

# Jeffrey Sachs: U.S. Economic Coercion & the Death of the Dollar

Prof. Jeffrey Sachs discusses how coercive economic statecraft destabilises the international system, and how it is ultimately self-defeating as the world learns to live without the US. Follow Prof. Glenn Diesen: Substack: <https://glennDiesen.substack.com/> X/Twitter: [https://x.com/Glenn\\_Diesen](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/gdiesen](https://www.buymeacoffee.com/gdiesen) Go Fund Me: <https://gofund.me/09ea012f> Books by Prof. Glenn Diesen: <https://www.amazon.com/stores/author/B09FPQ4MDL>

## #Glenn

Welcome back. We are joined by Professor Jeffrey Sachs to discuss economic statecraft and how it might be used excessively and coercively. Thank you for coming on. Economic statecraft can be a very effective tool of governance—using money, trade, finance, and access to markets as instruments of influence and to facilitate cooperation. But it feels as though economic statecraft has begun to replace diplomacy, and we now see it almost exclusively in a coercive form. What do you see as the long-term risks of relying on this kind of economic coercion instead of pursuing negotiated, multilateral solutions?

## #Jeffrey Sachs

Economic statecraft is a euphemism. It's coercion. You could call it war by economic means. When you hear the term, it might sound like you're using economic tools to promote development, cooperation, trade, or to stabilize the economy. But no—the way the term is used right now is rather cynical. It means using economic tools, mainly by the U.S., to crush other economies. That's a very strange use of the term in my view, and a very pernicious set of policies. I have a personal resentment about it because my whole career has been about trying to help economies become more productive and prosperous, to improve people's well-being.

But "economic statecraft," in quotation marks, as our Treasury Secretary Scott Besant used the term recently in an interview he gave in Davos, meant—and he said it proudly—to crush the Iranian economy in order to bring people out onto the streets with the idea of fomenting regime change. So this is quite a remarkable use of economic power. It is warfare. It aims at destruction. It doesn't even transfer power. It's not extraction or appropriation. It's not aimed at enriching the United States; it's aimed at crushing other economies. And if you're in the line of work that I am—in economic development—you know how hard it is, how many years, and how much effort it takes from everyday people to create economic prosperity and well-being, to escape from poverty.

Watching the deployment of these instruments—to bring people to impoverishment, to misery, to health crises, to rising infant and child mortality, to measurable reductions in life expectancy—is terrible. Now, having said all that, it's become a very common tool, if you want to call it that. Again, a euphemism—an instrument of American power. And I find it deplorable, as I've explained, but it's used pervasively. And I think, Glenn, to put it in context, we have to understand something unique about the American imperium—about American imperialism. In American imperialism, unlike the British or French empires of the 19th century, America rules indirectly.

America has rarely done what Trump says he wants to do, which is just take over territory. We've done that for a lot of islands and military bases, but generally it hasn't been the United States invading in order to directly rule an overseas territory. It's been the U.S. invading to impose a puppet regime in an overseas territory. And this idea is regime change. So a core of American foreign policy is regime change. Just to say, that's an extraordinarily unusual kind of foreign policy. For most countries in most of history, you dealt with other countries as they were. You didn't dream of overturning their government and running their country. You had to address their country either through diplomacy or deterrence or some other way.

But the U.S. mentality started in the 1890s, when the U.S. overthrew the Kingdom of Hawaii, and then when it created the pretext for war with the diminished and disappearing Spanish Empire in order to claim the Philippines, Puerto Rico, and Cuba in 1898. The idea took hold in the United States that it could create an overseas empire by controlling the governance of foreign territories through regime change—by overthrowing governments. And you could say that idea came naturally, because creating the continental United States involved dozens of regime changes—against Indigenous populations, or through war with Mexico, and so forth during the 19th century.

But for the overseas empire, that started at the end of the 19th century. Then the U.S. practiced this under the Roosevelt Corollary to the Monroe Doctrine, where Theodore Roosevelt basically declared, "We will be the policemen of the Americas." And what that meant in practice was, "We will determine who is in government in the Americas." When a government arose that threatened American landholdings—for example, one that wanted to do land reform, as Jacobo Árbenz wanted to do in Guatemala in 1954—well, the company United Fruit picked up the phone, called its law firm, Sullivan & Cromwell, and they called their old associate John Foster Dulles, who at the time happened to be the U.S. Secretary of State.

