

There Will Be No Development in Africa Without a Strong Government Role

Prof. Sam Aluko, Ms.C., PhD., of Nigeria, is an economics professor who taught at several universities in Nigeria, and became an economic advisor to the Ondo State government (one of the states in Nigeria). He subsequently became Chairman of the Nigerian Economic Intelligence Committee (1994-99), which advised the Nigerian government. He was interviewed by Larry Freeman and Summer Shields, during a visit to Northern Virginia, for The LaRouche Connection cable TV public access program on Sept. 12.

Freeman: Professor Aluko is unique, in the sense that he actually, like Mr. LaRouche and our association, understands the difference between physical economy and money. We first met in [the Nigerian capital of] Abuja in 1994.

On Sept. 7, U.S. Secretary of the Treasury Paulson essentially took over Fannie Mae and Freddie Mac, the two major real estate mortgage corporations of the United States. As an economist, how do you view these developments?

Aluko: I think essentially, Mr. LaRouche has been talking about the appropriateness of the existing financial system, as he's been saying it for many years.

And I've always agreed with him, that instead of dealing with just fiscal issues, we should really be thinking about physical economy. That is where the economy really grows! The action of the American government, in recent days, is the same as that of the British government in nationalizing Northern Rock! They keep on pumping more money into the economy, devaluing their currencies, causing unnecessary inflation, increasing national debt, and even destroying their own assumption, that free economy is the best economy!

The ongoing action of the U.S.A. government in bailing out illiquid banks, supporting failed banks and so forth—it's just the failure of the market, which is what LaRouche and a number of us have been saying

over the years: that clearly the market needs to be controlled, and needs to be regulated. And government needs to act, not in crisis, not in panic, but really as an instrument of change, which most governments in Europe have not accepted.

And they have imposed that on Africa, particularly on Nigeria. It's better here [in the United States], because you are at least more able to survive and manage. But we in Africa continue to go down and down, because we continue to follow the free market, which does not even exist! There's no market in Africa in the real sense.

I keep on telling them, in Nigeria, that we're not really part of the world market, to start with. We have no adequately functioning stock markets. We have no private sector, in the sense that you have it here, because your private sector is highly developed; ours is very elementary, it's rudimentary. And what we really need there is not less government, but more efficient government.

So, I think we're beginning to see that LaRouche, from time to time, is beginning to be more and more right, and this is where others are becoming more and more wrong.

Bailouts Will Kill the World Economy

Freeman: These bailouts will destroy the world economy, for example, China, and other places. And this obviously will have an effect on Africa. If you destroy the dollar, you're basically putting an end to the dollar-based global system. How do you see the consequences of this, if it continues? If we don't reverse it, what do you think is going to happen in the days and weeks ahead?

Aluko: You see, it's a bit more problematic for us, because most of our reserves are held in dollars: 80% of our Nigerian reserves, which is about \$48 billion, is held in dollars. So if the dollar collapses, it means that



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Nigerian economist Sam Aluko calls for an active role by government in economic planning and regulation, to promote African development. In the U.S.A. and the U.K., he notes, the present crisis shows that the markets have failed.

our reserves collapse. And the same thing throughout Africa. The fact that you take over a bank, doesn't mean that the bank is going to succeed. Northern Rock was taken over and nationalized by Britain; at the end of the first year, it had more losses than before it was taken over! So, there is no guarantee that taking it over will guarantee its success. It can lead to further failures. The tendency is for others, that if you can do this for two financial institutions here, why not do it for us? So it has a multiplier effect! It goes on and on, until the whole system collapses. So there is no assurance of success.

It appears that today, the fundamentals of economics are not understood by the present generation. They understand computers, they understand the Internet, but they don't understand the entire connectivities of the economic system. If you don't understand that, if you don't produce, you cannot consume. They want to consume without producing, and they want to consume more and more, and produce less and less.

You can do it here, because America can exploit Nigeria. America can exploit developing countries, but Nigeria has nobody to exploit! Nigeria has been exploited, Africa has been exploited, so it's worse there. And unless we change from that, we are going to crash.

I think that really the world has to think again about what LaRouche has been saying. He says we need a

new financial system, a New Bretton Woods agreement. And what they are doing now is not even in accord with Bretton Woods. Bretton Woods had a system of financial and monetary stability, which they have abandoned for this mode of gambling with the dollar, gambling with currencies.

