



Robert Brenner and the current crisis

The US Marxist economist Robert Brenner has been highly influential as a leading stagnation theorist of modern capitalism. Bill Jefferies lays bare some fundamental flaws in Brenner's understanding of the world economy in a review of a recent paper

What is good for Goldman Sachs is good for America: the origins of the present crisis

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ROBERT BRENNER, the US Marxist historian and economist, is the leading proponent of the stagnation school of Marxist political economy. His latest piece is his most comprehensive statement on the causes of the credit crunch. It is a summation of the themes he has been developing for the past decade: the world economy is stagnant; capitalism is in chronic decline; profits are low or falling. And unsustainable financial bubbles have only delayed the inevitable, until now that is. According to Brenner:

"The crisis currently unfolding in the world economy is, without close comparison, the most devastating since the

Great Depression, and could conceivably come to approach it in severity."¹

Brenner's catastrophism is both logical and in his own terms sensible. If the world economy was already on life support in the run up to the cardiac arrest of the winter of 2008, then the greatest financial crisis in history could only lead to its final demise.

Brenner succinctly restates his case early on:

"The fundamental source of today's crisis is the steadily declining vitality of the advanced capitalist economies over three decades, business-cycle by business-cycle, right into the present. The long term weakening of capital accumulation and of aggregate demand has been rooted in a profound system-wide decline and failure to recover of the rate of return on capital, resulting largely – though not only – from a persistent tendency to over-capacity,

i.e. oversupply, in global manufacturing industries.”²

The devastating effects of that oversupply were only temporarily offset – for nearly two decades – by the demand management policies of the Clinton and Bush administrations. Brenner says:

“One has therefore witnessed for the last dozen years or so the extraordinary spectacle of a world economy in which the continuation of capital accumulation has come literally to depend upon historic waves of speculation.”

Half a world

Brenner’s focus is almost entirely on what were the core major capitalist economies of the OECD and G7. And back in the day, before globalisation, this may have been a reasonable proxy for world capitalism. But not any more. Even though the developed markets account for 65% of global GDP,³ and the emerging markets 35%,⁴ emerging market growth has averaged more than twice the pace of the developed markets over this century, contributing more to global GDP growth than all the developed markets combined.

In 2007 China’s contribution exceeded that of the USA for the first time. In 2008, as the USA fell into recession, China’s contribution to global growth was more than double that of the USA. In 2009 the G7 abolished itself and created the G20, recognising the importance of this fact.

This decisive shift in the locus of the world economy towards the emerging markets is a function of the restoration of capitalism from the early 1990s in the former Stalinist centrally planned economies: China, Central and Eastern Europe, the ex-USSR. The destruction of the bureaucratically planned non-capitalist states doubled the size of the working class that could be exploited by capital. As Richard Freeman has put it:

“Before the collapse of Soviet communism . . . the global economy encompassed roughly half of the world’s popula-

tion across a further third of the world’s surface, opened up the former relatively protected semi-colonies like India and Brazil to unlimited exploitation by imperialism.

During these same years the capitalist governments in the west consolidated the defeats suffered by the working classes, particularly in the USA and UK in the 1970s and 80s, and raised the rate of exploitation, especially in the USA in the second half of the 1990s. This is one fact that Brenner does recognise.

This advantageous balance of class forces facilitated at the same time the roll-out of a whole new technological basis of production, the ICT revolution, massively reducing the costs of transport and information. This in turn could only deepen globalisation as multinational companies were able to move smoke stack industries wholesale from the west to the emerging markets. The technologically possible, the economically desirable and the politically feasible all came together in a virtuous capitalist circle.

Goldman Sachs, the US investment bank, puts it like this:

“Imagine you’d been told, in the early-to-mid-1990s, that the world was about to see two big structural shifts: first, a period of rapid productivity growth in the emerging world, newly unshackled from central planning but still with low levels of invested capital relative to its workforce; and, second, the opening up of capital markets between these fast-growing new markets and the capital-rich economies of the developed world. Because faster productivity growth and scarcer capital (relative to labour) both raise investment demand, one would normally expect the general level of yields and (ex-ante) asset returns to rise.”⁷

But Brenner’s imagination fails him. He does not mention these epoch changing events once. Brenner claims that:

“Between 1973 and the present, economic performance in the US, western Europe, and Japan has, by every standard macroeconomic indicator, deteriorated, business cycle by business cycle, decade by decade (with the exception of the second half of the 1990s).”

