**China and US in New Cold War**

**SSFS7 (10 July 2020) Hong Kong Time 8.30pm-11pm**

**Second round dialogue**

1. Samir Amin talked about the implosion of capitalism. There have been so many “predictions” for the collapse of capitalism, yet catastrophe capitalism seems to hang on, feeding on increasing polarizations and suffering/elimination of marginalized populations. Do you see the current conjuncture of pandemics, economic downturn and climate change, and the ensuing state and people’s responses, as a turning point in the global, regional and national order? In what ways?
2. How would you define the main features of the New Cold War between China and USA? How do you see this impacting on the two countries and globally in the current historical conjuncture?
3. There are many critical analyses of the problems, but how about so-called “alternatives” that do not work, and alternatives that can be pursued at global, regional, national or local levels, such as on finance, economy, decolonization, degrowth, de-nuclearization, re-localization, etc.?
4. What is the gist of your propositions for alternative theories, praxis, policies, strategies…?
5. Where do you agree or disagree with the analysis or proposition of other panelists in this group? Why?

**Remy Herrera (2020-07-04)**

1.

Samir Amin was one of the most important Marxist intellectuals of the last 50 years, as well as one of the few among them to have succeeded in elaborating, within historical materialism, a complete, coherent, solid system of thought, both in the dimensions theoretical and historical, and, within the framework of each of these two dimensions, for a very wide range of themes. The implosion of capitalism is a logical outcome of the processes that he highlights in his work.

Personally, I think that current capitalism, hyper-financialized and placed under the control of giant banking oligopolies, has today become essentially destructive (destructive of economies, of societies, of individuals, of the environment, it is now a threat to humanity and even to life), but I also think that capitalism is locked in a systemic crisis, that it can no longer find solutions to the problems it faces within its own logic, by using the mechanisms of its own dynamics of accumulation. The system, under US hegemony, is blocked in a spiral of capitalist crises and imperialist wars. It is true that this system has experienced many other crises in the past and that it has overcome them all, in particular the great depression of the 1930s, thanks to new tools and new institutions (within the State or with central banks). But I believe that capitalism today has reached such deep and serious contradictions that we have to consider the possibility of its implosion. The latter can only come from the accentuation of the inherent contradictions of capitalism and, at the same time, from the widening and deepening of anti-systemic struggles, from the accentuation of popular anti-capitalist struggles. The current coronavirus crisis has of course further aggravated the systemic crisis of capitalism by affecting globalization, thus by hampering the space of deployment of the capital cycle. And this covid-19 crisis will obviously accelerate the workers’ and peoples’ struggles when, very soon, the economic depression will intensify.

Incidentally, at regional level, this crisis will amplify the problems of European construction. The Italians, among others, have understood that it is not Europe or the United States that helped them during the coronavirus pandemics, but rather Cuba, China, Russia, that is to say, countries that the Western media “demonize”. This Europe is a project of the European capitalists which is turned against the European peoples; this is mainly the project of the German dominant transnationals, themselves submitted to the dominant classes of the United States, themselves subject to the components of high finance – components of US high finance who are in conflict not only with the world, but also with each other, especially between a “globalist” component (represented by the “Democrats”, Clinton, Obama, Biden) and the “continentalists” (Trump).

2.

From a theoretical, Marxist point of view, the launch of a trade war has more or less the same effects as a trade crisis, which is expected to slow the fall in the profit rate of the country that decides to start this trade war. With this difference however that it is launched and organized by the State; in this case, the Trump administration. And that it brings tax revenues to the state. But it should also be understood that, to a certain extent, this trade war is indirectly launched against the globalized US transnationals which are established in China (in IT, among others), and which Trump says he wants to bring back, to relocate on the territory of the United States. All this must be placed in the context according to which, as Marx underlined it, free trade and protectionism are, in the capitalist system, two weapons which are available to the ruling classes to increase the profits of capitalist firms.

