

AL-AKHBAR: Long interview with Léa El Azzi on capitalism after the pandemic, Europe, Greece, Lebanon & the IMF

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لبنان عرب عالم ثقافة وناس رياضة رأي ملحق رأس المال كلمات جريدة اليوم الأرشيف



يانيس فاروفاكيس: برنامج لبنان مع صندوق النقد سينتهي بكارثة

قضايا | مقابلة | **ليا القزي** | الإثنين 29 حزيران 2020



أخترنا لك

راغب ونادين يروجان للسياسة الداخلية

«قطوع» الساعات السبع على خط الساحل الجنوبي يودي بحياة شخص: إشغال للجيش واستفزاز لحزب الله

أميركا تهدد السلم الأهلي

أويس مخللاتي يفتح النار على زهير رمضان

The pandemic is not the first crisis (if we can say so) that hit capitalism all over the world. what is the difference between this one and the previous crisis?

The obvious one is that Covid-19 dealt capitalism an external shock, like an earthquake or a meteor that strikes at both production lines and consumption at once. In contrast, the 2008 financial collapse, for example, was an internal, an endogenous, shock that was created, within, by the system itself. Having said that, the reason why the pandemic will prove so damaging is that capitalism had never recovered from the 2008 crash. Back then, it was the financial sector that crashed and burned. Central banks and governments refloated the financial sector by means of trillions of dollars of new money. However, this liquidity did not turn into actual investment in the real economy. So, while the banks recovered, and the oligarchy found themselves with appreciating assets, the majority out there had to face harsh austerity. This boosted the disconnect between available liquidity and investment in good jobs and its associated disconnect between the world of money (that was doing well) and the world of the real economy (which was not). Company shares were high but

profitability was low. So, when Covid-19 arrived on the scene, it acted like a pin that bursts a gigantic bubble. Reflating this bubble, in the absence of serious public investment, will not be possible however much money Central Banks pump into the financial markets.

Why does capitalism face so many problems and challenges, despite the absence of ideological competitors?

Because that's what capitalism is wonderful at doing: Producing technologies that undermine itself. The process at work is fascinating: In the real economy, new machines come into play that cut down the content of labour per unit of output. New jobs are created lower down the hierarchy of work. This means that machines play an increasing role in producing great new products which the machines will never want and which humans are decreasingly able to afford. Meanwhile, in the world of money, financiers constantly create new forms of debt that disguise themselves as a form of private money. Its accumulation eventually leads to a crash due to a string of bankruptcies. The combination of these dynamics, in the real and in the money worlds, inexorably produce one crisis after the other.

Why throughout the years, the economic success was not accompanied by improvements in peoples's lives? Is it one of capitalism problems now?

Defenders of capitalism dispute this. They roll out statistics that show a steady increase in average living standards over the past one hundred and fifty years, presenting it as evidence that capitalism has been good for humanity. While it is true that average real incomes have increased, especially in China and other developing countries, it is not at all clear that this has been a victory either for capitalism or for humanity. Take China, for example. While it has relied on the market and on private enterprise, it would never have grown the way it did if it was not for the capacity of its government to direct investment and determine the income distribution in ways that capitalism would have made impossible – in other words, without the Communist Party and its structures. Additionally, defenders of capitalism ignore the simple fact that a rise in incomes does not necessarily mean a rise in the quality of life. To give an extreme, but not misleading, example, take Australia's Aborigines. Before the

Europeans arrived in Australia, they had no income. But they had a rich and fulfilling life. Today, their majority receive government benefits but lead broken lives. Is this progress?

Will Covid- 19 bring down capitalism? Or do you think it is just a battle inside the same capitalist camp, and capitalism will win again?

The death of capitalism has been pronounced so many times that it is unwise to do so once again. What I can say is, first, that Covid-19 has struck at a time when capitalism was particularly fragile (and, therefore, all the talk of a quick recovery is inane) and, secondly, how this crisis affects humanity will depend on what we do, on how we react. Nothing is written in stone.

