1. The crisis in context

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PART I: INTRODUCTION

Economic crises have long occupied an important place in the political economy literature. Political economy approaches to the global crisis can roughly be divided into three. First, there are those that result from the contradictory structural characteristics of the capitalist mode of production. These explanations include theories such as the tendency of the rate of profit to fall, the profit squeeze, underconsumption, overaccumulation, disproportionality and the moral depreciation of capital. Second, many argue that crises result from the conjuncture of unanticipated events such as rapid oil price increases, rapid advances in technologies, excessive financialization, the emergence of alternative centers of capital accumulation and repositioning in the class relationships. Third, economic crisis can also result from government policies, either intentional or unintentional. This approach is prompted by the apparent increase in the frequency and economic cost of crises since the 1980s when neoliberal policies became dominant in the major capitalist countries. In this view, the crisis of 2008 was the necessary outcome of a 30-year trend in economic deregulation in the advanced capitalist economies. This policy shift represented a conscious choice by the capitalist classes in each country, just as the previous period of regulation had been a policy choice.

Most authors in this book recognize that the separation of causes along the above distinct lines may not be easy, as systemic, conjunctural and policy-driven factors often overlap and display a complex relationship. Let alone complicated issues such as financialization, seemingly straightforward conjunctural issues such as the 1973–1979 oil crisis has been considered as a crisis of accumulation linked with the contradictory nature of capital accumulation. Alan Freeman (Chapter 5) suggests that the immediate causes of crisis and systemic underlying causes, such as declining profit rates which can worsen all the other contradictions, should be separated from each other. Therefore, he argues, while financialization may seem to cause the crisis, what caused financialization requires an explanation.

Likewise, Stavros Mavroudeas (Chapter 17) considers neoliberalism and financialization as conjunctural by-products of the systemic tendencies. Turan Subasat (Chapter 10) separates policy-making from policy errors as the focus on policy errors takes an accidental view of crises and implies that crises could be prevented by circumventing mistakes. Policies, however, are social constructions influenced by complex class struggles and they cannot be treated as policy errors. Policy-making is deeply enrooted in class relations and many policy-based causes are in fact also systemic.

David Kotz (Chapter 2) addresses this issue directly and argues that although the contradictions of capitalism (-in-general) offer the best explanation of crises, ignoring policies and contingent events results in misleading conclusions. This is because capitalism-in-general cannot explain why a particular crisis occurs in a particular time and place without undertaking a more tangible analysis. The particular form of capitalism is a useful concept that helps us to avoid falling into the capitalism-in-general versus state policies dichotomy. While the fundamental characteristics of capitalism remain the same, it takes a series of distinct forms over time and space which last for an extended period of time, and identified by specific institutions, ideas and class relations. Although state policy is subject to change rapidly, a form of capitalism is a coherent entity that lasts for a significant period of time, constrains state policies and provides them with stability and coherence. Neoliberalism is the prevailing form of capitalism since the 1980s which can explain the nature of the capital accumulation process and the subsequent crisis.

This chapter aims to provide the reader with an analytical summary of the main discussions in this book which cover a wide range of issues. The collection of closely related chapters in this book reviews, advocates and critiques the three approaches to the global crisis to assess their analytical and empirical validity. The book is organized in five parts. After Part I (Introduction), Part II (Crisis and Profitability) exclusively focuses on the role of profit rate. Part III (The Crisis in Economic and Social Reproduction) involves six chapters with various theoretical and empirical perspectives. Part IV (Crisis and Finance) has a narrower focus on the role of financialization. The final part, Part V (The Crisis Unfolds), focuses on the crisis in Greece.

PART II: CRISIS AND PROFITABILITY

Marxian debates naturally involve a number of classical crisis theories that this book deals with first. Notably, there is an important debate over the role of the tendency of the rate of profit to fall (TRPF) which many of the authors either directly or indirectly address. Marx developed the TRPF theory to show that capitalist competition would necessarily lead to increase in the organic composition of capital which would reduce profit rates and lead to capitalist crisis. Even amongst the classical Marxists, however, there has been an ongoing debate over the significance of the theory as the main cause of capitalist crises. The theory has been challenged both theoretically and empirically. Testing the empirical validity of the theory is also problematic due to complex procedures developed to measure the rate of profit. The three chapters in Part II are exclusively dedicated to this debate.

