

Grahl, John

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## Obituary for Jörg Huffschiid

*John Grahl\**

The death of Jörg Huffschiid in December 2009, at the age of 69, is a loss to critical economics and to the movement for a more just and rational economic system. Jörg worked, in Germany and in Europe as a whole, both to develop a powerful critique of orthodox economic policies and to make that critique an effective instrument for the labour movement and the movements for environmental protection and sustainable development.<sup>1</sup> This required an unusual combination of qualities: scholarship and keen analysis; the ability to persuade and convince in debate; the warmth and generosity which encouraged commitment to joint projects. Jörg was able to emphasize broad shared objectives even among those with intellectual and political differences.

Friends, colleagues, fellow activists across many movements and several generations of his students regarded Jörg with both affection and respect. A memorial conference in Berlin in January 2010 brought together several hundred people to acknowledge their debts to Jörg and to discuss next steps in the various movements to which he contributed.

I got to know Jörg in the context of the EuroMemorandum Group which was set up, largely on his initiative, in the mid 1990s. He was not someone who talked a lot about his past and so many of the following details are taken from German friends and the notices which appeared in the German press.<sup>2</sup>

One of Jörg's first academic appointments was, ironically, under the leading economic liberal Helmut Arndt, who directed an Institute for the Research into Economic Concentration at the Free University of Berlin. In spite of his demanding duties as a research assistant, Jörg completed his first book, *Die Politik des Kapitals*, which would shortly become very important for the student movement in Germany. It had the aim of

1 For a list of Jörg's publications, see <http://www-user.uni-bremen.de/~huffschiid/>.

2 See the collection of articles devoted to Jörg in *Sozialismus*, issue 1, 2010.

\* Middlesex University, London.

»demonstrating the continuity of the capitalist class system through a complete change of its control mechanisms in the economic development of the Federal Republic of Germany.« (Bontrup 2010)

This book combined radical economic theory with detailed empirical work on the process of capital concentration; this would be a continuing feature of his work – which invoked neo-Marxist or post-Keynesian analyses but always reinforced the critique of prevailing systems and policies with abundant statistical evidence.

In the wake of the student revolts of the late 1960s, a democratic reform took place in the Free University (leading to the departure of Helmut Arndt) and Jörg was elected to a leading position in the institute. It is difficult today even to remember the mood of the 1970s. Decisive political change and a complete transformation of socio-economic systems seemed a real possibility to many of us. Of course the actual outcome of the economic crisis of the 1970s was such as to disappoint these hopes. Jörg became a leading critic of neoliberal policies without nostalgia for the earlier period.

(In a discussion with Jörg I once objected to the overuse of the term »neoliberal«, which, it seemed to me, was being used to characterise virtually every current economic or political development. Jörg replied that he understood neoliberalism as primarily a *strategy* which aimed to block social advance by the labour movement and even to reverse advances which had been made earlier in the twentieth century. This view may be the best way to recognise the full force and danger of neoliberalism without turning it into a ubiquitous essence.)

After some more years at the Free University of Berlin, Jörg was appointed to a chair at the University of Bremen where he passed the remainder of his academic career. By all accounts he was a diligent and effective teacher. To judge by his presentations to academic and political gatherings, he was always meticulously prepared. Those of his students I have met all testify to his support and commitment. Shortly before he finally retired from Bremen he remarked that one factor which partly reconciled him to retirement was the feeling that he could not give as much support to his PhD students as in the past.

The immobilism and dogmatism of German economic policy and official policy debates pose particular problems for opponents and critical commentators. In the 1950s and 1960s, macroeconomic policies and institutional structures sustained a high level of employment and rising mass incomes in a context in which certain types of social advance were possible. Since then, patterns of industrial restructuring have successfully strengthened the big corporations but often in ways with very adverse social consequences – for example in the casualisation of many jobs, in higher unemployment and in a more unequal distribution of income.

One aspect of this situation is a widening dissociation between the largest German enterprises and German society. As the big groups have invested around the world and developed global strategies their attitude to their German base has changed: German wage levels and social standards are seen as a cost, rather than the basis of competitive success.

Official economic thinking has been unchangingly restrictive and relentlessly conservative. Monetary policy must pursue stability at any cost and German policy-makers accepted monetary union only on the condition that the European Central Bank (ECB)

would carry on where the Deutsche Bundesbank left off. The problem of unemployment is always explained in terms of labour market rigidities, never related to a low level of aggregate demand.

