

Financialization and Deindustrialization – Michael Hudson

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Trump's economic policies have not addressed the fundamental forces that have gutted industrial jobs under the administrations of both parties, says economist Michael Hudson on theAnalysis.news podcast with Paul Jay.

Transcript

TRANSCRIPT Edited for Clarity

Paul Jay

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Donald Trump has tried very hard to make this election about his pre-pandemic economic record, which is supposed to be a success story. Of course, he ignores the fact the cyclical upswing of the economy started during the last Obama years.

But what Trump tries to trumpet is his approach to trade with China. He claims his tariffs and remarkable negotiating skills have brought hundreds of thousands of jobs back to the United States. Well, the Wall Street Journal reported on October 26 that, quote, "President Trump's trade war against China didn't achieve the central objective of reversing a U.S. decline in manufacturing, economic data show, despite tariffs on hundreds of billions of dollars of Chinese goods to discourage imports. The tariffs did succeed in reducing the trade deficit with China in 2019. Still, the overall U.S. trade imbalance was bigger than ever that year and has continued climbing, soaring to a record 84 billion dollars in August as U.S. importers shifted to cheaper sources of goods from Vietnam, Mexico, and other countries.

The trade deficit with China also has risen amid the pandemic and is back to where it was at the start of the Trump administration. Another goal reassuring of U.S. factory production hasn't happened either. Job growth in manufacturing started to slow in July 2018, and manufacturing production peaked in December 2018. Manufacturing job growth began to slow when the trade wars started and had nearly stopped growing before the pandemic".

A little further down, the article continues, the annual change in manufacturing tariffs are, quote, “are having the effect of bringing manufacturing jobs back to the U.S. U.S. Trade Representative Robert Lighthizer said in an interview, citing statistics that show a net gain of 400,000 U.S. manufacturing jobs from November 2016 until March 2020, when the pandemic forced widespread factory closures. However, about 75 percent of the increase in manufacturing jobs occurred before the first tranche of tariffs took effect against China in July 2018. With annual growth in manufacturing, jobs peaked and then began to decline. By early 2020 even before the pandemic reached the U.S., manufacturing jobs had stalled out, and factories shed workers in four of the six months through March,” end quote. So why is there so little industrial growth despite all of Trump’s rhetoric?

Well, now joining us to help answer that question is Michael Hudson. He’s an economist, a professor of economics at the University of Missouri, Kansas City, and a researcher at the Levy Economics Institute at Bard College. He’s also a former Wall Street analyst, a political consultant, a commentator, and a journalist. Thanks very much for joining us, Michael.

Michael Hudson

Well, it’s good to be back with you.

Paul Jay

So Trump made all kinds of promises and is still blowing his horn about this issue of returning jobs and the rebirth of American industrial manufacturing. But he hasn’t succeeded. Why? And there are some bigger reasons for that, aren’t there?

Michael Hudson

Well, we’ve talked about these bigger reasons for quite a few years now. And my point is that the economy’s been in a slow crash. The reason is that to become an industrial economy, you have to lower the cost of living and lower the cost of doing business. That’s what the whole fight of classical economics was all about. But the economy has become more and more financialized and polarized. It’s impossible to cut costs.

You mentioned the pandemic. Health care now absorbs 18 percent of the GDP. If you look at the other costs, if you’re a wage earner, 15 percent of your income right off the bat goes to Social Security and medical insurance. You have regular taxes, anywhere from about 20 percent. You have mortgage debt that is up to about 40-43 percent of average income. At least that’s what the U.S. government is willing to guarantee when bankers make a loan. You have other loans; you have student debt to pay for an education in order to get a job, you have automobile debt to get to the job.

Paul Jay

Add credit card debt to that.

Michael Hudson

Absolutely. Credit card debts have been stable. As people are falling further and more into arrears, their interest rate jumps from about 18 percent to 29 percent or more. So the same amount of debt now absorbs a much larger part of your income. So the result of all this is that if American workers in the industry got all of their food, all of their clothes, all of their transportation, everything, all of the physical goods and services they use for free, they still couldn’t compete.

