# Once more (with feeling) on Marxist accounts of the crisis
**Joseph Choonara, *International Socialism*, Issue: 132, 2011**

*A review of David McNally, Global Slump: The Economics and Politics of Crisis and Resistance (Spectre, 2011), £12.95; and Leo Panich, Greg Albo and Vivek Chibber (eds), Socialist Register 2011: The Crisis This Time (Merlin, 2011), £25*

David McNally's *Global Slump* and the latest *Socialist Register* add to the growing body of Marxist literature on the current crisis of capitalism.[1] Here I will focus on the former work but utilise some of the essays in the latter, which contains an eclectic series of takes on the crisis, to make my case.[2]

And there is a case to be made against McNally. Needless to say, *Global Slump* has its share of positive aspects. It is an avowedly Marxist analysis.[3] It presents a lively account of the subprime mortgage crisis of 2007 and the great panic that followed in autumn 2008 as Lehman Brothers collapsed. In addition, the author identifies throughout with the oppressed and exploited. This is all commendable. However, I will focus on the theoretical core of McNally's book, which is composed of arguments that are flawed and inconsistent, backed up by evidence that is weak or at times simply wrong.

McNally's targets are those "radical political economists" who "say that Western capitalism underwent a great boom for a quarter of a century (1948-73), only to fall into a crisis or depression from which it has, for 40 years, never recovered".[4] This includes John Bellamy Foster and Fred Magdoff, of the *Monthly Review* tradition, who do tend to present late capitalism as a stagnating system.[5] But McNally also criticises US-based Marxist Robert Brenner, *International Socialism*'s current editor Alex Callinicos, and its former editor Chris Harman, for defending a more nuanced position that sees 1982-2007 as a prolonged period of weakness for the capitalist system, described by Callinicos as a "long-term crisis of overaccumulation and profitability".[6] What then are McNally's arguments and how do they stand up to scrutiny? His main points are these:

(1) We are wrong to regard the period from 1982 onwards as one of capitalist weakness. In fact, McNally argues, there was a recovery of profit rates and considerable growth during the period from 1982 to 2007, in particular in the economies of East Asia.

(2) Our account wrongly regards the long boom of the 1950s and 1960s as a yardstick against which contemporary capitalism should be measured, and against this it will inevitably be found wanting.

(3) Accounts of financialisation prevalent within radical and Marxist political economy are inadequate, and McNally offers a superior and original account of this process.

Taken together these arguments would amount to a devastating critique of works by authors associated with this journal and many other Marxists who have written on the crisis.[7] I shall assess each claim in turn.

## *How dynamic was the "neoliberal boom"?*

McNally writes, "I dissent from the views of many radical theorists…who see the last 40 years as one of uninterrupted crisis, or a 'long downturn'. Instead I show that the neoliberal period saw a quarter-century cycle of capitalist growth that transformed and expanded the world economy, ultimately producing a whole new centre of world accumulation, based in China, while dramatically increasing the size of the world working class".[8] And again, "While agreeing that capitalism entered a deep slump in the early 1970s, I submit that a sustained (neoliberal) recovery began in 1982…for 25 years after 1982, the trend line for profitability was a rising one and the system underwent a sustained wave of expansion in which the world economy tripled in size".[9]

The careful long-term studies by the late Angus Maddison show that world GDP rose by 140 percent from 1982 to 2007 (ie it was 2.4 times as big in 2007 as 1982).[10] It more than doubled in size; it did not triple in size as McNally claims. But is this even a helpful way of characterising a period? The decade from 1930 to 1940, during which capitalism was experiencing its worst ever crisis, saw 27 percent growth across the major economies for which Maddison has data.[11] This compares pretty well with the 36 percent growth of the global economy in the decade from 1982 to 1992. Growth figures like these prove little.

What about McNally's argument that the profit rate trended upwards from 1982? He writes of the period inaugurated by the "Volcker Shock", which saw US interest rates rise sharply from late 1979, "Wages and inflation were tracking down; profits were tracking up. The result, as Doug Henwood notes, was that 'the central bank led class war succeeded in more than doubling the profit rate for non-financial corporations between 1982 and 1997'. The neoliberal expansion was clearly underway".[12]

We can ask two pertinent questions about this "doubling of the profit rate…between 1982 and 1997". Is it reflected in McNally's data? And, assuming it is, does it make McNally's case? The first issue is easily resolved. McNally presents a graph by Simon Mohun measuring US profit rates from 1964 to 2001.[13] In the period from 1982 to 1997 profit rates rose from 6.5 percent to just below 10.5 percent. This is clearly not a doubling of profit rates. Yet just a few lines below the graph McNally reasserts that "there can be little doubt that the doubling of the US profit rate between 1982 and 1997 that Henwood identified was very real".[14]

