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falls…there appears swindling and a general promotion of swindling by recourse to frenzied ventures with new methods of production, new investments of capital, new adventures, all for the sake of securing a shred of extra profit….As soon as formation of capital were to fall into the hands of a few established big capitals, for which the mass of profit compensates for the falling rate of profit, the vital flame of production would be altogether extinguished. It would die out." (1967; p. 258-9)

Their theoretical limitations are related to the inadequacies of their program, and to their inability to confront the Stalinist history of the MR tendency, with its one time support for the Soviet Union, and then for Maoism, and for *"their friend Che,"* (p. 76) to whom they dedicated Monopoly Capital. It is a curious comment on a tendency which opposes monopoly capitalism that its programmatic alternative, which it names "socialism," has actually been state capitalism, the extreme version of monopoly capitalism.

References

Foster, John Bellamy, & Magdoff, Fred (2009). The Great Financial Crisis: Causes and Consequences. NY: Monthly Review.

Marx, Karl (1967). Capital; A Critique of Political Economy: Vol. III. NY: International Publishers.

Mattick, Paul (1978). Anti-Bolshevik Communism. Monmouth, Wales, UK: Merlin Press.

Books about the worldwide capitalist crisis have been rolling off the presses and pouring into bookstores. They cover the political range from conservative to liberal, and somewhat further left. So it is worthwhile to review a book on the topic by radicals from the Marxist tradition of the Monthly Review magazine. The authors (Foster is the current editor of MR) root their theorizing in the 1966 work, Monopoly Capital by Paul Baran and Paul Sweezy, from 1966. The Great Financial Crisis is composed of essays written for MR over two years, just before and during the full crisis in Fall 2008, sandwiched between two new essays. The book is short (156 pages) and, for a book on economics, clearly and nontechnically written.

The authors raise key concepts which could be accepted by a libertarian (autonomist) Marxist, or, in my case, a Marxist-influenced anarchist. They write that since the beginning of the twentieth century, more or less, capitalism ceased being composed mostly of small businesses which were dominated by the market in which they competed. Instead, the economy is dominated by very large businesses, of nation-wide or international scale, with a small number of these monopolies (really semi-monopolies or oligopolies) dominating each industry. This by no means has ended competition, since the giant firms compete with each other (when they do not make deals) and with other industries and with giants from other countries, and there are still many small and medium-sized firms. But the markets are distorted and compromised by the existence of these giant semi-monopolies.

The coming of (semi-)monopoly capitalism has resulted in a loss of capitalism's dynamism, they claim. The long-term trend is toward stagnation. This appears in slow growth, high unemployment and underemployment, surplus capacity in industry, frequent recessions, alternating inflation and deflation, poverty even in wealthy nations, the failure to industrialize the poorer nations (except in an unbalanced way), and other ills. As they note, the bourgeois economist John Maynard Keynes demonstrated that it was possible for capitalism to stabilize itself at a stagnant level of high unemployment; radical Keynesians argued that this was the tendency for a mature capitalism. They quote an earlier work by Sweezy and Harry Magdoff, *"The tendency to stagnation is inherent in the system, deeply rooted and in continuous operation. The counter-tendencies, on the other hand, are varied, intermittent, and (most importantly) self-limiting."* (on p. 41)

It is not hard to see that this was true for the period from 1914 to 1946. This included the destruction of World War I, the shallow prosperity of the 20s and the Great Depression of the 30s. 10 years after the 1929 stock market crash in the U.S., there was still almost 20% unemployment. Politically there were waves of revolutions in Russia, Germany, Italy and Eastern Europe, as well as in China, Turkey, etc. These were countered by the transformation of the Russian Revolution into Stalinist totalitarianism and the rise of fascism in Italy, Germany, Spain, and elsewhere, followed by World War II. It was clear to millions just why revolutionary theorists, such as Rosa Luxemburg, Lenin, and Trotsky, among others, regarded this as the epoch of imperialism and capitalist decay.

