American Power Plunges Under Iran Shock | Prof. Radhika Desai

US power looks trapped, brittle, and in decline. In this episode, I speak with political economist Radhika Desai about Trump's Iran war speech, a deepening Middle East quagmire, oil shock, NATO strain, lost US credibility, imperial decline, domestic decay, and the risk of an AI and debt crash. Links: Radhika Desai YouTube Channel: https://www.youtube.com/@RadDesai Radhika Desai website: https://radhikadesai.com Radhika Desai Substack: https://radicaldesai.substack.com Neutrality Studies substack: https://pascallottaz.substack.com (Opt in for Academic Section from your profile settings: https://pascallottaz.substack.com/s/academic) Merch: https://neutralitystudies-shop.fourthwall.com Donation: https://neutralitystudies.com/donate Timestamps: 00:00:00 Introduction 00:00:49 Trump speech and war trap 00:05:00 Middle East quagmire and lost control 00:08:15 Gulf bases oil shock and allies 00:12:45 Iran war and imperial decline 00:16:37 US revolution capitalism and empire 00:24:51 Global backlash against US power 00:31:32 Trump antiwar brand collapse 00:39:14 AI bubble and crash risk 00:44:28 Where to follow Radhika

#Pascal

Welcome back, everybody, to Neutrality Studies. Today we're joined again by Professor Radhika Desai, who recently started her own YouTube channel, where she's interviewing a lot of very interesting people and doing great work under the name *Radhika Desai, Geopolitical Economist.* Please do look it up—but only after our discussion here. Radhika, welcome back.

#Radhika Desai

Great to be back, Pascal. Thank you so much—and thanks for helping promote my new YouTube channel.

#Pascal

Anytime. I love your discussions, and I love the approach you're taking, because you're coming at it from, of course, an economist's—kind of a Marxist economist's—view. You have a lot of very good discussions on there, so it's highly recommended. Today we just wanted to talk a little bit about what happened this week. We're talking on April 3rd, Friday—Good Friday. Happy Good Friday. The week was strange, especially because Donald Trump gave a very odd speech in which I actually kind of expected him to announce victory and just leave. But I think that's not really what's on the cards. Can you give us your interpretation of this Trump speech earlier this week?

#Radhika Desai

Well, I think Trump basically gave what I'd call a word-salad of a speech—his usual, you know, peppered with bombastic boasts, superlatives, self-congratulation, self-contradiction, delusion, and everything in between. But basically, I think it's very interesting. I agree with you—I also expected that the president would announce some kind of pause. But of course, he can't announce a pause or an end to the war, because to do that he has to come out of it with something that looks like victory—something he can at least paint as a victory, even if he has to put a lot of lipstick on that pig. It has to ultimately look like victory, and he doesn't have that.

And what's really interesting—and to understand why that's the case—you have to see that, you know, people say this is a war of choice. And in one sense, of course, it's a war of choice insofar as it' s a war. But in another respect, I think Trump's options were narrowing. Options for what? Options for what he can do to shore up his dismally sinking approval ratings. Over the past year, having been elected on promises he has neither the intention nor the ability to keep, he hasn't made the world better. He hasn't made America great again. He hasn't made the ordinary working person's life better. He hasn't increased jobs. He hasn't increased pay.

He hasn't increased manufacturing, because all of that would require him to restrict the options and choices of the very class—namely, the topmost corporate capitalist class—that he intends to serve anyway. That's why he got elected. So these two things are pulling apart. And now, with the Venezuela misadventures, the crazy statements about Greenland, and what have you, what he's been trying to secure is some kind of military victory. Given that he was already desperate to find something he could call a victory, he was very susceptible to Netanyahu's claims that, somehow, if you start a war on Iran, it'll be over within a weekend.

The people in Tehran will rise up. They'll take over the government. End of the day, you can declare a victory—"See, I've solved the problem that half a dozen of the previous presidents couldn't solve," and so on. But this didn't happen. And Netanyahu, of course, has his own reasons for delusion. His political position is also extremely precarious. He needs a war as well. So anyway, Trump didn't get it. Essentially, it was full of self-contradiction. On the one hand, "We've won." On the other hand, "We still have to fight, make sure Iran doesn't have nuclear weapons, and, you know, change the government," and so on.

