEN NORTON: Well Michal, isn't it also true though that China has massive agricultural production, and Russia produces a lot of wheat right?

(36:14)

MICHAEL HUDSON: Sure, but it does it doesn't have to base its exports on agriculture to African countries. It can afford having African countries growing their own food supply so that they won't have to buy American food; they can grow their own food.

Imagine, if China helps other countries grow their own food and grain, then America's trade surplus evaporates. Because that's the only advantage that America has, agribusiness.

BEN NORTON: Yeah it's like that famous quote: If you give a man a fish, he'll eat for one day; if you teach a man to fish, he'll eat for the rest of his life. And then I think Marx, didn't Marx complicate that?

MICHAEL HUDSON: But if you lend them the money to buy a fish, then he ends up bankrupt and you get to grab up all his property.

MAX BLUMENTHAL: Yeah I mean we saw this play out clearly in Haiti.

MICHAEL HUDSON: Yeah, that's the typical — what America has when it has a free a reign, that's exactly the Haiti story. That's absolutely terrible. It's depressing to read.

I get cognitive dissonance, because it's just so unfair. It's so awful to read; I avert the page.

MAX BLUMENTHAL: Yeah I mean just observing all of this is what kind of brought me to the point where I concluded that there had to be another international financial system, when I saw how Haiti was brought to its knees.

First with the School of the Americas graduates staging a coup, and Bill Clinton reinstalls Jean-Bertrand Aristide. And so it all it takes place under the guise of goodwill by Washington.

But Aristide is forced to sign off, basically sign away Haiti's domestic agricultural production capacity. And the next thing you know, their rice economy's wiped out, and they're importing rice from Louisiana.

And the only economy left, the only economic opportunity left, is to work in these free trade zones for US companies.

And that's just the model writ large. It kind of helped lead to the next coup, that removed Aristide, and look where Haiti is today.

MICHAEL HUDSON: Right, it means, you must not protect your own economy; only America can protect its own economy. But you must not. That's free trade.

(38:45)

MAX BLUMENTHAL: Right, going back to the JFK Seeds of Peace program. It's big agro

subsidies, and then you bomb the Third World with cheap seeds and cheap goods, and then you have a migration crisis.

MICHAEL HUDSON: Seeds for Starvation is what the program is known as. Because by giving a low price of foreign aid to these countries, they they prevented domestic agricultural development, because no farmer could compete with free crops that America was giving.

The purpose of the Seeds for Starvation program was to prevent countries from feeding themselves, and to make them dependent.

MAX BLUMENTHAL: Yeah, when I lived in LA I would meet families who had initially come across the border because of the program — they would point the finger directly at Seeds for Starvation. They'd say, "We came from rural Mexico, and our livelihood was wiped out."

So this is a long-standing program. And we've seen in the coronavirus bailout five times more money provided to USAID for so-called stabilization programs than for hospital workers.

And that's to do exactly what you just described: USAID is sort of the spearhead of these programs which aim to wipe out land reform programs, and replace them with US aid in the form of these cheap seeds and so on, cheap bananas to Burundi, and everywhere else.

So do you see, through your experience in China, that Belt and Road is a genuine alternative to this model?

(40:27)

MICHAEL HUDSON: Well they're certainly trying to make it. By the way, what you've just described, it's not a bug; it's a feature.

When you have the same problem occurring after 50 years, it's either insanity — and we know it's not — or it's the intent.

You have to assume at a certain point that the results of these aid programs are the intended results. And certainly if you look at the congressional testimony, Congress knows this, but the media don't pick it up.

In China, they're really trying to create an alternative. They want to break free from the United States. And if Trump's policies of "America First" continue, and as he said, "We have to win every deal." That means, any deal we make with the foreign country, that country has to lose.

So he's integrating the whole world, and isolating the United States. And when you isolate the United States, China realizes that what will be isolated is the neoliberal philosophy that is the cover story, the junk economics that justifies all of these destructive policies.