Mohun's graph presents the "pre-tax average profit rate" for the US economy. What about measures of the *non-financial profit rate* in the US, which is, after all, what McNally claims doubled in the period? Fortunately, Anwar Shaikh has produced figures for just this in the latest *Socialist Register*. He shows non-financial profit rates rising from approximately 9 percent in 1982 to 13 percent in 1997.[15] By no stretch of the imagination is this a "doubling". No wonder McNally's claim is "surprisingly controversial", especially on what he disparagingly calls "the intellectual left".[16]

But even if McNally presented accurate figures, would it be legitimate to gauge the success of the global, or even the US, economy in this manner? The answer is no. The year 1982 marked the low point of profitability—a trough.[17] The year 1997 was a subsequent peak. As is well known, profit rates tend to rise and fall through each business cycle. In order to show a *secular trend* it is necessary to consider profit rates through entire cycles or at the very least compare troughs with troughs and peaks with peaks. Using McNally's methods I might measure an average temperature in Cairo at the height of summer as 21 degrees in one year and be astonished to find the next year that it had risen to 36 degrees. I could achieve this through the simple expedient of measuring the temperature at night in the first year and during the day in the second—from trough to peak! This kind of data tells me very little about the trend from year to year.

The same applies to McNally's more general claim that "for 25 years after 1982", ie from 1982 to 2007, "the trend line for profitability was a rising one". The end point comes just after the next peak in profit rates (2006 according to Shaikh's data). Let us instead measure from trough to trough: according to Shaikh's graph, profit rates rose approximately from 9 percent in 1982 to…9 percent in 2008.

What needs to be explained is not a fictitious rising trend in the profit rate, but why the *downward trend* from the 1950s through to the early 1980s ended. Again the article by Shaikh gives a useful insight into this. He shows the "counterfactual" profit rate if "corporate non-financial real wages maintained their post-war relation to corporate non-financial productivity". Until 1983 wages had tended to rise with productivity. But, as Shaikh demonstrates, wage increases slowed considerably after this date. Had they continued to rise, profit rates would have fallen pretty much continuously throughout the neoliberal period.[18] In other words, there is strong evidence that the main factor stabilising profit rates was the attack on labour launched in this period and the intensified exploitation that resulted.[19]

This combined with limited restructuring in the major capitalist states to raise profitability from its low point in the early 1980s, at least for a time. But because the restoration of profit rates was only a partial one, capitalists increasingly looked outside the spheres of the economy generating new value through the exploitation of workers. Instead they turned to financial activities that could generate short-term profits. So McNally acknowledges the development of "complex financial instruments [which] might have been profitable for a while, but they were obscure, deceptive and volatile. Built upon fantasies, deceits and nonsensical formulas, the value of these 'assets' was impossible to calibrate".[20] This means that even what we have seen to be a rather limited restoration of profitability "must be treated with care given the widespread phenomena of fictitious profits based on financial manipulation and accounting fraud".[21]

*A global boom?*

If the core of capitalism was far from dynamic in the neoliberal period, what about the wider system? McNally argues that it is necessary to "treat the world economy as a totality" and avoid setting too much stock on the performance of particular national economies at the core.[22] Nor, he insists, can we rely on "national economic indicators" such as GDP to assess the world economy.[23] Nonetheless, a couple of paragraphs after making this claim, when he wants to show that "while the neoliberal expansion (1982-2007) did not reach the heights of the Great Boom, it compares favourably with every other phase of capitalist history", he produces a table giving annual average compound rates of GDP growth.[24]

Unfortunately, these do not really demonstrate much at all. The world figures from 1870 that he presents are suspect both methodologically (for reasons McNally himself gives) and also because much of the globe had not yet reached the point where there was rapid capitalist accumulation. The data lumps together vast swathes of the world where capitalism had barely established itself with the core of the system. Setting aside these points, we find that world GDP grew 2.11 percent per annum from 1870 to 1913, compared with 3.05 percent from 1973 to 2001. Once we take into account that in the earlier period the world population grew considerably less than in the latter, we find that the neoliberal "boom" period resulted in lower levels of *per capita* average compound growth than 1870-1913, a period that contains what was until the 1930s known as the Great Depression (1873-96). It is simply not acceptable, based on this data, to treat the neoliberal period as one exhibiting growth that compares favourably with every period other than the long boom.

