the cuts, will lead to any possibility of wresting back the loot from the men who stole the world.

Treasure Islands is a valuable treasure trove of information and sometimes shocking facts which give the lie to those who claim there is no alternative, and help to arm activists with the facts, to make you angry and determined to defeat the power of the corporations and take it into the hands of working class men and women whose coffers have been so cruelly looted.

Jason Travis

Explaining the crisis in the finanical system

SOCIALIST REGISTER 2011: THE CRISIS THIS TIME

MRP / 2010 / £15.95

THE 2011 edition of Socialist Register is dedicated to the global economic crisis of 2008-09, and consists of fifteen essays scribed by Marxist and left authors, experts mainly in political economy. It covers crisis theory, financialisation and neoliberalism and the impact of the crisis on welfare, pensions, families. It also looks at the recession in Europe and Japan, making it a weighty academic volume.

Leo Panitch and Sam Gindin set the scene in their introductory chapter on crisis theory and its application to "the crisis this time". They ask whether the lessons of the credit crunch will be a turning point in the way the left think about crises, or will they cling to their, "propensity to see a permanent over-accumulation crisis whose consequences have been consistently delayed by special circumstances like war, waste or bubbles"?

Panitch and Ginidin's quote neatly encapsulates what passes for orthodox crisis theory on the Marxist left and shows how such orthodoxy contrasts with Marx's insight that permanent crises do not exist. Thus downplaying or ignoring the multifarious counter-tendencies to the falling rate of profit – heightened exploitation, technological innovation, new labour markets – that properly explain the dynamics of capitalism.

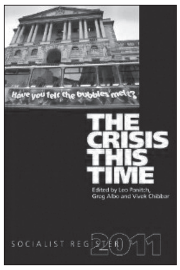
A theory of crises – deep structural crises such as the first great depression of the late 19th century, the 1930s or the 1970s – cannot be over-generalised. It must account for distinct historical conjunctures but at the same time avoid descending into eclectism. This is a tall order, and the complexities of the argument run as a thread through many of the articles.

So for example; was this crisis a typical cyclical crisis intensified by finance or something more profound? To what extent did the build-up of global imbalances presage the coming crisis? – a question that also taxed mainstream economists before 2008.

The recent credit crunch was a finance-led systemic crisis but was not simply the latest phase in an interminable juggernaut capitalist disaster movie

Perhaps Alfredo Saad-Filho's conclusion that it's a crisis in neoliberalism, not a crisis of neoliberalism, would accommodate most the views here. The limitations of financialisation have been exposed but it is integral to globalised capitalism and will continue to be: finance is neither detached from the real economy nor the outcome of a coup against productive capital.

For Panitch and Gindin this crisis, unlike the previous three, "was not caused by a profit squeeze or collapse in investment due to overaccumulation; in the US in particular profits and investments had recovered strongly by the late 1990s" and "It was only after the financial meltdown that profits and investment declined." While this certainly captures the essential upward trend in profit rates, it is not strictly accurate. Profit rates slowed from 2007 onwards before collapsing after the fall of Lehman's at the end of 2008. They have subsequently recovered strongly. More importantly, the missing link in their analysis is the absence of the world's second largest economy – China.



Hugo Radice explains how the Keynesian methods pursued by governments to avert financial meltdown did not represent a break with neoliberalism but rather, temporary measures to ensure its survival, with austerity the bourgeois response to any lingering statist ideas. He has little time for Robert Brenner's emphasis on competing nation-states rather than the imperatives of accumulation (Brenner is not a contributor here) and argues that globalisation is indeed irreversible, though he overstates the stability of neoliberalism. A coordinated capitalist response has been the order of the day, but who knows what would happen if, for example, the Eurozone started to crumble?

Anwar Shaikh's contribution is more narrowly focused on defining and quantifying a Marxist rate of profit. He calls it the profit-of-enterprise and, following Marx and the classical economists, defines it as the profit rate minus the interest rate. The profit rate is the return on active investment – producing and selling goods and services – and the interest rate represents the return on passive investment, the safe alternative (e.g. US Treasuries). His profit rate is “earnings before interest” (a portion of the advanced capital may have been borrowed) and the subtracted interest rate is the interest equivalent on all the advanced capital. Data comes from the US government national accounts.

