

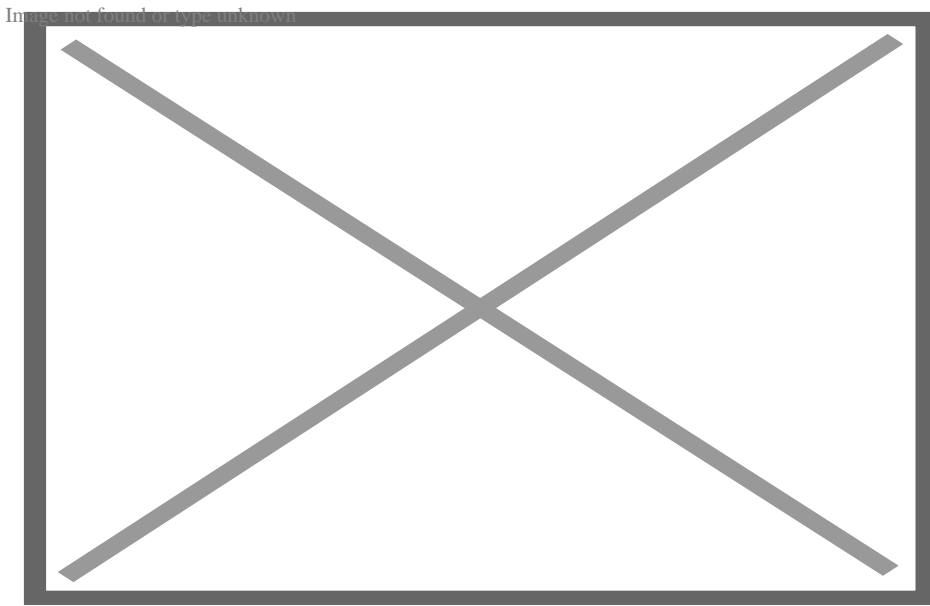
## Is the US a Failed State?

### Description

Why the U.S. Economy cannot Re-Industrialize via <https://youtu.be/8OqT54p7rA8>

### Excerpts

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



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

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

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

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to enrich our military industrial complex.

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

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

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

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

[ . . . ]

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

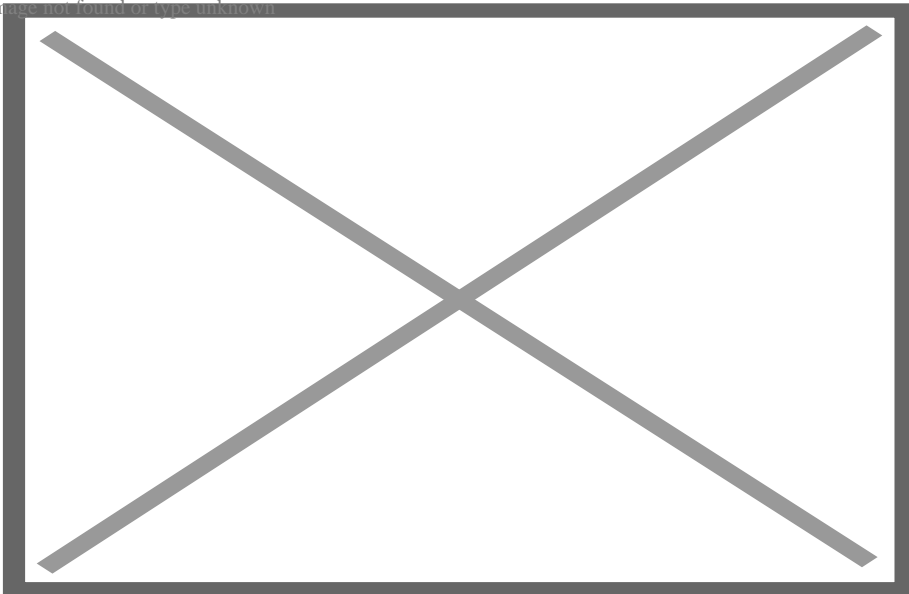
They actually help de-industrialize the economy, because their philosophy is anti-labor and post-industrial. So how do you explain to people that it's not necessary, for instance, for the governments to abandon public planning, and leave planning to the financial sectors? If the governments don't do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

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

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

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

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

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

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

[ . . . ]

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

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

If they can't provide this, the function of labor is not to produce commodities, as occurs under industrial capitalism. It's not to be employed by manufacturers, to use equipment, to produce goods or services, it's to serve as a market for the fire sector. That really is the guiding line, and it was the guiding line in Rome, which is why Rome fell apart.

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

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