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Prof. Mearsheimer: The Defeat of the United States

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John Mearsheimer (JM): You can have power, but power by itself doesn't tell you very much. This is why we lose all these wars. The question viewers should be asking is, if John says the United States is so powerful, why does it lose all of these wars? And the point is that there are real limits to what you can do with all that power.

Yanis Varoufakis (YV): This war may prove, unlike all the other wars, a bridge too far for the United States hegemony.

Katie Halper (KH): With the Iran war, how much does this defeat challenge the U.S. As a hegemon, if at all?

YV: Look, losing wars has been, over the last 40, 50 years, utterly consistent with the expansion of the hegemonic power of the United States. The United States lost the Vietnam War, they lost the war in Iraq and Afghanistan, Libya is a basket case as a result of the Hillary Clinton and Barack Obama intervention. Look at Bosnia today, for instance, it's a cesspit. So, you know, failure can be particularly useful to the project of enhancing American hegemony. Let's not forget that ever since the Nixon shock in 1971, the United States' financial hegemony has expanded the deeper into the red; the federal government and the overall American economy is getting. It's a very strange hegemone, the United States. Nothing like the British Empire, nothing like the Roman Empire, the Portuguese Empire. Failure can be the foundation for success. But I think that, to answer your question, this may prove to be a bridge too far, a failure too far. A failure that reverberates within the base of MAGA, blue-collar workers who have voted Trump in a second time are suffering massively. They don't understand why he had to go in there like we don't understand. If we don't understand, why would they? There is no patriotic fervour about continuing the war in Iran or even supporting the war that did take place. And with the exception of a Permian Basin, where the frackers have really loved that war, because it has kept the price of oil in the sweet spot, neither too low, so that they can be profitable, not too high, so that aggregate demand and demand for their oil doesn't tank as a result of too high a price. With the exception of the Permian Basin, I think that the MAGA constituency, Trump's support base, even the tech lords, the big tech, have not been happy with this. They may have managed to continue their spending spree and splurge on AI and so on, and the stock exchange is doing really very well with the exception of the last few days, but that could be a blip, who knows. I generally think that losing the Gulf States, losing that consensus amongst the Gulf States that there was no alternative to being under the American security umbrella and there was no alternative to being absolutely wedded to the dollar system, losing that could prove in the future a very costly failure, a failure which unlike all the previous failures is undermining the hegemonic power of the United States.

KH: I just wanted to bring up if I may and then I will hand you the mic of course John, but a fascinating CBS News poll this speaks to what you just brought up Yanis about the MAGA base, found that 56% of self-identified MAGA voters said the US should end the conflict with Iran now, 44% said that the US should continue the war until, quote, "Iran gives up more", end quote, for all self-identified Republicans surveyed 60% believe the conflict should end and 40% said war should continue to get more Iranian concessions. Also 47% of MAGA supporters say the agreement is better for the US, while 12% believe it's better for Iran and 41% say it's about equal, among all Republicans, only 39% said the deal is better for the US. 19% see it as better for Iran, and 42% see the deal as equal for both the US and Iran. So, just some interesting stats.

JM: If I could make a quick response on that, and then I wanna make a number of points in response to what Yanis said, and I'm very curious what he will say about what I said. But first on you, Katie. I saw a poll that said that 67% of Americans want to end the war right away, 67%. Furthermore, both the Senate and the House, as you well know, have just passed resolutions calling for an end to the war. The last time I checked, these are two bodies of Congress that are dominated by Republicans, and both houses of Congress, again, called for ending this war. So, Yanis made the point that there are many different elements inside the national security state here in the United States, and he's absolutely correct. But the point is, if Trump wants to go over their head and appeal to the American public and then ally himself with those interests inside the national security state who want to end this war, he can do it. This is a very unpopular war, it's a foolish war and all sorts of people understand that. But I want to go back to what Yanis said and I'm very curious how he thinks about what I'm going to say. His point that the United States has lost all these wars is correct. I think about this all the time. I was in the American military from 1965 to 1975, which amazingly was coterminous with the Vietnam War. And we suffered a devastating defeat in the Vietnam war. And we have suffered significant defeats in almost every war except the first Gulf War in 1991 since then. It's really quite remarkable how bad our track record is. But nevertheless, losing those wars has not mattered very much for our position in the world. And I think you were getting at this, Yanis. And if you just go back to the Vietnam War, we suffered this catastrophic defeat in 1975. The North Vietnamese won a decisive victory. The Americans are humiliated. 14 years later, the Cold War ends. And then the Soviet Union collapses, and we enter the unipolar moment where the United States is Godzilla. It's quite remarkable. The Vietnam War had hardly any effect at all. And most of those other, if not all of those other defeats, hardly mattered at all for our position in the world. So the question is what's going on here? And here's how I think about it. I think that I'm a structuralist, and what I care about is power, and I'm concerned with how powerful the United States is, how powerful China is, what the relative balance of power is between them, and so forth and so on. And the point I would make is that when you think about power, what you want to look at is the population size of a country and how much wealth it has. And when you talk about wealth, what's embedded in that, is where it is in terms of developing sophisticated technologies. And the United States has been for a long time and still is a remarkably powerful country. And it promises to be a remarkably powerful country for the future because it is so wealthy and it has such a large population.