So, I mean, on the one hand, he's going to negotiate with the new government, which is, you know, more sensible and all that. On the other hand, he's threatening to rain destruction on the energy infrastructure and so on. So it's a completely incoherent speech. And the only thing it really tells you is that the United States has sunk into the mother of all Middle Eastern quagmires. That's what the Trump administration—having been elected on a promise not to start new wars—has landed the United States in. That's what we heard, yes, Thursday evening. Or Wednesday evening.

#Pascal

Of course, basically leaving the Middle East at this point—you know why it's probably also a bit naive from our point of view to think that Trump could actually retreat—is that it would mean he'd have to pull all Americans out of the region. He'd have to abandon all the military bases in Kuwait, Bahrain, Abu Dhabi, and so on—completely abandon them, right? And abandon them for good. We're still a long way from that, even if a good part of the troops have been withdrawn. To actually say, "Okay, fine, we're probably not going to come back," would be a whole different level.

And even then, Iran said, look, we're not going to stop firing. I mean, even if your people are gone, until and unless we say it's enough, our missiles are going to keep flying toward Israel. So, in a sense, it's not up to Trump anymore whether the war ends or not. And the Iranians are very adamant about this: this war will end when we say it ends. And so far, I think that's not just rhetoric. They believe that, and they say they'll make sure the Americans don't come back and that they pay reparations. But what do you think—do you think it's already outside Donald Trump's control at this point?

#Radhika Desai

Oh, completely. I think that's partly what a quagmire means—you're no longer in control of your situation. It's like you're sinking in quicksand and can't get out. So absolutely. And I'd say that, you know, to me, it's really interesting that the United States, in the case of Ukraine, fought Russia through a proxy. It hasn't yet started a war with China—apart from the economic war, the sanctions war, and so on. But Iran, you know, it's very interesting that Russia today, China today, and Iran today are all, in an important sense, products of their revolutionary societies. Russia is no longer Soviet Russia, but still, in many ways, its traditions and its understanding of the world come from that past, which has imparted to it a lot of strengths.

So I think that, of these three, the United States has engaged in direct war with the first of them, which is Iran. And I think it's very interesting that it's going to come out of it looking extremely bad, essentially because the United States is not in control of when it can leave. The U.S. bases in the region have been badly affected. Its ability to surveil and monitor what's going on has been radically depleted by Iranian missile strikes and so on in the region. So it's almost as if they're fighting sightless. From what I understand, the two big aircraft carriers it brought into the region have been damaged, and they've had to withdraw.

#Radhika Desai

Plus, this is also doing damage to the Atlantic Alliance, to NATO, because the European countries, which are dependent on the oil that comes from there, are in general experiencing an enormous oil crisis. And I know that, you know, they're still trying desperately to hold on to the NATO alliance, but the best will in the world is not going to allow them to overlook the enormous oil crisis in which the United States is putting all its allies. Plus, you can look at the Gulf—the GCC countries, the Persian Gulf countries. They're all beginning to realize that it's more difficult—or, let me rephrase that—the

so-called advantages of the U.S. security umbrella have been flipped into disadvantages, because their very raison d'être has been affected.

You know, they've offered the world—or, you know, the rich people of the world—the security to come there, do business, to frolic and enjoy their leisure activities. And now, with the attacks on the very hotels where U.S. troops are being housed and so on, I think that this business model is being undermined. So, in all these ways, the United States is losing. And so, you know, at one level, I feel that we are looking at—I mean, I've been talking about the decline of U.S. power for a long time. I've also said that U.S. power wasn't—well, the United States was never hegemonic in any serious or stable sense. But nevertheless, it once had more power, and that power is now declining.

