Neoliberalism redux? Managing the contradictions of neoliberalism in crisis

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Outline

• The capital relation
• Contradictions of the capital relation
• Variegated capitalism in the shadow of neoliberalism
• Why neoliberalism matters
• The North Atlantic Financial Crisis
• The Eurozone Crisis
• Neoliberalism Redux
• Conclusions
TWO SPECIAL COMMODITIES

• LABOUR-POWER (HAS A PRICE BUT IS NOT YET PRODUCED FOR SALE IN A COMPETITIVE CAPITALIST LABOUR PROCESS)

• MONEY IS THE UNIVERSAL COMMODITY (GENERALIZED MEDIUM OF EXCHANGE) THAT CAN BE USED TO BUY ALL OTHER COMMODITIES

• MONEY AS MONEY VS. MONEY AS CAPITAL

THE CAPITAL RELATION

“EVERY MORNING I WAKE UP ON THE WRONG SIDE OF CAPITALISM.”
## Some Foundational Contradictions

<table>
<thead>
<tr>
<th>Basic Form</th>
<th>Value Aspect</th>
<th>Material Aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity</td>
<td>Exchange-value</td>
<td>Use-value</td>
</tr>
</tbody>
</table>
| Labour-power | a) abstract labour as substitutable factor of production  
b) sole source of surplus value | a) generic and concrete skills, different forms of knowledge  
b) source of craft pride |
| Wage       | a) monetary cost of production  
b) means of securing supply of useful labour for given time | a) source of effective demand  
b) means to satisfy wants in a cash-based society |
| Money      | a) interest bearing capital, private credit  
b) international currency  
c) ultimate expression of capital in general | a) measure of value, store of value, means of exchange  
b) national money, legal tender  
c) general form of power in the wider society |
<p>| Derivatives | Pure value in motion Arbitrage | Hedging |</p>
<table>
<thead>
<tr>
<th></th>
<th>Value Aspect</th>
<th>Material Aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productive Capital</strong></td>
<td>a) Abstract value in motion as necessary moment in the self-expansion of capital</td>
<td>a) stock of specific assets to be valorized in specific time and place under specific conditions</td>
</tr>
<tr>
<td></td>
<td>b) source of profits of enterprise</td>
<td>b) concrete entrepreneurial and managerial skills</td>
</tr>
<tr>
<td><strong>Land</strong></td>
<td>a) Transformed natural resources</td>
<td>a) Freely available and uncultivated resources</td>
</tr>
<tr>
<td></td>
<td>b) Alienated and alienable property, source of rents</td>
<td>b) 'Free gift of nature' that is [currently] unalienable</td>
</tr>
<tr>
<td><strong>Knowledge</strong></td>
<td>a) Intellectual Property</td>
<td>a) Intellectual Commons</td>
</tr>
<tr>
<td></td>
<td>b) Monetized Risk</td>
<td>b) Uncertainty</td>
</tr>
<tr>
<td><strong>State</strong></td>
<td>Ideal Collective Capitalist</td>
<td>Factor of Social Cohesion</td>
</tr>
<tr>
<td><strong>State Bond</strong></td>
<td>Interest-bearing (fictitious) capital</td>
<td>Means of reproducing state and its activities</td>
</tr>
</tbody>
</table>
The Significance of Contradictions

- Contradictions of capital relation are incompressible but their weight varies with stages and ‘varieties’ of capitalism.
- Contradictions → dilemmas (e.g., does State treat wages, including social wage, mainly as source of demand – Keynesian welfare; as cost of [international] production – neoliberal retrenchment; or both – as in flexicurity?)
- Handling of these contradictions shapes later crises (e.g., Keynesian welfare state is weakened as wage *qua* cost, money *qua* currency, get more significant, limiting crisis-management capacities, damaging social compromise)
- Next spatio-temporal fix(es) depend on path-shaping initiatives and new challenges to accumulation
Productivist vs Liberal Strategies

• Productivist vs liberal proto-concepts are ideal-typical depictions of ‘spontaneous’ or self-evident interests of a fraction of capital and how to secure them.

