The Greek Crisis – Excerpts from a seminar discussion among Chinese Founding Members of the Global University for Sustainability

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Participants:

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(Note: The following is based on the transcription of a seminar among several Chinese Founding Members of the Global University for Sustainability, conducted on July 6 and July 14, and then revised by the speakers. The seminar also covered analysis of the stock market crisis in China; this section is being translated into English and will be available before the end of July 2015. The translation is done by Ms Alice Chow, and vetted by Dr Kho Tungyi.)

Analysis of the Greek Crisis

Professor Lau:

The significance of the referendum in Greece yesterday, July 5, is more in terms of politics than economics. In general, the democratic model is to first elect a government then accept the policies put forward by that government, particularly those related to the economy and livelihood. This time the Greek government took a risk. After the young left-wing government came on board with their opposition to austerity, they allowed a referendum on whether the creditors' austerity measures are acceptable. Over 60% stood with the government and opposed the proposal. As the results came out, Germany and several major powers said that Greece had run out of tactics and should be prepared for an exit. Italy said we should continue to negotiate. The Greek crisis is far from over. Yet from Spain's Indignados movement to Occupy Wall Street to the people's mobilization in Greece, they fall in the same strain: the majority of the people of developed European countries and the USA, with social polarization under contemporary capitalism, can no longer survive. We would like to hear the views of Professor Wen.

Professor Wen:

We should take note of the analytical framework that has been formed in our research work over the past few years: during the historical process that human beings have gone through over the past five hundred years in the phase of capitalist civilization, the dominating western capitalist countries have emerged out of a global competition dominated by financial capital. Among the key countries where financial capital takes up a dominating position, the USA has embodied most of that polarized development of financial capital. In order to maintain the status of the U.S. dollar as a clearing and reserve currency around the world, the USA is prepared to employ any kind of measures. Regardless of which administration is in power, the national strategy of maintaining a strong position for the U.S. dollar is one that is unwavering.

I have stressed this viewpoint many times in previous discussions. We must not neglect it in analyzing the debt crisis in Greece now: the dominant countries have driven human society to the financial phase of capitalism.

In the phase of financial capitalism, the characteristic of the U.S. dollar's unipolar hegemony is that it involves a one-shot game, which is vastly different from the characteristic repeated games of competition among the strong players of industrial capital. It has created in this phase a blatant institutional differential.

The Marxist theoretical system that we have accepted until now was developed during the phase of industrial capitalism, and it would have difficulty in explaining the character of financial capitalism. Perhaps it can be said that if Marxism is not rejuvenated, it would be hard put to explain the various institutional phenomena of capitalism during the phase of financial capitalism.

By the same token, the political system and economic system of western countries have mostly fallen behind the institutional transformation of financial capitalism. As long as it is not brought up to the phase of financial capitalism, it would remain an institutional system that is subject to "control" or "manipulation".

If these viewpoints are taken to analyze the Greek issue, we can use it as a case study. Essentially the current Greek crisis has emerged due to the fact that even though Greece is a western country, it does not have the possibility of developing its economy into a finance-centred economy to enter the financial phase of capitalism.

When we analyze the Greek economy, particularly when I went there with Professor Lau on a visit, we had discussed the industrial structure of Greece. In the past when Greece was in the phase of industrial capitalism, the industrial structure was made up chiefly of ship building and shipping. Ship building is a secondary industry and shipping is tertiary. In that sense Greece could be regarded as a developed country that had realized industrial integration during its own industrial capitalism phase. Yet can Greece develop into the financial capitalism phase? Objectively it cannot! Because of that, the entry of Greece into the Eurozone might be seen to reflect speculative behavior by a country at the stage of industrial capitalism trying to ascend to financial capitalism , in other words "hitching a ride" on the surge of the Euro in order to profit from financial globalization.

During this process, there appeared coincidentally the decay and transference of Greece's traditional industries. Ship building has already been completely moved to Asia. At present, the number one ship building industry is in China. Before that it was Korea, and before Korea it was Japan. The three industrialized countries of East Asia had one after another replaced Greece as the number one ship building country in the world. Then take a look at shipping. In the past Greece had been where the shipping tycoons were. Now even the shipping tycoon families are gone. The shipping industry of Greece has been transferred to East Asia. The number one shipping country now is probably China as well.

What it means is that Greece has industrially hollowed-out during the global competition of industrial capitalism.

