

Jeffrey Sachs: Global Economic Meltdown & Destruction of Europe

Prof. Jeffrey Sachs discusses the crisis of the global economy and why Europe is especially vulnerable. Jeffrey Sachs YouTube channel: <https://www.youtube.com/@JeffreyDSachsOfficial>
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](https://www.buymeacoffee.com/gdieseng) 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 again by Professor Jeffrey Sachs to discuss what's happening in the global economy. So thank you very much for coming back on.

#Jeffrey Sachs

As always, great to be with you.

#Glenn

We see that the wars against Iran and Russia, and the economic war against China, as well as the U.S. seeking to dominate its own backyard, are pushing the global economy toward the edge. And we see that a lot of the economic dependence set up over the past decades in terms of reliable access to maritime transportation corridors, natural resources, technology, and currency banks is either severed or being weaponized, it seems. I was wondering, how do you see the current state of the global economy now? I mean, is this a temporary disruption, or do you think there's a risk of a complete breakdown?

#Jeffrey Sachs

Well, there's clearly been some important breakdowns. The U.S.-China trade and investment relationship is never going to be what it was 10 years ago—dynamic, with confidence, with mutual investments in both directions. I think that period is over. Clearly, the Europe-Russia linkages are damaged, perhaps to the point of no return in our generation. That's very significant. Europe is the big loser in that breakup. Clearly, there is regionalization taking place because there are simply more risks in anything related to long-distance trade and logistics. So trade and investment relations within Asia are strengthening. Trade and investment relations within Africa are likely to strengthen.

Europe is rather bereft because it broke relations with its main natural resource supplier, which was Russia. And all it looks to is a completely unstable economy, a nasty and disdainful United States right now. So Europe is completely adrift economically. These are deeper trends that are not going to be changed by any of the events in the next weeks or months. But I think it's very important to say at the outset that the world economy still hangs in the balance, even in days and weeks. It sounds melodramatic, but I think it's true. If the United States resumes the war with Iran, which I think we have to put at 50% or higher, the results would be devastating under any circumstance. And we're at that precipice. We have a completely deinstitutionalized United States government.

We have an absolutely out-of-control Israeli government, a military state. It's become nothing more than a war state, and it wants continued war. If the war that is on simmer right now turns back to boil, then when we meet after that, if that happens, everything will be dramatically accelerated, magnified, and made horrendously worse in its short-term economic impact. But the point is, because of essentially U.S. efforts to somehow maintain a kind of preeminence that the U.S. no longer has, but the attempt to maintain it through regime change and war operations, the breakup of what was an integrated world economy is real, unlikely to return anytime soon. I should add that the very nature of the digital economy, the interpenetration of bytes in...

#Jeffrey Sachs

In the digital economy means that the United States, from a military and security point of view, is determined to create a U.S.-centered part of the world that is separate from China's. And that also means that by nature of the technologies developed, the U.S. is going to break the trading system in one way or another for many years to come. And that's not just Trump's petulance. That will be a national security perspective in the United States that's widely shared in Washington. So we're in a fragmented world. But I think the fragmentation leaves Europe really outside of everything. It leaves the United States probably aiming mainly to control what will be an increasingly unruly Americas, which will not accept the increased U.S. dominance that the U.S. is trying to impose right now. And I think Asia will become increasingly integrated. And the winner of all of this will be Asia.

#Glenn

Yeah, I agree. It seems that, well, at least Europe will be the big loser here. My concern always after the Cold War was that with NATO expansion, we redivided the continent, which makes Europe weaker in terms of security, economics, and also politics. And now we see this manifest itself as some mass hysteria and confusion, very irrational war enthusiasm. So, you know, Europe cut itself off from Russia. We see the Middle East being reorganized, and essentially Europe is now putting all its eggs in the U.S. basket because this was the source of stability over the past 80 years. But, uh, even the U.S. now is very openly losing its interest in a less relevant Europe. How do you see the possible pathways now, though, for Europe? I mean, is there a way to restore its prosperity or relevance, security, or do you think it's already played all the cards it could?

#Jeffrey Sachs

Well, I... The Europeans should have reflected on the fact that it was the United States that worked very hard to keep Europe and Russia apart. And so for decades, it was the United States that was warning against Nord Stream and against the closer relations between Germany and Russia, meaning that those links were broken. Good for Europe, especially good for Germany as the main economy, the main economic motor of Europe, I should say. And the United States viewed that as a risk to America's own preeminence and its own political sway in Europe. So Europe should have noticed that they had the leverage. But Europe played along completely there. With the U.S., it became enamored of the idea that we will expand into Central and Eastern Europe. I liked that idea, but I did not like the idea of building a new wall to exclude Russia.

