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German Interview

MICHAEL HUDSON • DECEMBER 15, 2022 • 3,000 WORDS • 76 COMMENTS



Dear Prof Hudson,

Once again: Herzliche Grüße aus Berlin!

Last time we spoke for German print magazine “Four” in June. Right now I also work for MEGA Radio, a radio news station for Germany, Austria and Switzerland. We broadcast from Vienna and are located in Berlin, Bavaria and Austria.

Hereby I would like to invite you to another interview via ZOOM to record it for our radio program. It would be an update on our last interview. Maybe around 20-30 Minutes long.

See also [our last talk](#):

I don't know if that's too short notice, but would you have time for such a conversation next week or the week after?

Otherwise, also at the beginning of January.

Here are my questions:

(1.) You made some predictions in our last interview for “Four” magazine which became true.

You talked about crisis for German companies in the production of fertilizer. This just hit the headlines weeks after our interview.

You also said: “What you characterize as “blocking Nord Stream 2” is really a Buy-American policy.” This now also became more than clear after the destroyed Nord Stream pipelines.

Could you comment that?

MH: U.S. foreign policy has long concentrated on control of the international oil trade. This trade is a leading contributor to the U.S. balance of payments, and its control gives U.S. diplomats the ability to impose a chokehold on other countries.

Oil is the key supplier of energy, and the rise in labor productivity and GDP for the leading economies tends to reflect the rise in energy use per worker. Oil and gas are not only for burning for energy, but are also a basic chemical input for fertilizers, and hence for agricultural productivity, as well as for much plastic and other chemical production.

So U.S. strategists recognize that cutting countries off from oil and its derivatives will stifle their industry and agriculture. The ability to impose such sanctions enables the U.S. to make countries dependent on compliance with U.S. policy so as not to be “excommunicated” from the oil trade.

U.S. diplomats have been telling Europe for many years not to rely on Russian oil and gas. The aim is twofold: to deprive Russia of its major trade surplus, and to capture the vast European market for U.S. oil producers. U.S. diplomats convinced German leaders not to approve the Nord Stream 2 pipeline, and finally used the excuse of the NATO war with Russia in Ukraine to act unilaterally to arrange the destruction of both Nord Stream 1 and 2 pipelines.

(2.) For our audience, our listeners: In your new book “The Destiny of Civilization: Finance Capitalism, Industrial Capitalism, or Socialism”

You state that the world economy is now fracturing between two parts, the United States and Europe is the dollarized part.

And this Western neoliberal unit is driving Eurasia and most of the Global South into a separate group. You just stated this in an interview from November.

<https://michael-hudson.com/2022/11/the-rentier-economy-is-a-free-lunch/>

Could you explain this for our outlet?

MH: The split is not only geographic but above all reflects the conflict between Western neoliberalism and the traditional logic of industrial capitalism. The West has deindustrialized its economies by replacing industrial capitalism with finance capitalism, initially in an attempt to keep its wages down by moving abroad to employ foreign labor, and then to try and establish monopoly privileges and captive markets or arms (and now oil) and high-technology essentials, becoming *rentier* economies.

A century ago, industrial capitalism was expected to evolve into industrial socialism, with governments providing subsidized basic infrastructure services (such as health care, education, communication, research and development) to minimize their cost of living and doing business. That is how the United

States, Germany and other countries built up their industrial power, and it also is how China and other Eurasian countries have done so more recently.

But the West's choice to privatize and financialize its basic infrastructure, dismantling the role of government and shifting planning to Wall Street, London and other financial centers, has left it with little to offer other countries – except for the promise not to bomb them or treat them as enemies if they seek to keep their wealth in their own hands instead of transferring it to U.S. investors and corporations.

The result is that when China and other countries build up their economies in the same way that the United States did from the end of its Civil War to World War II, they are treated as enemies. It is as if U.S. diplomats see that the game is lost, and that their economy has become so debt-ridden, privatized and high-cost that it cannot compete, that it simply hopes to keep making other countries dependent tributaries for as long as it can until the game finally is over.

If the U.S. succeeds in imposing financial neoliberalism on the world, then other countries will end up with the same problems that the United States is experiencing.

(3.) Now the first terminals for LNG from the US are opened in Germany. How will this effect trade and interdependence / dependency between Germany and United States?

MH: The U.S. sanctions and destruction of Nord Stream 1 and 2 have made Europe dependent on U.S. supplies, at so high a cost of LNG gas (about six times what Americans and Asians have to pay) that Germany and other countries have lost their ability to compete in steel making, glass making, aluminum and many other sectors. This creates a vacuum which U.S. affiliates home to fill from their investments in other countries or even from the U.S. itself.

