

Richard Wolff: Iran War UNRAVELS U.S. Empire, Petrodollar is FINISHED

Economist Prof. Richard Wolff argues that the death of the petrodollar has arrived as the Iran war digs the U.S. empire deeper into global depression. He joins the show to break down the latest economic developments emerging from this historic crisis in geopolitics. Follow Richard Wolff: <https://www.youtube.com/@democracyatwrk/featured> <https://www.democracyatwork.info/> FOLLOW ME ON RUMBLE: <https://rumble.com/c/DannyHaiphong> FOLLOW ME ON TELEGRAM: <https://t.me/dannyhaiphong> SUPPORT THE CHANNEL ON PATREON: <https://www.patreon.com/dannyhaiphong> Support the channel in other ways: <https://www.buymeacoffee.com/dannyhaiphong> Substack: chroniclesofhaiphong.substack.com Cashapp: \$Dhaiphong Venmo: @dannyH2020 Paypal: <https://paypal.me/spiritofho> Follow me on Telegram: <https://t.me/dannyhaiphong> #iran #trump #dollar #petrodollar #recession

#Danny

Welcome, everyone. Welcome back to the show. It's your host, Danny Haiphong, and I am joined by a good friend of the show, Professor and Economist Richard Wolff of Democracy at Work. Professor Wolff, good to see you again.

#Richard Wolff

Glad to be here, Danny. Good to be talking with you in a very fast-changing situation.

#Danny

Yes. Yes, indeed. And I definitely wanted your input on the economic impact of the Iran war. So everybody, hit the like button as you come on to help boost the show. And I wanted to begin, Professor Wolff, with the situation with the U.S. economy and the global economy as a whole, given the situation. Some stark facts have come out even just in the last 24 hours. According to Al Jazeera, the Aramco CEO, the big, huge Saudi oil company, says that the world has gone without one billion barrels of oil over the past two months with the war on Iran and, of course, the impact on the Strait of Hormuz, now with Iran controlling the Strait of Hormuz to a large degree.

Now we also have world oil inventories falling at a record pace, and many have been talking about how the U.S. is pumping out its oil reserves and is due to run out possibly in July. The economic impact is being felt in terms of prices, and in Germany, they're reporting that there have been disruptions affecting 20 million passengers with the rise in jet fuel costs. Now, I just wanted to play this really quickly before getting your commentary, Professor Wolff. Donald Trump does not seem to

be worried about the economic situation, and here's what he had to say at the White House recently in regard to the oil prices.

#Donald Trump

Because we cannot let these people have a nuclear weapon. They'll use it. We can't. I also thought oil would go up to 200, 250, maybe 300. And I know it will be short term, but I thought it would go up. I looked today, it's like at 102. And that's a very small price to pay for getting rid of a nuclear weapon from people that are really mentally deranged.

#Danny

So a small price to pay, Professor Wolff, but that price seems to be heading toward a global economic recession and a very intense increase in oil prices. What is the actual economic impact of the Iran war, and how do we understand it? How should we understand what's going on?

#Richard Wolff

Well, excuse me, the impact of the Iran war is only slowly becoming clear. I don't mean to evade your question. It's a good question. I'm going to try to answer it. But I have to, in all honesty, tell you that we're only at the beginning of watching this unfold. And I also will talk in a moment about oil and all of that. But it isn't just oil. This is a radical—and let me underscore it—a radical reorganization of the world economy. It may look like it's localized in Iran and the Gulf, and that's where the immediate action happens. But the ramifications are more global than any comparable event that I can think of in the way of a military confrontation in a particular area with ramifications.

And just to give you a little bit of a taste of it, if you study, for example, the economy of China on the other side of the world, and what it is doing in relation to the closing of the Strait of Hormuz, you are immediately confronted with the global ramifications. Back in 2018, when the United States, under the first Trump presidency, basically told China that they could no longer buy and receive from the United States semiconductors of certain kinds, the reaction in China, among other things, was to draw a very important conclusion, which is: if the United States can do that with semiconductors, what's to prevent it from doing it with—fill in the blank—anything: raw materials, relevant ones, food, manufactured goods. Nothing was the answer.

