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# The New Washington Consensus

**Sources:** The Rocket to the Moon

*A growing crisis of legitimacy and the escalation of war in Ukraine contextualize the call for a "new Consensus" with the state in a central role.*

Senior U.S. government officials are admitting these days that the global economic order, which emerged after World War II, is in crisis. And they rush to find a solution. Jake Sullivan, National Security Advisor, was one of those who deepened these developments: the United States faces a critical moment because the "Washington Consensus" agreed in the 80s has come to an end, and the Joe Biden administration now seeks to "integrate domestic and international politics" around a new strategy that, by forming a new Consensus, make possible a "new, more just and lasting global order".

According to Sullivan, over the last few decades, "deregulation, tax elimination and privatization were prioritized over public action" and "trade liberalization was projected as an end in itself, oversizing the efficiency of markets (...) (promoting) several reforms that ended up privileging certain sectors of the economy, such as finance, while other essential sectors, such as semiconductors and infrastructure, atrophied (...) seriously hitting our industrial capacity." Now, the *shock* "of the financial crisis and the pandemic and Russia's invasion of Ukraine (...) have laid bare the limits of these policies": pursuing an exaggerated efficiency of the markets, value chains were exported for the production of strategic goods with the consequent impact on industrial supply, job creation and the deterioration of the standard of living of communities and broad popular sectors. Hence the need to articulate a "new Consensus", focused on a strategy that will have the US State as its main actor and will seek to develop the national industry under new parameters.

Thus, a member of the *neocons*, the elite that controlled the liberal policies implemented by different governments since the 80s, recognizes that the time has come to change them, because "they had effects not thought or desired", engendering phenomena that today threaten the national security of the United States. An economic liberalism that broke down borders by financializing the real economy, both domestic and global, led to the hollowing out of American industry, the export of sources of labor and the loss of control over supply chains of strategic importance for the accumulation of capital and the reproduction of monopoly global capitalism itself. Moreover, these policies failed to prevent the emergence of China, which, with a state-dominated economy, broke the rules of the market game, quickly acquiring enormous dominance over industry and the global economy from its control over strategically important supply chains. Today China confronts the United States with an economic and geopolitical competition that puts American national security and global dominance at risk.

To this are added other challenges – such as climate change, growing inequality and the crisis of democratic values – derived from economic growth (*trickle down economics)* that did not know how to spread to the whole society. Faced with this, the US government intends to apply an industrial strategy that gives priority to state investment in sectors of strategic importance and integrates its economy with that of its most developed allies, promoting industrial development complementary to its own. Hence the recent economic and military cooperation agreements with Europe, Canada, the Republic of Korea, Taiwan and India. This strategy will be complemented by the mobilization of capital resources in emerging and low-income economies to enable "a new type of North American diplomacy", giving new powers to international organizations with the aim of integrating these regions more quickly into the new Consensus promoted by the United States.

In this formulation echoes of a mercantilism in force more than two hundred years ago resonate, which now revives in a context where the growing digitalization of the economy and social life gives more and more power to a handful of technological monopolies that monetize the intimate life of individuals, feudalize power [1] and dispute with other fractions of big capital greater control of financial markets and issuance. of the currency. Now the state will no longer be subordinated to the logic of markets and will play a crucial role in the development of capital accumulation. This, however, also intensifies the dispute between factions of the political elite for greater control over decisions. Thus, echoes of Donald Trump's project to restore lost American greatness by developing the national industry (*MAGA: Make America Great Again*) also resonate in the new Consensus now proposed by the *neocons* that nucleate the *establishment* of the Republican and Democratic parties; the *neocons* who went out of their way to prevent Trump's access to government in 2016 and to impeach him during his term [2]; the *neocons* who are now trying by all possible means to prevent Trump's return to government in the 2024 elections.

Behind the new mercantilism also resonate turbulence that derives from the dynamics of capital accumulation and that now explodes in the open through a banking crisis that puts the entire international financial system at risk.