Freeman: LaRouche recently said that this Baby-Boomer generation, that was born from 1945 to 1958, has no understanding of economics, and they have no commitment to finding out what is the right thing to do, and then sticking to it.

Aluko: You see, I was giving a talk at the University of Ibadan, Nigeria, to a group of professors before the financial crisis of 1987, and I said, in the '50s and '60s and early '70s, in the study of comparative economic systems—Britain, Germany, and America—we used to think of the comparative productivities of industry, of agriculture, of trade. Today, what are we comparing? We talk of stock exchanges, currency movements, and everybody's gambling on the stock exchange. Nobody is thinking of industry, nobody is thinking about agriculture; and it's a tragedy.

Look at the Millennium Development Goals, set by the United Nations for the developing countries. Of the eight items, there is no mention of agriculture, no mention of industry. Only of health, HIV-AIDS, international cooperation, public-private sector partnership (which doesn't exist), and then international aid. There is no mention, out of the eight development goals, of industry, of agriculture, or trade. So, how do you develop an economy without industrialization, without good agriculture, without even trade? We're talking of globalization. A country that cannot rule itself, how will it be an effective part of the world economy?

In Africa, the leaders talk of African union. And I keep telling them that Nigeria cannot rule itself! It wants to rule the whole of Africa. It doesn't add up! If you cannot carry yourself, you cannot carry somebody else.

Nigeria on the Wrong Path

Freeman: Right now, the Nigeria situation is very serious. The West promoted the efforts by President Obasanjo as the first "democratically elected President of Nigeria" in decades, and then this was followed by President Yar'Adua..., but in those nine years [under Obasanjo], the economy has gotten worse. Energy production has dropped to under 1,000 megawatts, to 850,

and the conditions for the majority of the 140 million Nigerians—approximately 120 million are living on \$1-2 a day. So, how do you see what's happened to Nigeria, and what shall we do about it?

Aluko: I think it's part of what we have been discussing. Because we follow a world economic policy that says that government has no business in business, that you want free trade, you want globalization, you want everything to be left to the individual, and you don't industrialize. You want private people to build your roads, you want private people to supply electricity. Can you imagine and understand that?

I keep telling Nigerians that President Obasanjo was following the wrong economic path. It's like somebody leaving from here, who wants to go to Boston, and he follows the wrong direction, to California. The faster he walks, the more distant from Boston he will be. So, I tell him, I live in Akure, and if you want to go from Akure to Lagos, which is on the right side of Akure, and you follow the road to Benin which is on the left side, the faster you walk, the more distant from Lagos you will be.

I told Obasanjo, that at the end of his period, if he continues that wrong policy, the economy will be worse than when he took over. Of course, he didn't agree with me. He said that my economics was backward, was old-fashioned; that the modern economy was one of globalization, one of free trade, one of privatization and deregulation, of retrenchment of public sector workers. At the end of his Presidency, the economy was worse than in 1999 when he became the President.

Freeman: And the policies when you were in the government were at least better.

Aluko: The naira, the nation's currency, was devalued from 21 to the dollar, to 120 to the dollar, during Obasanjo's regime, and it's still devaluing.

The salary the common person earns today cannot keep him clothed, or feed him. The trade unions are on strike, the unionists are always on strike, and everybody is dissatisfied. It's worse than before. In an attempt to hold onto government, to win elections, the winning party has to violate the electoral process, and rig elections. The election conducted last year was the worst in Nigerian history.

Freeman: You're talking about the Presidential election in April 2007.

Aluko: Yes. It was the worst in the history of Nige-

ria. Because without any economic achievement, the ruling party would have been wiped out by the electorate. But they did win more states. They were controlling 22 states.

Freeman: When you say "they," you mean the People's Democratic Party, the ruling party?

Aluko: Yes. They controlled 22 states before the election. After the election, with massive rigging, they control 28 states now [out of 36]. But really, there is no effective control, because the government did whatever it liked. So, right now, the system is chaotic. It does not meet the aspirations of a majority of Nigerians.

Freeman: But this was because the International Monetary Fund and World Bank set up their headquarters in Abuja, the new capital of Nigeria, and they were running the policy which Obasanjo was going along with.