So China began to do something on a scale nobody else did, and many people who knew about it thought it was bizarre. Fast forward to the present. China has a larger storage of oil than anybody else. China has a larger storage of electricity than anybody else, of fertilizer than everybody else. Notice, they're in a better position to handle what is going on in the Strait of Hormuz than anybody else. I am aware, I assume you are, and certainly your audience likely is, that governments as diverse as the Philippines, Japan, South Korea, and India have been asking China for help from their storage to get through this period of time. And I don't know the details of what the Chinese have

told them, but basically the Chinese have said, that's storage to take care of us. We didn't store for other countries. We can't really unload this at this point.

At least that's what I hear has been the answer so far. Okay. Everybody is changing in response to this. There's a joke that for the last 40 years, the trick in manufacturing has been called producing according to just-in-time. In other words, get rid of inventories. Get your computerized production such that—well, I'll give you an example. I write books, so I'm in touch with my publisher. My publisher used to print books and keep them in an inventory in a book warehouse. Doesn't do that anymore. Only when the order comes in are the books physically produced. There is no inventory. There is no record keeping. He doesn't have to borrow money to hold an inventory. Okay, so that's been the idea. That's how you make more profit. That's all gone now. The watchword now is not just-in-time, but the watchword has become just-in-case.

You have to have inventory. You have to build up storage, which means you have to build warehouses, which means you have to rearrange supply lines so you can store. And where you store isn't necessarily where you produce. That depends on calculations of profitability and probability of interruptions. Now, the more obvious ones: if you can't use shipping, we're going to see the building of railroads, of internal canals, of trucking, of pipelines. All of that is being recalculated and redesigned. What's my point? The whole world economy is changing. It will not go back to what it was before, not just because Iran, from what everything looks like now, will indefinitely have the power to control the Strait of Hormuz and to charge who knows what for trips, tankers, and so on going by there.

But what about the Houthis in the Red Sea? What about Indonesia in the Straits of Malacca? What about the long-term developments in Panama, in Suez? There is no end to this, and everybody is on alert to how this can play out and what's going to happen to you if you're not in a position to cope. You know, the United States, because of fracking, is pretty well positioned to get oil and gas at least for a little while longer. But then what? And we have to ask that because this is a government that has repressed solar, repressed wind power, repressed the alternatives, putting all of its money, its bet on fossil fuels. It's very, very dangerous to do at this time.

And with deteriorating relations with Canada, forcing Canada to earmark its energy for other markets, they will not necessarily come back to the United States for all the kinds of obvious reasons of being unable to rely. I want to also underscore, because I think people are making mistakes, what you see in Mr. Trump is definitely extreme, even by American standards. No question. As John Mearsheimer says, and I know you know him, Mr. Trump, he refers to him as a one-man wrecking ball. I understand that. I know what he means. I see the point. But Mr. Trump remains president because the business community, or if you like, the ruling class in the United States, is not unhappy with him. He has delivered tax cuts they want. He has delivered deregulation of their businesses that they want.

He has been aggressive in helping internationally to get them support. So they don't have much in the way of complaints. The top 10% of the American people, and that's who we're talking about, are also the owners of 80% of the stocks in the stock market. When the stock market goes up, they are happy again, and Mr. Trump delivers to them. Why am I telling you this? Because the idea that the United States will somehow bounce back from everything Trumpian in the next phase—no, I don't see that. I don't see it if he stays in office. I don't see it if another Republican comes. And I don't see it if the Democrats come. Unless you get the left wing, then that's different. If Bernie Sanders or that part of the Democratic Party were to gain power, then things could change a little bit.

But other than that, and that's not what we see coming, you're going to be in this kind of American-driven disruption of the world. Now, last point. The United States is no longer in control. You see, it used to be different. The world could think clearly, okay, even if the United States intervenes, we kind of know why it will intervene. We kind of know how it will intervene. We know who its friends are, who its enemies are. We can deal with it. When I meet with Chinese economists, which I do from time to time, I have always been struck by the fact that they remind me, as they remind themselves, that the explosive achievement of Chinese economic development over the last 30 or 40 years was accomplished with the dollar as the global currency, with the United States dominating militarily.

