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Relieving Inflation or Palliative Self-destruction?

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Relieving Inflation or Palliative Self-destruction?

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Opinion Article

If someone represents her/himself as a "Greek economist", she/he risks to receive the sarcasm of the credulous reproducers of international stereotypes. Yet, instead of being "stigmatized", I rather feel "blessed".

In a way, the coincidence – incidental or not – of the outbreak of international systemic crisis with the concentration of domestic inefficiencies in the Greek society and economy, assisted by the profound structural weaknesses of the €-zone, highlighted Greece as a critical case-study with respect to the effectiveness of the neoliberal prescription. In that sense, Greek social scientists and activists receive an attention that is disproportionately big, compared to the importance of the Greek economy for the international market.

Living a region and living in a region that experiences the systemic response and the full extent of the provoked negative effects, gives you insights that may help you to become one of the preachers for a radical, alternative way-out.

In the present article I avoid an exhausting quantitative documentation of the progressive proposal that follows. This is clearly necessary in future steps, but for the moment my intention is to look at the "canvas" from a distance, as a whole, getting the whole picture and the governing lines.

World economy flounders. *On the one hand*, because of the reappearing widening of interregional and social disparities: the case of the European Union is indicative. Since the beginning of the 1980s the coefficient of variation of real GDP p.c. among the €-countries grew back to 0,44, surpassing the levels of the 1960s. Similarly, in the same area and for the same period the adjusted wage share[1] falls from 1,7 to less than 1,4; starting again from the 1980s, European workers get a progressively smaller share of produced output [1].

On the other, because of the longitudinal systemic evolvement: the continuous credit expansion, as the preferable response to previous crises of over-production, led to indebted state and private sectors. Moreover, it was the basis for the gradual autonomization of financial capital. Because of the increasing demand and assisted by the achievements in communications and information technology, derivatives experienced a qualitative as well as quantitative explosive expansion. The financial capital multiplied its ability to be self-reproduced, without even passing through the atoning, expiating productive investment. This resulted in the present global financial bubble. Experts like Paul Wilmott estimate the size of the derivatives market at $1,2 Quadrillion, being 20x larger than the Global Economy.

Both, the deflationary pressures provoked by the relative weakening of the effective demand worldwide, as well as the increasing nominal value of all derivatives, being in complete disharmony with real economy, trigger the owners of the concentrated financial capital and increase their anxiety for maintaining the real exchange value of their derivatives. Various media reports and analysts' warnings indicate this enervation: Paul B. Farrell wrote by the end of last June that "*2014 is an absolute total disaster just waiting to ignite" and refers to the indicative conclusion of GoldSeek.com, "there are many cycles that suggest a stock-market correction or crash is near ... Preparation is important. You still have a little time remaining before the 'window' closes*"!

Depressed by the rapid deterioration of the systemic bottlenecks and restricted by the spatial limitations and the excessive credit expansion, modern bourgeois policy unsurprisingly adopted the logic of Neoliberalism: after going through a necessary lifting, since the last historical experiences along with the tremendous evolution of military forces impose us to be more careful, self-destruction of the production means seems to be the only way-out. Sacrifice the small and medium-sized businesses, deregulate branches of the public sector and abolish the achievements of bourgeois social state. Recreate thereby a new "el-dorado", open new prospects of rewarding re-investments for the internationally over-accumulated (financial) capital that has been spoiled by the excessive profits of financial speculations [2].

However, Neoliberalism, although consistent with the very basic foundations of capitalist ethic and seemingly palliative, did not prove to be effective, not even in terms of rebalancing the system. The social and interregional contrasts accentuated, much more and much faster than forecasted, long before the financial capital would be sufficiently convinced to invest in the real economy. At the same time, the induced self-destruction worries the already jumbled and upset holders of financial derivatives, inducing thereby an aggressive competitive behavior. They are being engaged in a race trying to be first in transforming their redundant financial means into control of the scarce means of production. A race that results in regional conflicts (for the moment), which gradually get dangerous diplomatic and even military forms.

Is there a way-out of the neoliberal way-out? Is there a substitute for the palliative self-destruction and the global systemic dead-end?

The financial capital avoids inflationary pressures like the plague. Even more, as we mentioned above, it gradually loses faith in neoliberal doctrines and anticipates that global downward correction of the exchange value of derivatives will be unavoidable. Well, this is exactly the starting point of a progressive alternative: to provoke inflation now, worldwide, coordinated and controlled, regionally targeted and of developmental nature.

Once again, this is a historical moment that requires coordination of the international community, this time towards a new, progressive exchange settlement. An agreement that will first provide a global regulatory framework for controlling the operation of the financial market and that of exchange rates, setting up control mechanisms and indirect limitations against financial unaccountability. Second,

[1] The adjusted wage share is defined as the ratio of real compensation per employee to real GDP per person employed. It usually operates as an indicator of functional income distribution and a "fair share" for workers.

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an alliance of democratically, socially legitimized representations to coordinate a worldwide increase in the money supply, with proportional participation of individual states. A worldwide expansive policy that will redistribute the opened funding instruments in lagging regions, towards appropriate production activities, seeking for social justice and environmental sustainability. As democratic legitimacy will regain its supremacy against neoliberal technocracy, even financial capital concentrations can receive a new role: funding this globally coordinated expansion, ensuring thereby a socially fair recognition, before facing a violent, yet historically justified correction.

Setting up a redistributional, production-oriented, internationally coordinated expansion policy is the main alternative treatment, as it will provide answers to both contemporary systemic deadlocks: first by the degradation of profound regional and social disparities, second by the provocation of a well-targeted, internationally synchronized inflation and the induced contraction of the financial bubble.

As we consider time in its historical rather than its biological-human dimension, the moment of change is approaching. Of course, as already mentioned, the solution of a relieving inflation of progressive nature has a prerequisite: the coordination of progressive trends worldwide and the return of democratic versus technocratic legitimacy. If not and / or if not quickly enough, the misery of continuously worsened crisis may be transformed into a tragedy of destructive collisions.

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