# Alex Krainer: Bond Market Collapse & the New Chinese Economic Order

Alex Krainer is a market analyst, author & former hedge fund manager. Krainer argues that the crisis in the bond market will spread across the financial system and create great incentives to use military power to acquire new colonial possessions to rescue the situation. However, the financialised economic model will break down, and the entire economic model will be discredited. * Alex Krainer's substack: https://alexkrainer.substack.com/ * Alex Krainer podcast: https://www.youtube.com/@kraineralex Follow Prof. Glenn Diesen: Substack: https://glenndiesen.substack.com/ X/Twitter: https://x.com/Glenn_Diesen Patreon: https://www.patreon.com/glenndiesen Support the research by Prof. Glenn Diesen: PayPal: https://www.paypal.com/paypalme/glenndiesen Buy me a Coffee: buymeacoffee.com/gdieseng Go Fund Me: https://gofund.me/09ea012f Buy Diesen merchandise: https://diesen-shop.fourthwall.com/en-nok Books by Prof. Glenn Diesen: https://www.amazon.com/stores/author/B09FPQ4MDL

## #Glenn

Welcome back, everyone. We are joined today by Alex Krainer, a market analyst, author, and former hedge fund manager. Thank you for coming back on the program.

## #Alex Krainer

Thank you for the invite, Glenn. Always good to join you.

## #Glenn

So, well, I should have said today is the 23rd of September, and we see a lot of disruptions in the markets, and especially in the bond market. And I was wondering if you could explain, well, for people who are not economists or former hedge fund managers like yourself, how would you explain what is happening at the moment in the U.S. bond market, and also why it's so significant?

## #Alex Krainer

Well, you know, the market for the U.S. 10-year Treasury note is considered to be by far the biggest and by far the most important market in the world because it determines the price of money. And then that cascades into everything else, not just for the U.S. economy, but for the global economy as well. In general, I'm not really satisfied with the explanations that are going around in the conventional financial press. The events, as I have observed them, suggest that geopolitics, at least at the moment, play a disproportionately important role in what's happening. And we've seen that.

I've started noticing that in 2021, when the United States withdrew from Afghanistan, because almost immediately the bond market started to crash, meaning the prices of bonds started to go down and the interest rates went on a sustained upward trajectory, which, over the following two years—so we're talking 2021 to 2023—we had the biggest bear market in bonds on record, and the records go back 240 years. So this was a huge event. And then, you know, I have to also add that the American bond market gets a lot of space in the media, but actually European bonds and British bonds and lately Japanese bonds as well are faring much worse than the American bonds. And in fact, if we look at the beginning of the Trump administration, American bonds started to even recover.

So there was, like, for more than a year, the prices of U.S. Treasuries went on a gradual but sustained upward trend, and the interest rates were starting to come down. And then that trend was broken almost exactly when Operation Epic Fury was launched on 28th February. And so, given that the geopolitical picture is dismal to catastrophic, I think we're going to see more of that. And then, you know, to give it a historical perspective, I always like to look at the German imperial bond from last century, which... You know, there's a chart that I published on my Substack which shows the trajectory of that bond since the 1880s and how it gradually goes down.

And then even through World War II—sorry, World War I—the price of the bond is low, but it's relatively stable. You know, it's trending a little bit downwards, and then at some point it breaks, it breaks the support, and then goes into a rapid, into a rapid decline until it goes to basically zero. And I suspect that for many Western nations, this is what might happen. My prime suspect is always Great Britain because ever since that unhappy withdrawal from Afghanistan in 2021, the British bonds have been declining the most of all bonds in the Western world. And they have continued to do the same until now. European bonds, German, French bonds are catching up.

Japanese bonds are catching up. But American bonds, in spite of them being the most discussed market because they're the biggest, and American capital markets are also the most transparent of all in the world—you can find all kinds of data, aggregates, statistics, analysis—so it's discussed a lot. So British gilts, German bonds, French bonds, they're not being discussed so much, but I think they're in much more dire straits than American bonds. In fact, I think you could almost make a case that if you had to own any Treasury bonds, you could use American ones and then hedge your exposure by going short the European bonds.

## #Glenn

Well, how would this impact, I guess, regular folks? Because if the bond markets become less attractive, they have to pay higher yields, then they would have to borrow more, sell more bonds, print more money. I mean, how do you see this dynamic working?