In fact, if they just had to pay their wage withholding for Social Security, medical care, and overall health insurance alone, that is larger than the wage levels in Asia where we’re importing things from. So the fact is that the United States has made itself uncompetitive because of this idea that, well, if one wants to get rich and the way to get rich is to go further and further into debt to buy houses that are rising in price. But as houses rise in price, then you have to pay more and more debt service or more and more rents to the people who buy the same houses on debt.

The result is that America is priced out of the market. Well, this is what Ricardo talked about in his free-trade theory way back in 1817. He said that industrial capitalism was not going to be able to

take off in England if British workers had to pay rising rents as food prices rose behind the agricultural tariffs that England had. And there was a 30-year fight to finally repeal the agricultural tariffs, the corn laws. Ricardo said, if you don't stop the economy from having to pay the rentier class at that time, the landlords, then you're going to have the Armageddon of capitalism. You're going to have the day of judgment that our rents are going to rise to take so much of the wage earners income and the industrialist's income that there's no room left for profit.

Basically, if you're going to compete with other countries and try to sell or buy American goods instead of imports, then you're going to have to pay enormously high costs to pay the rentier class, which is basically the one percent: the finance, insurance, real estate sector, and the fire sector. Instead of becoming an industrial economy, the United States has become a fire sector economy. And Trump has not done anything at all to reduce that. The economy is getting obviously sicker and sicker, once again. Medical costs are going up. The states and municipalities are broke. Small businesses have been going out of business. So, where is the demand going to be for domestic American manufacturing? And why would one pay for manufacturers with labor that cost 10 or 20 times than what it costs abroad? When you add up all of these rentier costs into the equation, it can't be done.

Paul Jay

Well, there seem to be different parts to the argument, and they kind of all lead to the same conclusion, a continued lack of industrial jobs in the United States. In the article, in spite of the tariffs against Chinese imports, these American corporations on the whole that we're producing in China, a lot of them just moved to other cheap wage economies. They're talking here in Vietnam and Mexico. So the actual balance of trade didn't change at all.

Michael Hudson

That's right. American corporations are going after global and multinational, and they're going to hire labor wherever it's cheaper than American labor. And that's almost everywhere in the world because no other country in the world has to pay American style health insurance. No country in the world has to pay residential rents that are charged in the United States. Other countries just don't have the heavy financial overhead structure that the United States has. So there's no way in which these countries, these multinational firms are going to produce in the United States.

Paul Jay

The Trump plan and the Republican plan, in spite of all the demonization of China, of being the source of all evil, including the virus itself, never mind taking away industrial jobs, which is all a process. Outsourcing was obviously all an American driven process, American corporations. It leads to this kind of dead-end because the more American workers' wages and living standards go down, the less they can buy. So even if you're producing cheaply abroad, your market is still getting smaller in the United States.

Michael Hudson

Yes, the living standards are going down, but not the wages.

Paul Jay

And not the cost of living, just the standard of living. We see this even in the fight over what to do in the pandemic. The Republicans are against another big stimulus plan. The Democrats supported the original plans, but they also supported only so much of those plans actually going to defend the cost of assets or the value of assets of the rich, and more went that way, if I understand it correctly, than actually went to workers and working families.

Michael Hudson

We're talking about eight trillion to the one percent, two trillion to the rest of the population. Nancy Pelosi and the Democrats made a deal with the Republicans. They both agreed that they wanted to

pay their respective campaign contributors, the financial sector, and the real estate sector. They were realistic. We can't save the economy. We can save the stock market. Let's put eight trillion into the stock market and the bond market, and let's save the banks. Let's have the Federal Reserve use some of this eight trillion to buy the packaged mortgage loans, the packaged oil industry loans, the loans that are going bad. So let's bail out the rich people. Neither the Republicans nor the Democrats really cared about the working-class. I think Trump had some care for the working-class, but other Republicans didn't. The Democrats said, will promise the workers that we'll get to the fact that we know that the states and local localities are broke. We know that the subways are running at a deficit. We know that the cities are broke, and they're going to have to lay off people. But we really can't deal with that. Let them go under. Nancy Pelosi said, well, we'll get to all that later. She knew very well that she wouldn't get to that later. She wouldn't even agree when Trump said, well, let's at least send out another two trillion and the twelve hundred dollar checks to everybody, she wouldn't even agree to that.