According to Brenner the period 2003-07, which the bosses’ business magazine *The Economist* described as the strongest period of economic growth in the history of capitalism, was the nadir of the decline. Brenner produces a series of statistical tables from the 1960s onwards to support his claim. They are fairly comprehensive but they only cover the G7 and Euro 12.⁸ They do not include China (2nd largest economy), Russia (8th largest) Brazil (10th largest), India (12th largest) or the emerging markets in general. Brenner proves capitalism’s stagnation by excluding all of the most rapidly growing nations in the world.

Measuring output and productivity

In the non-capitalist economies of the Stalinist states no value was produced. To establish how much the world market grew in the 1990s, it is therefore necessary to establish how much world value production grew with the restoration of capitalism and value production in them.

Angus Maddison the eminent bourgeois economist explains the difficulty:

According to Brenner 2003-07, which *The Economist* described as the strongest period of economic growth in the history of capitalism, was the nadir of the decline

tion – the advanced OECD countries, Latin America and the Caribbean, Africa, and some parts of Asia . . . Then, almost all at once in the 1990s, China, India, and the ex-Soviet bloc joined the global economy and the entire world came together into a single economic world based on capitalism and markets. This change greatly increased the size of the global labor pool from approximately 1.46 billion workers to 2.93 billion workers. Since twice 1.46 billion is 2.92 billion, I have called this *The Great Doubling*.⁵

Since 1990 a further 300 million peasants have joined the Chinese urban labour force.⁶ But as well as the exponential one-off growth of the exploitable work force, the collapse of “communism” extended the world market

“There are major methodological and practical problems in comparing the performance of capitalist and communist economies . . . In communist economies, private property in means of production was virtually eliminated, and all major decisions on resource allocation were made by government command rather than by market forces.”⁹

But while the capitalist economists knew full well that these economies were not capitalist, they had no other measure than capitalist ones to assess the scale of their economies. Hence, when they collapsed in the 1990s they treated the collapse of planning as the collapse of capitalism. The expansion of the world market in the 1990s is measured as its contraction and decline.

The growth figures for all of the major statistical agencies – World Bank, IMF, UNCTAD, OECD etc – repeat this mistake. That is fine for capitalist theoreticians, but for Marxists, whose theory in large part rests on the economic basis of different modes of production, it leads to a completely erroneous assessment of the period of world capitalism today.

If we adjust the figures to take account of the political expansion of world capitalism in the 1990s, we find that the growth of the world market across a third of the world’s surface and half its population does indeed lead to a growth of a world capitalist production. [See Table 1]

Brenner’s figures for GDP/capita and labour productivity are similarly distorted by excluding the shift of production to the emerging markets from the 1990s on. The US Department of Labor statistics show that manufacturing labour productivity has revived alongside globalisation. [See Table 2]

Even before the current recession manufacturing productivity in the USA, UK and Germany was growing faster or as fast as its highest rates in the 1960s.

This radical increase in manufacturing productivity is a direct result of the transfer of manufacturing abroad. Production in the major heartlands of capitalism has stagnated, except in Germany, which has benefited from the integration of the former east into it and its exploitation of the new markets in central and eastern Europe and the ex-USSR, and to a lesser extent in Japan, which has re-oriented its exports towards China and east Asia.

Insofar as Brenner’s figures do show a decline in productivity across the whole economy, and in the US they show that productivity is at its highest levels since the 1960s, it is a result of the replacement of manufacturing production with services. As services have a lower organic composition of capital (the proportion of constant capital to labour) than manufacturing they also have lower productivity, inasmuch as the value of the output per employee is lower in services than manufacturing.

The growth in the world market with globalisation means that capitalism as a truly world system has outgrown the boundaries set for it during the 1970s and 1980s, but Brenner says:

“The decreasing vitality of the advanced capitalist economies has been rooted in a major decline, and stubborn failure to revive, of the rate of profit, finding its fundamental (though not its only) source in a persistent tendency towards over-capacity in the global manufacturing sector, which originated with the intensification

of international competition between the mid-1960s and mid-1970s.”¹⁰

But if there has been such a persistent over-capacity in manufacturing over the last two decades how come its capacity has grown so quickly in these decades?