Before when it was big in ship building and shipping, there would have been a certain level of wealth to support the political modernization of Greece. The examples would be those that you have seen: democracy in Greece, high level of social benefits, and so on. These were developed when Greece had industrialized earnings. However, after the moving out of industries, it would be rather unlikely for industrial earnings to be able to support this kind of 'super-structure' of a so-called modern democracy and high benefit society. So it could only borrow continuously to sustain itself. Yet how many Europeans of today could make this kind of analysis? How many people in Greece could realize whom it was that had caused the social predicament that they encounter, in particular, the youth unemployment of over 50%? The real industry that the Greek capitalists built up were moved out, yet they could not rise to the level of the leading financial capital which has the capability to feed on the rest of the world. In terms of the economic transformation process, it has been a failure. This failure has included the complete flop of capitalism in the industrial capital phase with regard to both the economic basis and the super-structure. It is of course impossible for Greece to save itself from the failed economic basis caused by moving out of industries, through social movements and democracy movements that by nature belong to the realm of superstructure.

Thence, we should say that this is the first big issue and it needs clear analysis. When capitalism enters into the financial capital phase, Greece does not have the capability to enter into it, and at the same time the moving out of industrialization has caused the decay of industrial capital. Since there are no means to generate profit, it is not possible to support the costly superstructure, including the modern system of government.

Therefore, no matter what kind of social chaos takes place in Greece, no matter how the young people confront the police in the streets, it is not possible to correct the trend of industrial decay in the realm of the economic base!

Note that we have already done this analysis before. It needs to be refreshed now so we would not forget the fruit of our thought that was developed earlier. Do not pick up the conservative thinking trends that have been shaped amidst Europe's industrial decay today. Those are much outdated analysis. You are a group that has already attained the opportunity for thought innovation among the various teams of social movements around the world. In the midst of these complicated changes of the world do not forget the fruit of our innovative thinking.

Thus, the first analysis that should be stressed is to consider which phase Greece is situated in. Looking at it objectively, it is a country in which the industrial economy has decayed due to the transference of industries, and does not have the conditions for entering into the global competition of financial capitalism.

It is true that we should not regard entrance into the global competition of financial capitalism as such a successful trend! It must be realized that financial capital is by nature a kind of worst parasitic gourmet, and as such corrupted and dying. That said, countries around the world are nevertheless still floating and sinking in the global competition of financial capitalism.

Let us consider the second point of view. The major contradiction of the financial capitalism phase is the competition between the U.S. dollar clique with the Euro clique.

If we are to get to the root of the tragic state of Greece today, we should ask who it was that had been manipulating the situation. At the beginning it was Goldman Sachs!

All people should know this story. Among what we can see today of the limited information that has been filtered by the neo-liberal media, there are still bits and pieces that could tell you by whom Greece had been manipulated and pushed into joining the Eurozone! It was the Goldman Sachs Group. Who is Goldman Sachs? It is the key institution representing USA financial capitalism. We must clarify this point.

The key player which manipulated Greece's entrance into the Eurozone was Goldman Sachs, representing the major financial investment institutions of U.S. financial capital interest groups. The various kinds of things they do around the world would therefore simply be profit seeking for U.S. financial capital groups. They would not do it if there is no substantial profit. So what is this profit? It is for Goldman Sachs to bury the time bomb that would suppress the Euro clique by the U.S. dollar clique in the process of a Euro-zone disintegration.

How does the U.S. dollar clique disadvantage the Euro clique? I have talked about many cases in the past and would not repeat here. Just briefly summarizing the key points:

I have said many times that just the exports of Germany to East Asia alone is sufficient to hedge against the entire trade deficit of the Eurozone. We can calculate the trade surplus of Germany, France and Italy in global trade and see from there that the Eurozone as a whole does have trade surplus, not a definite trade deficit. Yet the USA has had large scale trade deficit for a long time. That implies in order to sustain its survival it has to maintain the U.S. dollar as the world's clearing currency, as well as use the position of a strong dollar as the world's reserve currency. From this it can be seen that, USA as a nation having long-term trade deficit, has to rely on the U.S. dollar's acceptance as reserve by the trade surplus countries, and in turn has to strengthen its military power to maintain the strength of the U.S. dollar. This is a phenomenon of putting the cart before the horse, standing on the ground with one's head. I have also repeatedly said in the past: who can stand on one's head on a long-term basis? Only the USA, while in the Eurozone, with the support of Germany, France and Italy, the European countries could still more or less stand on its feet. And East Asia fundamentally belongs to a region that has a more stable real economy that stands on its feet. What does the entire East Asia rely on? In effect it is referred to by the West as being an autocratic system or being non-democratic and so on. These East Asian models that have been criticized by western ideology are at present precisely the countries with the largest real economies in the world, a region with the largest total volume of industrial capital.

What can a real economy accomplish? It provides for employment, it provides for societal earnings and, relatively speaking, increases consumption due to employment.

