The Collective West Doomed Itself: Capitalism's Inevitable Suicide| Prof. Radhika Desai

You can't escape yourself. The force destroying the West sits neither in Moscow nor in Beijing, but at the core of the imperial logic. We have reached late-stage capitalism and the ending is gonna be a gruesome one. Radhika Desai joins Pascal to examine what Marxism can explain about states, imperialism, and geopolitical rivalry. They discuss conflicts between socialist countries, capitalism’s contradictions, and the limits of a transnational ruling class. Desai argues that Western financialization undermines productive investment, contrasting it with China’s banking system and industrial development. The conversation explores Japan, local banks, financial deregulation, and monopoly power, before considering public ownership and whether capitalism can still deliver the material foundations of a peaceful and prosperous society. Radhika's Links: Radhika Desai’s website: https://radhikadesai.com YouTube — Radhika Desai, Geopolitical Economist: https://www.youtube.com/@RadDesai Radhika’s Substack: https://radicaldesai.substack.com Radhika’s Patreon: https://www.patreon.com/RadhikaDesai Neutrality Studies Links: Neutrality Studies Substack: https://pascallottaz.substack.com Support Neutrality Studies: https://neutralitystudies.com/donate Neutrality Studies shop: https://neutralitystudies.com/shop Time Stamps 00:00 Marxism, realism and the international system 06:46 Imperialism and conflicts between socialist states 15:32 Capitalism’s contradictions and historical change 20:36 Financialization versus productive investment 28:27 The transnational ruling class debate 39:28 China’s banks and industrial development 43:28 Local banks, Japan and financial deregulation 48:48 Monopoly capitalism and public ownership

#Pascal

Welcome back, everybody, to Neutrality Studies. Tonight we have an update with Radhika Desai. Her website is RadhikaDesai.com. And as you all know, Radhika has a wonderful YouTube channel, Radhika Desai Geopolitical Economist, where she explores all these fantastic topics with guests like Alexander Mercouris and Michael Hudson, especially topics in, well, geopolitical economy. Radhika, welcome.

#Radhika Desai

Always great to be with you, Pascal.

#Pascal

Radhika, I had you in Kyoto recently, and you gave a talk about modern-day Marxism. It got me thinking a lot, actually, about how the Marxist approach to world politics relates to realism. Yesterday, I made a video about a criticism of Marxism, not of the realist school: that Marxism has trouble explaining where geopolitical competition comes from. I mean, we have about 200 countries, and they seem to compete with each other. How do you, as a Marxist, make sense of international politics?

#Radhika Desai

You know, there's a very, very deeply held prejudice within what I'd call Western Marxism. And this is important: Western Marxism is a well-established term for a tradition that goes back to the Second International but developed independently. It didn't go the way of the Third International and communism, but stayed within Western Europe. In fact, Perry Anderson, who first analyzed its main contours, called it the Marxism of defeat—the Marxism that arose out of the defeat of the revolutionary movements after the First World War. But anyway, it was the Marxism of a part of Europe that didn't make revolutions.

So anyway, there's this tradition of Marxism, and it has many, many problems, including the fact that it tends to be rather blind to imperialism. We'll come back to that. But within that tradition, there's this belief that Marxism only talks about classes, not nations. And the prejudice is that, as a consequence, Marxism is profoundly silent about politics in general and about the behavior of states. It doesn't understand states beyond saying, you know, that the state is always the state of the ruling class, and so on. Beyond that, the idea is that Marxism doesn't understand the state and therefore, by definition, doesn't understand how states interact.

Now, to me, this is profoundly mistaken. Marx is very aware, right from the beginning, that classes and nations are equally important as actors in modern society. And there are other traditions of Marxism that are deeply aware of this. Now, the other thing one has to remember is that, you know, you referred to realism. Practically every tradition in international relations—I would say every way of thinking in the modern social sciences—tends to project prejudices arising from our own society back into the past, a couple of thousand years or more. Again, we can come back to that as well. But the idea is, you know, "States always do this."

Marxism doesn't do that. Marxism says there's a way to understand every society and its particular dynamic in terms of its internal structure. So you can't apply what happens under feudalism or in antiquity to understand what happens under capitalism, because every mode of production is different. So if you want a Marxist theory of international relations, you need a Marxist theory of international relations under capitalism. You could also develop a separate one for feudalism, but that would require you to look at whatever political entities existed then and how they related to one

another. And that would be a very different political structure, as you know. You could go further back into antiquity, too, and look at, you know, Greek city-states or what have you. Fine, you can do that.