The expectation is that German and other European heavy industry, chemical and other manufacturing will have to move to the United States to obtain oil and other essentials that they are told not to buy from Russia, Iran or other alternatives. The assumption is that they can be blocked from relocating in Russia or Asia by imposing sanctions, fines and political meddling European politics by U.S. NGOs and National Endowment for Democracy satellites in, as has been the case since 1945. We can expect a new Operation Gladio to promote politicians willing to sustain this Global Fracture and the shift of European industry to the United States.

One question is whether Germany's skilled labor will follow. That typically is what occurs in such situations. This kind of demographic shrinkage is what the Baltic states have experienced. It is a byproduct of neoliberal policies.

(4.) What is your view on the current military situation in the Russian/Ukrainian war?

MH: It looks like Russia will easily win in February or March. It probably will create a Demilitarized Zone to protect the Russian-speaking areas (probably incorporated into Russia) from the pro-NATO West in order to prevent sabotage and terrorism.

Europe will be told to continue to boycott Russia and its allies instead of seeking mutual gains by reciprocal trade and investment. The U.S. may urge Poland and other countries to “fight to the last Pole” or Lithuanian, emulating Ukraine. It will put pressure on Hungary. But most of all, it will insist that Europe spend an immense sum to re-arm, mainly with U.S. arms. This expense will crowd out social spending to help Europe cope with its spreading industrial depression or subsidies to revive its industry. So a militarized economy will become a rising overhead – while consumer and industrial debt increase, along with government debt.

As this occurs, Russia may demand that NATO roll back its borders to pre-1991 boundaries. That is the most likely flash point of conflict.

(5.) What is your view on the current financial situation in this war. The G7 and EU governments talk already about rebuilding and reconstruction of Ukraine after the war. What does this mean for Western businesses and finance capitalism?

MH: Ukraine hardly can be rebuilt. First of all, much of its population has left, and is unlikely to return, given the destruction of housing and infrastructure – and husbands.

Second, Ukraine is owned mainly by a narrow group of kleptocrats – who are trying to sell out to Western agricultural investors and other vultures. (I think you know who they are.)

Ukraine is already debt-ridden, and has become a fiefdom of the IMF (meaning in practice, of NATO). Europe will be asked to “contribute,” and the foreign reserves seized from Russia may be spent on hiring U.S. companies to make a financial killing rebuilding a pretense of an economy in Ukraine – leaving the country even more debt ridden.

A new Democratic Party secretary of state will echo Madeline Albright and say that the killing of Ukraine’s economy, children and soldiers “was all worth it” as the cost of spreading democracy U.S.-style.

(6.) I’ve read lots of background reports on the sanctions against Russia. It seems more and more the sanctions hit Russia hard, because they cannot produce all products, esp. technology, by themselves. On the other hand Russia have now more stable business and buyers with and in China, India.

What real effect do the sanctions have according to your analysis?

MH: The U.S. sanctions have turned out to be an unanticipated godsend for Russia. In agriculture, for instance, sanctions against Lithuanian and other Baltic dairy exports has led to a flowering of a domestic Russian cheese and dairy sector. Russia is now the world’s largest grain exporter, thanks to the Western sanctions that have had much the same effect as protective tariffs and import quotas of the sort that the United States used in the 1930s to modernize its agricultural sector.

If President Biden were a secret Russian agent, he hardly could have helped Russia more. Russia needed the economic isolation of protectionism, but was still too entranced by neoliberal free-trade policy to do this by itself. So the U.S. did it for it.

Sanctions oblige countries to become more self-reliant, at least in basic needs such as food and energy. This self-reliance is the best defense against U.S. economic destabilization to force regime change and similar compliance.

One effect is that Russia will need to buy much less from Europe even after the fighting in Ukraine ends. So there will be less need for Russia to export raw materials to Europe. It can work these up themselves. The industrial core that was Europe may end up more in Russia and its Asian allies than in the United States.

That is the ironic result of NATO's new Iron Curtain.

(7.) How would you describe China, Russia and India: Do you see Industrial Capitalism or Socialism there?

MH: RIC was the original core of the BRICS, now greatly extended to include Iran and much of Central Asia and the roads involved with China's Belt and Road initiative. The goal is for Eurasia no longer to have to rely on Europe or North America.

Secretary of Defense Donald Rumsfeld often referred to "Old Europe" as a shrinking dead zone. It failed to follow its plans a century ago to evolve into an increasingly socialized economy with government subsidy of rising living standards and labor productivity, science and industry. Europe rejected not only Marxism but the basis of Marxist analysis in the classical economics of Adam Smith, John Stuart Mill and their contemporaries. That path has been followed in Eurasia, while the right-wing anti-government liberalism of the Austrian and Chicago Schools has destroyed the NATO economies from within.

As the locus of industrial and technological leadership moves eastward, European investment and labor probably will follow.