David Harvey's Chapter 3 argues that Marx derived the 'law' under 'draconian' assumptions and suggests that Engels was far more enthusiastic about the TRPF than Marx, who never went back to the theory later in his life despite its evident incompleteness. Therefore, he argues, we should not take his theoretical conclusions too far. In his view, Marx perceived crises as momentary and violent eruptions that resolve the existing contradictions which can be considered as opportunities of capitalist reconstruction rather than a sign of the imminent end of capitalism.

Harvey argues that the rate of profit can be stabilized by a variety of factors such as a devaluation of the existing constant capital due to technical change, monopolization, or accelerating turnover times in both production and circulation. He argues, moreover, that a productivity increase that is not associated with job losses would not reduce surplus value production. Moreover, a fall in profit rates could result from a number of reasons rather than an increase in the organic composition of capital. For instance, the consumption level of the working classes can cause problems in two ways: too-low wages can cause low demand and realization problems, and too-high wages can cause profit squeeze.

Harvey also questions the logic of the TRPF by focusing on the form of industrial organization and argues that the level of vertical integration within a firm (or sector) would artificially change the composition of capital. This is because if a firm chooses to produce more (less) means of production within the firm, it will buy less (more) means of production from other firms which will artificially increase (decrease) its rate of profit which is calculated based on capital advanced to buy constant and variable capital.

Michael Roberts (Chapter 4) offers a comprehensive critique of Harvey and argues that Marx never abandoned the TRPF as a relevant explanation of crises. He never went back to the theory in his later years simply because he was satisfied with it. Rather than developing the theory he tried to figure out how to use it to explain the cyclical nature of capitalism as well as its transitory nature. Roberts contends that Marx's assumptions for the

TRPF are realistic and can be reduced to just two: labor power is the only source of value, and capital accumulation leads the organic composition of capital to rise. He argues against the view that each crisis has a different or 'conjunctural' origin. The recurrent nature of capitalist crises implies that they must have a common cause. 'A Marxist theory of crises must look beneath the appearance of events' to identify the underlying causes and separate them from the triggers that may take many different forms, such as collapsing housing bubbles and stock markets. Acknowledging the relevance of TRPF, therefore, does not imply that financialization has no relevance to the crash of 2008.

Regarding Harvey's accelerating turnover as a factor that can stabilize the rate of profit, Roberts argues that it can boost the rate of profit for an individual capitalist only at the expense of other 'slower' capitalists. He also argues that vertical integration would be irrelevant to the economy as a whole and would have no impact on the organic composition of capital as long as the same number of workers use the same capital equipment to perform exactly the same tasks.

Regarding the empirical evidence, he suggests that Harvey's skepticism is unfounded. There is overwhelming evidence for a secular fall in the rate of profit in the United Kingdom, the United States (US) and in many other countries across the globe which is caused by the rising organic composition of capital. He concludes his chapter by arguing that rejecting TRPF means Marx had no theory of crisis at all.

Freeman (Chapter 5) provides another vigorous defense of the TRPF and argues that the profit rate is the only credible competitor left in the contest to explain what is going wrong with capitalism. He claims that the long-run decline in the profit rate is caused by the dynamics of capitalism. To prove the relevance of profit rates he notes that there is a very close link between the variations in the rate of profit and the variations in the rate of accumulation. Regarding profit rates, he claims that its decline (rather than the lack of it) is the norm. Freeman suggests that the attempt to establish a direct link between TRPF and crisis results from a major confusion, since the TRPF worsens all the other contradictions and causes crisis indirectly. There is a need, therefore, to separate the 'immediate causes of crisis' from the TRPF as the underlying real cause. In other words, while Marx offers a theory of crisis based on the TRPF, he does not reduce a theory to a mechanism. Therefore, Freeman argues, while some conjunctural phenomenon such as financialization and neoliberalism may seem the cause of the crisis, what caused them requires an explanation. In his view, financialization and neoliberalism are not alternative causes of crisis but they themselves can be explained by the TRPF.