They did really well. And they have, if you like, the conservative instinct—don't mess with something with which we have done spectacularly well. And they're right. Because what you're getting now is different. The United States, and that's what the war in Iran is showing, cannot control what's going on. Look, it really couldn't already earlier, but people thought it could. And lots of assumptions made it almost true. It was a bluff, but a bluff that worked because no one called it. Iran called it. And now what? Now you've got uncertainty. And as many businesses will tell you, that's their worst enemy.

If they know how bad it's going to be, they can go to work and try to get around it. You know an example which is relevant? Sanctions. The United States is the number one user of sanctions. The problem is, sanctions can be gotten around, and the Russians, the North Koreans, the Cubans, the people who have suffered the most from American sanctions, now Iran as well, have learned how to get around them. So they can live with that. It's costly. It's disruptive. They don't want it, but it's manageable. With Mr. Trump's second administration, things began to spiral out of control. Mr. Trump did tariffs; now he can't do tariffs.

His own Supreme Court won't let him do the tariffs he wants to do. He has to find something else. The sanctions didn't work. The military adventures in Ukraine and in Iran don't work either. The technology of warfare has come back to haunt the United States. It committed itself financially, through its banks, through its military-industrial complex, to warfare conceived of as having to

control the sky. You need missiles and airplanes and bombs. The problem is, just like with every other empire, the people who you fight and who you dominate work out alternatives to get around you. We are witnessing \$15,000 drones knocking out \$10 billion aircraft carriers.

The United States has invested in something. It's as if the United States had invested its money in horse-drawn carriages. No one's using that anymore. And you haven't built enough of what everybody else is learning how to do. You're going to have to catch up to that. And that puts you in a very new and different situation. And that's part of it. All of these things are emerging out of this war. Yes, they were underway already before. But the war has at the least accelerated that, and that changes everything—the pace alone. So I want to stress, okay, now, finally, yes, the oil problem is terrible. The gasoline here in the United States—I'm talking to you from New York City—is a third higher than before. Food is beginning to move up.

Airlines have all lopped off an extra \$100, \$200, \$300 on every air ticket anywhere here in the United States. So, yeah, it's hurting already. And that's important because capitalism in the United States, as in every other part of the world, is a highly unstable system. Every four to seven years, on average, there's an economic downturn. To give you an example, here in the United States, we had one in the year 2000, the so-called dot-com crisis. Okay, seven years later, we had another one called the subprime mortgage crisis or the Great Recession of 2008 and 9. And then again, a little more than eight years later, the pandemic, the COVID-19 crisis. Well, it's about six or seven years now. We're due. And we are already seeing the signs. Unemployment is crawling up.

Hiring is going down. We have, therefore, the specter of an economic decline that will be worsened by inflation that diminishes the purchasing power of our working class. And we already have a working class bitter and angry and politically divided because it has had to cope with very little help through 30 years of deindustrialization, as American manufacturing was moved to Asia and other parts of the world. So we have a very troubled domestic economy here. It cannot take another shock. If it weren't at this bad moment in the cycle, if we weren't at this bad moment, with the working class having been really hurt—you know, if I had time, I would explain—manufacturing is where our unions were strong. When that gets exported, our unions become weak.

That means they can't shape domestic policy, which means you can withdraw government support from the working class. That's because we have weak unions, and that's because we exported the manufacturing where the unions were strong. You have to put all of this together and realize the real risk is that, if I can play with my mixed metaphor, it may just be a straw, but it is the straw that broke the proverbial camel's back because it was one straw too many. The United States is a declining empire. The only summary I know of that captures this is that one. And a declining empire cannot handle repeated shocks. It can't do that. What it does in response ends up being called overreach. And that has been the bane of every empire and part of its decline from ancient Greece and Rome right up to the present.

#Danny

Great summary, Professor Wolff. I mean, you know, I was just in China, and I have to say that the prices have not gone up since the last time I was there to any significant degree. And it definitely speaks to what you're saying in terms of which country, which, you know, which powers in the world were preparing for this and which were kind of firing, you know, from the seat of their pants. And Professor Wolff, I wanted your comments on how this all affects the vaunted petrodollar, because even CNBC and mainstream publications are talking about how the United States right now is sleepwalking into a recession because of the shock that you just mentioned, this just being one of them—the oil shock.