The Eurasian countries will still visit Europe as tourists, as Americans like to visit England as a kind of theme park of post-feudal gentry, the posting of the palace guards and other quaint memories of the days of knights and dragons. European countries will look more like that of Jamaica and the Caribbean, with hotels and hospitality becoming the main growth sectors, with Frenchmen and German waiters dressed in their quaint quasi-Hollywood costumes. Museums will do a thriving business as Europe itself turns into a kind of museum of post-industrialism.

(8.) Currently we saw the collapse and bankruptcy of the crypto exchange FXT. The management of this company seems to be highly criminal. How do you judge that?

MH: Crime is what made crypto a growth sector for the past few years. Investors bought crypto because it is a vehicle for the fortunes being made in international drug dealing, the arms trade, other crime and tax evasion. These are the great post-industrial growth sectors in Western economies.

Ponzi schemes often are good investment vehicles in their take-off stage – the pump-and-dump stage. It was inevitable that criminals would not only *use* crypto to transfer funds, but actually set up their own currencies “free of oppressive government regulation.” Criminals are the ultimate Chicago School free market libertarians.

Anyone can create their own currency, much as U.S. wild-west banks did in the mid-19th century, printing currency at will. When one went shopping in the early 20th century, the stores still had lists of the shifting valuations of various bank notes. The best designed ones tended to be the most successful.

(9.) Do you have any knowledge about business relations between FTX and Ukraine, the government in Kyiv? There were some rumours and press articles in the alternative media about it?

MH: The IMF and Congress have paid large amounts of money to the Ukraine government and its kleptocrats in charge. Newspapers report that much of this money has been turned over to FTX – which has become the second largest funder of the Democratic Party (behind George Soros, who also is said to be trying to buy up Ukrainian assets). So a circular flow seems to be at work: U.S. Congress votes for funding for Ukraine, which puts some of this money in FTX crypto to pay or the political campaign of pro-Ukrainian politicians.

(10.) Some months ago there were articles in the US press about plans by the FED: They are planning to establish a digital Dollar, a Central Bank Digital Currency (CBDC). Also in Europe ECB president Madame Lagarde and the German minister for finance, Lindner, talk about an introduction of the digital Euro.

Here in Germany some critical experts are warning this will only push the total surveillance of the population and customers.

What is your take on digital currencies?

MH: It's not my department. All banking is electronic, so what does “digital” mean? To libertarians, it means no government oversight, but in government hands, the government will have a record of everything that anyone spends.

(11.) What is your view on the current weakness or strength of the US dollar, the Euro, the British Pound, Gold and Silver?

MH: The dollar will remain in demand, thanks to its success in making the Eurozone dependent on it. The British pound has little means of support, and little reason for foreigners to invest in it. The euro is

a junior satellite currency to the dollar.

Without a dollar or other currency to hold their monetary reserves in, governments will continue to increase the proportion held in gold, because it doesn't have government liabilities attached to it – so U.S. officials can't simply grab it, as they did with Russia's foreign reserves. Eurozone countries cannot be trusted not to follow U.S. orders to grab foreign countries' reserves, so it will be shunned.

As the euro's exchange rate declines against the dollar, foreign investment will decline, because investors will not want to invest in (1) a shrinking market, and (2) companies that earn domestic euros that are worth fewer and fewer dollars or other hard currency for head offices.

Of course, gold will have to be kept at home, so that it can't simply be grabbed, as the Bank of England grabbed Venezuela's gold and gave it to the right-wing U.S. proxy. Germany would be wise to accelerate its airlift of its own gold supply from the U.S. Federal Reserve Bank vaults in New York City.

(12.) What is your current analysis of the energy and financial crises in the world?

MH: No real crisis as much as a slow crash. Rising prices paid for what America exports: oil, food and IT monopoly goods, with living costs for consumers rising faster than wages. So there will be a tightening squeeze on most families. The middle class will discover that it really is the wage-earning class after all, and will go deeper into debt – especially if it tries to protect itself by taking out a mortgage to buy a home.

I've been studying the 11th and 12th centuries for my history of debt, and I came across a story that may have relevance to the questions that you've asked. NATO keeps claiming that it is a defensive alliance. But Russia has no desire to invade Europe. The reason is obvious: No army can invade a major country. More important, Russia does not even have a motive to destroy Europe as a U.S.-puppet adversary. Europe already is self-destructing.

I am reminded of the battle of Manzikert in 1071, when the Byzantine Empire lost to the Seljuk Turks (largely because its general on whom the emperor had depended, Andronikos Doukas, defected, and then overthrew the Emperor. *Crusade of Kings*, a game supplement, covers the battle extensively, and claims the following conversation took place between Alp Arslan and Romanos:

Alp Arslan: "What would you do if I were brought before you as a prisoner?"

Romanos: "Perhaps I'd kill you, or exhibit you in the streets of [Constantinople](#)."

Alp Arslan: "My punishment is far heavier. I forgive you, and set you free."

That is the punishment that Europe will receive from Eurasia. Its leaders have made their choice: to be a U.S. satellite.