

UNRAVELLING THE NEOLIBERAL PARADOX WITH MARX

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There is a sense that we are now living through [events that mark a turning point between one epoch and the next, when one orthodoxy is overthrown and another takes its place]: barely a decade into the new millennium, barely 20 years since the end of the Cold War and barely 30 years since the triumph of neo-liberalism – that particular brand of free-market fundamentalism, extreme capitalism and excessive greed which became the economic orthodoxy of our time. The agent for this change is what we now call the global financial crisis... We therefore need a frank analysis of the central role of neo-liberalism in the underlying causes of the current economic crisis (Rudd, 2009).

The economic crisis (2008-) has raised more questions about the nature of neoliberalism than it has answered. While the term *neoliberalism* has become common parlance in left circles, contention about the validity and content of the concept remains; nowhere more so than amongst Marxists. The global embrace of Keynesian stimulus in the early stage of the crisis is now turning to the imposition of savage austerity. This turn has brought together economic policies (such as stimulus spending and fiscal austerity), within the term of single governments or even within a period of months, which have previously been seen as mutually exclusive.

For many hopeful commentators the Keynesian revival of 2008/09 brought with it hopes of a break with neoliberalism. As such hopes fade, and neoliberalism proves its dogged persistence, the need for Marxists to clearly define and explain it becomes paramount.

As a contribution towards clarifying a materialist understanding of neoliberalism this article will contrast two competing accounts of the global economy since the 1970s, both of which mobilise Marxist

concepts. One of the clearest ways to understand the important differences between these two approaches is to ask whether, from the perspective of capital, neoliberalism should be considered a success or a failure.

The answer seems inevitably paradoxical. Neoliberalism is, rightly, seen as a period of defeat for the interests of the working class. But the current crisis – understood by Rudd and others as a crisis *of* neoliberalism – suggests that it has not been wholly successful for capital either. This important paradox is embodied in the record of exploitation and capital accumulation since the 1970s. Increased exploitation indicates the successful domination of capital over labour, but falling capital accumulation points to constraints on employers that have somehow disrupted the circuit of capital.

One explanation for this paradox is found in the work of Duménil and Lévy. They argue that capital accumulation has suffered as a product of the actions of a resurgent class of financialised capitalists and upper-level managers. Neoliberalism is seen by Duménil and Lévy as the successful strategy by these sections to enrich themselves, at the expense of productive investment. So while the incomes of the majority declined and exploitation rose, this failed to benefit capital accumulation. Instead increasingly obscene dividend payments accrued wealth to the top 1%.

A rival explanation in the Marxist literature, I will argue, is exemplified by Harman and Brenner, who see the increased exploitation of neoliberalism as part of an unsuccessful attempt to restore falling profitability. This failing ‘motor’ of capital accumulation – profit-rates too low to provide incentive to invest – is identified as the cause of sluggish accumulation rates and ultimately the current crisis.

I conclude that it is the latter account, organised around the question of profitability, which provides the most consistent basis on which to understand the course of neoliberal capitalism into the future. In contrast, I argue that ultimately the top layers of capital in Duménil and Lévy’s depiction act more like feudal rulers (in their propensity for personal luxury consumption) than like capitalists as understood by Marx. Further, that by basing their account of neoliberalism on the personal incomes of capitalists, rather than capitalists acting *as* capital, Duménil and Lévy produce an *ad hoc* explanation of the relationship between neoliberalism and the current crisis.

Prelude: a Materialist Account of Neoliberalism

Neoliberalism rose out of the ashes of the post-war boom. In the mid-1970s the ‘stagflation crisis’ – the first deep global crisis for thirty years – marked the beginning of a new set of economic and political parameters that have dominated capitalism since. But what changed? Many on the left understand neoliberalism purely at the level of ideology. They argue that it was the political rise of the Chicago School and the New Right that led governments to embrace a range of policies (such as financial de-regulation) that in turn changed the way that the global economy worked.