The Post-World War II Prosperity

However, World War II was not followed by a return to depression conditions, but by the long boom of the 50s and 60s, apparently a "Golden Age" for capitalism. To many, this seemed to refute the idea that there still was an epoch of capitalist decline. But the authors argue that the (relative) prosperity was due to self-limiting counter-tendencies, which wore out by the end of the 60s, more or less.

Of the counter-tendencies, Foster and Magdoff first cite imperialism, the drain of wealth from other countries into the imperial nations. World War II had permitted the reorganization

economist Keynes and the left Keynesians, rather than to Marx. (A Marxist criticism of Baran and Sweezy's Monoply Capital was made by Paul Mattick [1978/2007], the council communist [anti-Leninist Marxist].)

This lead the MR theorists (Sweezy, Baran, Harry Magdoff, and now Foster and Fred Magdoff) to misunderstand the post-World War II boom. At the time they seemed to expect it to drag on forever, without any significant internal conflicts (that is, class conflicts). They did not understand that military expenditures were creating fictitious capital, due to government borrowing on the one hand in order to pay for it, while, on the other hand, military products did not re-enter the cycle of production. (That is, while making tractors led to growing food and bulldozers to building buildings, production of tanks was used for nothing, except destruction.)

Nor did they understand that ecologically, capitalism was looting the future, like a business which did not put aside part of its earnings for the time when worn out machinery would have to be replaced—but instead counts this as both part of the its profits and as part of the wages to buy off some of the workers. So the capitalist class has not been using real wealth to clean the air, or preserve the seas, or to transition to noncarbon-using energy sources. Eventually these will have to be paid for, but meanwhile the wealth has been counted as profits and (somewhat) as wages.

The authors admit that Baran and Sweezy's original analysis was *"deeply flawed in one respect: the failure to envision the financial take off that began in the 1970s and accelerated in the 1980s."* (p. 66) They claim that MR writers caught up with the financialization explosion empirically, after it happened, but admit they still do not understand it theoretically. *"There is still no existing economic theory that adequately explains the phase of monopoly-finance capital."* (p. 76)

Perhaps the starting point for such a theory would be with Capital, vol. III, where Marx wrote, *"If the rate of profit*

The Weaknesses of the MR Theorists

I have summarized what I agree with in this book, which is most of what it says: the epoch of semi-monopoly finance capitalism, its long-term tendency toward stagnation, its counter-tendencies which produced the apparent boom after World War II, the decline since, hidden by the financial explosion, and its tendency toward ever deeper crises.

There are aspects of their analysis with which I disagree. In particular, they have a dubious theory (going back to Baran and Sweezy's Monopoly Capital), about the cause of the long-term stagnation. They claim that the monopolies produce too much of a "surplus" for the system to absorb in investments, which clogs up the system and causes stagnation. The problem is lack of "effective demand" for products. Since the "surplus" cannot be invested, it is, therefore, not produced. (Therefore there is not really a surplus but a potential surplus, actually a shortage.)

The problem with this is that it makes the problem one of circulation of commodities, not one of production, which is where the clash of classes occurs most fundamentally. If the capitalists could produce profitably then they would be able to invest in profitable enterprises. If they could produce profitably, they would be able to buy from each other's companies and to hire enough workers to expand the consumer market; there would be no difficulty finding "effective demand." The problem,then is one of production, in particular, of the capitalists being able to pump out enough surplus labor from their workers for profitable production.

The MR theorists, despite calling themselves Marxists, specifically rejected Marx's most basic "economic" concepts of value and surplus value, and his theory of long term stagnation related to the tendency of the rate of profit to fall. As can be seen by the references in the book to those who influenced them, they were mostly indebted to the bourgeois

of world imperialism to benefit the U.S. capitalists primarily. They note that profits from foreign investments went from approximately 6 % of total U.S. business profits in the 1960s to 18 % for 2000 to 2004. International trade has benefited U.S. capitalism, as the U.S. went from being a creditor nation to a debtor, being subsidized, in effect, by the rest of the world. However, they do not discuss this much in this book.