You can take a look at those countries that do not have employment growth! What does the society's earning rely on? It relies on profits leaked out from the virtual transactions of financial capital. Could that be regarded as social advancement? It should precisely be described as extremely reactionary. The society controlled by financial capital is a form of criminal corruption. That is why there was the 99% in the Occupy Movement to occupy Wall Street. The 99% majority wanted to confront the Wall Street minority that had benefited. The majority did not even have conditions for employment in society, hence no social earnings. This is the institutional reactionary nature of the USA financial capital.

In face of this mainstream trend of financial capital globalization, if we cannot reflect on issues in the context of the financial capital phase and still remain in the phase of industrial capital, then our thinking is outdated, and we cannot raise the level of our thinking through that kind of discussions.

Hence we would say the present rationale of the mainstream discussions on the Greek crisis in China is entirely absurd.

When we discuss Greek crisis, it is essential to have your thinking and understanding rise to what we stress as the principal contradiction in the financial capitalism phase.

The third viewpoint is the viewpoint of Marxist philosophy. It should be noted that the endogenous contradiction is the principal contradiction that would lead to a trend change in financial capitalism! That is to say, the endogenous contradiction between U.S. dollar clique and Euro clique amidst the globalized financial competition is the principal contradiction in the world today.

This issue of the principal endogenous contradiction between the two major financial capital cliques during the financial capitalism phase has in fact been clearly explained to you by Marx's dialectical materialism: the principal contradiction would have a determining impact on how things develop. In the confrontational principal contradiction between the two major cliques, an important phenomenon that had occurred was that Goldman Sachs, through conspiracy and tricks, had pushed Greece – a country with a failed economy and hollowed-out industrialization – into the Euro clique. Take note: today the 'no' that over 60% people had voted for in Greece, what was that 'no' a response to? The result of that 'no' vote would very likely be a withdrawal from the Eurozone. If the Euro clique does not handle the Greek issue with caution, with the result that Greece exits from the Eurozone, there would probably be a domino effect resulting in the disintegration of the Eurozone. Once the Eurozone declines, then for the three-pillar layout of USA, Europe and Asia that has developed in the world game today, Europe could go into decline, leaving a final battle between USA and Asia. This tripodal structure would likely collapse.

Thence, looking at it from this perspective, the scheme by Goldman Sachs of putting Greece in the Eurozone amounted to the Trojan horse. The Trojan horse that was sent inside the Eurozone finally functions today. The Trojan orse scheme has succeeded!

It is indeed necessary to look at it this way in order to see what is happening in Greece. It is not on the same level at all as the superficial phenomenon that Greece has proclaimed to have the so-called victory of the left-wing government. Objectively, in the process during which the Eurozone participated to form the three-pillar global competition of the financial capitalism phase, the impact of left-wing politics has been very complex. If considered in accordance with the traditional industrial capital phase, with the old Marxism theory, the left-wing has won. Yet, if considered from the new Marxism of the financial capitalism phase of today, it would likely be an important structural disintegration, destruction. What is the essence? The European Union never has the political and military clout to defend the stability of the Eurozone. If we consider it this way, this victory of the Greek referendum is precisely a success of the Trojan horse secreted in by Goldman Sachs, opening the door for the "knights" to come out of the horse to destroy the Eurozone. If they could actually do it, then it would have optimal benefit to the USA, because all of the earnings on Eurozone's virtual capital would then be seized by the U.S. dollar.

Analysis of the Trend in the Greek Phenomenon

Let us predict the outcome: if Greece withdraws and the Eurozone cannot be sustained, it will be a major problem.

Nevertheless, this is not to be decided by the Eurozone governments but rather by the financial capital groups within the Eurozone. We have said that financial capital has no home country. The nature of the financial capital clique in the Eurozone is the same as that in the U.S. dollar clique. They simply have to scoop up a return from the ocean of virtual capital. Capital needs merely to rely on accelerating mobility to make short term gains.

To them, if the Eurozone disintegrates, the entire financial capital of the Eurozone would encounter substantial loss, perhaps even a destructive loss. Therefore they would make a great effort to prevent the domino effect of a Grexit. The financial capital in the Eurozone would try its best to sustain the

Euro in order to exist as a financial capital clique. That is what they must do to participate in the global competition.

Let us look back at Greece. If and when Greece exits, first, is it possible for the 'delinking' discussed by Samir Amin to be realized? Sorry, under the grand layout of capitalism of today, the exit of Greece could only represent an eruption of its own social crisis. The cost of the excessive debt burden of the government has been transferred to the people. I expect the cost would be transferred to the majority of the middle class people who had enjoyed relatively more benefits in the past. The unemployed poor are poor in any case.

The main burden now is the inability to make ends meet in the secondary distribution. For example, over 10% of the Greek population is fiscally supported. Note that this ratio is the highest. This part of the population has high benefit, with an unconditional subsidy of over 1,000 Euros every year. They take up a rather large portion of the secondary distribution in Greek society. This phenomenon is not reasonable. Once Greece exits, the self-austerity in Greece would inevitably lead to a damage of the middle class.

