

## Keiser Report, “[The Beginning of the End of Super Imperialism in 2020?](#)” Episode 1483. January 2, 2020

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-Michael Hudson (president of The Institute for the Study of Long-Term Economic Trends, Professor of Economics, University of Missouri), *The Keiser Report*, 07:35~, January 1, 2020

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<https://youtu.be/RXV5zX3cSd0> (video with English subtitles)

Max Keiser (MK): Hey, welcome to the Kaiser Report, the first episode of 2020. Stacy Herbert and I are going to have some really special guests. With us right now is Dr. Michael Hudson. Dr. Michael Hudson, welcome.

Michael Hudson (MH): Good to be here.

5 MK: I was just curious. I had this crazy image a moment ago. Back in the 1970s there was a movie called *Death Wish* with Charles Bronson. Do you remember that?

MH: I remember that. There was a sequel and a sequel to that.

10 MK: Right. Now we could do a remake where you’re the star. You play the Charles Bronson role and it’s called *Debt Wish*, and you’re a vigilante banker economist that goes around New York blowing away bad debt. What do you think?

MH: I love it.

MK: OK. I will set that up.

Stacey Herbert (SH): Do you think you’re ready to do that in 2020?

MH: I would be a very good Secretary of the Treasury. That’s exactly what I would do.

15 MK: OK. Fantastic. I’m not sure that’s what we were talking about.

MH: I’m throwing my hat into the ring.

20 SH: Actually, we have elections coming up here in this year 2020, and you are, of course, part of our epic new series *Front Running*. So if you were made Treasury Secretary in 2020, what would you do this year 2020? I guess you would come into office 2021, in January 2021. What would be the first thing you did to fix this economy?

MH: I'd have to sit down with the Attorney General and say, "We're really going to apply the law," and of course if you applied the law, a lot of bankers would find themselves in jail.

MK: You'd apply the law of *Debt Wish*. You're the Charles Bronson of economists.

25 MH: Right. I'd begin to unwind the quantitative easing, let the interest rates rise again, and that would leave a lot of banks pretty naked, and we would have some wonderful public banks. Citibank would be a public bank, and Chase.

MK: Let interest rates rise.

30 MH: And public banks wouldn't make loans for the stock market and speculation, and for corporate takeovers. We'd make loans to actually go into the economy, and I would oversee a rebuilding of America's infrastructure.

MK: Two questions. I'm reading some northern European economists, I forget which, either it's in Finland or Sweden, but there's a school of thought that believes in a natural rate of interest, which is roughly four to five percent. Do you believe that there is a natural rate of interest?

35 MH: There has never been a natural rate of interest. All rates of interest for the last five thousand years have been administered rates. Any rate is an administered rate.

MK: But is there a sweet spot for rates that they would hew toward, if left alone and not interfered with by central banks?

40 MH: If you believe in circular reasoning, you believe in a natural rate of interest, but it's all circular reasoning in the idea that somehow without government intervention, if an economy could work without a government, somehow the private sector would equalize everything. But that's never happened in history.

MK: Right.

MH: So this is all neoliberal Austrian-school fantasy.

45 MK: You know you've reached your flow in this remaking of *Death Wish*. You're the vigilante and I'm the Austrian economist. We meet on 42nd Street. Do you blow me away with your 45 Magnum debt equalizer, or do we have a discussion about this?

50 MH: I say there is a basic principle of debt that a debt is only valid if the debtor can repay it, but if a lender makes a loan without any idea of how the debtor can repay it, then the loan is considered a fraudulent loan. So I would define fraud and begin a large debt write-down. Also, as Secretary of the Treasury, I would be in charge of tax policy, and I'd minimize housing prices. I'd roll them back down by basically taxing the capital gains of land so their land value gains... if you taxed the speculative gains in land, the unearned income, not the building, but the land, nobody could borrow from the banks to inflate housing prices. So I'd end the asset price inflation of real estate. I'd end the asset price inflation of corporations, and basically restructure the economy in a way that it could afford to handle good debts.  
55 And I'd get rid of the bad debts.