He charts the growing gap between productivity and real wages – rising exploitation – since Reagan. A second chart shows the bell-shaped trend in interest rate (three month Treasury Bills) peaking at around the same time. Put these two movements together and we arrive at the rate of profit-of-enterprise showing a steady decline from post-World War Two to 1982, followed by its rise to levels similar to the early 1960s during the “long boom”.

This corresponds to the long term trend in profitability that this journal has calculated by a different method. Shaikh’s rate of profit is based on the capital stock. If he’d included wages, their relative decline vis-à-vis profits would have made the rise in profitability even more marked. Similarly, financial corporations could have been included. Finally, it’s not clear whether low interest rates drive profitability or vice versa. Nevertheless, his is a straightforward method and is another example of a Marxist economist who, having worked the data, does not subscribe to the four-decade stagnationist approach to global economics.

The neoliberal mantra on deficits is firmly demolished in Karl Beitel’s article. For example, there is little correlation between higher public deficits and either inflation or higher interest rates, the alleged crowding out of private investment. After 2008 the US did not embark on a programme of public works like Roosevelt’s New Deal because this would threaten to unwind the gains won by capitalists since the 1980s. One could go further, as many governments are positively attacking the welfare state, attempting to extend the reach of neoliberalism. The reserve currency status of the dollar is secure in the medium term and China has neither the desire nor capacity to launch the renminbi as a serious international alternative. True superpower status for China, perhaps only ten years away, would alter the picture.

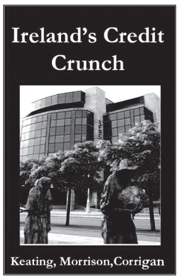
Riccardo Bellofiore et al plot the development of the EU and the strains within the euro emanating from longstanding partition. Germany and northern Europe with persistent export surpluses (termed neomercantilist), Italy and France in the middle, and Spain, Portugal and Greece in the third group with weak capital export sectors. Despite all the useful detail, reducing the EU’s problems to a pan-European stagnation of wages and overcapacity over the last three decades is an over-generalisation.

Other articles discuss more specific aspects of the crisis and there are many useful nuggets of information scattered across the collection. To give just one: governments and corporations have options for raising funds whereas workers are not so fortunate and only so many hours can be worked in a day, hence the sensitivity of the US mortgage market to interest rate rises that tipped over a heavily leveraged financial system.

In summary, the recent credit crunch was a finance-led systemic crisis but was not simply the latest phase in an interminable juggernaut capitalist disaster movie. This crisis was a product of a particular phase of globalisation but not the end of it. Those on the left that believe “capitalism” and “crisis” are virtually synonymous in a post-Lehman Brothers world – and that there is little need for much more to be said – are plain wrong. Next year’s volume from Socialist Register will extend the analysis to the emerging economies that are now driving global growth. It too should be a worthwhile read.

Graham Balmer

The Celtic Tiger’s pain – boom to bust in Ireland



IRELAND’S CREDIT CRUNCH
Keating, Morrison, Corrigan
Resistance Press / 2011 / £6.00

IRELAND’S CREDIT Crunch is a detailed, almost day-by-day account of the collapse of Ireland’s property boom and the subsequent recession, by three supporters of Socialist Democracy in Ireland.

The authors show that Ireland’s recession was as deep as the deepest slumps in capitalist history with a peak to trough GDP decline of around 20%, unemployment doubling and investment falling by 42%.

In analysing the domestic component of the crisis, they show that at the peak of the housing boom Ireland built half as many houses as were built in the UK – a country 15 times the size; building accounted for 15% of GDP and 13% of the workforce.

But they also situate the Irish boom and bust within the new period of globalisation, which opened with the collapse of the Stalinist states in the early 1990s. They contrast the early phase of the Celtic Tiger boom in the 1990s with the later phase from the new millennium on.

They show how the first phase was a result of an influx of foreign direct investment (FDI) and growth in manufacturing, whereas the second phase was a result of