Looking at it objectively, if there is an exit, the future is still to be decided by whether or not after the crisis Greece could effectively develop supporting industries for the country's economy. Is that a possibility? For a peninsula-type small country with only twelve million people, the possibility of re-developing pillar industrialization for the country's economy is not high. Thence, social crisis would still continue.

Based on the above, the so-called 'cost transfer to the people' should be analyzed. Transfer to which sectors? If it is transferred to those middle class people who have enjoyed excessive fiscal subsidy in the past, it is not necessarily a bad thing. The government should reduce their unconditional benefits, and they should bear the cost of this crisis together with the people en masse in society. To a certain extent this crisis has been exacerbated by the middle class, because they would not reduce their unconditional benefit, contributing to the fiscal crisis in society. The cost should have been borne by them yet they have transferred it to the entire society.

It is necessary to understand the situation one step further in order to analyze more on Greece. This is what can be said for now. I believe that if it is not possible for everyone to reach a consensus from the lesson of the crisis to rebuild the economic structure of Greece, then it would be hard put to resolve the crisis.

For the Eurozone, if Greece exits, the European capital clique would try to keep its own interest.

As to the measures they would use to keep their interest? They would try their best not to let other Eurozone countries exit, not to have the domino effect happen. Do they have the capability to do it? We shall wait and see.

With regard to the world, the maintenance of the three pillars would be slightly more beneficial than allowing the U.S. dollar alone to dominate globally, putting aside whether it is good or bad. If all others collapse around the world leaving only a strong USA, then everyone would become the slaves of globalized financial capital. That would be the most tragic outcome!

In any case, we have to look at the strategic successes and failures. Developments are just underway now. It cannot be clearly seen immediately.

The Euro's Predicament against the Backdrop of Strategic Conflicts in Currency Hegemony

Dr Erebus Wong:

The core interest of the USA is U.S. dollar. The core strategy of the USA is naturally to strive to maintain the global hegemony of U.S. dollar. This is the principal contradiction in the current development of financial capitalism. Therefore the core strategy of the USA is to suppress all emerging currencies that might have the potential to challenge the hegemony of the dollar, including her own allies. In the 1980's the Plaza Accord was devised to defeat the Yen. Another target at the time was the Mark. Germany and Japan were defeated in WWII, and did not have an intact sovereignty. They became strong industrial nations by hitching rides with U.S. military power. In the 1980's the Yen appeared to have the power of challenging the U.S. dollar. The USA ordered Japan to commit financial seppuku, and the potential of Yen as a world currency was easily taken down. Whereas in Germany, with the historical opportunity of the unification, increased supply of currencies was used to absorb the industrial capacity and residential consumption of East Germany, thereby delaying the financialization of Germany. It had not gone on the way of creating a financial bubble like Japan. After Germany completed the digestion of East Germany's industrial capacity, the conditions ripened and the Eurozone was formally established.

No elites in any country understand the essence and mechanism of currency better than the top elites of the USA. They understand well the innate flaws of the Euro, the key one being a lack of internal political integration. USA had actively intervened in the Yugoslavian Kosovo war, and that was strategically aimed at the Euro. Right at the time the Euro was born the USA fanned the conflicts in the Balkans, the powder magazine of Europe, undoubtedly amounting to an amplification of the instability of European politics, in particular an instigation of the contradiction between Europe and Russia. The USA appeared to take advantage of the Kosovo War to highlight the innate flaws of the Euro: the uncertainty, contradiction and instability of the sovereignty basis supporting its credit.

The biggest problem of the Euro is in fact not Greece or the PIIGS. Those are just symptoms. It is well known that the institutional contradiction of the European Union is that there is unified monetary policy (such as interest rate) but without coordinating fiscal policies within the Union to conduct fine-tuning that could target different situations of different economies. As a result the strong nation grows stronger, while the weak weaker. For administrations like USA and China that have a strong central government, whenever problems appear in a region or sector, the federal or central government can go beyond partial interest to conduct adjustments and balancing (albeit there would be still skewing of interest to some extent). Yet this Greek crisis has shown that once there is an internal contradiction in the EU, it is the strong countries' interest that would still dominate. Many people have analyzed this aspect but most have omitted the strategic suppression of the USA on the Euro which has amplified the internal contradiction within the Eurozone.