But to me, the first thing is that Marxism understands states. Marxism would say that the modern nation-state is itself a result of the advent of capitalism. If you think about it, you know, the religious wars, the Treaty of Westphalia—all of these things were actually outcomes of that. What were the religious wars? Well, Protestantism is connected with the rise of capitalism, as Weber and many others pointed out. So what you're looking at is the consolidation of a type of state that becomes necessary with the advent of capitalism. And it's interesting, you know, that Europe in particular is divided into so many political units. You look at a map of the world, and some of the tiniest political units are actually in Europe. And that itself is an imprint of the birth of capitalism, because different ruling classes want their own state.

#Pascal

So, in your understanding of Marxism, is the state itself kind of the fiefdom of the local capitalist class? How do you make sense of the state as a unit?

#Radhika Desai

Well, I guess "fiefdom" wouldn't be quite right, but the local capitalist class requires a powerful, relatively centralized state. So the early forms are absolutist states, which eventually turn into some kind of modern bourgeois state. You need that level of centralization, bureaucracy, and uniformity to create a large internal market and so on. But of course, there's another characteristic of this type of state, and that is that it necessarily spills beyond its borders. With the beginning of capitalism, you get imperialism right off the bat.

#Pascal

We need to explain this. And, you know, just so everybody understands, what fascinates me right now is that Marxism gives us an alternative way of understanding where the forces shaping global politics come from, right? And what's putting the system under stress right now? At the Kyoto conference, the one thing, the one thing we all seemed to coalesce around was that goddamn liberalism—capitalist liberalism—is a root cause, maybe the root cause, maybe just a root cause, but definitely at least one of the root causes of the problems we're facing in these times of monsters, or rather, times of morbid symptoms. That's because the liberal capitalist mode of production seems to hollow out everything that came before and gave us a structure.

Right. So in this sense, Marxism is trying to shift the focus away from just geopolitical competition—what does Trump do? What does Xi do? What does Putin do? What do the militaries do?—and toward the underlying currents that drive the system, right? So what do you think Marxism has to

offer to explain geopolitical rivalry? Because that's the big criticism from the people I talked about in my video yesterday. They say that, in theory, you know, it should be the capitalists against the working class. So workers in all 200 nations should have a reason to cooperate, overthrow the capitalists, and get the world revolution going.

And then we still have 200 nation-states, but we have them all in a union. Everybody's happy, and so on. But what we've seen is that even socialist countries went to war with each other. China and the Soviet Union had an inter-red Cold War, but we also had China invading socialist Vietnam, which had previously invaded socialist Cambodia. So what explains the fact that we still have geopolitical competition even among socialist countries? Structures, right? Hey, guys, autumn spirit is here, and we've launched our new merch. For instance, the monster from our Kyoto symposium has arrived on T-shirts, tumblers, and magnets. The little fella is really cute. Check it out! Any purchase directly helps us keep the lights on, so thanks a lot, and see you soon.

#Radhika Desai

OK, so I'll divide your question into two parts. There may be more, because you've actually asked a very big question, but there are at least two. The first is that, as I pointed out, the approach I've developed, which I'd argue is Marxist, puts imperialism at the center of how it explains what makes relations between nations tick in the era of capital and what governs their dynamics. And on that, we already have an excellent Marxist explanation. You know, if you want to explain the greatest catastrophe that hit the modern world, you have to look at the outbreak of the First World War, which to me is umbilically linked to the Second World War. I'd argue that they were a single war with a pause in between, and that pause lasted for different lengths of time depending on which part of the world you were in.

So you had this single war, and it began as a war caused by imperial competition among the major capitalist powers. Today, after all sorts of attempts to deny that, with the thesis of German guilt and so on, historians like Christopher Clark, in his book The Sleepwalkers, are basically agreeing with this Marxist explanation, which, by the way, historians like Eric Hobsbawm also accept and elaborate on. So I'd say that's what it was. Because these capitalist powers are imperialist, they compete with one another. And their competition led to this great catastrophe. As I like to point out, it was only the intervention of communist forces that brought this catastrophe to an end.