Of course, the same is true of China as well. I don't want to take away from the Chinese on this front. But losing in the Gulf is not going to affect how powerful the United States is. What has happened here has much more to do with our ability to project power. You can have power, but power by itself doesn't tell you very much. This is why we lose all these wars. The question viewers should be asking is, if John says the United States is so powerful, why does it lose all these wars? And the point is that there are real limits to what you can do with all that power. And one of the problems with American policymakers is they have no sense of the limits of military power. They think because we have this giant hammer, we can run around the world and either coerce people or beat them into submission. And the truth is you can't do that. There are real limits to what you can with military power, as we have found out on countless occasions. So when I look at the Iran War, I think Yanis is exactly right that this has fundamentally altered our ability to project power into the Persian Gulf. It's destroyed our basing structure in the region and it's done enormous damage to our alliance structure in the Gulf region. So the war has had huge consequences, but the basic power of the United States has not changed at all. We are as powerful as ever, and therefore as dangerous as ever. So I'll stop there and turn it over to Yanis.

YV: John, I will take what you said and go one step beyond. You juxtaposed the massive defeat of the United States in Vietnam, which you experienced when you were in the military and then you said a few short years after that, the United States won the Cold War. So it didn't matter. No, I think it did matter. I think that the Vietnam War, not on its own, was part of the mechanics by which America, the United States, won the Cold War. Now, before you think that I'm utterly crazy, let me try to explain this. In the end, after – I mentioned the Nixon shock in 1971, 15th of August 1971, alongside the fall of 2008, these are two pivotal moments for us to understand the United States, to understand the world – so 1971, Nixon destroys the Bretton Woods system, which was the foundation for the first phase of American hegemony after the Second World War, a system of fixed exchange rates, a planned system. It was almost economic planning without public ownership of the means of production. It was a remarkable system, let's not beat about the bush. And yet the United States blew it up and had Nixon not blown it up, some Democrat would have blown it up. You know, LBJ wanted to blow it up before that. Why? Because that whole system was predicated upon America being the surplus nation, the surplus political economy, recycling its own surpluses in Europe and in Japan, so as to create the aggregate demand for American net exports and to maintain American surplus. Well, that could no longer continue because by 1968, 69, 1970, America was a deficit country. And therefore the Bretton Woods system had to be blown up. That blown up is what gave rise to the immense power that you're talking about, John, that led to the United States winning the Cold War. And the Vietnam War played an important part.

There were two main spending sprees by the federal government in the United States which led to budget deficits and the deficits in the trade accounts of the United States. One was the Vietnam War, massive spending, with a leakage, a lot of that demand went overseas and that's how Southeast Asia was effectively built up through expenditures that went in the direction of the military project in Southeast Asia. And the Great Society programme of LBJ, which was also related to the tensions, the social tensions that were unleashed by the Vietnam War, especially in the South, in places like Texas and so on. So that's what I'm trying to do if you're following me. I'm connecting the defeat in Vietnam with the overthrowing, overturning, undermining, blowing up of the Bretton Woods system, which did what? The answer comes from a certain gentleman that you all remember, Paul Volcker. Because it was 1970 when Henry Kissinger put a question to the people working for him, back then at the National Security Council. And the question was, typical Kissinger question: How do we maintain our hegemony now that we're a deficit country? And Paul Volcker was the guy amongst the minions, Kissinger's minions, who said: Well, the answer is we don't do austerity. We don't go German. We don't tighten our belt. We boost our deficits and we make the capitalists of the rest of the world pay for it. So essentially, whereas in the first two decades after the war, America was recycling its own surpluses to Europe and Asia and Japan, after 1971, it was recycling other people's surpluses. So essentially, the trade deficit of the United States became something like a gigantic vacuum cleaner that was sucking into the territory of the United States, the net exports of Japan, of Germany, later China. And what was happening with the dollar profits of the Japanese, the French, the German industrialists, capitalists, well, they were being recycled through Wall Street in the form of American debt, public debt, some equity and a lot of real estate; therefore people like Trump, you know, got to be what they are. And it was this together with what Paul Volcker did once he was at the Fed, which he boosted massively interest rates in order to arrest inflation, which was a really, really lethal blow at countries like Romania, like Poland, the Solidarnosc emerged because of the great indebtedness of the Polish communist political economy to the United States. And when interest rates rose from 3% to 21%, that was a major blow at the Warsaw Pact. It played a significant role, not the only role, there were other things as well, of course, Afghanistan and so on, and the decrepitude of the Soviet economy.