In a recent collective Franco-Chinese work that I carried out with my colleagues Professors Long Zhiming from Tsinghua University and Feng Zhixuan from Nankai University in Tianjin, whose results will be published soon, we studied the evolution of trade between the USA and China over the past two decades. You know that the US deficit has widened in recent years and has now reached almost 350 billion dollars. We highlight: 1) that there is an unequal exchange in trade between the two countries, operating in favor of the United States and against China (the content in labor of the goods exported by China is higher than those exported by the USA); 2) that this unequal exchange tends to decrease over time, that is to say that the disadvantage observed against China gradually disappears; and 3) that there are sectoral disparities, but that in several sectors considered to be strategic, the direction of value transfers has been reversed (example: in the sectors of manufacturing of computers and electronics, or agriculture, or motor vehicles (automobile), manufacturing of base metal, and even for pharmaceutical products).

It might be these changes, revealing a relative decline in the hegemonic position of the USA in its bilateral trade relations vis-à-vis China, currently its great rival, which could perhaps help to explain (this is what we suggest) Washington’s launch of the trade war against China. However, the problem is much broader and more serious, as we saw when this trade war came to revolve around a monetary war, a currency war already launched by the United States and the US dollar against the currencies of its rivals (among them, Russia and others) for several years already. The new Cold War we are talking about also has, of course, and alas, a military dimension, implying a risk of military war altogether. This is not a scenario that the US leaders dismiss. And this is no stranger to the aggressive ideological campaign led against China in the West. Even during the covid19 pandemics, when some voices in the West accused China of being responsible for the spread of this virus, or even of having created it. Through propaganda lies, the mainstream high finance mass-media in the West is preparing peoples for the possibility of a military war.

3.

Among the options for « exit from the crisis » envisaged by the dominant fractions of capital, for sure, today, there is that of the generalization of the project of destruction by military war. The current capitalist crisis is a crisis of overaccumulation of capital, especially in the form of fictitious capital. Overaccumulation is a chronic disease of capitalism, from which it cannot escape and which marks its long-term structural tendency to enter into crisis – and even into decay. To avoid this overaccumulation, a drastic solution exists, from the point of view of the capitalists themselves, but a dramatic solution for the peoples: it is the devaluation of capital through its mass destruction, that is to say by war. Even if in the end, imperialist wars deepen the contradictions even more. The urgency for us therefore is to stop the « regulation » of the world capitalist system by war. The priority is to defend peace: we must disconnect the infernal war machine operated by financial oligopolies, mainly US, and impose as soon as possible a democratic control on them. The Keynesian solution is unfortunately impossible, because the oligopolies of finance are unwilling to make any concessions or compromises. A « reformed » capitalism, with a human face, is impossible. Another capitalism is not possible. Thus, we have to go beyond it. Degrowth contains good ideas, but it misses the main point: the enemy of humanity, of the environment, of life itself, is not GDP growth, it is the capitalist system itself. The goal for the workers and the peoples of the world remains therefore the socialist transition.

**En français**

1.

