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Editorial

SHIFTING SANDS

CORRELATIONS BETWEEN anniversaries and historical conjunctures are likely to be ironic. When NLR was launched in London fifty years ago, in January 1960, it was one of myriad small harbingers of left renewal. Anti-colonial forces were registering victories in Africa, Asia and the Arab world; the Communist movement was emerging from the stranglehold of Stalinist orthodoxy; in North America, Western Europe and Japan a new generation chafed at the conformism of Cold War culture. By the mid-60s the Review had staked out a programme of mapping these three world zones in a series of comparative studies of national social formations—not least its own. Strongly oriented towards Continental theory and practice, the journal played its part in the intensive debates within Marxism that accompanied the heady days of 68. It helped to pioneer work on women's liberation, ecology, media, film theory, the state.

By the 1990s, the journal survived within an international landscape that would have seemed a sci-fi dystopia in 1960: the Kremlin's economic policy run by Friedmanites, the General Secretary of the CCP lauding the stock exchange; Yugoslavia, the most pluralist and successful of the workers' states, decimated by IMF austerity policies and subjected to a three-month NATO bombing campaign, cheered on by liberal opinion in the West; social democratic parties competing to privatize national assets and abolish labour gains. Neo-liberalism reigned supreme, enshrining a model of unfettered capital flows and financial markets, deregulated labour and internationally integrated production chains. On its fortieth anniversary, at the high noon of globalization and American supremacy, NLR was relaunched by its editorial committee in a spirit of

uncompromising realism: ‘the refusal of any accommodation with the ruling system, as of any understatement of its power’.¹

Ten years on again, the continuation of the neo-liberal era itself has been thrown into question by the eruption of an epic financial crisis at the heart of the system. During the *grandes journées* of September 2008 Fannie Mae and Freddie Mac, the giant US institutions at the centre of the mortgage-backed securities market, were taken into government stewardship after their shares had plunged by 90 per cent. Lehman Brothers went bankrupt, Merrill Lynch was forced into a shotgun marriage with Bank of America, HBOS with LloydsTSB; a tottering Citigroup, whose stock value had fallen from \$244bn to \$6bn, was shored up by government funds, Washington Mutual pulled from receivership by JPMorganChase. Goldman Sachs, Merrill Lynch, Deutsche Bank and Société Générale were saved by massive Treasury transfusions into their bankrupt insurer, AIG. In the months that followed, world output, trade, equity, credit and investment ground to a halt, while unemployment soared towards double digits across the Northern hemisphere.

Running into trillions of dollars in direct and indirect support, the bailouts of the financial institutions will weigh on domestic economies—above all in the US and UK—for years to come. But did the massive state interventions also signal the end of the neo-liberal model? Ideologically, the wealth-creating prowess of big finance has been one of its central legitimating claims. There was a feeling, not just on the left, that the crisis could not but leave the paradigm itself discredited; it might even have dealt a body-blow to American hegemony. The humbling of the Wall Street giants—US Treasury Secretary Paulson offering to go down on his knees before Congress on their behalf—seemed to suggest that the world stood on the brink of a new era. Since then the financial system has been stabilized, although none of its underlying problems have been resolved. But despite the torrent of literature on the crisis, its historical meaning remains obscure. What ended, and what did not, in September 2008?

I

Any answer will need to begin by setting the crash in comparative perspective. Crises that shake the entire capitalist world have been surprisingly

¹ Perry Anderson, ‘Renewals’, NLR 1, Jan–Feb 2000.

rare, for all the creative-destructive nature of the system; but 2008 could arguably be set against the railroad bust of 1873, the 1929 New York stock-exchange collapse or, as a lower limit-case, the ‘great panic’ of 1907. Their outcomes differed widely. In 1873, German receipt from Paris of the 1871 Franco-Prussian war indemnity—£90 million, paid in gold—set off frenzied building booms in Berlin and Vienna that sucked back German funds from over-extended American railroad trusts, which in turn helped bring down US banks. Financial contagion spread, and the recessions that ensued initiated a widespread deflationary downturn—‘a depression of prices, a depression of interest, a depression of profits’—that persisted, punctuated by occasional rallies and further recessions, until 1896.² By contrast, the ‘Rich Man’s Panic’ of 1907, upshot of speculative banking failures in Italy and copper and railroad busts in New York, had little lasting impact on manufacturing and trade; after a short, sharp recession, recovery set in the following year. Different again, the 1929 crash signalled a plunge in trade and output that would usher in the Great Depression.

A precondition for any deeper understanding of the 2008 crisis will be a thorough-going comparative analysis; but an investigation along those lines lies beyond the scope of the present survey. What follows will simply take these earlier crises as markers for a preliminary scanning of the post-2008 landscape, to ask what remains of neo-liberalism, as programme and ideology, and what may be consigned to the past.

Neo?

‘Neo-liberal’ is a dismal epithet, of course, imprecise and over-used. But some term is needed to describe the macro-economic paradigm that has predominated from the end of the 1970s until—at least—2008. Hayek once said that, while he regarded himself as a classical liberal, the term neo-liberalism was not inappropriate, since liberalism had been so completely abandoned in the West after the 19th century that the return—still incomplete—to its principles merited the prefix.³ Three features have distinguished the late 20th-century variety from

² From Alfred Marshall’s *Principles of Economics*, cited in Eric Hobsbawm, *The Age of Empire, 1875–1914*, London 1987, p. 36. See also Charles Kindleberger and Robert Aliber, *Manias, Panics and Crashes: A History of Financial Crises*, 5th edition, Basingstoke 2005, pp. 17, 44, 118–9.

³ Politically, of course, most neo-liberals, less historically minded than he, have always disliked the term.

earlier free-market avatars. First, its Americanness: from Carter on, the neo-liberal programme has been developed and propagated by US-led institutions, and propounded as international policy by the US state. American multinationals and financial giants have been among its principal beneficiaries and it has been experienced in many parts of the world as the Americanization of economies, cultures and societies. Second, its enemies: the social-democratic post-war settlement, organized labour, state socialism. Whereas Victorian-era laissez-faire tried to hold the line against a coming world of protectionism, the genius of neo-liberalism has lain in the destruction and expropriation of existing structures and goods: privatization of utilities, de-unionization of labour, means-testing of universal benefits, removal of tariffs and capital controls. Its positive constructions have been less charismatic: the WTO, shadow banking, workfare, NAFTA.