Take steel production, a commodity absolutely central to the growth of world capitalism.¹¹ During the 1980s

Brenner claims that the declining vitality of capitalist production is a consequence of falling investment, which is in itself a result of falling profit rates

capitalist steel production genuinely stagnated: from 1980-89 it grew a mere 9.2%. During the 1990s, with the addition of the former Stalinist states and their transformation into capitalist economies, it expanded 67%. As these economies began to grow on a capitalist basis it accelerated increasing by 60% up to 2008.¹² Even during the depths of the crisis up to August 2009 steel production in China, the largest producer in the world by far, has surpassed its August 2008 figure.¹³

Vehicle production – cars, vans, buses and trucks –

Table 1: World growth annual % change

	Unadjusted including capitalist and non-capitalist states' GDP	Adjusted GDP, capitalist states only
1950-1973	4.9%	4.9%
1974-1990	3.2%	3.4%
1991-2006	3.5%	4.9%

This is a straightforward calculation. The non-capitalist states, China, CEE, USSR, Vietnam, Laos and Cambodia are excluded from estimates for capitalist GDP growth before 1991 then added en bloc after then.

Source: GDP figures from Angus Maddison's Groningen Growth and Development Centre (GGDC)

Table 2: Output per hour in manufacturing, 17 countries or areas, 1950-2007 annual % change

	USA	Canada	Japan	France	Germany	UK
1950s	2.1	3.9	10.1	3.4	7.4	1.8
1960s	3.1	4.4	11.1	6.9	6.6	4.0
1970s	2.8	3.4	6.5	4.4	4.5	2.7
1980s	3.0	2.2	3.5	4.1	1.9	4.2
1990s	4.0	3.2	3.5	3.5	3.3	2.4
2000-07	5.4	1.9	4.0	4.0	4.6	4.5

Source: US Department of Labor, Bureau of Labor Statistics, International comparisons of productivity and unit labor cost trends March 2009 (www.bls.gov/ilc/)

illustrates the shift very clearly. In 1997 the G7¹⁴ produced 36,733,176 vehicles of all types. By 2008 this had fallen to 33,629,306. During 2009 it will have fallen much further, as the major auto manufacturers closed plants in the older manufacturing centres for good or moved them abroad.

But vehicle production in the former centrally planned economies¹⁵ (ex-CPE) rose from 3,940,120 in 1997 to 15,039,907 in 2008, a total that has increased further in 2009 as China has doubled car sales. From producing 10.8% of the G7 total in 1998, by 2008 these states were producing 44.7%, while total world production increased by 28% between 1997 and 2008.

Investment and profitability

Brenner claims that the declining vitality of capitalist production is a consequence of falling investment, which is in itself a result of falling profit rates. He says:

“Equally telling, over the same period, capital investment on a world scale, and in every region besides China, even including the East Asian NICs since the middle 1990s, has grown steadily weaker.”

According to this theory when profits are high so is fixed capital investment. But there is no such direct link between savings, investment and profit rates. Take the case of the USA. In 1981 US non-residential investment as a proportion of GDP reached 13.4% – its highest point in any of the seven decades since 1929. This was the depths of the 1970s-80s slump. Profits dropped to levels not seen before or since.

It is certainly true that in the 1930s as profits slumped so did investment and as profits recovered in the 1940s investment did likewise. But as productivity increased rapidly in the 1950s so the price of investment fell and investment as a proportion of GDP slowed, even while profits were high and production continued to expand rapidly.

The recovery of profits in the early to mid-1990s coincided with the establishment of a new technological basis for production, the IT revolution

Rising productivity cheapened the cost of fixed capital. Machines were less expensive even as they increased in quantity. This relationship held until the mid-1960s as the long post war boom came to an end.

As productivity slowed so wages as a proportion of GDP rose, increasing from around 62% GDP in 1965 to a post war peak of 68% GDP in 1981, as they did so capitalists sought to replace labour by machines, but these machines had now become more expensive. As productivity dropped during capitalism's new crisis phase. Investment took an ever-rising proportion of GDP even as profits fell during the 1970s and 80s.

The slump of 1980-83, engineered to crush organised

labour and drive “inflation” out of the system, saw US wages slashed and so reduced the need for capitalists to invest in expensive labour saving fixed capital. Wages have continued on a downward trend since, down to 62% of GDP in 2007.