**Financial implosion**

Janet Yellen, Secretary of the Treasury of the United States, and Jerome Powell, President of the US Federal Reserve (FED), consider that the economy of their country is healthy, that they have the strongest financial system in the world and that the banking crisis that began in mid-March has been overcome [3]. However, on Monday came the *default* of the First Republic, the largest since the 2008 crisis. On Wednesday, shares of a California regional bank, PacWest Corp., lost 60% of their value, as deposit flight from other regional banks continued.

Beyond the statements of these officials, the dimension of the current banking crisis is unique: the three banks that collapsed so far this year together had 548.500 billion dollars of assets, a figure that exceeds the 373.600 billion dollars [4] *of the* total assets of the 25 banks that collapsed in the international financial crisis of 2008. Likewise, this crisis begins to expose a phenomenon that perpetuates the crisis: with the endorsement of the monetary authority, the largest banks degluten the smallest, and becoming the axis of the "stability" of finance, increase the risk of fire of the entire financial system. J.P. Morgan's rescue of the First Republic seven weeks ago exemplifies this problem.

Being the J.P. Morgan the largest American bank and with the largest holding of debt with derivatives, and considered by regulatory bodies as a high-risk bank, it obtained the endorsement of the monetary authority to "rescue" the First Republic several weeks ago, contributing 30,000 million *(billions*) of dollars, which were added to another 13,000 million (*billions*) ) of dollars contributed by 11 other banks that participated in the bailout and that also have a lot of debt with derivatives. The First Republic had by then lost more than 50% of its deposits: $100 billion. Its bailout did not prevent continued loss of deposits, and by Monday its shares had lost 000% of their market value and its long-term bonds were trading at 98 cents. On Monday, the end of this heroic adventure was known: J.P. Morgan will receive 43,92 *million dollars,* including what this and other banks initially contributed to the rescue. It will also have $000 billion in loans and $170 *billion in financial* assets. The FDIC [000] will absorb most of the losses of the First Republic and will provide J.P. Morgan with a special credit line of 30,000 *million dollars* [5].

The rescue of the First Republic meant losses for its shareholders, its customers and the government itself, while the largest, most indebted and riskiest American bank increased its size and its control over the financial market [7]. The bailout of the First Republic reveals significantly poor regulatory oversight and may have unintended consequences and collateral damage [8].


*The rescue of the First Republic meant that J.P. Morgan increased its size and its control over the financial market.*

**War in Ukraine and struggle between political elites**

The military escalation in the Ukrainian war escalated last week with a drone attack on Vladimir Putin's residence in the Kremlin [9]. Although they were intercepted and did not cause any damage, the attack sought to attempt on the life of the Russian President. Since the beginning of the war, Putin promised former Israeli Prime Minister Naftali Bennett to respect the life of the President of Ukraine, Volodimir Zelensky [10]. This attack puts a limit on that commitment. Its authorship was denied by Zelenski and the US government, but the Kremlin directly blamed the latter and warned that the incident will not go unanswered.

These developments are in addition to another worrying phenomenon: the recent dispatch to Ukraine of a mission of American nuclear experts with the aim of installing special sensors to quickly detect the alleged use by Russia of a dirty nuclear bomb or a tactical nuclear weapon [11]. This is despite the fact that there are international organizations whose specific mission is to detect these incidents and that have all the necessary elements to do so. It seems, therefore, that, as on other occasions, unidentified spokesmen prepare the ground for a false flag operation, which could have unforeseeable consequences.

At the domestic level, the latest polls show that Trump has increased popular recognition and the flow of financial support against other candidates in the Republican Party primaries [12]. In parallel, more than half of the Democrats surveyed say they do not want to vote for Biden [13]. Likewise, new internal information of the FBI, presented before the Congressional Committee – which investigates corruption in the businesses of his son Hunter Biden – allegedly exposes Biden's direct link, when he was Vice President, with his son's dealings in Ukraine [14]. Thus, it seems that the call of the *neocons* to form a new Washington Consensus occurs in the context of a military escalation in Ukraine and a growing crisis of political and institutional legitimacy.

