

Crisis and Resistance in the Age of Global Slump

A Review Article by

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The Making of Global Capitalism: The Political Economy of American Empire

By Leo Panitch and Sam Gindin

London: Verso, 2013. 470 pp.

ISBN: 9781781681367.

The Enigma of Capital and the Crises of Capitalism

By David Harvey

New York: Oxford University Press, 2011. 320 pp.

ISBN: 9780199836840.

Global Slump: The Economics and Politics of Crises and Resistance

By David McNally

Oakland, CA: PM Press, 2010. 248 pp.

ISBN: 9781604863321.

Introduction

The global economic crisis that began in 2007-2008 remains one of the most pressing issues of our time. Although governments and corporations have been constantly promoting the idea that the global economy has escaped from the nightmare scenario of catastrophe and is on the healthy path to recovery and prosperity, the life experiences of the working class across Greece, Spain, Britain, and many other countries are telling a harsh reality: we are now living through a prolonged “global slump”. This is mainly due to the austerity measures enacted in the wake of the largest financial bailout in world history, which transformed bad debts of financial institutions into public debts. Yet critical discussions on this profound crisis have largely vanished in the mainstream news media as the ruling class struggles to successfully restore the neoliberal capitalist order of the day. The problem here becomes evident: orthodox theories of economics, finance, and public policy have utterly failed to address the systemic crises

underpinning the global capitalist system and alternative accounts of the current situation are desperately needed.

How can we fully grasp the complexity of the contemporary crisis and resistance? This question has been responded to with significant Marxist research on the causes of the 2008 economic collapse and its profound impacts on global capitalism. This article reviews three books that offer compelling historical materialist studies of this topic: *The Making of Global Capitalism: The Political Economy of American Empire* (2013) by Leo Panitch and Sam Gindin, *The Enigma of Capital and the Crises of Capitalism* (2011) by David Harvey, and *Global Slump: The Economics and Politics of Crises and Resistance* (2010) by David McNally. Collectively, these books provide the much-needed ground for comprehending the actuality and inevitability of capitalist crises and struggling for alternative paths toward a better world. In what follows, I shall summarize the key arguments of each book and discuss their implications for future critical scholarship on the emerging Military-Industrial-Communications-Complex (MICC) in Canada as well as in other advanced capitalist states.

American Empire or Transnational Capitalist Order?

Leo Panitch and Sam Gindin analyze the making of the informal American Empire and the central role of the United States in establishing and managing the contemporary global capitalist system. Backed up by significant research in political economy and empirical data, *The Making of Global Capitalism* presents an evidential and impressive historical account on the connections between the U.S. state and the making of global capitalism. Contrary to the popular discourses of American decline, Panitch and Gindin shed light on the United States continuing centrality in global capitalism. Although Panitch and Gindin seem to tacitly echo Herbert Schiller's early account of American Empire, their arguments remain distinctive due to their analytical focus on the historical roots of American economic power, especially statist interventions from the U.S. federal government and their vitality in making American multi-national corporations (MNCs) a decisive force in the global economy.

The book offers a compelling narrative of the role of the United States in modern U.S. and world capitalist history. It begins with the late 19th century that not only set the United States to the international stage, but also witnessed its emerging crucial role in promoting and policing U.S. capitalist system beyond its borders. Then, during the Great Depression and over the course of WWII, the massive interventions from the United States maintained the stability of the economic system. Later in the post-war boom, the United States played a crucial role in securing the global capitalist system by assisting its strategic allies such as Japan, South Korea, and West Germany. It was also in this era that the informal American Empire was eventually consolidated and a U.S.-led global capitalist economy was established through the Bretton Woods system. Nearing the early 1970s, the U.S. policies were turned into economic liberation and austerity, which, according to Panitch and Gindin, illustrated how state power was used to create a favorable condition for financial capitalism and MNCs. Lastly but perhaps most importantly, Panitch and Gindin argue that the global economic crisis of 2008 has brought a new era of state intervention and cooperation, with the United States still taking the lead. The book's historical narrative concludes by re-emphasizing the centrality of the American Empire in constructing the global capitalist system:

Given the severity and duration of the latest crisis in a global capitalist economy that the American state had been so central to constructing, it was hardly surprising to see a resurgence of pronouncements that U.S. hegemony was coming to an end. As pundits of every persuasion once again blur the lines between a capitalist crisis and the decline of the U.S. empire, it is especially important to recognize the central role which the American state continues to play in reproducing global capitalism. The current crisis has amply demonstrated the many challenges and contradictions it faces in doing this; but it has also demonstrated that, *while the American empire is certainly not always able to control the spirits it has called up from the deep, it nevertheless remains critical to the system's survival.*

(Panitch & Gindin, 2013: 331, *emphasis added*)

In short, throughout *The Making of Global Capitalism*, Panitch and Gindin insist that the contemporary global economic order is constructed in the service of capitalist accumulation and it has entailed an ever-expanding role for state—and the United States in particular—in making and managing global capitalism. When crises do occur, the capitalist state, rather than the free market, saves the day. Although similar observations have been made elsewhere (Robinson, 2004), the analytical strength of *the Making of Global Capitalism* comes from its rich empirical detail, especially the discussions on “the prelude of American empire” (Chapters One and Two) in which the U.S. imperial power is traced back to the late 19th century. Although many readers may be disappointed by the fact that Panitch and Gindin have barely proposed plausible alternatives to capitalism in the book, they offer a fascinating account of the role of the United States in making global capitalism.