A third distinguishing feature of neo-liberalism has been its success. Nineteenth-century liberalism was hemmed in on all sides by pre-capitalist property relations, imperial tariffs and a growing socialist movement. Since the end of the Cold War, by contrast, neo-liberalism's hegemony has been almost universal, virtually every governing party adhering to it; the term globalization had to be coined to denominate the same set of policies at an international level. True that it has never been an ideology in the broadest sense—a shared *Weltanschauung*, capable of interpreting the totality of human experience—but rather something narrower and more specialized: a belief in the superiority of one set of macro-economic policies over others, legitimated by their relative success, delegitimated by their costliness or failures. Neo-liberalism mobilized the enthusiasm of those who could count their gains from it; but as an electoral programme it always needed an admixture of some warmer ideological brew: nationalism (Reagan, Thatcher), Third Way social-liberalism (Clinton, Blair), religion (BJP, AKP), etc. It has been contested from below in Latin America, and unevenly applied in Germany, Japan, Korea and China; but since the 1990s the liberalized American economy, with the Treasury–Wall Street nexus at its heart, has been the paradigm for the world.

Rescue

The official account has it that an unimaginably devastating crisis for this system was averted by the decisive intervention of the US Treasury

and Federal Reserve, whose prompt actions—public funds poured into the stricken banks, fiscal and monetary relief rushed to the stalling economies—‘saved the world’.⁴ One much-noted difference between today and the pre-ww2 crises lies in the degree of American co-ordination of the world economy. Unlike their predecessors, Paulson, Geithner and Bernanke could command a vast and densely integrated global financial system. Through the size of the US market, and Treasury hegemony over other key finance ministries, they could orchestrate international responses in a way that Andrew Mellon or Montagu Norman could not have envisaged. The Treasury bailout of Deutsche Bank and Société Générale via AIG was one aspect of this; the concerted doses of monetary loosening and counter-cyclical spending across the advanced capitalist world—an average 2 per cent of GDP for the G20 economies—another.

The neo-Keynesian emergency packages stand in stark contrast to the liberal purity of Mellon, who as Hoover’s Treasury Secretary argued for letting the system purge itself.⁵ But the 2008 ‘rescue’, aimed at shoring up the existing order, differs just as much from the Rooseveltian programme of ‘relief and reform’, embodied in the 1933 Glass–Steagall Act. It has been more like a Treasury-funded version of the banker-led bailouts organized by J. P. Morgan during the ‘great panic’ of 1907, or by the New York Federal Reserve during the LTCM crisis in 1998. As a result, the great winners of the 2008 crisis have been the banks. With the exception of Lehman Brothers, the Treasury–Wall Street nexus has looked after its own. After a period of frenzied mergers, the surviving banks are famously bigger than ever before and still more essential to the system. They have been funnelled trillions of dollars in forms that have largely avoided public scrutiny—one reason why they could repay the condition-laden TARP funds so soon. They have used the Treasury’s largesse in profitable trading on their own accounts, benefiting from the low Federal funds rate while charging usurious levels on loans and credit cards, at the expense of almost everyone else. Geithner’s March 2009 financial rescue plan, offering to defer mark-downs on their toxic mortgage-bubble assets in exchange for cosmetic stress tests, signalled

⁴ The phrase was coined by Paul Krugman to describe Gordon Brown’s parallel efforts on behalf of the City of London: ‘Gordon Does Good’, NYT, 12 October 2008.

⁵ For Hoover’s famous summary of Mellon’s ‘leave-it-alone liquidationism’ see Kindleberger, *Manias, Panics and Crashes*, p. 178. Kindleberger argues that *Schadenfreude* in Washington at pushy New York bankers’ come-uppance helped determine the hands-off Federal response to the railroad bust of 1873.

the turning-point. The banks had got away with it, politically; since then their shares have soared.

Despite these concerted interventions, plunges in output, trade, equity and house prices in the first two quarters after September 2008 were steeper than those of 1929. The EU as a whole saw an annualized drop in output of 10 per cent in the first quarter of 2009; the fall was 12 per cent in Japan. Global panic—spread not least by the Federal Reserve chairman ('there may not be an economy on Monday')—was only one factor in the contagion. German and Japanese banks were implicated in the US subprime market, Chinese funds in the broader housing sector. Countries that had most faithfully copied the American housing bubble faced their own blow-outs, as foreclosures increased and foreign capital fled. Austrian banks exposed in Hungary, or German in the Baltics, clamped down on lending at home. Commodity-producing countries in Africa and Latin America, as manufacturing exporters in Asia, braced themselves for falling American demand.⁶

Prospects

By the summer of 2009, epic fiscal and monetary loosening had started to brake the global contraction. IMF prognoses should no doubt be taken with a pinch of salt, after their sunny forecasts in April 2007; but they suggest that American GDP will steady from -2.7 per cent in 2009 to 1.7 per cent in 2010; the Eurozone from -4.2 to 0.3 per cent, with France and Germany doing slightly better, and Japan stabilizing from -5.4 to 1.7 per cent.⁷ This is in stark contrast to the 1930s, when output fell continuously for four years in North America, much of Europe and Latin America, dropping by 29 per cent, peak-to-trough, in the US.⁸ But as the crisis enters its second year, the world outlook is notably uneven. Hardest hit among advanced capitalist countries are the core Atlantic economies—the

⁶ IMF *World Economic Outlook*, October 2009; Carmen Reinhart and Kenneth Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, Princeton 2009, pp. 248–73.

⁷ Figures and prognoses from the IMF *World Economic Outlook*, October 2009, and *Regional Economic Outlooks* for Europe, Western Hemisphere, Africa, Asia and the Middle East, October 2009. According to these estimates, emergency counter-cyclical spending has lifted growth by an average 1.5 per cent of GDP in the advanced capitalist economies.

⁸ Reinhart and Rogoff, *This Time is Different*, pp. 234–6; Eric Hobsbawm, *Age of Extremes: The Short Twentieth Century, 1914–1991*, London 1994, pp. 85–108.