He picked up the phone and called his brother, Allen Dulles, who was the CIA director, and they overthrew Árbenz. So it was a regime change operation. If you count the number of these operations, it's amazing—there have been dozens in the Americas alone. And in one of my favorite books of recent times, by Lindsey O'Rourke, a student of John Mearsheimer and now a professor at Boston College, she wrote in 2018, I think it was, a book called *\*Covert Regime Change\**, where she counted 64 covert regime change operations by the United States between 1947 and 1989, the Cold War era. I mention all of this because this is where economic statecraft, so-called, plugs in.

Economic statecraft in itself can be a regime change operation, because you can squeeze an economy to the point where a government collapses. It's not so hard to do. More often, you can squeeze an economy to the point where the government doesn't collapse but becomes fragile, and then you push it over through a CIA operation. You bring people out onto the streets. You do what came to be called, in the last 30 years, color revolutions, because they often were CIA operations that operated under a banner of a color in the flags being waved—like the Rose Revolution or the Orange Revolution in Ukraine in 2004 or 2005, and so forth. These are instigated regime change operations, often softened up by economic means that have weakened the regime.

So we have to understand that this so-called statecraft is part of a broader strategy of empire. But the American empire rules through puppet governments rather than by directly changing the map to put the U.S. flag on it—though Trump, because he's especially vulgar, seems to want to do that as well. He wants to put aside the covert part, because there's nothing to hide; he wants to do overt regime change. And at the same time, maybe he'd like Canada and Greenland and other places under the U.S. flag. But typically, it's not that. So when we come to recent events, both Venezuela and Iran have been targets of U.S. regime change operations in which economic means played a very direct role. In the case of Venezuela, the U.S. has been aiming to overthrow the left-wing government that has been in power for a quarter century in Venezuela.

America is absolutely, at a government level, always aiming to overthrow so-called left-wing regimes, because left-wing regimes threaten American extortion by U.S. companies—or plunder by U.S. mining companies or big oil like ExxonMobil and Chevron, and so forth—that operate in poorer and weaker states. So the U.S. has been out to overthrow the Chavez-Maduro government that has been in power in Venezuela for a quarter century. In 2002, they tried the direct route, which was a CIA engagement with a local coup attempt by part of the Venezuelan military. The coup took place, the U.S. said, "That's great," and then within a day the coup failed because Hugo Chavez, who was the president, had popular support. He was back in the presidential palace within a day.

After that, the U.S. turned to economic means. These accelerated, interestingly, because of the curse of natural resources that emerged in the late years of the first decade of this century, when the U.S. Geological Survey officially determined that Venezuela's petroleum reserves were the largest in the world. That set in motion, on the Venezuelan side, a determination to make those reserves owned by the Venezuelan nation and by its leading state oil company, PDVSA. And it put Venezuela on a collision course with the United States, because there's ExxonMobil, there's Chevron—powerful companies that pay for presidents, that pay for Congress—and suddenly they were being pushed aside by this so-called left-wing regime.

So in 2014, the United States worked to try to stage a color revolution in Venezuela. People came out on the streets. If you think that was spontaneous, I have some more stories to tell you. But this is what color revolutions are. The CIA is all over these operations. Other U.S. institutions like the National Endowment for Democracy, the National Democratic Institute, the National Republican

Institute, and so forth, work with the local media and with groups that they create or fund to foment unrest. That's a standard playbook for such covert operations. They're not very covert, but they're called covert because the U.S. role is denied. Well, the government cracked down on these protests.

No doubt there are local protesters, by the way—because people ask—who have made any objections or have disgruntlements with the government, no doubt. But the organization, the financing, the busing in of people, the mass media—that doesn't happen spontaneously. And so the U.S. played its role. There was the crackdown. And then part of the game is, oh, when the crackdown comes, that's when we put on even more overt sanctions. So Obama declared an emergency—that Venezuela represented an emergency to U.S. national security. Can you imagine? We were so threatened by Venezuela. It was so dangerous. That's what Obama declared in 2015. He started the escalation of the sanctions. Then Trump came in in 2017. Trump being Trump said, I don't get it—why don't we just invade?

And he had a dinner with Latin American presidents on the margins of the UN General Assembly in September 2017. I've spoken with two presidents who were there at that dinner, at some length, and they both described exactly the same scenario to me, separately. Basically, the presidents had assembled, and then Trump said, "Why don't I just invade Venezuela?" They were shocked by this. They explained, "Mr. President, maybe that wouldn't be such a great idea. It might be a little complicated. There could be a backlash. It could result in chaos, in millions of refugees, in a big loss of life. In Latin America, there's a lot of anti-American, anti-U.S. sentiment—it would stoke that." So they tried to talk him down from it. And Trump said, "OK, I'll just crush the Venezuelan economy."

