

The madness of King Trump

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We have never witnessed an attempt to build a global empire by trade and economic war alone, ever before. Trump is trying it. How should the world respond?

[Please note: this was recorded before yesterday's late afternoon tariff changes, but I do not actually think that change alters the meaning of what follows.]

https://www.youtube.com/watch?v=hNDzm5ZMNRA?si=_PPCw3oRREx5HkNL

This is the audio version:

https://www.podbean.com/player-v2/?i=kyhcs-1877262-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Does Donald Trump know what he is doing?

It's a good question because most of the world is deeply confused by what he is up to.

It is glaringly obvious that his tariff war is going to become a global trade war.

It's clear that tariffs are not the limit of his ambition when it comes to that trade war. His aim is, very obviously, to impose the low levels of consumer protection, consumer

standards, regulatory rights, employment protection rights, and other things that have become commonplace in the USA on the rest of the world.

We in the rest of the world do not want to have imposed upon us the low-quality protections for healthcare that are implicit in US food standards.

We do not want the low level of emission protection that is implicit in US auto-regulation..

We do not want to be forced to pay for the right to use the dollar if it remains the world's reserve currency.

We do not want to become vassal states of the USA.

But in everything that Trump is doing, this appears to be his objective. He wants us to all kneel down and bow at the throne, which he is creating for himself in the USA, as if that is what we have a duty to do.

King Donald does, in his opinion, rule the world.

We are therefore in a situation where quite literally Trump is trying to create a new US world empire and those states who decide to queue up at the door of the White House to try to offer concessions to secure reductions in their rates of tariff will, as a result, become those vassal states that he is so desperate to secure because they feed his vanity.

But what is he actually going to do to the USA as a consequence of what he's up to? Let's be clear we know that he believes the golden age of the USA was in the period from around 1890 to 1913. He said so time and again during the course of his campaign speeches.

What he said was that President McKinley of that era was the person who made America, in his view, great by relying on tariffs.

And he argues that everything went wrong from 1913 onwards when an income tax was introduced for reasons that he claims no human being understands.

Well, of course, the reality is that every human being, with any sense at all, let alone an understanding of economics, understands exactly why an income tax was introduced in 1913.

It was, and has remained, a part of US taxation revenues because the government of the USA needed income to meet the demands made upon it by the people of that country so that it would make America great. By which I mean, it was put in place to ensure that the robber barons of the USA could not continue to abuse the people of that country through their monopoly actions.

It was put in place to ensure that the US government could ensure that safety standards were enforced in US manufacturing and other workplaces.

It was eventually put in place, but admittedly, this was a long time later, to try to enforce equality and to protect the rights of people in the USA.

It was put in place to ensure that there was a social safety net of sorts in that country.

And for some, there was some protection with regard to Medicaid and other such issues.

It was also put in place, of course, to fund the US expansion that was seen through its military power.

That was why there was an income tax.

Now, Donald Trump wants to pull back from that power base.

He wants to reduce military spending.

He wants to exert economic power to achieve the result that the threat of nuclear weapons and other types of military force used to provide for that country.

And he believes he can. As a result of doing this, he thinks he will achieve a number of goals.

Firstly, he believes that the dollar will remain the hegemonic reserve currency of the world, but despite that fact, which inevitably means that that currency will always be overvalued as a consequence of having that role, he thinks that its value can be reduced because tariffs will force the value of the dollar down because there will be no reaction from the states on which he imposes them. Meaning as a result that the price of US imports will rise and the price of US exports in relative terms will fall. And therefore, he thinks the value of the dollar will be, as he puts it, normalized, which is impossible if it remains a reserve currency.

And so to enforce this situation, if trade alone does not achieve it, he's already talking about an effective default on US debt, which currently stands at around \$36 trillion, forcing currencies to give up the debt that they currently hold, issued by the US government, and to take in its place long-term or perpetual debts at very low interest rates, which will have considerably less worth than those bonds that Trump wants them to swap with the US government.

Now, is this likely? Of course it isn't.

What we're seeing here is a US government power grab over the rest of the world.

It's arguing that countries outside the USA transfer their wealth to the USA.