So the Democrats have come out really to the right of the Republicans, or they've made a right-wing shift.

Paul Jay

Yeah, I don't think you can say to the right of the Republicans.

Michael Hudson

It's almost impossible to say. You're right. Let's just say nobody really cared about labor or how it's been doing. Nobody has made any proposals because, in order to deal with the employment problem and the industrial problem, you'd have to restructure the economy. The economic structure now isn't simply a question of not having enough money to live or enough money to buy goods and services or enough profit. It's so male structured that the industrial economy and the wage-labor has been absolutely flat for decades now. All of the growth of income, certainly since 2008, all of the growth and wealth has accrued just to the top ten percent. It's accrued in the form of rising stocks and bonds and housing prices. But rising housing prices don't make it easy for wage earners because no workers have to pay more and more for the homes that go up.

So instead of making the economy richer, the boom in stock prices and also the stock and bond market is making the economy more debt-strapped. If you're a worker expecting a pension, the pension funds are only able to make less than one percent on risk-free capital. So they're taking a lot of risks, and they're usually taken advantage of by the Sharpies of Wall Street that sell them derivatives, as to which occurred with CalPERS, the California pension fund group.

I don't see any way out of it without either writing down the debts, certainly for the debts run up during the pandemic, writing down the rents. If you leave the last six months of rent in place and debts in place, then you're going to try to start any kind of recovery after the virus is over with this huge backload of rent hanging over you, the huge backload of debt service.

There's no way that a lot of companies can stay in business, the fracking industry, for instance. There's no way that a lot of workers can avoid being laid off, especially if they're public employees for cities and states or public agency employees. The New York City Transit Authority says, well, we're going to have to lay off our transit workers because we don't have enough money to pay because people haven't been taking public transit during the pandemic. We've had to pay labor, we've had to pay our bondholders. Obviously, something has to give. And I think the Democrats and Republicans are in agreement that what give this is going to be is in labor, whose economic conditions, not those of their respective campaign contributors.

Paul Jay

Well, let's say you got a phone call, and I have absolutely no doubt, and there are very few things I have no doubt about, but I have no doubt you will not get this phone call. But let's say you do.

Biden calls you and said, OK, I've been listening to you, and you're talking about restructuring. So what should I do? And I know Biden's not going to call you, but what should a Biden administration do? It's a very critical, dangerous moment in so many ways.

Michael Hudson

Well, you're personalizing it. And the problem is, what could any president do? The tax laws are made by Congress. And you've seen with Donald Trump; it doesn't matter what he tries to do, it wouldn't matter who's president coming in, because one of the things that are needed to be done is to write down the debts that are owed to the banks. The economy cannot recover when it's working under this debt burden. Many people have talked about at least starting by writing down student loan debt with the huge default rates there are now. As long as you leave the student loan debt in place, students are not going to be able to qualify for mortgage loans. So they can't buy houses of their own because they're already pledging too much of their income to pay student loan debts.

Paul Jay

Student Loan debts are around a trillion dollars?

Michael Hudson

Yeah. It's larger now than credit card debt. Thanks to the bankruptcy law that Mr. Biden put in, you can't wipe out the student debt with bankruptcy. I mean, it was really Mr. Biden more so than Donald Trump that has screwed up the economic system by what he did in sponsoring the laws. He was the senator from Delaware, New Jersey, which is basically the corporate banking state. They called him the senator from the credit card companies. He represented the credit card companies against labor. His whole career has been fighting against labor. And it's inconceivable that he would ever call someone like me any more than what he said on 60 Minutes on Sunday. He said people think that I'm going to be like Bernie or AOC, but I beat those guys. You'll never call me a socialist.

When Kamala Harris was asked if she was a socialist or a left-winger, she just laughed and laughed and said, how could anyone possibly believe that? And of course, if you look at what she did in California by supporting Mnuchin in all of his fraudulent evictions, she supports the real estate owners even when they're illegally acting against the renters. So neither of them is a friend of labor. So what they would call me to say is what we need is a patter talk from you, Mr. Hudson.