But of course, there are cascading effects everywhere across the economy. So maybe you can talk about how this is impacting the vaunted petrodollar, because some people are saying that the oil companies and LNG corporations in the United States are making out big, that this actually helps the petrodollar, while others are saying that this war has dramatically rearranged the world, as you said, to the point where we may be looking at a future where the petrodollar is not dominant in world affairs. What's your assessment of this?

#Richard Wolff

I think the petrodollar system, certainly the one that we've had since the 1970s, based on a deal struck between the United States and Saudi Arabia, that's gone. That, at the very least, will be reorganized, redirected. And here are some of the dimensions of how that's going to play out. Part of the petro deal was very simple. The United States realized by the 1970s that the extraordinary position of the American economy coming out of World War II—and let me just remind everyone, so we're all on the same page what I mean—at the end of 1945, every one of the major economic powers in the world, with the exception of the United States, was destroyed. In a way, World Wars I and II—and remember, they happened very close together—

In a few years, 1918 is the end of World War I, 1939, arguably 1940, the beginning of World War II. So, World Wars I and II together were, on one level, the peak economic development of the Western capitalist world. They were the highest development—the technology was the most developed, trade was the most developed, production was the most developed—and as if we were talking as students in the class of Hegel, the contradictions that were the focus of his understanding were also peaking. In other words, the greatest achievements of that phase of human history, Western European capitalism, ended up blowing itself up. The highest creation was also the highest destruction. And when the war was over—Britain, France, Germany, Italy, Japan, Russia, China—destroyed. The two oceans saved the United States.

The fact that military technology had not yet figured out how to get across those oceans in an effective way saved us. And so the United States ends in an absolutely unique historical moment. Everyone should have been clear it was very weird, very atypical, very temporary. Couldn't possibly last. Why? Because you could destroy the factories and the railroads and the ports and kill tens of

millions of people, which World Wars I and II did. But the people that are left don't forget what they learned in school. And they can now, once the bombing is over and once the war is finished, go to work to rebuild if they're given the means to do it. And after World War II is over, that's what Germany and Japan and France and England and Italy and Russia and China set about to do.

But for the first 30 years, 1945 to 1975, the United States ruled the world, literally. It had the dominant position in atomic weapons. It had the dominant position in economic production, in global trade. The dollar became, overnight, the international currency, displacing the British pound. I mean, we were king of the hill. And it developed in the United States a peculiar form of self-delusion. We've seen it before. I don't mean peculiar in that nobody ever did it, but peculiar in the history of any country, in which we suddenly thought, much more than we did before, that the United States was the chosen country of God himself. American exceptionalism. Thousands of books and articles written in the 40s and the 50s and the 60s and the 70s about American democracy as the model for the world.

Everything we do here is how it should be done everywhere else. A self-delusional behavior that really needs psychology to understand the grasping of the American personality. Here's the problem, though. By the 1970s, it was already over. It was a wonderful feeling, but it didn't last very long. By the 1970s, you know, Americans were not buying Ford and General Motors. They were buying VWs, and then they were buying Toyotas and Datsuns, you remember? And the world woke up to the fact that these Japanese and Europeans had set to work not building little details on the automobile, the number one industry in America at that time. Number one, by far and away. They built a better car at a lower price. Bingo.

They did what capitalism drives producers to try to do. And they were doing it. And the Americans understood that their holiday was over. And that led to a number of things. I don't have the time, but two of them: first, the petrodollar, and second, the exodus of American manufacturing. How are you going to compete with the Japanese and the Germans? If you can't beat them, join them. And that's what American capitalists did. To survive in a new world where the United States wasn't yet dominant the way it had been, you needed to have cheap labor, cheap wages, governments bending over every which way to facilitate your investment, your profitability. China did that, India did that, Brazil did that, and so forth. So Americans left.

Nobody had a gun to their head, no one made them go, but they understood competitively they would have to go global. And if they went global and created those long supply lines that we're so upset about these days, which is what they did—because if you produce in China but you sell in the United States, you now have to pollute the entire ocean in a way you didn't have to before—and you needed a globalized economy to handle all of this. And that meant you needed a uniform currency. How do you get, suddenly, a really uniform—everybody wants the dollar? And the answer they found, very smart, was to hook up the dollar with oil, that source of energy that had become the obvious future at that time of the world's productive system.