US and UK, with disproportionately large financial sectors, but also Spain, Greece and Ireland—where credit booms, real-estate bubbles, household debt and over-leveraged financial institutions have all imploded. Worst off is Russia, in the aftermath of a massive foreign-borrowing binge by its corporations during the years of high oil and gas prices: GDP plunged by nearly 10 per cent in the first half of 2009, domestic demand fell by half and industrial production levels plummeted by 40 per cent. Official unemployment is hovering around 10 per cent in the US and the Eurozone, 18 per cent in Spain; jobs in construction, manufacturing and services have all been hit. Employment regimes are one of the few points of divergence in G20 responses to the crisis: in East Asia, France and Germany firms have retained workers; in the Atlantic economies, jobless rates have leapt up by an average 5 per cent. In the US, Latino and under-25s unemployment levels are running at 13 and 18 per cent respectively. This is punishingly high, though not yet approaching the 1930s figures of over 20 per cent long-term unemployment in much of Europe and the US; but it is qualitatively worse than the post-1907 shock, or that of ‘normal’ recessions.

For the Atlantic economies the IMF outlook over the next four years is for sluggish recovery at best, with a serious risk of further downturns. Fiscal retrenchment and further credit-tightening loom, with debt and mortgage defaults set to be compounded when interest rates finally rise. Most vulnerable are the dependent peripheries of these zones, with little leeway for deficit spending or job protection. Mexican GDP growth plummeted from 3.3 per cent in 2007 to -7.3 per cent in 2009; the remittance economies of Central America were decimated by the collapse of US construction. Eastern Europe has been left exposed to high levels of debt and scarce social provision; currencies struggle to keep up with the euro. The ex-Soviet Republics have been hit by the fall-off in remittances from Russia. It is above all in these regions that countries have been coming under the tutelage of the IMF: Costa Rica, El Salvador, Guatemala; Latvia, Hungary, Bosnia, Serbia, Romania; Belarus and Ukraine.

Across the East and South, the picture is very different. On the back of massive counter-cyclical spending, China and India have rebounded with barely a dip, to predicted 9 per cent and 6.5 per cent growth rates for 2010 respectively. Outsize fiscal and monetary stimulus—some 5 per cent of GDP each, 3 points above the G20 average—is estimated to have added 2 percentage points to their short-term growth figures, and

PRC infrastructural investment is lifting exports from Indonesia and Australia. (With lower counter-cyclical expenditure, Korea and Taiwan are expecting 4 per cent growth in 2010, after a steep drop at the start of 2009.) The Chinese rebound in industrial production has come largely in electronic goods, worst hit by the post-crash trade crunch; but while volume has picked up, the value of PRC exports in late 2009 was still 30 per cent down. How sustainable these growth levels will prove without US–EU recovery remains to be seen; high-end, capital-intensive sectors will be hardest hit by a continuing export downturn. In the meantime, property values have been escalating in Singapore, Hong Kong, India and China, where house prices had already risen by 40 per cent in 2008.

In Latin America, Brazil—buffered, like India, by a large domestic market—is undergoing a mini-boom with the speculative spike in commodity prices: in 2009 soy, a principal export, leapt by 20 per cent. Commodity-based currencies—the Brazilian *real*, South African rand, Australian dollar—have risen by over 25 per cent. South Africa and Botswana were hit by capital outflows at the start of 2009, and Nigeria is suffering from the collapse of an oil-based credit bubble; but many African countries—Kenya, Uganda, Mozambique, Tanzania, Senegal—suffered more from the high food and oil prices of 2007–08 than from the financial crisis. Across the south, poorer countries, less integrated into the world market, have been relatively unscathed in terms of output, the low-end textiles and garment sector least affected by the early 2009 trade crunch. But crude growth figures here are no measure of the impact of cuts in what is already bare-subsistence income.

These are still early days. But at the start of 2010, the ‘recovery’ seems patently unstable: a jobless North Atlantic, with a crippled credit system at its heart; a bubbling East, yet to recalibrate to the shrinking market for its goods; a mountain of debt still to be settled; speculative funds at loose in the system, driving commodity-price spikes. Finance is still booby-trapped, while turbulence has shifted east and south.

Regulated liberalism?

Behind the ‘rescue’ lies a remarkable degree of establishment consensus on the causes of the crisis and solutions to apply. The touchstone for this view is that the American economy itself was fundamentally sound before the crash: the problems were limited to the financial sector, albeit

worsened by global imbalances of East Asian savings and American debt. For the US, the solution now is to keep the economy going, regulate the banks and institute an aggressive trade policy. Once these have been set in place and fiscal austerity restored—admittedly, a tough call—there is every hope that a more sober and sustainable version of the same globalized and liberalized world economy will emerge. The main differences are over proportions: insufficient or over-lax counter-cyclical spending; regulatory oversight too timorous or too interfering. At a more analytical level, efficient-market theories and representative-agent models have been criticized for neglecting to take human nature, imperfect information or perverse incentives into account. But again, regulation is the answer.⁹ With the exception of a few lone voices calling for a free-market clear-out,¹⁰ establishment convergence around what might be called regulatory liberalism seems all but complete. Proponents of other ‘varieties of capitalism’ have been muted—perhaps because they are now regulatory liberals, too. This is the outlook that tacitly informs the multitude of blow-by-blow accounts of the crisis, which mainly concentrate on the more glamorous end—Wall Street giants, Mayfair and Connecticut hedge funds.¹¹ Alternative analyses will no doubt appear in due course. But the present unanimity is in striking contrast to earlier crises, where diagnoses and prescriptions were contested from above and below: after 1873, the bimetallism of Prairie populists, trade and agricultural tariffs, or imperialist expansion to find commercial opportunities overseas; after 1929, Keynes vs Schumpeter and virtues of the Soviet five-year plan.

Ideologically, regulatory liberalism would seem to represent an inflection of the neo-liberal paradigm rather than any rupture with it. The term ‘regulation’ has the advantage of suggesting fairness and neutrality, but it is in fact a hard-line liberal economic concept, as one of its principal contemporary theorists, Giandomenico Majone, makes clear. Pioneered as a way to manage privately owned US railroads in the 1880s, regulation has always been counterposed to nationalization and public ownership.

