

China builds global alternative as US-led financial order decays

An analysis of how China is building a global economic alternative, while the US-led neoliberal financial order decays.

By Radhika Desai, Michael Hudson and Mick Dunford

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https://www.youtube.com/watch?v=nP_o-Hk8KmM



To analyze how China is building a global alternative as the US-led neoliberal financial order decays, political economists Radhika Desai and Michael Hudson are joined by economic geographer Mick Dunford.

RADHIKA DESAI: Hello and welcome to the 10th Geopolitical Economy Hour, the fortnightly show in which we discuss the political and geopolitical economy of our times. I'm Radhika Desai.

MICHAEL HUDSON: And I'm Michael Hudson.

RADHIKA DESAI: And as last time, we have once again with us today, Professor Mick Dunford, professor emeritus at Sussex University and visiting scholar at the Chinese Academy of Sciences.

Mick is based in Beijing and his work focuses on world development, especially in Eurasia and China. And as you know from the last episode, Mick is here to help us discuss the political and geopolitical economy of the conflict over Ukraine.

Last time we discussed the political and geopolitical economy of the conflict vis-a-vis Ukraine, Russia, and Europe. And in this episode, we would like to discuss the same thing, but in relation to the United States, China, and the rest of the world.

So I'll maybe just start us off on the US by essentially pointing out that, when people do take a critical view of what's going on and look at the economic aspects of the war, the main thing they focus on is the arms industry and the profits being made by the arms industry.

And there's absolutely no doubt in my mind that American arms manufacturers, the military-industrial complex in the United States, is absolutely jubilant over this war. They are making profits hand over fist.

Not only are arms orders going to increase as a direct result of the conflict with the United States supplying arms to Ukraine and then seeking to replenish its stock of arms. So that was already happening.

And in the last US budget, as you saw, the military budget was massively increased, because in addition to the conflict over Ukraine, it is generally believed, or it was the grounds were given, that in fact, we can now expect ever greater conflict, ever greater security, uncertainty, and therefore more money needs to be spent on arms.

So there's absolutely no doubt that this is what's going on.

And there's also absolutely no doubt that the sort of industries that we were talking about in the last episode, industries that rely on the enforcement of intellectual property rights, etc., are also happy about the conflict over Ukraine, because it's really about imposing Western and US imperialism on the rest of the world, which includes, of course, the enforcement of intellectual property rights.

So they are happy. But it is also very clear that there are sections of US business that are not particularly happy about the conflict that relied on trade, both certainly with China, but also with Russia.

And they look at the prospect of breaking these relations with increasing apprehension. So there are divisions within the United States as well.

MICHAEL HUDSON: Well, we ended the last episode by talking about how neoliberalism is basically a rentier economy.

And the point that you just raised Radhika is, if the US is a neoliberal rentier economy, and if Europe is following the US lead, how on earth can the West expect to keep pace with Eurasia and the global majority that is now trying to industrialize and raise its own living standards, and in fact is forced to industrialize and raise its own living standards by the US sanctioning of their economy, which is forcing them to go it alone?

Well, a lot of pacifists and opponents of the Ukraine war in the United States, like Medea Benjamin, have said that — Well, there's really nothing to worry about China. We don't have to be an enemy of China because other countries are bound to grow. And of course, the United States will lose its relative position as other countries begin to grow also.

— And we can have a happily growing world economy together and American absolute power and absolute economic strength can continue to increase. We don't need war.

Well, I think, Radhika, you're in our position as, yes, they do need war, absolutely, because the United States is declining in absolute terms, because what it calls GDP is largely financial services.

As we've said before on this show, when banks increase their late fees to credit card holders, and late fees are now over a trillion dollars, more than credit card companies get in interest, all that is added to GDP.

When American real estate prices have been going up in the last few months of the year, the homeowners' imputed value of their homes, if they were to rent their homes to themselves, has been going up, increasing GDP. That's 7% of GDP.

So what we call GDP here is really a rentier economy that is polarizing between the finance, insurance, and real estate (FIRE) sector and the rest of the economy.

Well, the fact is that the US actually cannot catch up with the productivity that Mick's chart has shown with China and Russia, because we've reached the limit to the growth.



And the limit to the US growth right now is not yet environmental, is not yet global warming. When there is hurricane damage, all that rebuilding is considered an increase in GDP. It's not environmental pollution. It's debt pollution.

It's the fact that the economy is so highly indebted that the wage earners cannot afford to increase their consumption as long as they've had to increase their mortgage debt, their credit card debt, and their auto debt.

The US has reached the limit of its ability to grow without essentially doing a mixed economy and a debt write-down. And somehow you've got to free the economy from the rentier sector, from the savers, that their savings are the debts of the 99%.

And you have the US and NATO increase in military spending, forcing cutbacks in social programs in order to get the balanced budget that the Republicans are advocating and that President Biden has long advocated.

So what you're having is the US simply is not growing, and the only way that it can somehow survive by letting the 1% increase its wealth at the rate at which it's accustomed to is what you mentioned, Radhika, intellectual property.

By monopolizing information technology, by monopolizing pharmaceuticals, by monopolizing technologies and military industrial weapons and charging huge economic rents, far in excess of the value of the cost of production, in order to get a free lunch.

The only way that the United States can grow is by increasing the free lunch, and that means economic shrinkage for the economy as a whole. That's what really underlies the splitting of the world that we're seeing that is just beginning with the Ukraine fighting.