Following Marx’s materialism, all the authors concerned here put things the other way around. They argue that what shifted was the economic situation – the disintegration of the boom – and that the ideology of neoliberalism evolved, as much as it was constructed, to reflect the needs and interests of capital in the new economic scenario. In this way of thinking the social democratic/Keynesian/state-capitalist ideologies of the post-war era no longer fitted the needs of capital and new ones had to be found.

One of the increasingly important features of this materialist foundation for neoliberalism is that it allows us to account for divergences between the claims of neoliberal ideology (those well-worn mantras of small states, free markets and individual choice) and the practices characteristic of our rulers in this period, or ‘actually existing neoliberalism’ (Cahill, 2007: 222, coined in Brenner and Theodore, 2002).

The flexibility of neoliberal practice *vis-à-vis* ideology is posing particular quandaries for theorists as governments’ responses to the current crisis evolve. Those who have understood neoliberalism as a commitment to particular policies of fiscal conservatism (such as a fundamentalist attachment to government budget surpluses) face a challenge in explaining the course governments have taken between 2008 and 2010. If it is ideology alone that drives neoliberalism, how are we to explain why so many governments embarked on deficit-funded stimulus spending during 2008 (seen by many as guided by the economics of Keynes), only to embrace a surplus fetish (one of the hallmarks of neoliberalism) once more, a year later? Are we to believe that ‘the economic orthodoxy of our time’ (Rudd, 2009) was overthrown in 2008, only to be resurrected within eighteen months? In identifying the

economic circumstances in which neoliberal ideas are necessary for capital we can begin to explain their tenacious persistence in the current crisis.

To understand the economic basis on which neoliberalism rests it is worth considering why the neoliberal project became hegemonic when it did, and why the so-called ‘Keynesian consensus’ collapsed so dramatically when it did.¹ Far more broadly than Marxist circles, the cited catalyst of this transition is the ‘stagflation crisis’ of the mid-1970s.

But while this crisis is mentioned consistently, too often the cause and significance of ‘stagflation’ is passed over as if it were an exogenous shock, an already given historical fact that was then seized as a pretence by the New Right already waiting in the wings.² Not so for Marxists. Coming at the end of a boom that many Marxists had struggled to explain, the cause of the crisis of the mid-1970s has been thoroughly examined and debated. The broad consensus suggests that ‘stagflation’ was a symptom of sharply falling profit-rates in the 1960s and 1970s (Bakir and Campbell, 2009a; Brenner, 2002a, 2006, 2009; Callinicos, 2010; Dumenil and Levy, 2004, 2011a; Harman, 2007a, 2009; Harvey, 2005; Shaikh, 2010; Sotiropoulos, 2011).

The crisis of the mid-1970s appears to have ushered in a new era of economic instability, and with it an ideological assault on institutions of the working class. Many Marxists have come to embrace the term neoliberalism to signify this ‘new stage in capitalism’, or new ‘social order’ (Duménil and Lévy, 2011a; Michl, 2011) or the ‘neoliberal era’ (Dumenil and Levy, 2004; Park, 2007), the ‘neoliberal phase of capitalism’ (Sotiropoulos, 2011), or the ‘neoliberal period’ (Bakir and Campbell, 2009a; McNally, 2009). In this article I too use the concept of neoliberalism as an era or episode in the history of capitalism. However I

1 The failure of Keynesian measures to end the ‘stagflation’ crisis is often identified as the cause for the fall of Keynesian hegemony. However it is interesting reconsider this view in light of the way that the neoliberal consensus has managed, so far, to maintain itself in the face of being similarly seen as implicated in the current crisis. This adds weight to the argument that the defeat of Keynesianism in the 1970s was a product of profound social changes, rather than simply Keynesianism’s perceived record on stagflation.

2 See for instance (Manne and Mcknight, 2010): ‘On the other hand, the arrival of stagflation gave the economic liberals their chance.’

recognize that there is a trap associated with this usage of the term.³ Far too often a contrast between neoliberalism and the capitalism of the long boom serves to obscure the continuities between the two.