⁹ Krugman, ‘How did economists get it so wrong?’, *NYT*, 6 September 2009; George Akerlof and Robert Shiller, *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*, Princeton 2009. See also Joseph Stiglitz, ‘The Current Economic Crisis and Lessons for Economic Theory’, *Eastern Economic Journal*, vol. 35, no. 3, 2009; and Jeff Madrick, ‘They Didn’t Regulate Enough and Still Don’t’, *NYRB*, 5 November 2009.

¹⁰ James Buchan, ‘Is Britain Bust?’, *Prospect*, August 2009.

¹¹ For example, Gillian Tett, *Fool’s Gold: How Unrestrained Greed Corrupted a Dream, Shattered Global Markets and Unleashed a Catastrophe*, London 2009.

Undertaken by the state, therefore on behalf of the people, the latter may be subject to multiple claims and expectations—economic development, full employment, social equity, etc. In a regulatory regime, by contrast, the state delegates responsibility to a third party, unencumbered by electoral accountability. The logic of regulation is thus ‘an increasingly complete severance of expert authority from the popular will’.¹² In practice, of course, the banks themselves are determining the new regulatory requirements. Proponents of such modest reforms as a restored Glass–Steagall Act, utility, ‘narrow’ or limited-purpose banking confess themselves marginalized: even to get a hearing in face of ‘the lobbying clout of the big banks’—‘one congressman, five finance lobbyists’—‘is an uphill battle’.¹³ The resulting sense of continuity-through-adaptation, ideological and pragmatic, was summed up in a *Financial Times* sermon on the twentieth anniversary of capitalism’s Cold War triumph. The great virtue of liberal democracy, Martin Wolf reminded readers, was its capacity to learn and adapt, spurning utopian programmes in favour of Popperian bricolage:

In the case of this crisis, the failure lies not so much with the market system as a whole, but with defects in the world’s financial and monetary systems . . . Happily, governments and central banks have learnt the lessons of the 1930s and decided, rightly, to prevent collapses of either the financial system or the economy. That is precisely the right kind of ‘piecemeal social engineering’.¹⁴

Underlying problems

The confidence seems misplaced. In the 1870s as in the 1920s, problems of capital accumulation in the real economy lay behind the equity and housing bubbles, and helped prolong the recessions into global downturns. The crash of 1873 came after two decades of sustained world-economic expansion that saw German and American development catch up with Britain’s, putting an end to the UK’s advantage as

¹² Giandomenico Majone, *Regulating Europe*, London 1996. For a full discussion see Perry Anderson, *The New Old World*, London 2010, pp. 105–16. The quotation, from Anderson, is on p. 107.

¹³ John Plender, ‘How to tame the animal spirits’, *FT*, 30 September 2009; see also John Kay, ‘Narrow Banking: The Reform of Banking Regulation’, CSFI pamphlet, London 2009; Niall Ferguson and Laurence Kotlikoff, ‘How to take the moral hazard out of banking’, *FT*, 2 December 2009.

¹⁴ Martin Wolf, ‘Victory in the Cold War was a start as well as an ending’, *FT*, 11 November 2009.

sole industrialized power and initiating a phase of intensifying competition. With labour markets relatively tight, if fluctuating, and workers combative, rivalry between firms largely took the form of price deflation; although investment and productivity grew between 1873 and 1896, profits and prices fell. Despite severe repression—Pinkertons in the US, Anti-Socialist Laws in Germany—these were years of advance for labour, with the growth of mass working-class organizations, broadening literacy and partial suffrage; wages rose, in part through the masculinization of the work force and ‘family wage’, while food prices stayed low.¹⁵ In 1929 the situation was more uneven: during World War One and after, the booming American economy powered ahead with Fordist auto production, consumer durables and electrification, while Continental output collapsed after a brief post-war revival; but the US was already beginning to over-reach itself when European production levels started to rise from the mid-20s.¹⁶ American farm prices were flat and wages levelling off by the end of the decade; the housing boom had collapsed in 1926 and the subsequent stock-market bubble, which sucked American funds back from Europe and Latin America, plunging those regions into trouble even before the crash, was fuelled by borrowed money. The role of the American colossus as import destination for a great part of the world’s primary commodities—Brazilian coffee, Japanese silk, South Asian rice, Argentine wheat—ensured that the ensuing chain of bank and business failures, stock liquidations, price deflations and further bankruptcies would take on global proportions.¹⁷

What are the comparable conditions today of capital accumulation, labour supply and world trade? Problems of productive over-capacity were already apparent at the beginning of the 1970s, as the US saw Germany and Japan forge ahead in one key industry after another: textiles, steel, automobiles, machine tools, consumer electronics.¹⁸ Since then, large new production centres in Brazil, South Korea, Taiwan, Thailand and finally China have poured competing goods onto the world market. At the

¹⁵ Hobsbawm, *Age of Empire*, pp. 34–62; Giovanni Arrighi, *Adam Smith in Beijing*, London 2007, pp. 101–40, 193–210.

¹⁶ Hoover himself blamed the war-time expansion of production outside Europe—not least in Japan and Canada—for the Depression: capacity ‘proved excessive at 1925 prices’, as European production began to recover. See Kindleberger, *Manias, Panics and Crashes*, p. 120.

¹⁷ Reinhart and Rogoff, *This Time is Different*, pp. 234–6; Hobsbawm, *Age of Extremes*, pp. 85–108.