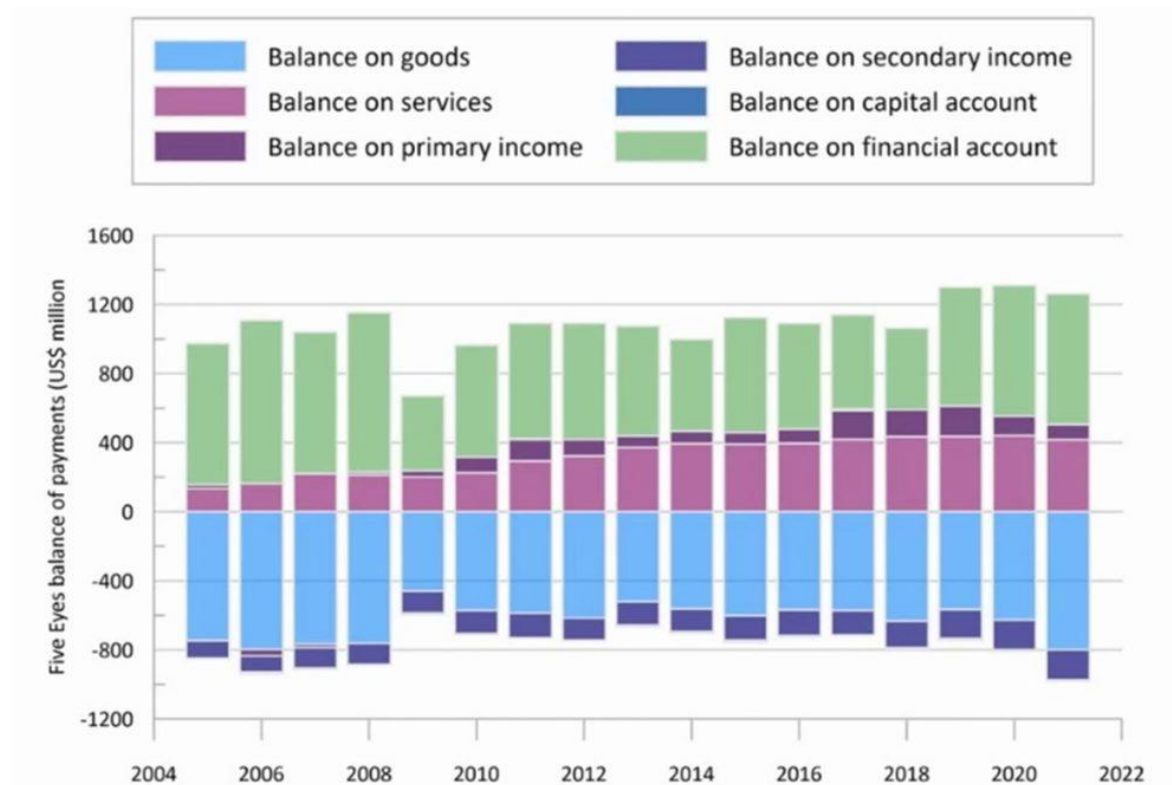
MICK DUNFORD: Okay, I mean, Radhika mentioned the important point that the military-industrial complex accounts for a significant share of the US economy, and emphasized the way it generates profits for US capital.

But it's also quite important to note that the products of the military-industrial complex do not enter into subsequent accumulation in the way in which other capital goods do, nor do they enter into workers' consumption.

So in a sense, there's a way in which a vast military-industrial complex is devoting a huge volume of resources to activities that do not contribute significantly to human welfare.

The point I want to make, however, is that this US global role requires a huge volume of resources. And the US essentially spends much more than it earns – much, much more than it earns.

Now, this is a [graph] that just depicts the balance of payments of the Five Eyes. So the United States, but also Great Britain, figure prominently in shaping these numbers [along with Australia, Canada, and New Zealand].



And what's very, very striking, first of all, is that these countries have very substantial trade deficits in real commodities. So they are very dependent upon real goods manufactured in other parts of the world, a sustained, large trade deficit.

At present, they generally have surpluses in services, because, in part, of the role of the US dollar and of other European currencies in the international financial system, and the way in which insurance and all sorts of other activities are connected with that role.

But of course, there are roles that depend on the continuing role of the dollar in the international system. But really, to offset this gap between what these countries can sell abroad by way of goods and services and their own imports of goods and services, they require a large net inflow of financial resources.

And these financial resources derive from a number of different sources. They derive in part from the fact that the United States produces dollars and other countries have to hold dollars in order to finance their international trade activities.

So they do not use these dollars in order to purchase goods in return from the United States, for example.

They also arise because surplus countries use their surpluses to purchase US Treasury bills at very low rates of interest. So that provides the US with a debt privilege that no other country in the world possesses.

Extraordinarily, Alan Greenspan said “the United States can pay any debt it has because we can always print money”.

The US also imposes or seeks to impose a kind of opening up of markets, privatization, so that it can use dollars to acquire assets throughout the world to generate income streams that can offset its trade deficit.

So in a sense it benefits enormously from a post-Bretton Woods system, which effectively allows the United States to behave as if it has a credit card with no repayment date and no limit on what it spends.

But it is a world which is changing. And I think it's a change that poses an enormous challenge for the United States.

RADHIKA DESAI: Right. So, first of all, Mick, this is absolutely critical. And of course, as you likely know, these privileges that you have rightly pointed to, which the US has hitherto enjoyed, are also in danger of disappearing with the process of de-dollarization, something that Michael and I have explored in great detail over four programs.

But this is an absolutely critical point that needs to be made, is that in the context of the war, I mean, this is the thing: One of the ironies of this war, which I noted almost at the beginning, is that when the only means you have to achieve such a certain goal – in the US case to keep its position in the world, to keep the dollar the world's money, et cetera – when the only means you have to achieve these goals are the very means that are actually going to undermine the achievement of these goals, you have a serious problem.

That's the situation that the United States is in. So absolutely, I completely agree with that.

I should also add, of course, that this debt ceiling drama is really quite interesting, and we don't know how it will be resolved.

But the two things about it that I think worth noting, number one, the very fact that this drama is occurring at all, underlines the deep political divisions in the United States, which are the result exactly of following the policies that the US has followed, the neoliberal policies, the financialization policies that it has followed over the last many decades.

