

America - Money or Your Life

Ross [00:00:28] Welcome to Renegade Inc. During quarantine, what better to do than check in with two of America's great economists? We located Professor Richard .D. Wolfe in a cabin in the woods. And Professor Michael Hudson? Well, he's holed up in the Corona virus epicentre in New York. We wanted to know where next for capitalist America as this deadly virus grips an already frail economy. Richard, wonderful to have you back at Renegade Inc. Thanks for joining us.

Richard Wolfe [00:01:02] Thank you. Glad to be here.

Ross [00:01:04] Well, a year ago we spoke to you when we were in New York. And I'm going to play a clip in a second. But you talked about capitalism and you use the metaphor of a train. This is the clip.

Video clip (Richard Wolfe) [00:01:14] The whole society is on a speeding train. The train is roaring down the track. It's already visible that there's a stone wall that the track goes right into and that if you don't do something, this fast train that we're all on is going to hit that wall. And everybody knows it but they're having such a good time. The cocktails taste so good that nobody does anything even though in the cocktail conversation they talk to each other about the train and the wall.

Ross [00:01:44] So seems to me you are correct that the train's hit the wall?

Richard Wolfe [00:01:50] Yes. Sadly, I'm not claiming, of course, that I could foresee the Corona virus. But for folks like me, it's important to understand that the people who don't want to face the problems of a system careening into the wall have to, as they are now doing, attribute each sign, each break down, each crisis, not to the system falling apart, but to whatever the triggering device happened to be. In early 2000 it was what we now call the dot com crisis - the failure of high tech. In 2008/9, we blamed it on Sub-Prime mortgages. And so this time we point to the virus. In all those cases, the trigger was important, of course, but it was a trigger on a system that has fundamental breakdown built into it. And that breakdown is getting closer and closer, which is what the metaphor about the train tried to get across.

Ross [00:03:01] And is it the idea around willful ignorance? So when people are tasting the cocktails on the train and just saying we actually don't worry, we can sort this another time, we can kick the can down the road. Are we saying that you can't actually kick the can much further down the road now because these crises are compacting and compacting and we're concertinaring the economy and society into what will be another crisis, but quicker and bigger next time?

Richard Wolfe [00:03:28] That's certainly the way it looks to me. I mean, to give you a very concrete example. After the dot com crisis in early 2000 and then again after the sub-prime mortgage crisis in 2008 and 09, monetary authorities in England and the United States, all over the world, began doing what they are trained to do. They lowered interest rates and they pumped vast amounts of money into the economy. Okay, when you do that, what you are doing is inviting every player in the capitalist system, corporations - number one, the

government - number two, and even the mass of the population - number three. Here's what they're invited to do - solve any and every economic problem you have by borrowing virtually limitlessly at virtually no cost. And of course, they do that. They paper over every bad investment, every misspent dollar or British pound or whatever, and they cover it over. They fix it by the sudden availability of absurdly cheap, unlimited money. Therefore, the level of debt goes crazy, which means that the minute anything interferes in the economic normalcy, you have a cascade because nobody can pay their debts. And all of that money which has been built into this system now becomes worthless. And so you see what we have right now.

Ross [00:05:11] It's interesting that policymakers, politicians, elected officials and all the rest of it don't really ever talk about the real economy. And I'll play you another clip from when we talked to you a year ago where in it you talk about the lie of the recovery. This is the clip.

Video clip (Richard Wolfe) [00:05:27] The government keeps saying for the obvious self-promoting reasons the word recovery appears 10 times a day in the mass media. This is a kind of torture because you're telling the people there's a recovery, but they're not experiencing it. So the next step, because we've been trained, is to blame yourself. You must be doing something wrong that you aren't participating in what everybody says is the big recovery because your job is no good. You had to substitute for your old job, which had income, security and benefits a new one where you were a greeter at Wal-Mart - don't know one week from the next, what hours you're going to work, what kind of work are you going to do. The modern economy, with its euphemistic gig or shared economy is no substitute for the reality. As Americans like to say, that there's too much month at the end of the money.