It's asking that they pay some form of tribute, to use a very old fashioned but nonetheless appropriate word, for the use of the US dollar even though the US has become the richest country in the world precisely because it has got the world's reserve currency, which has meant that it has been able to buy goods in international markets, and in effect, not pay for them because nobody ever wanted to make a claim for the payment of dollars from the USA by having settlement in their own currencies.

He wants, because he wishes to destroy that power that the dollar has created for the USA, to undermine the wellbeing of the people of that country who will inevitably, as a consequence of the changes that he wishes to impose, increasing the price of imports and effectively, in real terms, reducing the price of exports, squeeze the income of the people of the USA and the profit margins of companies within it in a way that is bound to impoverish, bankrupt, and otherwise economically destroy vast numbers of people in that country. This is what Trump is trying to do.

He has a plan. Let's not pretend otherwise.

He is going to pursue that plan. Let's not pretend otherwise.

He's obviously determined that he is right. He. Let's not pretend otherwise.

But let's also take note that there is no wise sane, or educated economist of almost any persuasion whatsoever on any other issue who thinks that what he is doing makes any rational sense unless you see it as an exercise in political economy where he is undertaking a fundamental power grab to effectively try to subject the world to his view. There is no other possible interpretation of what is going on.

The world has a choice as a consequence. It can either decide that this is something that it is not willing to accept. In other words, it can decide that it will effectively gang up on the USA and say no to these tariffs and no to these demands for trade deals that are inevitably going to follow and no to his demand for payment for the use of the dollar in whatever form that demand might be made.

They can do that.

They could set up new international institutions.

A new reserve currency, for example, in the style proposed by Lord Keynes at Bretton Woods in 1944.

They could replace the International Monetary Fund and remove American influence upon it, and replicate it elsewhere in the world.

The same with the World Bank.

The same with the World Trade Organization.

The same with the International Labor Organization.

The same too with the World Health Organization.

Even the United Nations, if they so wished.

They could do this and put in place new international organizations, effectively adopting the processes that already exist in some of these organizations, but rewriting the rules so that the USA is excluded and the world has new objectives around which they can coalesce, which would focus upon the well-being of people throughout the world.

Is that possible?

Anything is.

We set up those institutions in the first place in remarkably short periods of time in response to international stress. We could do the same again, not least because this time all the precedents that are required are in place, with a few tweaks being necessary to ensure that this time they are more effective for the benefit of everybody and not just the most powerful nations on earth.

We could, as a consequence, tell the USA to very politely go and get stuffed.

They are not a necessary part of the world order that the rest of the world will want.

They might be 20% of the global economy, but we can do without them if the price of having them is too great, in other words.

Will the rest of the world do this?

Will they have the sense to cooperate?

Not on every single issue, of course, and not by requiring that they all have the same approach on every subject, because that is an impossibility.

But will they cooperate sufficiently to make sure that they form an effective block against the abuse of their nation's statehood? That is what Trump is trying to achieve. That is the question of the moment.

We face massive economic turmoil. Markets are in meltdown and will continue to be in meltdown.

People's futures are uncertain. As a result, jobs are on the line.

People's ability to actually consume what they need to live in the USA in the first

instance, but beyond that, around the world, might be at threat. All of this for the sake of the vanity of a single man, Donald Trump.

The question to ask is, will he now be opposed because if he isn't, we end up with something that we have never seen of its type before, which is a fascist state imposed by trade war.

If we stand up against what he's doing we might not only have the chance of preserving liberal democracy in those places where it exists, but of even cooperating with those states where we would like to see it and it does not at present, and it is not at present on offer to the population.

I am not pretending that democracy is the be all or an end all.

I'm not pretending that the economic policies of many democracies have necessarily provided the answers to all the questions we have, because that has clearly not been the case during the neoliberal order.

But what I am saying is that unless we stand up for the right of people to live with governments that they choose in the places where they are, then we will give in to a form of tyranny operated from the USA, which is unprecedented in human history.

It is a choice.

We have to make it.

We have to make the right choice, and that right choice requires a new approach to world cooperation that we've never seen before.

But then we've never seen the likes of Donald Trump before.

And with luck, we would never do so again if we put the right organizations in place.