

# VIDEO: What Americans can learn from the Euro Crisis

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## Transcript

Headlines around the world greeted the election results in Greece and France as a rejection of austerity programs by the electors of those countries. Well, what can Americans learn from the results of these elections and from the crisis in the eurozone?

Now joining us to talk about all of this is Michael Hudson. Michael is a former Wall Street financial analyst, and he's a distinguished research professor of economics at the University of Missouri-Kansas City. He has a new book coming out soon called *The Bubble and Beyond*. Thanks for joining us, Michael.

MICHAEL HUDSON, RESEARCH PROFESSOR, UMKC: Thank you, Paul.

PAUL JAY, SENIOR EDITOR, TRNN:: So what should Americans take away from the European elections?

HUDSON: The same thing is happening in Europe that's happening here. Left-wing parties, socialist parties, labor parties all say that they're going to preserve the social contract, and as soon as they get into power, they sell out to their financial backers, they double cross labor. The socialist party in Greece fell from 44 percent to 14 percent because the last party simply [incompr.] the most vicious anti-labor measures in Europe. Same thing in France now. Hollande of the French socialists, before the election, said he was going to beg, ask Europe, will you please not insist that we roll back our social programs. And just this morning he said, well, I asked and they said no. I'm afraid that in order to preserve Europe, in order to preserve the idea of a political harmony, we're going to have to go ahead and impose more austerity on the people. I'm terribly sorry. But if you don't like it, you can vote for another party in four years. But there's going to be austerity, and we're going to have to lower wages here, and there's nothing to do. If you don't lose our campaign contributors, the banks could lose, and we couldn't have that, because if the banks lose, they say that that's intolerable to them.

JAY: So one of the arguments that's made is that whatever Hollande, for example, or even Obama in the United States—but let's talk about Hollande—whatever he may want to do, if he wanted to kind of defy the austerity programs more resolutely, that he really can't, because the levers of power of the banks and the financial institutions and in European situation the German elite and German banks, they have so much power that if you actually

really try to defy these austerity policies, they can simply—you know, they raid the currency, they drive up interest rates. They have so many levers of power that someone like a Hollande really can't stand up to them. So unless there's kind of a really major transformation of capitalism as we know it in Europe, there's not a heck of a lot Hollande can do. Now, that's an argument. What do you make of that argument?

HUDSON: The banks really have no power at all except the power to bribe, and in Europe—in South America, the power to assassinate, which they do quite frequently. All they can do is bribe. Remember, we had the same argument over here about three years ago, when Sheila Bair wanted to take over Citibank, and she said, look, we can foreclose on Citibank, we can close down all these big banks on Wall Street anytime. They're insolvent. We can pay all the depositors. There's no problem at all. It's very much like the sheriff in Blazing Saddles saying, I'm going to shoot myself in the head if you don't do what I want. If the government were to take over the banks, they can pay all the depositors. The only people who would lose would be the very wealthy, who have more money in the banks that are insured. Sheila Bair said the bank bondholders would suffer, the counterparties would suffer. The banks have no power at all. The problem is the corruption of the politicians, who are just demagogues pretending to oppose the banks while actually being in their pocket. The banks don't have any [incompr.] power. They don't have any economic power, except they can bribe politicians.

JAY: Now, that would be a start for really transforming or changing the course of things, because most of the banks, certainly American banks, and European, for that matter, as well, if it hadn't been for the public bailout, goes the argument, they wouldn't be around anyway.

HUDSON: That's right. The government became the major shareholder of the insolvent banks here, like Citibank and Bank of America. The same thing in Europe. If Europe banks caused the crisis, the governments can simply say, okay, we're taking over the banks. Now we own them. Now that we own the banks, we're going to write down the mortgages to the price that people can pay, which is [incompr.] We're not going to pay other rich people. But financial reform and tax reform have to go together. And they'd say, we're actually going to roll back all the tax cuts for the 1 percent, and we're going to begin taxing real estate again, we're going to tax monopolies, we're going to reintroduce progressive taxation just like we had for 30 years ago. If capitalism worked 30 years ago with higher taxation, with strong labor power, with a good property tax, and with affordable houses, it can work again. All of this is unnecessary, except if they can [incompr.] the banks and their politicians can convince people that there is no alternative. So that's really the banks' argument.

JAY: And when you go, why did capitalism change to this extent over the last 30 years, I mean, isn't it because in fact the finance sector has become that much more powerful, that much more dominant in the economy, somewhat as it was in 1932-33 when it was very dominant? And we know the consequences of that.

HUDSON: The change over the last 30 years has been a drive by the finance sector to become more dominant steadily. So the finance sector has started a lot of think tanks, they've funded the research institutes, and they've bought control of the public media, so that they've been able to convince people that there really isn't an alternative, and only talk about whether there is more austerity or chaos. But, of course, the alternative to austerity isn't chaos; it's economic democracy, it's progressive taxation, it's taxing the rich, it's writing

down the debts. There are many alternatives. And what they've done is make sure that none of these alternatives get discussed in the public press or in the media. That's why we're on The Real News Network talking about it, not in The New York Times or the Fox media.