It is, of course, quite true (and universally acknowledged by Marxists) that capitalism has become in many ways more globalised in the recent period. Trade, and cross-border production and investment have all grown considerably.[25] But here, as elsewhere, McNally uses dubious measures. So at one point he writes that 1980-2005 "saw a quadrupling of the world's so-called

export-weighted global labour force". What is the "export-weighted" labour force? It is "an estimate of working class size based on exports to world markets", calculated by measuring a country's labour force and multiplying it by the share of exports in GDP. By this measure we are told that in East Asia "the working class increased nine-fold—from about 100 million to 900 million",[26] whereas later we are told that the employed working class, surely a much more sensible measure, was 120 million in China alone in 1978, rising to 350 million by 2003.[27] Given the huge discrepancies, it is not clear what the export-weighted figure, favoured by the IMF and World Bank, really establishes. Using this measure I can show all sorts of absurd things—that the labour force for Saudi Arabia tripled between 1998 and 2008, for instance.[28]

Similarly, on foreign direct investment (FDI), McNally writes, "By 2002 China was the world's largest recipient of foreign direct investment, which had increased 50 times over just 17 years, from $1 billion to $50 billion per year between 1985 and 2002".[29] China's FDI figure for 2002 was $52.7 billion, just above that for France ($51.5 billion).[30] However, this was based on a collapse of FDI into the US due to the recession of 2001-2. By 2004 FDI into the US had reached $95.9 billion, overtaking China's ($60.6 billion) by a considerable margin.[31] By 2010 the gap had grown, with the US receiving $228 billion in FDI, more than twice China's $106 billion.[32] None of this is to dispute the huge growth of the Chinese economy, and the role that external investment has played in this, but McNally's sloppy and selective use of data undermines his case.

It is also true, as McNally does make clear, that China is in many ways exceptional. Investment remains concentrated in the core economies of the North plus some regions of China. Indeed, almost the entire decline in manufacturing in the Global North is, he argues, accounted for by China's rise.[33] But even the rise of China needs to be seen in perspective. As a recent article in *New Left Review* argued, "China is still a developing country, far from having 'caught up' with the advanced economies. Although its population is nearly 300 million larger than that of all the high income countries combined, China's national output is less than a fifth of theirs, and its exports around a tenth".[34] China has a long way to go, and there is nothing at all inevitable about its growth continuing as it has over the past decade.

### *Shifting the boundary*

One other aspect of McNally's analysis of the neoliberal "boom" needs to be addressed. Having argued that we have witnessed a period of 25 years of rising profitability and impressive growth, he then states that the "wave of capitalist expansion began to falter in 1997 with the crisis in East Asia… After that regional crisis, and even more so after the bursting of the dotcom bubble in the US in 2000-1, a massive expansion of credit did underpin rates of growth, creating profound sources of instability in the financial sector. So, while the entire period after 1982 cannot be explained in terms of credit creation, the postponement of a general crisis *after* 1997 can".[35]

Now this is a strange argument at a number of levels. In a footnote he taxes me with having "considerably confused" an earlier version of this account when I accused him of "shifting the date of 'financialisation and credit-driven growth from the early 1980s to 1997'." [36] McNally conceives of financialisation as a much longer process, stretching back to the 1970s, a point I am happy to concede. However, the rest of my criticism still stands:

There are…several problems with his periodisation…it is not clear that the rapid accumulation in East Asia was concentrated in the period from 1981 to 1997. Chinese growth rates remained high even after 1997… By contrast, Japan, the biggest East Asian economy, grew steadily in the 1980s but then stagnated after 1991… McNally does not sufficiently explore the relationship between accumulation in East Asia and the larger Western economies. Is there evidence that somewhat increased profitability in the West led to a wave of investment in East Asia concentrated in the period before 1997? This certainly does not seem to hold for the 1980s when, for instance, foreign direct investment into the East Asian economies remained fairly constant and low relative to investment in the major OECD economies…

While the East Asian economies certainly helped fuel credit growth in the US after 1997, for instance by building up large reserves of US Treasury bonds, many of the elements that would be carried to grotesque proportions in the run-up to the current meltdown were already in place. The first sharp rise in the US debt to GDP ratio was between 1981 and 1987, followed by a second sharp rise from 1997, which accelerated after 2001".[37]