And by Saudi Arabia being amenable, you cut a deal. You Saudis are the great producer of oil. You will demand everybody pay in dollars. You will make sure that everybody else, including those little countries that British colonialism had created around Saudi Arabia, everybody deals in oil in dollars. Everybody, therefore, has to have dollars. Everybody has to hold dollars in their banks, in their reserves, to enable this global oil to function. It was wonderful. And you then solved the problem which became urgent, that not only would an enormous amount of dollars flow out of the United States, paying for our imports without us having to produce in exchange.

You know, it's one thing if you buy a bottle of French wine and you have to give to the French who sell you their wine something you produced here in the United States that took your time and your energy and your labor. But we didn't have to do that once we cut that deal that oil would be priced in dollars. We could say to the French farmer, send us your wine. We're going to send you little green pieces of paper, say \$1 or \$100, which cost nothing to produce. It's just paper. And they would take it, and they would go to their central bank, which would give them local French currency—French francs, or after the euro, euros.

So the French guy is happy, he's got his local money, can reproduce his wine, everything is wonderful. But even better—and they didn't understand all of this when they did it. Otherwise, if you think that all I'm telling you was understood—no, no, they groped their way. What—question—what would all the oil producers do, when it wasn't just Saudi Arabia but Qatar and the Arab Emirates and Bahrain and all the others? What would they do with all of the oil? Even if they skimmed off the top to live like kings, which is what many of them are, it was still way too much money. No problem. The Americans would create a special desk: you can invest those dollars in U.S. Treasuries, and that will earn you interest.

You will make money off of the money you'll be getting if we price everything in dollars. We'll even let you invest in our stock market. Why is this important? It boosted the stock market for rich Americans. And it said to the American government—and if you understand this, you understand what is called high finance, which isn't high at all—you'll understand that the American government now could borrow from all of these oil-producing countries. They're floating in dollars. The dollars don't earn them anything. But if they lend to the United States, they get an IOU, a Treasury security from the United States, which pays them interest while they hold that dollar. There's a global market in U.S. Treasuries.

You can cash them in for actual money, you know, all day, every day. So it's like money, literally, except it earns interest, which holding money doesn't. So the American government could then do what with this pool of people lending money? It could fight wars, starting in the 1970s—a very expensive one, Vietnam—a war which the United States spent a fortune on and lost. Remember, the enemy was the Communist Party of North Vietnam. Who runs Vietnam today? The Communist Party of North Vietnam. That's a clue that we lost on day one. And if the Americans had had to tax their own people to pay for that war, the opposition would have closed it down long before it did—but they didn't.

Thanks to the petrodollar system, they could borrow the money from the world's oil consumers who sent their dollars to the Gulf, who lent them to Washington so we could borrow money, and that avoided domestic opposition to the war. You know, it all worked out beautifully. It allowed the American empire, even after its real competitors had begun to return to the world economy, to get another 30 years into this century. But now, where do we go from here? We can't. We can't. And all the arrangements made over the last 70 years are being unraveled as we speak. What are the Gulf countries going to do? Part of the petrodollar deal, by the way, was that the United States would protect them. To make all this work, the Americans would put military bases in Qatar, in Saudi Arabia, in Bahrain, all of those places.

Nobody could mess with this wonderful petrodollar system. Now they've discovered—and we're talking the last six weeks—they've discovered that an American military base is not a source of protection. On the opposite, it makes you a target. The Iranians showed we can blow you away. How is this now going to play out? You asked me to tell you where this is going. Well, I can't do that, but I can certainly tell you something to think about. Iran can no longer be excluded. The only way you can exclude Iran is in the fantasy life of Mr. Trump, because if you could really, if you could, bomb them into the Stone Age—I'm quoting Mr. Trump—but you can't do that. You really can't do it. So now the oil is going to be held hostage forever. And I don't just mean the Strait of Hormuz. I mean getting the oil out of the ground. They're vulnerable where they are.