If we will set another regime, what will be? and do you think China and Cuba could have an advantage after their role in fighting the virus and helping other countries? — Miatta Fahnbullah wrote in “Foreign Affairs” that “A new economic model is needed, one that adapts traditional socialist ideals to contemporary realities”, you agree?

Yes, of course. Strong public health systems have proven themselves immeasurably better, and more resilient, than private ones. Capitalism’s reliance on just-on-time supply chains that no collective agency can plan or direct is proving its Achilles Heal. How could we have organised production and distribution differently? What might Postcapitalism look like? I have been struggling with these questions for a long time. Alas, this coming September I am bringing out a new book that offers my answer, for whatever it is worth. It is entitled: *ANOTHER NOW: Dispatches from an alternative present.*

You said that “either we unite with progressives around the planet in a shared struggle for justice, or we surrender to the forces of nationalism and free-market fundamentalism”, how could reuniting progressives help in any way?and what is your plan beside the website?

Let me give you a simple example: During every recent crisis, bankers

banded together and forced governments to apply socialism – for them! The price was austerity and hardship for almost everyone else. This led to discontent. Discontent then breeds fascism, xenophobia, nativism, ultra-nationalism. The representatives of this misanthropic type of politics unite across borders (look at the love in between Trump, Bolsonaro, Modi, Le Pen, Salvini etc.). Is it not the time for progressives to band together in the interests of the majority in every country, on every continent?

This is what our Progressive International is about. How are we organising this, besides a website? In two ways. First, by putting together a global plan for shared, green prosperity. (We must be able to answer questions such as “How much should we spend on fighting climate change? Where will the money come from? How will we redistribute wealth from the few to the many and from the Global North to the Global South?”) Secondly, by organising global actions in support of local causes (e.g. a global campaign in support of a few striking women workers in, say, India). To accomplish these hugely hard, but essential, tasks the Progressive International has put together a Council, comprising leading activists from around the world, and a Cabinet, consisting of a few dedicated organisers working on our campaigns on a day-to-day basis. Our next meeting will take place on 18th September in Iceland, under the aegis of Katrin Jacobsdottir, the country’s Prime Minister.

What should be the role of the state in all of this, specially after the Covid 19 and critics to capitalism and private sectors which was not able to cope with the crisis?

The state’s role is crucial. Even politicians inspired by small-government libertarianism have had to call for governments to step in and, effectively, save everyone. The question is not whether the state has a role. The question is: On whose behalf is the state acting?

Part 2: Europe after the pandemic

How will Covid – 19 change Europe?

It will make it even more fragmented, insular and wrought by

nationalism. Europe's historic failure came in 2010, when a financial sector crisis was dealt with as if it were a great opportunity to cement the policy of socialism for the bankers and austerity for everyone else. As a result, our democracies were poisoned and powerful centrifugal forces began to tear apart any sense of a union. Covid-19 simply reinforced these forces.

This is not a “traditional economic crisis”, and it’s been very long time since the world faced something alike, but we notice that governments and nations are making “traditional moves”, specially with releasing new bonds. Yanis Varoufakis doesn’t agree with these procedures, but why should European institutions continue in supporting a failed financial system by saving creditors? And what should be done instead?

Because our political system belongs to the failed financiers. It is they who, for years, financed political campaigns. It is they that wrote the rules of our monetary union, both during the good and the bad times. And it is they who have the power to impose upon the rest of society that the rest of society bails them out from the mess of their own doing. It is oligarchy *par excellence*.

Why you said that the last thing businesses in Germany, in Italy, in France, in Greece need now is loans? and how loans could affect them?

It is crucial that we never mistake a bankruptcy for a case of illiquidity. If the estimated value of your future income is greater than your debt, you are solvent. But, you may be ‘illiquid’, i.e. lacking cash. In these cases, a loan is both sensible and useful. However, if your debt is lower than your future expected income, no loan can help – all it will do is magnify your debt and push you deeper in bankruptcy. It is in this sense that I said that businesses do not need loans so much now. They need cash injections or, better, a debt restructure – under conditions that society places upon them (e.g. how they treat their workers, the environment, their customers etc.)