Paul Jay

Don't take the phone call thing too seriously. But what I'm getting at is a progressive people's movement and the progressives that have been elected to Congress, what should they be demanding? What do real solutions look like?

Michael Hudson

What they should be demanding is something that cannot be done within the existing two-party system. First of all, the way to keep down housing prices and to get the cities and states out of their deficit is to tax unearned income. Tax the land, have a real estate tax that'll collect all this rent that is being paid right now to the banks as mortgage interest. Either you pay the banks the contractual interest that they're due on all of these loans, and you go broke. Or you realize the banks have become averse to economic welfare. You have to let the financial system go and replace it with banking and credit as a public utility.

That's what makes China so competitive. Why is China able to outstrip American labor? The Chinese have almost; I'd say, an equal standard of living from everything that I've seen there. Well, the reason is that China is doing exactly what the United States did to become an industrial power in the late 19th century. China has public utilities, public enterprises providing basic needs, and basic public services at a subsidized rate or freely, such as education, it's free. Foreign labor doesn't have

education debt like the United States. Education is free. Health care is public. It's provided freely. There's no huge limit.

Paul Jay

Let me say, I think that's not quite as rosy as it appears. My understanding is that while health care is supposed to be free and public, that you actually have to wind up having to pay doctors some cash, or you really can't get in to see them.

Michael Hudson

Yes, that is fair. I do acknowledge that fact. But the most important public utility to answer the question that you brought up, the important thing is that banking and finance in China is a public utility. The government is the creditor. When there's a pandemic like this and companies cannot afford to pay the debts or have to lay off labor, the government, as a banker, can say, OK, we're just not going to collect the debt and force you to go under and force you to lay off your labor force. It's easy to cancel debts when you, the public, and the government are the creditor. Because you're canceling debts owed to yourself, and that's one of the main reasons why banking should be a public utility.

Paul Jay

Well, in some ways, banking is a public utility if you're a big bank or if you're a big corporation because the Fed actually did essentially give corporations and banks so much cash during the pandemic, they were able to pay off their debts. So it kind of is a public utility if you're in the one percent.

Michael Hudson

Yes, you're right, what I meant as a public utility serving the public interest. Obviously, who is going to control the state? And that really is the key. Will it be progressives that control the state, or will it be the one percent? And right now, you mentioned what progressives in Congress could do?

Paul Jay

Well, before you do that, let me just add one thing to what you just said. The ability of the major financial corporations and large corporations, although I think finance is by far the dominant force because if you look at who owns almost all of the major corporations, the majority owners are big financial institutions. The majority of shares are held by big banks and, in particular, by asset management companies like BlackRock, State Street, and Vanguard. But not only them, but there are also others.

The power that the financial institutions wield over government is what Roosevelt defined as fascism. He said that when one sector of the economy, one group of companies essentially controls or owns the government, that's fascism. And we are virtually, or we are there.

Michael Hudson

You're quite right. You're absolutely right.

Michael Hudson

That is the problem, we are in a centrally planned economy, but central planning is done on Wall Street, not in Washington. Now that you've essentially privatized and financialized the political process, the Supreme Court ruled that corporations are people, and corporations can buy control of the political process. So that's basically what the problem is.

Let's get back to fascism because that's very important. Around the time that Roosevelt made that comment, Trotsky analyzed fascism in Germany and Italy, and he said that fascism is what occurred when the socialists don't have a solution to the problems.

I think we are indeed emerging in that kind of fascism today because you don't have the left or the progressive interests really coming up with a solution to the problems. And that's because the only kind of solution is so radical that it can't be solved within the existing political framework and the existing legal framework. There has to be the equivalent of a revolution. It's not going to be an anti-fascist revolution; then it'll be a fascist revolution. What we're seeing is that kind of a slow revolution.

