

## **What Crisis?**

**Leo Panitch, Greg Albo, and Vivek Chiver (editors), *The Crisis This Time: Socialist Register 2011*, Merlin Press, 296 pages, ISBN 9780850367096, £15.95**

**Fintan O'Toole, *Ship of Fools: How Stupidity and Corruption Sank the Celtic Tiger*, Faber and Faber, 2009, 256 pages, ISBN 9780571260751, £8.99**

**Fintan O’Toole, *Enough is Enough: How to Build a New Republic*, Faber and Faber, 2010, 272 pages, ISBN 9780571270088 £12.99**

**‘Cost of Crash, \$2,800,000,000,000’**  
*(Guardian front page headline, 28.10.2008)*

These books are about ‘crisis’. We throw the word around quite liberally, along with figures with a dozen zeros. The books deal with everything from the falling rate of profit to Catholic corruption and religious narrow-mindedness, Italian, South African, Japanese social structures, and the failure of banking. I counted up thirty crises since 1600 (the beginning of modern capitalism, with the help of Charles Kindleburger’s incisive work). But, what does empirical and theoretical analysis add to our understanding of obvious repetitive events?

In other words, what’s the beef about crisis? Why don’t we understand it and why do the books keep pouring out, exclaiming surprise about capitalism, or whatever we wish to call economics, and politics, these days? Some would say that capitalism IS crisis. Confusing enough?

The real story is surely about mythology. We live in a world of alleged crisis. Capitalism is nothing objective but a construction of manufactured belief. Here I call on Naomi Klein’s work, plus World Bank analysis (*Masters of Illusion* by Catherine Caulfield), Amy Chua’s *The World on Fire*, and others to support my point about crisis and myth.

Klein and others deal with crisis and the shallowness of political theory and policy, the obfuscation of the real issues, and the confusing notion of ‘crisis’ or ‘shock’. There is always a crisis, so we hear. We should turn to Arrighi and the concept of hegemony; crisis, shock, panic, financial loss. Crash, bang, wallop, and who pays in the name of the myth? The political economy of all this is to explain how ‘they’ get away with all these apparently unforeseen and continual events labelled ‘crises’.

I quote Arrighi on hegemony:

‘Hegemony is the additional power that accrues to a dominant group by virtue of its capacity to lead society in a direction that not only serves the dominant group’s interests but is also perceived by subordinate groups as serving a more general interest.’ (p. 32)

‘Crisis’ is a useful unifying concept in this context. It unites us in a common cause, a shared disaster, but it becomes random, apparently uncontrollable and meaningless. ‘Quantitative easing’ is another meaningless cover-up – this time for the solution to the agonising verbiage

and mythology of crisis, and fiscal deficit, another expression for crisis (both in *Socialist Register* and *Ship of Fools*).

Neo-mercantilism in *Socialist Register* (Bellofiore, Garibaldi & Halevi) explains a lot, but it should not be confined to finance. I would also include the weapons industry. Lockheed Martin (US) is described, by some, as *the* United States. One could also describe BAE Systems (UK) as *the* United Kingdom. Lockheed Martin gave rise to an anti-corruption law, and BAE gave rise to similar legislation in the UK, which failed when the government of the day introduced a ‘national interest’ clause. This followed a court case brought by Campaign Against the Arms Trade and Corner House, which BAE lost but then overturned on appeal.

Neo-mercantilism refers to sustaining an ‘empire’ by foreign earnings through foreign financial dealings and corruption, by peaceful exploitation or violent means. Once a country steps outside the rule of neo-mercantilism, as Ireland did (and others including Greece, Spain and Portugal), there is trouble with debt, which never arose before – the ‘crisis’. Argentina got away with it, eventually, by thumbing its nose at the International Monetary Fund and creditors, raising Venezuelan bonds, because the dominant neo-mercantilist power had its back turned and was facing troubles and wars in the Middle East. This chapter on neo-mercantilism in *Socialist Register* is a most instructive piece which pulls a lot of things together that are otherwise disparate calls on ‘crisis’. Here we have some practical structure.