While they do not address the TRPF directly, other authors also join into the debate over profit rates. John Weeks (Chapter 6), for example, argues that 'the typical "falling rate of profit" mechanism fails to get out of the starting gate as a candidate for generating cross-country crises', since it requires a critical value for the organic composition to provoke crisis, and hitting this critical value for many national capitals simultaneously would be impossible (see also Subasat, Chapter 10, on this point). Moreover, lower profit rates are likely to cause a slower rate of accumulation rather than a crisis. Even when the decline in profit rates could be linked to a crisis, it could result from other causes than the increase in organic composition. Simon Mohun (Chapter 12) empirically shows that the dismantling of the structures of the 'golden age' successfully curtailed the fall in the rate of profit since the 1980s. To explain the relatively moderate recovery of the profit rates (despite a radical fall in real wages) he develops a new measure, class rate of profit, which includes not only profits but also capitalist labor income which can be treated as a form of profit. He concludes that the increase in class rate of profit makes a falling rate of profit explanation of the crisis even more implausible. Al Campbell and Erdogan Bakir (Chapter 7) also focus on the outsized upper financial sector salaries and bonuses that can actually lower a firm's rate of profit. While they argue that the fall in profit rate and the income share of the top 1 percent was the reason why US capitalists adopted neoliberal policies in the 1980s, they also recognize that those polices were effective in reversing the decline in profit rates. By focusing on the value composition of capital (rather than organic composition), Riccardo Bellofiore (Chapter 15) argues that TRPF theory downplays the impacts of technical change on constant capital which can actually increase the rate of profit. While Kotz (Chapter 2) and Özgür Orhangazi (Chapter 14) agree that the post-1980 era has witnessed strong recovery in the profit rate in the US, Mavroudeas (Chapter 17) argues that falling profitability, caused by the increase of the organic composition of capital, is one of the main contributors to the crisis in Greece. Although Radhika Desai (Chapter 8) supports TRPF in general, she develops an argument based on the lack of demand by workers (underconsumption).

PART III: THE CRISIS IN ECONOMIC AND SOCIAL REPRODUCTION

The third part of the book covers a number of alternative Marxian theories. Most of the contributions to this book agree that the profit-squeeze argument is irrelevant to the crisis since US real wages lagged behind productivity increase since the 1980s. Weeks (Chapter 6) and Harvey (Chapter 3) argue that crises often result from the failure to recapture the value of fixed means of production (premature oldness or moral depreciation of fixed capital) due to the development of new and superior machines that undermine the profitability of the old. The profitability of the firms that use the old technologies is necessarily undermined as they try to match the prices of the firms that use the new technologies. These firms, therefore, cannot recapture the full value of their fixed means of production through the sale of their output. The fall in profitability results from the failure to realize the value of fixed means of production rather than the increase in the organic composition of capital. Since capitalists finance their fixed means of production via borrowing, the failure to realize the value of fixed means of production reveal itself as financial crisis. But not all financial crises are systemic capitalist crises.

Weeks (Chapter 6) defines crisis as 'a disjuncture that prevents complete reproduction of the circuit of capital' and argues that a slower rate of accumulation does not signify a crisis. The speed of accumulation varies over time and across countries due to their historically and culturally specific circumstances. In order to distinguish systemic (or severe) crises from those that are not, he calculates the percentage deviation of the US gross domestic product (GDP) from its 85-year trend between 1929 and 2013. These figures suggest that only two episodes (the Great Depression and the current crisis) are qualified as systemic crises and three episodes (in the early 1950s, late 1950s, and late 1970s into the early 1980s) as recessions. Although during the recessions the US economy experienced rapid declines, the GDP remained above its long-term trend. Therefore, Weeks argues, if we are to call these episodes 'crisis' we need to find another word (perhaps 'catastrophe') to describe the episodes of 1930–40 and 2008–13.

Overproduction and underconsumption theories find limited support in this book. Kotz (Chapter 2) argues that neoliberalism has blocked some crisis tendencies by undermining wages and increasing profits, and nurtured others by increasing inequality. The stagnant real wages would seem to set the stage for a crisis of underconsumption. Consumer spending, however, trended upward due to excessive lending policies and increased productive capacity that 'become surplus once the asset bubble deflated and consumer spending returned to a normal relation to disposable income'. This crisis, therefore, marks the 'tendency of overaccumulation of fixed capital, one of the crisis tendencies of capitalism-in-general'.