Indeed, the new material in McNally's book heightens my suspicions. For instance, he writes of East Asia, "By the *early* 1990s an overheating economic expansion was being fuelled by waves of speculative investment that drove real estate and stock prices sky-high. So long as quick profits were being made, the hot money kept on coming".[38] This sounds to me like an episode of "credit driven" growth in the very arena that McNally sees as central to the expansion of global capitalism prior to 1997. We could add to this the surge in debt in Japan from the late 1980s that helped to create the country's property bubble, the collapse of which Hugo Radice's article in *Socialist Register* describes as the first in a series of "speculative 'bubble' crises" of the neoliberal era.[39]

*Fixated on a golden age?*

What about the second claim made by McNally, namely that we remain fixated on the long boom that followed the Second World War? He writes, "These were the golden years of Western capitalism, and they have become such a powerful cultural marker that even many left wing critics treat them as the norm. If capitalism is not replicating the Great Boom, then they declare the system to be in crisis".[40]

If this were the case, it would be instructive if McNally analysed profit rates prior to 1945 in order to compare them with the post-1982 period. However, he does not. He only mentions profit rates before the long boom with reference to the run-up to the Great Depression of the 1930s: from "*1925 to 1929*, the US and international economies were certainly booming... *Profits soared*... With *profits rising*, businesses feverishly built factories and invested in new technologies, all in the expectation of yet greater profits to come".[41] Yet three pages later we discover, "The over-investment boom of the 1920s had actually started to *depress profits* by *1927-28*".[42] Again there seems to be confusion between "up" and "down".

However, the long boom does stand out in the history of capitalism. What marks it out is not so much the pace at which GDP could grow in the short term or the level that profit rates could attain; the boom is marked by its *sustained* nature. According to one recent study of the US economy, GNP growth[43] often peaked at much higher rates in the pre-war period, but it also crashed regularly, causing sharp contractions in the economy. The period 1900-46 saw contractions every 3.9 years on average, with an average length of 18.1 months and average decline in real GNP of 6.7 percent. The period 1947-2007 saw contractions every 6.1 years, with an average duration of 10.4 months and decline in GNP of 1.5 percent.[44] What had been a frenzy of boom and bust gave way, at least for a time, to more placid oscillations—with growth never reaching the dazzling heights it had before, but continuing for far longer and with less devastating interruptions, leading to greater overall expansion in the long run.

This change, which was echoed in other major economies, was founded on a profound shift in capitalism from the late 1920s onwards, which accelerated during the Second World War, described by Harman as a "turn to state capitalism".[45] Even when the mobilisation for war ended, levels of state spending and economic intervention remained extremely high.

This transformation had implications for the post-war period. The impact of the Great Depression and, in particular, the war itself led to a sharp peak in profit rates in the late 1940s.[46] Marxists might have expected this to translate into high levels of accumulation, which in turn would put pressure on future profit rates.[47] However, in the post-war period the decline in profitability was slowed because large amounts of value were channelled away from accumulation in a colossal process of waste creation—notably through arms production undertaken by states such as the US and Britain during the Cold War. This was the system that Tony Cliff, Michael Kidron and Chris Harman would come to call the "permanent arms economy".[48]

The shift in capitalism did not eradicate the tendency towards crisis, merely deferring the problems and altering how they were ultimately to manifest themselves. So the post-war period *did* see a long decline in profit rates in the major economies, but at a much slower rate than would otherwise have been the case. There were other tensions developing. The boom encompassed less militarised states—notably Japan and Germany—which were able to enjoy the generalised expansion of the system without themselves bearing the burden of arms spending, allowing them to outpace the US during this period.

In the course of the boom the economy became more global as areas outside the traditional core of the system grew—with trade expanding far faster than production and capitalism increasingly relying on chains of production that spanned borders. The system was coming up against the limits of state capitalist accumulation, even as the long decline in profit rates helped generate a period of crises from 1973 to 1982. The outcome of this did involve some reorganisation of national economies in the face of intensifying competition. So Harman wrote of the US economy in 2001:

The US ruling class had not just been prepared to sit back and watch while Japanese capitalism challenged its global economic hegemony…major US firms responded to the increased competitive challenge from Europe and especially Japan by a sustained programme of rationalisation and re-equipment. This began in the early 1980s. It was then, for instance, that the US auto giants began to undertake programmes designed to re-establish their domination of both the US and global market in the face of competition from Toyota and Nissan… Along with this went a strategy of accelerated investment… Behind the free-market, neoliberal rhetoric designed to impose US trade policies on the rest of the world lay a willingness to rely on state intervention, state capitalism, when it came to bolstering the power of domestic capital.[49]

The continued high levels of state intervention, along with other areas of continuity such as high levels of waste production, are important. They show that the transformation of capitalism that took place from the late 1920s to 1945 was not reversed, even if capital was now organised on a more international basis than before and waste generation could no longer defer the tendencies towards crisis as it once had. It is this that makes the comparison with the long boom—in which profit rates were sufficiently high and sustained to maintain the form of capitalism that had developed—an apt one.