This is an absolutely absurd idea from Europe's point of view. Europe should reverse this. This is geography. They will wake up. Somebody will look at a map again and ask, how did we bring this about on ourselves? This is really complete self-harm. But if you look at the current leadership, of course, it's not going to happen with people like von der Leyen or Kaja Kallas or Merz or Starmer, God forbid. Maybe the British will never come to this idea. But the point is that the European political leadership has bought into a completely failed economic and geopolitical strategy and now is a failed political class. And until that changes one way or another with new political entrepreneurship in Europe, Europe is just going to be in decline economically. We see it. Industry is shutting down, and there is no bright spot in the European economy right now at all.

#Glenn

I recently read the speech by Elbridge Colby, the Undersecretary of Defense for Policy. And what I thought was remarkable was it didn't really suggest that the war in Ukraine should come to an end. The speech more suggested that the Europeans should just arm themselves and take over. So, in other words, outsourcing the war rather than ending it. And as we've seen, the Europeans have now just approved this \$90 billion for Ukraine. They call it a loan, but I think that's more to deceive their own public because this money is not coming back. But at the same time, there seems to be growing preparedness to also get more directly engaged in this war with Russia. But as we see this, we also see opposition growing in Europe as well, because as you said, the political elites and the public, they're not necessarily on the same page. Do you see any shifts here, like people waking up among the public, or do you think that the current political elites are too entrenched?

#Jeffrey Sachs

Let me say something about Colby and something about the funny thing that happened on the way to our current disaster. I've been teaching international trade now for 46 years, and when I studied as a student, we studied international trade and why it was good, why it was mutually beneficial. And we spent about 15 minutes in the semester on what was called the national security exception. And I remember my professor, who was a learned professor of international trade, saying, well, you

know, all the good things we're talking about in trade, we should remember that there might be exceptions if national security is at stake. And it was about a 15-minute aside. Now, this is the way that economists, I would say good economists, view the world.

And good economics in this regard goes back to Adam Smith. We celebrate the 250th anniversary of *The Wealth of Nations* this year. Adam Smith's idea was that an expanding world market is mutually beneficial for all of the participants. And he was a great humanist, and he said everybody will benefit. Even today's bereft and colonized peoples will gain strength through international trade and the flow of ideas, and there will be a rebalancing of the world so that all parts of the world will benefit from open trade. And Smith advised the British monarchy and Parliament of his day in 1776, give up the American colonies. You don't need military control. Just trade with America. You don't need to have an imperial policy.

Eventually, or soon enough actually, the American Revolutionary War broke out. And by 1781, the British colonies were now independent of Britain. But the point was that economics as a discipline has recognized that open trade is mutually beneficial. Of course, trade under colonial or imperial imposition is not, but open trade among sovereign nations is mutually beneficial. What happened in the United States is that as the U.S. lost its nerve with the rise of China in particular, but more generally with the catching up of many countries so that the U.S. dominance or share of the world economy was going down, economics was taken over, I have to say, by the international relations people who view the world not as win-win but as win-lose.

And suddenly the idea that economics should be ordered to preserve American hegemony became an increasingly interesting discussion in the American scene. I found it never very interesting. I found it absolutely ignorant of basic economics and also wrongheaded because fundamentally for me, the rise of China was not a threat. It was a benefit first to the 1.4 billion people of China and ultimately a gain for the whole world through trade, through China's innovations and so forth. But from the American point of view, conceptual point of view, people like Elbridge Colby or people like Jake Sullivan in the Biden administration, economics became the instrument for continued American hegemony.

And the last 20 years have been spent on honing the instruments of economic warfare, that we should think about trade and the flow of technology mainly from a military and geopolitical point of view, not from an economic point of view. So the main idea was now we have to remake the economy to suit American dominance or to protect and extend American dominance. Jake Sullivan, who, uh, was the national security advisor for Biden, now teaches at Harvard University, my old stomping grounds. And he's written a piece in Foreign Affairs recently, our important journal for discussion of geopolitics, again basically about how economics should be run for the sake of American power.

Well, to my mind, all of this is mind-boggling in its economic ignorance and its economic destructiveness. But this kind of discussion dominates right now. Economics is no longer about

economic prosperity and well-being in the U.S. Even, I would say, in the university context, it's about power. And it's about how we can head off China's rise and how the information technology world should be organized so that China is not a beneficiary, or how the NVIDIA chips are kept out of China's hands, and so forth. All of this has reoriented our thinking in an extraordinarily destructive way because we are taking down the basic scaffolding that made the world economy achieve economic growth and development for the developing countries to a large extent.