Now, I'm saying that the Soviet Union was critical to ending the war in the European theater, and Chinese communist forces were critical to ending it in the Pacific theater. So basically, a problem caused by capitalism could not be resolved by capitalism. The end of the First World War resolved nothing, so there was a Second World War, and that was brought to an end at great cost. So I think this is a very, very important point that I would insist on. Now, you asked about China, Vietnam, the Soviet Union, Cambodia, and so on. That's an absolutely important point. And I would say that, you

know, one of the things we have to bear in mind is that these countries are ruled by communist parties, but they don't call themselves communist countries. They call themselves socialist countries. They're building socialism. Okay? They're on the road to socialism.

I mean, you know, when these wars broke out in the '70s, many leftists said, "Oh, woe is us. The internationalism of the working class is gone," and so on. But to my mind, the internationalism they were talking about is really a kind of blasé form of globalism. They expected some kind of spontaneous, universal solidarity among the working masses of the world, and that would be the end of capitalism. No, it was never going to happen that way. Socialism was always going to come through revolutions in distinct, discrete countries. And as these socialist societies developed, they would build stronger and stronger ties of solidarity with one another.

And this did happen. The Soviet Union made many mistakes. Human beings are fallible, and even communist parties are fallible. They made mistakes at various points, but they did support the Chinese Revolution. The Chinese and the Russians did support Vietnam. So these forms of solidarity existed, and they were paid for in blood and treasure. Korea is another example. But mistakes were also made along the way. The end of the Soviet Union itself, you could say, was a mistake. We shouldn't expect the road to socialism to be, you know, free of mistakes and setbacks. There will be mistakes and setbacks.

The fact is that they remain nation-states. They had trouble understanding each other. Take the Sino-Soviet split, for example. It was due in large part to the fact that both the Soviet Union and China existed in a larger world that was still governed in many important ways by capitalism and its imperialist tendencies. They both opposed those forces, but they ended up taking slightly different positions in that world. So there you go. I mean, I would regard this as a great tragedy, but one that was unavoidable to some extent. You know, perhaps some things like this were bound to happen.

#Pascal

I mean, the interesting thing to me is that classical Marxism, at least the way I understand it, is not a normative theory. It's not a theory that says, you know, at the end of time, communism should happen. That's not the point. It's more like evolutionary theory, right? It says that at the end of history—to go back to Fukuyama, who had the idea that liberal democracy had ended the debate—communism must happen. The only alternative is the self-destruction of humanity. Because if you think it through, capitalism does kill itself. They'll sell us the rope we'll hang them with. That wasn't an insult. That was an actual analysis, right? So could you go into that a bit? And if we take this prediction seriously, where are we in that progression now?

#Radhika Desai

That's a very, very important and big question, and I'll try to answer it as best I can. Obviously, others may have different views. But OK, first of all, you're absolutely right about Marx. Marx's

understanding of capitalism isn't that it's a morally bad system and that we're therefore morally obliged to change it. He's saying that it's a contradictory system that can't be sustained, so it will end. And he said that communism is the real movement. So we're moving towards communism. It may not look like that. It certainly didn't look like that to many people during the First World War. You know, "My God, what is this catastrophe? Why is it happening?" and so on. But what he's saying is that that's what we're moving towards.

And in that sense, he's very much a Hegelian: he sees an inexorable march of history. But whereas Hegel saw it as a kind of march of reason, for Marx it's the inexorable development of the productive forces. That's very important, and it's a point I'd hang on to. So that's the first thing I want to say: I agree with you. The second thing goes back to your point about how we all tended to agree in Kyoto that liberalism is the problem. That tells me we're at a relatively advanced stage. We're further along in the process than one might think. Because, you see, back in the nineteenth century, when Marx and Engels wrote the Communist Manifesto in 1848, how many people would have agreed with them?

God knows, you know, hardly anyone. But today we're living in a time when everyone can agree that there's something not right about capitalism, that it's not working, that it's failing humankind. It's failing the very societies whose ruling classes still seek to inflict it on them. It's not working. And so people are up in arms. The ruling elites are still trying to preserve it in some fashion, but it's not working. And so this is very much in line with what Marx would have said. Marx would have said in 1848, "You may not agree with me now, but wait a few decades and then you'll agree with me, because things will unfold in such a way that the proof of capitalism's exhaustion will be everywhere." As it is, everybody's seeing it now.

