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The MIC, OGAM and FIRE Sectors Conquer NATO

Michael Hudson • February 28, 2022

• 3,100 Words



My old boss Herman Kahn, with whom I worked at the Hudson Institute in the 1970s, had a set speech that he would give at public meetings. He said that back in high school in Los Angeles, his teachers would say what most liberals were saying in the 1940s and 50s: “Wars never solved anything.” It was as if they never changed anything – and therefore shouldn’t be fought.

Herman disagreed, and made lists of all sorts of things that wars had solved in world history, or at least changed. He was right, and of course that is the aim of both sides in today’s New Cold War confrontation in Ukraine.

The question to ask is what today’s New Cold War is trying to change or “solve.” To answer this question, it helps to ask who initiates the war. There always are two sides – the attacker and the attacked. The attacker intends certain consequences, and the attacked looks for unintended consequences of which they can take advantage. In this case, both sides have their dueling sets of intended consequences and special interests.

The active military force and aggression since 1991 has been the United States. Rejecting mutual disarmament of the Warsaw Pact countries and NATO, there was no “peace dividend.” Instead, the U.S. policy executed by the Clinton and subsequent administrations to wage a new military expansion via NATO has paid a 30-year dividend in the form of shifting the foreign policy of Western Europe and other American allies out of their domestic political sphere into their own U.S.-oriented “national security” blob (the word for special interests that must not be named). NATO has become Europe’s foreign-policy-making body, even to the point of dominating domestic economic interests.

The recent prodding of Russia by expanding Ukrainian anti-Russian ethnic violence by Ukraine’s neo-Nazi post-2014 Maiden regime was aimed at (and has succeeded in) forcing a showdown in response to the fear by U.S. interests that they are losing their economic and political hold on their NATO allies and other Dollar Area satellites as these countries have seen their major opportunities for gain to lie in increasing trade and investment with China and Russia.

To understand just what U.S. aims and interests are threatened, it is necessary to understand U.S. politics and “the blob,” that is, the government central planning that cannot be explained by looking at ostensibly democratic politics. This is not the politics of U.S. senators and representatives representing their congressional voting districts or states.

America’s Three Oligarchies in Control of U.S. Foreign Policy

It is more realistic to view U.S. economic and foreign policy in terms of the military-industrial complex, the oil and gas (and mining) complex, and the banking and real estate complex than in terms of the political policy of Republicans and Democrats. The key senators and congressional representatives do not represent their states and districts as much as the economic and financial interests of their major political campaign contributors. A Venn diagram would show that in today’s post-Citizens United world, U.S. politicians represent their campaign contributors, not voters. And these contributors fall basically into three main blocs.

Three main oligarchic groups that have bought control of the Senate and Congress to put their own policy makers in the State Department and Defense Department. First is the Military-Industrial Complex (MIC) – arms manufacturers such as Raytheon, Boeing and Lockheed-Martin, have broadly diversified their factories and employment in nearly every state, and especially in the Congressional districts where key Congressional committee heads are elected. Their economic base is monopoly rent, obtained above all from their arms sales to NATO, to Near Eastern oil exporters and to other countries with a balance-of-payments surplus. Stocks for these companies soared immediately upon news of the Russian attack, leading a two-day stock-market surge as investors recognized that war in a world of cost-plus “Pentagon capitalism” (as Seymour Melman described it) will provide a guaranteed national-security umbrella for monopoly profits for war industries. Senators and Congressional representatives from California and Washington traditionally have represented the MIC, along with the solid pro-military South. The past week’s military escalation promises soaring arms sales to NATO and other U.S. allies, enriching the

actual constituents of these politicians. Germany quickly agreed to raise its arms spending to over 2% of GDP.

The second major oligarchic bloc is the rent-extracting oil and gas sector, joined by mining (OGAM), riding America's special tax favoritism granted to companies emptying natural resources out of the ground and putting them mostly into the atmosphere, oceans and water supply. Like the banking and real estate sector seeking to maximize economic rent and maximizing capital gains for housing and other assets, the aim of this OGAM sector is to maximize the price of its energy and raw materials so as to maximize its natural-resource rent. Monopolizing the Dollar Area's oil market and isolating it from Russian oil and gas has been a major U.S. priority for over a year now, as the Nord Stream 2 pipeline threatened to link the Western European and Russian economies more tightly together.