The real problem of the Euro is that it is bearing two contradictory functions and expectations (or 'interests'). Its original design was to facilitate trade within the zone, driving economic development. However, the European financial interests had seen a convenience in the Euro's coverage of the largest economy in the world, and could hardly refrain from the aspiration of developing the Euro financial assets that could enjoy high credibility similar to U.S. dollar assets. There is enormous interest involved in this. Yet the innate flaws of the Euro and the strategic suppression by the USA have so far hindered it from enjoying the kind of advantage like the U.S. dollar. Unlike the U.S. dollar, it cannot enjoy worldwide seigniorage or institutional rent-seeking among global trade. The Euro could not enjoy global returns like the U.S. dollar financial capital. Therefore, Euro financial capital could only rely more on internal earnings to maintain the rate of return on Euro asset. The predatory lending such as the sovereignty debt that

European creditors provided to the PIIGS countries is essentially the same as what U.S. mortgage companies have done targeting those who lack savings or even stable incomes, the NINJA (no income, no job and asset), luring and even cheating them to sign mortgages that they simply could not have the means to repay. In both cases financial capital has recklessly inserted time bombs into the economy simply to optimize their own rate of return. Yet after the sub-prime crisis, the USA could rely on QE to export liquidity globally to alleviate its domestic crisis. The European QE on the other hand has to be digested internally. The relative advantage of the dollar over the Euro is obvious.

Putting aside the internal flaws for now, there are two deciding factors whether or not the Euro can become an important reserve currency. First whether it can be the clearing currency for major global commodities. EU is in fact the largest economy in the world, covering an economic volume of over US$ 18 trillion. Nevertheless by 2014, in circulation for over 15 years, the Euro still only took up 22.2% of the world's reserve currency (in 2009 for a short period after the U.S. financial crisis it reached the high point of 27.6%). The U.S. dollar is still the overwhelming international reserve currency, exceeding 60% even now. The EU also has the largest share of global trade, with China and the USA coming after. Yet until December 2014, the Euro only composed 28.3% of global fund clearing. The dollar with 44.64% was still at the top. That was because U.S. dollar remained the world's main clearing currency for commodities, especially for the number one commodity, oil.

The Euro is obviously anxious to become the clearing currency for key commodities. In the first Gulf War, the European allies generally supported the USA. At that time the USA did not bring down Saddam Hussein. Yet later Saddam advocated clearing Iraq's oil trade in Euro, thereby really agitating the USA and prompting his overthrow. That was why major Eurozone countries like Germany and France did not support U.S. military actions in the second Gulf War. It was not out of justice, but simply that it was in the interest of the EU to drive the Euro for oil clearing. A similar case is Iran. That is why the USA views Iran as a thorn in the eye. It does not have much to do with religion, civilization or ideology.

Afterwards, Libya's Kaddafi played an even bigger game. Not only did he put forward the de-dollarization of oil clearing, he even wanted to throw aside the Euro and suggested making use of Libya's enormous gold and oil reserve to establish a pan-African currency. Now it really got on the nerves of two major world currency hegemonies. Therefore this time European countries like France also participated actively in the military action to overthrow Kaddafi.

The second major factor is Russia. Part of Europe's interest is connected with it. Recently Russia promoted the initiative of a Eurasia trading zone by bridging Europe and former Soviet states in central Asia. In other words, the core zone of the European-African-Asian continent would become a Euro lake. The chain effect could be substantial. If this core was to be connected with China, Africa and part of the Middle East, the presence of the dollar would be substantially debilitated. That would be a consequential geo-political reconstruction impacting on the future of the USA. Therefore the alliance between Europe and Russia is not in the interest of USA. The USA has to drive a wedge between them. Only by having a grip on this can we understand what is at stake in the Ukraine crisis. The USA once again makes use of extremists to serve its own interest. Fascist groups were supported by the USA to set a de facto coup to overthrow a legally elected government and ignite a civil war. Russia was therefore pushed into confrontation with Europe. The possible Euro and Ruble alliance was thus aborted. Although Russia is being pushed toward China, RMB as an international currency is still immature and easy to cope with.

In a word, the Euro has failed to challenge the dollar as the major global reserve currency and therefore cannot enjoy the enormous interest from global seigniorage or institutional rent-seeking. So it could only squeeze the weaker countries from within to maintain the return on financial capital. That is the predicament of the Euro.

Countries with weaker foundations like Greece had squeezed into the Eurozone even by relying on Goldman Sachs to cook the books to get qualified, but ended up with their financial resources flowing towards Frankfurt due to the lack of competitiveness, falling into the trap of withering traditional industries but expanding debt. Under the conditions of low-cost borrowing, it has maintained fictitious economic growth by borrowing. In a world dictated by the financial law of jungle whereby the winner takes all, Greece becomes a loser in the tide of financialization. In order to secure the value of Euro financial assets, European financial interests insist upon imposing austerity measures on Greece to let out its blood to repay the debt, forcing it into the vicious cycle of austerity depression.