• *Productivist concept* oriented to material nature of production and use-values and reflects interests of industrial capital, which more often needs to valorize a given set of specific assets in a particular space and time.

• *Liberal concept* prioritizes maximum mobility of money as capital in world market; oriented to exchange-value.

• Comprehensive concepts synthesize proto-concepts for specific periods and conjunctures in (world) market
## Wage-Led vs Finance-Dominated Growth

<table>
<thead>
<tr>
<th>Wage-led growth privileges</th>
<th>Finance-domination privileges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• wage as source of demand</td>
<td>• wage as cost of production</td>
</tr>
<tr>
<td>• labour-power as concrete skills</td>
<td>• labour-power as abstract labour</td>
</tr>
<tr>
<td>• productive capital as stock of assets</td>
<td>• productive capital as abstract value in motion</td>
</tr>
<tr>
<td>• money as medium of exchange</td>
<td>• money as interest-bearing capital</td>
</tr>
<tr>
<td>• money as national (or state) money</td>
<td>• money as international currency</td>
</tr>
</tbody>
</table>
To make the poor work harder you link pay to productivity.

To make the rich work harder you link industry and unions.

Fordist class compromise.
Neoliberalism

To make the rich work harder you pay them more

To make the poor work harder you pay them less
Kinds of Neo-Liberalism

• Neo-liberal system transformation
  • Shock therapy in post-socialist, market economies (ground zero)

• Neo-liberal regime shift
  • Principled roll-back of post-war settlements, roll-out of neo-liberalism

• Neo-liberal structural adjustment programmes
  • Imposed on “crisis-ridden” economies by external powers & forces

• Neo-liberal policy adjustments
  • Pragmatic adaptation of post-war growth modes to new conditions
Neoliberal Highpoint and After

• 1980s-early 1990s
  All forms co-exist → celebration of neo-liberal hegemony

• Mid-1990s
  System transformation fails, crisis in roll-back phase of regime shifts, structural adjustment fails, neo-liberal policy adjustments are reversible

• Late 1990s-early 2000s
  Neo-liberal bubbles begin to burst, ‘rescued’ by creating conditions for more bubbles
  Crisis of world market shaped by neo-liberalism
Sequential but Overlapping Phases in Neoliberal Regime Shifts

1. **Roll-back**: end ‘normal’ and ‘exceptional’ forms of state intervention linked to welfare and/or developmental states

2. **Roll-out**: ‘exceptional’ measures to establish ‘normal’ forms of neo-liberal rule nationally, supranationally, internationally

3. **Crisis-managed** phase: ‘exceptional’ steps to save neo-liberal project with flanking and supporting measures to keep neo-liberal project moving forward plus a strong ‘security state’

4. ‘**Blow-back’**: emergence of distinctive crises of neo-liberal finance-dominated accumulation

5. **Crisis of neo-liberal crisis management** leading to search for new accumulation regime, mode of regulation, and state?
States and Neoliberalization - I

- In the **genesis of neoliberalism**, private organizations prepared an intellectual war of position that pre-positioned neo-liberal ideas to exploit economic and political crisis of the late 1960s and 1970s and to make neo-liberal solutions appear to be ‘common sense’
- In **neoliberal system transformation**, national states were backed by leading imperial states (USA and EU) plus Bretton Woods agencies (notably IMF, World Bank, and WTO) to undertake ‘shock therapy’
- Linked to kleptocratic practices and unusual deals with political authority that broke all neoliberal principles.
States and Neoliberalization - II

• Something similar occurred in case of neo-liberalism imposed through structural adjustment policies.

• Public authority, usually elected but sometimes dictatorial, played a crucial role in neo-liberal regime shifts by rolling back post-war settlements in different types of economic and political regime.

• In pragmatic neoliberal policy adjustments, states had key role but this reflected normal play of politics and policy-making. But there was a ratchet-like effect as pragmatic policies cumulated over time.
States and Neoliberalization - III

• Public authority also played crucial roles, with financial and industrial capital in exploiting roll-back of earlier institutionalized compromises.