Aluko: They wanted to run the polity. They were running the Central Bank; they were running the Ministry of Finance and the Internal Revenue Service; they were running the Customs; they were running the Ministry of National Planning. They left nothing to Obasanjo: They were running all the government of Nigeria. And of course, you know my view about the International Monetary Fund and the World Bank: They are the institutions promoting all this non-physical economy.

If you have the right economic policy of developing the physical economy, you will be able to export. I told the government, that with the policy of the IMF/World Bank, of devaluation of currencies and the free market, the only thing Nigeria will have to export will be our brains—not our food, not the goods we can produce. The fact is that there is so much brain drain which such policies have drained from Nigeria, drained from Africa now. But for visa restrictions that reduce the freedom of Africans to get out of Africa, three-quarters of the highly educated population of Africa would be in Europe or in America. The only thing we're exporting is our brains, rather than our goods. It's not what the IMF/World bank expected us to export, if we devalued African currencies. But the more we devalue, the greater the brain drain from Africa.

The same thing has happened in Zimbabwe's economy. They keep on pumping and pumping money, and the currency becomes valueless. The same symptom is all throughout the countries in Africa.

The British Role

Shields: I'm curious if you had any knowledge, or if there's a general consensus that somehow there's an involvement of the British Foreign Office, or the British Commonwealth Office, in the manipulation of what could potentially be done inside Nigeria.

Aluko: Oh, yes. In fact, it's more there than here. The ties are direct. The chairman of the Economic Committee of President Obasanjo's eight-year rule was a Briton, Lady Chalker. She was a British Minister for Overseas Development. When she was thrown out, she became chairman of the Nigerian Economic Committee. She was the chairman of the Economic Committee of Obasanjo's government, along with Andrew Young. An American and British axis: They were virtually ruling Nigeria for eight years, in the economic sense.

I think there were about 12 of them on the Economic Committee, which controlled the economic group of Obasanjo, and 7 of them were Americans and Britons.

There's more there than here, because here at least you can resist. But in Nigeria, you cannot resist. We could resist, but we didn't resist. People are swallowing the British and American free-market policy. It's amazing, it's inexplicable, but that's what happened, and it is still happening.

The present President of Nigeria didn't aspire to be President. He was governor of his state, a good man, and he wanted to go back to teach in the university. Overnight, Obasanjo's advisors said he should be the President of Nigeria. He didn't campaign to be President. So, he had no idea, he had no plan, to rule Nigeria.

So I said, which [plan] are we now executing in Nigeria? Recently the President reacted by saying, yes, I made a good point. He will now restore the National Planning Commission, to try to articulate these various programs into a coherent whole. He still has not done that.



EIRNS/Lawrence Freeman

Globalization and privatization policies of the IMF and the World Bank have shifted Nigeria away from developing the physical economy, leaving the population in poverty, says Aluko. Shown here, what passes for housing in Nigeria.

So, as of now, we have no economic direction in Nigeria that we can point to as coherently articulated.

IMF Sabotaged the Role of Government

Freeman: One of the questions that comes up, from people who look at Nigeria from the outside, is, you have this wealth of oil. You also have an incredibly rich agricultural potential. But the foreign exchange comes mainly from oil. Why is it that over so many years, and so many different rulers, you can't build an adequate number of refineries, can't build the infrastructure?

Aluko: I keep on saying that in the '50s and '60s, in Nigeria we had what we called long-term planning. Four-year development plans, five-year development plans, ten-year development plans. The government had some projects, so that they had a goal, a direction.

But from 1985, the IMF and the World Bank imposed the philosophy that government should have no planning, but operate a free market. The previous plans were dismantled. Government has a lot of money, no plan, and that is why corruption has become endemic. Because there is no plan! There has been no plan since 1985.

Yet, Nigeria has been getting more and more money from oil, since 1985. We've been getting less and less money from agriculture since 1985. But we've been spending less and less on infrastructure. Because the IMF says, "Oh, don't spend much money on education; let the people pay fees for the education of their siblings. Don't spend too much money on health, because government has no business expanding such facilities." So, the hospitals have collapsed. Or, "Don't spend more money on infrastructure, let private people build, operate, and transfer it to government." But there's no private person who wants to build a road! "Let private people build refineries." No private people want to build refineries, even though government started giving oil money to private people to build refineries.

Freeman: Which they haven't built.