And we are looking now at an acceleration of that decline in power, because if the United States is expelled from the region, this is going to be momentous. The United States has been, you know, involved up to its neck in the region for a century now. And if that expulsion happens—and I think this is what Iran will need—Iran cannot have the United States remaining there. There's one final point I'll make for now, and that is whether it's Iran, or Europe, or the Gulf countries, or Japan for that matter—whatever, all of these allies—why should they trust the United States? I mean, it's not only that the United States has attacked Iran twice while in the midst of negotiations under Trump.

But, you know, I was very intrigued that Martin Wolf, who is normally—you know, I mean, he says many interesting things, but obviously I don't agree with everything he says. And I certainly know that he is an Atlanticist if there ever was one. He said in a recent column that the United States is no longer a reliable partner, because any country that can elect a man like Trump twice is not to be trusted. Now, this is a huge breach. I mean, if people like him are thinking like this, it's a huge breach. And we haven't even talked about the economy, but the economic reverberations of all this—and then add to that the political and diplomatic reverberations—and I think U.S. power is now plummeting.

#Pascal

Yeah, it's quite interesting. I mean, you're the second person today who's made exactly that point to me. The first was Saul Takahashi, a Japanese-American human rights lawyer, who said he was actually in Abu Dhabi just recently when the war started and was like, yeah, the UAE and so on, they were really... they were gambling on this, right? This is security—security because the Americans are there. And now it's just like, no, the U.S. bases are not what keep you secure. They're lethal magnets. They're the reason you're getting attacked. And even though they're blaming, of course, Iran for this, a lot of people understand, look, this is a problem. This is a failed security strategy on our part, just as much as it is a product of the U.S.-Iranian confrontation, right? That illegal war of aggression. But this is leading to a rethinking.

So also in Japan, right, people understand that even if they think this is ultimately Iran's fault, the point that's coming across is: if the United States can't protect the UAE and Kuwait from Iran, how

the hell are they going to protect Japan from China? That kind of realization is now out in the open. And at the moment, the interesting feature of the war—the U.S.-Israeli-Iran war—is that it's not an asymmetric war. It's not Afghanistan. It's not Iraq. It's not insurgent warfare. It's not guerrilla warfare. No, Iran is standing its ground. And although Iran can't attack the U.S. mainland, it can do everything short of that to hurt the U.S. in the region and to hurt them economically. And they're doing that, even though it has downstream consequences for them. So it seems like this is a different animal to tackle for the U.S. as well.

#Radhika Desai

Yes. I mean, I think that, like I said, the fact that they're a revolutionary society makes a big difference—the commitment. Because, you see, when I say "revolutionary," they're anti-imperialist societies. You know, it's funny, because so much of the commentary in the press is about how, you know, the globalized world is in retreat—globalization is in retreat. But actually, globalization was always a euphemism for imperialism. Yep. Imperialism is in retreat. That's what we have to recognize. And ultimately, what was imperialism about? Imperialism was about getting inputs—food, etc.—cheaply from the rest of the world.

You know, I was chatting with a young man here in London who works for an energy company—an alternative energy company. And he was complaining that the Iran war should be a big boom for alternative energy in the U.K., but the government isn't really taking the right steps and so on. And I said, at the end of the day, you have to realize that countries like the U.K. would much rather get cheap oil than invest in alternative energy, because the alternative energy infrastructure has to be built here. When you get cheap oil, you're getting it on the backs of people working elsewhere.

That is to say, it's an imperial relationship—rather than manufacturing it locally. But anyway, the point is that this is an imperial set of relationships. The Western world rests on a supply of cheap oil, cheap food, cheap inputs of all sorts, and so on. And that is what is now being stopped. And, by the way, it's the same thing—there's a reason why we're talking about the 1970s again. In terms of the economic effects, people are saying, basically—I forget who it was, but some important agency said this is the biggest energy shock ever in the world, or at least comparable to the 1970s energy shock.