Ross [00:06:19] So we're in a situation now where policymakers and politicians haven't talked about the real economy. You're saying that there wasn't really a recovery after 2008? Is this a moment where the penny will drop for lots and lots of people to say, you know what, actually, the jig is up?

Richard Wolfe [00:06:36] I think there's a greater chance of that happening now than at any point in my lifetime. Here in the United States you have a level of displacement now that is very, very stark. The loss of jobs. In just the last 10 days we went from 300000 new unemployed in a week to three and a half million in a week. And it's continuing. You had businesses shut down. New York City where I lived until we had to leave, is now a ghost city. Nothing happens. Nothing moves. No one knows, for example - since today is when we're taping this, when we're doing this is toward the end of the month everybody's rent is due for the month of April - whether they should pay it or not. The same is true with mortgages. The same is true with every deal that's on the table which contracts for a payment. The system isn't working. And that's not because we have a virus. It's because as a system, despite knowing that at least for the last century, we've had a dozen viral pandemics and we know that they are dangerous in terms of the spread among people and that therefore you have to plan and organise how to manage that. None of it was done. None of it was planned for. And the reason is simple. In a private profit system, no producer of a test kit or a mask or a ventilator or anything else has any incentive to produce them if they're not profitable, to stockpile them, if they're not profitable. It turns out that capitalism's profit system is a very inefficient way to cope with fundamental threats to public health. Well, here's the punch line. No matter what our politicians do, the people are slowly learning that a system that cannot

protect them from these kinds of events, like a system that works to produce the crashes of 2000 and 2008/9 is a system whose time has come and now gone.

Ross [00:08:58] I watch your president, Mr. Trump, and I watch some of the mental contortions that he goes through to try and justify this system, to reflate the bubble. Remember, he signed an S&P 500 chart just a couple of days before the market crash, taking full credit for the greatest stock market in history. Are you surprised to see him going through these mental contortions to try and get this back to, quote, 'business as usual', or is that the only play he really knows?

Richard Wolfe [00:09:26] It's the only play he knows. I believe it's also the only play he has. His entire effort is to try to hold on to the roughly 35 to 40 percent of the people who watch Fox News, who get the world through the prism that he sees it and that he reproduces and that that Fox News network reproduces for them. History is how he describes it. He now is telling everybody how he has taken the lead in providing tests and masks. It's all fake. And I tell you, those people who support him are mostly among the victims of the last 30 years. It has to be understood their America is over and they don't want to believe that because it terrifies them - as well it should. And they are gathering around that fellow and that crazy-ness because the alternative for them is the abyss.

Ross [00:10:34] Doesn't a blue collar worker who votes for Mr Trump in America realise that it's a turkey voting for Christmas if he is going to go ahead and bail out the corporate sector after the corporate sector have used so much financial trickery and share buybacks to line their own pockets?

Richard Wolfe [00:10:51] Well, I think you begin to see that he is, in fact, sensitive to what you've just said. He cannot - and he tries constantly to persuade the business community with only middling success - he cannot do the traditional Republican trickle down, help the folks at the top and everybody else will benefit. He can't do that. That's no longer workable in this country.

Ross [00:11:18] Right, so that's a gap in the clouds, isn't it? So what does he do now because ultimately that play is off the table?

Richard Wolfe [00:11:23] Well, he's going in the direction which you in Europe know better than we do. It's fascism. He is going to portray himself as the champion of the little man, the little woman, and put pressure. And he does it every two or three weeks. He excoriates one or another business sector, one or another CEO. He recently did it with General Motors having failed to produce the ventilators we desperately need, attacking a company from moving production to China or Mexico or whatever it is. So he peppers his fundamental support from the business community with unusual, for Republican, forays to take away the thunder of the Democrats - if there were any thunder, there really isn't. But here's the irony. In those moments - and they're only episodic - but in those moments, he becomes more of a champion to the working class than the Democratic Party dares to be. And that is part of his appeal. And if he wins the election, that will be why he did.