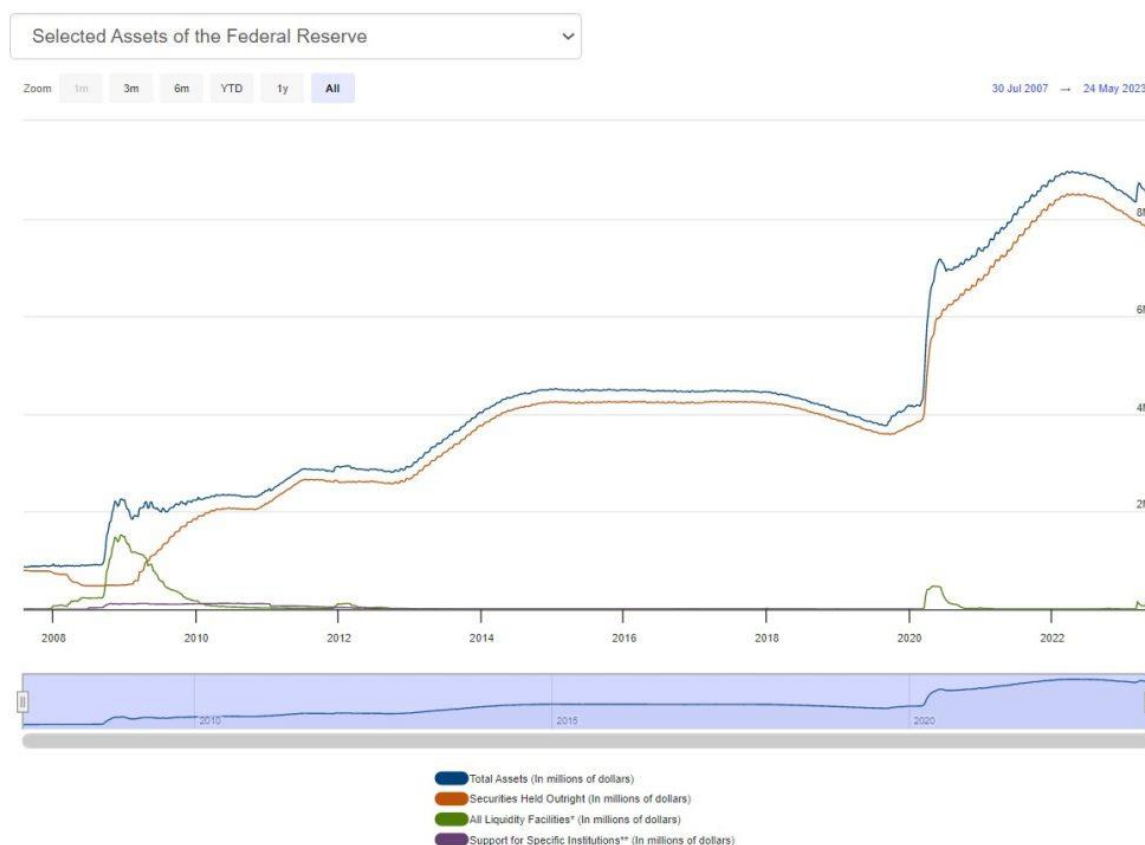
This has resulted in a level of political dysfunction, which we are witness to today. That's the first point. In a certain sense this political division may become economically quite meaningful at some point.

Secondly, I'd like to say that no matter how this death ceiling drama is resolved, Alan Greenspan's idea that somehow the United States can continue to issue debt until kingdom come is completely wrong.

The fact of the matter is that the treasury market, the market for treasuries is already in trouble. The treasury market is not as liquid as it used to be.

That is to say that the treasuries being issued by the United States government in order to finance its debt, do not find as many willing buyers as in the past, which is why the Federal Reserve has to keep buying treasuries at a great rate of knots.

That is why its balance sheet has swelled to the extent that it has.



And if the United States does – you know, one of the ideas to break this debt ceiling knot, to cut the Gordian knot here, has been that the United States can simply issue a whole lot of money – this is going to lead to a further rapid acceleration of the de-dollarization process, which is in fact then going to land the US into a lot of trouble.

The US is already suffering from inflation, which is already a mark of the fact that its imperial power is declining. Because, at the end of the day, why is the US suffering from inflation? Because its ability to compel the rest of the world to sell goods and services to it for nothing is declining.

That's why inflation has returned to the United States. So in these ways, I mean, the points you make about financialization and the kind of economy the US has are very important.

The solution to that, as Michael and I have observed at various occasions in this, because it's such an important truth that it needs underlining, the solution to that will have to be a fundamental root-and-branch reform of the financial system, to reorient it away from predation and speculation, which is what it does today, towards productive investment, something it has really not done in decades, if that.

So a complete transformation of what we can also call bank-industry relations.

But I want to also shift, I want to also add another point, which I think is a very important one, which is, I'm sure I'm not the only one who said this.

The United States has never seen a war it doesn't like, because the United States has over the last many decades, in fact, the United States has become as dominant as it has in the world, essentially by exploiting wars between other powers.

In the Second World War, in the First World War, the United States economy expanded massively while the economies of other countries were being destroyed, essentially because the United States was keeping those wars going by supplying arms and materiel to all sides, basically.

So the United States has always benefited from wars, and it is continuing to benefit from wars. And that is partly why the era of American dominance that we have witnessed over the past many decades has been an era of unending wars.

MICHAEL HUDSON: We've spent quite a few shows talking about the US balance of payments and what is America's foreign debt.

This is a topic that's not taught in economics courses or political courses, and it's one of the most confusing topics to most people. How did America run up this foreign debt, and why do other countries keep their savings in the United States?

Well, until the last two years, China, Saudi Arabia, and other countries held very strong savings in the United States, because after all, it's an open capital market, and because they needed the US dollars in order to pay for the oil that they bought, for the copper.

The US dollar was how all of the world's commodity markets worked, from oil, to raw materials, to manufacturers.

Well, one result, the United States just basically committed suicide for the US dollar standard by grabbing, first of all, Venezuela's gold, saying Venezuela didn't elect the president we want; we appointed them to please give all of the gold in the Bank of England to Mr. [Juan] Guaidó.

And secondly, the grabbing of Russia's foreign exchange in Europe and America, anywhere from \$30 billion to \$300 billion. So now the US is not a safe country.

But more importantly, why on earth would anybody hold US dollars to pay for oil if Saudi Arabia now pays for its Russian oil in rubles, and Saudi Arabia now pays for its imports from China with a Chinese RMB?

Now that world trade is multipolarizing, now that countries are paying for their trade and investment with each other in their own currencies, there is no need for the dollar.

So yes, the United States can print all of the dollars it wants, but it can't produce the goods and services, which is the whole reason that people hold dollars.

The US debt is so much larger than the amount to pay that the United States is technically insolvent. The United States as a whole is just like Silicon Valley Bank and the banks that have just gone under. There's no way that the United States can or has any intention of paying the foreign debt. The United States, following Greenspan, says —We are never going to redeem our debt. You can hold your money here, but just like a Ponzi scheme, and just like Silicon Valley Bank, you can all think of this dollar holding as being worth something, until you actually try to sell it.

— You try to sell it, then you're going to find out that it's all the savings that you've accumulated since 1945, since World War II ended 75 years ago. All of this is fictitious capital. And you're just waking up to the fact of reality economics.

Other countries are finally realizing this. By splitting the world financially, this is the lever, like cutting a diamond. This is the key split that is basically splitting the whole world economy on financial terms.

This is the one topic that you cannot discuss in the major media here, and you cannot even raise in economics courses in the United States, because the answer is so terrifying to advocates of US hegemony.

MICK DUNFORD: I wonder about the speech that [US National Security Advisor Jake] Sullivan gave [in April], when he said that globalization, privatization, deregulation, trade liberalization had failed, he said, because a non-market economy – namely China, he calls it a non-market economy – was part of the “liberal international order”.