Ironically, Germany is amnesiac about the root of the rise of Fascism and the Second World War. After the First World War, the USA, which had become a major creditor for the first time in history, took a hardline stance and refused war reparations exemption in the same vein as Germany today. In retrospect, we cannot help imaging that if the USA had the vision of debt jubilee for Germany, how many lives would have been spared.

If we still hold on to the myth that Greece was the cradle of modern democracy, then this Greek debt crisis is a good case of how representative democracy fails to curb predatory finance. It is interesting to witness how the European political elites blatantly despise the principle of democracy. After all, it is finance over democracy, and money over people. Or maybe as Michael Hudson has suggested, modern democracy was originally devised or supported by financiers to ensure the uncompromised liability of sovereignty debt. The shameful betrayal and surrender of Alexis Tsipras government may be disappointing, but not at all surprising. As I've observed over the years, in the West, the worst financial policies or reforms have often been implemented by apparently leftist or liberal or progressive governments. We should take this chance to reflect on the very fundamental idea of democracy, as well as finance, and go beyond the illusion of representative democracy.

No plan without a massive debt write-off is a real solution. And the Greek people should stand firm and be brave to protect their common wealth, despite the treachery of politicians. Exiting Euro temporarily or permanently is not the end of the world. Doomsday scenario is after all a politics of fear. Sure, it's going to be a painful and chaotic process. And the Greek people should give up the illusion of development by finance. Greece has made the first great mistake of trying to improve living standard by borrowing. Now they should never make the second even greater mistake by selling off the common wealth of future generations. In any case, agriculture should be resuscitated. It's financial warfare. The Greek people should fight against financial colonization. Germany would shamelessly impose retaliatory sanctions. Nevertheless, the Greek people have two options: proudly telling their children and grandchildren, "yet, we fought" or "sorry, we surrendered your future".

Outlook for the Future

Going beyond this crisis, let us simplify the state of affairs and consider several scenarios to stimulate thinking.

1. The U.S. dollar successfully defends its hegemony and continues in its unipolar monetary hegemony in the world. The problem is not that the USA is the strongest country in the world. I do not have an essentialist anti-USA stance. If the USA could act as it proclaims in the manner of a

responsible super power leading the world, I could somehow bear with *Pax Americana*. Yet the problem of the USA is her "exceptionalism". Barack Obama has repeatedly indicated the exceptionalism of the USA. She is not just a nation on earth, not merely the strongest. To put it plainly her exceptionalism is in being the financial overlord of the world. Looking through the lessons from history, unrestrained finance will inevitably go on the road of predatory plundering. It has always been an illusion that everyone can share in glamour and riches at the mercy of finance. A unipolar U.S. dollar hegemony is undoubtedly not a blessing to the world.

2. A few currencies successfully challenge the dollar. The world has a stable state of the hegemony of two or three pillar currencies. A multi-polar world may be better than a unipolar one. Yet it has been analyzed that whether it is the Euro or the RMB, during the process of rising up to adequately challenge the worldwide hegemony of the dollar, it can only secure its asset value and interest through internal squeeze. The general public would simply be the expendable. In the dogmas of neo-liberalism, a central bank is the state within a state, should be independent and unrestrained. The country and the people are therefore surrendering currency sovereignty to a group of unchecked elites. However finance has no national boundary. Financial elites ultimately would not have loyalty to any society or country. The financial elite in Shanghai will feel more like a New Yorker than a Chinese. The European Central Bank exists almost as a jurisdictional enclave unregulated by the EU constitution. Where the ECB is located, even the police cannot enter to enforce the law. The European countries have essentially given up their monetary sovereignty under a wishful vision. In the revolving door of the small circle of global finance, how close is the relationship between the elites in charge of the European monetary sovereignty and the transnational financial capital interests? No one really knows. The USA does not have this problem at the moment, because the interest of U.S. financial interests and the nation's interests are coherent. "Whatever is good for Wall Street is good for the USA", that is the exceptionalism of the USA. Of course, if one day the U.S. ship is about to sink, the elites would not hesitate in jumping ship, just like in history the financial elites from Genoa moving to Amsterdam then London, and then New York. To entrust power unreservedly into the hands of elites, hoping that they would combat other elites, so as to share in the trophies in case they win, is no more than a fool's dream. Let's imagine a novel "2084" about a world with three monetary hegemonies standing. It may probably be an Orwellian world.