And there's a reason for that, because at that time, what created the energy shock—and more generally a wider commodity shock—was the demand from Third World countries for a new international economic order and everything that came with it. The OPEC oil shock was just the sharpest edge of that wedge, so to speak. So, in one sense, we're back there again. And that's why I underline this: the revolutionary character of these societies is that Iran is fundamentally anti-imperialist. Why? Because they saw—from a position where they had never been colonized as such, but nevertheless—they saw that imperialism would try to manipulate. They arranged the coup against Mossadegh, and so on, precisely because Mossadegh was acting in the national interest, trying to say, you know...

#Pascal

The oil is ours.

#Radhika Desai

Rationalization of oil, and so on. Anyway, to make a long story short—yes, I think this is why the US is getting its comeuppance. Absolutely. It's completely different.

#Pascal

But, you know, in a sense, you could argue that the United States, too, is, of course, the child of a revolution. I mean, they're celebrating 250 years of the United States, of the Constitution, and so on, right? In the narrative, the modern United States is, of course, the child of opposing the British—the Boston Tea Party, getting rid of the shackles. But it was a very different kind of revolution, wasn't it?

#Radhika Desai

Well, that's where my Marxist thinking comes in, because there are revolutions—and then there are revolutions. The American Revolution was a bourgeois revolution. It created a state that ultimately became a white settler state, based on the elimination of the Indigenous population, on slavery, and so on. All of that was part of it. And ultimately, it established a capitalist society. I would argue that capitalist societies must necessarily be imperialist. The United States' problem has been that once it completed its process of internal colonization—which extended its territory to what it is today—the moment they did that coincided with the moment when the rest of the world had more or less been finished.

The rest of the capitalist powers in the world had more or less finished dividing up the world among themselves. So the United States was left with very little formal empire. It then came up with this more ephemeral conception of empire, where it was essentially going to compel the governments of the world to open their economies. Remember the Open Door Policy and so on. People talk about the Monroe Doctrine, but I think the Open Door Policy is more important, because ultimately the Monroe Doctrine was originally proclaimed to keep Europe out of the Americas.

You know, in common with the interests of all the Americas—not to dominate the rest of the Americas—but we'll leave that aside. The idea was that the whole world should open up to American trade, American corporations, and what have you. And this has been a losing battle. Within a couple of decades, you had the Bolshevik Revolution. Eventually, you had the Chinese Revolution. For the bulk of the 20th century, an entire landmass and the populations that existed between roughly Prague and Pyongyang were under a completely different dispensation, which the United States could not penetrate.

And just when the Soviet Union collapsed, that was unfortunately a Pyrrhic victory, because by that time the United States had already entered its neoliberal phase, which has brought it to its current impasse. You can't keep transferring income and wealth from ordinary people toward a tiny elite—that's essentially what neoliberalism and financialization have done. You can't keep doing that and expect social stability to survive. I mean, you've created a society that's now more unequal than the so-called Gilded Age of the late 19th and early 20th centuries. So, in this context, economic inequality has created social division, and social division has led to political problems, in the sense that no party has been able to win elections in a convincing way.

And the only way Trump could win elections was by doing the one thing that the establishment of other parties was not able or willing to do, which was to tell the American people there's something seriously wrong with their economy. And he told them that, and he got elected—but of course, he had no intention of resolving it. So he's now in the current problem that he's in. All of this is, I mean, think about it—all of this is the internal problem of a U.S. society, a neoliberal, financialized U.S. society in decline. And it's ensnaring the rest of the world in its problems, because basically, when a big beast is dying and it's in its death throes, those death throes will affect the rest of the world. And that's what we're looking at right now.

#Pascal

It's also fascinating, right, that early-stage capitalism actually industrialized the country when the economic output of the capitalist elite was based on exploiting the local population. Then you industrialize the country, which actually helps your entire foreign policy spiel. And once your revenue model—the capitalist revenue model—starts depending on being a parasite on foreign working populations, then you deindustrialize the country, you financialize, and you lose the very basis on which your previous power was built. And yes, the United States still has impressive aircraft carriers, which by now don't really matter that much anymore. Apparently, there's even a lack of ability to produce things because so much has been shipped abroad. It's quite fascinating. So, I mean, the late, late victory of Marx—when he said, you know, they're going to sell us the rope with which we'll hang them. That wasn't Marx; that was Lenin.

