

افغانستان آزاد – آزاد افغانستان

AA-AA

چو کشور نباشد تن من مباد
بدین بوم و بر زنده یک تن مباد
همه سر به سر تن به کشتن دهیم
از آن به که کشور به دشمن دهیم

www.afgazad.com

afgazad@gmail.com

European Languages

زبانهای اروپایی

Luis Casado

19.12.2022

Inflation: who benefits from crime?

What generates inflation? Who benefits from it? "Economic science" ignores this. A debate begins, in which the big bosses participate -curiously- together with the radical left...

Yesterday I attended a debate on the economy in Paris, organized by *La France Insoumise* (LFI), the main political party of the French left.



Michel-Edouard Leclerc: a great patron calling for Free Competition (Image by Politika)
Curiously, one of the exponents was Michel-Edouard Leclerc, patron of one of the most important supermarket chains in France, whose turnover exceeds 50 billion euros a year. A big boss came to debate with the *far left*.

Among the participants: Agnès Bénassy-Quéré, chief economist of the Treasury Directorate (Treasury), Cédric Durand, professor and researcher at the University of Geneva, François Gerolf, economist of the French Directorate of Foreign Trade, Éric Berr, economist of the University of Bordeaux and LFI deputy Aurélie Trouvé. Jean-Luc Mélenchon, president of LFI, closed the three-hour event.

The purpose of LFI is to launch a reflection that allows us to understand what are the causes of the inflationary phenomenon that shakes the whole planet, after four decades of relative price stability, or very moderate inflation if you prefer.

First observation, for server it is not new, economic *science* does not manage to explain anything, nor foresee anything, nor remedy anything. Contrary to monetarist theory, which holds that inflation is an effect of excess monetary issuance, for decades the Fed (the central bank of the United States) and the ECB, the European central bank, issued trillions and trillions of dollars and euros without the slightest effect on prices.

The famous QE *-quantitative easing-* whose objective was to flood the markets with liquidity at zero percent interest to save financial speculators, did not cause what the monetarists announced: monetary depreciation and inflation. However, unbacked monetary issuance reached colossal levels.

During the same period of four decades real wages fell, I do not say it, the International Monetary Fund says it: nobody can blame wages for inflation that corrodes the purchasing power of millions and millions of households.

Apart from a few shocks, commodity prices didn't skyrocket either. Some inspired economist asserted that the causes of inflation are "external", that is, the result of an increase in the price of imports. After decades of accelerated "globalisation" whose purpose was none other than to establish a single global market... a genius dares to think of economics as a mosaic out of Flaubert's *Salammbô*.

This is where Michel-Edouard Leclerc's intervention became interesting: he suggested to LFI to promote the creation of consumer associations, as well as state controls. "*I don't understand," he said, "how it is possible that commodities are proposed to me with unjustified hikes, in a market dominated by monopolies, or duopolies, that control everything."*

To illustrate his claim, he gave some data. The basic necessities are controlled by a couple of traders whose market share exceeds 80%... If the distributor – the supermarket chain – does not want to pay more, it simply runs out of products. Another blackmail: to obtain certain products at a better price they force supermarkets to provide free "services" to the supplier, or to force their brands. And nobody says anything...

Michel-Edouard Leclerc went further: *"This started long before the war in Ukraine, and I warned about it, but nobody listened to me. What to call those market players who do not produce anything but control everything from finance? War parasites?"* (sic).

It is surprising to hear a gigantic market player, whose turnover gives it great bargaining power, come to ask the radical left to impose free competition... Michel-Edouard Leclerc said it in all his letters: free competition does not exist.

Its function, Leclerc pointed out, is to evacuate from the market anyone who exaggerates, who abuses, who tries to obtain an unjustified profit: free competition eliminates it. But that free competition without obstacles or traps disappeared in combat with neoliberalism. The market, as LFI claims, is chaos.

A couple of interventions made it clear that, curiously, it now seems that everything, EVERYTHING, comes from Ukraine: the price increase, says the press, is due to the war. A French oil producer brutally increased its prices on the grounds that the grains come from Ukraine. The same one that until last year based all its advertising on the French origin of its raw materials!

Jean-Luc Mélenchon asks: *"How is it possible that long before a harvest, the product of that harvest is bought and resold 20 or 30 times on the international financial markets?"*

Michel-Edouard Leclerc had already stated that most of the global food traders have nothing to do with agriculture, transport, distribution or retail food products. Theirs is speculation...

A significant part of the wealth created in the real economy must remunerate the activity of speculative finance that contributes nothing. A dozen companies dedicated to the sale of food products, of which you have never heard of, control the arena: Vitol Group, Glencore International, Trafigura, Mercuria Energy Group, Cargill, Koch Industries, Archer Daniels Midland, Gunvor Group, Bunge and Louis Dreyfus Company.



Here is a clue to understanding the origin of the inflationary phenomenon. Another: never forget that the economy can only be conceived as the stage in which a fierce struggle is waged contradictory and divergent interests: the distribution of the wealth created between capital and labor is the best example. Bad news for well-thinking souls: class struggle exists.

Other phenomena predict that inflation is here to stay, even if the finance minister says what he says.

The worst remedy is to raise interest rates from the Central Banks, whose confessed objective is to generate a recession and more unemployment to control inflation.

Once again the theory is going backwards: no one has proven that a high level of employment and demand generates inflation. The cause, as you can see, is elsewhere (s). The unanimity of the Central Banks to increase interest rates only shows that they understand nothing about economics or the effect that monetary issuance has on the real economy.

The debate begins. The most stubborn neoliberals have already understood – and say so – that neoliberalism is dead, but not before having led the planet to a crisis that, this time, will last.

Michel-Edouard Leclerc once again issued a grim warning:

"I fear, capitalistically and business-wise, a recession..."

There we are, distinguished and brilliant economists.

La Pluma. Net 16.12.2022