COMMENTS ON THE LECTURE BY PROFESSOR ANWAR SHAIKH

Capitalism: Competition, Conflict, Crises

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Long before Professor Shaikh rebelled against mainstream (i.e., neoclassical) economic theory, a rigorous challenge to orthodox analysis was presented by the American political economist Henry George. George examined the theoretical framework of political economy as it was developed by his predecessors and that was being taught by his contemporaries. His methodology was exactly as Professor Shaikh embraces: how do individuals actually behave, and what are the motivations that drive human beings do behave as we do.

The conflicts between workers and employers is not a battle between “labor” and “capital.” It is a consequence of socio-political arrangement and institutions that prevent continuous full employment. It is important to recognize that many employers own land and capital goods. Thus, as Henry George (and most other political economists) would explain some degree of advantage is attributable to an underlying foundation of rentier privilege, meaning the private appropriate of public wealth in the form of the rent of land.

The “battles” won by labor in the West have proven to be rather illusionary. Proudhon offered the best strategy to be followed by workers: organize cooperative enterprises not dependent on the investment from disinterested (dividend and “capital gains” maximizing) investors and managed by individuals focused on maximizing their own compensations. Cooperative enterprise works, as evidenced by the Mondragon cooperatives in Spain.

Another alternative to the status quo was offered in the late 1950s by two non-economists, Lewis Kelso and Mortimer J. Adler. What they advocated was a path to “universal capitalism,” where all citizens derived some significant portion of income from the ownership of shares of stock in the companies for which they worked. The practical outcome of their efforts turned out to the creation of Employee Stock Ownership Plans (ESOPs). ESOPs have had some impact on some workers but rarely to a level that Lewis and Adler hoped would materialize.

Professor Shaikh tells us that we are doomed to periods of boom and bust because “the intrinsic driving mechanism is not government … it is the structure of the market.” What he misses, I think, is that there are no market economies that function outside of the police powers of the State. To a very significant degree, politics dictate economics outcome. Politics in the form systems of property law and taxation, either secure and protect a just distribution of income and wealth or secure and protect an unjust distribution of income and wealth.

INFLATION

Had Professor Shaikh examined land prices over the centuries, he would see a pattern of rising prices (subjected to periodic corrections when the speculation-driven land markets became so overheated that they could not be absorbed by consumers seeking housing or businesses desperate to protect profit margins).

INTERNATIONAL TRADE

Henry George explains in his book “Protection or Free Trade” that absent the societal collection of the rent of land, free trade will not bring about the universal benefits promised. Thus, Professor Shaikh is correct, but he has not explained the cause.

Q&A PERIOD

Professor Shakih correctly observes that the policy of the central bank reducing interest rates following the 2008 crash generated a frenzy of speculative activity. Unfortunately, he does not even mention that much of the speculation was directed toward property, and, more specifically, both vacant land and land already improved. Far more financial reserves were directed here than into new construction of housing units and in commercial buildings.

He does not believe in the monopoly stage of capitalism. Again, there is a significant distinction between the broad ownership of companies producing goods and services and the far more concentrated ownership of land and commercial real estate.