*Between stagnation and dynamism*

As we have seen, the crises of the mid-1970s and early 1980s did not restore profitability to the kind of levels seen through much of the earlier post-war period. During the 20th century, especially in the long boom, the "units of capital" making up the system had expanded enormously. States, now themselves major players in the economy, were not prepared to allow crisis to sweep through the system and take down large chunks of it. The attempts to bail out and restructure the system, combined, as we have seen, with a colossal driving up of exploitation of workers, helped to produce a recovery. But to restore profit rates fully would have required what Karl Marx described as a crisis "in which momentary suspension of all labour and annihilation of a great part of the capital violently lead [capitalism] back to the point where it is enabled [to go on] fully employing its productive powers without committing suicide".[50] In the absence of this, capitalism retained strong *tendencies* towards stagnation that coexisted with the dynamism produced as those presiding over the system competitively reorganised their capitals and sought new areas of the globe into which to expand.

Of course, the system was not in a period of *permanent* stagnation. Nonetheless, it is worth noting that there was stagnation across Latin America for much of the 1980s and from the 1990s in Japan (then the world's second biggest economy); the USSR (estimated at anywhere from a third to a half of the size of the US economy) collapsed in the early 1990s, and its successor states suffered sharp contractions in 1998; there were countless meltdowns afflicting areas of the Global South; economies such as the "Asian Tigers" faced crisis in 1997; and even in the US there were sharp recessions in the early 1990s and early 2000s.

Understanding the weakness of profitability and the tendency towards stagnation in the period from 1982 helps to grasp the vicissitudes of this period. It also allows us to grapple with the roots of the current crisis, including the rise of what many Marxists call today financialisation. It is to this that we now turn.

*A unique account of financialisation?*

McNally agrees with us that "while the crisis is not about finance *per se*, the financial sector has indeed assumed a new significance in late capitalism".[51] But McNally promises more, "a unique account of financialisation" no less.[52] He tells us that this is original because "I underline the historic transformation of world money that occurred after 1971, when the US government ended the convertibility of dollars for gold, thereby launching an era of floating exchange rates for currencies. It is here that I locate the roots of the proliferation of exotic instruments such as financial derivatives, which featured so prominently in the financial meltdown of 2008".[53]

Thus the "structural foundation of financialisation" lies, for McNally, in "the legal decommodification of world money in 1971-3".[54] He also adds an earlier "structural foundation of financialisation" in the form of the "so-called Eurodollar market", based on the trade in dollar-denominated assets outside the legal jurisdiction of the US.[55] The creation of the first Eurodollars dates back to 1957. So clearly a number of episodes, in which 1971 was an important turning point, were involved. But there is nothing at all original about such an account. For instance, Alex Callinicos writes:

The re-emergence of globally integrated financial markets characterised by a high degree of international capital mobility was a process that took several decades. The first real break in the managed financial system of the early post-war years…came at the beginning of the 1960s. The emergence of the Eurodollar market allowed currencies to be traded beyond the borders of their issuing state. But the increasing power of financial markets was demonstrated by the prolonged crisis of the pound sterling from the late 1950s onwards and by the growing monetary instability surrounding the dollar that eventually led the Nixon administration to break the link with gold in August 1971.[56]

David Harvey writes of the period of "neoliberal hegemony, 1970-2000", "A different kind of system emerged, largely under US tutelage. Gold was abandoned as the material basis of money values and thereafter the world had to live with a dematerialised monetary system. Flows of money capital, already moving freely around the world via the Eurodollar market…were to be totally liberated from state control".[57]

According to Peter Gowan, "From the mid-1980s on, proprietary trading in financial and other assets became an increasingly central activity for the investment banks, and for many commercial banks, too. This turn was connected first to the new volatility in foreign-exchange markets after the dismantling of Bretton Woods; and then to the opportunities created by domestic financial liberalisation".[58]

Robert Wade writes:

When the Bretton Woods system collapsed in 1973 all this [limitation of trade deficits, restrictions on private capital flow, the stability of the main economic parameters, etc] changed… The adjustment mechanisms that had kept trade imbalances in check under Bretton Woods no longer worked. Now that the US was not obliged to pay for its imports in gold, or in dollars backed by gold, and could instead pay with dollars or Treasury bills without supply-side limits, American deficits began to grow, as did the number of dollars in circulation worldwide. The corollary of the US current-account deficit, now standing at 6 percent of the country's GDP, was the swelling of other countries' central bank reserves, most of which consist of dollars and dollar-denominated debt instruments. The increase in central bank reserves provided the basis for rapid credit expansion.