¹⁸ Robert Brenner, *The Economics of Global Turbulence*, London 2006, pp. 112–3.

same time, a historic weakening in the position of labour and the share of wages in the world economy has served to depress relative demand. The feminization of the labour force since the 1970s, part and parcel of service-sector expansion, has also brought a lowering of wages across the board. The rustbelt-to-sunbelt shift in manufacturing, away from traditional working-class communities, has broken generational continuity in labour organization. Across the South, hundreds of millions have been thrown into the search for wage labour through the decimation of subsistence farming by the vastly higher productivity of Euro-American agribusiness, a process speeded by IMF programmes. The integration of India and China into the global capitalist economy has brought another 1.5 billion chronically low-paid workers into the labour market, doubling its size and, on one estimate, reducing the capital/labour ratio to 55–60 per cent of its previous level.¹⁹ The mass entry of propertyless workers from kitchen, countryside and collective has compounded problems of over-capacity with those of relative under-consumption—‘a systemic shortage of effective demand’.²⁰

In these conditions, it would seem that revival of profits in one economy could only come at the expense of others: either by lowering costs, expanding markets or altering the terms of trade. At the very start of the neo-liberal era, the failure of American manufacturing to generate sufficient returns in face of growing competition from Germany and Japan was a principal cause of the 1970s US default on the Bretton Woods dollar–gold peg: Fort Knox was being emptied as much by American corporations’ investments in lower-wage economies abroad as by soaring military and social spending.²¹ Exchange-rate shocks as by-products of US interest-rate switches have triggered much of the turbulence of the neo-liberal period. In 1979 the Volcker–Carter hike, implemented to tame inflation and discipline labour at home, bankrupted indebted Third World and Comecon countries, bringing industrial-development programmes to a halt. Crisis solutions imposed by the IMF and World Bank in the 1980s ruthlessly furthered programmes for abolition of external capital controls and internal liberalization, offering big

¹⁹ Richard Freeman, ‘The Challenge of the Growing Globalization of Labour Markets to Economic and Social Policy’, in Eva Paus, ed., *Global Capitalism Unbound: Winners and Losers from Offshore Outsourcing*, New York 2007.

²⁰ Giovanni Arrighi, ‘Winding Paths of Capital’, NLR 56, March–April 2009, p. 82.

²¹ Richard Duncan, *The Dollar Crisis: Causes, Consequences, Cures*, Singapore 2003, p. 10.

financial operators a privatization bonanza just as the entry of pension and mutual-fund managers into the field as investment players led to a huge expansion of the US financial sector. In 1985, the Baker–Reagan Plaza Accord lowered the dollar to benefit American exporters, throwing booming Japanese and German firms into recession. Japanese capital surged instead into a record-breaking real-estate bubble. After its burst in 1992 Japanese funds, thwarted by poor returns at home and low interest rates in the US, flooded into Korea, Thailand, Malaysia, Singapore, Taiwan, then China. The East Asian Tigers boomed, producing the new electronic goods of the 1990s. International investors followed suit and local banks became kiosks for foreign credit.

From the early 90s, the take-off in the East developed in a complex symbiosis with the continuing downturn in the core zones, mediated through trade, capital goods and investment flows. Throughout the 1990s and early 2000s growth in Japan and Germany was barely positive, while the US ‘new economy’ boom of the mid-90s proved short-lived. Clinton’s strategy, designed by Goldman Sachs, was premised on the wealth-effect of financial-sector profits compensating for poor capital-investment returns and stagnant wages—systemic capital misallocation turned to a virtue. But when the dollar was raised again from 1995, the competitiveness of US firms was weakened. Poor corporate returns led to the collapse of dot.com shares in 2000. Thereafter successive debt-based bubbles were premised on the cheap credit provided by foreign investors, above all Japan and China.²² Struggling to keep the US economy afloat, Greenspan slashed interest rates from 6.5 to 1 per cent from 2001 and, over the next four years, fanned house prices up 50 per cent. When they threatened to dip in 2003, as American forces poured into Iraq, he urged on the securitized subprime market. But US growth rates continued to decline: 3.6 in 2004, 3.1 in 2005, 2.7 in 2006, 2.1 in 2007, 0.4 in 2008. Job creation never recovered from the 2000 recession. When Bernanke began raising interest rates in 2006, to steady the dollar and subdue the bubble, the great unravelling began.²³

²² For data, see Anton Brender and Florence Pisani, ‘Globalized Finance and its Collapse’, Brussels 2009.

²³ See Robert Brenner, ‘What’s Good for Goldman Sachs is Good for America’, April 2009, to which this account is greatly indebted. See also R. Taggart Murphy, ‘In the Eye of the Storm: Updating *The Economics of Global Turbulence*’, *Asia-Pacific Journal: Japan Focus*, 7 December 2009.

Against this stands the astonishing transformation of the Chinese economy, qualitative as well as quantitative: it is now the largest automobile market in the world. Over the next twenty years the Chinese Economic Council is planning to build another 200 cities of a million inhabitants each—around the size of Dallas—with dramatic implications for potential growth in infrastructural investment, services and consumption. How resilient the Chinese economy will prove in face of the cumulative pressures now converging on it—falling US markets, rising commodity prices, excess liquidity from its \$600bn stimulus package and \$1trn post-2008 credit expansion—remains to be seen. Given its current frenzied rate of production, it is hard to see how the PRC can avoid going through some sort of recessionary crisis in the short term, however temporary that may prove.

Frictions

The prospects for any immediate stabilization and rebalancing of the world economy plainly depend on some ongoing agreement between Washington and Beijing, as well as Berlin and Tokyo. At the time of writing, Obama and Bernanke appear to be implementing a turn to neo-Reaganomics: a second Plaza Accord to lower the dollar, inflate away the debt, regain competitive advantage in world trade and stare down the sovereign menace of a major creditor, accompanied by record-breaking deficits and military expansion abroad. Several factors militate against this strategy. First, every further international credit shock or sovereign default risks pushing the dollar back up, as funds surge into its safe haven. Second, although leaders in the Eurozone and Japan have meekly assented to Washington's demands, for the time being Beijing is determinedly matching US exchange-rate protectionism with its own; Chinese officials have called for the EU and PRC to 'play together' against American monetary policy. American advisors have begun recalling Nixon's 10 per cent import surcharge, which swiftly persuaded Japan and Germany to accept a low dollar in the early 70s. Some are now proposing that the dollar be supplemented by other trading currencies, the euro, yen or yuan, in order to free up US economic policy.²⁴ But if, as Marcello De Cecco has suggested, the world economy is mutating from a 'collusive' to a 'competitive oligopoly', the scope for national

²⁴ See C. Fred Bergsten, 'The Dollar and the Deficits: How Washington Can Prevent the Next Crisis', *Foreign Affairs*, Nov–Dec 2009.

