

# A Crisis of Advanced Capitalism?

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How outrageous would it be to suggest that the eurozone crisis is but a manifestation of a more general crisis of advanced capitalism?

With the Italian bond market under direct assault from the bond vigilantes and the flames heading toward central Europe, all while Angela “Iron Frau” Merkel remains adamant in her opposition to the European Central Bank (ECB) acting as lender of last resort—a stance that, given the severity of the situation, would certainly have made even Friedrich Hayek frown at the German orthodoxy of monetary policy—the US Federal Reserve got its gun and, in a coordinated move with five other central banks (including the ECB), rode to the rescue of Europe’s banking system and, by extension, the eurozone itself—and, by further extension, possibly advanced capitalism itself.

Two years since the start of the Greek debacle (now, this *is* a real national fiscal crisis), which was followed in due course by severe strains in other parts of the eurozone (misleadingly called a sovereign debt crisis), the eurozone crisis is now expressing itself as an apparently deep and profound European banking crisis.

The Fed initiative, which a number of economists had been recommending for some time, was prompted by the realization that Europe’s banks were having a hard time rolling over nearly 1.5 trillion euros in debt denominated in US dollars. The desperate situation in which Europe’s banks found themselves became rather obvious at least a few weeks ago, when they were essentially shut out of the dollar market.

The joint action of the Fed and other major central banks is a script that comes straight out of John Maynard Keynes’s *A Treatise on Money*. Thus, it may very well be that today’s capitalists as well as future generations will have to thank Mr. Keynes for saving global capitalism twice—from the crash of 1929 and the crash of 2008.

Indeed, Europe’s banks are not the only ones in deep trouble. It is highly questionable that US banks are in a much better position, and the outlook for the US banking industry will grow much dimmer if the current situation in the eurozone continues much longer. In fact, US banks face extremely high levels of debt maturity in the very near future, beginning this month, with more than \$50 billion coming due. So, anticipate the Fed to be quite busy in the months ahead.

But should the problems in Euroland, or those on this side of the Atlantic, or the stagnation of the Japanese economy be understood merely as fallout from the financial crisis? Are all of the socioeconomic

issues confronting both the Old and the New World—stagnant growth, skyrocketing unemployment, lowered prospects for new job creation, a demand shortage, a widening gap between the haves and have-nots, social malaise—merely consequences of the financial crisis of 2007–08?

A case, possibly a strong one, can be made that what we have been witnessing since then is not simply a severe financial crisis centered in the developed world, but a more general crisis of advanced capitalism.

Advanced capitalism had been facing severe structural stresses, strains, and deformations for many years prior to the eruption of the financial crisis in 2007, including overproduction, growing trade deficits, lack of job growth, and elevated debt levels.

Private debt accumulation in the West, which has spiraled out of control, is largely the outcome of wage stagnation. In the United States, wages have remained stagnant since the mid to late 1970s, leading to a new Gilded Age, with renewed claims about the superiority of Darwinian capitalism. At the same time, the poor and working-class populations have come to be seen as a sort of nuisance in the galaxy the rich occupy, with attacks being launched by the rich on their wages and working conditions and the media often carrying out derogatory campaigns against working-class identity.

On the other hand, public deficits and government debt accumulation, although aided by the financial crisis of 2007–08, have been largely the result of insidious tax policies favoring the rich and corporate assets. The notion of a “good and fair society” has become a distant dream in most advanced capitalist societies.

As the eurozone crisis continues (and it will certainly go on for much longer, since the move by the Fed and the other central banks won’t solve any of the structural problems in Euroland), and while the US economy continues to muddle through, we need to reexamine what is actually going on, and sharpen our political-economy tools by considering that what may be taking place today in the advanced economies is not just a banking or a financial crisis but a broader crisis of capitalism.

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