World liquidity surged, and the owners and managers of finance put pressure on governments to remove restrictions on cross-border capital flows. A few major OECD economies, notably the US and the UK, opened their capital accounts during the 1970s; other OECD economies followed through the 1980s, joined by growing numbers of developing countries in the next decades. At the same time there was a proliferation of private financial organisations, thanks to the removal of the constraints on finance imposed by the Bretton Woods regime. They include insurance companies, pension funds, stockbrokers, investment banks, mutual funds, venture capitalists, hedge funds and financial management companies… These vast pools of funds have changed the face of the world economy.[59]

The significance of these shifts in the world economy is almost universally recognised by Marxist and radical left writers on political economy. Of course, it should be added that the undermining of Bretton Woods, which helped to pave the way for financialisation, was a consequence of something else—the contradictions within the permanent arms economy that saw the non-militarised state capitalisms of Germany and Japan outpace the US economy, and the resulting US trade deficit. McNally seems to draw similar conclusions, writing that "other capitalistically developed economies of the North grew more quickly than did America, constrained as it was by massive military spending".[60]

McNally goes on to outline the way speculation in foreign exchange rates grew with the new system of floating currencies. He writes that "the over the counter market in currency-related instruments (derivatives) soared from $1.2 trillion in 1992 to $4.2 trillion 15 years later".[61] These dates are important because they show that, whenever the "structural foundations" were laid, the really dramatic expansion of these markets came much later. The same is true of other financial markets. Personal indebtedness grew especially fast in the US in the 1980s and the 2000s; the shadow banking system overtook the traditional banking sector in the early 1990s and grew incredibly rapidly until 2007.[62] McNally notes that although "securitisation of mortgages had been around since the 1970s", "it did not really take off until the early 1990s… But the sheer, unbridled explosion occurred from 2000 on".[63] Similarly, financial profits, as a proportion of the total, in the US grew in two huge surges, from 1985 to 1994 and then from 2001 to 2007.

Marxists have highlighted many important changes in capitalism that allowed finance to flourish. To McNally's emphasis on the emergence of floating exchange rates we could add the potential for new technology to simplify certain complex operations undertaken by banks, the global expansion of capitalism that required more sophisticated financial markets to increase the fluidity of capital across borders, the conscious political decisions of our rulers to promote finance, and so on. Such changes help to explain how financial markets *could* expand. But even taken together, they do not fully explain why financial markets *did* expand and why they did so with such rapidity.

The weakness of capitalism in the neoliberal period, its inability to produce the kinds of return on investment it had produced, not in the 1890s or 1910s, but during the immediately preceding decades, was of fundamental importance in spurring capital to enter into and expand financial markets. But this is the very element that McNally has rejected in his account, leaving him with "structural foundations" and an interesting narrative of financialisation, but an absence of real *explanation*.[64]

*Crisis and resistance*

McNally concludes *Global Slump* with two chapters covering the impact of the crisis on the oppressed and exploited of the world, and the potential for resistance. There are plenty of stories, both horrific and inspiring, in this section. But the strategic advice on offer is a little disappointing. McNally seems to see the potential for resistance as concentrated among the most downtrodden and oppressed. For example, his discussion of the US labour movement focuses almost entirely on immigrant labour, adding as an afterthought that "the self-organisation of workers of colour will also have to confront the problem of drawing white workers into the struggle". This "is not accomplished by trying to find a common ground of 'class unity' that ignores or downplays the very real social hierarchies—based on race, gender, sexuality, and ability—that frequently divide workers".[65] Here, in common with much contemporary writing on the left, class is seen as just one among many kinds of identity in a kaleidoscope of struggle.