Aluko: which they haven't built. The federal government said, "Look, do you want to build a refinery? All right, we'll give you an allocation to export three shiploads of crude oil, so you can use the profit to build a refinery." Those who export three shiploads of oil, make about a \$3 million profit. They say, "Why do we want to put a \$3 million profit in a factory that will yield no profit?" So, they disappear, while making profit, without building any refinery.

We have had four refineries since 1981. The federal government wanted to privatize the four refineries, while it would build no new ones. That government should not build refineries: This policy had been sold to our government, by not only the IMF and the World Bank, but also by Britain and America. The American government and its allies advocate, regularly in Nigeria, free economy, privatization, monetization, free enterprise, globalization. I said, we're not part of the globe yet! I keep on telling that to those who care to listen in Nigeria.

You see, the real problem is that the leadership, not only in Nigeria, but also in the whole of Africa, has been wrong. And I keep on telling them—they don't want to hear—I say, Africa is a continent where the fools rule the wise. And that has been true. Because when you talk to them, they say, "Well, you are a professor. We didn't go to university. And yet, we are Presidents, we are governors, and so forth. We have 36 states, and 774 local governments in Nigeria." The 36 states and 774 local governments should

be units of development. But they're units of corruption.

Freeman: Because globalization and free trade deny government a role, there is limited progress. That's blamed somehow on the qualities of Africans, but the policy is coming from outside Africa. And it's a very vicious policy, because it essentially says that the state cannot play a significant role in the development of the general welfare. This is a criminal act; it has led to millions of Africans dying, that wouldn't have had to, if we had a basic infrastructure-building policy.

Aluko: They say, government should not subsidize agriculture, because Europe does not subsidize agriculture. But you know, in this country [the U.S.A.], agriculture is highly subsidized.

The other day I was in Maryland, and I saw a large agricultural plantation, run by the government of Maryland. So, I called some leaders in the government of my state: Come to Maryland and see an agricultural plantation built by the government of Maryland. In our state in Nigeria, we need to have farm settlements. In the 1950s and 1960s, Nigeria had such government establishments. They've destroyed them. They said government had no business running agriculture, it should be the private sector. But the private sector is not there! The private person cannot borrow. Here, for example, if you have an idea, you can go to the bank, and borrow money, and do that at, 3, 4, 5%. In Nigeria, you have to bribe to get loans from the bank, at 35%! Now, what business can you run on a profit at a 35% rate of interest, after you bribe?

Freeman: Nothing that involves useful production.

Aluko: No, you can't produce. So, even if you have ideas, you cannot bring them to fruition, because there are no co-operant factors of production, to make the idea come into effect.

Freeman: You brought up the question of agriculture. Now, back in the '50s and '60s, and actually into the '70s, African countries could produce enough food for themselves—

Aluko: And export the surplus—

Freeman: And export, in some cases. Now, 30 years later, every country in Africa has to import food,

yet the land is perfectly fertile.

Aluko: Let me give you one example. My university, where I was professor for about 20 years, before I retired, was built from profit from cocoa. The government set up a Cocoa Marketing Board, encouraged the farmers to grow cocoa, gave them subsidies, bought the cocoa from them, sold it on the world market, paid them very well.

Then the idea came from abroad that government was exploiting the farmers. So, hands off cocoa. They abolished the Cocoa Marketing Boards, and left the cocoa to the private sector.

Before they did that, my state was producing about 300,000 tons of cocoa per annum. After five years of that privatization, it went down to 100,000 tons. Today it's about 30,000 tons total of cocoa, about 10% of what it was producing. So, the farmers are running away from producing cocoa. And yet, when there was a Marketing Board, the farmers did very well. They were able to educate their children, they were able to build houses. Then they said government was exploiting them, and the Marketing Board was privatized, in 1986.

Globalization Destroyed Industry

Freeman: As you were pointing out, in 1985, when the Buhari regime was thrown out, President Babangida came in, and the IMF came in, and basically took over Nigeria. And since then, no progress. In fact, it's been deteriorating.

Aluko: You are right. For example, my own state government then, the Western Nigeria regional government, established industrial estates, all over the western region of Nigeria in the 1950s and 1960s, established industrial estates, and let out to people, gave them loans, had industrial development banks, had agricultural development banks. The development banks gave loans for agricultural, industrial, and commercial projects, at subsidized low rates of interest.