Desai (Chapter 8) summarizes a number of alternative approaches in the classical Marxist theories of crisis and mostly focuses on the working class demand (consumption) as an explanation of both economic boom and subsequent crisis. In her view, the Great Depression resulted from the rapid expansion of consumer goods without an equivalent increase in wages and public expenditure to realize it. Similarly, the post-war 'golden age' was associated with the rises in wages due to the strength of working classes. Rapid increase in productivity allowed rapid increase in wages without reducing profits. Expanding working class consumption was tolerated because it compensated for the weak external and colonial markets. By the end of the 1960s, however, slowing productivity increases made it difficult to increase wages without eating into profits. Better-organized working classes, the increase in oil prices, the failure of the Bretton Woods system, the demands for a new international economic order by increasingly assertive developing countries and rising protectionism constituted the background against which the 'new right' won its victory, and where it would seek to resolve the crisis. While the neoliberal era inflicted great pain on the working classes and developing countries, it failed to resolve the capitalist crisis as the underlying demand problem worsened. Expanding demand among the top income earners was unable to resolve the problem of overcapacity and overproduction.

By focusing on social reproduction in the context of neoliberal social policy, Ben Fine (Chapter 9) criticizes the welfare regime approach and argues that how scholarship, ideology and policy respond to it reflects the essence of the current crisis. He argues that 'its warranted demise . . . is part and parcel and a reflection of the systemic nature of the crisis'. Fine suggests that the fundamental weakness of the welfare regime approach largely results from its failure to understand the essence of neoliberalism in general and financialization in particular. By agreeing with most of the authors in this book, Fine argues that the current global crisis is a crisis of neoliberalism which has been associated with extensive state intervention to support financial markets. The radical transformation of capitalism into neoliberalism is associated with the transformation of economic and social reproduction which is 'marked by the heavy and increasing role of finance in both economic and social restructuring'.

While Subasat (Chapter 10) does not refute the relevance of the systemic causes of the 2008 crisis, his chapter focuses exclusively on the policy-based and conjunctural causes. In his view policy-based factors are in essence also systemic, as policy-making is deeply enrooted in class relations. He argues that the 2008 international crisis was primarily caused by the simultaneous deregulation of trade and financial sectors which created large and unsustainable balance-of-payments problems in a number of major developed countries which were also aggregated by a number of conjunctural factors: the accumulation of large foreign reserves in a number of developing countries after their financial crisis since the 1980s, the rapid increase in the crude oil prices between 2002 and 2008, China's competitive exchange rate policy and its accession to the World Trade Organization (WTO) in 2001, and the introduction of the euro in 1999, have all contributed to the rapid increase in global liquidity and large current account problems in a number of developed countries. The rapidly increased foreign debt and current account deficits created overfinancialization which was evident from the emerging bubble economies that inevitably collapsed.

Based on Marx's reproduction schemes and by emphasizing the distribution of income between capitalists and workers, and the time gap between the production of means of production and consumption, Subasat (Chapter 11) develops a new theoretical model to explain the cyclical nature of capital accumulation and crisis. The model shows that even when the shares of profits and wages in total output remain the same, problems associated with insufficient demand and crisis can occur since different stages of capital accumulation require different levels of wages and profits to avoid insufficient demand. The dynamics of the capital accumulation process necessitates radical changes in income distribution to avoid sufficient demand which is near impossible to achieve. When there is a large reserve army of labor (unemployment), low wages bring about faster accumulation of capital. Once the reserve army of labor declines substantially, however, insufficient demand emerges which requires capitalists to increase radically either their consumption or wages to avoid a crisis. Both are very difficult adjustments for capitalists.

PART IV: CRISIS AND FINANCE

The fourth part of the book focuses on financialization. While most chapters touch upon it, the five chapters in Part IV focus exclusively on the role of financialization. All the authors agree that the neoliberal financial system (or financialization) is an inherent tendency within capitalism and a major source of instability which signifies a radical structural transformation from the former financial system. While financialization historically takes different forms (Orhangazi, Chapter 14; Desai, Chapter 8; Subasat, Chapter 10), it also has some common characteristics. Compared to what it was before, the neoliberal financial system has much fewer links with real production, trade and consumption (Mohun, Chapter 12). The neoliberal financial system is characterized by the domination of the 'sale and repurchase agreements' which are undertaken purely for financial reasons, where dealers intermediate risk and make most of their profits through this intermediation process. Securitization (a process that bundles loans and resells them) was the central component in this transformation (Mohun, Chapter 12).

In the past, banks made loans for business and mortgages, and profited from the difference between lending and borrowing rates. Since the 1980s, however, the financial system became a risk-seeking sector that earned large profits (Kotz, Chapter 2). Transformed by financialization, even non-financial corporations began making significant profits from financial investments. Many authors also agree that the separation of the management of firms from their ownership, which led to 'corporate capitalism', played a significant role in the financialization process (Orhangazi).