The recovery of profits in the early to mid-1990s coincided with the establishment of a new technological basis for production, the IT revolution. US capitalists re-tooled in the late 1990s, once again raising productivity and reducing the price of machines. The bursting of the hi-tech bubble and renewed transfer of production abroad reduced investment once again from 2001-05, before it rose until the crash of 2008.

Brenner however insists that falling investment is a consequence of falling profits:

“Even as the millennium drew to a close, the rates of profit for both the manufacturing sectors and the total private economies of the US, Japan, and Germany, as well as Korea, were not close to regaining their former levels, and, despite much hype and misinformation to the contrary, they failed to do so during the current business cycle right up to the present.”¹⁶

And the heart of his argument does indeed depend on measures of profit rates in the capitalist economy.

Marxists and capitalists on profit rates

The period of globalisation has seen the consolidation of three significant sources of profits for imperialism. Profits from the exploitation of the developing world through the direct export of capital and unequal exchange; buying imported goods at less than their value and selling them at higher prices; profits from financiers exploiting these nations and taking advantage of cheap money from China and the oil exporters.

From the 1990s foreign direct investment (FDI) surged as new markets in the former Stalinist states became available and large semi-colonies like Brazil and India adopted neoliberal capital-welcoming policies. FDI grew from an annual \$200bn in 1990¹⁷ to \$1400bn at the peak of the hi-tech boom in 2000. It fell to \$590bn in 2003 before peaking again in 2007 at \$2tr. Through the course of 2008 and 2009 it fell again to below \$1tr. UNCTAD notes the importance of foreign investment during the downturn, partially compensating for the bigger fall in intra-OECD FDI.

“Developing and transition economies saw FDI inflows rise in 2008 to record levels for both, with their shares in global FDI inflows growing to 37% and 7%, respectively, from 27% and 5% in the previous year. The combined share was 43%, close to the record share attained in 1982 and 2004, which demonstrates the increasing importance of these economies as hosts for FDI during the crisis – at least in 2008.”¹⁸

And imperialist companies profits' rose from \$200bn in 2002 to \$900bn in 2007, before falling to a still very high \$750bn in 2008.¹⁹ The repatriation of these profits to the imperialist heartlands means that in the USA foreign profits now account for around 30% of the US total.

But Robert Brenner excludes foreign profits, financial profits and corporate remuneration from his calculation of profit rates. Unsurprisingly, after excluding the majority

of profits, including all those areas of profit that have grown particularly strongly with globalisation, he concludes that profit rates have stagnated.

In 2006 we wrote in this magazine:

“In the world’s largest economy, the USA, profits, productivity, and output in 1993-2000 returned to within a whisker of the ‘golden years’ performance in the long boom of the 1960s. The trend in average US corporate profit rates is incontestably upwards . . . US profits as a proportion of GDP are the highest for 40 years and on a sharp upward trend and this pattern is repeated across the world. Across the G7 nations (the seven richest imperialists in the world) there has been a growth in the mass and rate of profit,

with a steadily rising trend beginning in 1980, from a trough of just around 10% of GDP to around 14% of GDP today. This trend has seen the bottom of each cycle end at a higher level than the preceding one.”²⁰

Since then our analysis has been confirmed by a series of both Marxist economists and bourgeois institutions. In 2008 Fred Moseley, a US Marxist economist, in a paper entitled *Is the US Economy Heading for a Hard Landing?* wrote:

“It has taken a long time, but the rate of profit is now approaching the previous peaks achieved in the 1960s . . . The last several years especially, since the recession of 2001, has seen a very strong recovery of profits, as real wages

BOOM AND BUST

From slowdown to systemic crisis

▶ THE POST-MILLENNIUM boom was already slowing by 2007. Profits peaked in late 2006 and, as they did so, the US sub-prime real estate bubble burst, consumption slowed and North America slid into recession at the start of 2008.

But what transformed an end-of-cycle slowdown into a catastrophic systemic crisis was the fall of Lehman Brothers in September 2008. In its wake global money markets froze, bank lending ceased and as a result industry and trade fell off a cliff last winter.

Until the summer of 2007 there were essentially three sources of demand driving the world economy.

First, the consumers of the western nations, but in particular the USA, provided a seemingly insatiable demand for the output of China. In 2005 the excess of its imports over its exports reached a record 6% of GDP.

Second, China’s exponential growth sucked in raw materials to feed its export sector, burgeoning domestic consumer market and fixed asset investment in housing, cities, roads, railways, docks, factories and power stations.