They focus on overall government spending to stimulate the economy, in particular on military spending. State spending on socially useful goods would compete with corporate profits and, anyway, implicitly challenges the virtues of private production (an exception being the production of highways, which could only be done by the state, and was necessary for the automobile industry). But military spending does not compete with private industry; instead it subsidizes capitalist firms while providing incomes to workers. They note that even before the Iraqi and Afghan wars, military spending was equal to a third of overall business investment and a quarter of gross private investment.

These and other factors all had their limits. By the mid-1960s to 1970, the economy began to slide downhill, through the ups and downs of business cycles. Economic events since then have included the debt crisis of the "third world" beginning in the 1980s, the 1987 U.S. stock market crash, the late 1980s and early 90s savings and loan crisis, the financial crisis and Lost Decade of Japan in the 1990s, the financial crisis of 1997 to 1998 of Asia, and the 2000 dot-com crash, leading up to the much worse current Great Recession. Wages have been declining, social benefits have been cut drastically, and unions have shrunk, all part of a growing inequality between the very rich and the working class.

This is not to say that there has been no growth at all. But growth has been limited and lopsided, gains in one area being offset by losses elsewhere. Cell phones, while convenient, do not make up for global warming or the decay of Africa. Compared to the economically stimulating effects of automobiles in the 50s, *"The new information technologies (computers, softwar, the Internet)…do not appear to providing a similar epoch-making, long-term economic stimulus…."* (p. 42)

What has happened over the last decades is the "financialization" of the economy. There is a "real economy", as it is called by economists, which produces real goods and services. And there is a "virtual" or "paper economy," which consists of stocks and bonds and other financial instruments which are not real goods and services but which are claims on wealth. Instead of investing in the real economy (which has remained stagnant), capitalists have invested heavily in the paper economy (which has boomed), including speculation in real estate, commodities markets, and securities. While this had always been a trend, it really accelerated in the1980s and afterwards. Financiers became extremely creative in thinking up new financial instruments with the very slightest of bases in actual industry. A mountain of debt (what Marx called "fictitious capital") overlay stagnating real production.

This also appeared to counteract the attack on the living standards of the "middle class" and the better off working class. While wages had gone down, people lived beyond their means. They used credit cards and took out mortages on their houses, which always seemed to be going up in value–even though there was no new production of wealth. (Also, wives going to work kept up family incomes, despite the fall in wages.) So everyone seemed to benefit—until the whole thing collapsed.

In the earlier epoch of capitalism, the business cycle tended to expand debt and financialization during the boom part of the cycle, which would then be mostly squeezed out in the following bust part of the cycle. But now, the growth of debt continued throughout the cycles, never being cleared up. Apparently prosperous, the economy became increasingly shaky and vulnerable. Sooner or later there must be a collapse, when all these

claims to wealth will try to actually claim their share of the limited real goods.

Foster and Magdoff call this "monopoly-finance capital," because of its dependence on financialization. They specially distinguish this from the theory of "finance capitalism" of Lenin and Hilferding which saw banks as taking over control of the monopolistic industries. While this may bave been true for a period, banks are not the masters of today's economy. They are another set of semi-monopolies integrated with the other giant corporations (which often make their own loans and investments).

"The financial explosion in the U.S. and other advanced capitalist economies since the 1960s, we argue, is symptomatic of the underlying stagnation tendency that has its roots in the whole pattern of accumulation under monopoly finance capital. It is this and not the financialization (or even today's crisis of financialization) that is the real problem." (Foster & Magdoff, 2009; p. 20)

They do not predict that this is a final crisis which will bring down capitalism. There may be an upturn from the worst of the recession. But they do not expect an end to the long-term stagnation of the system, the financialization of virtual wealth, and the vulnerability toward increasingly greater crises. They also doubt the possibility of Obama or anyone else carrying out a "new New Deal," with large scale public works to provide jobs, social benefits, and economic stimulation. This would lessen the suffering of the working class and the poor, but it would be too much of a challenge to the private capitalist system and would arouse too much antagonism from the ruling class. The last New Deal did not end the Great Depression, they note; it ended with World War II. What is needed, they say, is a revolutionary reconstruction of the economy, which they call "socialism."