mercantilist strategies remains conditioned by the interdependence of the major economies. This, too, is a new situation, without parallel in the pre-WW2 world.²⁵

Yet it would be a mistake to equate any retraction in US provision of economic goods with a commensurate diminution of American hegemony. Support for Washington's direction of the international political system—determining friends and enemies, making war and peace—and for American macro-economic priorities are not the same thing. But in practice they overlap: the same state leaderships are responsible for lifting capital controls or cutting public spending as for granting basing rights or supporting UN Security Council resolutions. Rewards in one sphere reinforce obedience in the other. The US economy has been shrinking as a proportion of the world total for decades—from nearly 50 per cent in 1945 to 22 per cent in 2008; but by most measures its military, political and cultural reach is greater now than during the 20th century. Nor has the Obama Administration retreated from the strategy of imperial power projection that Washington has advanced, via the First Gulf War, the Balkans, Iraq and Afghanistan, ever since 1990. On the contrary: it has not only extended the Bush doctrine of pre-emptive warfare as a US prerogative but succeeded in naturalizing it. The 2002 National Security Strategy report ruffled many feathers. By 2009, Obama's aides could offhandedly announce the redesignation of the Afghan theatre as AfPak without an eyebrow being raised. For that matter, despite its scathing denunciations of the doctrine of 'humanitarian intervention' as cover for a power-seeking hegemon, or description of American attitudes towards international law as *he ze yong, bu he ze qi*—'use when deemed fit, disregard otherwise'—Beijing's geo-political strategy remains, 'build the Chinese pole within a multipolar world', not 'catch up with and surpass the beautiful empire'. Chinese oil companies in Iraq and mining interests in Afghanistan are dependent upon US armed forces. An immensely powerful world hegemon still exists. The transitional era is not an interregnum.

A principal reason for the continuing strength of American hegemony lies in the victories of the neo-liberal project, which always involved both an ideology and a programme. The first took a series of

²⁵ Marcello De Cecco, 'From Monopoly to Oligopoly: Lessons from the pre-1914 Experience', in Eric Helleiner and Jonathan Kirshner, eds, *The Future of the Dollar*, Ithaca 2009, p. 122.

forms—monetarism, Thatcherism, free-market Third Way, triumphal globalization—now behind us. But the revolutionary effects of the programme remain. Social relations have been reconfigured across the globe: finance capital severed from national industry and integrated into global wealth circuits, decorated with new celebrity-media elites; the white-collar workforce, public or private, subjected to new market norms and compensated with small-scale financial assets; a two-tier working class, with most of its youth in the casualized sector, deprived of organizational reach and political project. Perhaps the most striking feature of the 2008 crisis so far has been its combination of economic turmoil and political stasis. After the bank and currency crashes of 1931, governments toppled across Europe—Britain, France, Spain, Germany; even in 1873, the Grant Administration was paralysed by corruption scandals after the railroad bust, and the Gladstone Ministry fell. The only political casualties of 2008 have been the Haarde regime in Iceland and the Cayman Islands authorities. As unemployment mounts and public-spending cuts are enforced, more determined protests will hopefully emerge; but to date, factory occupations or bossnappings have mostly been limited to demands for due redundancy pay. That neo-liberalism's crisis should be so eerily non-agonistic, in contrast to the bitter battles over its installation, is a sobering measure of its triumph.

In his 'Analysis of Situations', Gramsci famously distinguished between longer-term 'organic' historical developments and shorter-term 'conjunctural' ones: 'The conjuncture can be defined as the set of circumstances which determine the market in a given phase'—'the set of immediate and ephemeral characteristics of the economic situation'. He went on to warn—this was in 1933: 'it may be ruled out that immediate economic crises of themselves produce historical events'. At most, they might create a terrain more favourable to raising certain questions; but the decisive element in every situation was that of the organized forces prepared to intervene.²⁶ In retrospect, the conjunctures of 1873 and 1929 can be seen as marking the deepening of ongoing, organic movements: the intensification of industrial-capitalist rivalries in the first, which would eventually produce the inter-imperialist collisions of World War I; in 1929, the explosive but uneven growth of the US, the dramatic fortunes of Germany and accelerating decline of Britain, against a backdrop of bitter class contestation.

²⁶ *Selections from the Prison Notebooks*, London 1971, pp. 177–85.

The organic movements underlying the conjuncture of 2008 include, first, the relationship between the long-term slowdown in the most advanced economies and the explosive growth of China; second, the continued extension of the US imperial state; and third, the global deterioration in the position of labour. Politically, the outcome of the crisis has been shaped entirely from above. The Treasury–Wall Street nexus has extended its hold and ensured that the entire cost will be borne by working people. The result is a further worsening of conditions for labour, above all in the core economic zones and their peripheries. Ideologically, the triumphalism of big finance may be muted for now. But if the neo-liberal paradigm is undergoing a mutation towards regulatory liberalism, its principal components remain in place: untrammelled capital movement, private ownership and shareholder value remain the goals.

Meeting no opposition, the neo-liberal programme has actually advanced through the crisis, the bank bailouts effecting a larger expropriation than ever before. Yet the massive transfer of wealth from labour to capital that the ‘great moderation’ of neo-liberalism has brought may now be starting to undermine the system itself. To shore it up with speculative profits based on perpetual future growth can only be a makeshift solution, yet the Treasury–Wall Street order is politically incapable of conceiving any other. As for labour, it may be several generations away from rebuilding a hegemonic alternative that could tilt or transform the world in favour of its working billions. In the PRC, the West encounters a different *Weltanschauung*; but the Chinese ruling class, or caste, has done very well by globalized neo-liberalism. Claims that the CCP stands for a more equitable world order are undermined by gaping domestic inequalities.