## #Alex Krainer

Well, at first it would seem like a good thing because, on savings, on the performance of their pension schemes and so forth, it would seem that they're getting higher returns. But what's actually happening—and this is the explanation that isn't in vogue; not many people are talking about this—but what I think is happening, and why this has a very close connection with geopolitics, is because I think as the Western powers are losing control, their hold on their colonial possessions—and, you know, we have to call it by what it is—you know, places like Ukraine, places like the regions, like the Middle East, the cash flows that used to flow from those regions towards the Western financial centers are drying up.

And a lot of financial instruments were based on those cash flows, meaning, you know, let's say Western financial institutions extend loans to Saudi Arabia, Qatar, Ukraine—you name the nation—in order for them to develop their resources, in order for them to exploit their oil and gas and so forth. And then, as those nations export their grain, their oil, their gas, urea, and so forth, they are using those cash flows to repay those loans, right? Well, now all of those are impaired assets, so those cash flows are drying up rapidly. And that would make those financial instruments basically worthless, bad debt, or at least very, very severely impaired.

And that would make the bondholders basically bankrupt because all these financial institutions are very heavily leveraged, meaning they maybe have 5% or less of loss-absorbing equity on their balance sheets, and they have a lot more exposure to these impaired assets, which means that if 5% of their bond holdings are impaired, they could be completely bankrupt. So what happens is that if we were in a genuine market economy, then those banks and those financial institutions that bet heavily on situations that can turn against them, they will go bankrupt. We would see bank runs. But we no longer see bank runs in the Western world. And the reason is because gradually the banking oligarchies have taken complete control of our economic systems in the West. And if you'll remember, in 2008 during the global financial crisis, the Treasury Secretary Hank Paulson had to go to Congress and to beg on his knees for a $700 billion bailout of the banking system.

And then since then, they have changed the rules of the game so that they no longer have to ask the lawmakers to bail them out, to authorize a bailout. They can basically print up as much money as they want. And so the central banks now have full control of the monetary system. They can issue any amount of currency they want out of thin air. And so what they're doing is they're issuing currency to backstop all those bad debts related to the impaired assets. And that means that they are basically diluting the purchasing power of the currency in circulation gradually, and effectively robbing the people of all these countries—the American people, British people, European people, Japanese people, and so forth—to rescue their financial institutions. So rather than the banks failing, they're going to cause the whole population to lose their wealth, their savings, because everybody who has savings sees the purchasing power of their savings decline.

It's not clear why. They will blame Putin. They will blame the Iranians, whoever is the enemy du jour. But the reality is that this is all being done by the banking oligarchies in the West, in the City of London, Wall Street, and their other satellites around the world. And so the outcome of this is that gradually all this newly printed-up liquidity will be diluting the currency's purchasing power. That tends to have an accelerating effect. So the inflation tends to rise higher over time. And the loss of that purchasing power offsets the nominal gains, meaning, you know, now you own bonds, and instead of earning zero yield on those bonds, now you're earning maybe four or five percent. But the loss of purchasing power tends to far, far outstrip those gains, so people end up looted and robbed all the same.

## #Glenn

Do you see any possibility of the United States reversing some of this? Because, again, when they were able to kidnap the president of Venezuela, they've been very explicit—especially people like J. D. Vance and, of course, Trump himself—making the point that now we do control the vast energy resources of Venezuela. So they do have this colonial asset they've been able to get their hands on. They do have a growing influence now in Greenland. They do have their little plans against Cuba. They don't shy away from making the point that they're planning to liberate Cuba. Even in Ukraine, you see this deal that the Americans made to get access to their natural resources.

And while during the early phases of the attacks on Iran, when the optimism was especially high in Washington, you had people like Lindsey Graham making the point of how much money we're going to get, how much resources. So this was going to be short-term pain for long-term gain. So again, it's always framed in this—well, they don't use the word colonial possessions, but that's essentially what they're talking about. And even Bessent was making the point that when the war against Russia is over, Russia will at least trade its energy now in U.S. dollars. And, you know, so again, there's obviously a key economic purpose behind a lot of these wars. But do you see a possibility for the United States to turn things around, or has it gone too far now?

