

Howard Sherman

The Roller Coaster Economy: Financial Crisis, Great Recession and the Public Option

M.E. Sharpe, New York, 2010, 195 pp., \$56.

Howard Sherman has been an outstanding contributor to radical political economy over four decades. His work is Marxist in method, topical in focus and popular in style. It is a combination well suited for an analysis of the global financial crisis (GFC). He sets it up as an investigation into the causes of the business cycle, with particular reference to the US economy. The first part of the book demonstrates that periodic crises are endemic to capitalism, not mere wobbles caused by external shocks. According to Sherman, what makes capitalism a uniquely ‘roller coaster economy’ is the interaction between profit-seeking, the use of the market to determine what is produced and what is not, and the existence of money as a source of savings and of credit.

So what were the particular causes of the recent GFC? First, an ‘income gap’ because the fruits of economic growth went more to property owners than workers. To address the resulting ‘consumption gap’ workers then had recourse to growing volumes of credit, but credit collapsed in 2007 after the banking system went into a tailspin. Meanwhile, rising interest rates and rising prices of raw materials imported to the USA caused a squeeze on business profits. Tax revenues were rising faster than government spending, so the effect of fiscal policy was negative. Concurrently, the US trade deficit ballooned. Falling business profits then caused investment, GDP and employment to fall. Sherman illustrates each of these steps with clearly presented statistics.

Turning to policy responses, Sherman presents a partly sympathetic critique of Obama’s response to the GFC, recognising the need for economic stimulus and restoration of confidence in the financial system. However, he also argues for more comprehensive public ownership of economic entities that are ‘too big to fail’, including the largest banks. There is also criticism of Obama’s health reforms, stressing the need for a comprehensive public option alongside the private insurance model that has been favoured. Advocacy of ‘democratisation’ of the economy is Sherman’s preferred route towards more socialist arrangements.