• Capital exploited these opportunities on an increasingly global scale thanks to the push to roll out neoliberalism through economic, political and ideological pressures.

• Unusual deals with political authority facilitated by campaign finance, lobbying, and revolving doors promoted the ‘deregulation, desupervision and de facto decriminalization’ (Black 2012) of finance
Why Neo-Liberalism Matters - I

• Neo-liberalism privileges exchange-value moment of capital’s inherent contradictions and associated fractions of capital, their overall strategies and specific policies

• Regardless of type, neo-liberalism generalizes and intensifies contradictions on a world scale - world crises become possible

• Logic of capital colonizes other systems and lifeworld through profit-oriented, market-mediated capital accumulation

• It also destabilizes ‘spatio-temporal fixes’ that once served to manage contradictions and dilemmas (especially those tied to state intervention), weakens state or collective capacities to compensate for this one-sidedness
Why Neo-Liberalism Matters - II

- Neo-liberalism creates zones of insecurity-instability as well as zones of prosperity and stability
- Neo-liberalism defers basic problems into future
- Eventually neo-liberalism needs flanking and supporting mechanisms to limit its dysfunctions and contain backlash as well as resistance (‘Third Way’, roll-out neo-liberalism, ‘double movement’, etc.)
- This does not mean that superfast, hypermobile money capital can escape its eventual dependence on production
Finance-Dominated Accumulation
Give a man a gun and he can rob a bank
Give a man a bank and he can rob the world
Descriptive Aspects of Financialization

- Proliferation and expansion of financial markets
- Deregulation of financial system and broader economy
- New financial instruments and institutions
- Dominance of finance over profit-producing capital, affecting investment and production
- Market forces, complemented or reinforced by policies, underpin rising inequalities in income and wealth
- Consumption tends to be sustained by extending credit
- Finance colonizes economic and social reproduction
- Special culture: accounting, managerialism, debt culture
Analytical Aspects of Financialization

• The basic principle is the transformation of future streams of (profit, dividend, or interest) income into a tradable asset like a stock or a bond.
• Financialization is a ‘pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production’ (Krippner 2002)
• Reflects systemic power and importance of financial markets, financial motives, financial institutions, and financial elites in operation of economy and its governing institutions, nationally and internationally (Epstein 2001).
<table>
<thead>
<tr>
<th>Basic Form</th>
<th>Primary Aspect</th>
<th>Secondary Aspect</th>
<th>Institutional Fixes</th>
<th>Spatio-temporal fixes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money/Capital</td>
<td>Fast, hyper-mobile money as general form (+ derivatives) as general form</td>
<td>Valorization of capital as fixed asset in global division of labour</td>
<td>De-regulation of financial markets, state targets price stability, not jobs</td>
<td>Disembled flows from national or regional state controls; grab future values</td>
</tr>
<tr>
<td>(Social) wage</td>
<td>Private wage plus household credit (promote private Keynesianism)</td>
<td>Cut back on residual social wage as (global) cost of production</td>
<td>Numerical + time flexibility; new credit forms for households</td>
<td>War for talents + race to bottom for most workers and ‘squeezed middle’</td>
</tr>
<tr>
<td>State</td>
<td>Neo-liberal policies with Ordo-liberal constitution</td>
<td>Flanking plus soft + hard disciplinary measures to secure neo-liberalism</td>
<td>Free market plus authoritarian “strong state”</td>
<td>Intensifies uneven development at many sites + scales as market outcome</td>
</tr>
<tr>
<td>Global Regime</td>
<td>Create open space of flows for all forms of capital</td>
<td>Dampen uneven growth, adapt to rising economies</td>
<td>Washington Consensus regimes</td>
<td>Core-periphery tied to US power, its allies and relays</td>
</tr>
</tbody>
</table>
... banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around the banks will deprive the people of all property until they lose everything (Jefferson 1802)
‘We must make our choice. We can have democracy in this country or we can have great wealth concentrated in the hands of a few, but we can’t have both’ (aphorism, attributed to Hon. Justice Louis D. Brandeis, n.d.)