Since the neoliberal world is significantly different from the world Marx lived in, the relevance of Marxian theorization of the financial system is also questioned (Mohun, Chapter 12). In this view, Marxism lagged behind these developments due to its undeveloped monetary theory (Bellofiore, Chapter 15). Most authors also agree on the complementary and contradictory relationship between the financial and productive sectors (Orhangazi, Chapter 14; Kaltenbrunner and Karacimen, Chapter 16). Financialization can act as an accelerator and destabilizer (Orhangazi, Chapter 14).

Beyond the above common ground, the authors have produced a number of thought-provoking arguments. Mohun (Chapter 12), for example, argues that while the extraordinary pay packages in the financial sector are considered one of the main causes of inequality (which subsequently contributed to the crisis), the causality also runs the other way around: the growth in inequality is a major source of growth of the neoliberal financial system as well as its instabilities. In other words, both the rising inequality as well as crisis is the generic characteristic of neoliberalism. Since the 1980s there has been a radical increase in the 'class profit share' (normal profits and salaries of the top-income earners) which implies large sums of money seeking 'safe' assets for investment. But because financial instruments guaranteed by the US government (Treasury and agency securities) were in short supply, the only option was to invest in privately created and insured (collateralized) instruments. While the large funds generated by the class profit share created a financial bubble and only a small portion (about 2 percent) of the US GDP financed subprime mortgages, their impact was magnified due to the configuration of the financial sector. Because the location and size of subprime risks were unknown, the decline in housing prices influenced all institutions holding securitized mortgages and had an impact on interbank markets. Once money markets stopped funding capital markets, the financial system collapsed. Mohun, therefore, argues that 'unless the issue of soaring top incomes is addressed, the neoliberal financial system remains crisis-prone'.

Jan Toporowski (Chapter 13) argues that while the 2008 financial crisis has been analyzed as a crisis of deregulation, financialization, neoliberalism and speculation, it cannot be properly understood without a serious analysis of how capitalism functions in terms of production, distribution and the financing of capital accumulation. In this regard, corporate finance has played an important role in the explanation of the crisis. Business corporations have access to the full range of financial markets all around the world, which allows them to take full advantage of long-term debt markets and stabilize their financing costs. Large industrial corporations also account for the large portion of fixed investment which is critical to capital accumulation, aggregate demand, employment and the realization of value as well as boom and bust cycles. These facts provide a suitable framework to analyze the crisis in the sphere of corporate finance. As the title of the chapter suggests, the crisis was in fact a crisis of accumulation caused by the merger and acquisition activities (which accounted for 80 percent of the debt of the six largest industrial multinational companies) of the non-financial corporations which were heavily financed by short-term borrowing. Eventually, this led to the liquidity squeeze and a decline in fixed investment which, in turn, impaired their ability to support debt structures and transmitted the crisis to the rest of the economy. In other words, it was the failure of capital accumulation (upon which capitalism depends for the realization of value) rather than the failure of the financial system (that is, Lehman Brothers) that caused the crisis.

Orhangazi (Chapter 14) criticizes the Marxian narratives that consider financialization exclusively as a response to overaccumulation and declining profitability. He rejects the primacy of the real sector over the financial sector, which is no longer the case due to the structural changes that have taken place in the financial and non-financial sectors. Orhangazi argues that financialization is an inherent tendency within capitalism which historically takes different forms, and the relationship between finance and the productive sectors forms a complementary and contradictory unity. Finance can facilitate capital accumulation but also aggravate recursive turbulence that can be instigated from the financial and non-financial side of the economy. The corporate capitalism, where the owner ceases to be a direct proprietor of productive capital, was the first step towards financialization. Aspirations to avoid the risks associated with the productive capital accumulation process led to the move from direct ownership of productive capital to ownership of financial securities, and created the tendency towards financialization. The financialization of the non-financial corporations contributed to their profitability not only via financial incomes but also via providing credit to their consumers which facilitated their sales. The contradictory nature of financialization, however, led to a decline in real investment due to both the higher profitability in the financial markets and shareholder pressure to generate short-term returns. The decline in real investment and the increase in riskier financial investment prepares the ground for a bubble economy and subsequent crisis.