If oil, gas and mining operations are not situated in every U.S. voting district, at least their investors are. Senators from Texas and other Western oil-producing and mining states are the leading OGAM lobbyists, and the State Department has a heavy oil-sector influence providing a national-security umbrella for the sector's special tax breaks. The ancillary political aim is to ignore and reject environmental drives to replace oil, gas and coal with alternative sources of energy. The Biden administration accordingly has backed the expansion of offshore drilling, supported the Canadian pipeline to the world's dirtiest petroleum source in the Athabasca tar sands, and celebrated the revival of U.S. fracking.

The foreign-policy extension is to prevent foreign countries not leaving control of their oil, gas and mining to U.S. OGAM companies from competing in world markets with U.S. suppliers. Isolating Russia (and Iran) from Western markets will reduce the supply of oil and gas, pushing up prices and corporate profits accordingly.

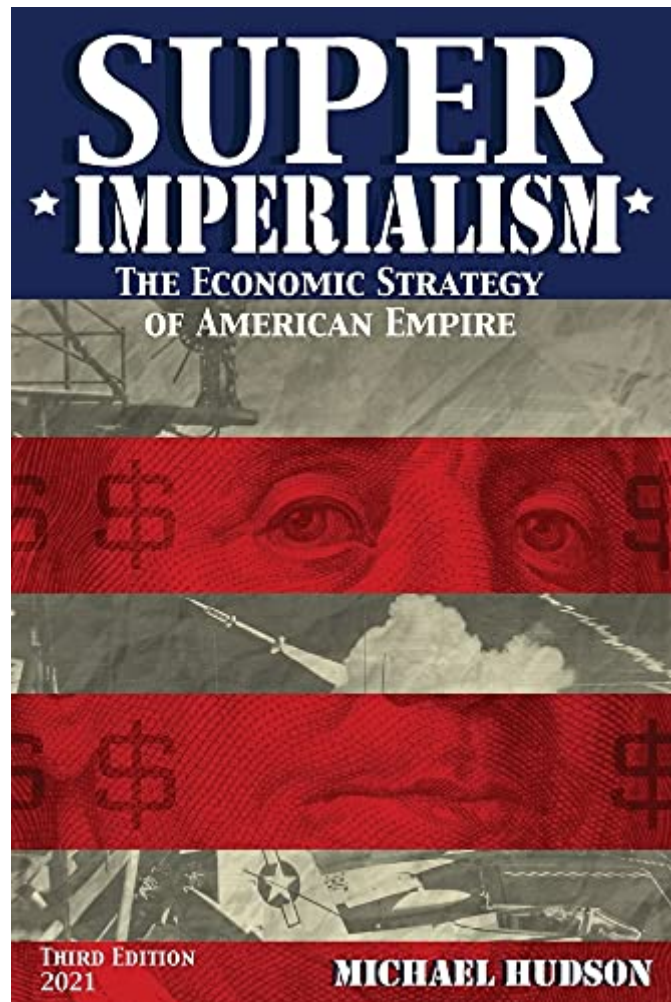
The third major oligarchic group is the symbiotic Finance, Insurance and Real Estate (FIRE) sector, which is the modern finance-capitalist successor to Europe's old post-feudal landed aristocracy living by land rents. With most housing in today's world having become owner-occupied (although with sharply rising rates of absentee landlordship since the post-2008 wave of Obama Evictions), land rent is paid largely to the banking sector in the form of mortgage interest and debt amortization (on rising debt/equity ratios

as bank lending inflates housing prices). About 80 percent of U.S. and British bank loans are to the real estate sector, inflating land prices to create capital gains – which are effectively tax-exempt for absentee owners.

This Wall Street-centered banking and real estate bloc is even more broadly based on a district-by-district basis than the MIC. Its New York senator from Wall Street, Chuck Schumer, heads the Senate, long supported by Delaware's former Senator from the credit-card industry Joe Biden, and Connecticut's senators from the insurance sector centered in that state. Domestically, the aim of this sector is to maximize land rent and the "capital" gains resulting from rising land rent. Internationally, the FIRE sector's aim is to privatize foreign economies (above all to secure the privilege of credit creation in U.S. hands), so as to turn government infrastructure and public utilities into rent-seeking monopolies to provide basic services (such as health care, education, transportation, communications and information technology) at maximum prices instead of at subsidized prices to reduce the cost of living and doing business. And Wall Street always has been closely merged with the oil and gas industry (*viz.* the Rockefeller-dominated Citigroup and Chase Manhattan banking conglomerates).