And people in the U.S. say globalization failed. Globalization did not fail. Globalization provided the basis for worldwide economic progress that happened to be especially rapid progress in the developing and emerging economies. That's success. That's not failure. But what economic growth did was diminish, in particular, the share of the United States in the overall world output. And that is what is unnerving to these so-called strategists. They want to keep American dominance, not American well-being. So the American people are suffering from this absurd war that we're in because this Iran war is tragic, but also completely absurd. It never should have happened. Any sane president would have known not to do this.

Trump brags, in fact, that since 1979, all the presidents of the United States refused this war, but I did it, which is a testimony to his complete ignorance, lack of understanding and insight, not a tribute to his bravery. It's a tribute to his impulsivity, his recklessness, his absence of process, his ignorance, not to any prize that he has. But it's part of this, that we're playing with the world economy for the sake of American power, not even for the economic well-being of the American people. So, Glenn, as you said, everywhere in Europe, the public is disgusted, and they're going to be more disgusted in the coming months because their living standards are going to go down further. They're disgusted in the United States.

Trump's approval ratings are plumbing new depths each month now. He's down to 34% approval rating, and I think it's 62% disapproval rating, and a couple percent don't know, a few percent don't know. But this is happening all over the so-called Western world, which has turned economics into a weapon aimed at Russia and at China rather than as an instrument for well-being that might actually help Russia and China as well as helping ourselves. So this is basically what's happened. And that's why it doesn't surprise me that Mr. Colby in the Pentagon would view an ongoing war as a good thing. Because from their point of view, they're not looking at what's good for the American people. They're looking at the question of what is good for this conceptual idea of American dominance.

#Glenn

Well, when we look at this weaponization of economic connectivity, of course, blocking Chinese access to technologies or stealing the sovereign funds of Russia, that's one thing. But one area of economic warfare that has historically been a source of war has been naval blockades. And, yeah, this restriction of access to maritime transportation corridors, it didn't seem like it was a key

challenge over the past few decades. But now we see—you probably saw a recent speech by Trump where he kind of brags that, well, we are essentially pirates now. We can seize ships, take ships, their cargo. And it's not just talk.

We've seen the blockade on Venezuela, Cuba, Iran, and just random hijackings of tankers over the years. We see them going after Russia's commercial fleet. The Europeans now—the UK plus nine other countries—are setting up a naval alliance to contain, they call it contain, which means confront, Russia. We also see the threat of possibly the United States seeking to intercept Iranian vessels all the way to the Strait of Malacca, which would then be essentially war on China. Where do you see this going? Is this, again, back to the history of, you know, if you want to trade, you need to have a powerful navy to make sure commercial vessels are supported by guns?

#Jeffrey Sachs

This is all shocking because some of the most basic principles of international statecraft have been freedom of navigation on the high seas, and for the United States to be championing piracy—well, at least Donald Trump says out loud what others try not to say out loud. I think this piracy of the United States will prevail in the Western Hemisphere. It won't be challenged from outside, certainly, but it will be challenged from inside the Western Hemisphere. In the end, Latin America, though it is under the sway and military dominance of the United States, will not accept what is happening right now.

But it will take some years because the United States is not only putting on blockades, not only directly overthrowing governments—and it will do so with Cuba most likely very soon—but it is also intervening in the political systems and elections of almost every country. So it is, in the short term, turning the Americas into a bastion of U.S. dominance. And this will probably succeed in the short term because I don't think Russia or China or anyone else from the outside will challenge this. But the farther away you go from the United States, this becomes unworkable. And the United States will not succeed in the end in blockading Iran. The U.S. doesn't even have the naval capacity to do so. It doesn't have the staying power to do so.

It can't even keep a comprehensive blockade from a strictly military point of view, but from a geopolitical point of view, and with China and Russia and others that oppose this, I don't see this lasting. If Europe is stupid enough to take on Russia and Russian shipping directly, there will be war between Europe and Russia, and Europe will be devastated. The current class of European political leaders, with a few exceptions—a few people who are honestly thinking about this—but I'm thinking of the main characters, of Merkel and Macron and company, they will, in their short period remaining in government, possibly lead Europe to destruction, not just to economic decline, which they've been doing for a number of years.