So in that sense, too, I would say that Marx was right. So where are we today? As I've argued in various things I've written, including my book *Capitalism, Coronavirus and War*, we're at a point where the failure of capitalism—in the singular—as well as its many failures are evident to most people. If I were to republish the book or put out a new edition, I'd call it *The Failure of Capitalism*. The difficulty is that the same neoliberal period that brought capitalism to its current point of exhaustion has also so thoroughly pilloried any kind of socialism, communism, and so on that we're left without alternatives. And the only ones making political hay out of the exhaustion of capitalism are on the radical right.

#Pascal

Can we talk a little bit about modes of production? Because one of the places where we see capitalism failing is in the way unfettered capitalism, as we saw it in the West after 1989 and through the 1990s, led to financialization. The United States and Europe outsourced massive, massive amounts of production and industry to the Global South because it was cheaper and so on. And they replaced that with all these financial products, with high-stakes gambling, which I still don't think has a future. If we're looking 200 years ahead, I just can't see the stock market doing what it

does for another 200 years. It seems unfathomable to me that it could go on that long. But what I do see is that people in 200 years will still need clothes, still need food, still need stuff, right?

And then we have China. For much of the last couple of decades, we all thought, well, China is just the sweatshop of the world. Now that sweatshop is putting up high-rise buildings and producing all the amenities of the modern world. They have Chagee, a wonderful tea chain that's everywhere, like Starbucks, only much better and much cheaper. And they have this wonderful tea. I mean, they have all the niceties of modern life: high-speed trains, solar panels, electric vehicles, bridges, roads. And they produce this stuff themselves. They didn't outsource it to Bangladesh or Nepal. They produce it themselves. So can we talk about that? How does Marxist theory make sense of a state like China being able to produce all this itself, as opposed to this kind of imperialist approach of outsourcing production and just raking in the profits?

#Radhika Desai

Yeah. I think this is part of the exhaustion of capitalism. In its homelands, capitalism is exhausted in the sense that it will no longer invest productively. And, you know, I mentioned this at Kyoto. It's a very central part of my thinking. In fact, I'm going to write a book about it. Whether it'll be short or long, I don't know, but I definitely need to put something out very soon. Marx basically argued that by the time capitalism reaches the monopoly phase, it will have exhausted its historically progressive role. Because, you know, as everybody loves to say, Marx did assign capitalism a historically progressive role. I mean, one doesn't have to lionize it too much.

I think that even when Marx assigned capitalism a historically progressive role, he was very clear that it played that role by dragging humankind through the gore and mire, the blood and mud, of exploitation and anarchy. It increases society's productive capacities, but it does so in a brutal and anarchic way. So he knew that. But he said that once capitalism reaches the monopoly phase, it will no longer be historically progressive. And I've argued that we already got there in the early 20th century. And if you think about it, what we faced immediately afterward, of course, was a 30-year crisis that included the two wars and the Great Depression.

Then we had that so-called golden age, which was as golden as it was, I argue, because it was a period of reformed capitalism—heavily reformed capitalism with Keynesian welfare states and so on. And the moment the ruling classes of the capitalist countries decided in the '70s that they had a chance to break free of the obligations society had imposed on them, they did. And the result is the neoliberal capitalism we see today. We were told that we should adopt neoliberal policies because they were going to restore the productive mojo of capitalism, but nothing of the sort happened. Over the last 50 years, growth has bumped along the bottom. Productive investment has bumped along the bottom. Inequality has skyrocketed. Financialization has skyrocketed.

Deindustrialization has proceeded inexorably, leaving so many people essentially bereft of decent jobs, with only service-sector jobs left. So all of the contradictions are mounting. Meanwhile, you

know, a lot of people think that capitalism isn't creating jobs in what I call the homelands of capitalism but is creating them elsewhere. And this is a huge fallacy. It's not Western capital that's creating jobs elsewhere. It's merely outsourcing. And when you outsource, you're not investing anything. You're not investing productively. It's a capitalist in Indonesia or China or Thailand or Malaysia or Bangladesh—wherever—who's actually making the investment. They're producing the products and selling them here.

So what I'm saying is that this old Western Marxist idea of capitalism, as I say, had many problems. I've already said that Western Marxists couldn't really deal with imperialism. They also tended to see capitalism as this Promethean system that would go from height to height in developing the forces of production. But which forces of production has it really developed? You know, Robert Gordon, the American economist, who's not a Marxist by a long shot, has argued that the big productivity gains we saw under capitalism were already exhausted by the 1970s. You know, since then, productivity growth under capitalism has been very anemic.