The FIRE, MIC and OGAM sectors are the three *rentier* sectors that dominate today's post-industrial finance capitalism. Their mutual fortunes have soared as MIC and OGAM stocks have increased. And moves to exclude Russia from the Western financial system (and partially now from SWIFT), coupled with the adverse effects of isolating European economies from Russian energy, promise to spur an inflow into dollarized financial securities

As mentioned at the outset, it is more helpful to view U.S. economic and foreign policy in terms of the complexes based on these three *rentier* sectors than in terms of the political policy of Republicans and Democrats. The key senators and congressional representatives are not representing their states and districts as much as the economic and financial interests of their major donors. That is why neither manufacturing nor agriculture play the dominant role in U.S. foreign policy today. The convergence of the policy aims of America's three dominant *rentier* groups overwhelms the interests of labor



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and even of industrial capital beyond the MIC. That convergence is the defining characteristic of today's post-industrial finance capitalism. It is basically a reversion to economic rent-seeking, which is independent of the politics of labor and industrial capital.

The dynamic that needs to be traced today is why this oligarchic blob has found its interest in prodding Russia into what Russia evidently viewed as a do-or-die stance to resist the increasingly violent attacks on Ukraine's eastern Russian-speaking provinces of Luhansk and Donetsk, along with the broader Western threats against Russia.

The *Rentier* "Blob's" Expected Consequences of the New Cold War

As President Biden explained, the current U.S.-orchestrated military escalation ("Prodding the Bear") is not really about Ukraine. Biden promised at the outset that no U.S. troops would be involved. But he has been demanding for over a year that Germany prevent the Nord Stream 2 pipeline from supplying its industry and housing with low-priced gas and turn to the much higher-priced U.S. suppliers.

U.S. officials first tried to stop construction of the pipeline from being completed. Firms aiding in its construction were sanctioned, but finally Russia itself completed the pipeline. U.S. pressure then turned on the traditionally pliant German politicians, claiming that Germany and the rest of Europe faced a National Security threat from Russia turning off the gas, presumably to extract some political or economic concessions. No specific Russian demands could be thought up, and so their nature was left obscure and blob-like. Germany refused to authorize Nord Stream 2 from officially going into operation.

A major aim of today's New Cold War is to monopolize the market for U.S. shipments of liquified natural gas (LNG). Already under Donald Trump's administration, Angela Merkel was bullied into promising to spend \$1 billion building new port facilities for U.S. tanker ships to unload natural gas for German use. The Democratic election victory in November 2020, followed by Ms. Merkel's retirement from Germany's political scene, led to cancellation of this port investment, leaving Germany really without much alternative to importing Russian gas to heat its homes, power its electric utilities, and to provide raw material for its fertilizer industry and hence the maintenance of its farm productivity.

So the most pressing U.S. strategic aim of NATO confrontation with Russia is soaring oil and gas prices, above all to the detriment of Germany. In addition to creating profits and stock-market gains for U.S. oil companies, higher energy prices will take much of the steam out of the German economy. That looms as the third time in a century that the United States has defeated Germany – each time increasing its control over a German economy increasingly dependent on the United States for imports and policy leadership, with NATO being the effective check against any domestic nationalist resistance.

Higher gasoline, heating and other energy prices also will hurt U.S. consumers and those of other nations (especially Global South energy-deficit economies) and leave

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supply chains for key materials, including cobalt, palladium, nickel and aluminum (the production of which consumes much electricity as its major cost – which will make that metal more expensive). If China decides to see itself as the next nation being threatened and joins Russia in a common protest against the U.S. trade and financial warfare, the Western economies are in for a serious shock.

The long-term dream of U.S. New Cold Warriors is to break up Russia, or at least to restore its Yeltsin/Harvard Boys managerial kleptocracy, with oligarchs seeking to cash in their privatizations in Western stock markets. OGAM still dreams of buying majority control of Yukos and Gazprom. Wall Street would love to recreate a Russian stock market boom. And MIC investors are happily anticipating the prospect of selling more weapons to help bring all this about.

