

## ***Anwar Shaikh: Competition has Winners and Losers***

### ***Interview of Anwar Shaikh to the Weekly Gazette PRIN (Alexandros Minotakis, Costas Gousis)***

We met Anwar Shaikh with the assistance of Nikos Stravelakis a couple of hours prior to his lecture at the University of Athens on his new book "Capitalism: Competition, Conflict and Crises". The book, among other issues, analyses different explanations of the current crisis proving the explanatory deficiencies of both orthodox economics and the heterodox tradition.

***Q: You are one of the few economists who predicted the outburst of the crisis since the early 2000. What is your anticipation for the next episodes of the crisis?***

AS: Crisis is like a fire in a forest. You can see various signs indicating that it is coming but you cannot define the exact spot where a spark will put the forest on fire. Recovery is even more complex because the "fire" itself materializes the process of recovery through destruction. Destruction of workers' employment and incomes, but also of capital, of banks and corporations which fail in times of crisis. These are the mechanisms of recovery. Nowadays following repeated crisis episodes we have understood that this is not the only way or the appropriate way to seek recovery.

The practical question we are facing is how we can address recovery differently? Let us compare the case of the United States and Japan. In Japan the crisis happened in the 80 s' like in the US in the 70 s' and the early 80 s'. The paths followed by the two countries, however, were quite different. In the United States they attacked the working class, the welfare state and brought high unemployment and low interest rates. This is also an example of recovery through destruction since the rate of profit stabilized from these policies. These were literally the policies followed by Reagan and Thatcher.

In Japan however they did not permit destruction, unemployment and wage reductions of such great extent. Japan moved more moderately and as a result it neither reached the bottom nor recovered so strongly but remained in a path of atwenty year stagnation. This led two generations to lower growth and reduced profit but still with higher living standards. As Ernst Mandel has analyzed there is nothing automatic regarding recovery. Although crises are caused by inherent processes of capitalism, for recovery no such processes exist. The matter is whether banks or workers will be at the center of the recovery process.

***Q In the European Union and the Eurozone we are witnessing a deepening of the crisis with clashes inside the bourgeois class and more importantly the opposition of the people. How do you see the future of the EU?***

AS: It is important to consider why participation in the European Union has such uneven impact for different countries. If mainstream theory was correct then EU participation should make all

equal because they have access to capital and free mobility. Consequently, this process would distribute the benefit between countries as argued by mainstream theory. They believe that free trade and free trade zones distribute the benefit.

Mainstream theory is rooted in a particular theory of "perfect" competition which leads to this harmonious conclusion. It suggests that competition brings everyone to a better economic condition, does not lead to job losses, gives access to cheaper goods, broadens the borders and everyone is better off. However, this has nothing to do with the real competition in which there are always winners and losers. Real competition is a battle with Darwinian characteristics where counties or regions may disappear and where job losses is the certain outcome. If you know how competition operates then the present state of affairs in the European Union comes as no surprise. The above bring up a series of questions: if you want the European Union, how can you get a share of the benefits, what are the limits outside the EU and so on?

In the United States where inequality between the North and the South led to a civil war there now exist mechanisms which keep inequality inside boundaries. In the European Union such mechanisms do not exist and they neither wish nor are capable of looking for such mechanisms. They are tied up in the assertion that everything is going to go well if the market is permitted to function.

According to neoclassical theory free trade ensures equality and new jobs. In reality free trade does nothing to ensure that the loss of jobs will be less than the creation of jobs, since both depend on other particular circumstances. Second, since free trade favors those with the lower cost, there is nothing which suggests that it makes regions or countries equal. I would argue that if you are not already at the top, you have to go against the market to become competitive. If you wish to be competitive you have to establish certain mechanisms to ensure this. In previous historical periods we have seen the implementation of such policies in the US, Japan and Korea.

***Q: In an interview in Greece back in 2012 you had predicted that China and India will face also difficulties in the context of the current depression. This prediction is coming true now.***

Indeed, the rate of growth of China has fallen and this should come as no surprise if we look at it historically. There is a certain rationale explaining which growth rates are sustainable. We know that in China factories, shopping malls and residential areas remain empty because they were built in anticipation of a growth rate which never materialized. The same happens in India. There the developments are even more catastrophic because there is no center in the society which can act decisively. I predict that India will be shaken and I cannot see how they can cope with this. I would like to be wrong in this prediction but I am afraid I am not.

***Q: From an economic standpoint how do you explain the developments in Latin Amerika especially Venezuela ?***

Venezuela proves why market populism does not work. Of course they fight against reactionary forces but it is clear to me that they do not understand how the economy operates. They had

the luxury of resources which most countries do not have and by throwing away these resources they wasted the chance they did have. It is a pity because they did some good things but at the same time they destroyed the foundations of their economic sustainability and now ordinary people are paying the price. Anyone who looks into the history of capitalism can see that the price of raw materials, like oil, follow long cycles, it is obvious. How did they they fail to see this? How did they permit the present situation to come about? I have spoken to people from Venezuela who were committed politically but when I asked them how the economy operates, what happens with the deficits, the growth rate they could not come up with a coherent answer. This is partly due to the fact that when you have such resources you think you can stimulate the economy without looking at the consequences and without acknowledging that there are limits. I believe that the idea that fiscal stimulus has no limits other than inflation is wrong. In my book I argue that the limit to fiscal stimulus comes from possible negative effects on profitability, not from inflation. Indeed, in my argument inflation is itself regulated by profitability.

***Q: The violation of the limit accelerates the socialist transformation of the society as a political objective of the left movement. Do you agree with this statement?***

Violation of limits raises questions about the existing society, but it does not follow that this accelerates socialist transformation. If we are not prepared for the consequences, then the opposite may in fact occur and the project may fail. Especially in regions where such resources, like oil, exist anyone who fails does not merely fails for himself but undermines the broader plan. We must learn to understand our part in failures. By accelerating certain developments capitalists will respond, we know this from countries where military coups took place when things got to a particular stage. It is obvious that we operate inside a particular environment and we can change things up to a certain point. However, I believe that the position that reduces the economy to what is good for the working class is fundamentally wrong. For instance, some people on the left argue that increasing wages will increase aggregate demand and thus increase aggregate profits, so that what is good for workers is good for capitalists. But capitalists are not persuaded by this, because they correctly perceive that higher wages means less profit for them (one of the key points in Marx's analysis, indeed in all classical analysis). It is a weakness of Marxist economic analysis that it has not properly managed to integrate these two aspects. Part of this is due to the fact that Marx did not live to complete his work, he wrote and edited only the first volume of Capital, the rest being assembled by Engels out of a mass of semi-finished and unfinished notes. Part of the purpose of my book is to show that we can in fact integrate these and other aspects of real capitalist economies. I believe that economic analysis is of fundamental importance because it influences the understanding of current affairs and the choice of appropriate actions in order to change reality.