See also: L.D. Brandeis, *Other People’s Money and How Bankers Use it* (1914)
CAPITALISM IS CRISIS

... IS GENERIC AND PARTICULAR CRISIS-TENDENCIES
Crises, what Crisis?

• Crises as ‘accidental’ products of natural or ‘external’ forces rather than antagonistic internal relations (e.g., invasion, tsunami, crop failure, SARS)

• Crises as ‘structurally-determined’: inherent crisis potentials and tendencies of specific social forms with corresponding patterns of crisis-management (e.g., capitalism, democracy)

• Crises ‘in’ are normal and *may* be resolved through established crisis-management routines and/or through innovations that largely restore previous patterns

• Crises ‘of’ are less common and involve a crisis of crisis-management, indicating inability to ‘go on in the old way’ and demanding more radical innovation.
Interpreting Crisis, Governing Crisis

• Getting consensus on interpretation about which of many crises matters is to have framed the problem

• To successfully blame one set of factors and/or actors distracts blame from oneself and sets stage for various efforts to resolve crisis

• This consensus must be translated into coherent, coordinated policy approach and solutions that match objective dimensions of the crisis

• Effective policies need to be consolidated as basis of new forms of meta-governance and institutionalized compromise
The North Atlantic Financial Crisis
### Finance-Dominated Accumulation in Crisis

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<th>Spatio-temporal fixes</th>
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<tr>
<td>Money / Capital</td>
<td>Rising antagonism between “Wall Street” and “Main</td>
<td>Epic recession based on debt-default-deflation</td>
<td>De-regulation → crisis of TBTF predatory finance + contagion effects</td>
<td>Protectionism in core economies, growing resistance to free trade from periphery</td>
</tr>
<tr>
<td></td>
<td>Street” (etc.)</td>
<td>dynamics (D4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Social) wage</td>
<td>Credit crunch puts private Keynesianism into reverse</td>
<td>Austerity reinforces D4, leads to double dip recessions</td>
<td>Growing reserve army of surplus, precarious labour</td>
<td>Global crisis and internal devaluation → reproduction crisis</td>
</tr>
<tr>
<td>State</td>
<td>Political capitalism undermines Ordo-liberalism</td>
<td>Austerity policies meet resistance, harsher discipline</td>
<td>Crises in political markets reinforce “post-democracy”</td>
<td>Cannot halt uneven development at many sites + scales</td>
</tr>
<tr>
<td>Global Regime</td>
<td>Unregulated space of flows intensifies “triple crisis”</td>
<td>Multilateral, multi-scalar imbalances and race to bottom</td>
<td>Crisis + rejection of (post-)Washington Consensus</td>
<td>Crisis of US hegemony, BRICS enter crisis and global disarray</td>
</tr>
</tbody>
</table>
Putting the NAFC in its place - I

• Whether via endogenous causes, specific vulnerabilities, or contagion, a crisis made in the USA has spread globally

• It is nonetheless concentrated in some economies, where it is taking a distinctive form (to be explored below)
  • liberal market economies with neo-liberal regime shifts (e.g., US, UK),
  • other varieties of capitalism that had de-regulated finance (e.g., Iceland, Ireland, Cyprus),
  • post-socialist states that embraced neo-liberalism and also de-regulated finance excessively (e.g., Baltic republics)

• It has spread via contagion through world market – but via distinct, not generic, economic and political mechanisms
Putting the NAFC in its place - II

• Five sets of crises are crucial contextually (in order of importance)
  • Global environmental crisis (plus energy, food, water)
  • Crisis of US hegemony within post-1975 global order
  • Crisis of neo-liberalism as economic and state project
  • Crisis of finance-dominated growth regimes
  • Crisis in particular strategic sectors (e.g., automobiles)
• These are superimposed on more local (regional, national, sub-national regional, local crises) and other types of crisis (fiscal, rationality, crisis in crisis-management, legitimacy, organic, etc.)
• A key question for crisis theories and crisis responses is their adequacy to ‘objective’ nature of the GFC in its wider context
Immediate Origins of the Crisis