Now, all of those estates have collapsed, all of them have been abandoned. Many of the industries have collapsed. The only textile mill in my state, Ekiti State, which was run by the government, was privatized to Syrians. The Syrians, the Lebanese, bought the factory, sold the machinery, and ran away from Nigeria. So there is no more textile factory in my state today.

We had a brick factory. When I see brick buildings in the U.S.A., I marvel. We had a big factory which produced beautiful bricks. Then, they said the govern-

ment has no business running the brick industry: Privatize it! So, the government abandoned it, sold it to an industrialist, the man sold the machines, and ran away to America. There's no more brick-making in my state.

And that's what happened throughout Nigeria. You go throughout Nigeria, and you see abandoned estates, abandoned factories, abandoned farms, which were run before by local government, or state government, or federal government. Even the agricultural plantations and research stations collapsed. My university was one of the most beautiful in the world, when I was there. Today, you would be amazed at the dilapidation of the same university at Ile-Ife in Western Nigeria.

Freeman: Every time the economic "reformers" come in, the first thing they say is, "We've got to privatize." And then when the privatization produces negative effects, as you've described, they say, "You haven't done it enough."

Aluko: They say it's because the government has not done enough privatizing. It's because the government is still involved indirectly. It must get its hands off completely. Instead of asking for better government, they're asking for no government. So we ask them, if the government is making so much money from oil, and government is doing nothing, what do you want the government to do with the money? That is why public officials steal the money! That's why corruption is increasing. Because there's so much money in government and so little being done by government. It's a vicious circle.

South Africa Sets a Better Example

Freeman: Do you see in Africa, any positive trends in any other countries that could provide some direction out of this situation?

Aluko: It is South Africa. South Africa is reasonably independent and industrialized. I've been to South Africa, but unfortunately, few want to learn from South Africa, because South Africa is different, because there's a white population there. We are black. And the white population is exploiting the black population. So they don't want us to imitate South Africa.

South Africa is the only industrial country in Africa. It's the only country making progress. Not that they have made the achievement that they are capable of, because the black people in South Africa are possibly worse off than they were in 1994. But at least, on the



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The government is rich because of the oil income, but the people are poor, Aluko points out. He advocates countering the IMF's policy of no government, with more government, to promote the growth of the physical economy. Here is a Nigerian oil well.

whole, South Africans are making progress. The rand, which is their currency, has appreciated definitely, compared with other countries in Africa, South Africa is an oasis of progress. Their foreign exchange is good, and their per-capita annual income is increasing.

Freeman: As you know, President [Thabo] Mbeki, the President of South Africa, whose term is ending next year, has been under incredible attack worldwide, for supporting Zimbabwe's sovereignty, for being against overthrowing the government. But I've always thought that a lot of the attacks on President Mbeki are designed to destabilize South Africa, and undermine the minimal achievements which you mentioned.

Aluko: I am critical of [Zimbabwe President Robert] Mugabe, whom I admired and still admire. I knew him during my university days in England. He could have done better, because I used to write to many of them, as you know. The main problem is the type of imposed Western democracy, of government, in Africa, that is the policy of the winner takes all. It won't work in Africa. You need a coalition government. "Get your people around, and develop Zimbabwe," was what I used to advocate for Zimbabwe. In the 1980s, the most important export of Zimbabwe, was maize. Today it

imports maize, even to eat! To feed its cattle.

Freeman: They're getting it from Malawi.

Aluko: From Mozambique, or from Egypt. The same thing in the Cameroons. The same thing in Nigeria. We used to export cocoa, ground nut, cotton, and so forth—all those are gone, because of wrong policies. Because of listening to the advocates of limited government. I think Zimbabwe listened to Britain for too long and listened to the World Bank for too long.

Now Zimbabwe is being blamed for not listening to them enough. It's a tragedy, and I don't know what Zimbabwe can do. I don't see hope there in the immediate future.

Take the President of Kenya, Moi Kibaki, who was a colleague of mine when we were both at the London

School of Economics together in the late 1950s. When I was president of the Africa Society, he was the secretary, and we were very close. He is a clever fellow. He is now the President of Kenya. You cannot rule Kenya the way Thatcher ruled Britain or Brown is ruling Britain, because few Africans want to be in opposition.