## #Alex Krainer

No, I think it's gone too far, but definitely the United States has much better maneuvering space than other nations. The United States can use its military muscle to force nations into the dollar system. Venezuela was perhaps an extreme example, where the president was basically abducted and the other people were told, "You'll do as we say or else." And so I don't think the Venezuelan oil itself, in reality, will easily reverse those pressures, because my understanding is that Venezuela's oil industry will require very, very heavy investments before that oil will have a very substantial impact on the American economy. But what the Americans can do is use Venezuelan oil as collateral to issue a lot of loans, which then become assets on the balance sheet of American banks.

So let's say if the estimate is that it will take $100 billion to bring the Venezuelan oil industry to its potential, well, you know, Wall Street banks can issue $100 billion worth of loans to Venezuela, and then that $100 billion becomes brand-new assets on the books of the Wall Street banks. And if the oil industry comes back to life, then the cash flows that result from the oil sales in Venezuela will all flow towards the Wall Street banks. So, in that sense, that's that maneuvering space that the

American banks have thanks to the American superpower status. Then we've seen also that the Americans were able to bring Venezuelan gold from London to New York. That too represents collateral against which Venezuelans were not allowed to sell their oil and obtain dollars, but they can use that oil as collateral to raise loans, to raise credit.

Again, the gold will remain in the United States, and the loans will become assets on the books of Wall Street banks. You know, the United States can probably do this also with Greenland. I think that the Canadian resources have largely been already taken as, you know, the 75 billion barrels of Canadian oil. I think it's all already been used as collateral for Wall Street banks. But, you know, definitely the United States has that power to coerce and force other nations into its system. And in that sense, it has a much, much better maneuvering space. The British cannot do the same thing. The Europeans cannot do the same thing. So I think that the European financial system, British financial system, Japanese financial system are all looking at a future that will probably resemble the collapse of the Weimar Republic in the early 1920s of last century, 104 years ago, about.

## #Glenn

Well, it looks like the wider picture here, though, is that the whole economic model is now being run into the ground, or it's hitting a wall. It can be possibly extended, but we do see that this whole financialization of the economy, it's not working anymore, especially as the U.S. also loses its dominance on the global scene. This seems to be a bit of everything turned on its head from what was expected after the Cold War. As you remember, then we had this thesis put forth by Fukuyama that we were at the end of history. And it essentially had two components. One was the whole world would have to essentially remodel itself after the United States, adopt its economic model and U.S. leadership. That was the only way countries could grow and become powerful. But now we see essentially alternatives. That is, the Chinese are pushing forward a new economic model.

I think dismissing it as communism, I think it looks more like the industrial capitalism that the Americans had in the 19th century. But I was wondering, you know, we do see with the failure of one system, you will have unavoidably some discussions and, I guess, competing models for how to run economies. And again, it's hard not to take the Chinese model seriously these days, given the immense success it had. I mean, we've never seen this in human history, how fast this many people, hundreds of millions of people, were taken from poverty to now being the leading economy in the world, at least in purchasing power parity. I was wondering, how do you see this now, the Chinese economic model rising, possibly discrediting the U.S. model, especially now that it's running into these financial problems?

## #Alex Krainer

Well, that's a great question, Glenn, and this is one of the great misconceptions that practically took me my lifetime to figure out, because if you go to university and you study economics, then you basically are always—the curriculum is always centered on the classics, Adam Smith and David

Ricardo and so forth, and then John Maynard Keynes and Milton Friedman. You're always given the impression that the alternatives are, you know, either more free market or even more free market. And then there's also this false dichotomy between left and right, you know, socialism versus capitalism. And that almost splits people in half: people who are pro-socialism and people who are anti-socialism and capitalism.

But hardly anybody tries to really define the terms accurately. What does it mean, a socialist economy? People who foam at the mouth at the mention of socialism, basically, their grievance is that they don't want anybody to get anything for free. And they always talk about welfare queens and people who don't work because they want free stuff from the government and so forth. But they never complain about large banks and corporations getting free stuff from the government. And that is happening in much, much larger—what these supposedly capitalist countries give away in welfare to large corporations and banks is massive compared to the crumbs that they give to the welfare queens and people on social support.