Warren Buffett said there is a war and we're winning, but we seem to be the only people that know that the wars on. The war is on, and we're moving towards an economy ruled by the one percent. And I mean, fascism basically is the integration of corporations and the state leaving out the voters and the working class. It's a corporate state. And as you pointed out, we're not simply a corporate state here. Otherwise, the industrialists would be trying to run the economy to promote the industry. We're in a financialized state, and that's finance capitalism, which is very different from industrial capitalism. Many of the Left, especially the Marxists, still talk about industrial capitalism as being the problem. And yet industrial capitalism is being phased out in the United States, as you pointed out at the beginning of this show. And it's being phased out by finance capitalism. And that isn't even being discussed here, either by the media or even on the left; there's not much discussion of it.

Paul Jay

I wouldn't say, from what I understand, industrial production is being phased out.

Michael Hudson

That's the dynamic of industrial capitalism.

Paul Jay

But there are certain areas of the economy that are still very industrialized, and the amount of industrial production is still not great. But it's only in very specific kinds of areas, the higher-tech areas and such, anything that can be farmed out, offshore gets farmed out. But this issue of public banking is critical, and I think it needs to be focused on because it's not nearly enough in the focus of the demands of the progressive movement, in the Green New Deal, and other places.

It is breaking the hold of finance over the government. And I don't see how that happens without public banking. There's still a lot of talk about breaking up the big banks and regulation. Breaking up big banks probably is a good thing. But it only really works if, at the same time, you build public banking on a large scale. Diverse ownership, it could be owned at federal level states, cities, regions, cooperatives, co-op banks. But you need something on a scale that when the big banks try to threaten, too big to fail, a government needs to be able to say, well, you're not to go off and fail. You can't blackmail us anymore because we have a real public banking system. I don't see it happening within this Democratic Party.

On the other hand, the demand needs to be raised far more forcefully.

Michael Hudson

Well, the problem is what kind of banking are you going to have? And the whole tradition of American and British banking has been to lend against assets. So banks will not make a loan unless you have collateral to pledge. And the collateral is going to be assets and property that's already in place, mainly mortgages on real estate, but also it could be stocks and bonds or other assets. Banks don't lend the finance industry building a new capital. They'll lend to corporate raiders who buyout industry. They will lend to the industries you cited, and that includes high tech industries. This isn't the old kind of industrial capitalism industry; these are monopolies. Amazon, Apple, and Google make their money from monopoly rents, if not really profits. That's why they sell it for nearly a trillion dollars.

The economy is geared towards not only land rents and interest but monopoly rents. And when I talked about industrial capitalism, I was talking in the Marxist sense of the dynamic of industrial capitalism, certainly, as it was developing in the 19th century, was to cut the cost of living, to cut

the cost of doing business by getting rid of all rents. It was the business class in the United States. It was the industrial class; it was the Republicans and the 1880s and 90s that pressed for public enterprises. And Simon Patten, who was the first economics professor at the Wharton School of Economics, said public enterprise is a fourth factor of production. Unlike business investment and industrial investment, it's not there to make a profit. It's there to provide basic services at a low price to subsidize the cost of living and the cost of doing business so that industrialists can minimize what they have to pay the basic wage to labor and what they have to pay to do business with. They can afford to undersell their rivals.

Now, that's exactly what China is doing by having the public enterprises headed by public banking to provide credit. That's exactly what Germany did. Its banking was very different from American banking and British banking. German banking would actually create credit to finance capital investment by heavy industry, especially the war industries, but also steel. All the big industries got their financing from the banks that also organized the stock investment not to support stock prices, not to get quick dividend payouts, but to keep reinvesting the earnings and capital expansion.

That, again, is what China has done, as Germany did and as the United States did in the 19th century. But that was the whole dynamic of industrial capitalism to keep economic rents at a minimum. But now we're in a rentier society backed by financial interests. And you're absolutely right. It's the banks that are the mother of Monopoly. It's the banks that are protecting the large monopoly industries. It's the banks that are pressing for states and municipalities to sell off their assets, like how Wall Street forced Chicago to sell its sidewalks to put parking meters up to vastly increase the cost of driving around, in Chicago. When Goldman Sachs lent against that.