He said the idea that markets lead growth is wrong. He said there was an overemphasis on finance. He said that the real industry, real sector was hollowed out. He said that there was a decline in public investment.

He said that the policy of spend first failed. He said that trickle-down failed. He spoke about some process through which the erosion of the working class eroded the middle class. And then of course he advocates blockading China.

But it, in a sense, represents a quite considerable sort of reversal within the United States. And I wonder how Radhika and Michael see this speech. I mean, it's also of course important to ask just how much support it actually has amongst elites in the United States and the political class.

RADHIKA DESAI: Yeah, I mean this is a very important question. And I've argued in my [book] *Capitalism, Coronavirus and War: A Geopolitical Economy*, which came out just at the end of last year, because this sort of talk was already beginning to happen at the time I was writing it. And so I've dealt with this matter. So here's my position.

Essentially, obviously, the mounting contradictions of neoliberalism inevitably mean that people will be talking about what's wrong with it and so on. And certainly this talk is going on. So there are two possibilities.

Number one, just because neoliberalism is failing doesn't mean that they're going to give it up, because neoliberalism has never been about markets; it has always been about favoring the corporate capitalist classes.

And the nature of the US state is not going to change overnight. So what's going to happen is that, the first option is that people will say these sorts of things: we have to do finance differently. You know, Mariana Mazzucato says we have to do capitalism differently.

So they will find a way of doing corporate capitalism differently. And so they will say we have to do a little bit more of this and a little bit less of that, or even a lot more of this and a lot less of that.

But in reality, the underlying structure will not change. The corporate capital will continue to be favored in a different way, in new forms, because the old forms no longer work. The old forms have led to financial crises and so on. So that's the first option.

But there is also, thanks to the very divisions that have been created, the political divisions that have been created by neoliberalism, there is also another option, which is that someone like Trump, Trump himself might come back to power.

And then we are going to see a much more authoritarian version, much more – I mean, this other version, option number one, is dystopian enough, but an even more dystopian option will be seen.

So I think those are the two options. I mean, unless there is some kind of a radical revolution, you are not going to displace the corporate capital that has the reins of the US state in its hands, and that drives that.

So I think that corporate capital is either going to drive the US state to destruction, or it may be replaced by something even worse. So that's what I think.

But Michael, please respond to Mick's question.

MICHAEL HUDSON: I'm in agreement with what both of you said. Neoliberalism really, in trickle-down theory, has been amazingly successful in polarizing the economy.

The aim of the 1% is to have all of the economic surplus, leaving nothing for the rest. Just as the aim of neoliberal foreign policy is to get the whole world surplus in one country, and leave nothing for the rest. That's the implicit dynamic.

The trick, and what makes academic economics fictitious economics, and more like science fiction than like science, is the pretense that somehow benefiting the 1% benefits the 99%.

Unless you realize that rent income, monopoly rent, land rent, natural resource rent, is a transfer payment that has nothing to do with earned income – we're back to the classical economics of Adam Smith, Ricardo, John Stuart Mill, and Marx – then you're not going to realize that what seems to be a growing economy is an economy that is shrinking as a result of all of the economic surplus being sucked

upward, not by profits, but by rent-seeking, by monopoly rents, by exploitation of almost a pre-capitalist form.

So we are dealing with the fact that you don't have the kind of industrial capitalism in America or Europe that you had in the 19th century. You have a regression to a kind of neo-feudal, rentier economy of inherited privilege, and oligarchy, not democracy.

And we've talked enough about that in earlier programs that all we have to do is remind [our audience] that this is the context for what we're talking about with Ukraine and Russia, and the US and China, and the rest of the world today.

RADHIKA DESAI: No, and you know, so to sum up on this question, I forgot to add one other thing, which is that, of course, as we've already talked about before in the last episode, there's increasing talk about industrial policy on both sides of the Atlantic.

But given the neoliberal orientation of these governments, that is to say the corporate orientation of these governments, essentially what will be labeled industrial policy will be stuck onto a new raft of programs and policies through which states are going to provide support to big corporations, including massive subsidies.

But I also, before we go on to talk about China, I also wanted to make a couple of other points about the United States in the context of this war.

One is that you always read these statistics about the astronomical sums that the United States spends on its military. You know, it's more than the next X number of states combined. And all of these things are true.

But what's remarkable is that after all this spending, what has the United States got to show for it? It's got to show for it a series of military failures: Korea, Vietnam, all the 21st century wars, you name it.

And I think that the war in Ukraine, which is of course a proxy war, the United States is not fighting it itself because, quite frankly, I don't think the American public has the stomach to fight wars anymore. And this is going to be a major issue in the election.

But nevertheless, even the United States is also going to face defeat in this war. The whole optics are being managed around the so-called spring offensive in such a way that the United States can at some point say, okay, we've done all we can; the Ukrainians have done all we can, but this war cannot be won.

And they will shift their attention elsewhere, especially given that an election campaign is coming and Biden is not very popular, nor is the war very popular.

More and more Americans are asking: Why are we spending all this money on wars when we have so much need at home?

So that's really an important thing to watch for is how the war will play out in this campaign.

MICHAEL HUDSON: I can't add anything to that.

RADHIKA DESAI: Yeah, that's good. I just wanted to make sure that I wasn't sort of jumping onto the next one.

Why don't actually, I ask Mick, you are our resident China expert. So why don't you start us off on China?

MICK DUNFORD: Okay, I'll just say something more generally about China, first of all. I mean, the first thing I would say is that in 2017, China entered a new era.

That era was actually foreshadowed by what started to happen around the turn of the millennium. So China has in a sense embarked on a new phase in its development and its transition, if you like, to socialism.

So this new phase follows two very broad ones. It follows a turbulent phase of socialist construction after 1949, which occurred in the context of United States embargoes, in the context subsequently of a conflict with the Soviet Union, and in a context of acute capital shortage.

And of course as a country that came from behind, China had to address its capital shortage, not in the way in which the imperial and colonial countries had done so, basically by appropriating resources from other parts of the world, but it had to generate those resources internally, or initially, of course, with the help of Soviet loans and Soviet industrial assistance.

Then, after the rapprochement with the United States, which of course occurred in order to increasingly isolate the Soviet Union, China embarked on a path that actually it planned before 1949, but it was unable to follow that path simply because of the way in which it was isolated by the actions of the United States and the Western world.

So it entered on a path; it called it reform and opening up. And that occurred in a context of neoliberal globalization. Its roots in China lay in the early 1970s.