BEN NORTON: Well Michael, this was I think one of our most interesting episodes. We want to more economics coverage, so hopefully we can talk more with you and get some more of your analysis.

I guess just concluding here, my final question would be, I mentioned that the term cold war

has been thrown around a lot. And of course, the new cold war is going to be different from the old cold war in a lot of different ways.

And of course Russia is not the Soviet Union at all. Russia does not have a socialist system. China's system as you mentioned is mixed, there are still socialist elements, but even China's economy is not nearly as state controlled as the Soviet Union was at the peak of the cold war.

So I'm wondering, it's pretty clear if you listen to the rhetoric coming from the Pentagon, that "great power competition" as they refer to it is now the the undergirding philosophy of US foreign policy. What is the economics of that?

Because the economics of neoliberalism, after the destruction of the Socialist Bloc, and George H. W. Bush's declaration of a "new world order," which is of course just neoliberalism and US hegemony — in that period, the clear economic philosophy, the kind of guiding foreign policy, was destruction of independent socialist-oriented states and forcible integration of those countries into the international neoliberal economy.

We saw that with Iraq; we saw that with former Yugoslavia; we saw that with Libya — which is really just a failed state.

So now I think we're in a kind of new phase. The Pentagon released two years ago its national defense security strategy saying that the new goal of the Pentagon and US foreign policy is to contain China and Russia. That is the stated, professed goal.

What does that look like economically going forward?

(43:31)

MICHAEL HUDSON: Well I think that's quite right. Of course it'll contain Russia and China, and there's nothing that Russia and China want more than to be contained.

In other words, that they're talking about is decoupling from the US economy. And the US will say, "Well we're not going to let them have access to the US market, and we're not going to have anything to do with them." And Russia and China say, "Boy that's wonderful, ok we're on the same wavelength there. You can contain us; we will contain you. You go your way; we'll go our way."

So basically the cold war was an attempt — it's neoliberalism and privatization. It's Thatcherism. It's, "How do we make China and Russia look like Margaret Thatcher's England, or Russia in the 1990s under Yeltsin?"

"How do we prevent other countries from protecting their industry and their financial system from the United States financial system and US exports? How do we prevent other countries from doing for themselves what America does for itself? How do we make a double standard in world finance, and world trade, and world politics?"

And the result of trying to prevent other countries from doing this is simply to speed the parting guest, to accelerate their understanding that, they have to make a break; they have to be contained.

In other words, they have to create their own food supply, not rely on American food

exports. They have to create their own 5G system, not let America's 5G, with its spy portals all built in. And they have to create their own society, and go their own way.

Which is what China was like before the 16th century. It was always the "Central Kingdom"; it always looked at itself as being central and independent from the rest of the world. And it's going back to that. Except it realizes that it needs raw materials from Africa and other countries.

And the question is, what is Europe going to do? Is Europe going to just follow the Thatcher right deflationary Eurozone policies and end up looking like Greece? Or is it going to join with Eurasia, with Russia and China, and make a whole Asiatic continent?

The cold war really is about what is going to happen to Europe. Because we have already isolated China and Russia and the Shanghai Cooperation Organization.

The question is what will happen to Europe, and what will happen to Africa.

(Outro - 46:04)

BEN NORTON: Great, well I think that's the perfect note to end on. We were speaking with the economist Michael Hudson. He is a Wall Street financial analyst and a distinguished research professor of economics at the University of Missouri - Kansas City.

He's also the author of many books, and we were talking about "Super Imperialism: The Economic Strategy of American Empire." He has two versions of that, and we will link to that book in the show notes of this episode.

We will also link to his website, where you can find a lot of great interviews with transcripts, his articles — and that's michael-hudson.com.

Michael, thanks a lot. That was a really great, two-part interview. I learned a lot, and I think our viewers will benefit a lot.

MAX BLUMENTHAL: Yeah thanks a lot Michael.

MICHAEL HUDSON: Thank you. I hope we can fill out all the details in subsequent broadcasts.

MAX BLUMENTHAL: Absolutely.

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