Nobody complains about this because, you know, apparently under the capitalist system, banks and corporations should get any amount of money from the government if it's dressed up as subsidies and stimulus payments and whatnot. But the real dichotomy is the difference between the free market system and the national system of political economy. The free market system basically seeks to remove all barriers to the flow of investment capital between nations, meaning the investor class, the banking oligarchies, can invest in any nation, and the nations have to compete in terms of providing the highest possible return to the investor class. And to provide the highest possible return, you have to do away with basically everything that is a cost item, meaning you have to slash pensions.

You have to depress wages as much as possible. You have to take out the money from the health system, from infrastructure, from any kind of use that improves the quality of life. So the free market system is basically a race to the bottom, and all nations in the world are forced into that system. And any nation that wishes to improve conditions at home finds itself a target, first with sanctions, but then eventually under military attack. And so what we see in China, and we saw many episodes like this through history—the United States, Germany, Japan, Singapore, South Korea, Italy, and so forth—where this national system of political economy was applied. Yeah, and I forgot to mention Russia since Vladimir Putin took over.

You see a practically spectacular rise in prosperity and productivity and in general wealth of the nation. Because what happens is, the nation refuses to participate in the race to the bottom, and it uses the productivity and the wealth creation to reinvest it in their own society, in their own home. So the wealth, as it builds up, is invested in healthcare, in education, in infrastructure. So we saw China, in the space of about 18 years, build 50,000 kilometers of high-speed rail networks, which actually work and transport millions of people every day all across China. In the United States, the politicians have been talking about high-speed rail networks since the 1990s, that I can remember. And by today, the United States, I think, has about 120 miles total of high-speed rail networks. And none of them are functional.

None of them actually work. And the cost in the United States is—I looked into this about two years ago—when you add up all the costs, all the money that has been spent on this project, you get about $300 million per mile of high-speed rail networks that still don't work. In China, the 50,000 kilometers has been—31, 32,000 miles of high-speed rail networks have been built for one-tenth of that cost, about $30 million per mile. So the contrast between the two systems is extraordinary. And this is why I think the Western powers through history have sought to destroy the nations that seek to apply the national system of governance, because they cannot tolerate the contrast. Because people can see, why can't we have things that Chinese have?

Why can't we have high-speed rail networks? Why can't everybody have super affordable, very efficient healthcare? Why can't people be lifted out of—if China was able to lift 800 million people out of poverty, why can't all other nations do that? Of course they can. They really can. But this model of governance is not allowed to be applied. It's not allowed to be implemented. You know, we have today Burkina Faso, and the interesting thing is that, you know, the research about these two contrasting systems of governance—I found useful material from the LaRouche organization, you know, and actually the person who has done most to bring this knowledge back from oblivion, from the memory hole, was actually Lyndon LaRouche.

And he was amazing, very viciously character assassinated for this and imprisoned. But basically, the LaRouche organization has been popularizing this knowledge and diffusing it. And as it turns out, in Burkina Faso, this is now being applied, and it comes from the same source, because Ibrahim Traoré today is trying to apply the same model that his predecessor Thomas Sankara tried to. And Thomas Sankara was mentored in economic governance by a French economist. His name was Jacques Cheminade. Jacques Cheminade was a very close collaborator of Lyndon LaRouche.

What they basically dug up was the knowledge about economic governance, going back to economists like Friedrich List, back to Alexander Hamilton, Henry Carey. It was the model that turned the United States from a patchwork of disjointed British colonies into a superpower that the United States became at the end of the 19th century already. But then, you know, again, at the beginning of the 20th century, we had the infiltration by the British Empire. We had the creation of the Federal Reserve Bank. We had, you know, the whole academia was infiltrated. The whole economics curriculum was brought back to those British classics. And since then, it's been free trade as far as the eye can see. Yeah.

## #Alex Krainer

Roosevelt's presidency in the 1930s and the 1940s again went back to the old national system, but that was short-lived. After Harry Truman came to the presidency, it all went back to the free markets again. And we see the results. And everywhere where the free markets are imposed, you have the rise in misery, you have the extraction of wealth, and all that wealth, through the mechanisms that we discussed in the beginning—you know, the Wall Street banks, the City of London banks, the French banks—extracting wealth from basically their colonies and leaving misery behind.