3. Complete de-linking. Throughout history, people facing violent powers always had the dream for utopia where they could peacefully live in their own quiet, secluded community. In modern terms, that is local de-linking. As a value paradigm, I am in agreement with it and aspire towards it. In real life battle, such as the Zapatista autonomous movement, it is highly significant. However, the present reality of civilization is a syndicated monopoly of violence. The dominant geo-political maneuver in the world is to instigate regional conflicts in order to disintegrate nation-states for U.S. strategic advantage. In an ideal world, there would be no syndicates to monopolize violence. Nations and peoples would disappear. As Lao-tzu puts it, neighbor communities while close in distance would not cross over to intervene with one other. That is worthwhile to aspire to. Yet the present reality is that the USA is attempting to build itself into the only super power while striving to disintegrate all the nation-states or alliances that are not in its interest. We have to be cautious of various kinds of extreme localism. Going around the circle, they in fact are serving the one super power.

4. Develop regional cooperation of appropriate scale, restrain financialization (particularly predatory financialization) and maintain vibrant local economies. As an idea to be put forward, it would be suitable for us to take the middle way. We should foster regional cooperation within the ecological carrying capacity that could truly improve people's livelihood and avoid excessive financialization. For example, the way out for Europe, in the long run, would have to be regional integration with Russia, to form an extensive trade zone with Middle Asia, North Africa and part of the Islamic region, an economic cooperative body that engage in reciprocal trading and exchanging. Euro could act as a trading medium to serve the cooperation of the region. Financialization must be restrained. The major dilemma of the world now is how to get out of the U.S. dollar hegemony, yet not going on another path of super financialization.

    The practices of local movements around the world are significant yet we must beware of Fascism in all disguises that advocate values of exclusiveness and xenophobia in the name of localization.

    In this process, the key is how to constrain elites. A world with equality among all and no elites is an ideal to be desired. Yet in practice it is difficult to avoid the emergence of elites, be it in the name of democracy or communism. History is being driven forward along two axes, one the contradiction between elites and the multitude, the other the contradiction among elites. Of course there are also contradictions among the masses. Yet historically contradictions among the masses have mostly been agitated by the elites for the latter's own interest. Elites are easily captured by finance. Representative democracy is no more than an elitist system. That is why the western democratic system has no way of restraining financialization. To develop participatory democracy and self-governance at different levels while constraining elites, should be the parallel process in carrying out regional cooperation.

But before that, we should de-mythicize the economic and moral theories of money and finance. We should re-think money and finance as credit-creation as commons. Otherwise, debt crises of different scales are bound to take place everywhere in this age of super finance.

Professor Wen:

In analyzing the situation of the world, the first basis is the fundamental principle of Marxism.

According to the fundamental principle of Marxism, the quality change in the development of matters is determined by the innate laws of the principal aspect of the principal contradiction. That means the principal aspect of the principal contradiction will have a determining impact on the occurrence of quality change on things. That is the philosophical thinking of Marxism. In today's financial capital era, what would make a determining impact is precisely financial capital itself. Based on this, it can be seen that the principal aspect of the principal contradiction in today's financial capitalism phase is the U.S. dollar zone, and the secondary aspect of the principal contradiction is the Eurozone. Obviously it is the law within the U.S. dollar clique itself that would lead to matters having a change in quality. On this, we have published papers and put forward the "monetary-geo strategy" as the key for understanding the financial capitalism phase.

In addition, Marxist philosophy also stresses the law of "negation of negation", which is to say matters will ultimately proceed to their own negation. This major trend that we are facing now, it seems the people's resistance is giving proof to this dialectical law….

The principal contradiction is of course the internal contradiction of financial capital. The principal aspect of contradiction is the U.S. dollar clique and the secondary aspect is the Euro clique. The U.S. dollar clique follows its own operational laws. With excessive expansion it may seem big and strong, sweeping across the globe with no one who could counter it, yet that also creates a directional trend which is innately fatal. It has already devoured all of the resource that it could devour, so, does the world still have new resources that it can continue to devour? So, are other non-principal contradictions or non-principal aspects of the principal contradiction willing to be exploited by the U.S. dollar in this manner? They certainly do not. Due to the operational process of this contradiction, according to the analysis of Marxist philosophy, this confrontation between the capital cliques would also cause it to proceed towards its own negation. That is a certainty.

I ask everyone not to be pessimistic, because this is no more than a historical process. From what we can see today, China is also going on to the process of economic financialization. Once China's financialization enters into the confrontational conflicts of financial capital, it would for sure become a lose-lose game. In this game of virtual expansion of financial capital there are no winners.

From a philosophical perspective, we should be happy to see the development of the principal contradiction played out in accordance with the law, because financial capital will definitely proceed to its negation. As long as we can truly grasp Marxist thinking, we would not lose confidence.

Postscript: 14th July

Professor Lau:

After the July 5 referendum, the negotiation stance of the Greek government had seemed more like they suffered a huge loss instead of a huge win. The EU leaders with Germany at the forefront had refused resolutely on hair cutting or debt restructuring, had gone to the length of threatening to expel Greece from the Eurozone, putting forward an even more drastic austerity proposal for Greece to concede to demands that are an insult to its sovereignty, including privatization of state owned assets and so on. Do you see any possibilities for Greece to reform and come out of the crisis?