Samir Amin a été l’un des plus importants intellectuels marxistes des 50 dernières années, et l’un des rares parmi eux à être parvenu à élaborer, à l’intérieur du matérialisme historique, un système de pensée complet, cohérent, solide, dans la dimensions à la fois théorique et historique, et, dans le cadre de chacune de ces deux dimensions, pour une très large gamme de thématiques. L’implosion du capitalisme est l’aboutissement logique des processus que Samir met en evidence dans son oeuvre. A titre personnel, je pense que le capitalisme actuel, hyper-financiarisé et placé sous le contrôle d’oligopoles bancaires géants, est aujourd’hui devenu essentiellement destructeur (destructeur des économies, des sociétés, des individus, de l’environnement, c’est une menace pour l’humanité et même pour la vie), mais je pense aussi que le capitalisme est enfermé dans une crise systémique, qu’il ne peut plus trouver de solutions aux problèmes auxquels il est confronté à l’intérieur de sa logique propre, en ayant recours aux mécanismes de sa propre dynamique d’accumulation. Le système, sous hégémonie étasunienne, est bloqué dans une spirale de crises capitalistes et de guerres impérialistes. Il est vrai que ce système a connu beaucoup d’autres crises dans le passé et qu’il les a toutes surmontées, notamment la grande depression des années 1930, grâce à de nouveaux outils et de nouvelles institutions (grâce à l’Etat ou avec les banques centrales). Mais je crois que le capitalisme a aujourd’hui atteint des contradictions si profondes, graves, qu’il nous faut envisager la possibilité de son implosion. Cette implosion ne pourra venir que de l’accentuation des contradictions propres du capitalisme et, en même temps, de l’élargissement et de l’approfondissement des luttes anti-systémiques, de l’ccentuation des luttes populaires anti-capitalistes. L’actuelle crise du coronavirus a bien sûr encore aggravé la crise systémique du capitalisme en freinant la mondialisation, donc en entravant l’espace de déploiement du cycle du capital. Et cette crise de covid-19 va bien évidemment accélérer les luttes lorsque, très bientôt, la depression économique va s’intensifier. Accessoirement, au niveau regional, cette crise va amplifier les problèmes de la construction européenne. Les Italiens ont bien compris que ce n’est pas l’Europe ou les Etats-Unis qui les ont aidés, mais Cuba, la Chine, la Russie, soir des pays que les médias occidentaux “diabolisent”. Cette Europe-là est un projet des capitalistes européens tourné contre les peuples européens, le projet des classes dominantes allemandes, surtout, soumises aux classes dominantes des Etats-Unis, elles-mêmes soumises aux composantes de la haute finance – composantes de la haute finance étasunienne qui sont en conflit contre le monde, mais aussi entre elles, entre une composante “globaliste” (les “democrates”) et les “continentalistes” (Trump).

2.

D’un point de vue théorique, marxiste, le lancement d’une guerre commerciale a à peu prêt les mêmes effets qu’une crise commerciale, dont il est attendu qu’elle permette de ralentir la baisse du taux de profit du pays qui decide d’engager cette guerre commerciale. Mais à cette difference qu’elle est lancée et organisée par l’Etat ; en l’occurrence, l’administration Trump. Et qu’elle rapporte des recettes fiscales à l’Etat. Mais il convient de comprendre aussi que, dans une certaine mesure, cette guerre commerciale est indirectement déclenchée contre les transnationales étasuniennes globalisées et implantées en Chine (dans l’informatique, entre autres), que Trump dit vouloir relocaliser, réimplanter sur le territoire des Etats-Unis. Tout ceci étant à replacer dans le contexte selon lequel, comme Marx le dit, dans le système capitaliste, le libre-échange et le protectionnisme sont deux armes qui sont à la disposition des classes dominantes pour accroître les profits des firmes capitalistes. Dans un recent travail collectif (franco-chinois) que j’ai réalisé en collaboration avec mes collègues les professeurs Long Zhiming de l’Université Tsinghua et Feng Zhixuan de l’Université Nankai de Tianjin, dont les résultats seront bientôt publiés, nous avons étudié l’évolution des échanges commerciaux entre les Etats-Unis et la Chine au cours des deux dernières décennies. Vous savez que le deficit étasunien s’est creusé ces dernières années et qu’il atteint aujourd’hui près de 350 milliards de dollars. Nous mettons en lumière : 1) qu’il existe un échange inégal dans le commerce entre les deux pays, opérant en faveur des Etats-Unis et en défaveur de la Chine (le contenu en heures de travail des marchandises exportées par la Chine est plus élevé que celui des marchandises exportées par les USA) ; 2) que cet échange inégal tend à se réduire avec le temps, c’est-à-dire que le désavantage observé en défaveur de la Chine disparaît peu à peu ; et 3) que l’on constate des disparités sectorielles, mais que dans plusieurs secteurs clés ou considérés comme étant stratégiques, le sens des transferts de valeurs s’est inversé (exemple : dans les secteurs de manufacturing of computers and electronics, agriculture, motor vehicles, manufacturing of base metal or even for pharmaceutical products). Ce sont ces évolutions, révélant un déclin relative de la position hégémonique des Etats-Unis dans leurs relations commerciales bilatérales vis-à-vis de la Chine, son grand rical, qui pourrait peut-être contribuer à expliquer (c’est ce que nous suggérons) le lancement par Washington de la guerre commerciale contre la Chine. Mais le problème est beaucoup plus large et grave, comme on l’a vu lorsque cette guerre commerciale est venue s’articuler sur une guerre des monnaies, déjà lancée par les Etats-Unis et le dollar étatsunien contre les monnaies de ces rivaux depuis plusieurs années déjà. Et la guerre froide dont nous parlons a aussi, bien sûr, et hélas, une dimension militaire, impliquant un risque de guerre militaire tout court. Ce n’est d’ailleurs pas un scenario que les dirigeants des Etats-Unis écartent. Et ce n’est pas étranger à la campagne idéologique agressive engagée contre la Chine en Occident. Y compris pendant la pandémie de covid19, quand certaines voix en Occident ont accusé la Chine d’être responsible de la propagation de ce virus, voire de l’avoir créé. Par les mensonges de propagande, les médias dominants de la haute finance en Occident préparent les esprits à l’éventualité d’une guerre militaire.