## #Glenn

Yeah, I think people are starting to wonder, though, because whenever economic growth is celebrated, they notice that their salaries remain the same or decline. But what we actually refer to is a stock market going up, which then further creates these economic discrepancies, which then impacts the economy, democracy, everything else. But it is interesting, though, that, I mean, you don't have to invent a new form of capitalism. This was the focus on the physical economy, as we saw in the 19th century. This is what the Americans did, though. And indeed, if you go to the liberal economists of the 19th century, be it David Ricardo or, well, John Stuart Mill, whoever it would be, they would actually look at the need to tax rent seekers. That is the whole idea that someone extracts wealth from the production process without contributing, that this is something you should get rid of. So, you know, if you tax it, you can avoid the oligarchs emerging, which will keep the market competitive. Also, with that, you would use the taxation of rent seekers to fund infrastructure, education, with the logic that this would enhance the competitiveness of the nation, but also enhance living standards.

I mean, if you propose this today, that perhaps Warren Buffett shouldn't make billions while he sleeps, and some of this money should be used for building the physical economy of the nation, it would be denounced as socialism. It would be colonialism, essentially. Exactly. It's quite extraordinary because that's not what economic liberalism used to mean. And as you said, the industrial capitalist or economic nationalist, the Alexander Hamiltons and Friedrich Lists, they would refer to some of the excesses of free trade as free trade imperialism. And the antidote was a century of the American System, which meant, you know, these three pillars.

They would have their manufacturing base, which they would develop through subsidies and tariffs. They would develop their physical transportation with ports and roads, later rail. And the third pillar was then the national bank and, you know, the American system. It served America very well. Very well, they became very developed fast, became very wealthy in the 19th century. And what you saw was copied by the French, the Germans, end of the 18th century, 19th century, the Russians, but you also saw the Japanese. You know, this was the system. And somehow, you know, when we tell the story today, it's just not everyone agreed to free markets, open markets. I mean, this feels like historical revisionism.

I guess my question is, is it possible to go back? Because, you know, you don't have to reinvent the wheel. But it's a refocus away from, you know, the financialized economy, moving back to a physical economy, because I feel like the war against Russia especially has made a lot of people in the West wake up that, oh, you know, you have people like Mark Rutte bragging about how Belgium and the

Netherlands are bigger than the Russian economy, yet they can't wrap their head around the Russian economy resisting all sanctions, outproducing collective NATO. I mean, you know, at some point, wouldn't there be some, you know, pendulum swing going back to a physical economy?

## #Alex Krainer

Well, yes, and to answer your question, Glenn, it is possible, and I think it's more than possible. I think it is necessary. It's actually a question of—it's maybe the most important question defining what future we're going to leave to the coming generations. Are there going to be—because if you extrapolate the trajectory of one system and the other system, with the national system of economic governance, you get prosperity, you get a good life, you get safe, well-ordered societies that we see emerging in places like Russia today, China, and a few others, hopefully, you know, former African colonial dependencies like Burkina Faso and Niger and others.

The other system is—the line extrapolates towards utter misery, to the point where the people in charge of that system and that model of governance actually start to talk about turning people into hackable animals. They no longer see us as equal beings to themselves. Now they're starting to think, like, okay, we don't really need to eat red meat. We could subsist on insect fodder. And, you know, once we retire, it would be best if we didn't continue living because we'd become—instead of net contributors to capital in society—we become the net consumers of capital. You know, Christine Lagarde made that statement.

And then they start talking about, oh, it's actually not even desirable to continue living past the age of 76. Rahm Emanuel was—no, Ezekiel Emanuel was promoting that idea. And now we see that, in jurisdiction after jurisdiction, they're passing these medical assistance in dying legislations, and they're simply switching people off. And they're encouraging people to switch off if they're no longer useful. And now, you know, it's not that every person in the hierarchy is evil and wants to serve this malignant system. But the very system of governance determines and defines the incentives that are then ultimately leading to those ends. And there is no break. This system really does go to the end that you can extrapolate from today.