Third, the raw materials exporters – the Middle East oil producers, the Latin American soya farmers, copper and iron miners, the Australian diggers and Russian oligarchs – were undertaking an

investment binge on the back of raw materials prices which had doubled or trebled over the course of the previous three years.

The bank freeze of the autumn of 2008 destroyed each of these sources of demand more or less overnight. Consumer borrowing disappeared alongside credit. But at exactly this time China was putting the brakes on its growth.

Rising inflation and a bubble in raw materials prices – oil reached \$147 a barrel in July – meant that the Chinese authorities enacted severe measures to slow their economy through the summer of 2008, limiting bank lending, raising capital adequacy ratios, hiking consumer taxes.

China’s action compounded the contraction. And the raw materials exporters, unsure where prices would bottom, put their investment plans into rapid reverse.

As a result there was a really deep and very rapid fall in output for around four months between October 2008 and February 2009.

But what stopped the slump from becoming a Great Depression was the depth of the financial authorities’ pockets. The US government nationalised the two biggest mortgage providers, Fannie Mae and Freddie Mac, and the largest insurer in the world AIG. Congress finally passed the \$700bn¹ Troubled Asset Relief

Programme (TARP), agreed an \$800bn spending programme and up to \$21tr in financial guarantees for the banks.

The US experience was repeated across the world. In the UK the government took control of most of the high street banking. The Chinese state introduced a very rapid reflation package from November 2008; the government’s headline expenditure of \$580bn was dwarfed by the new lending of the state-owned banks which in the year to September 2009 had loaned \$1.3tr.

As measures of financial stress declined and China began to recover from February 2009 onwards, raw materials prices began to rise too, and alongside them so did world trade and industrial production.

According to JP Morgan, the US investment bank, global industrial production fell 17.7% up to March 2009, but from April onwards it started to grow again, recovering 4.4% or over one-fifth of that fall by August.²

NOTES

1. As of 30 September, the Treasury had \$317.3 billion left to spend, including \$72.9 billion that has been repaid by 47 firms. www.bloomberg.com/apps/news?pid=20601103&sid=a.mZVV4510XU

2. JP Morgan Economic Research Daily Economic Briefing October 14, 2009

have not increased at all, and productivity has increased very rapidly.”²¹

He added:

“And these estimates do not include the profits of US companies from their production abroad, but include only profits from domestic US production. If the profits from overseas production of US companies were added

Even in the new century debt growth was lower than during the period of stagnation during the 1970s and 80s and that of the 1950s and 60s

in, it would appear that the recovery of the rate of profit is pretty much complete.”

Dumenil and Levy, two French Marxists add:

“... the profit rate of the non-financial corporate sector displays the now familiar pattern in three phases: (1) the rise into the 1960s bulge; (2) the decline from the mid-1960s to the early 1980s; (3) a recovery to the levels of the 1950s.”²²

Michel Husson a French Marxist from the Nouveau Parti Anticapitalist²³ states unambiguously:

“Today, the evidence is overwhelming: the rate of profit rate has trended upwards since the mid-1980s... The raw data delivers an unambiguous answer. If we compare the net operating surplus to net capital stock, it shows a clear upward trend in profit rates in major capitalist countries.”

But it is not only the Marxists who have woken up to the recovery of profit rates during the last boom. In 2007 The Bank of International Settlements explained:

“This paper presents data that suggest that the profit share is unusually high at present (and the wage share unusually low). In fact, the extent and cross-country scope of this outcome has no precedent over the past 45 years. This has not simply been driven by recent strong global growth. Rather, it appears to be the result of a two-decade upward trend common across a number of countries.”²⁴

Citigroup agreed:

“The profit share in Europe and elsewhere in the industrialised world has recently been at a 40-year high, driven upwards since the mid-1980s predominantly by the joint forces of globalisation and technological change.”²⁵

Of course, these record profit levels preceded the credit crunch and recession of the winter 2008. So what about since then?

In mid-2009 the US investment bank Goldman Sachs article “The Savings Glut, the Return on Capital and the Rise in Risk Aversion”, Global Economics Paper No: 185²⁶ produced estimates of US, world, European and Chinese returns on capital and yields which demonstrate a very sharp rise since the 1980s. They say:

“... far from declining... the global return on capital... has trended up over the past decade or so. Even in 2008, by which stage the financial crisis had begun to hit

profits materially, the global [return on capital] remained above its long term average.”

