

## Interview - Mark Blyth

Written by E-International Relations

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Mark Blyth is a political economist whose research focuses upon how uncertainty and randomness impact complex systems, particularly economic systems, and why people continue to believe stupid economic ideas despite buckets of evidence to the contrary. He is the author of several books, including *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge University Press 2002), *Austerity: The History of a Dangerous Idea* (Oxford University Press 2013), and *The Future of the Euro* (with Matthias Matthijs) (Oxford University Press 2015).

### **Where do you see the most exciting research or debate happening in the field of International Political Economy (IPE)?**

Here's how I look at things: last summer was Grexit, and that was 6 weeks of my life. Writing and talking about how the European Central Bank (ECB) is doing awful things that are inherently political, and turning off liquidity for domestic banking systems in violation of their own treaties etc. Then this summer is Brexit, which is potentially even more destabilizing, and then we also have Trump coming along. So I've been somewhat distracted from theory for the past several years. What I think happens to people, at least in my career, is that you go through ying's and yang's with theory. So when you're in graduate school you do your comps, at least in the United States, and you bury yourself in the stuff and you'll never be more up on the research in your field. The way I describe it to my graduate students sometimes is that when you are a graduate student the biological organism most like you is the dung-beetle, because you've spent two years building a huge ball of intellectual work that you will live off for the first five years of your career. That's why comps are incredibly important. If you do them right, you will learn all this new amazing stuff and you make connections no one's ever made before, and that's how the field progresses.

You can't stay on top of everything all the time though. You get past your first book and on to your second project, and then you develop specialisms. Then life happens, maybe you move to a new place, maybe you start a family, and all sorts of things get in the way. There's another moment that comes along where you're able to re-engage. For me that was when I was doing my book with Parsons and Abdelal, and I needed to rethink what Constructivism meant for IPE and political economy. Why did it have such an impact on security studies and yet seemed to be so tangential to IPE? Yet when you look at the world of comparative politics, and in comparative political economy there's a very rich ideational tradition that seemed very Constructivist, they just weren't using the same words. Then there was my whole engagement with Post-Structuralism, which Americans seem absolutely terrified by, almost as if opening a cover of Foucault is equivalent to reading *Mein Kampf* or something. Then of course you go to Europe where Gramsci and Foucault are so common place they're mainstream. So I spent time attempting that.

Then there was more empirical work related to political parties, and my next big engagement was the whole notion of uncertainty and complexity. Uncertainty had been present in my earlier work and later on I came back around to it. I taught a class with William Connolly on complexity theory in politics and wrote some stuff with Nassim Taleb, namely *The Black Swan of Cairo*, which was really fruitful and really helped me position myself in such a way that when the financial crisis came along I actually knew stuff that might be relevant. So for me, theory is always and everywhere something that I use and dive into to make sense of the world when what I have on hand doesn't help. When things are going on and I do understand what's going on, I kind of don't need to engage with theory.

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I definitely think there's a lot of really cool work that's out there, but I'm not entirely sure whether it qualifies as theory or not. Cornel Ban's book that just came out, *Ruling Ideas: How Global Neoliberalism Goes Local*, is a wonderful example of ideas and comparative political economy put together. Also noteworthy, coming out of economics, is Robert Gordon's book *The Rise and Fall of American Growth*. I read a lot coming out of economics as well as IPE. To be perfectly frank I'm not even sure what the theory debates of IPE are at this point, because if it was something that was going to help me understand why the Brits have done what they have done, and what the likely ramifications are for the general welfare and incomes of 60% of the developed world's population, then I'd be reading it already.