3.

Parmi les options de « sortie de crise » envisagées par les fractions dominantes du capital, aujourd’hui, il y a hélas bien sûr celle de la généralisation du projet de destruction guerrière. La crise capitaliste actuelle est une crise de suraccumulation de capital, surtout sous forme de capital fictif. La suraccumulation est une maladie chronique du capitalisme, à laquelle il ne peut pas échapper et qui marque à long terme sa tendance structurelle à entrer en crise – et même en décadence. Pour éviter cette suraccumulation, une solution drastique existe, du point de vue des capitalistes eux-mêmes, une solution dramatique pour les peuples : c’est la dévalorisation du capital à travers sa destruction massive, c’est-à-dire par la guerre. Même si finalement, au fond, les guerres impérialistes aggravent encore les contradictions. L’urgence pour nous reste donc de stopper la « régulation » du système mondial capitaliste par la guerre. La priorité, c’est défendre la paix : il faut débrancher la machine infernale de guerres actionnée par les oligopoles financiers, en leur imposant un contrôle démocratique. La solution keynésienne est malheureusement impossible, car les oligopolies de la finance ne sont disposés à faire aucune concession, aucun compromis. Un capitalisme réformé, à visage humain, est impossible. Un autre capitalisme n’est pas possible. Il faut le dépasser. La décroissance comporte de bonnes idées, mais rate l’essentiel : l’ennemi de l’humanité, de l’environnement, de la vie même, ce n’est pas la croissance, c’est le système capitaliste. L’actualité pour les travailleurs et les peuples du monde, c’est donc la transition socialiste.

**Michael Hudson (2020-07-09)**

1

I think that we have to begin by recognizing what 19th-century economists, from the classical economists to Karl Marx and even bourgeois non-socialists, had a common view of capitalism’s destiny: It was to free economies, to free society itself, from the legacy of feudalism: a hereditary landed aristocracy receiving rents as unearned income, and a predatory banking and financial sector using their lending to pry away the real estate, natural resources or other assets from governments and private-sector debtors.

 This seemed to be what was occurring up to World War I. The leading political aim of industrial capitalism was to tax away land rent or simply take land into the public domain by nationalizing or socializing it. To do this, they had to replace the House of Lords (dominated by hereditary heirs of the warlords who had conquered the land of Britain, France and other countries) with elected parliaments.

 That created a constitutional crisis in Britain in 1909-10, when the Lords rejected a Commons bill for a land tax. The upshot was that the House of Lords was prevented from ever contesting a revenue bill passed by the House of Commons.

 Meanwhile, in the sphere of banking, Germany and central Europe were doing what Marx and the socialists expected to be the natural course of capitalist evolution: Banking was industrialized.

 But World War I changed matters. To make a long story short, industry has been financialized.

 And most wealth since 1945 has been achieved by asset-price inflation for real estate, stocks and bonds. Rising asset prices are the result mainly of debt leverage – and hence, rising debt service (interest and amortization) paid to banks and bondholders.