So what began was a ratcheting up of punitive economic measures—confiscating Venezuela's foreign exchange reserves, freezing its accounts, and designating PDVSA as an entity under sanction so that other companies couldn't do business with Venezuela. The U.S. tools were varied and many, and we have a number of emergency acts, especially the International Emergency Economic Powers Act, the IEEPA, which gives the executive branch essentially unbridled authority to impose a very wide range of financial sanctions, cutting off the economy from the dollar-based payment system.

So for most of the world, doing international business involves using dollars as the medium of exchange and doing it through international banks that facilitate the payments and settlements of international transactions. And because these are dollar-based transactions, ultimately they involve dollar accounts of U.S. banks held with the U.S. Federal Reserve. And so, the U.S. can impose a blockade—a choke point—on payments for international trade. For example, on Venezuela's ability to receive dollars for the oil it exports, or the ability of PDVSA, the oil company, to pay for repairs and operations in the oil fields. So Trump imposed extraordinarily comprehensive and very tough sanctions on Venezuela.

Between 2016 and 2020, oil production collapsed by about three-quarters. That's the physical flow of oil. And since that's essentially Venezuela's only export, the Venezuelan economy collapsed. The currency collapsed. Inflation soared. The ability to make imports collapsed. The standard of living

collapsed. And according to data from the International Monetary Fund, for example, national output per person fell by about two-thirds between 2016 and 2020. That's worse than a war. That is a cataclysm. That's not a downturn—that is the destruction of an economy. Of course, Trump did many other things that were seemingly farcical but were not treated as farce. He named a different president.

Suddenly, one day, the White House said, "No, Mr. Maduro's not president—it's Juan Guaidó." So we all scratched our heads: "Who's Juan Guaidó?" Oh, he's in the National Assembly. And the U.S. just picked him out and said he's the legitimate president. You might think this is a comic book, a joke—but it had two implications. One is that the U.S. used its economic sanctions to say the assets now belong to Mr. Guaidó. And this could hold from the U.S. unilateral point of view. The U.S. said in the IMF it's Mr. Guaidó who gets to appoint the executive director, and so forth. So the U.S., by using its power, just declared a different president. And the second point was that Trump got about sixty other countries—basically vassals of the U.S.—to go along. That means Europe.

And others said, "Oh yes, Mr. Guaidó is president now." In a way, you can't even imagine. OK, fast forward to this past year—Trump just decided, "Now we're going to invade. We've crushed the economy, we've put on the sanctions, we've weakened the regime, we're just going to invade." And all of our so-disheartening mainstream media, like \*The New York Times\*, say, "Well, there's so much unhappiness about the Maduro regime, and people are suffering," and they don't explain one word about what the root causes are. I don't know whether they're just utterly ignorant, utterly bought out—whether the reporters, God knows who they work for—but the point is, they don't understand or tell the story.

Iran is the same story, of course, played out in a very different context. The U.S. has been imposing comprehensive economic sanctions on Iran for decades now. When Trump came to power again in the second term, one of his first actions was to take extra steps to crush the Iranian economy. The Treasury Secretary, Steven Mnuchin, who I think was there mainly because he was willing to use the U.S. Treasury to crush other countries, invoked the emergency operations mechanism. Trump gave the order that Venezuela constituted an emergency, and as Mnuchin explained in an interview with Fox Business on January 20th, just a few weeks ago in Davos, Trump ordered the crushing of the Iranian economy.

And OFAC, which is the part of the U.S. Treasury that runs the sanctions program, went to work to basically bring down the Iranian currency by cutting off Iran from any remaining dollar-based transactions internationally. They told banks all over the world, "If you do any business, directly or indirectly, with Iranian entities, we will sanction you." You might be 5,000 miles away just facilitating a trade transaction, but we're coming after you. That's how U.S. extraterritorial sanctions are enforced. And what Glenn Diesen says in this interview is quite remarkable. He says, "We went out to crush the economy, and by December, it worked. The currency plummeted. The dollars ran out. There were shortages of dollars. And people came out onto the streets because of this," Diesen says.