As soon as the embargo started to be lifted, Mao Zedong, Zhou Enlai, started to acquire loans abroad in order to finance industries producing consumer goods along coastal areas.

That then led to this phase of reform and opening up in which China managed its integration into the global order, generating these extraordinary rates of growth.

The thing that I would emphasize, first of all, is that it was driven by sustained high rates of capital accumulation right the way through. Of course, it fluctuated a lot in the first 30 years, but you've got sustained high rates of capital formation.

I would say you should describe China as a sort of planned, rational, socialist state – which uses, after reform and opening up, market instruments.

A planned, rational state because it basically sets social and economic objectives that are essentially designed to progressively improve the living standards of all the Chinese people. And then it acts in order to achieve these goals that it has set itself.

I think that it's important to say that, throughout this set of phases, what you see are a whole succession of successive waves of reform and transformation of economic structures and of institutions. And all of these changes are basically designed to address crises and contradictions that emerge in the course of its development.

What's interesting is that in a sense, an attempt to avoid the dynastic cycle, the rise and fall of dynasties. In other words, you address the contradictions at each stage through processes of reform, which enable you to move forward progressively on a path whose endpoint is socialism, communism.

But that lies a very, very long way into the future.

The important thing about this new era, as far as China's concerned, is that basically, it's mapping out a new development path. And it's a development path that will differ very significantly from the Western path.

It explicitly argues that this path differs from that that is being pursued by the West.

It's a path that is people-centered and not capital-centered. There's one profound difference between a socialist country and a capitalist country.

In a sense, politics, right, including China's whole process democracy, is in a sense in command and sets the objectives and targets. And it's basically directed at improving the quality of lives of all the Chinese people.

But one way of trying to capture it is to say that there's a whole series of new concepts that are being talked about. So this kind of notion of dual circulation, in which the domestic and overseas sectors reinforce each other, but where the domestic market is the sort of mainstay of economic growth.

The emphasis, I mean, really since 2013, has been on high-quality development rather than on rapid growth. On scientific and technological innovation, technological upgrading, developing the technologies of the next industrial revolution and then trying to ensure that those technologies diffuse rapidly in order to improve the livelihoods of people.

It's sustainable green development. I mean, anyone who lives in China will have seen already extraordinary improvements in the quality of the environment. Really, really quite remarkable.

So the idea is green development, rural revitalization, a world in which perhaps a relatively large share of the population continues to live and work in the countryside. It involves spiritual civilization, which is a response to the consequences of liberalization, of consumerism, of selfishness.

So, I mean, this is quite interesting because Wang Huning, who's one of the current leadership wrote a book after he visited America in the 1980s called *America Against America*, in which he actually identified the way in which trends in American society were leading in the direction of isolation, fragmentation, disintegration.

And in a sense, this concern with spiritual civilization is really concerned to guarantee and ensure sort of social cohesion.

It involves concern with strategic security and stability and very important common prosperity. So this notion of common prosperity is, in a sense, one of the key drivers of Chinese development.

So in a sense, it's mapping out a kind of development trajectory that differs very, very radically from the development trajectory of countries that embarked on neoliberal paths.

And then, I mean, we can talk more about that when we talk about the world, but at the same time, it's trying to contribute to the emergence of a new world order, you know, a global civilization, with shared prosperity in the world.

So I think what is important to me is it's setting out a kind of model for the creation of a rather different kind of world as well as for a different kind of China.

And when you look at all the problems in other countries it's, in a sense, a very positive vision. But it reflects this capacity to set social and economic goals.

RADHIKA DESAI: Yeah, I'm very glad you started it off this way, because what you've done is you sort of laid the foundation for a picture that is becoming increasingly clear, in which, of course, for the West and for, obviously, for obvious reasons, for Ukraine, this is a huge and deep crisis.

But the fact of the matter is, as far as China is concerned, for the war, the conflict over Ukraine is really a small part of a much larger picture, which is largely composed of its peaceful rise, of its anti-imperialism.

I'd also like to emphasize something that you said and slightly elaborate on it.

You said China had to overcome its lack of capital, thanks to imperialism. So I would say in order to understand the development of China and also understand what every Third World country faces today, you have to understand that the development process in these countries will have to be very different from the West.

Why? Because number one, Western development itself set them back in the first place, thanks to imperialism, colonialism, et cetera, so that they had to start from a much worse place to begin with.

Number two, they have to complete the process. They have to undertake the process of development without having the luxury of imperialism.

I think you, as you rightly said, that you cannot source your capital from elsewhere. You cannot plunder India in order to finance the industrialisation of Europe and the United States and the settler colonies and so on. You can't do that.

So you have to generate your own capital in order to do that. And you have to generate all your resources to do that.

And number three, you have to do it against the unremitting resistance of the imperialist powers. In all of these ways, the development of China is very, very different and it's bound to be very different.

And I'll come back to that when we come back to talking about the rest of the world as well. But for the rest, I just want to say a couple of things.

Number one, I think that the West really dreams that it's going to be able to drive a wedge between China and Russia.

But I think China understands, no matter what criticisms it may have of Russia's actions privately, but China understands that the Western aggression is primarily responsible for this war and there's absolutely no way that giving into it is going to benefit anybody.

So this is the real source of China's support for Russia. It's not being partial to Russia. It just understands things in a much bigger way. So China can be expected to continue supporting Russia.

And of course, the fact that it now has a cheap source of energy is not going to go amiss at all. But I think between them, I think China is, of course, in the lead, but they are pioneering a new world order, which is essentially about a model of development, which is absolutely a model of development which is absolutely the opposite of neoliberalism.

So yeah, I'll just say that for now and leave it there because I'm sure Michael has lots to say as well.

MICHAEL HUDSON: Well, what's unique about what China's doing internationally is it's made no attempt at all to proselytize its economic system.

What is its economic model? It's interesting you've used that term. It hasn't said it. It doesn't say, we have an economic model that's an alternative to neoliberalism. Here is how we are redesigning our national income accounts to show what we're doing, as Soviet Russia had a different set of national income accounts.

It's not really explaining a different economic doctrine to what is taught in the United States schools. And in fact, Chinese students are sent to the United States to study economics. And once they return to China, I'm told they're given priority over Chinese students.

And there really isn't any economic teaching of a model even within China.

And a few weeks ago, President Xi's speech at the Party Congress talked all about what the overall aims were, world peace, a growing economy, the aims that Mick has mentioned.