#Radhika Desai

But, you know, I'll make one tiny correction to what you said, which is that the industrialization of the United States cannot be separated from imperialism. This idea that somehow the United States industrialized on its own steam—and then, you know, isn't it puzzling why it's now become such an imperialist power? No. The United States was able to industrialize, as was continental Europe, as were the offshoots of Britain—Canada, Australia, etc. For all of these countries, the late 19th and early 20th centuries were the period of their fastest industrialization.

And this was made possible precisely because, under the gold standard regime—under the sterling standard—what was essentially happening was that Britain, in particular, was extracting surpluses

from its non-settler colonies like India, and from colonies in Africa, the Caribbean, and so on. So you extract surpluses from your non-settler colonies, and then, because you're a small economy, you can only absorb so much. Also, your banking structures are happier exporting capital than investing it at home. So the British economy began deindustrializing in the same period—roughly 1870 to 1914—and it's still deindustrializing.

This surplus was exported as capital—exports to where? To the United States, preeminently, and to North America more generally: the United States, Canada, continental Europe, and then the other offshoots of the U.K.—Australia, New Zealand, South Africa, and so on. So in that sense, imperialism should not just be considered a relationship between one mother country and its colonies, but rather an imperial system in which people are differentially located. Even without colonies, countries like the United States, without substantial colonies, still benefited from the existence of that imperial system.

And toward the end of this period, seeing that the United Kingdom was becoming weaker, the United States sought to replace it as a kind of leading element in this imperial system. And then, of course, there's the whole history of U.S. investment abroad, and later the financialization and the dollar system, and so on, which we can go into. But the point is that the U.S. was always part of the imperial system, and from that it emerged to take a leading role—but at a time when the whole imperial system had already entered its declining phase, which to me begins in 1914. Nineteen fourteen is the peak. Since then, we've seen a decline of imperial power—it's just not as fast as you and I might like to see it.

#Pascal

Yeah, but it seems to me that we're reaching this impasse, right? Even the neocolonialism of the ' 60s, '70s, '80s, '90s, and the whole globalization into the 2000s—it just doesn't fly anymore. Yesterday, I republished an article by Dr. Dharini Rajasingham and Ananyake, who wrote a really lovely piece saying, like, look, Sri Lanka, of all places, just saw what the United States is willing to do—sinking an unarmed Iranian vessel right in front of their shores, and then not even rescuing the survivors. And there's Sri Lanka rushing to save whoever was still floating out there.

Plus, the entire ecological disaster from all the oil that spilled out and the wreckage down there—now a good part of the coast is basically poisoned. And the United States just goes, "Ha, ha, ha, look what we can do, ha, ha." And she wrote, like, this is the time for them to go. It's time. I mean, the United States must—and not just the U.S., Britain as well, and France too, right? I mean, they need to pack up. And these kinds of voices are only going to get louder and louder now, aren't they? Do you perceive that also in the rest of Asia?

#Radhika Desai

I think that, you know, one of the expressions I've been using is that the United States, and the West more generally, is basically out of carrots in terms of organizing its imperial system—enticing countries to be, you know, happily subordinated to it. It can't do that anymore. So now they're resorting more and more to sticks. But those sticks themselves are getting completely, how can you say, chaotic. They don't seem to have any goal, because these sticks are unable to achieve any real objective. So now they're being used, you know, like—imagine instead of using your gun to kill an enemy, you're using it to terrorize people, just because, since you can't kill the enemy anyway, you might as well use it for something.