So it's the banks and the financial sector that are turning regular highways into toll roads. And now they're coming to New York and say, well, maybe your subways are broke. Well, we don't think they're really creditworthy, but why don't you privatize them. We'll do what Margaret Thatcher did with the transportation in England. And of course, once it's privatized, they're going to build debt service and interest rates, management fees, and stock buybacks all into the cost of providing subway service or bus service or road service. And the economy is on the same trajectory that England was on under Thatcher and Tony Blair. And that's really the problem. What kind of capitalism are we going to have?

Paul Jay

If you look at the critical problems facing our society and societies around the world, really, the solutions are socialized solutions. There's no way that you can deal with the climate crisis without some kind of central planning, without government driving it, and without socialized solutions. Just the way Medicare for all makes perfect sense. Medicare for all makes perfect sense. The same principle can be applied in other areas of the economy, certainly starting with banking.

But the more problems cry out for more socialized solutions. If you want, you can use this terminology of a mixed economy for the more socialist characteristics of the economy to come more to the fore. It's so obvious that's what needs to be done, or the society is not going to last.

But even when you read some of the documents, I follow BlackRock, and I read their research papers. They even recognize, at least in words that the urgency and danger of the climate crisis, but it's obvious from what they say, they don't reach a conclusion, but they come right up to the edge of the conclusion that the marketplace on its own will never allow or force investors to change the way they actually invest. BlackRock claims they're getting out of coal, but it's smoke and mirrors. If people want to see the analysis, I did, of that, and I have an article on the website about BlackRock. But the market mechanism will never change the course to phase out fossil fuels relatively quickly, have a massive investment in green, sustainable energy. That doesn't happen when the model of the financial industry, which is quickest maximum return on their capital investment, that only government can do that. But the government can't do that when it's controlled by finance.

So this issue of a more socialized solution like you asked, is what version of capitalism solves it. I think the version of capitalism is no version of capitalism. In the sense that the socialistic

characteristics of capitalism really have to come to the fore, that there really has to be a transition to far more public ownership.

Michael Hudson

Well, a century ago, everyone thought that capitalism was leading to socialism, and that was shared by large industrial firms. They wanted to socialize the costs of the economy. They wanted to socialize the land. It was the industrialists, Ricardo and John Stuart Mill, who were the industrialists that wanted to get the land tax and to get rid of the landlord class in England.

Now and all throughout Europe, it was the upper house of government, the House of Lords, or the Senate that tried to block any kind of reform, not only leading to socialism, but that helped capitalism. There had to be a political revolution strengthening the House of Commons relative to the House of Lords. And that occurred in 1909-10 in England. Now, here you're going to have a similar constitutional crisis in order to do the socialist policies that you mentioned. The crisis is not only because there's federalism in the United States, states' rights that are written in the Constitution, to have an economy that can rescue the American industry, and rescue the American working class, you need to rewrite the Constitution.

But the efforts to make plans for a constitutional convention have all been done by the ultra-right, by the Federalist Society, and by the people that you and I have made fun of for many years. And I don't see any movement on the left to say the situation is so serious that we need a radical rewrite of the Constitution in order to become really a parliamentary democracy that can provide the political context in order to introduce socialist policies.

So the problems not only economic; the problem is that to solve the financial and rentier economic problem, you need to restructure the political problem here along the lines that were restructured in Europe and obviously in China.

Paul Jay

Well, I don't want to get too much into China because I find it too complicated, and it's a whole other conversation.

But that said, we're in a moment where we don't have much time climate-wise. We're talking less than a decade. The truth is, given the way the politics is right now, we're not going to make the kind of moves that need to be made in less than a decade.

But at least, I have to say, with a Biden administration, as much as I agree with your critique of the Democrats and Biden, at least it's a conversation about what a climate policy should be. I think four more years of climate denial will be a complete disaster.

But there is something about the 19th century, which I think is informative about what might be possible here, and this is a bit of a Hail Mary, but anyway. When it came to child labor, I guess we're in the mid 19th century; the section of the capitalist class understood that if the mines and mills and factories continued to exploit child labor as intensely as they were, they were actually going to prevent the reproduction of the working class. There weren't going to be enough workers. They were literally wiping out the working class of England. Those voices that saw the systemic interests of the class interests of capitalists was served with laws prohibiting child labor, and it won. Of course, the working class was still just getting organized into unions and fought for these laws as well. But the systemic interest asserted itself, and they did outlaw child labor. Well, we're in that kind of moment now; the systemic interest, the threat of climate disaster is going to demolish much of the assets of the capitalists. Maybe not tomorrow, but certainly it's within sight, 10, 20, 30 years. Every time you look at the scientists' assessment of what's happening in terms of climate change, it always seems to be changing faster than they thought it would. The estimates of the IPCC always turn out to be conservative, and it's actually more dangerous than people thought.