And, you know, people on top want to close us in 15-minute cities, basically in ghettos. They want to feed us insect fodder. They want to... You know, everything that we see coming from the World Economic Forum, from their Fourth Industrial Revolution plans and UN Agenda 2030 and so on and so forth. So it's really a dark dystopian future that this system offers, whereas the national system offers a bright future of peace, of prosperity, of affluence, of creativity. Because, you know, once people are no longer poor, once they're no longer struggling, once they become emancipated, they can channel their energies towards their passions. And they end up, you know, writing symphonies, writing operas, painting and sculpting and creating wonderful things, wonderful new inventions.

So it's, you know, it's a way to build a high civilization rather than going into a total Orwellian dystopia. And that is perfectly our birthright. We don't have to kowtow to the banking oligarchies that wish to define the framework of development for us and tell us, well, you know, we're going to be allocating capital towards carbon capture facilities, and we're going to capture carbon from the atmosphere and store it underground. What kind of a capitalist market economy is this? What market exists for such things? But it's being forced in order to waste people's productivity, in order to cement poverty and not allow any kind of sensible development in society.

And of course, there's always war because that not only wastes resources, it also wastes lives. But they want war more than they want anything else. So we, you know, this is probably the most important choice we can make at this juncture in humanity's development. And it's not going to be easy because these people will kill over this choice. All eight United States presidents who have been assassinated or died under mysterious circumstances while in office were trying to champion the national system of economic governance, or what we call the American system, as well, because it was pioneered by Alexander Hamilton in the United States 200 and some years ago.

## #Glenn

The thing is, we already had these debates a long time ago, like with Karl Polanyi, for example, the economic historian who discussed this almost a century ago, in which he was making the point that if you allow society to just become an appendage to the economy, so whatever is max economic efficiency, that you reshape society accordingly, that this usually would end in disaster. And, you know, you also have terminology like economic determinism, in which the economic conditions, this is what should shape society, politics, culture, everything should be organized around. You know, it's again, the main lesson of having not nations with economies, but economies with nations, is usually that it ends in a tragedy. But there's surprisingly little discussion around this, though. But here we are.

I did have the last question, though, because relating this to some of the current conflicts, you started off by saying that the countries need some colonial assets, or they need some physical assets on their books as the foundation of this big financial house of cards. But how does this work for the Europeans? I mean, what happens when they lose the Ukraine proxy war? Or probably a better way of framing it, when they lose this proxy war? None of their investments are repaid. All the fiscal resources in Ukraine, which would be administered by the NATO countries, all of this begins to fall apart. And there's no... I mean, the money that has been poured in here, they gave a lot of these loans apparently being now used against the frozen Russian assets. I mean, can they afford to see an end of this war? I mean, if they have to unfreeze the Russian assets, what exactly happens in Europe then?

## #Alex Krainer

Yeah.

## #Alex Krainer

Well, the frozen Russian assets will only go so far because it's—I think we're talking about some amount between 200 and 300 billion euros. And some of this money has already been wasted and spent. But they can always pretend that this exists and use it as collateral. But it's a finite sum, and our political and banking and corporate establishments are wasting those sums at a very rapid pace. And so when they lose Ukraine—and they're losing Ukraine, and they largely already have lost Ukraine—what happens is that whatever cash flows they expected would be accruing to European financial institutions from Ukraine, they've largely dried up. I think they've completely dried up.

I think they're probably net negative at this point, which means that the European Central Bank and the central banks of individual nations like France and Germany and so forth will have to simply create the liquidity needed to float up the system, to keep it from seizing up, from thin air, which again leads us to the dilution of the euro's purchasing power, which leads us to inflation and ultimately hyperinflation. And when you destroy the currency, you destroy the society. And so we're probably—almost certainly—going to see a collapse of the European Union. We're going to see a collapse of NATO, and then how the individual nations in Europe are going to continue, I think it's an open question because, you know, you already see sovereignty political movements emerge in strength.

## #Alex Krainer

If not in most countries, in many of them for sure. And many of them want a completely different future than what the EU bureaucrats are forcing on us. Of course, we're going to see probably very, very hard struggles for the political future of Europe, and I'm afraid that that's going to include also a lot of terrorism and a lot of assassinations. You know, things like things that we've seen through history in Europe, maybe most recently in the 1930s in Germany, when, you know, opposing political leaders were just being taken out, assassinated along with their supporters. Well, actually, we've seen similar, at a smaller scale, developments happen in Germany in the 1970s and the 1980s. NATO was running Operation Gladio.