Ross [00:12:33] What's the optimistic bet in all this? What is the moment you will say, well actually, no, we don't have to go down this route of fascism and enforcing economic systems with violence, there is a different way?

Richard Wolfe [00:12:44] Well, all I can tell you is, since I don't have a crystal ball, I wish I did, but I don't. But that does always give me the freedom to make fun of others who imagine that they do. Having said that, I would tell you that the interest in the audience for a critique not of this or that policy in this crisis, but of the system itself, the notion that profit is not the bottom line that a society could or should have. That the pursuit of profit in the United States is precisely why we don't have the masks, that hospital beds and everything else that we desperately need, that the efficient preparation for a pandemic was something capitalism failed utterly to achieve. That opens the space for different systems to be discussed. And I must tell you in all honesty, that the audience for what I have to say - that this is a systemic problem and that one or another variety of what we all call socialism is where we have to go - gets an audience now. I never dreamed I would see in my lifetime in the United States - I couldn't say this before, but I'll say it to you now - it is very much for those of us on the left in the United States, a sense that time is on our side.

Ross [00:14:26] Welcome back to Renegade Inc. Before we go to New York to talk to the economist, professor Michael Hudson about socialism for the rich and predatory capitalism for everyone else, let's have a look at this week's Renegade Inc. Index. First up, we got a tweet from Prem Sikka: 'Richard Branson is estimated to be worth four billion dollars and has used tax havens to avoid taxes. Entities like Virgin Healthcare have paid no corporation tax on two billion pounds of NHS deals'. Now, he wants UK taxpayers to bail out Virgin Atlantic. Say no. Let him use his own wealth'. Next from Not Bill Murray: 'Let me break this down for you, the Corona virus bailouts for corporations will cost eighteen thousand dollars per citizen. Washington, D.C. is taking \$18000 from you and your family to give to the wealthiest corporations and giving you a twelve hundred dollar check in return - hashtag socialism for the rich'. And finally, we have Francesca Martinez: 'In times of crisis, the rich - Branson, Bezos, Tim Martin etc - look to the state for handouts. Profits are always privatized and losses are borne by taxpayers. It's socialism for the rich and capitalism for the rest. They love socialism, they just don't want us all to have it'. And just for clarity, that is exactly the same. Richard Branson who successfully sued the British NHS in 2017.

Ross [00:15:53] Michael, really good to have you back on Renegade Inc.

Michael Hudson [00:15:54] It's good to be here.

Ross [00:15:57] Can you just give us a snapshot into what you're seeing in New York? I know that you're in quarantine at the moment. You're holed up in your bunker. Just give us an idea of what it's like over there.

Michael Hudson [00:16:08] Well, I'm in the epicentre of the epicentre, according to the governor of New York, I'm in Queens, in Forest Hills, right next to Elmhurst, where on television they're showing lines of eight hours long in the rain of people trying to get tested for Corona virus in the Elmhurst public hospital. It's a disaster area there. They show the refrigerator truck backed up to take out the corpses. They're wheeling them out of the hospital because there are no ventilators here. The doctors don't have masks and they're making them

out of their own clothes. These stores are pretty much closed down. Most of the restaurants are closed. And on the street, people are pretty much make a wide circle around each other to make sure they stay five or six feet away. But nobody has masks available.

Ross [00:17:06] Isn't that incredible? I think he is sometimes referred to as the sage of Omaha, Warren Buffett said you know, 'you only see who is swimming naked when the tide goes out'. Seems to me that this crisis has meant that the whole tide has gone out on the US and it's very clear who's swimming naked. And I'd put on the top of that list the president and the political class.