SH: Most people actually out there watching now would believe, because of propaganda pushed on cable news and by politicians, that if you did your first order of business as US Treasury Secretary of arresting bankers and charging them for their crimes, it would crash the economy. And the reason they think that would happen is because they believe, I think you'll probably say falsely, that bankers lend to businesses,

60 and help entrepreneurs, and help the startup economy, but what they perhaps don't realize is that up to 85 percent of all bank lending is actually property speculation.

MH: That's right. It's the bankers that have already crashed the economy since 2008. That's why the economy has not grown in 12 years—because the banks have been bailed out, not the real economy, so I would put the real economy first—Main Street not Wall Street. That's simple. And by applying the law,  
65 all you would do would be to roll back the immense amount of capital gains—stock market, and bond market gains that have been made in the in the last 12 years without the bankers doing anything at all. It's all been created by the government.

MK: You understand how banks work. You understand how the Fed works, how the Treasury works. Is it possible for a policy to be enacted that selectively raises only the margin rate; that is, the rate that  
70 speculators use to borrow to speculate with? In other words you wouldn't change the discount rate. You wouldn't change the prime rate. You're only raising the margin rate which would apply to speculators. Can you selectively just raise that rate as a way to taper speculation?

MH: This proposal has been made for the last 60 years. Since I was in school it has been made. Of course you can have differential rates and differential reserve requirements. You want to minimize unproductive  
75 lending. You want to minimize take-over lending, speculative lending, derivatives gambles, and begin lending to the real economy, to real investment. But as Stacey just said, that's not what banks do. What the textbooks say happens is not at all what banks do, and certainly not what I experienced.

MK: When Leon Cooper, a hedge fund manager, or Warren Buffett goes on CNBC, they literally cry. Their tears are flowing every time it's suggested that they start to obey the law or they start to get rid of  
80 their speculative excesses that are undermining the economy. Shouldn't the response to that from the Democrats or whomever be to raise the margin rate, just raise the cost of ... in other words, if you're at the casino and the casino is going bankrupt, they won't willfully go bankrupt. If these gamblers are willfully bankrupting America, the casino has the good sense of raising the win ratio on the slot machines. They don't willfully go out of business. Can't we raise the win rate on the speculators by raising just the  
85 margin rate to 5% or 10%?

MH: Of course. That's a very good idea. I'm all for it. Every market is structured and managed. Every economy is a planned economy. The question is: who's going to do it? Right now, instead of the government planning the economy, you have Wall Street planning the economy, and that's more centralized than government planning. That's what people don't realize.

90 SH: When did you get your PhD in economics?

MH: 1968.

SH: So 68, of course that's when we began the process of going off the gold standard, essentially, as we were sending too much gold overseas financing the war in Vietnam, and we had our trade deficit with France and the UK whatever... but I want to ask you how radical, compared to the rest of economic  
95 history that you had learned, was that 1971 moment of having all just global fiat. There had always been some sort of gold standard, or some sort of more solid universal standard. Right now it feels like only the USA exclusively knows how much they're printing, what they have, how much they're going to pay back, what the quality of the debt is. How radical was that moment, and what have been the consequences?

100 MH: It was radical in the sense that no country had ever said they would go to war over what kind of international financial system we would have, but once the United States went off gold, it threatened

Saudi Arabia, for instance, that we would go to war if Saudi Arabia didn't recycle all of its oil revenues back to the United States. I went to the White House and I had a discussion about that, and it was radical in the sense that nobody knew that going off gold would enable America to have an entirely new kind of imperialism without paying in gold when we ran a balance of payments deficit, which was a military deficit. There's nothing that we could give other countries but government IOUs, and it was radical because the larger the balance of payments deficit we ran, the more these dollars went into foreign central banks. And they would use them to buy US Treasury Bonds to fund the domestic budget deficit.