So capitalism is not developing the forces of production anymore. And it's not just that it's high time people realized it's past its sell-by date. People are already realizing that it's past its sell-by date. I mean, there is a fair amount of anti-imperialist discourse, not least because of the shocking images of what the West and Israel are doing in Gaza. But the difficulty is that there isn't a properly socialist discourse, partly because, you know, we've pilloried socialism. We've said that the Soviet Union ended because socialism doesn't work. That's simply not true.

#Pascal

You know, I think one of the reasons we coalesced in Kyoto around this problem of liberalism is that a lot of us agree with your analysis and with that of Nel Bonilla and Ulrike Guérot: we do actually have a transatlantic liberal class whose members cooperate more with each other than they do with people in their own nation-states. And I'd just throw this out there: we don't see a transnational working class starting to cooperate across the globe, but we do see a transatlantic liberal class, at least in Europe and the United States. And we have various names for it. I especially love the name the Iranians gave us. They call it the Epstein class. It's very catchy. It's lovely, right?

Because the Epstein case is such an indefensible, grotesque example of how people in the upper strata fight and extort each other, but also cooperate and rally around each other. And then they create this kind of coercive, top-down structure where they can basically extort anyone under the sun, including Donald Trump. And then we get all these different interpretations: "Oh, is it the Israelis who are controlling the United States, or is it the U.S. using the Israelis to further its own imperialism?" There's that debate, with, let's say, Brian Berletic on one side and John Mearsheimer on the other. But we do have this idea that there's a ruling class that's essentially transnational.

And this transnationality is especially pronounced between Europe and the United States, but we also see it between the United States and some of the Gulf countries. We see it a little farther east,

too. We certainly see it down south, in South America, in how the United States controls a couple of South American countries by integrating with their elites. And that's how it pushes its influence down there. And then there are the banks, right? The banks, including the IMF and the World Bank, control what countries can and can't do through their debt-trap policies. But all of this goes back to a class, right? It puts policies in place that are good for the class, not for the individual nations. Now, from the perspective of modern Marxist theory, how do you think this fits with the predictions Marx made?

#Radhika Desai

So first of all, let me say that some of my best friends have contributed to the literature on the transnational capitalist class. I'm thinking in particular of Kees van der Pijl, who wrote The Making of the Atlantic Ruling Class back in 1984. I don't discount this work at all. I think it's very important. We should all read it. We should all understand it. And I also have no doubt that there have been attempts, particularly by the United States, to create a vassal elite, especially in Europe, but also in Japan, where you are. So perhaps you'd like to add something to that. But I don't think this has been an entirely successful experiment.

It hasn't been a fully successful project. You know, Ernest Mandel, the famous Marxist, actually wrote a book in the early '70s about how he saw the European Economic Community, as it was then, as an attempt to counter the scale of the American economy. And in many ways, that's why the euro was launched. In fact, the origins of the euro go back to the fact that the Europeans were tired of being part of the dollar system. At the very least, they resolved to take their transactions with one another out of it. So there was that. There was, of course, de Gaulle, who took France out of NATO's command structures. There was Willy Brandt and his Ostpolitik, where he said to the Americans, "Look, if you want to fight your Cold War, go ahead."

"But Eastern Europe and the Soviet Union are our neighbors, and we're going to build our own relationships with them." Soon after the end of the Cold War, there were two separate attempts by European elites, one in the 1990s and one in the 2000s, to create their own security structures and so on. It may not look like it now, because so many of the governments in power in various European capitals seem to be products of the National Endowment for Democracy and similar organizations, which have essentially created a kind of vassal class in Europe. But I wouldn't say that project has been entirely successful.

I think there's a deeper problem, and I would also say that, you know, this is part of the impasse of capitalism. Remember, I said that capitalism had already reached this phase of exhaustion, that it was already past its sell-by date in the early 20th century, on the eve of the First World War. I even wrote a short paper, very cheekily, on why Lenin was right about the highest stage of capitalism, because, you know, people pooh-pooh him. They say, "What did he mean? Look, capitalism went on to have a golden age and so on. It's still going." No, there's a completely different explanation that's possible. But anyway, to me, capitalism now has a serious problem. If it were to remain national, it

would be controlled by a larger state that it wouldn't be able to control, given that we live in an age of mass politics.