And that's the sort of irresponsible activity, as you rightly point out, that you saw off the coast of Sri Lanka—and that you're seeing now. And of course, this is just going to make the imperial powers… I mean, there's nothing attractive about them anymore. Nor are they even to be feared. They're just like, you know, "Stop already. This doesn't make sense." You are not—well, we'll do everything in our power not to have you. I mean, take for example what happened in Venezuela. We're invited to see it as a great victory of American military and imperial power, but in reality, they have—well, even for poor, weak Venezuela, which has been weakened for so many decades under American sanctions and so on…

They were not able to achieve any kind of regime change. Delcy Rodríguez became the acting president entirely constitutionally. And the United States has to deal with her because it doesn't have the capacity to take over Venezuela. It can't—it doesn't have a single person it could appoint as a governor there who would actually be able to keep control and get what it wants. So this gives Delcy Rodríguez at least some leverage. Even though the United States may be sequestering the oil revenues in a bank in Qatar or wherever, she can still state her terms, because they need her as much as she's been made dependent on them—especially with the kidnapping of Maduro and so on.

#Pascal

Yeah, I mean, the great brutality is not a sign of strength, right? It's a sign of things going really south, and the big stick being the last thing you've got left. And in a sense, this is the point that apparently the United States has now reached. Also, it's become obvious that it's no longer about offering good terms, or a better life, or freedom, or prosperity, or whatever. No, no—that's what they're actively trying to prevent others from achieving, even saying so out loud. I mean, one of the goals is to make sure China doesn't get even richer, right? And that other nations can't get richer. So it's like the whole kind of soft power thing is gone, and that's probably not going to come back anytime soon.

#Radhika Desai

And, you know, as far as—sorry, could you repeat that?

#Pascal

The soft power thing isn't going to come back.

#Radhika Desai

No, absolutely not. I think, in fact, this began to change even a little bit earlier—during the pandemic. With all the vaccine apartheid and so on, people around the world began to see what the West really was. You know, all this talk about how much "we want your development," etc. But of course, the moment a country actually develops, as China has, it instantly becomes an enemy. Yeah. So in that sense, people began to see that all the toppling of statues going on in Western countries also made others realize there's something more happening globally. I mean, it's astonishing how much anti-imperialism there is, and how deeply it pervades the political spectrum across the world.

I mean, you know, there are today, on YouTube for example, lots of people who are willing to talk against imperialism—although they don't quite connect it to capitalism. So they often seem quite right-wing in capitalist terms, but they're still willing to be critical of imperialism, of imperial actions, and so on. So I think that's certainly been going on for a while. And I think that, absolutely, in most Third World countries—whether you're talking about India, Africa, the Caribbean, etc.—the hypocrisy, the incompetence, the powerlessness, the productive decline of the Western world, and so on, are all very visible.

All of this is now on full display. And I think that, for many people, the perception is there. Now it's just a question of how—well, you know, take India, for example. I think we have a government in India that's still trying to kowtow to the United States, to get closer to Israel, and so on. But that position is not—well, that's probably what the corporate elite of India want. But more widely in India, I'd say that position has less and less legitimacy.

#Pascal

Right. So there's actually going to be a moment when, in other countries, being a close ally of the United States will become a serious liability, right? We're already seeing it even in Europe—how opposition parties are starting to frame themselves in terms of opposing U.S. dictates. They're still a minority, but...

#Radhika Desai

You know, I mean, take, for example, Canada and Australia. The parties and candidates who aligned themselves with Trump got a real drubbing after he took office and started talking about, you know, Canada being the 51st state and what have you. And I think this is beginning to happen elsewhere—

like, you know, Nigel Farage in the UK is having to distance himself from Trump, and so are other right-wing forces. So, in a certain sense, I think being anti-Trump is becoming, you know, de rigueur for politicians in most of the rest of the world.

#Pascal

Yeah, because, of course, like Donald Trump—I mean, the one thing he had going for himself during the election that I thought wasn't bad was that he displayed a very principled anti-warmongering stance, right? That was his whole spiel. And all of that is gone—completely gone. I mean, burned on the altar of, well, whatever Israel is—kind of up in flames, right? With Ukraine, he could at least still say, "Yeah, I couldn't achieve peace, but it wasn't my war." Well, now that's completely out, right? So it's kind of sad, though, and it's just proving again that it doesn't really matter who the American population votes for. In the end, they always get Dick Cheney.