### **How has the way you understand the world changed over time, and what (or who) prompted the most significant shifts in your thinking?**

I am publishing a piece that's forthcoming in the *European Journal of Economics and Economic Policies* which brings me right back to where I started. So I don't know if that means I'm about to die or not, but the sum, alpha and omega about it is that it's an engagement with Michal Kalecki, which is very different from my first book *Great Transformations*, where I found that I was always fascinated with Kalecki's insight that once you run full-employment regimes for a very long time, the cost of labor switching jobs declines to zero. When that happens, capital loses the whip hand, and subsequently you get inflation because profits get squeezed. When this happens, capital gets organized, and that's essentially the simplest explanation of the politics of the 1970s and 1980s. In this piece that I've just authored, I ask what happens when you get to an anti-Kalecki equilibrium, and what prompted this was Wolfgang Streeck's wonderful book *Buying Time*. So let's think about Streeck in terms of the first question, is Streeck an IPE theorist? Well of course he is. Would he actually identify as an IPE theorist? I very much doubt it. Would a continental political economist like Streeck really identify with some of the leading lights of IPE such as Robert Keohane, Neil Fligstein and Stephen Krasner? No, because his work is about welfare states, but I certainly think of him as an IPE theorist.

Streeck, and other authors of the literature on new structural pessimism, are suggesting that we are all kind of doomed, but I'm not convinced that we are all kind of doomed actually. I think that rather than secular stagnation we are in an era we will look back upon and call secular stability, at least we will if we are lucky enough.

So in time I read Streeck, and then I taught it, and then I read him again, and then I taught Piketty and then I read him again, and I started to think to myself that the world these days looks like an Anti-Kalecki equilibrium. What I mean by that is that you've busted labor's ability to push up wages by globalizing supply chains and making capital mobile. What this has done (and these are Piketty's numbers but it puts it in context) is basically invert the capital:labor ratio and capital:labor's share of the economy. So along with the capital income share, in most developed countries you've seen inequality rise, central banks are ruling the roost, and parliaments are weak. It's kind of the exact opposite of where we were in the 1970s. Just as the 1970s were unsustainable, I think today's situation is also unsustainable, because what you generate in an anti-Kalecki equilibrium is deflation rather than inflation. Deflation is why you get populist politics, because it increases the value of debt, yet in a democracy it reduces the ability to collect the debt. So in a way where I've come to is also where I started.

How I got through this is in many, many steps with people very important to me such as Rawi Abdelal bringing me to the attention of Jens Beckert, who has a great new book out *Imagined Futures: Fictional Expectations and Capitalist Dynamics*. I don't know if American IPE is interested in this but it is utterly brilliant, it's really fantastic. I find so much of economic sociology very interesting and exciting. These days I send my stuff to sociology journals and economics journals as much as I do to political science journals because I just find that I'm engaging more with economic sociology. Jens Beckert was very important at one particular juncture. I have to say that outside of the academy the single most important person in the past ten years has been Nassim Taleb, with his work on the whole notion of randomness, probability distributions, and black swans, which we all became very okay with after the crisis. I was kicking around that stuff in 2004 and 2005 almost waiting for the crisis to happen. That was of incredible importance. I authored a piece in the *American Political Science Review* that put that type of framework into generalized randomness and how we explain changes in the way political science looks at the world, so political science becomes a vector for shocks rather than something that is trying to understand them, and so that was very important.

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Another engagement that was very important to me was the re-engagement with Post-Structuralist theory around 2008-2010. So hat tip to Charlotte Epstein's book *The Power of Words in International Relations*. I think that if anyone wants to see how Post-Structuralist theory can really illuminate and really explain things it's just a brilliant place to start. Most recently, I've been drawn back to Kalecki, I've been drawn back to Wolfgang Streeck, I'm reading Jens Beckert. Rana Roroochar's book *Makers and Takers* about finance and how finance is basically destroying the American economy. I've got Yanis Variforokous' book *And the Weak Suffer What They Must?*, which is another example of the structural pessimism camp.

I'm thinking of doing a review article on the new structural pessimism that basically argues that capitalism has run out of steam (Robert Gordon), capitalism is undermining itself or capitalism is creating surpluses it can't internalize. These are all very persuasive narratives, but why are we still alive? I'm trying to figure out what everyone is trying to figure out really, which is that the world has obviously changed post-crisis and it has a lot more to do and there's a lot more going on. Trillions of dollars and euros worth of liquidity have sloshed into the system and there's not inflation, which in and of itself deserved an explanation. I'm just trying to figure out where we go from here just like everyone else. I find that if you want to do that you have to be much broader than people are increasingly trained to be.