According to Goldman Sachs’ figures, the US return on capital (ROC) rose from 5% in 1984 to 16% in 2007 before falling to a recession low of 9%. This remains at twice its 1980s level and well above the trough of previous recessions. China’s increase in profitability is even more dramatic, the return on capital rising from 2% in 1996, to 22% in 2007, a figure which has barely fallen since the credit crunch. The European Union’s ROC has gone from 7% in 1984 to 11% in 2007 and the global figure from 6% in 1982 to 14% in 2007, before falling to 11% with the recession.

Morgan Stanley noted in a paper from August this year:

“Although US corporate earnings have dropped steeply since the start of the Great Recession, net margins for non-financial firms (i.e. the ‘real economy’) have been surprisingly resilient compared to previous economic downturns... Profitability for the non-financial constituents of the S&P 500 Index appears to have ‘troughed’ around 6% in the first quarter of 2009, against an average ‘trough’ of 4% seen in previous economic downturns.”

A major reason for this is the growth of profits outside of the USA:

“Non-US growth has consistently been a major source of corporate profitability through both the boom and bust periods of the past few decades. All told, the foreign share of US corporate profits has risen to 31.3% in December 2008 from 11.5% in 1984.”²⁷

In October JP Morgan commented:

“Looking back at the history of US profits as a share of GDP, what is unusual about the latest episode is the early turn in profits – they bottomed in 4Q 2008, well ahead of the end of the recession, rather than at its end as is customary – and at a much higher share of GDP than might have been expected considering the abrupt collapse in the economy. Looking back, the US profit share has been trending higher since the early 1980s, setting progressively higher highs and higher lows. This pattern continued in the 2000s.”²⁸

Bubblenomics and indebtedness

Brenner supports his claims around stagnation, investment, growth and profitability with an avowal of what he calls “bubblenomics” – the exponential growth of debt (business and household) to offset falling profits, investment and consumption:

“Throughout the previous seven years (from 2008), the Fed’s below zero real short term interest rates, record household borrowing, soaring federal budget deficits, and a falling dollar had already come to constitute a de facto Keynesian stimulus of historic proportions, but the economy had barely budged.”²⁹

But has debt surged since the 1980s decade on decade?

The US Federal Reserves flow of funds data³⁰ tells an interesting story about the growth of debt since the Second World War. Debt has been growing throughout the period, but debt growth accelerated especially during the years of stagnation in the 1970s and 80s. The lowest period

of debt growth was during the first phase of globalisation in the 1990s. But even in the new century debt growth was lower than during the period of stagnation during the 1970s and 80s and that of the 1950s and 60s.

Between 2000 and 2007 as foreign purchases of US treasuries reduced interest rates private non-financial corporations borrowed copious amounts of money directly from the money markets, becoming in the process less and less reliant on the banks for financing. In addition the growth of non-financial profits during the last boom meant that these firms could increasingly finance investment from retained earnings.

Banking profits were squeezed as a result, so they embarked on ever more reckless lending, in particular through lowering credit and mortgage standards by selling so called "sub prime" mortgages.

Households nearly doubled their mortgage debt compared with the 1990s. And as the bubble drove up house prices between 2004 and 2007³¹, mortgage equity withdrawal (i.e. cashing in the rise in value of one's home to spend on consumer goods) rose to between 6-9% of disposable income. This extraction of value increased household indebtedness, although the level of payments rose by nothing like as much as the rise in its nominal value of the debt, due to lower interest rates.³²

While state spending until the middle of 2008 was also relatively low compared to the 1970s and 80s, since then of course it has grown massively as the state bailed out the banks, reaching around 10% of GDP or \$1.4tr in 2009. But this ballooning debt was a consequence of the crisis not, as Brenner claims, its cause.

Conclusion

In the winter of 2008, during the depths of the crisis, we wrote in this journal:

"Comparisons have been made between the current financial crisis and the crash of 1929, which was followed by a Great Depression lasting ten years. The stock market lost 90% of its value between 1929 and 1932 in a succession of falls. Real output in most industries declined dramatically – steel for example ran at 17% of its 1928 capacity in 1932 while overall output fell about 30%. Unemployment in the USA reached 25% and stayed at 20% for many years. By 1939, employment and output remained well below their 1929 levels.

