



USA: "What comes first, a crash or a war?" (Interview with Ernst Wolff from March 16, 2017)



According to economist and author Ernst Wolf: "The USA are more or less on the brink of a civil war,". In his opinion, this is due to the great social inequality in the USA as well as the huge debts burdening the country. In an interview with "Sputnik" the expert warns in this context about the danger of a huge war as a consequence of the crisis.

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"I think that the very big question currently being asked is actually a very tragic one. That question is: What comes first? Does a crash come first or a war?" Wolff described the danger of war as very real: "My presumption is that the USA will try to prevent the really huge crisis by means of war in the Middle East. I expect that the war in the Middle East will be vastly expanded, [...]. I think the prospects at the moment are very dangerous."

Listen to the following 5 minute interview with Ernst Wolff.

(Sputnik) Yes, let's have a look at the USA. The US Federal Reserve Bank is going to raise the interest rates. This would be the third increase in interest rates after the financial crisis. What does this mean for the global economy?

Ernst Wolff:) Well ... this increase is of course not in the interest of the big financial industry, but on the other hand, this raise of the interest rate is about to show the world that the American economy is on a good path. The consequence of this increase – I believe it will only be small - will be that the stock markets will drop slightly. But this will in turn not disturb the big financial institutions because they are going to bet on falling prices. It will hurt at most a whole lot of small investors all over the world. But the most important thing about this whole development in the USA is that the financial industry in the USA is currently in an absolute upward trend because of the promised tax breaks and the deregulation (abolition of restrictions) and the abolition of environmental standards etc. So all of these benefits that they experience under Donald Trump. This is actually the decisive point. So the interest rate increase ... I also guess ... there will be only this one rate hike and then it will be relatively quiet on this 'front'. This rate increase will not have any major consequences.

(Sputnik) Does this mean that Donald Trump could actually really succeed with his course?
(Ernst Wolff :) He will definitely not have long term success. As I see it Donald Trump is

simply the last effort of the financial industry in the USA to - once again - massively “clean up” before the really big crash definitely comes. Because with these tax breaks and deregulations he only brings profit to the large financial institutions. The jobs he promised will never be brought back to the USA, and if jobs are going to return ... then only low-wage jobs. Consequently that will lead him into conflict with his own supporters. So, I expect very wild times in the coming months in the USA. Especially because the people will realize that all these election-campaign promises by Donald Trump do not help them.

(Sputnik) Yes, today Donald Trump still has another hurdle to jump: On March 15 the adjournment period of the US-debt ceiling ends. That means – plainly speaking – that from that day on not a single dollar of new debt is allowed to be made by the USA. Because they’ve already exceeded the 20 trillion-dollar limit according to their own statement. What is the US-President Trump facing today?

(Ernst Wolff): Well, I think he is going to face the same situation as his predecessor. Yes, I think the process will be the same. There will be a bit of turmoil about this first, but then they will yet again push up the upper limit. The key point is that one has to see this upper limit in relation to the economic performance of the USA. So the debt ratio of the USA ... that is the ratio between debt and gross domestic product in 2007 was 64%. That was a year before the big crisis. This debt ratio is today about 107%. That means that the country is in a much, much worse situation today. At the same time the ‘explosion of social inequality’ has progressed tremendously. So the USA has huge problems and this pushing up of the debt ceiling – which certainly be done – just shows us what deep problems the USA is in.

(Sputnik :) We have now touched some points, some countries that are going to change in the near future. How could the global economy look in 24 hours?

(Ernst Wolff) Well, within the next 24 hours there won’t be any really big changes. But we are definitely in a downward spiral and the problems will not become less ... no, but the problems are going to keep growing everywhere. So ... in any case the EU is very, very burdened ... the EU will not be able to survive in the long term. The USA is more or less on the brink of civil war, because the social inequality has now reached historical proportions in the USA, the debt burden has grown huge and I think that the very big question that is currently being asked is a really very big one ... a tragic question. It is the question: What will come first, does a crash come first or will it be a war? At the moment we do see that everywhere there is building-up of arms. And leading this armament race is the USA. And the USA do have three potential war opponents in sight: one is Russia, the other is China and the third is Iran. My guess is that the US is going to try to prevent the very great crisis by means of war in the Middle East. So I suspect that the war in the Middle East will be expanded enormously, since the low oil price in the background is really disturbing the financial industry in the USA. I think the prospects are very, very dangerous at the moment.

from hm.

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