**In the book you co-edited with Rawi Abdelal and Craig Parsons, *Constructing the International Economy*, your goal was to advance Constructivism's role in mainstream IPE scholarship. How has constructivism's role developed in the last 5 years and what does the future of Constructivist IPE look like?**

It's funny, there's an essay that I authored in 2009 that was published in *New Political Economy*, and I described myself as a reluctant Constructivist, because I am; "I think the world's constructed!" Yes I also think that if someone injures me it's very material and it's going to hurt. I don't need to mediate the pain. I don't need a cultural understanding of 'you just injured me'. So let's think about what is going on here, let's think about Trump, right? If there was ever a Constructivist politician, it's him. The man's a pure Constructivist, he's actually fact-free, and it's incredible. So why don't you take the Median Voter Theorem and Rational-This-and-That and chuck it, because none of it explains American politics right now. This is a revolt of the have-nots against the haves. It's a very simple class politics explanation in many ways and would cover 60% of the variance. Now, what needs to be constructed there? Well, everything. How do you get people into this position where they're willing to basically say "yeah I know that it's complete nonsense, but let's build a wall because it's really the immigrants!" even if it's not? How do you get to Brexit, whereby the entire country seems to have buyer's remorse? They knew what they were doing right?

To me, the objective of the book with Parsons and Abdelal was to naturalize Constructivism so that we don't have to use the word anymore. I don't like having these 'isms'. "I'm a realist!" Yes, in a sense we're all realists at certain points in time, because if you're dealing with the Russians in Ukraine you better be a realist, but at the same time you better understand how they construct their idea of security. Why is it that Europe is still enforcing budgetary discipline when they've already destroyed 30% of GDP? It's a rounding error. Some say "well, the electoral politics means they can't admit it is a transfer union", but you're basically going to end up blowing up the European project, and there's nothing fundamentally rational about this except in short term calculations. If at the end of the day your explanations for politics is nothing more than "people do stupid stuff short term rationally because they can't really do long-term stuff", well my cat could've explained this. We need to do a little bit better than that.

So to me the whole impetus of the book wasn't to advance Constructivist scholarship but to naturalize it so that people who would confront these situations would go "yeah, clearly there's something about ideas here!" Now, I'll give you an example of how this has become successful. Have a look at the new Pierson and Hacker book *American Amnesia*, the middle of the book reads like *Great Transformations*. I remember Paul Pierson, when I was a graduate student coming out of Colombia, saying "when I hear the word culture of ideas I reach for my revolver". This guy is as materialist as it gets, and it's a whole generation of people, particularly in the 1980s and 1990s, who were absolutely terrified of this rational choice revolution. Nobody wanted to be soft, so they all had to be hard and materialist and nobody wanted to talk about culture of ideas or any of that stuff.

But at the end of the day, try explaining American politics and the behavior of millions of people in terms of

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responding to their self-interest, it's absolute nonsense. So even these guys are trying to get to that point where what happened in the 70s, 80s, and 90s, was that the Republicans created a kind of discursive terrain which the Democrats accepted and have boxed themselves into and that they're still trying to work themselves out of. So to go back to the question, it's not about what happened in the last 5 years, I hope what has happened in the last 5 years is that people understand that trying to explain anything of significance in a deeply uncertain world requires an engagement with both material and non-material factors; that was the point.