So what I'm trying to connect here, in the context of what you're saying, John, matters above all else, which is power, and I agree with you, is where is this power coming from? For me, from my perspective, it's coming from the ability of the United States, after the demise of the Bretton Woods system, to recycle other people's money, profits, capital, and then, of course, China. So once it started recycling Chinese profits, then you had, you know, in the 1990s and the noughties, you had globalisation, you had Wall Street bankers going absolutely berserk and so on. So up until now, the capacity of the United States to recycle other people's surpluses has been going hand in hand with its capacity to project military power, not just in the Gulf, but everywhere, all over the world. And here is where I think our paths converge because you heard a few weeks ago during this war in Iran, Scott Bessent announced that he was giving a 20 billion swap line to the Gulf States which sounds absolutely crazy, ridiculous. I mean the Gulf States between them, they have around six and a half/ seven trillion dollars of assets of reserves, of liquidity. Why do they need 20 billion from Scott Bessent? My interpretation, John, is that Scott Bessent was not bailing out the UAE or Saudi Arabia or Bahrain, no, he was signalling to the markets that, guys, I know that you're worried that we are going to lose around two, two and a half trillion in the next 18 months of money surpluses from the Gulf States that would be coming towards Wall Street. It's not coming. I am prepared to step in and to make up the difference. And I don't think he can because the Fed has the capacity, as it proved in 2008-2009, to provide these swap lines ad infinitum, Scott Bessent the Treasury cannot. He has a very, very tight budget. So there you are. So I hope that this intrigues you as an idea of how to enhance your power analysis and the reasons why this war may prove, unlike all the other wars, a bridge too far for the United States hegemony.

JM: Just one very quick point and then I'll turn it over to Katie. I think that you and I agree completely that military might has an economic foundation, and it's really the economic foundation that matters the most. And what you're saying, I hear, is that despite the military defeat in Vietnam, the United States was doing things at the economic level that, if anything, made it stronger and that's why military defeat did not matter. I agree completely with that.

YV: It actually helped.

JM: It was a force multiplier, that's your argument, and I agree with that, but it also seems that what you're saying is that the situation may be different now. In other words, as a result of the Iraq War, we have done things to the health of the American economy that are going to damage our position moving forward.

YV: Indeed, that's exactly what I'm saying. I'm seeing that, look, Donald Trump, in his first year in office now, during Trump 2.0, he secured commitments from the Gulf States of about 3.7 trillion over the next 18 months. Two trillion would go to AI investments, data centres and all that, in the United States, not in the Gulf, and 1.7 trillions, armaments. Now, Scott Bessent knows that this money is not coming now because of the liquidity problems that the Gulf States have. You know, Dubai hotels are almost empty, natural gas and oil doesn't flow like it did; all bets are off regarding that 3.7 trillion that was going to arrive in Wall Street to keep recycling other people's money, other people's Gulf States capital, through the markets of the United States and to finance, importantly – much of that money would be purchasing treasuries – would be financing the American military and the American government, as well as equities, as well real estate. So unlike all the other wars, none of the previous wars did anything to damage that recycling mechanism. That is my point.

JM: But what would you say to the argument that actually, if you look at what Trump is doing today, he's being motivated or he is motivated by economic considerations, right, that he knows he has to put an end to this war because it's going to do enormous damage if it continues to America's economic position in the world, to the world economy. And he's in a very important way, sort of accepting your logic at a very general level, and he's backpedalling like crazy to do everything he can to restore the status quo ante.