 The tax system favors financial speculation, taxing capital gains much lower than wages and profits, and letting interest payments be tax-deductible. So ebitda (earnings before taxes, interest, depreciation and amortization) have increasingly been paid to the FIRE sector.

 So what we have seen in the West is finance capitalism – that is, a failure of industrial capitalism to play what seemed to be its historical role of freeing markets from economic rent. Instead, finance capitalism is the great sponsor of economic rent, which is used to pay interest. Rent is for paying interest. Corporate profits also are for paying interest, as industrial engineering has been replaced by financial engineering.

What *is* Capitalism? Are we talking about industrial capitalism, or finance capitalism?

Industrial capitalism is how the United States, Europe and China got wealthy, by producing the housing, goods and services to raise living standards and productivity. The driving force was employing labor to produce output that was sold at a markup – profit. The profit motive was held to benefit society.

That industrial investment and its economic surplus produced affluence. Literally, a “flowing in,” both from technology, nature, and export earnings.

This is not the dynamic of finance capitalism. It makes money by enabling banks to create credit, and the heirs of inherited fortunes to live by lending to the less wealthy.

The basic dynamic of finance capitalism is debt-leveraging, and bank credit creation – that is, creating debt for bank customers, simply by creating credit electronically. The banks receive an IOU – usually backed by collateral in the form of real estate or other assets – in exchange for the bank borrower getting credit put into his bank account.

Being extended mainly to buy housing, other real estate or other assets, rising bank credit helped inflate the cost of housing, and – mainly in the United States and Europe – the cost of buying stocks, bonds or a retirement income. A home was worth whatever a bank would lend a new buyer to acquire it.

As long as bank lending exceeded the debt service, the effect was to inflate real estate and financial markets. That rise in housing prices created middle-class wealth – for white people, at least. (Blacks and other racial minorities were red-lined, and thus were prevented from getting rich from the 1945-2020 real-estate bubble.)

But a point has now been reached where the Western economies are “loaned up.” The 75-year run-up has ended. A point has been reached where the financial and allied real estate and insurance sectors (FIRE) are extractive, not “wealth-creating.”

The result is no longer affluence stemming from financial engineering, but “effluence,” better known as debt deflation. All growth in GDP is paid to the wealthy 5 Percent of Americans, and growth in income is paid to the FIRE sector (Finance, Insurance and Real Estate).

 The corona virus has merely been a catalyst to processes already underway. By the time it hit in 2020, the economy was 12 years into the Obama Depression. I use that term because of his fateful decision in 2008 (even before taking office in 2009) not to roll junk-mortgage debts, largely fraudulent, back to reflect realistic home prices and the ability of debtors to pay. Instead, he left the debts on the books, permitting – even encouraging – banks to foreclose on 10 million American families, largely minorities, and transfer ownership of the foreclosed properties to absentee Wall Street owners for rent. Obama also refused to prosecute the bankers. Instead, he bailed out financial markets with $4.6 trillion of Quantitative Easing, and massive Federal Reserve support.

 As a result, GDP growth from 2008-2020 accrued to only 5% of the US population. It shrank for the remaining 95%. The economy polarized, as wealth at the top was obtained by a rentier class at the expense of labor and industry. I describe this dynamic in my book *Killing the Host*.

 Is this capitalism? It is not the dynamic of industrial capitalism described by Marx, in which employers make profit by employing wage labor to sell at a markup. Since World War I the world economy has moved from an industrial capitalist dynamic to finance capitalism. Marx did describe the dynamics

 That said, U.S. drive for hegemony adds a distinct dimension. It is sponsoring not only finance capitalism, but monopoly capitalism – wanting to centralize all monopolies in U.S. hands, but retarding foreign development and self-sufficiency from food to oil and energy, information technology and communications, to atomic warfare.