## #Alex Krainer

Against, against, you know, we had the kidnapping of the Italian Prime Minister Aldo Moro. We had the terrorist attacks in Belgium and Germany and in Italy, because there was the fear that nations might turn to quote-unquote socialism or communism. And then we also saw the assassination of Deutsche Bank President Alfred Herrhausen because, as the Berlin Wall was about to come down, he was a chief economic advisor to Helmut Kohl. And he was advising for making a deal with Russia to say, hey, German technology and industry, Russian resources—we partner up, and that fuels Germany's development, to the mutual benefit of Germany and Russia.

Well, he was assassinated for those ideas. And instead, we had to expand NATO and create conditions for the war that we are now on the verge of. So I think that Europe has a very rough patch, a very difficult transition, but it's very important that we keep all these lessons of history and economics in mind so that we can direct the future of Europe's development towards positive ends, rather than splitting into two camps: one camp pushing for socialism, one camp pushing for free-trade capitalism, and then, you know, in the end, falling probably somewhere in between and then continuing back from applying the same pattern from the beginning.

## #Glenn

Now, I keep thinking as well that if, instead of these colonial possessions, the Europeans wanted to revert back to something more sustainable, imagine if they had partnered with the Russians after the Cold War, how different that would be. Now, I get that the '90s were different. That is, the whole assumption would be, you know, if you expand NATO, this will be a collective hegemony in Europe. It would be overwhelmingly powerful vis-à-vis Russia. So it would be more an asymmetrical interdependence. So the Russians would have to essentially accept the rules dictated by the political West, but without a seat at the table. So they would still be able to get the optimal economic deals.

They would be able to extract the political concessions. But that whole idea of building a collective hegemony, redividing Europe, keeping the Russians and the Germans separated, all of this was premised on an international economic model that no longer exists. I mean, with the rise of China, this century-long objective of pushing Russia east—now they're with the Chinese economy. And you have this world's largest technological superpower with the natural resources powerhouse of Russia. You can't make it up. I think historians will not look kindly upon the present era, and that the best plans they essentially had to revive the economic dominance were these military escapades. Anyway, do you have any final thoughts before we finish off?

## #Alex Krainer

Well, you know, just to follow up on what you said, I think that there's their plan. I think that the scheme that you're talking about is kind of like out of British geopolitics, as articulated by Halford Mackinder. And they were very, very worried exactly about Russia and China partnering up and defining the future development of Europe and Russia together, outside of control of the City of London and Wall Street. But even Halford Mackinder, if you read, he was aware of China as a risk factor and that, you know, there was a long-shot chance of Russia and China partnering up.

But part of the flaw in their thinking is that it's very deeply racist, actually, because what Mackinder was saying is basically that the Chinese were not really capable of any such thing, of developing their nation in such a way to become a viable partner to the Russians; that the Chinese could only achieve this if guided and managed by the Japanese. He explicitly wrote this in his papers. And they thought that the light was coming only from the West, that other nations were inferior, that they couldn't find their way forward. And I think that a lot of those plans that they formulated a very long time ago are now falling apart because they were based on so many assumptions that are now proving completely wrong and mistaken.

And I think that in that lies a lot of hope for the rest of us because basically their house of cards is imploding, and it's clearing out the space that we, the people from the bottom up, could use to build a different future. But we really have to arm ourselves with knowledge in order to get it right. And I think that, you know, I want to thank you for having this program, for doing what you do, because these kinds of discussions are exactly what we need. We may not find answers to all the questions, but at least you shine a little bit of light on something, and then other people can take it further. And I think that the effect that we have today—Isaac Newton used to say, "If I could see as far as I could, it was because I could stand on the shoulders of giants."

And I think what we have today is almost like an organic process, that we are all climbing on top of each other, using each other's work and energy. And I think that we can climb up a lot farther than Isaac Newton could ever dream about climbing. And I think that we have no excuse not to do it. No generation before us had all these resources, had this amount of knowledge as well diffused. And even if most people are too absorbed in just surviving, I think there's enough people that can learn and study and research and contribute to the formation of a future society that we would actually wish to leave for our children and their children. So I think we're in great shape. We just have to be brave, and we have to be busy and industrious to make sure that we get it right.