Africans want to be part of the government of their country. It is better to run a coalition government, and bring your people therein, and develop Kenya. Don't listen to the idea that government has no business in business, you want to run a private sector economy, you want to privatize, you want to globalize, and you go and attend conferences in, and listen to advice from Europe, and America, and leave the problem in Kenya unattended to. It can't work. Look at what has happened in Kenya. If they're not careful, it will be like Zimbabwe.

Freeman: This free-trade global system has failed, by any standard of economics, it is a complete failure. And now the question is, are we in the advanced sector countries going to get rid of this system, and return to a more reasonable, thoughtful, workable system, such as that put forward by Franklin Roosevelt, in the 1930s and '40s?

Aluko: That is what we have to go back to. Because even here now [the U.S.A.], the market has failed.

What Should African Countries Do?

Shields: You seem to be saying, Professor Aluko, that there's some specific action that some of these countries could take right now that would at least keep the worst aspects of what's happening, from going on—mainly, getting rid of globalization, and the effects of free trade policies. Is there anything specific that you would say Nigeria needs to do, or any other country, like Zimbabwe, has to do?

Aluko: I believe that they have to emphasize more the physical economy, industrialization, development of agriculture, self-reliance in food production. And they have to struggle more to have a better government, more efficient government. Not less government, but more efficient government, which would know that it is a resource for the people.

I keep asking, why do you ask for my vote? Private companies do not ask for my vote. Government asks for my vote. Why do you ask for my vote, if you have no responsibility for me? The government must be proactive, protective, and establish responsibility to the people for the economy, and to the society, and not a free-for-all economy.

I was quite happy that the last conference on free trade collapsed.

Freeman: You're talking about the World Trade Organization, Doha Round.

Aluko: I was very happy. Because I don't believe in it. It is a mockery. It's going to fail, because we cannot be talking of "free" something, when we have nothing. You can't be talking of trade when you have nothing to trade with. You have nothing to sell.

So, I think that the government has to focus more on planning. I believe in planning. And for a year now, Nigeria has re-energized the National Planning Commission, to prepare a five-year development plan. What we want to do in agriculture—it's not enough to say, in five years, you want to generate 10 million megawatts of electricity. You have to plan on what to do in year x , year $x+1$, year $x+2$, year $x+3$. You cannot think that things will happen just because you want them to happen. They will never happen.

So, government has to be involved at every level: local government state level, state government, federal government. Even the Nigerian Constitution provides

that every local government in Nigeria must have a plan, which will be part of the state plan, which will be part of the national plan. And yet, nobody's doing that! I keep on telling them, that our government is violating the Constitution, because our Constitution is against privatization. The Constitution provides that the commanding heights of the economy will be controlled by the public sector.

That's what the Constitution provides. But they don't bother. They don't react. And they don't follow. So, in reality, the rulers are acting against the Constitution of the country. And it's the same thing in Africa.

Freeman: You are in our country, at the height of a Presidential election, which I know you follow. How do you, as an observer from Africa, look at this U.S. Presidential race?

Aluko: I always follow. I never sleep in Nigeria, whenever there are elections in America or Britain. I just don't see any policy orientation in either of the two parties, that is addressing the present problem, or the problem that will arise in the future. I don't see it. People are talking about reforming education, what we do to compete, and so forth and so on. I don't see any of the two candidates addressing the real fundamentals of the American economy, in what they're saying.

Nobody's saying, "We are going to go back to the Roosevelt era." Are we going to allow this temporary government intervention, and then go back to what it was before? Because in the last 25 years, there have been about 11 economic crises, of various degrees—which is now increasing. In 1987, there was a financial collapse. In 1997, there was a collapse on the stock exchange. In 2001, there was a collapse of the stock exchange. In 2005, there was trouble. Last year there was trouble. So, it has been happening, little by little, and yet, people out there are doubting that it's happening on a continuing basis.

The only person I saw who was a bit near the situation, was Hillary Clinton, who was aware, possibly of the Roosevelt type, but she lost. So, I don't know. I have no preference between the two of them. I mean, I like Obama, because he's a black man like myself, so I'd be happy to bring it to the world, that America is great, to put in a black man as President. But the issue that I'm looking for is economics.

America is key to the world economy. If the American economy collapses, the whole world economy basically collapses.