• NAFC arose from “capitalist speculation and finance”, not from “free trade in markets and capitalist production”

• Its was enabled by “unusual deals with political authority” (de-regulation of finance, rising income and wealth inequalities, etc) and “predatory political profits” (due to roll-out of neo-liberal regimes, “disaster capitalism”)

• Specific form due to hyper-financialization of advanced neo-liberal economies, especially de-regulated, opaque and sometimes fraudulent financial institutions

• NAFC has triggered crisis in neo-liberal, finance-dominated accumulation regimes in a world market that has been re-organized in the shadow of neo-liberalism
Fundamental Forces and Relations of “Epic Recession”

Global Liquidity Explosion

Global Money Parade

Speculative Investing Shift

Debt

Deflation

Default

Financial Institutions

Asset Prices

Banks and Finance

Non-Financial Business

Product Prices

Non-Bank Business

Consumer-Household

Labour Wages

Consumer-Household

Financial Fragility

Consumption Fragility

Declining Real Economic Indicators

Real Asset Investment

Household Consumption

Global Trade and Exports

Industrial Production

Employment

....

Derived from Rasmus, 2010: 16
Mediatization

• Lived experience of crisis is necessarily partial, limited to particular social segments of time-space
• Sense of overall dynamics of crisis is heavily mediatized, i.e., depends on specific forms of visualization and media representations
• Different actors have different access to representations and narratives of crisis: mass media often present very different crisis accounts from specialized, insider media
• Crisis responses and learning reflect articulation of personal narratives, organizational narratives, media representations, and meta-narratives ....
Temporal Sovereignty

• Temporal sovereignty = capacity of state to make decisions according to its own criteria and temporal rhythms.

• Abandon attempts to control short-term economic calculation, activities, and movements even as states still seek to control medium- to long-term economic decisions and movements.

• Compress decision-making cycles to enable more timely and apt state interventions,
  • shortening of policy development cycles, fast-track decision-making, rapid programme rollout, institutional and policy experimentation, relentless revision of guidelines and benchmarks, and retreat from fixed legal standards towards more flexible, discretionary, reflexive laws.

• Create relative political time by slowing circuits of ‘fast capitalism’
  • E.g., Tobin tax to decelerate flow of superfast, hypermobile financial capital and limit its distorting impact on the real economy
Power matters too!

‘Errors have been made. Others will be blamed’

• Power is the ability not to have to learn from one’s mistakes (Deutsch 1963: 111).

• Elites may try to impose costs of their mistakes onto others.

• Entrenched blocs, durable alliances, and/or temporary coalitions of the powerful may seek to allocate costs of crisis management/adjustment and also shape learning processes.

CHUMS, an Edwardian paper for English boys, published 1906
Policy, politics, ...

• Conjunctural austerity policies
  • introduced initially as temporary measures in response to short-term or immediate problems. As conjuncture improves, these policies are suspended or reversed.

• Neoliberal politics of austerity
  • *enduring politics of austerity* (‘permanent austerity’) is promoted in reply to a ‘chronic’ crisis, real or fictitious, in fisco-financial domain and/or in wider economy
  • Intended to reorganize the balance of forces in favour of capital rather than to make policy adjustments to safeguard existing economic and political arrangements
... and the Austerity Polity

• Results from a continuing fundamental institutional reorganization of relations between economic and political in capitalist formations
• May be a possibly unintended cumulative result of enduring politics of austerity, especially where this aggravates the underlying causes of fisco-financial crisis
• May result from deliberate strategy to subordinate the polity more directly and durably to the ‘imperatives’ of ‘globalization’ as construed in neoliberal discourse
A Miracle for Whom?