In 1975, in response to Helmut Schmidt's (then the German Chancellor) reductions in social expenditure, Jörg put forward the idea of a Memorandum, with multiple signatures, demanding a change in economic policy. The first of what became an annual series appeared in November of that year, with 41 signatories. (The most recent edition, that of 2009, has about 800.) The Working Group for an Alternative Economic Policy, which drafts the Memorandum, has become a critical resource for the labour movement and other social movements which contest the repetition of a sterile and socially regressive doctrine.

One focus of the Memorandums was given by the annual Report from the so-called ›Five Wise Men‹ (the German Council of Economic Advisors) – an officially sponsored group of unfailingly orthodox economists which, year after year, justifies the restrictive policies of the government and calls for ever more ›structural reforms‹ of the labour market. A critique of such positions and a brief statement of alternative policies constitute the short Memorandum, to which signatures are invited. The longer Memorandum includes more detailed chapters on topical economic policy issues. Although these are written from the same general standpoint as the shorter document they express particular analyses and viewpoints and the endorsement of the signatories is not sought. This year, for example, apart from macroeconomic developments in Germany, such chapters dealt with the financial crisis, actual and alternative labour market policies, the need for a development of social services, pensions policies, the situation in East Germany, the deleterious effect of neoliberalism on economics education and the dangers facing of the EU.<sup>3</sup>

The consolidation of the Memorandum and its consistent appearance for now 35 years is a major achievement. Of course its ultimate goal – the adoption of alternative policies centred on employment and social justice – is as far away as ever, a matter of work and patience, as one of the founder members of the Memorandum group puts it. But the capacity of civil society in Germany to question the use of political power, to challenge the dominant discourse and to mobilize around democratic alternatives is nevertheless significantly enhanced.

Although he remained closely associated with the German Memorandum group and committed to the promotion of an alternative economic policy in Germany, in the mid 1990s as monetary union approached Jörg became increasingly concerned to contest the economic strategies of the European Union. The flaws in the design for monetary union embodied in the Maastricht Treaty have today become apparent to everyone. Critical economists, concerned to stimulate employment and to develop international solidarity in the EU, were well aware of them from the start.

Together with German colleagues active on EU issues and with contacts from several other European countries, Jörg launched the EuroMemorandum group, on the model of the German group. Instead of the report of the Five Wise Men it took as its target document

3 Memorandum (2009): *Von der Krise in den Absturz? Stabilisierung, Umbau, Demokratisierung*, Köln: PapyRossa Verlag.

the annual Economic Policy Guidelines published by the European Commission – a document of depressingly predictable orthodoxy. The Working Group of European Economists, set up largely on Jörg's initiative, took the Guidelines as the basis for a critique of actual EU policies and the advance of alternatives. As with the German model, signatures were invited for a shorter document and this was often supplemented by more detailed studies of specific policy issues.<sup>4</sup>

Although the general logic of the two groups was similar, this cannot be true of their actual discussions and methods of working. Language difficulties do not seem to have been a major problem – the working language of the European Group is English, although the EuroMemorandum is published in several languages. However, differences in political culture and in styles of work are obviously far wider in the European organisation than within any single member state. Jörg's exemplary, diplomatic chairing of many of the meetings facilitated agreement and kept the minds of participants focused on the many basic positions which they shared, rather than on sometimes sharp differences on specific policies and analyses.

I believe some regarded Jörg as rather severe as a coordinator of the group's work. I never found this; my memory is of his kindness and good humour. He did not press people for more work than they were prepared to do but he would hold them to commitments they had made. I learned to undertake only tasks I could practically complete so as to avoid a reproachful email or phone call, »John, you promised [...]«

Of course, this was only one sphere of Jörg's activity. He found others in the International Social Forum and then the European Social Forums and in the ATTAC movement which began in France but then developed strongly in Germany. Several parallel ECOFIN conferences highlighted opposition to the Brezhnevite persistence with which EU leaderships cling to a failed strategy of budgetary consolidation, deregulation of employment contracts with monetary policies centred on a fading threat of inflation. Jörg played a leading role in the preparation of these events. He continued to make important contributions to critical policy debate in Germany in the context of attempts to build the new left-wing party in Germany.

The work of the EuroMemorandum group was enhanced by research contracts which Jörg and others of us obtained from the European Commission, although it was gradually made very difficult for researchers with a critical perspective to win such contracts. The research funds enabled us to meet more frequently, to involve more economic researchers, especially younger ones, in our projects and discussions and to produce more papers, books and reports.