But there was no analytic content of: — How are we going to get there? What is our tax policy going to be? How are we going to finance the local government budgets that are now financed by selling off land to real estate developers?

— How are we going to handle our land issue, the financial issue? What are the virtues of what we've done is keeping money as a public utility in the hands of government, not privatizing it, not turning money into a financial commodity.

— How do we avoid turning land into a financial commodity? How do we avoid turning labor into a commodity, but treat the objective as raising labor?

There's been no kind of economic model to teach an alternative. And in fact, there's very little discussion in China of the history of economic thought apart from Marx.

So I don't think that if we're talking about where is all this going to end, I don't think there can be a multilateral order without some kind of a explicit economic doctrine that finds its counterpart in a mirroring set of institutions built along socialist lines as alternative to the World Bank, to the International Monetary Fund.

We've mentioned the International Criminal Court. We've mentioned basically a whole different United Nations with: What are economic rights of countries? What are the kinds of growth that we want to do? This is what's basic.

I won't talk about China's foreign policy yet. I'll throw it back to you guys, but it's unique that China hasn't spelled out what it's going to do.

The only thing that we have that China might say is: Well, how are we going to respond to the sanctions?

It said that if Ms. Baerbock's projected sanctions on Chinese trade are imposed, there will be retaliation, but it hasn't said anything about how it's going to retaliate and what are the principles of retaliation against America's economic war against China.

For instance, it could impose sanctions on European countries that are importing U.S. products that could be used for the war of Ukraine.

Suppose that China were to mirror the U.S. sanctions policy, starting with tanks and missiles or oil and gas, food.

Imagine if China and Russia, backed by the global majority, somehow could mirror American sanctions and say, — Okay, you're not going to trade with us except for key things that you want. We're not going to trade with you. We're going to go it alone.

Well, if China, Russia, and the global majority go it alone, which is where we're moving towards, what are the principles going to be to create economic institutions like their own trade organization, their own central bank, to finance all this?

There's been no discussion of this and not even a proselytizing of economic ideology that ultimately is the framework for all of this alternative.

MICK DUNFORD: I think I would just emphasize this idea that certain goals are set.

For example, you might set a goal concerned with rural regeneration. That means that certain resources are mobilized.

It's an attempt, if you like, to mobilize the human, financial, and material resources of particular localities in order to generate income streams that improves the living standards, quality of life in different places.

Some of these things generate certain vulnerabilities. You can illustrate it by looking at what particular things have happened in particular places.

A particular locality with a traditional culture had resources from government to rebuild people's homes, adding on guest rooms, and then this village then becomes a place which is used for seminars and workshops. It generates an income stream through acting as a kind of a center for visitors.

In that context, you see quite significant increases in local income. It's mobilizing the environment, it's mobilizing the infrastructural assets that have been put in in order to enable people to establish sustainable livelihoods.

In some cases, it confronts difficulties because, for example, in the pandemic, it had enormous negative impact upon travel of all kinds and so negatively impacted the incomes of people who are involved in that kind of project.

You see these things going on at a grassroots level all over China. In relation to the industrial issues, we're talking about restrictions on semiconductors.

Of course, China is launching a whole series of major industrial policies that are basically designed to develop these capabilities, to ensure that China is able to develop these capabilities and does not find itself in a situation again where it cannot acquire what it needs because someone refuses to sell it to them.

I don't see it through economic theory. I see it through an attempt to achieve certain kinds of targets and then developing projects, mobilizing resources for those projects, and then evaluating how they work.

If they work well in one place, you might copy those ideas in other places. It works in a very different way from many of the things that you actually see in the Western world. I'm not sure how one would easily theorize it.

If I were to talk about the whole of China's experience, I'd probably not do it in terms of those transitions to a market economy.

Actually, I think what happened there was that you saw a very significant decentralization of initiative in a situation in which the central government lacked resources for a whole series of reasons, in part because it had to repay debts.

It decided to let local initiative rip, in a way, which is what happened with the household responsibility system or with the establishment of township and village enterprises and so on.

RADHIKA DESAI: What you say, Mick, is very interesting. I never thought we would end up discussing this, but this is very interesting. Let me say two things very quickly.

Number one, I think Mick, you're absolutely right. I think what the Chinese have done right from the beginning is that they have actually been, essentially, like you say, how do you prevent this cycle of the rise and fall of dynasties? How does the party remain in power?

It remains in power by addressing concrete problems as they emerge concretely with whatever resources that may be available at that time. In that sense, there is not a model to be proselytized about.

China has also been extremely careful internationally, partly because it wishes to distance itself on this matter anyway from the Soviet experience. It says, — We are not exporting any model. There is no Chinese model, et cetera. I think that there is also a point to that.

But there is another side to it, which is if you think about it, what is the purpose of neoclassical economics? What is the purpose of all this economic theory?

It is the purpose of the dominant trend in economics is actually to get countries to open themselves up to the West. The purpose of economic theory is actually imperialism.

So in that sense, of course, China is not going to produce any direct counterpart to that because China does not intend to be imperialist.

And I would say that a lot of people also point out that the abstractness of the theories of neoclassical economics are contrasted with the concreteness of the theories, such as that of the developmental state, which is different in different parts of the world, which have been very concretely based on the particular situation and the resources at hand, whether it is a developmental state in Japan or South Korea or elsewhere.

So in that sense, I do not think that there is going to be a model. And having said that, I think that the thing is that the critique of neoclassical economics and the critique of the Western model and of Western imperialism is certainly sharpening in China as we speak, I think.

MICHAEL HUDSON: Well, there may not be a model, but there should be economic concepts. To me, the main concept is economic rent, the distinction between earned and unearned income.

There has to be a model of international payments. It's obvious, as we've spoken about before, that some countries are going to end up with claims on other countries.

China, how will China be remunerated for the expense of its Belt and Road Initiative? How will all this be settled? There has to be some kind of accounting system for all of this.

An accounting system basically uses economic categories. And so we don't need a whole model of the economy, but we do need some basic concepts that are the building blocks of China's pragmatic experimentation that it's following.

MICK DUNFORD: There are economic concepts that you can use. I mean, in relation to this idea of common prosperity they talk about the role of the primary, the secondary and the tertiary distribution of income.

And the idea is that in a socialist country, everyone should contribute, everyone should work. So this kind of primary distribution of income, the income that you derive from the work that you do, plays a very, very fundamental role.

But of course, at present, there's a lot of development of a whole series of services, which obviously are financed in part through contributions, but in part also through taxation, in terms of health, education and so on.