**Argentina in the maelstrom**

After the latest regulations that sought to stop the exchange run, the quotes of financial dollars seem to have entered a period of relative calm. However, the hemorrhage of the international reserves of the Central Bank of the Argentine Republic (BCRA) continues unstoppable: in a single day this week 760 million dollars flew, absorbed in its vast majority by a payment to the IMF and by sales in the exchange market to stop the run. Meanwhile, the inflow of foreign currency by the soybean 3 dollar is paralyzed. An economic team knowledgeable in financial matters did not realize that the operation with the futures market leaves soybeans more money than the incentives of the soybean dollar 3, thus aggravating the problem of the lack of currency settlement. Added to this is the reluctance of producers to liquidate a dollar that degrades daily with inflation and systematic devaluation. In this context, the speculative fever has not disappeared, the rise in food prices continues to run wild and the promise of containing them with a dialogue between employers and trade unionists vanishes in the stratosphere.

The recent negotiations of the Minister of Economy expose the levity of an incoherent strategy, which changes according to the interlocutor in turn. While it engages in opposing negotiations and at the same time with the IMF, with China and with Brazil to solve the problem of the lack of dollars of the BCRA replacing them with yuan, real or more dollars from the Fund, it does not know the possibility of issuing a new currency anchored in our natural resources and of taking advantage of this instance to divide the "power factors" and increase the government's negotiating capacity. It is caught in the endless wheel of asking the IMF for advances on new debt to momentarily contain the fall in reserves. This makes it vulnerable to squeezes of all kinds and, while advances are slow to arrive, reserves are depleted and the exchange rate run lurks crouched. This diabolical dance is articulated with another no less perverse: the monopolistic formation of prices, where a few bid among themselves to appropriate a greater slice of income and rents to immediately dollarize them and flee them.

Some experts want to believe that wage demands push the distributive struggle. This clashes with an undeniable reality: misery, informality and precarious work place an immovable ceiling on wages and condemn 40% of the population to permanent misery. Faced with this, the government lacks policies.

In this dark present, the mobilization of the UTEP and other related political and trade union groups to celebrate Workers' Day, calling against the interference of the IMF and the present and future adjustment and for the broad unity of the working class, claiming for their rights from the street, in a peaceful and organized way, It generates a light of hope and shows the way forward: building strength, putting an end to political, trade union and ideological fragmentation; raising concrete demands, which can be solved in the short term, and preparing for an uncertain future. It is the abyss that exists between the ephemeral palace thread and the construction of organization and consciousness.

The latter is also helped by the recent presentation of a bill to declare the reserves, exploration, exploitation, exploitation concession and industrialization of lithium and all its derivatives of public interest. This project begins to define a development proposal that is the antithesis of the current extractivist agro-industrial model that, perpetuating unlimited indebtedness and dollarization, ties us hand and foot to the "new Washington Consensus". It is not by chance that the U.S. Ambassador is saying these days that we put an end to the "Chinese penetration" in the country and jointly develop the natural resources that Argentina has and the world demands.

**Notes:**

[1] **Phenomena that were analyzed in other notes.**

[2] **Also discussed in other notes.**

[3] **Janet Yellen, treasury.gov, 20/04/2023; Jerome Powell, zerohedge.com, 03/05/2023.**

**[4] "Deflated", zerohedge.com, 03/05/2023.**

**[5] Federal Deposit Insurance Commission, a government agency in charge of insuring up to $200,000 in bank deposits.**

**[6] Wallstreetonparade, 27/04, 01 and 02/05/2023; zerohedge.com, 01, 02, 03 and 04/05/2023; theguardian.com, 24/04/2023.**

**[7] For the CEO of J.P. Morgan, Monday "put an end" to a crisis that has only affected a few banks. Robert Kaplan, former Chairman of the Fed, believes instead that "the banking situation may be much more serious than it seems", zerohedge.com, 03/05/2023.**

**[8] Mohamed A. El-Erian, bloomberg.com, 01/05/2023.**

**[9] For analysis of the incident of a former CIA officer: https://www.youtube.com/watch?v=jc8Jfv0NO_Y&t=6s.**

**[10] Naftali Bennett in timesofIsrael.com, 05/03/2023.**

**[11] Nytimes, 28/04/2023; zerohedge.com, 01/05/2023.**

**[12] zerohedge.com, 04/05/2023.**

**[13] zerohedge.com, 03/05/2023.**

**[14] zerohedge.com, 23/05/2023.**

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