**With the political changes we've seen over the last year particularly with the United Kingdom's recent "Brexit" referendum, how do you see the Eurozone moving forward with continued austerity, and what effect will all of this have on the long term sustainability of the Eurozone?**

Here's an interesting one. Imagine it's 2006 and we said "okay, let's not even use conditional probabilities, let's do simple probabilities. I'm going to list a series of events and you're going to give me the probability from 1 to 0 on each of these events happening and we're going to add them all up together and we're going to see where we end up and see how unlikely something is". So, in 2006, what are the odds of a gigantic crash based in the American housing market reverberating around the world and leading to the near collapse of the entire global financial system? "Pretty small". Alright, what are the chances that having successfully stabilized the countries that we recognized as being the leading sort of democracies in the world, they will become the most conservative and will start doing budgetary austerity as in 1930? And in the face of any evidence and in the teeth of rationality they will raise interest rates in the middle of a recession to create a double dip recession, and they will end up generating and sustaining levels of unemployment we haven't seen since the 1930's? You get pretty long odds on that. What's the chances of Russia invading and taking over Ukraine and Crimea and a new Cold War basically being on the with the European Union pushing itself up to the borders of Russia, willy nilly, with no regard for how they feel about their own security and how sensitive that is, and given the fact that the European Union has no army, they are just doing this on the strength of rhetoric and ego? So, let's just do the comparative, and this shouldn't happen, yet this is the world we live. What are the chances of global central banks kicking over 12 trillion euros, or pounds, or dollars into the global economy and there being no inflation anywhere, nor a central bank in the world hitting its inflation target? I mean, it's changed. It has changed so much.

Now, let's go back to the question, what's going to happen with Brexit? I have no idea and neither do they. This is the way I like to look at politics: people are making this up as they go along. Yes, there are long term drivers; yes it is absolutely true that Nissan makes 10% of its cars in the North East of England, the area that voted the most to get out of Europe. There's a good example of self-interest going awry. So let's say you're Nissan and that Britain goes for a Norway type solution amongst all this type of uncertainty. Given all this uncertainty, Nissan are going to hold back on capital expenditure, and any additional capital is going to go to France because even though French labor is more expensive than North East-English labor, you're actually guaranteed market share because you don't know what's going to happen with Brexit.

Let's think about all the British academics in science, technology and social sciences that were pulling 5 Billion Euros a year in funding out of EU funds, which might not have any access to this now. What about the fact that right now that European academics are asking their British colleagues to get off their grants because they don't know how it will be read in Brussels? We're in a moment of profound uncertainties and we have no way of probabilistically knowing what's going to happen, so we need anchors. What are the anchors you look for? Let's go back to the issue of the Euro. Is this going to drive Europe towards more sensible policies? Well the Americans came out the other day, "hey guys, the Brits are gone, you might want to do some massive fiscal stimulus because you've got 20% unemployment in the periphery, and that is what is driving this stuff." But they're deaf, they're not going to listen and they're going to continue to do the same stuff they usually do because that's what they're programmed to do.

The thing about a technocracy is that a technocracy is a very effective at implementing rules so long as the rules have been set by someone else. So long as the Germans have no reason to change the rules because they and the Eastern European states are making out like bandits on the global competition against the Asians for market share, then they're doing fine. The fact that France is stagnating, Italy is barely growing and Spain is on the ropes is a side effect. From the point of view of electoral politics, why should German politicians care about Spanish unemployment?

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After all, Europe isn't a country even if the Euro makes it one and the European Central Bank pretends its one. So, I don't see anything changing about this, sadly.

What I hope to see is that Britain sobers up and realizes that whatever annoyances were coming from Brussels are going to pale in significance to what the consequences of this action (Brexit) which are potentially: the possible breakup of the United Kingdom, the loss of its UN seat, uncertainty over British nukes, the loss of its G7 spot and investment functions in jeopardy. So if there were ever a case for rationality and politics I'd like to see it now, but sadly as a constructivist I don't believe we'll get it.