The Neoliberal Paradox: Exploitation and Accumulation

If we accept that stagflation ushered in a new economically volatile era, the challenge then is to explain the content of this, or what characterizes neoliberalism. In order to compare the Harman/Brenner and the Duménil and Lévy explanations, it is necessary to initially establish two crucial, and seemingly contradictory facts about the record of neoliberalism. Firstly neoliberalism was characterised at a global level by the suppression, or even reduction, of wages. However at the same time capital accumulation rates remained stagnant or declined.

Growing exploitation is the clearest indication of the balance of class forces since the 1970s. To take two indicative measurements of this in the US, Brenner shows that between 1979 and 1990 real wages and benefits for production and non-supervisory workers fell at an average annual rate of 1%, a movement that was unique in the twentieth century and in stark contrast to wage growth in the post-war era (Brenner, 2006: 196-197). To this it must be added that between 1973 and 1998 productivity rose by 46.5% while median wages declined by 8% (Harman, 2009: 236). Duménil and Lévy show that after 1980 the bottom 95% of production workers faced a downward trend in their wages (Duménil and Lévy, 2011b).

This illustrates that during neoliberalism capital succeeded in raising exploitation by increasing the productivity of labour while suppressing wage growth or even overseeing real wage decline. This is significant at many levels. For one thing it explains the overwhelming experience of neoliberalism for working people, one of the relentless pressure to work longer and harder to maintain the living standards achieved by the previous generation.

3 Both Brenner and Harman, whose account this article draws heavily on, avoid this usage of the term neoliberalism, presumably to avoid any confusion about the continuity between capitalism pre and post the mid-1970s. Instead phrases such as ‘capitalism in the last thirty years’ are used.

But Marxists also recognise in such statistics a balance of class forces where worker militancy has been crippled by attacks on union organisation and the threat of unemployment. Harman explores the way that economic turbulence, the various recessions of the 1970s, 80s and 90s were themselves harnessed as a rationale for restructuring that ‘disrupted old patterns of working class resistance’ in a way that intensified work and weakened the power of unions to resist wage restraint (Harman, 2009: 236).

It is notable that the Marxist literature about such ‘restructuring’ – which in the mainstream is usually talked about under terms like ‘efficiency’ and ‘productivity’ – is understood by Marxists to come at the expense of the wages, working hours, and employment conditions of the working class. Taken as a whole it is clear that privatisation, streamlining, off shoring, downsizing, deregulation and globalisation have all created the environment where more surplus-value can be extracted from labour (Duménil and Lévy, 2011a; Harman, 2002; Harvey, 2005).

But what happened to the increased surplus extracted from the working class through the neoliberal decades? Why did it not lead to a steadily rising rate of capital accumulation? Instead, a unified picture of consistently diminishing capital accumulation since the 1970s emerges in the Marxist literature (Brenner 2002b, 2006, 2009; dos Santos, 2009; Duménil and Lévy, 2004, 2011a, 2011b; Fine, 2009, 2010; Harman 2007b, 2007a, 2009; Harvey, 2005; Lapavistas, 2009; McNally, 2009).

Note that Duménil and Lévy, who designate neoliberalism a successful class strategy, agree that ‘neoliberal trends’ did nothing to re-establish capital accumulation rates:

The rate of accumulation went on diminishing during the neoliberal decades, despite the reprieve in the boom of the new technologies during the second half of the 1990s (Duménil and Lévy, 2011b: 33).

In quantifying this decline Duménil and Lévy argue that the ‘stock of fixed capital in the US economy is 32% lower than it would have been had previous investment rates been maintained’ (Michl, 2011: 119).

As Ben Fine argues, this paradoxical tension between the woeful performance of capital accumulation in the face of favourable class forces demands not just empirical observation, but more importantly, theoretical explanation:

The issue, then, is less to observe than to explain, and to explain requires locating the empirical within a theoretical framework. In particular, three issues need to be confronted. First, the reasons for the slowdown of the past thirty years, particularly – and this cannot be emphasised strongly enough – given conditions that could not on the face of it be more conducive to capital-accumulation: across levels of economic and social wages, weakness of labour and progressive movements at national and international levels, expansion and ‘flexibility’ of the workforce through Chinese and female participation in the workforce, end of the Cold War, availability of new technologies, and neoliberal hegemony in policy, politics and ideology (Fine, 2010: 97).