Then you've also got mechanisms, these so-called tertiary distribution, that's what they call a situation where, for example, companies undertake socially useful initiatives in other parts of China, or where you have cooperation between local governments in one part of China, which are expected to actually mount projects in other parts of China.

And if you like, places that have become relatively rich help those places that have not become relatively rich.

So those concepts are used and I mean, you were talking about the international side in terms of the international side, obviously they have balance of payments accounts so they examine the balance of payments.

When they built Belt and Road projects involving investment finance, that involves interest, it involves repayment arrangements and so on, usually on terms that are less onerous than those of international, if they have a multinational, of the multilateral banks, and also of Western financial resources.

When they opened up, their capital account was not opened. So I mean, these categories do play a role. And the non-opening of the capital account had a very great deal to do with China's development path, because it actually had impacts on the exchange rate, and therefore on the competitiveness of Chinese exports.

You can use economic concepts to discuss some of these things, but there's nothing equivalent to the kind of neoclassical theory of markets that you can apply to the Chinese case.

I know that it's taught in China as well as in the United States and in Europe, but I tend to see things much more in kind of a more practical way of moving things forward in terms of moving up the

value chain, improving people's livelihoods, improving the quality of the environment, improving air quality, all sorts of things of that kind they're very, very concrete many things are trying to achieve are very, very concrete.

RADHIKA DESAI: That's I mean, in a certain sense, that makes sense. Because after all, what is socialism, it's use-value production. Use-values are very concrete, they are not abstract, as value is, or what was often called exchange-value. I just call it value.

But anyway, maybe we should, we've been going for nearly a little over 50 minutes now. And so I think we should transition to our last topic, which is what's going on in the rest of the world.

And I have to say, compared with the optimism that existed in the much of the 2010s, we talk about rising multi polarity and rising BRICS, and so on, the rest of the world is not doing as well as China.

And I think that at the same time, I think that another thing is very clear, which is that if the rest of the world wants to do better, say, for example, President Lula in Brazil, then he is going to have to implement policies that are make a clean break with the Washington consensus, with neoliberalism, and at least learn from China.

There is no model, there's no Chinese model, but sort of learn about how the Chinese essentially created development in their context and take tips for that, because essentially, the rest of the world is actually suffering from obviously high prices.

Many countries are facing a debt crisis. There's also a lot of political uncertainty in many parts of the world, thanks to the current war, the destabilization of existing arrangements.

But I think underlying all this is the decline of the West, whose chief cause is neoliberalism.

I think if the rest of the world is to learn anything from this and climb out of the crisis and build a better economic model, etc, it will have to be in some kind of anti-neoliberal kind of socialist or quasi socialist manner.

And here, I have to say that, one, I'm originally from India, I study India, and I have to say for the last several years, things have looked very depressing with the present government in power, which is really a fascist government in power, making nonsense of the rule of law, allowing its goons to prosecute whoever it likes, and making an absolute mess of the economy.

Indian economic growth has been actually extremely weak, even though the government has cooked up statistics to show that it is somehow good.

But just a day or two ago, there was a really bright light in this rather dim scenario. And that was that in the Indian state of Karnataka, there was an election, which the Congress won, and it won the election by promising a people-centered set of policies.

And I think if the Congress and other opposition parties can understand what this means and stick to it, I think that it will be able to bring India out of this mess.

Of course, in Brazil, we have President Lula, but South Africa is also not in a very good state, it is in a state of perpetual economic crisis.

But I think in the context of the decline of the West, the awful consequences of the neoliberal model, and the rise of China, I think that the world should be able to learn from this contrasting fate of the West and China.

MICHAEL HUDSON: Well, what's blocking the rest of the world from moving away from neoliberalism? Lula last week proposed that China, Argentina and Brazil should have a common currency? Well, how can you have an alternative to the dollar or a common currency when you have an immense dollar debt?

What's blocking other countries right now from creating an alternative that is more of mixed economy with a public sector dominant and ending rentiers is the fact that this dollar debt is forcing these countries to submit to the International Monetary Fund, which is the neoliberal hammer, forcing privatization, forcing anti-labor policies, all the things that we've described before.

And the only way that other countries can pursue an alternative to the trap that they're in, the only way they can escape from this trap is to repudiate the dollar debt and say, — Look, we've been led into a trap that has financially killed as many people as a military occupation.

Just like President Putin had said that more Russians died as a result of the privatizations of neoliberal policies of the 1990s than died in World War II, you can say that the Third World finance is how the neoliberals are locking other countries into the U.S.-centered diplomacy.

And the only way that countries can break from this U.S.-centered diplomacy and the sanctions and the U.S. control of the world coordinating organizations is to create a new set of coordinating organizations, which requires really withdrawing ultimately from what you call Western civilization.

And I agree with you. It's a civilizational problem. So this is the basic fight for what will the next millennium look like.

And it can't be done without an explicit break. There's a Chinese proverb, "Whoever tries to go two roads at once will get a broken hip joint."

Well, that's the problem that they face. You can go beyond just the U.S. and China and say, what about Syria and the U.S. presence in the Near East right now that the U.S. is holding?

It's been told to leave Iraq, and it hasn't left Iraq. The U.S. military presence over the rest of the world is doing everything it can to prevent other countries from following the alternative. And it's in fact militarized neoliberalism.

That's really the problem that we have today. And Mr. Blinken said just last week that there is a kind of just and durable peace, but it can't ratify what Russia has done, that America will fight not only against Russia and China until everything, all of the Russian assimilations of Crimea, of Luhansk and Donetsk are all reversed and things go back to the way they were before.