Qatar announced that after the last couple of missile strikes from Iran, somewhere between a third and a half of their natural gas production capability is gone. And from what I understand from engineers, we're talking a minimum of five years to replace it, possibly ten. So everything has to be recalculated. Railroads are being built all over Asia to avoid using the water. Okay, these are epoch-changing calculations. Let me conclude by telling you, every company engaged in international trade, which is most of the big companies of the world these days, and every country is recalculating where to make investments, where not to make investments, where to grow, where to pull back.

We're just at the beginning of watching how all this plays out and what relationships are going to be very different in the future from what they were in the past. And in case it's not clear, all of the great issues that we have been debating, say, over the last 50 years, are going to be rethought now in light of the new configurations in the world. Here's an example: to cope with this kind of a shock. And by the way, we are learning about shocks. The pandemic was a shock. The dot-com—excuse me, the subprime mortgage collapse in the United States in 2008 and 2009—was a shock. And now the interruption in the Strait of Hormuz is a shock. Okay.

Shocks are now posing enormous problems. And now preparing for future shocks is yet another problem, even while we wait for whatever the next shock may be. And here's a little pointer: the best way to cope with a shock is to be able to mobilize all of the resources of a society to do that. What you don't want is a society cut in half so that half of it is in some way marching to its own drum. What am I talking about? I'm talking about the so-called debate between capitalism and

socialism. For those people who think that capitalism is private enterprise and socialism is public or government enterprise—and a lot of people still think that.

Well, here's a bit of advice. If you're confronted with a socioeconomic shock, you need to be able to mobilize both the private resources and the public resources. But if you have your typical Western capitalist society, where the economy is mostly private and the government has very limited capabilities of intervention, you're hobbling yourself. You're making it hard. The government has to beg, has to maneuver, has to justify. Look at Mr. Trump. He's intervening. He has to, with the tariffs, with the investment in companies, which he's doing. But he's very primitive at that. Most of the enterprises are private.

That means little groups of private people are trying to save themselves, make profit for their company, for their industry. But that's not our problem—their company and their industry. Our problem is global. And you know what that means? It means that a country like China is in a much better position. First of all, they're split, they're hybrid. Half is private, half is public. But even more important than that, controlling the whole thing from the top is a government. And to give it even more coherence, a Communist Party on top of the government. That's an apparatus that can mobilize everything, knows how to do it, is trained in regulating and controlling the private in one way and the public in another way.

That's why this year the United States proudly announced last week that it is growing its GDP at 2% a year. And the Chinese, they're growing it this year at 5%. I mean, there it is, Jack. If you don't deal with that, then you're not coping. You're not coping with the shock. You're not coping with the Strait of Hormuz. You're not coping with China as a competitor. You're not coping. And that drives the American people crazy, the leadership too. That's why they act in the herky-jerky, provocative way, doing things they will come to regret. I really want to stress that everything they're trying to do doesn't work. They wanted China to become the great competitor. Too late. Can't stop it anymore. No matter what you do, you can't. And they're catching up. They will surpass you by the end of this decade. And you haven't done anything to stop it.

And you can't even fight the war in Iran. And you can't really fight it in Ukraine either. Look at you. Look at you. But they can't. That's the tragedy. They can't admit it. Nobody talks about a declining empire. It's a taboo topic. They just can't see it. Meanwhile, every three days, just to make it dramatic, Danny, every three days, the American military sends a missile and destroys a little boat somewhere in the Caribbean or in the Western Pacific, Eastern Pacific, just to show Latin America that we don't have to abide by the law of the sea. We don't have to board ships that might have drugs to see if they do. We don't have to arrest anybody. We can just come in there and kill them. I remind my European friends when they ask me about it, we arrest people in the United States for drug traffic all the time. We have a serious problem, and we arrest them.

And when we do, they get a lawyer, they get a judge, they get a jury, they can confront their accusers, they can present evidence. If they do all that, and they are found guilty by a jury of their

peers, they are given prison sentences. Drug trafficking in the United States is not a capital crime. We don't kill people for that. What possible rationale could there be to do what the government of the United States has been doing for about six, if I'm not mistaken, six or seven months, killing people in these extrajudicial killings? It's a little event, of course, except for those families that are affected. It's a little event, but it is so bizarre that it gives you a clue. These are desperate people trying, if not in reality, then in their symbolism, to hold on to an empire that is slipping away every day a little bit.