In what follows we will contrast two such theoretical explanations for this paradoxical tension in the behaviour of neoliberal capitalism. While there are indeed arguments over the observable record, more often we find that disagreements are focussed on rival interpretations of how the elements relate to each other – what are the driving dynamics, and what merely the effects.

Problematic Profitability: Brenner and Harman

There are important areas of disagreement between the theoretical frameworks embraced by Chris Harman and Robert Brenner, however in the account of each writer a largely unified picture of the dynamic of neoliberal capitalism emerges. Both authors argue that the key to understanding neoliberalism’s turbulence, the numerous crises, the spectacular financialised bubbles, and indeed the depth of the current crisis, is the decline of profit-rates since the end of the post-war boom.

It is this picture of faltering profit-rates that underpins Brenner and Harman’s explanation for the paradoxical divergence between rising exploitation and falling capital accumulation. Falling accumulation is understood as a natural corollary of problematic profitability. Rising exploitation is seen as one of capital’s strategies, ultimately unsuccessful, to restore profit-rates.

As we saw above there is a broad consensus amongst Marxists concerning the birth of neoliberalism out of the ‘stagflation crisis’, and further that this crisis was caused by the fall of the rate of profit during the post-war period, which plunged through the late 1960s and

throughout the 1970s. But for Harman and Brenner, and those like them, problematic profitability is not only an explanation for the economic origins of neoliberalism, but a fundamental driving feature of the entire post-1975 period (Bakir and Campbell, 2009a; Brenner, 2002b, 2006, 2009; Callinicos, 2010; Choonora, 2009; Harman, 2007b, 2007a, 2009; Moseley, 1997; Shaikh, 2010).⁴

By continuing their focus on the rate of profit as a key determinant of the development of neoliberal capitalism, Brenner and Harman part ways with Duménil and Lévy. For Harman and Brenner the fact that, while profit-rates stabilised somewhat in the 1980s, they never recovered to the level of the early 1970s (let alone the highs of the 1950s), underpins the nature of the neoliberal period:

The overall pattern of the 1990s and the early 2000s was a continuation of that of the 1980s – a certain recovery of profit rates, but not sufficient to return the system to the long term dynamism of the long boom (Harman, 2009: 232).

Both Brenner and Harman consistently describe the lower level of profitability as the lack of an ‘engine’ (Brenner, 2009: 6) or ‘motor’ (Harman, 2009: 289) to drive the expansion of the economy. It is in this context that states, particularly the US state, found policies that were able to drive the economy forward. According to this account, debt – government and increasingly private household and corporate – became for a time, a substitute for the weak engine of profitability in the economy, an artificial stimulus. This would have profound consequences for the stability of the system.

The title of Brenner’s seminal book, *The Economics of Global Turbulence*, captures his view, and that of Harman, that despite the successful extraction of greater surpluses out of workers, in the final analysis the neoliberal project to restore profit rates failed. At times

4 Calculating the rate of profit is far from straight forward. In Marxist circles debate centres on whether it is appropriate to calculate capital costs at the time of purchase or adjust for depreciation (Kliman, 2007), how to get accurate figures for capital costs given companies incentive to under-report for tax purposes (Harman, 2009). For a debate between Brenner and Duménil and Lévy about calculating the rate of profit see Duménil and Lévy, (2002) and Brenner, (2002b). There are also disputes about whether pre-tax or post-tax rates of profit are more important for the actions of capital, as well as what role interest-rates play (Shaikh, 2010).

Brenner characterises the period as ‘the long downturn’:

But during the long downturn that followed [the post-war boom], between the early 1970s and the mid 1990s, the growth of investment fell sharply and issued in much-reduced productivity increase and sharply slowed wage growth (if not absolute decline), along with a succession of recessions and financial crises, the like of which had not been seen since the 1930s (Brenner, 2002a: 7).