MK: Here's another question. Look, here's a \$20 bill, right? Every bill—there are billions and billions that are printed—has a serial number. Why can't these the serial numbers be published so the public can see exactly where they're all going? In other words, they're going to fly pallets of billions into Iraq, unaccountable, completely no oversight for reasons we have no idea about. That's unacceptable. If you want fiat money, you don't want gold, you just want paper money backed by nonsense. OK, that's what you want to do, but we should be able to see that number. At least with Bitcoin I know exactly where every transaction is at every single moment of every single day for the rest of eternity, but why can't we publish that number so we can see where they're sending these dollars?

MH: You have a pretty good idea from the Federal Reserve and the Treasury Bulletin publishing the currency denominations, and by far the largest mass of currency is hundred-dollar bills held outside of the United States. The hundred-dollar bills are the medium of choice for Latin American drug dealers and CIA dirty-tricks operations for al-Qaeda.

MK: Let me ask you this. You've been around a long time. How come the CIA is so bad at coups these days? The CIA used to do coups in Latin America all the time, and they were pretty good at it. These days they don't seem to be able to even stage a coup anymore. They screwed up in Venezuela. They can't even do a coup in America, their home turf. They've been trying to do a coup against Trump now for a few years. They've failed. How come they're so bad at coups, the CIA?

MH: You had Hillary doing a coup in Honduras. That was the last major coup. The CIA coordinated a coup in Brazil to put the elected president in jail.

SH: How many times did they try to kill Fidel Castro? I think they tried to kill him 128 times. Something like that.

MH: You have to realize that the CIA grew out of the OSS—"Oh So Social." The CIA is run by very rich little kids that are playing a game, and it's very hard to have spoiled rich kids try to run the world when they really have not had to work in it, or ever get by by themselves.

MK: The Episcopalians, those are my peeps: "We run the CIA. That's our power base. You can have everything else."

SH: So if you were going to be Treasury Secretary of the United States of America, perhaps by 2021 next year, by this time next year you could be getting ready for office. What about the candidates that we've had over the last two years? Many of them dropped out. Who would you want to serve under? Which candidate had the best policy to fight?

MH: Obviously, Bernie, and he'd probably put my former department chairman, Stephanie Kelton, as head of the Federal Reserve, and so we'd work just fine together like we did it UMKC.

MK: Modern Monetary Theory, which is a whole topic unto itself, is fascinating stuff, but we've got to take a break. When we come back we'll pick it up from there, all right? Don't go away... Welcome back

to the Keiser Report, first show of the new year. Welcome to 2020. Here's an update on the *Debt Wish* project, the remake of *Death Wish*, with Dr. Michael Hudson playing the role of Charles Bronson. During the break I contacted Abel Ferrara. He was the director of such classics as *Bad Lieutenant*. He's agreed to come on. He's now attached to the project. I've also agreed to appear in the film. It should be out sometime in early 2021. Stacey?

SH: Well, I've enjoyed spending the first few minutes of 2020 with Dr. Michael Hudson, but I had an idea here that if you're Treasury Secretary next year, which means of course that the hashtag to elect you somehow got through the filters in Silicon Valley, and it made me think of California, which is the largest economy in the United States. It is where I guess innovation happens. A lot of crime innovation happens here in New York, but out in California, what is wrong with that state? It's the most liberal, with the most so-called progressive social justice warriors. They love to think of ideas to control the rest of the world, of how they should live, and yet when you look at that economy, which is the biggest in the US, it's a disaster zone. You have mass homelessness. Their infrastructure is collapsing. They have half the state incarcerated for life for stealing pizzas. So what would you do? What is wrong with California? It's the biggest state in your economy, in your control right now, what would you do to fix it?

MH: California's problems stem basically from Proposition 13, which was passed almost half a century ago, to say we will not raise taxes on any property owned by anybody. We will only raise taxes once they sell, so taxes remain very minimal on masses of property there. The pretense was that this was to help homeowners stay in their homes and not be forced out as they reached retirement age, with house inflation going up and the tax inflation going up. The reality was this was all propaganda by the large commercial real estate interests. So commercial real estate—obviously the same corporations have owned them for the last 50 years, and the commercial real estate doesn't have to pay a tax.