Bellofiore (Chapter 15) argues that financial Keynesianism should be incorporated into Marxian theory to account for the current 'great' capitalist crisis. In his view capitalism moved into a new stage from the 1970s, associated with changes in banking, finance and debt, but Marxism lagged behind these developments due to its undeveloped monetary theory. The new capitalism is novel in many aspects which requires a new interpretation. The neoliberal counter-revolution was marked by tax cuts and a rise in public debt. Contrary to the common perception, rather than abolishing the state, neoliberalism redefined its functions in favor of capitalist classes. The state was in charge of directly organizing competition and embedding the 'free' market into other social institutions. The marketization of government functions is falsely presented as rolling back the frontiers of the state, and 'regulation-in-denial' is coined to indicate this contradiction. Neoliberalism is a state-driven project and has nothing to do with laissez-faire. Bellofiore argues that: 'The system was a market-generated functional equivalent of government demand management and sustained consumption by separating purchasing power from individual labor income. Borrowing was undertaken by individuals themselves on the basis of property mortgages or credit card ratings largely divorced from the labor market situation.' In this sense neoliberalism can be defined as 'privatized Keynesianism'.

Financialization, in his view, means 'favoring financial to productive placements' and it was the result of the combination of government deficits and credit squeeze. The state was pushed into becoming a permanent debtor, forced to contain social expenditures and submit to the commands of the financial elite. The creditors required a rising value-appreciation of their assets and crisis became the key gadget for them to capture political power. In affluent times economic agents tend to invest more into riskier projects which initially nurture faster growth but eventually develop into a bubble and create the conditions for a crisis.

Chapter 16 by Kaltenbrunner and Karacimen also focuses on the contradictory role of financialization in emerging capitalist economies. It argues that while financialization creates opportunities to foster capital accumulation by increasing the availability and diversity of finance, it also leads to increasing volatility and instability by increasing speculative investments. The chapter also suggests that the 'finance' versus 'real' sector type dichotomy fails to capture dynamic interdependencies and interactions between these two sectors. This implies that the experiences of emerging capitalist economies with financialization are heterogeneous and depend on the country specific circumstances. To demonstrate the contradictory role of financialization, the chapter focuses on the changing asset and liability structures of non-financial corporations that invest more in short-term financial assets and borrow from international markets. On the positive side, financialization was pivotal in the international expansion of large non-financial corporations from the leading emerging capitalist economies, as is evident from their accelerated foreign direct investment outflows. On the negative side, however, it increased the impacts of international financial crisis through increased trade and financial integration. Increase in international operations compelled non-financial corporations to use international currencies and liquid financial assets for both speculative and hedging purposes.

Campbell and Bakir (Chapter 7) argue that a narrow focus on financialization in terms of a struggle between financial and productive capital interests is misleading. Instead, they consider financialization as an important instrument in the neoliberal aggression against workers. Financialization is not accidental, harmful to capitalism as a whole or ‘driven strictly by its own interests separate from those of capital as a whole’. Financialization makes ‘important contributions to neoliberalism’s central goal of intensifying capital’s attack on labor’, through many mechanisms including personal debt.

Freeman (Chapter 5) suggests that interest and profit rates determine the distribution of surplus between financiers and industrialists, and there is an inverse relation between the growth of industry and the influence of financial capital. Crisis encourages capitalists to withdraw from production into holding money which is a very aggressive source of income. The new financial instruments are the modern form of money capital. The growth of the financial classes is a manifestation of capitalism’s failure to maintain investment and production. Due to the low profit rates in the 1970s and 1980s such financial assets became an attractive alternative to productive investment. The rise of neoliberalism was not a resolution to the crisis but was the political manifestation of the interests of rentier classes.

Desai (Chapter 8) argues that understanding ‘financialization’ requires a geopolitical economy of the end of Western supremacy and of the US attempts at world dominance. She argues that ‘financialization’ (used in the singular) which applies to all times and places is misleading, and diverse national financial systems imply that financial bubbles and crises are mainly national. This also means that crisis spreads around the world via discrete trails rather than uniformly. Desai argues that the succession of discrete dollar-denominated international financializations, which are rooted in the Anglo-American financial system, since the breakdown of the Bretton Woods system, were necessary (and necessarily short-lived) requirements of maintaining the dollar's role as the world's currency. Deficits were the only way to provide international liquidity but were subject to the Triffin dilemma which 'needed to be counteracted by a series of financializations'. Each financialization temporarily prevented the dollar from declining faster by increasing the demand for dollars.