While there is much more to say about the strength of Panitch and Gindin’s historical materialist account, it should be pointed out that the persuasiveness of their overall argument has been more or less hindered by the lack of explicit discussions on transnational capital and transnational capitalist class. Robinson, in his critical review of this book, suggests that Panitch and Gindin’s dismissal of transnational capital and an emerging transnational capitalist class (TCC) not only contradicts mounting evidence on the “organic transnational integration of corporate government and decision-making structures”, but also fails to recognize the “complex mechanisms employed by TCC for cross-penetrating the global economic system” (2014: 158-161). Indeed, after going through the book’s 12 main chapters, it is difficult to disagree with Panitch and Gindin that the global economic order has been largely controlled by global corporations and their interactions with the U.S. state have played a vital role in this process. Yet, I am not convinced by the argument that these corporations should be primarily recognized as *American* MNCs¹ instead of transnational corporations (TNCs). The nationality of global corporations has become increasingly blurred since their ownership involves multiple stakeholders, from institutional investors to private stock investors. In addition, many key players in the global economy are controlled by business elites that are not U.S.-born. Can we define News Corporation as an American MNC simply because its current headquarter is located in New York, without considering the fact that the corporation is controlled by Rupert Murdoch, an Australian American and also, that it was formerly incorporated in Adelaide, South Australia? A better explanation for the apparent domination of American MNCs seems to be that many TNCs choose to locate in the U.S. so that they can more effectively mobilize American statecraft for serving the interests of TCC.

That said, Panitch and Gindin's essential argument remains powerful and persuasive: from past to present, the United States, as the world system's most powerful state apparatus, has been crucial in making and superintending global capitalism, and it remains strong in the post-9/11 era. Thus, the aspiration for a world beyond capitalism should still primarily target the political sphere. As Panitch and Gindin remind us at the very end of their book: "whether called socialism or not, today's revived demands for social justice and genuine democracy could only be realized through such a fundamental shift of political power, entailing fundamental changes in state as well as class structures" (2013: 340).

The Interruption of Capital Flow

In comparison to Panitch's and Gindin's historical study of imperial power, David Harvey's *The Enigma of Capital and the Crisis of Capitalism* contributes to radical Marxist theorizations of the systemic risks of capitalism that have been lost in mainstream social theories. This book addresses three key themes underpinning the causes and consequences of the global financial crisis throughout eight main chapters: 1) the unceasing and ever-accelerating circulation of capital; 2) the "activity spheres" of modern societies and their roles in sustaining global capitalism; and 3) the geographical dimension of capitalist accumulation.

Chapter One forwards an overview of the astonishing magnitude of 2008 economic collapse, which sets the socio-political context for the insightful theoretical analysis in Chapters Two to Four, in which Harvey examines the key stages of capital circulation (e.g., input purchase, production, and commodity sale). By adopting Marx's original analysis of capital circulation (i.e., M-C...P...-C'-M'), Harvey's analysis not only reveals capitalism's basic surplus generating mechanism, but also persuasively illustrates the potential interruptions that can obstruct capital flow. For Harvey, the 2008 economic collapse can be directly linked to the "capital surplus absorption problem": "capitalists are always producing surpluses in the form of profit. They are then forced by competition to recapitalize and reinvest a part of that surplus in expansion. This requires that new profitable outlets be found" (2011: 26). In other words, expansion is an essential condition for sustaining capital circulation. The neoliberal era set capitalism back to the track of expansion and growth by taking back the benefits granted to workers during the post-WWII boom and offshoring manufacturing jobs to the previous communist block and the global south. As the landscape for capitalism's expansion becomes increasingly limited, however, stagnant labour incomes lead to the symptom of underconsumption and capitalism is pushed to solve the issue of falling profit, either by stimulating debt-based consumption or by shifting to the financial sector for higher profits. Consequently, when the stock market and housing bubbles eventually burst in 2008, the global capital circulation ended up being severely interrupted.

Chapter Five further identifies seven "activity spheres" within the developmental trajectory of capitalism, and this is arguably the book's most insightful theoretical contribution. These "activity spheres" are: technology and organizational forms; social relations; institutional and administrative arrangements; production of daily life and of the species; and mental conceptions of the world. A crucial feature of these spheres is that "each sphere evolves on its own account but always in dynamic interaction with the others" (Harvey, 2011: 123). Frequently, uneven developments between different spheres create conflicts within the evolutionary trajectory of capitalism and these tensions provide spaces for starting alternative social movements. Nevertheless, Harvey also warns us not to "see one of the spheres as determinant"

(Ibid: 133). Potentially revolutionary anti-capitalists, in this regard, must engage with all spheres and avoid closing down their dialectical interconnections.