One such group, of which I was the coordinator, worked on the many issues surrounding financial integration in the EU. The very rapid expansion of financial sectors, financial transactions and financial markets was one of Jörg's key concerns over the last ten years.<sup>5</sup> He invited Dominique Plihon and myself to work on a report on the topic for the GUE

4 The latest edition of the EuroMemorandum was published in English and French by the journal *Transform*, based in Brussels. This includes an obituary of Jörg by Diana Wehlau.

5 For one of his last statements on this subject see, *The Impact of Finance on the European Social Models*, presented to the Transform conference in Stockholm, June 13./14., 2008.

group of the European Parliament and a lot of meetings and workshops in and around the EuroMemo group were devoted to this theme.

Jörg also published an influential book on financial developments in 1999 (with a new edition in 2002).<sup>6</sup> His general view was that behind the hypertrophy of finance was an excess of investible funds linked to an increasingly adverse distribution of income. Attempts to find profitable outlets for this excess of investible capital provoked many of the most dysfunctional aspects of finance today – unchecked speculation, the parasitism and even corruption, of many financial intermediaries, the drive to turn public services, through privatisation, into fields for investment.

It followed that, although it was certainly necessary to impose a much more comprehensive and effective regulatory framework on the financial sector, democratic social control over finance also required a fundamental change in the distribution of income and in macroeconomic relationships, which would curtail the profits and elite incomes feeding into the financial system:

»A long-term strategy to tame financial markets and to re-embed finance in a framework of reasonable and socially sustainable economic development must [...] firstly, initiate a redistribution of income and wealth from top to bottom through higher (minimum) wages and social expenditure and at the same time higher taxation of wealth, profits and high incomes. Secondly, it should base pension systems on public schemes which are de-linked from the dynamics and risks of financial markets. Both strategies would considerably slow-down the accumulation of profit-seeking financial assets and therefore take much of the pressure from financial markets. Such strategies reach of course far beyond financial market policies. They are an element of a strategy for the comprehensive democratisation of the economy.«<sup>7</sup>

Although I accepted this general position I sometimes challenged Jörg on aspects of his financial analysis by suggesting that some aspects of contemporary finance could be seen in a more positive light – as functional responses to economic developments. Recent events – big financial crises in rapid succession – have not tended to support my views, which gave rise to some sharp debates with Jörg and others in our research groups. These, however, were always centred on the issues. The research group on finance mentioned above did a lot of work and contributed to many conferences and publications. At the same time it was good fun and, like the EuroMemorandum group as a whole, cemented lasting friendships among participants from across Europe.

I should like to express here my gratitude to Jörg for his generosity towards me, for his encouragement and comradeship and for the stimulus he imparted for research, writing and debate. I know that many others share this sentiment.

6 Huffschnid, J. (2002): *Politische Ökonomie der Finanzmärkte*, Hamburg: VSA-Verlag. Unfortunately this was not translated into English. I wrote a review for the *International Review of Applied Economics*, 14(3), 2000, 403 – 407.

7 *The Impact of Finance on the European Social Models* (2008), as cited above.

Of course, as for Germany, a fundamental change in the economic and social strategies of the EU remains a task for the future. However, the elaboration of a detailed critique supported by specialists from across the EU, remains a significant achievement and is itself a precondition for a future change of course. At present European civil society is too weak and fragmentary to exercise effective political control over EU institutions, which continue to be primarily influenced by the interests of the big corporations. But the international activities of Jörg Hufschmid can be seen as an exemplary contribution to the emergence of that civil society.

His friends and colleagues, in Germany, Europe and around the world, will continue to debate with Jörg.

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## **Different sources of capitalism's instability: Finance in Minsky and money in *The General Theory* Elisabetta De Antoni\***

### *Introduction*

Hyman P. Minsky (1975; 1982a and 1986) presented his »financial instability hypothesis« (FIH) as a cyclical interpretation of *The General Theory* (TGT) which highlighted Keynes's most innovative insights. This paper compares Minsky's FIH with the 22<sup>nd</sup> Chapter of TGT, which Keynes expressly devoted to the business cycle. From this perspective, the next two sections will bring to light the different subjects of the analyses and the disparate conceptions of the business cycle. Lastly, the last section will focus on the different roles assigned to money and finance and on their concrete relevance.

\* University of Trento, Italy.