JAY: Now, in one of your recent pieces, you wrote that the kind of grab, wealth grab, I guess, that's going on right now is something akin to the way feudalism developed. What did you mean by that?

HUDSON: The—1,000 years ago, it took a military army to come in and conquer a country and grab the land and charge the people rent, to take control of the monopolies and charge people huge markups from the monopolies, and to essentially shift the taxes off the wealthy, onto the population that was conquered. Now, in today's world, they can't afford an army anymore. The Vietnam War showed that no country can afford a military occupation anymore. So finance today is the means of conquering a country and getting what in the past took an army. Financial conquest is how you shift the taxes onto the population to pay the financial sector, how you load a population down with debt and make a population pay interest and amortization and penalties on debt service, you make a population pay for schooling instead of getting it free or a low price as used to be the case, you make a population take on a lifetime of debt in order to get a home that used to be affordable, you make the governments go into debt for the banks, so that in Europe governments can't—don't have a central bank to monetize their own deficits but actually have to borrow money from banks. You achieve—you essentially empty out an economy, and you take its economic surplus financially without an army, just by trying to promote what really is junk economics and junk politics, if the economics of Rubinomics in America under Clinton and Rubenomics in America under George Bush, and now with a vengeance under Obama—.

JAY: Just to conclude, let's come back to America. What do you make of these elections? I'm a little perplexed how this goes. I mean, as critical as we are of President Obama and his policies and his connection to Wall Street and his neoliberal model and such, at least at a certain level he promises something that would be better for people's well-being. He's—more than the Republicans, would be on the side of some stimulus, extending unemployment insurance, certain kinds of benefits. You can say at least there's some modicum of something there. My question is, from the Republican side, if you're an ordinary person, I don't understand how there's anything in it for you. On the other hand, Romney is polling neck-and-neck with Obama. I mean, what's your understanding of this?

HUDSON: I think the people who vote for Romney are the same people who voted in Europe for, essentially, throw the rascals out. When people are unhappy with an economic situation, they simply vote for the other party, whoever it is, and it's a flip-flop back and forth. The Republicans very much want—the backers of the Republicans are the same backers who backed Obama. They're the Wall Street people. They want Obama to come in for a second term and then really move against Social Security.

Obama's the only person—only a Democratic president can swing a Democratic Congress or Senate over to the right wing. So you need the Republicans to make—go so far on the right that Obama, who in the past would have been looked at as a right-winger or Republican, you need to make him look reasonable. And if you can push the crazies, as the Republicans are doing, then Obama seems less bad than the alternative. In fact, he gave a campaign speech a month ago, and he said, well, look at the alternative. I'm better.

JAY: Well, there is some truth to that, in the sense that from the point of view of an ordinary person, if you look at Republican state governments, the Republicans state governments are worse. Even if the Democratic state governments aren't good, the Republicans are—governments are—in terms of the interests of ordinary people, is, it seems, a heck of a lot worse.

HUDSON: Yup. Isn't that crazy choice, to have to choose between these two, between an absolute terrible alternative and just a bad alternative? That's the choice we have. Yes, please, or yes, thank you, to a choice that—you know, where is the left in America? Where is the left in Europe? Where is what used to be the left? I don't see it anymore anywhere.

JAY: Well, there's some left, I think, in America, but what—I think the question that needs to be asked is: where the heck are the leaders of the trade union movement in America? Not all but most of the main leadership are just—simply go out and campaign for whoever the Democratic Party leader is, and even though they get nothing—next to nothing when they're elected, they're back there out stumping for them again.

HUDSON: Oh, you're such a young guy. Back in the 1950s, I used to go to socialist meetings, and people would say, why do the trade union people keep thinking they're locked into the Democrats? And the answer is: well, that's the two-party system. There isn't really room for a third party here. And all the Republicans have to do is say, no, we're worse, and it just scares people to actually vote for the Democrats. But people have been asking that question for 60 years, and nobody's come up with a better answer since.

JAY: Well, what's your answer?

HUDSON: I think you need a third party or you need to break away from the Democratic Party for people like Dennis Kucinich or the more progressive people. You need what was called 50 years ago realignment. And that realignment that people saw even then was necessary hasn't occurred, and it hasn't occurred in Europe either. That's why everybody is so frustrated. In France and Greece and everywhere else in Europe, they're equally frustrated. There doesn't seem to be any alternative. And that's exactly what Mrs. Thatcher liked to say, there is no alternative. And it's just amazing when there really are so many alternatives that people can be convinced that there aren't and become so dispirited they just give up. So the fact is that most Americans are going to vote with their backsides. They're just not going to vote this November.

JAY: Right. Thanks for joining us, Michael.

HUDSON: Thank you, Paul.

JAY: And thank you for joining us on The Real News Network.

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