A NEOLIBERAL "RECOVERY" PLAN FOR THE EUROZONE

WORSENING ECONOMIC CONDITIONS

HUGE FINANCIAL SECTOR BAILOUTS

RICH GET RICHER
KEY OUTCOMES
POOR GET POORER

REDUCED AGGREGATE DEMAND & STAGFLATION

HARSH AUSTERITY MEASURES
Seymour (2014) on Austerity Polity

• rebalance economy from wage-led to finance-led;
• redistribute income from wage-earners to capital;
• promote ‘precarity’ in all areas of life as disciplinary tool to reinforce the financialization of everyday life;
• recompose social classes, with growing inequality in income and wealth and greater stratification within classes;
• facilitate penetration of the state by corporations;
• accelerate turn from KWNS with shared citizenship rights to a coercive workfare regime and, esp. in US, base in penalty;
• promote the values of hierarchy and competitiveness
Austerity is working*

*for the 1%
Economic and Political Crisis - I

- Financial and economic crises have more radical effects when there is a crisis in the state and politics and this provokes challenges to state as well as economic forms.
- The North Atlantic Financial crisis was not at first linked to a crisis in the state (i.e., governance + government): instead, “market failure” led to “state rescue”.
- Roll-out of free markets is connected to strong state at home and new forms of transnational governance inaccessible to popular forces.
- Both aspects limit scope for social movements to define the crisis and shape responses.
Economic and Political Crisis - II

- State facilitated superficial return to financial “business as usual” (elements of “extend and pretend”) but there was uncertain, limited, halting recovery in “real economy”
- State rescue has transformed crisis in private finance into crisis of public finance and sovereign debt: this is being solved through austerity politics (there are alternatives)
- Austerity is generating political/state crises at rural and urban, regional, national, EU, and international scales
- There are obvious signs of “crisis in crisis management”, ad hoc muddling through, and incoherent responses; and this is provoking popular discontent and mobilization
Crisis of Management

- From weakened state capacities...
- Dissolution of expertise and crisis management units → dependence on financial expertise from private sector
- Deregulation and liberalization → loss of steering ability
- Quantitative easing and problem of exit strategy
- Accumulated deficits and low interest rate policy
- To exceptional state triggered by economic crisis
- Loss of temporal sovereignty
- Loss of territorial sovereignty
- Concentration of economic policy-making power
- Problems of political paralysis

The Constitution

We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common Defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this CONSTITUTION for the United States of America.

Article I.

SECTION 1. All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

SECTION 2. The House of Representatives shall be composed of Members chosen every second Year by the People of the several States, and the Electors in each State shall have the Qualifications requisite for Electors of the most numerous Branch of the State Legislatures.

No Person shall be a Representative who shall not have attained to the Age of twenty-five Years, and been seven Years a Citizen of the United States, and who, when elected, be an Inhabitant of that State in which he shall be chosen.

Representatives and direct Taxes shall be apportioned among the several States which may be included within this Union, according to their respective Numbers, which shall be determined by adding to the whole Number of free Persons, including those bound to Service for a Term of Years, and excluding Indians not taxed, three fifths of all other Persons. The actual Enumeration shall be made within five Years from the Time of the next Revision, in the Manner herein prescribed; and the number of Representatives shall not exceed one for every thirty Thousand, but shall be as near an exact Division as can be obtained. But the basis of such Representation shall be such as the several States shall agree, which shall be entitled to vote for the President.

The House of Representatives shall chuse their Speaker and other Officers; and shall have the sole Power of Impeachment.

SECTION 3. The Senate of the United States shall be composed of two Senators from each State, chosen by the Legislature thereof for six Years; and each Senator shall have one Vote.

The Senate shall have the sole Power to try all Controversies arising between States under this Article, and between the United States and a State, or between two or more States.

SECTION 4. The Times, Places and Manner of holding Elections for Senators and Representatives, shall be prescribed in each State by the Legislature thereof; but the Congress may at any Time by Law make or alter such Regulations, except as to the Place of Chosing Senators.