At times McNally's writing is reminiscent of the first flushes of the anti-capitalist movement between the Seattle WTO protest of 1999 and that in Genoa against the G8 in 2001. This language captured the enthusiasm and desire for unity in that period, but through its celebration of *the new* it tended to gloss over historical arguments—on questions such as parliamentarianism, the role of the state, the relationship between class and oppression, etc—which were to have profound consequences in the period ahead. There is much revelling in "social struggles that…bring together racial, gender, class, urban, and rural experiences, 'producing a complex, multidimensional kind of resistance'" and exhortations to radicals to "seek to further the important strides already made in building new organisational capacities able to lead mass insurgencies from below".[66]

It is worth considering what forms of resistance have been most powerful during the "great slump", namely the movements that in early 2011 overthrew dictatorships in Egypt and Tunisia. These were in many ways classic revolutionary mobilisations, though of course they had their share of originality. The most visible expressions of the movement were the crowds of "workers, small business people, artisans, the unemployed and underemployed whose families can't support them, those who toil in the shadow economy of petty street-trading and hustling" gathered in Cairo's Tahrir Square. But, as Anne Alexander has shown in her articles for this journal, mobilisations of groups of workers within their workplace were crucial to the actual ousting of Hosni Mubarak. It is this continued mobilisation that creates the conditions in which the revolution can deepen from a political to a social and economic challenge to the existing order.[67]

Taking up broader questions of oppression is vital in any revolutionary movement, but crucially that means tying these issues to the group in society whose collective resistance can most effectively challenge capitalism—and that remains the working class. The strategic issues this poses will be resolved through both shared activity and political debate. The need for revolutionary parties, committed to a revolutionary transformation of society, clear on the historical lessons hard-won in the 20th century and capable of working within wider movements, has not vanished; it is intensified in the current period. "Without a rebirth of mass struggle, it is impossible to get much beyond the sphere of small radical groups, some of whom do good work, others of whom are more intent on squabbling," writes McNally.[68] Unfortunately, struggle tends not to arrive on schedule. The work done in the here and now, by relatively small groups of revolutionary socialists, will be important if we are to attempt to shape and strengthen the struggles that do emerge in the future.

For such groups, clarity about the nature of the period we have passed through and the one we have entered will be essential. Despite the tone of much of this review, I consider McNally an important revolutionary and Marxist thinker. His contribution and the challenges he poses in this field should raise the level of debate on the nature of the crisis. However, this book is unworthy of his abilities. I hope his future interventions will avoid overstating the trends he identifies or exaggerating his own theoretical originality.

*Notes*

1: I surveyed the earliest Marxists accounts, written up to summer 2009, in Choonara, 2009a. Since then there have been several major works on this theme, including David Harvey's Enigma of Capital (2010), which I reviewed earlier this year (2011); Alex Callinicos's Bonfire of Illusions (2010); Chris Harman's Zombie Capitalism (2009); Gérard Duménil and Dominique Lévy's The Crisis of Neoliberalism (2011), which is reviewed in the current issue of this journal; and various writings by Guglielmo Carchedi, including the piece that also appears in this issue.

2: The standout essays from Socialist Register are those by R Taggart Murphy on Japan, Dick Bryan and Michael Rafferty on derivatives, and the Anwar Shaikh piece that I cite below. However, all of these authors have previously produced similar essays elsewhere.

3: Although at times it seems rushed. For instance, at one point McNally writes, "We sell a commodity (usually our labour)...", and later, "Labourers are compelled…to sell their labour to an employer"-McNally, 2011, pp73, 114. He clearly means "labour power", not "labour". This is a rather important distinction. See, for example, the discussion of David Ricardo in Marx, 1969, pp399-400.

4: McNally, 2011, p26.

5: See Choonara, 2009a, pp93-96, for my critique of the Monthly Review tradition's writings on the crisis.

6: See McNally, 2011, pp201-202, footnote 61. There are important methodological differences between Brenner's approach and those of Harman, Callinicos and me. However, Brenner reaches similar conclusions about the overall trajectory of the system. See Choonara, 2009a, pp96-99.

7: And, sadly, they seem to have been accepted by several astute Marxists in or close to our tradition. Lee Sustar recently deployed an earlier version of McNally's arguments in his critical review of Harman's Zombie Capitalism for the US publication International Socialist Review. See Sustar, 2011, and the glowing review of McNally's book from the same publication, McDonald, 2011. The book has received a similarly positive write-up from Charlie Post in the Canadian publication New Socialist (Post, 2011) and from Pam Frache in the Canadian Socialist Worker (Frache, 2011), along with praise from the Dutch International Socialists (Zwan, 2011).

8: McNally, 2011, p9.

9: McNally, 2011, p26.