Chapters Six and Seven address the important role of geographical transformations in the contemporary dynamics of capitalist power. The overarching argument outlined in Chapter Six is that the economic, political, and cultural impacts of capitalist crises unfold through the geographical landscape constructed by capitalism. For instance, geographical differences became a key factor in determining the different local experiences of the 2008 economic collapse. Building upon this geographical perspective, Chapter Seven reviews the creative destruction of the land throughout capitalism's historical development and argues for the integration of geography into the study of capitalism.

Finally, Chapter Eight concludes the book by attending to the topic of social change. Harvey returns to his central diagnosis of the current capitalist crisis: this crisis reveals the systemic problems of capitalist irrationality as well as the plain fact that ever-expanding accumulation is impossible. As the interconnections of "activity spheres" indicate, a revolutionary politics require a sophisticated understanding of the capitalist system in all of its complexity and dynamism. Following this key insight, the book ends by envisioning a global co-evolutionary movement against dispossession.

Similar to other influential contributions by David Harvey, *The Enigma of Capital and the Crisis of Capitalism* presents many thought-provoking political positions and theoretical frameworks. Although Harvey's proposal for an alternative socialist/communist future may not register with the grassroots because of the book's challenging academic prose, Harvey nonetheless encourages existing and emerging social movements to conceptualize capitalism as an ever-expanding process and set of social relations sustained by co-evolutionary institutional frameworks (i.e., activity spheres). The book will surely generate meaningful discussions among critical scholars and activists.

Getting out of Global Slump

If the analyses by Harvey and by Panitch and Gindin can be described as top-down historical and theoretical overviews of the causes of the 2008 economic collapse, then the critical narrative of McNally's *Global Slump* focuses more specifically on the various consequences of this mutating crisis and how they are unfolding across the globe. Primarily written as a political text arguing for radical social change, *Global Slump* stands out among the reviewed books for its clear writing and engaging style. More importantly, McNally's avoidance of technical language does not hinder the quality of the "global slump" thesis. Through a historically grounded and insightful analysis of capitalism's boom-and-bust cycles over the last 40 years, McNally makes a powerful distinction between the recovery of the global financial market and the return to prosperity among the working class: "capitalism is attempting to right its ship at their expense, by punishing its victims for the system's latest crisis . . . while banks and multinationals have been rescued, there is no bailout for working class people, who can only expect more 'pain' to come" (2010: 23-24).

What is the "global slump"? McNally gives his answer in Chapter Five by discussing the brutal consequences of the global economy collapse in terms of debt, discipline, and dispossession. "Capitalism involves not just specific economic mechanisms, but a whole system of social relations" (McNally, 2010: 113). What we have witnessed following the 2008 economic collapse is mounting private and public debt, neoliberal austerity measures, and the escalating

deprivation of people from the basic means of life. This predatory process is happening in both highly developed and developing economies, often backed up by a militarized policing regime and racism against immigrants.

What shall we do with “global slump”? McNally wants us to imagine a global resistance movement beyond traditional working class politics. Whilst the protests on the streets of Iceland, Greece, and Spain and the occupations of factories in Britain and Chicago are courageous, some of them still neglect the fact that dispossession is a highly racialized process. To McNally, an important lesson we can learn from the inspiring struggles such as the Bolivian fight against water privatization in 2000, the 2006 Oaxaca uprising in Mexico, and even the 1934 strikes in San Francisco, effective programs for social change involve non-sectarian solidarity coalitions among progressive forces such as unions, community groups, and alternative media, a wide array of resistance strategies, and clear anti-discrimination initiatives. This piece of advice is truly invaluable.

Conclusion

The above review situated each book’s key contributions within two reoccurring themes in recent critical scholarship on the nature of capitalism: globalization and the development of finance capital. Panitch and Gindin highlight the centrality of the United States in the formation of the neoliberal world order in both real and fictitious sectors, while Harvey and McNally offer more explicit explanations on the driving forces underpinning the irrational development of speculative financial investments and how three decades of neoliberalism planted the seed of the 2008 economic collapse. Although all three contributions argue for more systemic transformations of global capitalism, they differ from each other in regard to the strategic priority of political struggles. For Panitch and Gindin, the bank nationalization and anti-imperialism initiative are imperative. By comparison, Harvey and McNally see more hope in struggles intersecting on various fronts (anti-austerity, anti-racism, environmentalism, etc.) against capitalist dispossession. To conclude, all three books offer invaluable studies of the current dynamics of global capitalism and inspire readers to imagine a world beyond capitalist exploitation and inequality.

Notes

- 1 Panitch and Gindin (2013) adopt the term “multi-national corporations” (MNCs) instead of transnational corporations (TNCs) since the latter is connected with the transnational capitalist class (TCC) thesis that they refute.
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About the Reviewer

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