Could European institutions finance governments directly?

The European Central Bank cannot, due to a severe restriction in its charter. But, there are a myriad ways in which member-state deficits and debts could be mutualised – the first step toward a proper union.

All we talk about is saving European economies and markets, what about citizens, and the social impact of the pandemic?

I never talk about anything other than our main task, which is to minimise human misery and to maximise shared, real, green prosperity. If I indulge in any discussion about banks, bonds and fiscal policy is because these are the tools by which so few people destroy the lives of so many.

Part 3: Greece and IMF

Did Greece recover after the program with IMF? – if no, why?

Of course not. The reason is simple: The joint IMF-EU program was never about helping the Greek people recover. It was all about, primarily, saving four or five French and German banks by cynically transferring their gargantuan losses onto Europe's taxpayers, using the Greek Treasury as an intermediate stop for the bailout funds. A secondary role of this IMF-EU program was to force the people of Greece into permanent debt bondage so as to 'teach' others (e.g. the Spanish, Italians, French) an important lesson: You do as you are told or else...

Economically speaking, what were the benefits of the program and negatives?

Precisely zero benefits, unless you were an oligarch. As for the negatives, it suffices to mention two: First, permanent debt bondage. Second, desertification, as your young (especially the better educated) are migrating in droves.

If not asking for IMF "help", what else could have Greece do?

Declare bankruptcy. And then take it from there. Yes, it would have been costly. But, with hard work it would have been possible, either

inside or outside the euro, to climb out of the hole. Under the IMF-EU program, this was – and remains – impossible, the result being that all the sacrifices are wasted.

Part 4: Lebanon economic / financial crisis and its IMF Program

The Lebanese government put recently a “Financial Recovery Plan”, claiming that the “lebanese economy is in free fall” and that an “international rescue package to backstop the recession and create the conditions for a rebound. In parallel a quick delivery on long-awaited reform measures is critical to help restore confidence”. The minister of finance started the negotiations with IMF, and government say that it is the only way out. Why? Is the IMF a solution for the problem or a problem itself? Can we really negotiate to get a better deal, or it’s a package “take it or leave it”, specially for a small country that every day one American responsible give a statement telling us what we should and should not do?

Just like Greece in 2010, Lebanon is facing a moment of truth, a great dilemma. Become a vassal of the IMF and hope for a miracle that becomes less and less likely in the era of the post-pandemic depression. Or, take the pain but also take matters in the hands of its people. There are no easy solutions. But there is a clear choice.

The IMF program can never work for the majority. It may end up a complete disaster, with even the richer Lebanese suffering hugely. Or it may end up as a partial disaster, leading to some benefits for the better off while the majority languish in deeper debt and misery than ever. In either case, the majority of young Lebanese, especially the better educated, will leave the country, thus draining it of its most precious capital. The reason the majority are condemned under the IMF program is that this is what it is meant to do: A mild restructure of banking, personal and public debt in exchange for a massive redistribution of income, and in particular wealth, from the poor to the oligarchy-without-frontiers. While the IMF can, potentially, restore in Lebanon a semblance of normality, this will be bought at the price of the permanent expropriation of whatever little prospects and wealth the ‘little’ people have.

The alternative takes courage and political organisation. Throwing out the IMF, unilaterally haircutting your dollar or euro denominated debt, nationalising the banks, launching a new currency under a reconstituted central bank... these would be the first steps.

Undoubtedly, it is a thorny and treacherous path as the world's powerful will treat your people as a rebel army. But, if they see that you are pulling together and are using this crisis as an opportunity to eradicate corruption and cronyism, they will eventually relent. Iceland was in the same situation at the beginning of the 2008 crisis. They followed this hard road. And they won. There is no reason why a small country cannot assert its right to sovereignty from the global oligarchy that the IMF represents.

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