10: Calculated in 1990 International Geary-Khamis from Angus Maddison's tables. See [www.ggdc.net/MADDISON/](http://www.ggdc.net/MADDISON/)

11: Thirty major Western European economies, the US, Canada, New Zealand, Australia, the USSR, eight major Latin American economies, India, Indonesia, Japan, the Philippines, South Korea, Taiwan, Malaysia and Turkey.

12: McNally, 2011, p36.

13: McNally, 2011, p49. Callinicos, 2010, p57, presents the same graph, though obviously to make an entirely different case.

14: McNally, 2011, p49.

15: Shaikh, 2011, p48. On profit rates, see also Harman, 2010.

16: McNally, 2011, p36.

17: At least in the data McNally is using. The dates for the peaks and troughs in profit rates are slightly different in Carchedi's article in this issue of the journal.

18: Shaikh, 2011, pp49-50.

19: Similar points are made in Carchedi's article in this issue of the journal and in Harman, 2009, pp236-237.

20: McNally, 2011, p19.

21: McNally, 2011, p49.

22: McNally, 2011, p37. A bizarre complaint given the effort he expends attempting to show a rise in US profit rates. Indeed, he doesn't discuss profit rates outside the US economy. He does say that investment is about capturing "global profits (or surplus value)", but nowhere does he establish that there is, say, a global rate of profit, discuss the evidence for its existence or explain how it might be formed.

23: McNally, 2011, pp37-38.

24: McNally, 2011, p38.

25: Harman, 2009, pp255-275.

26: McNally, 2011, p51.

27: McNally, 2011, p134.

28: Calculated from World Bank, databank; Central Department of Statistics and Information, Saudi Arabia.

29: McNally, 2011, p54.

30: Unctad, World Investment Report 2003, chapter 1. Technically, McNally is wrong about China being the biggest recipient of FDI-the figure for Luxembourg is $125.6 billion, though this has more to do with the country's tax regime than with productive investment.

31: Unctad, World Investment Report 2005, overview.

32: Unctad, World Investment Report 2011, overview.

33: McNally, 2011, p55.

34: Nolan and Zhang, 2010, p107.

35: McNally, 2011, p41.

36: McNally, 2011, p214, footnote 208.

37: Choonara, 2009a, pp92-93.

38: McNally, 2011, p59, my emphasis.

39: Radice, 2011, p26. A more detailed account is provided in Murphy, 2011, pp160-163, which also appears in Socialist Register.

40: McNally, 2011, p27.

41: McNally, 2011, p63, my emphasis.

42: McNally, 2011, p66, my emphasis.

43: GNP is roughly speaking the total goods and services produced by workers residents of a particular country; GDP is the total goods and services produced within a particular country's borders.

44: Tymoigne, 2008, p11, table 1. See also the striking graph on the same page.

45: Harman, 2009, pp153-155.

46: Carchedi considers some of the reasons for this in his article in this issue of the journal.

47: Those not familiar with these arguments can consult Choonara, 2009b, pp68-83; Harman, 2009, pp68-75.

48: For summaries of the theory, see Harman, 2009, pp161-190; Choonara, 2009b, pp134-137; Pozo, 2010.

49: Harman, 2001, pp45-47.

50: Quoted in Panitch and Gindin, 2011, pp1-2.

51: McNally, 2011, p10.

52: McNally, 2011, p88.

53: McNally, 2011, p10.

54: McNally, 2011, p214, footnote 208.

55: McNally, 2011, p91.

56: Callinicos, 2010, p61.

57: Harvey, 2003, p62; see also Harvey, 2010, p24.

58: Gowan, 2010, p172.

59: Wade, 2006, pp116-117.

60: McNally, 2011, p90.

61: McNally, 2011, p94. Bryan and Rafferty also make 1971 a key turning point in their article on derivatives in Socialist Register, adding that "many forms of derivative began life or were resurrected as an attempt to escape the constraints of national capital controls, and in so doing contributed to the de facto breakdown of the Bretton Woods regime"-Bryan and Rafferty, 2011, p204.

62: Shadow banking includes areas such as hedge funds and money funds that lie outside the traditional system of deposit-taking banking.

63: McNally, 2011, p102.

64: For my attempt to explain financialisation as a consequence of declining profitability in the value-producing areas of the economy, see Choonara, 2009a. See also Harman, 2009, pp277-304, and Callinicos, 2010, pp20-63.

65: McNally, 2011, p171.

66: McNally, 2011, pp159, 160.

67: Alexander, 2011.

68: McNally, 2011, p178.

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