The excellent chapter on Japan adds to this. Japan has historically been praised for its long-term lending, investment and competitiveness. The inference is that this was beyond the remit of ‘neo-mercantilism’. But neo-mercantilism permits such workable options within its overall remit. It went seriously wrong in Japan, however, with stock market and property speculation. Mania took over and the hegemonic power slowly lost its grip, after the euphoria of stock market and property speculation which was fuelled by foreign finance. My pension fund lost a bomb in asset value. But it seemed a good idea at the time, as it always does under the mythology of finance-led growth.

So did Ireland, the so-called ‘Celtic Tiger’ (self-congratulatory hubris before the financial nemesis). For instance, which was the largest bank in Ireland, Anglo-Irish or Bank of Ireland? Neither; it was the Dutch Ansbacher Bank, channelling US dollars into Irish property speculation, which is termed by Fintan O’Toole as ‘Cayman Ireland’. *Socialist Register* (Panich and Gindin) recognises this as asset inflation. Property loses all connection with reality. Houses in Ireland are being sold at auction at three for one. Bidders apparently cannot cram into the auction rooms. Ireland is

described by O'Toole as having had the biggest boom of all!

*Socialist Register* gives us a number of theoretical and empirical overviews of 'crisis', plus many invaluable case studies, including Wall Street (Henman), pensions (Soederberg), South Africa (Ashman, Fine, Newman), labour and the role of the dollar (Radice, and Bryan and Rafferty and Beitel), and much more. O'Toole exposes some practicalities in his classic case study of the politically, financially and religiously corrupt Ireland, where the foolish pretence and myth of endless growth was based on hot money. Greece, Spain and Portugal were different. They stepped out of line in different ways, partly caused by arms sales from the hegemonic pack using financial and weapons power. They were all caught in the continuing demise of hegemony, with Germany slowly taking over, or at least sharing, the power of consensus, through finance and weapons, with the USA. But that's another story.

After all this, think about the framework of neo-mercantilism, the structure of a financial empire, the power of debt, and not just about 'crisis' and the falling rate of profit, which is an abstract interpretation of crisis. It is not about crisis, but the collapse of a particular, long-lasting, historical hegemony. The hegemony has tried to hang on, but war and debt has undermined it, causing 'crises' or the milder apologia of 'recession' – another concept which is part of propping up a failing hegemony. Neither am I sure that the appropriate concept is 'neo-liberalism', 'globalisation', 'financialisation', all of which appear in these books and often try to explain everything. We have too many words which explain little, when what we want is a better historical context. Some of the chapters in *Socialist Register* and, certainly, O'Toole's books do this.

O'Toole completes his superb summary of Ireland by arguing how to make it become an actual *Republic* (of Ireland), and not just a sham of corruption, mercantilism, religious prejudice and corruption. This seems to sum up a lot of the arguments. It would help to break the hegemony, financially, religiously and economically, and provide us with a fitting conclusion to much of the analysis.

These are three wonderful books with much to absorb and contemplate. They make you think about some complex theoretical and historical ideas which could be brought more closely together if they were linked together as a trilogy with a unifying concept, apart from the repetitive term 'crisis'. The real story is about the history of money and debt, who controlled it, and why the particular use of money fails for political and imperial reasons. It is a story about money as power. 'Crisis', 'crash', 'recession'; these are thin disguises for the cracks in an empire based on financial hegemony which, in O'Toole's case, led to 'Ireland's Economic Suicide'. For *Socialist*

*Register*, see in particular Karl Beitel's 'The Crisis, the Deficit and the Power of the Dollar: Resisting the Public Sector's Devaluation'.

These three books lead us in the right direction, towards a perceptive, political economy-cum-historical analysis.

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### **References.**

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