#Radhika Desai

This is really interesting. You know, I was talking to KJ Noh on a show on my own channel just yesterday, and he said he'd been to one of these No Kings protests. And I thought, you know, I was just expressing the hope that maybe these protests will bring forth the political force the United States really needs—a force that accepts that the U.S. has tried to be imperialist in the past and has failed miserably. The cost has been paid by the people of the United States, because these attempts to impose U.S. will and power around the world have been central to the deindustrialization of the country, the decline in the productive power of the economy, the financialization, the inequality.

All of these things have been tied up with the dollar system, the militarization of U.S. society, and so on. So you need a force that says, "Look, plan A—which was world domination—is not working. We've had this plan since the early 20th century. It's not working. It's never worked. We need plan B." Plan B is that the United States should realize it's a big productive economy, but it's one among many—that its future lies in having cooperative relations with the rest of the world. That's what we're going to do. We're not going to fight with them. You know, earlier you were talking about Japan and China and Europe and Russia.

I mean, the best way they can increase their security is to have good relations—Japan with China, and Western Europe with Russia. I mean, how else, you know? Yeah. Anyway, to come back to Trump, you need that force to arise. And I was expressing the hope that perhaps these No Kings protests, these elections of people like Zoran Mamdani, perhaps herald the emergence of a new phase. And KJ said, "Look, yeah, it would be very good, but I didn't see it happening. I went to some of these protests, and all the pro-peace voices were systematically suppressed. You were not to criticize the war."

#Pascal

Really? Really? At the No Kings protest?

#Radhika Desai

So it was anti-Trump because Trump was behaving in an eccentric, unpredictable way. Remember, he'd been doing all these horrible things domestically as well—these ICE raids, these crazy tariffs, right? The war on America's institutions, whether it's the Federal Reserve or other important offices—all of that, of course, gets under people's skin. But it's interesting. To me, the United States is still a long way off. I think that the moment such a force emerges, the U.S. will become what it should be: a valued part of the international community. But until people in the United States—basically, what I'm saying, and I'm not the first to say it—is that if regime change is needed anywhere, it's in the United States.

#Pascal

Yeah. And, you know, in a sense, I mean, China and Russia and the others—they're all signaling that the one thing they'd like is to have good relations with the United States, right? To be on good terms. Like, can we not just be who we are and still be friends with you? Do we have to be the "significant other"? I was having this discussion also with Aaron Good, who wrote a beautiful book, actually, about how the U.S. political system works, and his greatest criticism is of all of political science.

#Radhika Desai

I think I was part of that. Yeah, it sounded good.

#Pascal

And he's like, "Guys, guys, if you study only the executive, the legislative, how the judiciary works, and maybe the central bank, you're missing the entire shadow part we now know about—the Epsteins, the CIA, all the shenanigans that are also going on, all the money flow, AIPAC, and so on. Obviously, it works in tandem with the overt part—the covert part is just part and parcel of it. And that thing needs some sort of readjustment, and probably that readjustment is going to be inevitable, because the power base just isn't working that way anymore."

#Radhika Desai

You know, this is why I'm a Marxist—because I don't have to reinvent the wheel. The wheel was invented, and I'm just using it. But Aaron Good has to reinvent the wheel. You see, that's what Marx knew. When Marx talked about the state, that's exactly what he meant. He didn't mean the institutional apparatus of government, but the social power—the power in civil society that stands behind the state, for whom the state is fashioned to work in a certain way, to preserve whose

privileges and to advance whose interests the state exists. So that's what the state is. And you always have to understand what class power stands behind the state.

And of course, then how that class's power is created and maintained, which involves all the investments, the flows of money, and so on. Absolutely. And the United States ruling class—it's very interesting. I mean, obviously, it is the financialized monopoly corporate capitalist class that we know. But also, every so often, what happens is this: the state is a historical entity. It's not static. The state that was created in 1776 is not the same state as it is today, because the nature and foundations of class power change—from farming in Jeffersonian times to manufacturing, and now to finance, and of course now to AI and these technology companies that are really part of the leading edge.