So it needs, how shall I put it, some form of extraterritorial expansionism. But given the decline of imperialism, the only remaining option is to take shelter under the American umbrella. And that umbrella is itself tattered. It's not going to give them what they need either. And by the way, the Japanese ruling class has faced the same problem. So, broadly speaking, this is the problem they face: if they accept some kind of national future, or perhaps even a European one, their options are limited. In the Japanese case, the options are even more limited because, you know, Japan is surrounded by the hostility it created 100 years ago, when it was a colonial power and so on.

So it cannot have anything like the sort of market that Europe has. But anyway, the European Union itself has not been a viable transnational project. I mean, look: the Council of Ministers remains more important than the European Commission in Brussels. The European bureaucracy is not able to act as an independent force. So when it comes to the transnational capitalist class, there's no doubt that there have been attempts to create one, especially on the part of the Americans. But whether those attempts have succeeded is another question. I mean, we shouldn't use the expression "transnational capitalist class" so glibly, even when we're applying it only to the advanced economies, you know, the homelands of capitalism.

#Pascal

Yeah, but we still need to understand somehow how it works, right? Because, I mean, at the end of the day, the whole theory is that society develops according to the way we produce things. If we didn't produce things, we would die, right? So we need a mode of production, whether it's self-sufficient agriculture or feudalism, where one group is on top and the others are basically slaves, right?

#Radhika Desai

Serfs were different from slaves, but that's fine. I'm a Marxist, so I'm going to insist on that.

#Pascal

But you have agriculture or feudalism or capitalism, and under capitalism, that's the mode of production. Or, as we now see with China and others, there's a kind of socialist arrangement where, on the one hand, you have a market economy on the ground, but you also have central planning at the top, and political power wins out over the oligarchs, let's say. In China, you don't have someone like Elon Musk, Jeff Bezos, or Jensen Huang who's very close to someone like Donald Trump, right? Or at least that's the idea. Political power actually controls the economic realm, so we have a different way of producing things and moving forward as societies.

I would actually argue that the Japanese today are closer, much closer, to China than they are to the United States, even though they're very good at pretending to be like the United States. The Japanese are masters at pretending, and they have good reasons for it and so on. It's not obvious even to them, but the economy itself is actually much closer to the Chinese model than it is to the U. S. model. And to me, that explains why the Japanese economy still runs okay. It's not great, but I mean, if you compare how things work within Japan with how they work within Europe, I'd pick Japan any day.

#Radhika Desai

Yes, Japan has the more productive economy.

#Pascal

The more productive economy, the one that's just more pragmatic about getting things done. You know, we need stuff, and we have to produce it somehow. Let's sit down and make a plan with all the stakeholders, right? And that's not necessarily what capitalism does. Capitalism says, "Okay, we' re just going to tell everybody else what we want. If we don't get it here, we'll go over there and get it cheaper. We don't give a damn what happens in ten years." There you go.

#Radhika Desai

Yeah. You know, I want to go back to that earlier question you asked about China, because I think it' s a very important question. You were contrasting the financialization and deindustrialization of Western countries with China's ability to become not just the sweatshop of the world, but the workshop of the world, and now the high-tech power of the world. It's doing all of those things. To me, one of the key points to bear in mind is that this is possible because China has a completely different financial system.

And once upon a time, Germany and Japan also had that kind of financial system. It's the sort of system Hilferding celebrated in his book Finance Capital. He said that the Second Industrial Revolution, with its high investment requirements and so on, was creating a new type of financial system. The German system was the paradigmatic example, although he said this new type of system also existed in its own way in the United States. And he explicitly contrasted the German and U.S. systems with the British system. He said the British system was completely different. It was still the old kind.

The British system provides short-term commercial credit, but beyond that, it's largely engaged in speculation, lending for unproductive purposes, predatory lending, and so on. In China, and once upon a time in Japan, Germany, and the U.S. as well, you had productive financial systems geared toward financing long-term investment. And because these banks financed long-term investment, they acquired a stake in the future of the companies they financed. So they essentially became

planners of industry, right? That's something Marx points to and Hilferding develops further in his book, which many people in those days referred to as the fourth volume of Capital.

And Lenin develops this further in his much, much misunderstood pamphlet, Imperialism, the Highest Stage of Capitalism. There are some wonderful passages where he talks about how these banks don't just employ financiers and people who look up interest rate tables and so on. They employ engineers, planners, and so on. And this is what Hilferding was referring to when he said that all you had to do to arrive at socialism in Germany was nationalize the six large Berlin banks. And a lot of people make fun of him. You know, do you think that if we nationalize Goldman Sachs, we'll get any closer to the productive apparatus? But remember, he was talking about six large Berlin banks, not six large London banks. Those would have been two totally different statements.