**Do you feel that austerity exacerbated or even produced the current crisis because of the political and economic imbalances it created between Germany and Spain/Greece/Portugal, or are the roots deeper?**

Absolutely. I mean, you don't have to go much deeper than that. If one side is running a surplus on their external account and the other isn't allowed to run a deficit because of the rules, the only way to balance the books is for everybody not exporting to constrict. So macro-economically it's a disaster. In terms of its politics there's no way to adjust, either through fiscal transfers because they're taboo, or even through capital markets. The way the US adjusts isn't really through fiscal transfers, it's not as if when Alabama blows up New York sends them extra money, it's through capital markets; people move, they're able to move their pensions, they sell their houses, they liquidate their assets, capital gets reallocated, that's how it works. You can't do that in Europe. Try moving a German pension to Britain. You still can't do that stuff.

So it's a very fragile construct, and when you've demonstrated to people time and again the sanctity of creditors this is politically poisonous for the European Social Democratic left. So let me give a story: two years ago I got a big award in Germany, I actually beat out Piketty for a big economics award which I was deeply amused by, for my research on austerity. So I went there and said "this is amazing, you're giving me an award for a book you obviously haven't read". I went to the SPD headquarters and read them the riot act. I told them that they are the second hand enforcers of a creditors paradise. I told them they don't stand for anything, they don't represent anyone, and they're a helper up for the Right. Why should anyone believe a word they say? Look what happened in the last election—they got 19% in Braddenburg. They should be cleaning up!

This is the same with Labor tearing itself apart in Britain. So the Social Democratic Left has essentially sold the bottom 30% of the income distribution, their core constituents, down the line on a pipe dream about globalization. The result is what I call Global Trumpism, of which Brexit is an example. If you continue to run a deflationary macroeconomic policy and budgetary constriction, and make sure the sanctity of creditors must be preserved while debtors are asked to pay more and more from a declining income base it's not going to end well.

**Will Keynesianism ever return in a meaningful fashion as a response to austerity in Europe?**

Only if the Euro breaks up, and paradoxically I hope that it doesn't, because the cost of unwinding this stuff is huge. So it would be great if they would just take, for example, the Juncker Plan and really fund it. The way out of this is very simple: if you're really worried about the debt, mutualize the debt, then you get the stronger credit rating on it, and then make them perpetual bonds. Make them what the Brits did in the 19th Century and make them consuls, then just run them out or make them 100 year bonds on a 1% coupon and in an environment of 0% inflation. Following this, stimulate the hell out of your economies, and if you get to a higher growth track then over 20 years half that debt disappears and you're paying nothing on interest anyway.

It's not as if the markets are in any position to refuse it at this point because all they care about is securing assets. So there are plenty of ways that you could get out of this, but what is lacking is political will, because what we've had is a political class that for the past 8 years has nailed its colors to the mast of austerity, that has insisted in the teeth of all evidence that it is working. They're not going to turn around and go "duh, guys! We got it all wrong! Sorry about the unemployment, shutting down the healthcare system, and all those extra suicides, we totally messed up. How about we try that one again?" They're not going to do that. So who's on the other side? On the other side of that trade is the Right in the form of the National Front and the Brexit crowd, and the Left. The Left is organizations such as Podemos,

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but if at the end of the day in the mind of the public you're really sort of celebrated as a bunch of bearded populists who think Venezuela's a good model, don't be surprised if people are not going to take you seriously and you don't get above 20% of the vote. So we have the situation in Spain where you can't get a government because it's completely fractionalized. That's terrible for a democracy.

**The Trans Pacific Partnership (TPP) has in many ways reinforced the ability of the state to coordinate economic activity outside the Bretton Woods institutions, while recent developments such as the Asian Infrastructure Investment Bank have reaffirmed the role of multilateral institutions. What is the future role of the states and institutions in global trade and finance?**

That's a nice big question. Let me reverse it. I actually see it the other way around. I actually think that what the Transatlantic Trade and Investment Partnership (TTIP) and TPP show is actually the complicity of the state with corporate interest on a scale that was hard to fathom. With TTIP, what we are saying is that two areas of the world that already trade the most will trade a little more and it will add at best 0.06% GDP. Alright, why are we spending all of this political capital on it? There must be something else going on. Then there's the investor protection agreements, again we're building a creditors paradise in a deflationary world. The fact that governments are bending over backwards to do this when they've got massive opposition, particularly in Europe, just tells me that essentially the state at this point in time is doing what capital wants and is doing so because it is terrified of not getting enough growth, and it's terrified of capital moving from one country to another, and they're playing one off against the other. So, I actually see this as far from the strength of state and see it the other way around.