Russia's Intentions to Benefit from America's Unintended Consequences

What does Russia want? Most immediately, to remove the neo-Nazi anti-Russian core that the Maidan massacre and coup put in place in 2014. Ukraine is to be neutralized, which to Russia means basically pro-Russian, dominated by Donetsk, Luhansk and Crimea. The aim is to prevent Ukraine from becoming a staging ground of U.S.-orchestrated anti-Russian moves à la Chechnya and Georgia.

less of the U.S. family budget for spending on domestic goods and services. This could squeeze marginalized homeowners and investors, leading to further concentration of absentee ownership of housing and commercial property in the United States, along with buyouts of distressed real estate owners in other countries faced with soaring heating and energy costs. But that is deemed collateral damage by the post-industrial blob.

Food prices also will rise, headed by wheat. (Russia and Ukraine account for 25 percent of world wheat exports.) This will squeeze many Near Eastern and Global South food-deficit countries, worsening their balance of payments and threatening foreign debt defaults.

Russian raw-materials exports may be blocked by Russia in response to the currency and SWIFT sanctions.

This threatens to cause breaks in

Russia's longer-term aim is to pry Europe away from NATO and U.S. dominance – and in the process, create with China a new multipolar world order centered on an economically integrated Eurasia. The aim is to dissolve NATO altogether, and then to promote the broad disarmament and denuclearization policies that Russia has been pushing for. Not only will this cut back foreign purchases of U.S. arms, but it may end up leading to sanctions against future U.S. military adventurism. That would leave America with less ability to fund its military operations as de-dollarization accelerates.

Now that it should be obvious to any informed observer that (1) NATO's purpose is aggression, not defense, and (2) there is no further territory for it to conquer from the remains of the old Soviet Union, what does Europe get out of continued membership? It is obvious that Russia never again will invade Europe. It has nothing to gain – and had nothing to gain by fighting Ukraine, except to roll back NATO's proxy expansion into that country and the NATO-backed attacks on Novorossiya.

Will European nationalist leaders (the left is largely pro-US) ask why their countries should pay for U.S. arms that only put them in danger, pay higher prices for U.S. LNG and energy, pay more for grain and Russian-produced raw materials, all while losing the option of making export sales and profits on peaceful investment in Russia – and perhaps losing China as well?

The U.S. confiscation of Russian monetary reserves, following the recent theft of Afghanistan's reserves (and England's seizure of Venezuela's gold stocks held there) threatens every country's adherence to the Dollar Standard, and hence the dollar's role as the vehicle for foreign-exchange savings by the world's central banks. This will accelerate the international de-dollarization process already started by Russia and China relying on mutual holdings of each other's currencies.

Over the longer term, Russia is likely to join China in forming an alternative to the U.S.-dominated IMF and World Bank. Russia's announcement that it wants to arrest the Ukrainian Nazis and hold a war crimes trial seems to imply an alternative to the Hague court will be established following Russia's military victory in Ukraine. Only a new international court could try war criminals extending from Ukraine's neo-Nazi leadership all the way up to U.S. officials responsible for crimes against humanity as defined by the Nuremberg laws.

I expect Russia to withdraw this week. I can't imagine that it has any intention of expending resources and lives on occupation. Its first task was to stop the attack on the Russian-speaking eastern provinces and to protect Crimea. Its second task was to wipe out the neo-Nazi military forces, capturing their leaders if possible and bringing them to trial for war crimes — and then proceeding up the ladder to their U.S. sponsors, NED etc.

It is of course possible that Europe will break away. In that case, Russia will turn toward China and its fellow SCO members. Europe will suffer severe supply chain issues, commodity-price inflation, and budget squeezes for its population and governments.

Did the American Blob Actually Think Through the Consequences of NATO's War?

It is almost black humor to look at U.S. attempts to convince China that it should join the United States in denouncing Russia's moves into Ukraine. The most enormous unintended consequence of U.S. foreign policy has been to drive Russia and China together, along with Iran, Central Asia and other countries along the Belt and Road initiative.

Russia dreamed of creating a new world order, but it was U.S. adventurism that has driven the world into an entirely new order – one that looks to be dominated by China as the default winner now that the European economy is essentially torn apart and America is left with what it has grabbed from Russia and Afghanistan, but without the ability to gain future support.

And everything that I have written above may already be obsolete as Russia and the U.S. have gone on atomic alert. My only hope is that Putin and Biden can agree that if Russia hydrogen bombs Britain and Brussels, that there will be a devil's (not gentleman's) agreement not to bomb each other.

With such talk I'm brought back to my discussions with Herman Kahn 50 years ago. He became quite unpopular for writing *Thinking about the Unthinkable*, meaning atomic war.

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