## #Glenn

Well, a lot of this mentality remains, though, that is this idea that the Chinese can't innovate; they only copy. I mean, you would think this would be outdated by now, but also the assumption that, well, maybe they copied some of our stuff, they did well, but at some point we will return to the natural order of things, the natural condition, which is that they will— which is our superiority. Yeah, our superiority. They will be back on their knees. I mean, this is the assumption, but it's not clearly articulated why exactly we think this will be the natural order of things. I guess if you see the world only over the past 200 years, yes, that will be the natural order of things.

But if you take a bit wider, you know, the time span, then it looks different. It reminds me of something that the foreign minister of Russia, Sergei Lavrov, wrote in 2015 or '16, that, you know, for the Russians, they essentially had also seen the world a little bit like this because of their history. Whenever they looked east, they go into Central Asia. You know, economically, it's stagnant. There's no international maritime corridors. There's nothing there. So for them, east always meant stagnation. West, for 300 years since Peter the Great, they would look to the West for economic development, modernization. And he was kind of making a point that, you know, this is a bygone era.

Like now, you know, if you want modernization, look towards Asia. This is, you know, and so I think... Yeah, we could be doing this in the West as well, but change some of these viewpoints. But it looks like the opposite is being done, though. I think this assumption that the natural condition will be restoring Western dominance, I think this explains a lot of the U.S. policies on the Eurasian continent. If you can break China in the east, break the Russians in the west, and the Iranians in the south, then hegemony would be revived. Instead, you're seeing all these large Eurasian powers come together in what is, you know, Halford Mackinder's worst nightmare, possibly. So it's, yeah, quite a mess.

## #Alex Krainer

Yes, exactly. Exactly. I think that what's happening now is exactly the worst-case scenario that Halford Mackinder articulated. And I think that what you pointed out just now is extremely important to appreciate, because what it tells you is that wherever people, humanity, is emancipated from poverty, wonderful things begin to happen if they're free to work and engage in productive activity. On the Western side, you know, it makes me laugh because there was—even in the 1990s, at some point—an academic paper, I think it was published by the Harvard Business Review, if I'm not mistaken, but the title of the paper was "Why China Can't Innovate." So they wrote the whole academic paper explaining why the Chinese are not capable of innovating. And, you know, like, that's the people in charge of the Western system convincing themselves that the world can't go on without us.

They have to submit to us. They have to accept that we're going to be in charge and they're going to do as told, or else. But it's for their own benefit because we can innovate. They can't. They can't manage this. And now China rises, and it's obvious to everybody that it's a much, much better model. And so now people start asking very uncomfortable questions that they will not be able to answer with the dictums of Adam Smith and David Ricardo and all these people. So I think it's time to turn a new page and to start to really peel the onion to the end and see what needs to be done and what shouldn't be done. And we're at the cusp of those changes. And so I think that's a great place to be, the place of maximum danger, but also maximum opportunity.

## #Glenn

Well, I think it's, you know, when you have this position of massive economic dominance, you do have, I guess, a proclivity to embrace ideologies that, you know, elevate your own dominance. For example, in the 19th century, when we got a head start—that is, the political West's head start on the Industrial Revolution—you know, a lot of this white man's burden or, yeah, the civilizing mission comes, you know, in which, you know, the West would be the civilizing teacher. So we will rule the world, but to their benefit, because, like a silly child, you know, you will benefit. We'll lift you up. And what I found fascinating after the Cold War is, in the academic literature about the EU and NATO, they use the same language. They kept referring to the EU and NATO as socializers.

That was their new role. They would socialize other countries into becoming allies like us, liberal democracies. And so we would yet again dominate, but it would be for the benefit of all mankind. And the problem was, the whole model falls apart if, you know, your student graduates. So it has to be a perpetual relationship of almost like an abusive parent or a teacher. We keep them down so they won't challenge your authority at any point. It's, I don't know, it's this... yeah, this teacher-versus-student, subject-object. I mean, it's quite extraordinary the way, yeah, how the literature actually reads still. But yeah, here we are. Anyways, Alex, sorry, got off on a sidetrack there. Thank you so much for your time. I really appreciate it. Thanks.

# #Alex Krainer

Always a pleasure, Glenn. Take care, and until the next time.