2

In order to achieve unilateral power to dictate the world’s trade, investment and central bank rules, the United States seeks to prevent any nation from organizing an alternative economic policy. It therefore seeks to isolate and sanction any potential rival, in the belief that its threat to wreck the existing trade and investment system will deter other countries from resisting U.S. investment takeovers and U.S. unilateral trade favoritism.

 This is not at all the same thing as the “Thucydides trap” of a dominant economy trying to prevent rivals from developing. In the time of Thucydides, 2500 years ago, the rivalry between Athens and Sparta was one of differing economic systems – democracy vs. oligarchy, not rivalry within the *same* system.

 But today, China and other Shanghai Cooperation Organization nations are de-dollarizing to create a different system from that of neoliberal finance capitalism. Ironically, China’s policy is closely related to the mid-19th century American System that powered the U.S. industrial takeoff: protective tariff protection, and public investment to provide basic infrastructure, whose services would be provided to the economy at subsidized prices or, ideally, freely: health care, schooling, pensions, research, development, agricultural services and seeds, and other basic needs, along with subsidized transportation, communications and power production.

 These policies were of course also those of socialism. So China is picking up the basic policy that industrial capitalism itself was expected to promote, and indeed did promote prior to World War I.

 That is what frightens the United States. It wants other countries to be financial dependencies, markets for its exports, and providers of profits to its investors, who seek to buy out the commanding heights of other economies and privatize them, charging monopoly prices to subject populations – who are to be forced into debt to U.S. creditors.

 In other words, the United States seeks to emulate ancient Rome in creating a predatory empire. It seeks to obtain foreign land and industry not by military means, but by ideological and financial means.

 US drives for hegemony, to injure any potential rival, from Third World food producers to IT innovators.

 US diplomacy is forcing other countries to choose between the US and non-US suppliers of energy, IT, food and other basic essentials. And most of all, to the dollarized US financial system, including SWIFT (from America’s EU colony). The effect at this point is to unify the rest of the world to isolate itself from the threat of US sanctions disrupting their production processes. The US response is a combination of covert assassination and overt military threat.

 The key is to achieve financial autonomy from the U.S. banking and SWIFT system so as to protect economies from U.S. disruption as part of its economic warfare.

 A wild card in this Cold War 2.0 is Europe. Will Europe do what it did after World War I and succumb to American rule – this time as a debtor economy drawing on Europe to subsidize its international military encirclement and buyout to take over and control foreign economies? Or, will Europe join with Eurasia and break from the dollar sphere.

 As an ancient Chinese proverb expressed this problem: “A man who tries to take two roads at once will get a broken hip joint.”

3

By the late 1970s, China recognized that Soviet Communism – that is, Stalinist bureaucracy – was not a viable growth policy. It invited Milton Friedman and neoliberal free marketers for advice, on the assumption that this was the main alternative not only to Soviet Communism, but to Marxism.

 The reality, of course, is that Stalinsism was not Marxism. China avoided inviting Marxists for advice, fearing that their pro-statism was still tinged too closely with Stalinism to provide a viable alternative. And indeed, by the 1970s, Marxists had turned away from the economic core topics that had concerned Marxits a century earlier. They had turned toward cultural and political issues. So China was left to re-invent its policy, “Socialism with Chinese characteristics.” In many ways that did pick up the policies that Marx believed would lead industrial capitalism to evolve naturally into socialism.

 So today, the first key to protect China’s economy is de-dollarization.

 Second, regarding global warming, isolating US exports, airlines and travel.

 In terms of international diplomacy, it must insist on dismantling NATO until the US engages in arms reduction treaties.

 This policy involves winning over Europe – mainly by offering a better economic future in cooperation with the rest of Eurasia than in submitting to predatory U.S. hegemony.

4

Finance, housing and other real estate, and public utilities should be part of the public domain, not privatized.

 And to prevent land speculation, a land tax should capture the land-rent.

 Marx’s Vols. II and III of Capital (and also his Theories of Surplus Value) provide the best economic history of theories of economic rent as unearned income, and the tendency of debt to create crisis by growing exponentially, faster than the “real” economy can grow and provide an economic surplus able to carry this debt overhead.