Futures

Does history offer any clues as to what the longer-term outcome of the present crisis might be? After the post-1873 downturn, general profitability finally returned in 1896 without a major slump, although the long agricultural crisis helped loosen labour markets in the cities. Imperial expansion helped find new outlets for goods—virtually all remaining independent states and territories across Africa and the Pacific had been subjected to metropolitan rule by 1896—and industrial-scale rearmament got underway. Domestically, the great finance houses built up huge concentrations of capital. Corporations and cartels intervened directly to halt deflation. The technological and organizational innovations that

would shape the Belle Epoque turned out to have been incubating during the high-investment downturn: film, recorded sound, the internal combustion engine and large-scale generation of electricity; the corporation, Taylorism, advertising, the department store and mass-consumer markets. Full recovery after the Great Depression came only with rearmament for the Second World War, first in Germany, then in the US, where massive industrial investment unleashed the conditions for the post-war boom. Again, the breakthroughs that would shape the following era—plastics, cathode-ray tube—had already taken place. At the world-political level, American elites drew the lesson of the 20s and 30s and planned single-mindedly for a hegemonic role, drafting the international architecture of the post-war era.

In a recent contribution, Gopal Balakrishnan has argued that, contrary to expectations of eventual shake-out and recovery in the 2010s, the momentum of growth in the most advanced regions may be petering out altogether.²⁷ In this view, a conjunctural crisis of accumulation is converging with longer-term slowdowns, caused by greying societies and the shift towards low-productivity service economies. The New Economy's revolution in production proved a myth—IT, containerization, post-Fordist production and supply chains 'failed to show up statistically'—as will notions of a China-centred phase of accumulation, since this offers no new and more advanced organization of productive forces but merely a broader dissemination of existing plant. Drawing on Brenner's diagnosis in *Economics of Global Turbulence* of a long-term decline in rates of return on capital investment, Balakrishnan speculates that 2008 may be 'the end of the line' for growth based on account imbalances, asset bubbles and debt creation. In the absence of a far-reaching Schumpeterian shake-out, the capitalist world seems set to drift towards a 'stationary state'.

Countering such scenarios, Michel Aglietta has stressed the still unrealized potential for Chinese growth, while Nicholas Crafts and Koza Yamamura have pointed out that waves of technological progress are not necessarily determined by levels of profitability: the 1930s saw many technological breakthroughs. Increased entry may lead, as in the 1870s, to greater investment and innovation.²⁸ The reasons why IT and

²⁷ Balakrishnan, 'Speculations on the Stationary State', NLR 59, Sept–Oct 2009.

²⁸ See the symposium on Brenner's *Economics of Global Turbulence*: Crafts, 'Profits of Doom', Aglietta, 'A New Growth Regime', Yamamura, 'More System, Please!' in NLR 54, Nov–Dec 2008.

semi-conductors failed to bring about a productivity revolution in the 1990s are still unclear; Crafts suggests that their weight in the overall economy was too small, due to concentration in low-productivity service industries. But the logic of these arguments suggests the possibility of a non-stationary outcome, albeit after further years of depressive turbulence and bursting bubbles. Visions of a synthetic-silicon breakthrough that would solar-power the global South, revolutionize transport and foster green-gold desalination programmes, to transform rising oceans into spring-water irrigation supplies, are clearly far-fetched. But there is clearly room for low-end consumer-market expansion across the villages of China and India: the hundreds of millions trapped on the margins of the world labour force are by no means outside the circuits of global consumption. Shacks in the Brazilian favelas, with no sewage system nor any family member in employment, boast TVs and microwaves bought at extortionate cost through never-ending installment plans, courtesy of the *Bolsa família*. The state has played a stalwart role throughout the neo-liberal era in fostering social conditions for capital accumulation;²⁹ there is no doubt more that it could do to entangle populations in the net of the world market. But whether a continuing slowdown or a rebooting of the world economy lies in store, the law of unintended consequences—viz., Japanese capital eventually redirected to the East Asian Tigers and China in the aftermath of the Plaza Accord—will presumably continue to apply as the latest recovery operations get underway.

II

What are the implications of neo-liberalism's crisis for NLR's publishing programme? Its relaunch ten years ago scandalized many by demanding from the left a lucid registration of defeat. 'No collective agency able to match the power of capital is yet on the horizon', Anderson noted; at the level of ideas, 'for the first time since the Reformation, there are no longer any significant oppositions—that is, systematic rival outlooks—within the thought-world of the West.'³⁰ Those judgements stand. To attend to the development of actually existing capitalism remains a first duty for a journal like NLR. In their different ways, Robert Brenner

²⁹ For a landmark assessment of the state's role across 23 OECD economies in the first decade of neo-liberalism, see Göran Therborn, 'The Prospects of Labour and the Transformation of Advanced Capitalism', NLR 1/145, May–June 1984.

³⁰ Anderson, 'Renewals', NLR 1, p. 17.

on the faltering of the US economy as world motor, Robin Blackburn and Robert Wade on financial intermediation, Andrew Glyn on global disequilibria have raised fundamental questions for future enquiries. Slavoj Žižek's 'Parallax View' insists that consumption as well as production be held in mind by radical critique. From the viewpoint of the South, Giovanni Arrighi's 'The African Crisis' and Mike Davis's 'Planet of Slums' open vast areas for new research. A priority for the Review in the coming years should be a new typology of development outcomes in the age of global finance. Another is a map of the global proletariat—locations, sectors, differentials—alive to contemporary makings and unmakings of class.

In the past few years Arrighi's 'Hegemony Unravelling' and Anderson's 'Jottings on the Conjunction' have offered contrasting analyses of the world-political order—for Arrighi, a crisis in recent American attempts to impose a new imperial regime and possible emergence of China as an alternative to US leadership, in East Asia and beyond; for Anderson, a concert of powers, within which different states can jostle for rank, held together by a single, superordinate one. For both, the extent to which the PRC represents a different system is—to differing degrees—in question.³¹ These remain central issues for NLR to debate and explore. There is a huge amount of work to be done on the new processes of liberal-capitalist rule, its forms and legitimations: empirical research, which might test Peter Mair's findings on parliamentarism's hollowing in Western Europe against third-wave liberal democracies in Latin America, Africa and Asia; conceptual analyses, like Chico de Oliveira's on the étatisation of the PT in Brazil, Cihan Tuğal's on NATO-ization of the Turkish AKP, or Wang Chaohua's incisive typology of nationalisms, not least in China and Taiwan. Tom Nairn and Lutz Niethammer have raised commensurate questions about post-national social identity. Far-reaching theorizations such as Wang Hui's 'Depoliticized Politics', bringing contemporary neutralizations into focus through the lens of China's short revolutionary century, or Luciano Canfora on the 'mixed constitutions' of capitalist oligarchies, demand critical engagement at the same level. Hard-fought debates in political sociology during the 60s and 70s sparked a series of insights about the power elites of the time; analysis of today's famously large and fluid American ruling class—its

³¹ Arrighi's positive answer in *Adam Smith in Beijing*, London 2009, pp. 351–78, was reconsidered in 'Winding Paths of Capital', NLR 56, pp. 79–80, 84–6, 88–9. For Anderson's analysis, see 'Two Revolutions', below.

reproduction, changing component parts, mediated relations with the imperial state—is another priority.