Almost all states and municipalities in the United States have based their local spending on the real estate tax. That's how America has functioned for 200 years, but California doesn't have that tax. So the Californians have voted... if you look at what economists call revealed preference, what do they prefer? Californians want to be poor. They want to be homeless. This is their democratic choice. They want the real estate people to run the state. They want the rich people to be untaxed and only the employees to pay tax. They don't want free education. They voted against that. They want a very expensive education so that they have to go out of state. They think that that will encourage the children to have another experience in the more civilized part of the country. So California has really voted for suicide, and it's largely because of the real estate in Proposition 13, and the enormous amount of propaganda that went into electing Ronald Reagan, who basically wanted to make wealth the old-fashioned way, to take the public sector and give it to the campaign contributors to loot. So California's been looted steadily. It's like the gold rush all over again. It has been the result of neoliberal policies in California.

MK: What you're describing there is cognitive dissonance, right? People don't associate Prop 13 with the fact that they have no money to supply adequate infrastructure, and to combat homelessness, and provide basic services. Where in economics does one factor in cognitive dissonance? In other words, in the last 10 to 15 years, we've had the growth of behavioral economics, and this is an attempt to somehow quantify and monetize our mass behavior, and to understand how that impacts the economy, and then to enact policies to mitigate that risk. Do you follow that school at all? Do you have any thoughts on that? Is it something that needs to be put more aggressively into the policy mix in a state like California?

MH: The role of economic education is to create positive dissonance. It really should be taught in the literature department as part of science fiction because it teaches about a parallel universe, of how a universe would run if Austrians of the nineteenth century had designed it, or if Milton Friedman in the

Chicago School designed an economy without a government, without regulation, without crime, where everybody behaved rationally in a way to create wealth. Of course, this is what the Romans believed in their legal system, and we all know how that ended up.

190 MK: Let me give you an example. Cognitive dissonance is baked into the cake. You have this disassociation with Prop 13: “I don’t understand why there’s so many homeless people here,” while their government is bankrupt, but what about... Here’s LA: the movie industry wouldn’t exist and the technology industry wouldn’t exist without government, without taxes. None of those billionaires would exist, but once they acquire their wealth, they have what we used to call on Wall Street a “god complex,”

195 MH: The Greeks called it *pleonexia*, wealth addiction.

MK: We were just in Detroit, and in Detroit a wealthy company in the lending business plunked down billions, bought a hundred buildings in downtown Detroit and completely fixed them up, and there are no homeless people on the street. And they’ve made it into a model city because one company, one corporation thought, “You know what? We actually want to do something for our community.” They’re  
200 from that area. They plowed it back into the community. How come Detroit is not held up as a model for other cities to follow? In other words, get the corporation’s to clean up their own backyard. Trump is right when he criticizes Nancy Pelosi. He says you’re here in Washington harassing me. You should be back in San Francisco cleaning up the fecal matter from the streets.

MH: If most of the wealth in the United States is from real estate, it doesn’t sound like Detroit has an easy  
205 way to make billionaires who make rents in their sleep, as they do in California. So this is exactly what California’s been fighting against ever since the 1930s when there was the great campaign for governor with Upton Sinclair who ran for governor on basically a real estate ticket. He was a follower of Henry George, and he realized that the precondition for being governor of California was not understanding how the economy worked.

210 MK: Author of *The Jungle*, Upton Sinclair, who came up with the phrase “Never trust a guy whose salary depends on him lying.”\* I paraphrase.

SH: He was like the Jimmy McMillan of the age, saying that the rent is too damn high. Los Angeles basically exists and is so wealthy—the Hollywood industry—thanks to the US State Department enforcing intellectual property law around the world and forcing other nations to respect perpetual  
215 copyright. Silicon Valley, and San Francisco is similar, but Silicon Valley also has the added benefit of massive amounts of DARPA money. The Department of Defense pours money in there for them to develop technology for the military weaponry. And in fact in the 2020 budget that was significantly increased as we pivot towards more cyber war, AI war, and outer space war. We’re in 2020, the election year. You’re not yet Treasury Secretary, but...