KH: Are you saying Trump is a Yanist?

YV: Can you repeat that?

KH: I was joking. I was saying, are you saying Trump is a Yanist or a Varoufakisian?

YV: Not in the slightest. What I'm saying is that, you know, Scott Bessent is a smart man. He didn't break the Bank of England together with George Soros because he was a Dummkopf right? And I would not be at all surprised if he had a word with the president and said to him, Donald, we are running a very serious risk in the markets because we're going to lose two trillion in the next 18 months that will not be recycled through Wall Street. So stop this war now. So essentially what John is saying is exactly what I'm saying.

JM: And you said at the beginning Yanis that you thought that Trump had a lot of good intuitions that he was not completely a Dummkopf. That's why you were saying you thought that you didn't believe that he bought Netanyahu's rhetoric about toppling the regime with air power alone.

YV: Well, I love the man, but I do not suffer from Trump derangement syndrome. And I read what Stephen Miran says. I pay very close attention to Scott Bessent, to his economic team, and they have a plan. And you know what, John and Katie, their plan has been working until Iran. They won everything. The tariff war was a complete utter success story. Don't listen to economists whose models have a spasm when you throw tariffs at them. The tariff war against the European Union was won by Trump. He had Ursula von der Leyen on her knees in his golf club in Scotland, accepting new tariffs being slapped on European manufacturing experts through the United States, while the European Union was taking down every single little tariff that they had on American exports and offering him something that was not in her gift to offer. Remember, Ursula von der Leyen promised him that by the end of 2028, Europe would invest 700 billion in the United States. Ursula von der Leyen doesn't have that money. She can't direct, you know, Basf and Rheinmetall or whoever to invest this money in the United States. So he was winning. With China, he didn't win that war, but very, very quickly, he stepped back, he retreated, he had a bromance with President Xi, they're going to meet again, and there's going to be a detente. There is a detent when it comes to the tariff war, but he is earning 300 billion every year from his tariffs. Everything he's been doing has been working until Iran. And I insist that he was pushed into this, he didn't choose to dive into it.

JM: Yanis, just to put Katie's question to you in slightly different words, aren't you basically saying that there's not much daylight between you and President Trump in terms of thinking about how the world operates?

YV: Yeah. Well, you see, there is a very well-known distinction between how the world operates and how I think it should operate, the normative and the descriptive. I think that the world we live in, the world that shaped the so-called globalisation, the so-called rules-based order – you know, my goodness, I lose the will to live when I hear that expression – but that's the world that Richard Nixon created in 1971. And it is clear to me that Trump's people, I don't know what he knows and what he thinks and how smart he is, he doesn't look particularly smart to me, but he then again, Richard Nixon was a madman and yet he shaped through the Nixon shock with John Connally, with Paul Volcker, with Kissinger, with all these people, they shaped the world that we live in. And this is how I understand the world. I understand that world in that context. So from his perspective, what he's trying to do, what his team is trying to do, is to maintain the advantages that deficits have bestowed upon the United States ever since the Nixon shock. And Stephen Miran gave a speech a year and a half ago, in which he was saying that his worry is that the dollar bubble, the dollar world has become so huge compared to the capacity of the United State's economy to do stuff. And when there is this huge difference, the dollar bubble may burst. And they're doing whatever it takes to make sure that it doesn't burst, because this is where they see their power coming from, geopolitically as well.

So the GENIUS Act, you know, when I, when I read the GENIUS Act, to me, it was a very clear attempt by Stephen Miran and those people to use stable coins in order to extend the exorbitant power of the dollar in order to maintain their capacity to recycle other people's money and to build up their military. So, yeah, I think that what they are doing is catastrophic in the medium term, not even in the longer term. What they are doing is they are setting course, not just for the United States of America, but for the rest of the world, towards climate disaster, towards war, effectively they're building up a bubble that started a very long time ago, and they keep building it up because they know it's the only way that the United States can maintain its hegemony. At some point that bubble either will deflate quickly or will burst and we are all going to be in very serious trouble. I mean look at Europe, Europe is a basket case. We are simply geostrategically, financially, in terms of investment, ethically, we are decrepit. We are non-existent. We don't play the role that West Germany once played in between the Soviet Union and the United States. I think that, you know, on the one hand they know what they're doing and on the other hand I am a firm opponent to the last breath in my chest of what they're doing.

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