So the problem is we don't have time to politically win the power to rewrite a constitution, and we also don't have the time to have a kind of political revolution, the way Bernie Sanders even talks about. To the point where you can develop these socialist characteristics or socialistic side of the economy, even though it has to happen.

There has to be a way that a mass movement can both force, persuade, demand that at least some sections of the elites, and it's going to be hard for finance because they are in an orgy of profit-making. But they need to get they're not going to be able to reproduce their own wealth the way this is going because the climate is going to destroy it.

Michael Hudson

But, Paul, they don't care. The Financial Times is short term. What you're talking, in reference to climate change does not exist within this year. And this year is where their perspective ends. Finance lives in the short run. They think they can always take their money and run. And as long as they live in the short run, they only care about their bonuses. They care about the stock price. What you're talking about is something that's going to happen in more than 12 months. Just as politicians usually don't care more than the four years, presidential term or the six-year Senate term. Their time frame is a mentality, and the mentality of the one percent being financialised is the financial mentality of living in the short run. When you criticize the market, as you correctly did before, the problem is that the market is short term. The market is a cross-section at a given moment of time, and you're talking about where it's all leading in the future. This is what business economists call an externality. Statistics will treat global warming as an externality, external for their economic models.

In other words, it doesn't matter for the things that they care about. The one percent cares about quite different things than the 99 percent and progressives care about. So it's that mentality that you're dealing with, and the mentality is not going to change. Even on the interview on 60 Minutes on Sunday night, Vice President Biden said, don't worry, he's not going to cut back fracking. It's more important to support fracking profit, even if it pollutes all of the water sources. Even if it pollutes the water and destroys the environment, we're going to be for it because Wall Street lent money against it. And we're supporting the banks that support and rely on fracking, or the banks will be in trouble.

I mean, that's where we are right now. Nobody is making a move to save the environment apart from global warming, the water supply, the air supply, nobody. I don't see any way of introducing this in an economy where the whole mentality of the powerful people who make the laws are short term.

Paul Jay

Yeah, I know they once asked Marx what the mentality of a capitalist is? He said, 'Après Moi, le déluge,' which means 'after me comes the floods.' It's a quote from King Louis XV.

Michael Hudson

They're going to buy houses in New Zealand if they can get there, somewhere high up.

Paul Jay

I don't have any great hope that it happens. I certainly don't have any great hope that it happens other than a few individual cases. But whatever might happen only happens if there's a very large scale, well-organized, progressive mass movement with a political agenda. Within those conditions, it may be the science gets clearer. The threat gets clearer on climate.

There is a point where the effects of climate change would get so profound, so serious that finance would see it in their interests. And I think there are some sectors, I'm told by people that know people high up in finance, and quite a few of them are getting the urgency and danger of it, but they can't break out of their business model.

Michael Hudson

That's the problem. I mean, what surprises me, all you need are a few billionaires. A few rich people to endow a progressive movement. Even in the Roman Empire, as it was collapsing and leading into the Dark Ages, you had members of the elite saying this is a hell of a way to make a living or make an empire. Things have to change. And of course, that led to such a revulsion against wealth and

short-termism that you had Christianity spreading. People just revolted at the selfishness and the greed and the short-termism of the Roman Empire.

I would have thought something would happen here in the Senate. But that takes individuals. If you look at what wealthy people are giving donations to, it's not the foundations that are what you and I would call progressive.

Paul Jay

All right, we'll continue this conversation. Thanks for joining us, Michael.

Michael Hudson

Good to be here, Paul.

Paul Jay

And thank you for joining us on theAnalysis.news podcast. And speaking of donations, don't forget there's a button at the top of our Web page.