And so what happens is that every few decades there's a sort of shift. And what we're looking at now—typically what these shifts involve—are waves of deregulation, because the regulation at any given time favors the old configuration of power. When a new capitalist class emerges, they want deregulation so they can then create the regulations that cement their own power. So, you know, after forty-plus years of deregulation, you have this crazy spectacle of a new generation of entrepreneurs—the Mark Zuckerbergs and so on—demanding even more deregulation. It's because they represent a new foundation. Of course, this is a very volatile foundation. You and I were talking about AI and its prospects.

I think so much investment is going into AI. Some commentators say that practically the whole U.S. economy has now become dependent on AI investment. But there's absolutely no guarantee that this AI investment is actually going to bear fruit in terms of a stable, productive system that yields dividends in jobs, productivity, contribution to GDP, and so on. In fact, there's absolutely no guarantee that its promises will be fulfilled. But that's what we're looking at. And Trump, in many ways, has gone over to their side, which is also undermining his MAGA base, because a lot of his MAGA supporters are concerned about what these platform companies want to do—and are already doing.

#Pascal

It's quite interesting. A lot of people have been expecting that the big AI bubble burst is just around the corner. If you look at the sheer size of the investments that have been made, it's almost insane to believe that all of this will come back through the promises these companies made. So at some point, this must burst. People compare it to the dot-com bubble, which eventually burst and left a lot of businesses bleeding out on the street. But now, before that even happens, we have a real economic shock—with real oil that's not flowing anymore—which is still the backbone of most countries' productive systems. I mean, Japan, where I am, is highly worried. Gasoline prices in the Philippines have already doubled. Unsurprisingly, the more vulnerable countries get hurt first. And still, the AI bubble is looming. I mean, we might be in for quite a bit of trouble down the line—'27, '28, '29.

#Radhika Desai

Absolutely. I think it could even be this year. I mean, already we're seeing rumbles in the private equity and private credit markets, which are heavily invested in the AI bubble. So I think that's already creating what may be the trigger for a larger financial crisis. And that larger financial crisis is also becoming more probable for the following reason: the oil shock we've suffered, which we already talked about, is very big. And even if Trump were to declare defeat and stop the war tomorrow, it would take a long time for the oil to come back online—and maybe not all of it will.

So we're in for a big inflationary period. Now, when you have that, but at the same time economies are slowing down—for reasons again having to do with Trump, his unpredictability, his tariffs, and more generally the ongoing financialization, which doesn't invest productively but expects to skim off profits it hasn't been instrumental in creating—anyway, the point I'm trying to make is that all of this is creating a stagflationary situation in which the Federal Reserve and other central banks will be caught in between, you know, trying to quell inflation.

But then, yes, they should—but they can't, because this will further deepen the recession. Either way, I think that if they raise interest rates at all, the thing that will stop them from doing so is that they know raising rates beyond a certain point will prick the bubbles, since all of these bubbles rest on enormous amounts of debt. The moment the repayment of that debt becomes more expensive, the money has to be withdrawn. So all of this is a recipe for a potential big financial crash coming very soon.

#Pascal

That might be the straw that breaks the camel's back. But we'll see. These economic predictions are notoriously difficult to make. But at least we want to talk about it. Exactly.

#Radhika Desai

At least it points to the possibilities. I mean, I'm not making predictions. I'm saying that the possibility of such a crash is there. Of course, you can never really predict when a crash will occur, because it depends on a whole lot of things coming together. But the things are assembling—let's put it that way.

#Pascal

Yeah, they are. Radhika, people who want to find your work should, first and foremost, go and subscribe to your YouTube channel, *Radhika Desai: Geopolitical Economist*. I'll also put a link in the description, and we'll co-publish this talk here, of course. Is there another place where people should go to find your work?

#Radhika Desai

You can go to radhikadesai.com. I also have a Substack—I think it's called @RadDesai—so you can go there. And more generally, just look for me; I'm very easy to find.

#Pascal

Everybody, look up Radhika Desai. Radhika, thank you for your time today.

#Radhika Desai

Thanks so much, Pascal. Really great talking to you.