Michael Hudson [00:17:29] It's not only the U.S. It's a philosophy of corporate management that people are taught in business schools. And what's taught is the Wal-Mart theory of inventory control - just in time inventory. If you're dealing with food or toilet paper or something, the idea is that you only need enough just for about one or two days so that you can keep every little bit of your capital free of inventory and only operate on a minimum. Well, that works for stores and for grocery stores and for a lot of different products, but it doesn't work for basic public infrastructure health. The whole idea in health is that instead of having a steady consumer rise, you have spikes and you have spikes when there's a pandemic like there is today. And so a public sector should have something in abeyance to hold. Now, for instance, right now you can see the exponential growth of coronavirus in New York. That's led the Governor, Cuomo, to say, well, we're going to need thirty five thousand, one hundred thousand ventilators in about three or four weeks because there was a doubling time of the Corona virus every two and a half days in New York.

Video clip (Governor Cuomo) [00:18:49] What am I going to do with 400 ventilators when I need 30000? You pick the 26000 people who are going to die because you only sent 400 ventilators.

Michael Hudson [00:19:00] Trump came in who doesn't like the governor because they haven't liked each other since they met in New York City three decades ago. Trump says, New York has all of these unused ventilators. Here are some ventilators. Look, we found there are 10000 in a hospital not being in the warehouse, not being used.

Video clip (Donald Trump) [00:19:19] 'Hospitals, frankly, individual hospitals and hospital chains, we have them hoarding equipment including ventilators. We have to release those ventilators, especially hospitals that are never going to use them. They have to release them'.

Michael Hudson [00:19:32] Well, the governor said, of course they're not being used now. They're going to be needed in two weeks when the exponential growth occurs. And Trump says, no, no. You only need them a day before you order them. So Trumps management philosophy - and this is the philosophy taught in the business schools, just in time - is guaranteed to create a rolling crisis. It's going to get worse and worse. And this philosophy, I'm sure is what Europeans who come to America and study in the business schools are taught. And it's not how to handle the public sector. And of course, Trump says we don't want a public sector at all. And when this is over, they're not going to be a public sector because the cities are going to have such low tax revenues. They're not getting the tax revenues from the stores. They're not getting it from the people. They're having huge responsibilities to pay unemployment insurance. They're going to have to privatize all sorts of whatever is left in the

public domain from transportation to parks. And this is going to make the American economy into a grab bag. And Trump says we're going to come out of this wonderfully. The stock market's going to go greatly. So the whole Corona virus in this country is managed. How can we make it to increase the stock market? But the governor of Texas, for instance, said, look, we should really just go back to work. A lot of people get sick. The elderly people are most prone to dying as a result of the virus. They should take it on the chin and sacrifice it for the economy. They should essentially die so that the economy can get back to work and the stock market can go up. The neo liberals have applauded this and the Democrats have been absolutely silent about it. Not a word from Biden, not even a word from Bernie Sanders.

Ross [00:21:23] Why aren't they coming out at this time attacking that idea because of the absurdity and inhumanity within it and saying, hang on, this is not what we want?

Michael Hudson [00:21:33] But what you call inhumanity, you're not putting the stock market first. And Donald Trump says the measure of his success will be how he can recover the economy, by which he means the stock and the bond market.

Ross [00:21:46] But why then isn't he talking about the real economy? Because he can sign as many S&P 500 charts as he wants. But ultimately, if he's starving or letting the real economy wither on the vine, ultimately, what's the point of it all?

Michael Hudson [00:22:00] The point of it all is not the real economy. Look at the 10 trillion dollar package that he, with unanimous Democratic support, passed through Congress.

Ross [00:22:10] Let's call it a bailout. It's not a package. It's a bailout.

Michael Hudson [00:22:13] Yes. And they call it a corona virus law. But only 2 trillion of that 10 trillion is about what you call the real economy and the people. Two trillion indeed, is going to go for unemployment insurance, a giveaway of twelve hundred dollars to each American family.

Ross [00:22:32] So what happens to the other eight trillion?