#Danny

Well, the denial is incredible, Professor Wolf, what you're talking about. And I just want to—this was from May 2nd—literally an hour-long video of Trump being published by the White House X account, where he just repeats—I'm not even going to play it because it's poison to the ears—but yeah, saying “winning” for one hour straight. This is, I mean, this is, you know, the denial is just so evident there. And I wanted to ask you about the, you know, I feel like the quiet crisis here too, Professor Wolf, that has only been exacerbated by the U.S. aggression on Iran, is the debt crisis. And the numbers are startling.

Today, in the last few days, there were reports of auto loan debt right now being in the United States over \$1.5, \$1.6 trillion. The same is going for credit card debt. And we already know what student loan debt is like—all very similar numbers, very stark. And then, of course, you have a different kind of debt, but nonetheless debt—the U.S. debt, the totality of the government debt—playing a role in the U.S. empire's economic shock. But maybe you can help us understand what the function and the problems that arise from this burgeoning, if not already exploding, debt crisis within the belly of the United States empire, and how that is being affected by this very deep and massive new global arrangement.

#Richard Wolff

Well, to be simple about it, there are three kinds of debt: the debt of the government when it borrows, the debt of households—consumers, workers—when they borrow, and then the debt of companies when they borrow. And you're right, they are all at or near records, so everybody is borrowing. Now, here's the problem. Borrowing is a positive, if you like, a productive act—it can be, if you look at it this way. Suppose you, Danny, have money, but you don't want to, or you're not willing to take the risk, so you're just sitting on it. It's not helping anybody. You stuff it in your mattress, you know, you put it there for a rainy day.

#Donald Trump

Okay.

#Richard Wolff

There's a mechanism called a loan, where you have the legal right—this has to be established in a society—you have the legal right to pull the money out of the mattress and to give it to me as a loan. And I promise to pay you back a year from now that money plus a fee, an interest rate, thanking you, appreciating that you're giving me use of that money for the year. And then suppose I use it to produce goods and services—wow—then money which wouldn't have been productive sitting in your mattress is productive, and you haven't lost anything, because at the end of the year you either would have gone to your mattress and pulled the money out, or I arrive, knock on your door, and hand you that money back, plus interest.

And how can I pay you interest? Because I made profit with your money. I made 10% profit. I can give you 5%. I'm ahead, you're ahead, and we made productive use of the money. If you have loans like that, then you're smart. You're using your resources in an optimum way. But here's the problem. You can borrow money, if you allow it—which we do—and use it not to produce any more at all. Then all of the positives I just went through are not achieved. In fact, all that's achieved is, instead of you being happy, Danny, with money in the mattress, you are now Danny with money going to be repaid. But I, whatever I've done over the year, I have to repay you with interest.

And I haven't produced the wherewithal to do that. So the only way I can pay you back what I took from you with interest is if I end up depriving myself of the interest. Your gain, the 5%, is my loss. But that's what we used to call a zero-sum game. That's not advancing the economy at all. It's creating a creditor class and a debtor class. And that has all kinds of problems that flow out of it. So here's the problem: most of the borrowing that is done in the United States is not productive. It's borrowing by people who do not use the money in a productive way. We allow that. That's part of what a private, free enterprise system does. You're allowing companies to do that.

Just like you're allowing a company to say, I'm leaving Cincinnati and reopening in Shanghai. I don't care what happens to the people of Cincinnati, to the stores and the neighborhoods and the schools and the local tax base. I don't have any responsibility. I'm gone. I'm a free enterprise, and I'm free to do what's good for my profit, no matter how much damage I do to all those around me. That kind of an economic system can only work in the early stages when you're making enough money to cover over, but we're not at that anymore. And so now it's costing us terribly. Corporations are borrowing not to expand production—not at all—but, for example, to buy back their shares from the public.

Now you've got a debt. You've made the public—who are they? The 10% richest people, because they own 80% of the shares. So if you buy back shares, you're making the richest Americans richer still. They're happy. They don't care that you went into debt. But from a social point of view, this is useless. This is totally useless. If consumers are not paid enough in their wages to take care of the needs they have—food, clothing, shelter, educating their kids, and medical care—and they borrow

on the credit card or however they borrow, again, they're not using that to produce anything. They're just postponing the problem, because as we all know, after a while, the credit card is demanding that you pay interest on your use of that.