Bakir and Campbell also base their account of the essence of neoliberalism on the distinction between two levels of profitability. They argue that the trajectory of the rate of profit since WWII is ‘best understood as a one-step decline’ (Bakir and Campbell, 2009a: 338) with each ‘step’ corresponding to a phase of capitalist development. They designate the years 1947 to 1973 as the ‘Keynesian compromise period’ (Bakir and Campbell, 2009b: 331). The period from 1974 through 2008 (when their data-set ends) they call the neoliberal period.

Anwar Shaikh comes about the question differently but arrives at a similar conclusion to Harman and Brenner. Shaikh argues that rising exploitation levels did successfully stabilize the rate of profit (Shaikh, 2010: 49), and in fact led to a boom that he designates as running from the early 1980s until 2007. While on the face of it Shaikh’s ‘great boom of the 1980s’ (Shaikh, 2010: 50) seems completely at odds with Brenner’s ‘long downturn’, in fact Shaikh elsewhere explains this neoliberal phenomenon as a ‘false boom’ (quoted in Choonora, 2009). Shaikh points to the slow reduction of US interest-rates throughout the neoliberal period, leading to an artificially sustained ‘rate of profit of enterprise’. He argues that profitability was restored in such a way that crisis was staved off, but this growth did not signify the sustained dynamism of the post-war boom.

Despite the different frame taken by Shaikh, the majority view amongst those who focus on inadequate profitability throughout the neoliberal period is that despite the success of rising exploitation enabled by intensified competition and attacks on the social wage, profitability continued to languish:

In fact, all of these interrelated measures of cost reduction, neoliberalisation, and globalisation unleashed with ever increasing intensity from the start of the 1970s by the advanced

capitalist economies constituted little more or less than an ever more frenzied attempt to cope with the pervasive and persistent problem of reduced profitability. But the overriding fact remains that far from restoring economic dynamism, these measures failed to prevent the performance of the advanced capitalist economies from *worsening* as time went on. As a consequence, as of 2000, the long downturn remained very far from overcome (Brenner, 2006: xxi).

Financialisation and Turbulence

For both Brenner and Harman, the rising financialisation of capital since the 1970s is a symptom of faltering profitability. In this analysis the bubble economics of the neoliberal period are the response of capitals that can no longer maintain profits in the commercial and industrial sectors of the economy and therefore throw themselves into any speculative financial bubble that appears on the horizon. Here Callinicos explains the connections:

The evidence available suggests that capitalists may have succeeded in increasing the rate of surplus-value, the mass of profits relative to wages, but they have failed to push up the rate of *profit*, the mass of profits relative to total investment (in means of production as well as in labour-power), to a level where they feel confident to invest on a large scale. If this explanation is correct, then we can definitely see the credit bubble as an effort to allow the US economy (and hence, thanks to its central role in maintaining global demand, the world) to continue to grow, despite its failure to overcome a chronic crisis of profitability and overaccumulation that dates ultimately back to the 1960s (Callinicos, 2010: 80).

Similar to Callinicos, Brenner also understands the problem of profitability as central to the creation of neoliberalism's now notorious credit bubbles. Lapavistas too explains how the weakness of growth in the global economy as a whole has led to the extraordinary rise of finance:

While real accumulation has been performing indifferently, the capitalist class has found new sources of profits through the revamped mechanisms of finance (Lapavistas, 2009: 126).

Where a decent rate of return failed to drive investment, debt has become the motor of growth and has been used to paper over the huge and unresolved problems in the real economy. Brenner argues that the only way the global economy has been saved from a recurrence of the crisis of the 1970s until now is through the actions of the state – chiefly the US state – chiefly the policies of the US Federal reserve, in ensuring ‘titanic volumes of credit’.

In this sense credit-bubbles underpinned booms in the real economy as asset-price rises fuelled consumption, particularly in the US, of housing and import commodities. Consumer debt in the working class was also essential to maintaining consumption in the face of savage wage suppression. But 2008 was to reveal how precarious such booms were.

An important political consequence of this analysis is Brenner and Harman’s rejection of the idea that neoliberalism represents finance capital’s domination over industrial and commercial capital. In making this case Harman notes that industrial capital, often presented as the ‘responsible and productive’ section of capital *vis-à-vis* finance, was itself deeply embedded in the process of financialisation. For instance, in the 1990s car companies like Ford and GM became so involved in leasing, insurances and car rental that by the 1995-98 boom one third of their profits came from such services. GE Capital was responsible for 40% of General Electric’s profits in this period. It was in fact only these profits in financial services which made these companies themselves seem profitable (Harman, 2009: 285).