220 MH: Wait. Remember what happened right after World War II in Los Angeles. General Motors and the other car companies bought up the public transportation system and closed it down so everybody would have to have cars and move out to the suburbs. So it was a created... It was a planned economy, planned by the oil companies, by the banks and by the real-estate interests. You should think of California as being centrally planned by the military industrial complex, the real-estate interests, and the intellectual  
225 property rights interests at Walt Disney and other studios.

MK: Walt Disney, of course. Let’s ask about this global insurrection of banker occupation that we talk about here. There are uprisings in Chile, Lebanon, all over the world against corruption, basically against neoliberal policy. So it’s like Reagan-and-Thatcher was introduced in that era in the early 80s. Is it now

230 the end of that era? Are we at the end of the Reagan-Thatcher neoliberal era that was started in the early 80s?

MH: I would love to believe that, and that's what I'm trying to bring about. And that's what your show is trying to bring about. We're trying to get over the cognitive dissonance and pierce the shell of the pretense that a free market is not a free market for criminals, not a free market for fraud, not the kind of free market that Alan Greenspan believed in until suddenly he woke up much to his surprise and said,  
235 "Good heavens! There's gambling going on here."

MK: That's amazing. He had that foxhole conversion, seeing the mess he'd created.

SH: But aside from the outright criminality and fraud there, essentially neoliberalism has worked for a large part of the population, I would say for the Boomers. Essentially, we've had a pyramid scheme, and it's mostly based on property, but they were first in, so isn't it naturally going to end, even if it's not  
240 outright fraud, by the new population of younger people who are saying, "Dudes, I can't live. I can't afford an education, health care, property—nothing!"

MH: What you describe is happening to the young people in America. It is what's happening to the young people in Greece. They emigrate, but Americans don't have anywhere to emigrate to because they don't speak foreign languages.

245 SH: But they're not allowed to because you can't because of the new laws whereby banks overseas won't open any bank accounts for US citizens. Otherwise, the owners of the banks and the executives at the bank face thirty years in prison.

MK: Here you'd agree with Stacey, though, that this pyramid scheme needs new suckers and we're out of the new suckers. Millennials and Gen Z don't have enough even to get on the pyramid scheme ladder.

250 MH: That's right.

MK: And they can't emigrate, you're saying.

MH: That's right.

MK: So they say, "I'm just going to stay here and do what?"

SH: Rise up!

255 MH: There's no other solution, but how do you do that if you only have two parties that are the same party with the same donor class? There has to be a political revolution in order to have an economic revolution. How are you going to have that? That's what we're really talking about, and what I guess your shows throughout 2020 are going to be about.

260 SH: Economists at Moody's, Yale University Economics Department, they all say the economic data suggests that in fact Trump is going to win again based on the data.

MH: I don't have the data, but I can see that Trump's going to win again because the Democratic Party have a problem. Who can they nominate that is so weak that he's guaranteed to lose to Trump? Because the Democratic candidate really is Trump! He has their policy, and the advantage of having Trump is that not only does he follow the Democratic neoliberal policy, but the Democrats can say, "That's not us," so  
265 they can say, "It's not our homicide of the economy."

MK: Clinton and Tony Blair in the UK invented the Third Way, to leave left-wing policies, to be in the middle or centrists, but we've learned that actually centrism is right-wing.

270 MH: To be a centrist means you don't change the system. You don't change the dynamic, and if the economy is polarizing... Every economy polarizes between debtors and creditors. A centrist position means you let the creditors control the economy and impoverish the debtors, and that's basically the policy of both parties. So I would anticipate the next four years are going to be another four years of pro-Wall Street Trump policy because the Democrats are throwing the election. It's like throwing a fight because they've made their bets on the other side.

275 MK: A lot of people like to quote Ben Franklin as saying "What kind of government do you have? A republic, if you can keep it." I like to think of Ben Franklin's famous quote "A penny saved is a penny earned."

MH: But that's not how you make savings these days. You don't earn your savings...

MK: I'm cutting you off right there and that's it. Thanks for being on this special Happy New Year show, Dr. Michael Hudson.

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*"It is difficult to get a man to understand something when his salary depends on him **not** understanding it."*