In terms of the AIIB, again I think this isn't evidence of the strength of the state rather than strength of any multilateral organization. Ultimately this whole thing with the AIIB, the Asian Development Bank, and the One Belt, One Road policy really stems from the fact that China is fed up of holding Treasury Bills and the US won't let them buy real assets because the National Security Foreign investment Act of 2007 basically says China can't buy real stuff. The US won't sell them real tech, they won't sell them Pharma, they're not selling them biotech, they won't sell them sea ports or airports, but China can have as much paper as they want that effectively bears zero forever. So the Chinese quite reasonably say "right, we'll build our own real assets." So they're going to build all this real infrastructure all the way to Pakistan, back to the Gulf. China is going to build a new Silk Road, the only problem is they're also building a navy and driving around the Spratly islands building new islands and pissing off the very people they're trying to build infrastructure for, to the point that the Vietnamese are about to ask the Americans to come back to Cam'ranh Bay for a visit.

So again, that speaks to me of Chinese weakness or a lack of coordination, or a lack of vision. Yes people will take the free money from you: "if you want to come and build me a port, no problem!" But you're not building some kind of deep infrastructural link with the world economy when you're building islands a couple of hundred clicks off the coast of a foreign country and telling them that it's good for them. Say what you want about the American Navy, but its freedom of navigation exercises have meant that since 1945 no one country has ever suffered a blockade. Can you say the same thing for what China will do? If you're Thailand or Vietnam, are you that confident that they will behave the same way? I don't think so.

**What is the most important advice you could give to young scholars of international relations and political economy?**

We live in a world where technical skills have been increasingly valued over your intellectual importance and at the end of the day there are lots of people with good technical skills. You can walk into a biostatistics department and they can do the type of statistics that I can't spell let alone operationalize. So there's no shortage of that. Engineering departments are filled with maths geniuses and I've lived through several waves of this: formal theory, rational choice, now its experiments etc. All of these things become little busted flushes. "This changes everything!" No it doesn't.

At the end of the day the only value-added we have, and it's important to bear this in mind, is that you've got to be able to tell people something they don't already know. And if you're doing it slavishly adhering to a single set of fragile technologies, or particular paradigms of the moment, then you will rise and fall with those paradigms, you will rise and

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fall with those methods. Now methods are great, I've used all of them at different points in my career, even quantitative ones. In fact with the work I'm doing going forward, so don't be surprised if in a few years' time I start pumping out a lot of quantitative stuff. If you want to talk about inequality, if you want to talk about generational transfers, try doing it without quantitative methods. It's incredibly difficult. That's why these things exist. But to become defined by them is profoundly anti-intellectual because they have no intellectual content. So that's the first thing.

The second thing is, don't skimp on your comps. Read everything and read widely at the beginning of your career. When you have the chance, continue to do so. Reach out, reach beyond. Don't just say "what has X cited about topic Y within subfield D" because at the end of the day I sit on the tenure level side of this, and when you're coming up for tenure you get this file and you've got the book from the university press, you've got the six articles in the right journals, check check check, you've done all the right things but it's boring. You're going to get tenure at your home institution, congratulations, but I honestly, I wouldn't hire you. You've got nothing to say. You're not telling me anything I don't know. You're telling me something within three decimal points about something that's incredibly obvious with very complex techniques. If you find yourself doing that, you shouldn't be because you were smart enough and engaged enough with the world to want to do this for a career. We do not get paid enough to be that dull. If you want to be paid enough to be that dull, go work in the financial sector. Use those skills appropriately, at least get the cash. But to trade off the cash for the freedom to produce stuff which is dull, that's just not something I can commit to.

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*This interview was conducted by Javier Alonso. Javier is an Associate Features Editor at E-IR.*