So the Berlin banks were like that. The London banks were not like that. And today's American banks are not like that either. Now, I've done a fair bit of reading about China's financial system. And every time Westerners write about it, they write about it as though, you know, it has yet to come out of the cave of its childhood, so to speak, and really develop into the kind of proper, sophisticated financial system that the United States has. And I'm like, thank God it refuses to develop in that direction, because were it to do so, China would stop being the workshop of the world. It would stop being the high-tech power it is today, and so on. It's this financial system that allows China to expand its productive capacity.

#Pascal

You know, there's this thesis, and I definitely need to talk to Werner. What's his name? The economist who wrote about Japan's decade of stagnation. His last name is Werner.

#Radhika Desai

Werner.

#Pascal

I don't know this person. I'll look him up, and I definitely need to talk to him. But one of the key points of his thesis is that Deng Xiaoping went to Japan and actually asked them, "So how did you achieve your miracle after the Second World War? How did you recover so quickly?" And the main answer was, "You need a lot of little banks. You need a lot of lenders, not just one stable lender. You need a lot of little ones that provide the credit that fuels your economy. And those banks need to be small and local, because that's where people know how things work."

And if I think about the banking system in Switzerland, on the one hand, you have UBS, which engages in all the same nefarious schemes as the others, especially through its investment arm. But on the other hand, you have a lot of small local banks that lend money for housing and also to local

industries. And that's really what keeps a lot of stuff afloat, what sustains the country's productive capacity. And not many people know this, but Switzerland still produces trains.

#Radhika Desai

Yeah, you're thinking of Richard Werner, by the way. "Princes of the Yen." Yeah.

#Pascal

"Princes of the Yen." That's a very, very important book. He's very close to modern monetary theory because his thesis is that it's the local banks that create money, not the central bank. Local banks create the money supply through lending. That's a key part of how productive economies work.

#Radhika Desai

Okay, so first of all, there's the question of whether you need a lot of small local banks, like the Landesbanken in Germany, for example, or something like what Japan had. Japan had these big zaibatsu, and every big zaibatsu had its own bank.

#Pascal

Yeah, but they were basically like industrial banks, right?

#Radhika Desai

And they were capable of lending for long-term investment. This is the key. That was their function. They literally belonged to the productive enterprise. Okay, but that's not the point. The point is what the lending is geared toward. Until the 1970s and '80s, in practically every country, you had financial regulations that kept the banking system geared toward productive lending. The U.S., for example, had one of the most heavily regulated banking systems ever, thanks to Depression-era regulations. If you were protected by the Federal Deposit Insurance Corporation, you were essentially told, you know, what interest rate to charge when you lent money.

You were told what interest rate to pay when you borrowed and what you could invest in. I mean, all these things were laid down. And if you were going to speculate in asset markets, you wouldn't get the protection of the Federal Deposit Insurance Corporation. So these were the so-called investment banks. They were small banks. They speculated on their own dime, without that protection. Fair enough.

#Pascal

All of that also went on in the United States before the U.S. got rid of Glass-Steagall, right?

#Radhika Desai

Well, there was already a history of deregulation, and the repeal of Glass-Steagall was the culmination of that. The trend toward deregulation had already set in by the 1980s. You see, the whole system of regulation had become unsustainable in the face of the inflation that emerged in the 1970s. And as you know, inflation was very high, so a lot of regulations had to change. But instead of adapting the regulatory system to the new environment while keeping regulations in place, they essentially ended up deregulating bit by bit. So one by one, they got rid of various Depression-era restrictions, and the final step was the repeal of Glass-Steagall.

#Pascal

I'm sorry, we're coming up on the last ten minutes. Originally, I wanted to talk about how to marry Marxism and realism. We're far away from that. We're far away from that. But the analysis is so important. So, in a sense, if we look at it through a capitalist or a communist framework, we've reached a point where capitalism is starting to take itself apart, right? Because these regulations were really important for keeping the mode of production running, for keeping all this going.