Michael Hudson [00:22:34] That will be given to the large corporations, to the banks. Five trillion will be given to the banks to lend the money to the large corporations, to buy out the small companies that are going to go under as a result of the slowdown and the austerity resulting from the three months of closed down of the economy caused by the Corona virus. It's not simply the closed down of economy. Well, the economy isn't doing business while the restaurants are closed and the stores are closed and people are laid off. All of their rent is due. All of their credit card money is due. Their student loans are due. Their mortgages are due. And all of this debt is accumulated. So let's look now three months hence. Let's look at what's going to happen in June and July. All of this money is going to come through but the Federal Reserve has said one half of Americans can't raise four hundred dollars in a crisis. All of a sudden, all this money is going to fall due in three months. And the governor of New York can say, OK, there's a moratorium. You can't evict anybody for three months. But after three months, the eviction notices are going to come. The homelessness problem is going to rise and the real economy is going to be sacrificed to the financial sector.

Ross [00:23:54] Ultimately, where does this end? Because if in 12 weeks time, people can't afford to enter into the social norms, enter into the economy, live, put bread on the table, where does that logically finish?

Michael Hudson [00:24:06] With the American economy looking pretty much like Greece. It'll be austerity. There will be people who don't have jobs. They are going to be evicted from their apartment. They will have run through the savings. They will not be able to pay their credit card debt and other debts so arrears are going to rise. The banks will be squeezed. And Trump says the one thing we can't save is the people, but we can save the banks and the Federal Reserve has enough money to keep all the banks afloat, even if they're not getting the mortgage payments, even if they're not getting the debt collection. And the banks can now make up for the money they're not getting by having a huge new market - lending money to private capital and to the large companies to buy out all of these small businesses that are going under. It's a bonanza. And that's what the Republicans say that will make the country rich again. Meaning the 1 percent. And basically, you can look at the policy as pretending to help the sick people, the Corona virus. But it really is a whole wishlist that corporations and neo liberals have had on the books for a year working with lawyers and law firms. They've pulled this off the books and all of a sudden packed it on to the Corona virus. And instead of calling it the great bank bailout and the new power grab, they're calling it the Corona virus law.

Ross [00:25:30] As we wind up, Michael, I know that your writing at the moment about the fall of Rome, also of Greece and its demise. What are the lessons that you can see if you're going to give this some historical context to what happened in Rome and Greece and what's happening at the moment within the American empire, especially with a guy who is flying so carelessly at the top?

Michael Hudson [00:25:55] Well, what happened in Rome and Greece was that Western civilization broke off from the previous three thousand years of near eastern civilization. In the 8th century B.C. you had essentially Greece and Rome - underdeveloped areas - near Eastern traders brought the practise of charging interest bearing debt. We didn't have any before. And so Rome and Greece were the first large areas to develop that didn't have a palatial economy. There was no central government. There was always an oligarchy. There was a few places that had kings like Rome, and the oligarchy got strong enough to overthrow the kings. And it really wasn't democracy. What Greece and Rome bequeathed to Western civilization was not democracy. It's oligarchy free of government.

Ross [00:26:46] Well, let me suggest that you were living in one of the most advanced oligarchies in the world at the moment. So how does this end?

Michael Hudson [00:26:53] Huh, well the same way that Rome ended. In Rome the oligarchy always overreaches itself, impoverishes the economy. And in Rome, we had a dark age. And we're going to be entering something like that at the end of the summer in this country because you're going to have many homeless pouring onto the street, many families lose their homes, small businesses who've had to go under, medium sized businesses that have just decided to sell out to the large private capital funds. And the economy is not going to look very pretty.

Ross [00:27:23] Michael, thank you very much for your time.

Michael Hudson [00:27:25] Always good to be here.

Ross [00:27:27] That's it from Renegade Inc. this week. We'd love to hear from you so studio@renegadeinc.com or tweet us at Renegade Inc. Join us next week for more insight from those people who are thinking differently. But until then, stay curious.