After briefly reviewing the financialization arguments, Subasat (Chapter 10) suggests that the relevant literature largely overgeneralizes financialization and fails to account for the diverse experiences of many developing and developed countries. He defines financialization broadly as the expansion of financial services as a percentage of total national income and classifies four levels of financialization which are essential to capture varying incidents of financialization and crisis. In this view, overfinancialization, which is associated with excessive financial inflows and current account deficits, is the only level of financialization that is directly associated with financial crisis. The relevant data denote that the rapid surge in financialization prior to the crisis was primarily caused by the expansion in real estate activities rather than financial intermediation, which is irreconcilable with the financialization hypothesis.

PART V: THE CRISIS UNFOLDS

The final part of the book focuses on the ongoing crisis in Greece. Mavroudeas (Chapter 17) starts his chapter by reviewing the alternative explanations of the Greek crisis from the mainstream (conjunctural or policy errors), radical (a blend of conjunctural and structural) and Marxist (systemic) perspectives. He adopts the circuit of capital perspective on the crisis and argues that while the circulation and distribution sphere are important, the production sphere is the leading domain. Neoliberalism and financialization are conjunctural by-products of the systemic tendencies. After criticizing the failure of mainstream explanations to consider the deep roots of the crisis in the production sphere, he also deals with the radical explanations which mostly focus on financialization. Mavroudeas argues that the degree of financialization and private household debt in Greece have historically been very low compared to the advanced capitalist countries. Private household debt began to rise following the accession to the European Monetary Union (EMU) and subsided with the crisis. He then develops a Marxist approach and argues that the crisis in Greece is an integral part of the 2008 global crisis resulting mainly from the TRPF which is also aggravated by Greece's subordinate place within the European Union (EU). By referring to the empirical literature, he claims that TRPF is the main cause of both the 1973 and the 2008 crises. Although the decline in profit rates since 1973 experienced a partial recovery during the neoliberal period, it was insufficient to reverse this process and resulted in low rates of investment and productivity growth. Mavroudeas claims that Greece is a middle-range capitalist country which strives to exploit other countries. But it has also been exploited by more advanced capitalist economies to an intensifying degree since its accession into the EU.

Vassilis Fouskas (Chapter 18) adopts a global fault-lines approach to analyze the crisis in Greece. He starts by questioning the reasons why Greece has not received much external help to deal with its ordeal. This is not, he argues, because Greece has lost its significance for the US, but because the US is no longer the credit power in the world. There has been a visible power-shift to China and other emerging capitalist economies as a result of neoliberal financialization policies since the 1970s. He argues that the 2008 crisis is one of neoliberal financialization as well as a perpetual power shift to Asia and other emerging capitalist economies. Fouskas suggests that the collapse of the Bretton Woods system is the key to understanding the emergence of neoliberal financialization, a process which has been driven by the financial centers of New York and London. This process, while it failed to restore profitability in the real economic sector, led to consumption and a debt-driven growth which marked the beginning of prolonged deterioration of Western economies.

In his view, regionalization was a response to the new multi-polar world and Anglo-American-led financialization. European customs and currency unions were established under the leadership of Germany. The introduction of the EMU and the German neo-mercantilist model of financialization (which was based on low inflation, low wages and high export growth), however, aggravated the gap between core and periphery by recycling German trade surplus and causing massive debts in the eurozone periphery.

Fouskas argues that Greece, with its weak industrial sector and corrupt bureaucracy, is a dependent or subaltern state which lags behind the advanced capitalist core. Financialization in Greece, therefore, was also subordinate to the interests of the core. Greece has a long history of balance-of-payments problems. While this is a structural and historical problem, an agency perspective is also relevant here. A large and persistent current account deficit indicates 'an overdeveloped layer of . . . import consortia' that has been called '*comprador bourgeoisie*' which 'has been the dominant social class in Greece'. Greece's subaltern financialization started in the second half of the 1990s as a launching pad for Germany's financial expansion to Eastern Europe. While 'Greek banks' played a major role in this region, they were largely owned by foreign financial institutions. Therefore Greek banks mostly served the banks of the core capitalist countries of Europe. The subaltern financialization and *comprador bourgeoisie* can explain large current account deficits financed by heavy external borrowing which caused high growth rates in the early 2000s but subsequently was proven to be unsustainable.