The further one goes towards Asia in this, the ability of the United States to have sway diminishes fast. I think one of the lessons of the Ukraine war and the Iran war is that U.S. military dominance is

not impressive anymore. This is a matter of change in technology. It's a matter of the rise of military power of Russia, of China, of North Korea, of Iran. It's the nature of technology itself that the big, expensive U.S. weapon systems are not especially tuned to the kind of warfare that we have now. So I think the closer one gets to Asia, the less relevant the United States becomes.

And that's why I said at the outset of our discussion today that I think Asia as a whole will become more economically integrated. The U.S. will not have chokeholds that it can hold. China has a formidable navy already, and it has a very sophisticated AI-empowered military that it's building very rapidly. And it's not naive about U.S. intentions, to say the least. So I don't see the U.S. being able to prevail in its overall strategy or aim of hegemony, nor do I think it can project power in Asia. And if things really get tough, and China acts in its own neighborhood the way that the United States is acting in its neighborhood, and say that China decides for whatever reason—and I hope it never comes to this and it doesn't have to—but China blockades Taiwan.

The implications for the United States are extraordinarily devastating, actually. Yes, we're building semiconductor fabs in the United States, but nowhere at a speed or depth that can begin to replace the supply chains that come from Taiwan, Japan, and Korea. And if China asserts its regional power like the United States is doing, the U.S. does not have a military response. Every war game in recent years has shown that. And that is accelerating, and we're seeing the limits of U.S. technology, actually, because it's expensive and poorly tuned to the changing world, which is why the Pentagon is scrambling to come up with some kind of new technology model, but that's years and years and years ahead.

So all of this is to say, I don't believe that the United States can impose its will, even in the Iran war. I think that it may well try to do so in the coming days or weeks. And then let's talk again, because the whole world situation in the short term is going to be dramatically worsened. And everything we're saying will not fit the reality, even in four or five or six weeks of a renewed outright war in which the physical infrastructure of the Gulf region is heavily damaged, and that's the likely outcome. So all of it is to say the U.S. is on the wrong track, irrational, very poorly led, rather desperate to keep control over what it no longer controls. And therefore, as I say often, the United States is by far the most dangerous country in the world because it is trying to do what it can't achieve.

And when you have that gap of aspiration, which is global dominance, and the reality, and you try to pursue your delusion, you end up creating great harm. And all to add that it is spurred by its junior partner in all of this, Israel, which has even greater delusions—biblical delusions, biblical-scale delusions—that are absolutely bizarre and that prod the American delusions. So it's quite a dangerous situation, but there's no good outcome for the United States. And until the European political class changes and understands the basic realities of geography and of changing power and technology, Europe is just going to be completely out of this whole scene.

#Glenn

I agree the Europeans should realize geography is destiny. But with the U.S., though, it certainly is a resilient country. But I wonder how much stress it can absorb, because this whole idea that it can replace energy supplies to Europe and East Asia—all of this assumes that the other great powers will just sit by and not respond, and that its vassals will simply also remain obedient.

#Jeffrey Sachs

The U.S. isn't so resilient. The U.S. has a shiny and very bright dominant technology sector, so Silicon Valley—hats off to a lot of accomplishments, no doubt. But if you travel in the mainstream of America, there's a lot that's broken down, and people are very unhappy for understandable reasons. And the infrastructure is decades out of date. The difficulties of working-day people are very, very significant. And none of this is being attended to by this political class in Washington, which is out of date by at least 30 years in its understanding of America and its understanding of the world.

It's a completely money-driven, corrupted political class to begin with. And the things that are said in the United States have very little resemblance to the reality of the world right now. So I don't think the U.S. is so resilient in any way, and the unhappiness is very great. I think people could look at the question that's asked by Gallup of the American people—Is the country on the right track? And this hovers around one out of five Americans saying yes and the vast majority of Americans saying no. And that reality has been with us for a while, and nothing is happening. Nothing.

Not one element of Trump's delusional world is putting America on the right track. So Europe and the U.S. share basically this: they were the privileged part of the world. They're not anymore. They're both flailing around trying to understand that, and they're both failing to understand that. Europe, by clinging to the United States, which has no interest in a political way in Europe, and the United States, by clinging to the illusion of a dominance that it proclaimed 34 years ago at the end of the Soviet Union—that wasn't even true then, but is completely delusional today.

#Glenn

I agree. I think, yeah, that's a perfect description of where we are now. But I've already taken too much of your time on a Sunday morning, so thank you very much for taking the time.

#Jeffrey Sachs

Great to be with you. Let's talk soon.

#Jeffrey Sachs

Thanks.