Professor Wen:

The development of the Greek phenomenon going forward is clear in our view.

The core issues are: once Greece exits from the Eurozone, it has to immediately revert to its original sovereign currency. There are two aspects that determine whether a sovereign currency could have credibility: first, how sizeable the total assets owned by the country, and second, how sizeable the total volume of the country's trade, which to a large extent is indicated by whether there is trade surplus or deficit. If these two numbers are small then the currency would have no credibility. For example, Greece has already mortgaged 50 billion Euro's worth of state assets to Belgium. If it could not repay its debt, all these assets would become owned by the creditors. So on the first aspect, the volume of state owned assets of Greece is quite small. On the second regarding trade volume, in fact Greece does not have much that can be exported now, and would be hard put to support the sovereign currency. Both of these weaknesses would lead to substantial depreciation of its sovereign currency once Greece reverts back to it. Domestically there would be serious inflation. It might even lead to the "Ecuador phenomenon" (people going to the bank to exchange for foreign currency; credibility of the local currency collapses and the whole country uses U.S. dollar) that we have talked about many times once the sovereign currency is issued.

That means, if Greece continues in a firm belief of the so-called liberalism economy, then once it exits from the Eurozone, its financial system will collapse. People would change the local money in their hands into hard foreign currency, such as Euro or U.S. dollar, and the government would have to seek help from the IMF, World Bank and European Stabilizing Fund, and in exchange it would have to go back and accept even harsher terms from the creditors. It would become a vicious cycle and impossible to resolve.

Based on the current situation, in going with the mainstream Western financial economy, Greece would be in a vicious cycle. It would not be able to turn back nor could it have ways to reform out of the crisis.

It may be possible to draw a comparison with the ways East Asian countries did after they encountered the financial tsunami. Yet Greece is not like the East Asian countries.

When the East Asian financial crisis happened, the sovereign currency of South Korea almost collapsed. Thereupon, from the president to the citizens, people donated their gold and jewelry to rebuild the credibility reserve of the state bank. In issuing money, without trade surplus or state owned assets, there will not be any credibility. Therefore the Korean officials and citizens donated their assets to rebuild the credibility basis for the country. Along the same line, in the early 1950's when new China was poverty stricken but needed to establish rural credit unions and supply-distribution cooperatives, there was no import or export due to the blockade, and the gold in the treasury had been taken away by Chiang Kai Shek, so the peasants that constituted 90% of the population gave their home-woven cloth and their grains to the government, to build the foundation for the country's economic sector. Westerners would not be able to do this. Western culture has a greater emphasis on self-centredness and selfishness. Only the eastern cultures have such conditions for rebuilding credibility.

People in developing countries are used to poverty. Once they are faced with sanctions from the mostly western creditors, they would simply go back to poverty and austerity, even to the extent of resuming central planning for daily necessity supplies.

Greece is the birth place of western culture, and definitely could not take this step.

Looking at it now, the alternatives, so-called 'another world is possible': to a country that is too deeply immersed in the mainstream to be able to extract itself out, there are no better alternatives. Although this assessment should be further discussed and everyone should think about it, yet going by the basic law of the modernized state finance, that is the trend for Greece.

In fact, as we have often said, this economic law that has been formed in the development process of western capitalism is one that cannot be countered. It would cause Greece to proceed along this trend. Therefore the prospect of Greece is not positive.

Recently there are people from party politics over there coming out to try and bring down Alexis Tsipras, moving forward the election date to shorten his term. However, with a new person coming on stage to make another show, it would only exacerbate or worsen the crisis.

Based on the situation now, in accordance with the general system of thinking - putting aside the humanistic and sociology theories, just based on its system of thinking to make the analysis for Greece, there are no better ways.

Perhaps only eastern political economy, based upon eastern system of thinking, could have the possibility of putting forward a way to resolve the crisis.

The recent research that we made on eastern versus western systems have already been written up and published successively in China. Among these, in accordance with the innate law embodied in global crises, one that was garnered from Marxism's political economic principle, we know that the essence of western system is a superstructure of a "limited liability government" supported by an economic basis of a "limited liability corporation". When a corporation under this system bankrupts, the cost of the amount that exceeds its registered capital will be transferred to society. When the government bankrupts, then the cost regarding the inability to meet payments will likewise be transferred to society or to other countries.

On this, we could borrow from the term "organized irresponsibility" and call it "irresponsibility with institutional advantage"…

I hope we can tell the Marxists whom we know well, to make reference to this innate law in the mature phase of western capitalism in considering the Greek issue.