The Congress shall assemble at least once in every Year, and perhaps oftener, and shall keep Journals, and be responsible for the Accounts of their Conduct. They shall sit at such Place, and at such Times, as they may determine.
Authoritarian Statism - I

Intensified state control over every sphere of socio-economic life combined with radical decline of institutions of political democracy and with draconian and multiform curtailment of so-called ‘formal’ liberties (SPS 203-4).
Authoritarian Statism - II

- Transfer of power from legislature to executive and concentration of power within the latter
- Accelerated fusion between three branches of state legislature, executive, judiciary – decline in rule of law
- Functional decline of political parties as leading channels for political dialogue with administration and as major forces in organizing hegemony
- Rise of parallel power networks cross-cutting formal organization of state, with major share in its activities
Conclusions

• Crises are objectively overdetermined moments of subjective indeterminacy
• As such they are also moments for learning and/or teachable moments (learning after crisis)
• Crisis-management often involves crisis-displacement and crises of crisis-management pose special problems
• Construals link scientific analyses and correct diagnoses oriented to restoration-transformation-revolution
• Crisis can be coupled to critique: critique of domination as well as critique of ideology are bases for change
From Boom-Bust to Great Moderation

(Figures for USA)
Growth of Public Spending

OECD Nominal Spending History (as a % of previous year’s GDP) - Source: MacroMarketMusing / David Beckworth, 11/2009

TOTAL CREDIT MARKET DEBT (ALL SECTORS) AS A PERCENT OF U.S. GDP 1915-2010


Source: FRB - 10/26/09
© 2011 Elliott Wave International

1929 stock top
1920s credit boom
1980s-1990s credit boom
2000 stock top
US Private Sector Credit Expansion

Private sector Credit/GDP (%; RHS) just keeps growing....

Fed Funds Target rate (%; LHS) now near to zero....

http://market-ticker.denninger.net/archives/2198-Death-Spiral-Intercept.html
NYSE Margin Debt and the S&P 500
Real Values (Adjusted to Present-Day Dollars)

Margin debt at month end through May 2014
S&P 500 monthly data through June 27, 2014
Liquidity, Asset Markets, and Banking Crises

...But New Money Isn’t Flowing Into The Economy

The Fed doesn’t print money. It’s creating bank reserves that aren’t boosting the money supply much because banks aren’t lending it.

Source: FactSet, Inc. as of 8/5/2014, Federal Reserve Total Bank Deposits, Required Bank Reserves and from 31/1/2007 to 30/4/2014
Fed Policy Effects - Capital Bubble Labor Suppression

- S&P 500: Close
- Fed System Open Market Account (SOMA)
- Real Wages and Salaries Per Capita (1982 Dollars)
- Fed Funds Rate

Perverse financial incentives reward speculation and financial engineering, cause asset bubbles, and suppress the value of labor.

Chart generated by Economagic.com
Banks Aren’t Lending Aggressively

Bank lending is the slowest it’s ever been this far into an economic expansion

Source: FactSet, Inc., as of 14/5/2014; Monthly Assets of Commercial Banks, Loans & Leases in Bank Credit, SA from 31/1/1947 to 30/4/2014

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Real Disposable Income Per Capita

Ten Year Moving Average of YOY%


- First wave of financialization
- Second wave of financialization: tech & housing bubbles
- Third wave of financialization: massive expansion of Fed credit & Federal debt
- High inflation erodes real income
- The TBTF bank/QE era
Median Household Income in the 21st Century: Nominal Growth and Real* Shrinkage

*Real household income is inflation adjusted using the Consumer Price Index

Monthly data from SentierResearch.com
Weakest Post-War Wage Growth

Growth of inflation-adjusted compensation per hour 60 months from the start of recoveries

<table>
<thead>
<tr>
<th>Year</th>
<th>% Change</th>
</tr>
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<tbody>
<tr>
<td>Post-War average</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td></td>
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Bureau of Labor Statistics, Bloomberg calculations. Chart shows growth 60 months from the start of the recovery, some recoveries did not last 60 months.