You're diminishing your situation to make the credit card company a profit. We allow things which, in the early phases of capitalism, everybody looked the other way. It's a little bit like, you know, throwing your garbage from your picnic into the local pond. But you keep doing that, and after a while, the fish start floating to the top. You've polluted the— you have to learn the lesson. You can't keep doing that. Borrowing, especially borrowing when it's out of control, what you use it for, is that kind of ultimately self-destructive behavior. And that's what we're doing. Look, let me close with a word about the government debt.

#Donald Trump

All right.

#Richard Wolff

The United States government now owes about \$31 trillion in public debt, owned by the public, both Americans and foreigners. Okay, this has two qualities I want you to think about. Number one, that makes us the largest debtor country in the world. And I got news for you: if you're the largest debtor country, and your debts just surpassed your GDP—which is what happened about two weeks ago, at the end of March, I believe—at the end of March, our debt had grown so fast that it was now, for the first time, larger than our total output in any peacetime year. Okay. When you're that big of a debtor, you, for the first time, face an issue you didn't have to face before. When you go to the lenders—you know, the people who have been lending to you for years—and you say, okay, I got another big loan to make.

I want to take out another big loan. They're going to look at you, and for the first time, they're going to smile sadly and say, we're sorry, but you are so deep in debt. We are afraid you're going to pretty soon be in a situation where your people, the ones that vote you into office, are going to say, we are not going to continue to pay taxes when this enormous amount of the money we give you for the government doesn't produce anything for us. You just pay it to the rich people who've lent to you, and you won't pay. So we're not going to lend to you anymore. Or we'll lend to you, but you've got to give us a much higher interest rate to compensate for the risk we're taking by lending to someone like you. Are we at that point? Yes.

Over the last few years, again, very symbolic, there are three companies in the world that rate how creditworthy anybody who borrows is. There are three big American companies: Standard & Poor's, Moody's, and Fitch. Those are the names of the three American companies. All three of them have reduced the creditworthiness of the United States from AAA to AA. Are there countries that have AAA? Yes, but we're not one of them anymore. Why? Because it's too risky. And by risk, let's be real

clear, I'm talking about a rising of the American working class saying, we will pay taxes and we'll pay it to a government, but that government has to use our tax money to provide the food, the clothing, the shelter, the adequate roads, the adequate schools, the adequate health care that we need as a society.

We are not going to send that money overseas or to the richest people who clearly don't need it. We won't. And at that point, all the lenders to the United States will have understood, oh my God, we're never going to get that money back. The very idea that this can happen—and by the way, has that happened? Yes. Many countries have done that. This is not a fanciful idea. It's new for the United States, but so is this level of debt for the United States in peacetime. It's only getting worse. Mr. Trump has said he wants to raise government defense spending next year to \$1.5 trillion. This year, it's about \$900 billion. That's a two-thirds increase in one year. And there's no revenue increase to pay for that. So what is he planning to do? Borrow it. Will he be able to? And for the first time in many years, I have to answer, as Wall Street does, we're not sure.

#Danny

Professor Wolff, this was a great analysis and overview of the economic ramifications of what's happening geopolitically. So I want to make sure everybody knows that they should hit the like button before we head out of here, because that will keep the show boosted after we are done. And then, of course, Democracy at Work, the YouTube channel, is in the video description. So everyone should check that out so they can keep track of your own updates and be sure to support and subscribe. First of all, do you want to have anything to say before we head out of here?

#Richard Wolff

No, I just want people to take that to heart. Think about what it might mean if the notion of a declining American empire pulling down the economy out of which it grew is where we are right now. And for those who are interested, it's democracyatwork.info — that's the easiest way to get us, both on YouTube and, again, democracyatwork.substack as well.

#Danny

And I will put the main site in the video description right after the show. Everybody, hit the like button before you go. All the places to support this show are in the video description. I'll be back tomorrow at 12 p.m. Eastern time. I'll let you know when. Until next time, everyone, we're signing out. Thanks to everyone who gave Super Chats, Super Stickers, and who viewed today. See you all next time. Bye-bye.