NLR's record on ecological questions has been erratic, to say the least: isolated if highly original interventions—Hans Magnus Enzensberger's 'Critique of Political Ecology', Alexander Cockburn's 'Meat-Oriented History of the World', André Gorz's 'The New Agenda'—interspersed by long periods of silence. This should change. There are many different registers to explore here: empirical syntheses, programmatic interventions,³² political analyses—the Green parties, hard-line advocates for NATO's wars, await a critical biography. With the movement's programme dismembered (recycling, GMOS, forestation) and reduced to measures acceptable to world-summitry, perhaps only utopian speculation can reconceive the ecological totality of social, economic and environmental relations. In that spirit Mike Davis revisits Constructivist dreams for greener cities in this number. The journal's record on social issues has been just as uneven, not least on what was once the Woman Question. Again, the rightward shift in most discussion of this issue leaves large areas unexplored. There has been no properly global balance sheet of the historic changes in the division of labour and status between the sexes, nor any satisfactory explanation of how and why these took place. Works by Hester Eisenstein and Nancy Fraser on second-wave feminism's elective affinities with neo-liberal capitalism are vital starting points.³³

In understanding contemporary capitalist culture as a historical phenomenon, the Review has learnt an enormous amount from Fredric Jameson's work; a series of fields open up from this—the built environment, the reign of the image, possibilities of literary or utopian rupture, readings of specific works. In cultural practice itself, Archimedean points from which a bead can still be drawn on the system as a whole mainly lie on its peripheries: film and documentary makers working outside multinational studio set-ups, writers oriented to an audience, not a market. Roberto Schwarz's interpretations—of Chico Alvim's minimalist poetry, or Paulo Lins's epic of the neo-favela—are outstanding examples of an

³² An example of the first would be Kenneth Pomeranz's survey of Asian water shortages, 'The Great Himalayan Watershed'; of the second, Aubrey Meyer's work on per capita carbon budgets at the Global Commons Institute.

³³ Eisenstein, *Feminism Seduced: How Global Elites Use Women's Labor and Ideas to Exploit the World*, Boulder, CO 2009; Fraser, 'Feminism, Capitalism and the Cunning of History', NLR 56, Mar–Apr 2009.

acute social awareness and high critical intelligence brought to bear on the finest instances of these forms. Future issues will chart the desperate impasses of the Arab world through the unillusioned eyes of its young writers, and momentous social upheavals in China through its outsider films. NLR hopes to publish further explorations of past and future radical worlds—Benedict Anderson’s trans-oceanic interconnections between avant-gardes, anarchism and the anti-colonial imagination an astounding exemplar—and re-readings from the canon: Eagleton on Beckett, White on Tolstoy, Plaks on Cao Xueqin, Wood on Platonov or Moretti on Ibsen, below.

When the Review was founded, as Stuart Hall vividly evokes in this issue, forging a ‘new left’ was an immediate practical project; in the second decade of the 21st century, it is one for the *longue durée*. But the journal can still think about how to prefigure the general intellectual culture that an effective—therefore, pluralist and internationalist—left would require. By definition, such a movement would defend the conditions for a broader and richer critical culture, a more engaged political practice, a more conscious economics; would be as hard-headed and determined as the power it confronts. However notionally, this is the horizon to be borne in mind as a younger layer comes to the fore. In its early years, the Review benefited a great deal from the overlap of political generations in the two journals that came together to found it, as a joint project. The editors of the *New Reasoner*, born in the 1920s, fought in the War and mainly acquired their political education through the CPGB. The young writers and critics around *Universities and Left Review* were more attuned to the new cultural currents and social rebellion. Today the generational overlap stretches much farther—the ageing society proving an unexpected boon for the left. Hobsbawm, Hall and others share its pages with writers not yet born in 1960: Malcolm Bull in the fields of aesthetics and philosophy; Gopal Balakrishnan, Dylan Riley or Benno Teschke on political theory; Zhang Yongle on Chinese intellectual history; Tony Wood and Forrest Hylton on Russia and Latin America; Cihan Tuğal and Ece Temelkuran on Turkey; Kasian Tejapira on Thailand, Peter Hallward on Haiti; Sebastian Budgen or Alexander Zevin on France; Tom Mertes and Naomi Klein on new social movements; Sven Lütticken, Julian Stallabrass and Emilie Bickerton on the visual arts.

If anything, the inter-generational contrast is starker now than it was in 1960. The editors who saw the Review through its first few decades

came of age in a still strongly delineated national culture and public sphere, in which social classes were tangible realities; they hit their intellectual stride in the mid-60s, a time of intense commitments on the left, with victory seemingly within reach; positions were forged and argued within a highly politicized and internationalist milieu. Today's young writers have grown up within far more depoliticized cultural and intellectual environments, structured by the market and mediated, for better or worse, by electronic forms of sociability. Flares of protest have been ephemeral; every mobilization they have known—alter-globo, climate change, marches against the invasion of Iraq—has ended in defeat. But perhaps the very rarity of a serious left forum in these times makes a journal like *NLR* more valued. The thought-world of the West is increasingly patterned by Atlantic-centred structures of wealth and power. University disciplines—international relations, economics, law, social sciences, area studies—derive their curricula from the narrowing perspectives of its rulers' needs. A neutralized academic Marxism risks being the unwitting reflection of this trend. *NLR* stands outside this world, defines its own agenda. Can a left intellectual project hope to thrive in the absence of a political movement? That remains to be seen. But in the meantime it will have plenty on its plate.