And then he says, this is all moving in a very positive way. The cynicism of it is extraordinary. Of course, go to the New York Times, go to the Washington Post, go to the Wall Street Journal. What's the narrative there? That people came out onto the streets to protest the corruption and mismanagement of their regime. And what's amazing for me, Glenn, is that even after the U.S. Treasury Secretary explained it—for those who know \*The Wizard of Oz\*, when the dog Toto pulled the curtain aside and exposed the wizard as some old guy speaking into a megaphone—even after the game was exposed, no mainstream outlet reported it. Nobody had an article saying, "Oh, this is why people came out onto the streets. This is the reason for the protests. This was a U.S. game."

This is a U.S. regime-change operation—not even noted, even after it's explained clearly, gleefully, with that grin on the face of the Treasury Secretary. Not discussed. So that's the background as I see it. This is regime change, top to bottom. These are economic instruments, and the U.S. has them because of the role of the dollar in the international system and the fact that the U.S., alone among countries, essentially controls the IMF because it alone has the veto. And I like to remind people: the World Bank is on 18th Street and Pennsylvania Avenue, one block away from the Executive Office of the President, two blocks from the White House, and three blocks from the Treasury. And the IMF is one block further on. So it's the row of U.S. international power used to crush other governments.

## **#Glenn**

This isn't without consequences anymore, I think. Well, after the Cold War, of course, America was the only game in town. So without any alternatives, it could use economic coercion quite efficiently and without many consequences. But it seems that as this multipolar world emerges, there's a dilemma—because on one hand, there's more incentive to use economic coercion to prevent the rise of rivals. On the other hand, that coercion comes with consequences, because now there are alternative centers of power that offer access to technologies, industries, supply chains, and physical transportation corridors. As you said, the banks, the currencies, alternatives to SWIFT. So it seems it can be a very self-destructive process as the U.S. goes into hyperdrive and new alternatives are set up by organizations such as BRICS. But I guess that's a discussion for another day.

## **#Jeffrey Sachs**

Well, if I may just say—not to keep us too long—but these alternatives are moving faster than people realize. One of the reasons is that it's not technically difficult to have settlements on a non-dollar basis. But the point is this: if you're a Russian enterprise, or an Iranian enterprise, or a Venezuelan enterprise, and you say, "I want to settle in rubles or in renminbi or in some other currency," you can't go to your bank to do that. Even though, for the bank, it would be very straightforward to have a correspondent account not in dollars but in these other currencies. The reason is that even if you make the transaction in rubles or in renminbi, the bank is still vulnerable to U.S. reach if it also deals in its normal business with dollars. And that's because sanctions could still be imposed on that bank.

So what's needed isn't some sophisticated technical fix—that part, the plumbing, isn't that hard. What's needed are institutions completely separated from the dollar system so they're not subject to U.S. sanctions. What's being set up is a parallel system of settlements. It can't go through the main banks, but it can operate in non-dollar currencies. It has to be done through distinct institutions. In Russia, there's a new set of digital institutions that have nothing to do with the banks but can handle cross-border settlements almost in real time. It's better than SWIFT in many ways, and that's emerged over the last couple of years. China has decided it has to move forward, because otherwise it's constantly under the gun of the United States—constantly threatened. Chinese banks don't want to be cut off from the U.S. settlement system, the SWIFT settlement system.

So China is creating an alternative system, and new non-dollar institutions are emerging to operate under the Chinese interbank payment system. My view is that this will move faster than people think. I would think that in ten years from now, maybe an extra 25 percent of global transactions will be settled in non-dollar currencies, because technically it's absolutely feasible. With new digital settlements, it's even more efficient than SWIFT. But the challenge is that it requires setting up a whole new set of institutions, because any institution that has at least some dollar business can't do that non-dollar business except under the shadow of SWIFT. The bottom line for me is that the U.S. use of its currency as a weapon—which has gone into overdrive across the world—will not be sustained.

It won't end immediately, but within the next five or ten years, the U.S. itself will have dethroned the U.S. dollar by misusing it—by abusing the privilege of being the issuer of the key currency. We'll have a very significant proportion of global settlements in non-dollar currencies, and then the reach of U.S. sanctions will fall decisively, because the U.S. won't be able to impose its will extraterritorially. In other words, it may still be able to prevent U.S. businesses from dealing with a targeted country, but it won't be able to stop third countries from doing business with that targeted country.

## **#Glenn**

Well, interesting times indeed. It seems this is an all-or-nothing moment where the U.S. can either break its rivals or destroy itself in the process. As always, I know you have a busy day there in Greece, so thank you very much for taking the time.

## **#Jeffrey Sachs**

Of course. A pleasure to be with you, Glenn. Thanks.