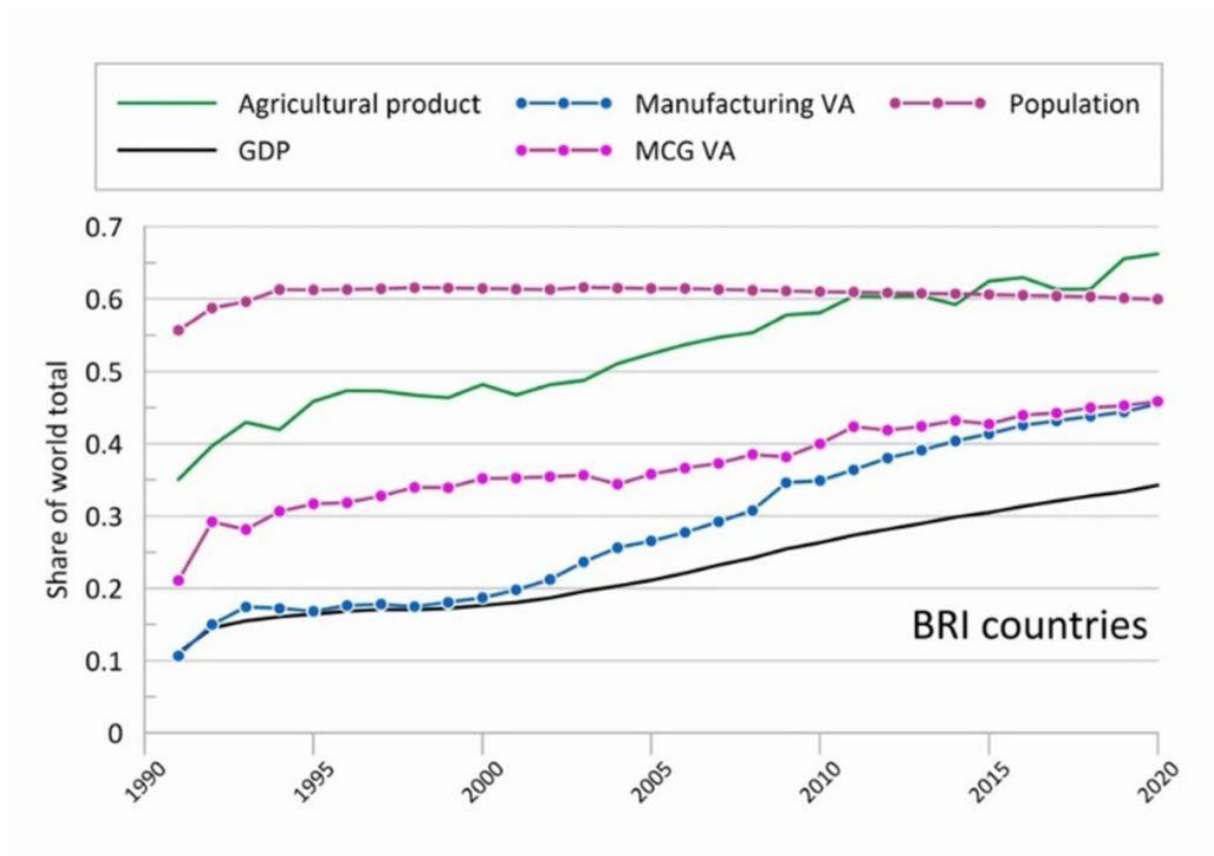
That's the neoliberal dream, going back to the way it was before to prevent any change going forward. That really is the final statement of neoliberalism. There cannot be any escape. There is no alternative.

There cannot be any escape from dollar diplomacy and the world institutions that we control. That's what the rest of the world is facing.

MICK DUNFORD: I think I want to just present a more positive view about some of the things that I mean, I realize, I agree absolutely.

I mean, that is a problem, especially ever since the 1980s, especially. I mean, it's a trap, which many countries have simply not managed to escape. And it's a trap that's extremely difficult to escape.

But this is simply a chart that looks at the share of world output of agricultural products, of manufacturing goods, of energy, raw materials. And then it also gives a share of GDP and the share of the population.



So the share of the GDP is in black. So you can see that's relatively low. But these are the so-called BRI countries. And you can see that they account for 60% of the world population.

But if you look at their contribution to the world production of energy of the kind of materials, raw materials that are needed, if you look at their contribution to the production of manufacturers, if you look at their contribution to the production of food, you see a sustained increase.

If you look at the BRICS, you get a similar story. If you look at the SCO, the Shanghai Cooperation Organization, you get a similar story. If you look at RESAP, you see a similar story.

There are deep difficulties, not least because of the conflict in Ukraine, but also because of the deepening debt crisis, because of the impact of the conflict in Ukraine on the availability of energy, on the availability of food especially, of course, in emerging countries.

So there are serious, serious difficulties. And yet some parts of the world are making progress. That should be a message of hope beyond the neoliberal order dominated by the collective West.

The parts of the world that colonized the rest of the world largely after a series of Chinese inventions like watertight compartments in ships, gun powders, magnetic compass, printing. They arrive in Europe, and Europe uses those Chinese inventions to put guns on ships and dominate the world.

I think there is also a vision of a different type of world system centered around a series of civilization states.

And while there are enormous challenges I think, if you look at what's going on in the world, you can see stories that offer us a certain amount of hope.

Many of these are associated with what is happening in Asia and Russia is orientating itself towards Asia and will also make an enormous contribution to the development of what will hopefully, beyond these disasters through which we're living, what will hopefully start to look like a better world.

So I think we need this kind of positive vision of a way forward as well as identifying the problems of crises that we confront.

That's one of the reasons why I spoke about China in the way I did, because it's an attempt to move in the direction of collective prosperity, in other words, because it's only an upper middle income country at the moment.

It may be the largest economy in the world, but it's a middle income country. And so there's a long way to go in improving the livelihoods of Chinese people, and indeed, of course, of people in other parts of the world.

So that's one of the things I would want to say.

RADHIKA DESAI: Well maybe if it's okay with you, we should draw this to a close now, because we're kind of nearly done.

So let me just then bring this to a close by saying that a mixed graph that he just showed, also tells us why the neoliberal system and the dollar system have to be rejected. Because the difference between the value or the fact that the GDP is very low, but their actual production is very high, is very simple.

The dollar system relies on systematically undervaluing the currencies, and therefore the labor and the products of the rest of the world, which is why you see this discrepancy between how much is produced and what the GDP is.

So I think that also, so as far as the rest of the world is concerned, what we are saying is that the road for the rest of the world is very clear.

It is away from the West, towards China, Asia, away from the Washington consensus, towards whatever locally adaptable forms of socialism are possible. That's the way in which things have to go.

And one of the things that the neoliberal West has also done, by the way, is, which is going to affect the rest of the world very badly, and the rest of the world needs to take an initiative to deal with it, is that, of course, in the present context, the war has become an excuse to essentially abandon all efforts to reach any climate goals.

And again, China is an example of how to deal with emissions and generally ecological issues.

So meanwhile, global warming is reaching a point where it is seriously affecting labor as well as agricultural productivity in many parts of the world.

So the urgency of moving away from the West and from Western neoliberalism and Western imperialism has never been greater.

So I think with that, I'd just like to thank you all for listening. Thanks to Mick Dunford for joining us on this amazing show, which Mick's contribution made so excellent, I think.

And of course, thanks as usual to Paul Graham, our videographer. So thank you again and see you next time. Bye bye.