Had all these regulations stayed in place and had the United States remained a great power able to produce its own stuff, it might still be able to produce enough of the implements of war you need to dominate the world—Patriots and whatnot. But they lost that capacity. The military-industrial complex is still there, but I think a lot of us would agree that it's much weaker today than it was in the 1960s, '70s, and '80s. It got undermined. It got sold out. Rare earths come from China today, and nobody realized that. And that's just one example of the many things that undermine the United States' production capacity and its ability to generate the power it needs to project abroad. Where does this leave us? Where do you think it leaves us?

#Radhika Desai

Yeah, I accept your point that Japan may be in a slightly better position than either the U.S. or Western Europe. Fine, I won't quibble with that. I get that sense, too, when I go there and when I read about it, for sure. But the reason capitalism is at this impasse in the United States and, for that matter, in all the major capitalist countries is that monopoly capital doesn't have the same dynamic as competitive capital. That's basically what Marx was talking about. And as a consequence, capital doesn't have to compete.

So what capital does is use its monopoly position to generate rentier incomes and so on. And a lot of people have reacted by saying, "We're no longer living under capitalism. This is feudalism." And I say, "No, don't say that, because that lets capitalism off the hook." This is what senile monopoly capitalism looks like, folks. And if you say this is feudalism, you're going to have us all trying to create some kind of ideal capitalism. It doesn't exist. It won't exist. And here's what's interesting: We all hate monopolies, but for a lot of forms of production, you need the large scale we've reached.

So the point is not to get rid of this large scale of production. You know, that would be historically regressive. It would set back the forces of production. So I think we need these big monopolies. What we need to do is bring them under public control. That's what needs to happen. So much production today is most efficient on a large scale. So there's no point in allowing a small number of private interests to generate rentier incomes from it. It simply has to become a public utility. Let me make a very simple point: Amazon should be a public utility.

#Pascal

You know, we agree that some things are so basic that we have to make sure they're provided: education, health care, energy, electricity, water supply. And take railways, right? It's just too big a job for one company to take on. You need a national effort to do it, but once you have a rail network, everybody benefits from it. And the Chinese will tell you that, the Japanese will tell you that, and the Europeans will tell you that. The Europeans actually have a pretty decent rail network, even though the trains don't always run on time. But they do have the network, compared to the Americans. So you actually do need that. The question is how to build it in a way that doesn't undermine itself. And that brings me back to where you started.

The question then is: Is the current system geared toward doing that or not? And I think our answer in Kyoto was no, it isn't. Liberalism doesn't actually lead to that end. But Marx said, "Look, here we' ve got a theory, and this one will lead to that end, not because it should, but because it must." Yes.

#Radhika Desai

And in fact, when I read the FT—which, unfortunately, I read every day, although I'm getting more and more irritated with it—there's always some story or other about how you shouldn't tax capital. They talk as if we still lived in an age when capitalism was competitive and dynamic, producing growth, investment, jobs, and so on. And against all the evidence, they still defend capitalism on those terms. So even though fiscal pressures are mounting, their line is always, "Don't tax capital, don't tax the rich," and so on. You know, "Don't tax foreign capital," and so on.

#Pascal

Oh, the poor rich people. I mean, I'm heartbroken. How can they pay so much in taxes when they already have so much income? The funny thing is, once you get money, you do start thinking in those terms, right? How do I hide it, and where? And then, of course, the liberal answer is, "Oh, but then the money will just move abroad," and so on. And that's where national jurisdictions come into play again, right? You can hide your money in other places. But that goes beyond what we wanted to discuss.

We haven't even touched on the realist part of all this yet, but hopefully we'll get to it in future episodes. Radhika, you're of course the host of Radhika Desai, Geopolitical Economist. You have a

day job teaching at the University of Manitoba, and in your spare time you do all these wonderful analyses with some very, very good guests. I'd encourage everyone to subscribe to Radhika Desai, Geopolitical Economist. It's a wonderful channel, and Radhika always introduces us to wonderful people. Where else should people go to find you?

#Radhika Desai

Oh, there's my website, radhikadesai.com. In the coming week or so, we'll be launching a new version at the same address, so please check it out. I'm also on Substack, Patreon, and so on.

#Pascal

And as I said at the conference, you know, modern Marxism and Maoism are actually quite cool and interesting. And Radhika is definitely at the forefront of this whole development. And we all agree that we want it to be peaceful. We want it to be an evolution of the current system. We don't want to burn all our bridges and kill many, many people. We want the opposite. So do follow Radhika and see what she has to offer. Radhika, thank you so much for your time.

#Radhika Desai

Thank you so much, Pascal.