 So at the outset of putting a more productive, socialist policy in place, fFor starters, the existing debt overhead needs to be written down by proclaiming a Clean Slate. Starting with government debts denominated in foreign currency, and “junk loans” made without a reasonable calculation of the ability to pay, e.g., IMF and World Bank loans, US foreign-aid loans.

 That would not include mortgage debt, because this would be a free lunch for absentee owns who bought property on credit looking for capital gains. In any case, a debt cancellation needs to be followed with a classical tax policy.

 A basic law needs to be enacted: if a creditor makes a loan or establishes a financial claim n a debtor that has no reasonable likelihood of being able to pay – without forfeiting property or selling assets under economic duress – the loan is deemed fraudulent and is annulled.

A classical tax should fall mainly in economic rent recipients (the One Percent to 10 Percent). It would be based on classical economic value, price and rent theory as a basis for taxing economic rent – land rent, monopoly rent, and asset-price (“capital”) gains. This was what the long 19th century’s classical political economy was all about, from the Physiocrats and Adam Smith through Ricardo, John Stuart Mill, Marx, Alfred Marshall, Simon Patten and on to Thorstein Veblen.

To evaluate economic growth and progress, a new GDP accounting format needs to be created, isolating the FIRE sector (Finance, Insurance and Real Estate), and also measuring “external economies and diseconomies,” such as the cleanup costs of Global Warming, crime, pandemics and disease, etc.

5

I agree with Samir Amin that a sharp break from the U.S. dollar sphere is needed.

My own view emphasizes debt, and also classical tax policy to prevent land rent and monopoly rent from creating a *rentier* class.

I emphasize the need to cancel debts to “clear out” the economy to lower the cost of living and doing business.

**Michael Hudson’s Comments on Wen Tiejun’s argument (20200709)**

            The alternative to neoliberal globalization is not simply a multipolar world economy. It is an economy that is not ruled by the financial dynamic of debt, of privatization of what should be public utilities: land, natural resources, credit and banking, and natural infrastructure monopolies, or naturally public functions such as education, health care, communications and transportation.

            It would be an economy taking into account what economists exclude from their model-building as “externalities,” that is, as considerations “exogenous” to their models.

            That may have been what 19th-century industrial capitalism was paving the way for. But finance capitalism seeks to reverse the socialist trends of industrial capitalist evolution, and roll back history to feudalism, to neo-serfdom and debt peonage.

            Rather, a truly socialist economy of the future would focus on what today’s mainstream economics dismisses from its value and cost functions: the environment and health, to which Wen pointed; and also to human fulfillment, art and culture.

            These do not appear in private-sector balance sheets, or in public GDP accounting. Hence, they do not appear as subtrahends from GDP.

            Marx pointed out how disease adds to what has become GDP, because it costs more. GDP is cost – but not the clean-up costs of improving the climate or social environment.

            I like Wen’s comment, “The more modernized an institution, the more costly it is.” The U.S. economy has become the world’s highest-cost economy.

            It has built FIRE-sector costs into the cost of living and doing business.

            These costs are economic rent – unearned income, resulting from privileges (literally “private law”) pried away from the public domain.

            The role of socialism should be to put society back together, to heal what finance capitalism has pulled apart in the process of carving out rent-yielding opportunities for their owners to say to the rest of society, “Your money or your life.”

            That is indeed the dynamic of the neoliberal form of globalization sponsored by the United States.

            And of course the major public utility that has been privatized into a rent-seeking opportunity is finance. That is why Wen noted that: “It is the hegemony’s desperate effort to sustain its privilege to transfer the cost of debt crisis to the world,” while the United States “creates numbers on a balance sheet out of nothing.”

            That is the irony: that the United States is ruling as debtor economy, not as creditor economy. That is a unique form of finance capitalism that no one was cynical enough to even imagine prior to World War I.

            It is only a century old, but it still threatens the global economy, above via its ethic of financialization. Its aim is a centrally planned economy – one planned by financial centers such as Wall Street and the City of London, in their own interest of extracting income and property, not in the interest of being productive or uplifting society and its members.