"The Wall Street Crash certainly damaged the US economy profoundly, but more importantly it coincided with

and accelerated the growth of economic nationalism across the world. Those who make comparisons between the Great Crash of 1929 and today should ponder these facts and realise the real differences between the economic and political reality then and now."³³

A year on we have been vindicated. The relative lack of inter-imperialist conflict now compared to the 1930s and

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the greater integration of the world economy have allowed counter-cyclical economic policies to be launched across the board – and even co-ordinated to a certain extent – by many capitalist governments.

The collapse of capitalism was averted. Like a host of other Marxist catastrophists,³⁴ Robert Brenner concludes:

"With a plunging real economy exacerbating the unprecedented financial meltdown and vice versa, how could the governments' new self-described Keynesian interventions, however titanic, hope to stem the tide?"³⁵

We can now answer that question. The tide was stemmed first in China and Asia, followed by Latin America, Europe and Japan. By the middle of the year, most of the world was out of recession. By the end of the year the USA had succeeded in leaving it behind and by 2010 the UK will have too.

Robert Brenner's contribution to the discussion of the world economy has been important inasmuch as he attempts to situate his theory in the empirical data. He highlights real issues around the way in which debt and finance has transformed the economies of the US and UK in particular.

However, his focus on the G7 nations almost (although obviously not entirely) to the exclusion of the emerging markets and his failure to appreciate the scale of the expansion of the world market with the restoration of capitalism in the former centrally planned economies, means that ultimately his analysis is fatally one sided and cannot represent an adequate explanation for globalisation and its latest most serious crisis.

ENDNOTES

1. What is good for Goldman Sachs is good for America: the origins of the present crisis, p1. (www.sscnet.ucla.edu/issr/cstch/papers/BrennerCrisisTodayOctober2009.pdf) Ironically by the time Brenner had published this conclusion the recovery had already begun in Germany, France, Japan, China, Russia, Brazil and Korea. Even in the financial basket cases of the USA and UK the rate of decline had slowed to a crawl.

2. Op cit, p2

3. This is also a sharp drop. According to IMF data from the WEO autumn 2009, the proportion of world GDP produced by the G7 has fallen from 51% in 1992 to 41% in 2009. The USA produces

23%. UN annual expenditure data up to 2008 shows emerging market consumption accounted for 32% of global consumption versus the US 28%.

4. GDP PPP

5. Richard Freeman, The Great Doubling: The Challenge of the New Global Labor Market, August 2006 NBER

6. Why are we in a recession? The Financial Crisis is the Symptom not the Disease! Ravi Jagannathan, Mudit Kapoor and Ernst Schaumburg, September 2, 2009

7. Goldman Sachs article "The Savings Glut, the Return on Capital and the Rise in Risk Aversion", Global Economics Paper No: 185, p11

8. But for some reason they cover different periods, do not all start on the same year in the decade and repeat years in some series but not in others; 1960-69, 1969-79, 1979-90, 1990-2000, 2000-07.
9. Angus Maddison; Review of Income and Wealth Series 44, Number 3, September 1998, Measuring the performance of a communist command economy: an assessment of the CIA estimates for the USSR. www.ggd.net/maddison
10. Brenner op cit, p9
11. The World Steel Organisation do not include figures for the non-capitalist economies before 1990. They take the date of capitalist restoration in the USSR as 1990. To make the figures consistent I have adjusted it to be 1991.
12. While steel production has fallen in the first half of 2009 it remains to be seen what the final year total will be. The August 2009 world monthly total was 18% below that of 2008 but China, which now accounts for around half total steel production, has seen output accelerate sharply from mid-year on, as the government's reflationary package takes hold. And worldwide car production will grow in the second half of 2009, while at the end of 2008 production slowed.
13. www.worldsteel.org/?action=stats_search
14. Italy, France, Germany, USA, UK, Canada, Japan
15. Uzbekistan, Ukraine, Poland, Russia, Serbia, Slovenia, Slovakia, Hungary, Romania, Czech, China
16. Brenner, op cit, p9
17. UNCTAD World Investment Report 2009 p4
18. Brenner op cit p4
19. UNCTAD World Investment Report 2009 p6
20. www.permanentrevolution.net/files/7123421_36-45%20Economy%20corrected.pdf
21. Is the US Economy Heading for a Hard Landing?
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