The blame for the current crisis, then, lies with capital as a whole and not merely the financiers. As Harman puts it:

In other words, only the financial bubble stopped recession occurring earlier. The implication is that there was an underlying crisis of the system as a whole, which could not have been resolved simply by regulating financiers (Harman, 2009: 288).

Maximum Income: Duménil and Lévy

As we have seen, Brenner and Harman characterise neoliberal capital as fundamentally weak and crisis-prone. This weakness is reflected in the record of capital accumulation. Despite the successful increase in

exploitation, the aim of capital during neoliberalism – to restore profit-rates and capital accumulation – was not realised.

This picture could not be further from the picture of neoliberal capitalism that is painted by Duménil and Lévy: ‘Judged by its own class objectives, neoliberalism was an unquestionable success prior to the present crisis’ (Duménil and Lévy, 2011a: 25). Duménil and Lévy understand neoliberalism as driven by the struggle for increased incomes by the top capitalists and high-level managers. This conception sees neoliberalism as the product of a resurgent class power after the removal of the ‘constraints’ of the ‘Keynesian revolution’ (Duménil and Lévy, 2011a: 15).⁵ It is a successful (if contradictory) project based on a political relationship of ‘capitalist classes in alliance with upper management, specifically financial managers, intending to strengthen their hegemony and expand it globally’ (Duménil and Lévy, 2011a: 1).

Duménil and Lévy have no difficulty explaining the rising exploitation of workers, which you would assume to be a natural corollary of the hegemony of capitalist classes. But as we saw earlier, Duménil and Lévy also recognise falling capital accumulation as a feature of neoliberalism. However, unlike Harman and Brenner, Duménil and Lévy do not see the reduction in capital accumulation as an inherent problem for neoliberal capital itself, but, as we shall see, rather a symptom of its success.

The great strength of Duménil and Lévy’s contribution is that it speaks to the global experience of neoliberalism as a period of obscene and growing inequality. Duménil and Lévy provide a wealth of statistical evidence of the redistribution towards the top 1% of incomes, and anticipate the concerns of the 2011 Occupy movement.

However, Duménil and Lévy encounter problems as a result of hanging their account of neoliberalism on the successful enrichment of a tiny few. For instance it is notable that in their 2004 work, *Capital Resurgent*, Duménil and Lévy depict neoliberalism as a wholly successful project. That is, by its own aims – increased incomes by a wealthy minority –

5 The characterization of the post-war era as representing class compromise at the expense of capital, or capital constrained (Harvey, 2005) by a ‘Keynesian compromise’ (Bakir and Campbell, 2009b) (Duménil and Lévy, 2011a) is highly disputed by Harman and others. Not only was the post-war boom a ‘golden age’ for capital accumulation, but the state-capitalist model was one suited to the conditions facing capital following the Depression (Harman, 2007b; Harman, 2007a; Harman, 2009).

neoliberalism was a success. This is revised, however, in their more recent book *The Crisis of Neoliberalism* (Duménil and Lévy, 2011a). The latter argues that the crisis of 2008 has revealed fundamental contradictions within the neoliberal model:

this strategy appeared successful, based on its own objectives, the income and wealth of a privileged minority, and the dominance of a country [the US]. The contemporary crisis is an outcome of the contradictions inherent in that strategy. The crisis revealed the strategy's unsustainable character, leading to what can be denoted as the 'crisis in neoliberalism' (Duménil and Lévy, 2011a: 1).

As this quote indicates, the depiction of an inherent unsustainability in neoliberalism was not central to Duménil and Lévy's account of neoliberalism prior to the current crisis. It is also not clear by what economic mechanisms Duménil and Lévy believe the neoliberal strategy was contradictory and unsustainable. Indeed the need for such a dramatic revision to their understanding of neoliberalism in the light of the crisis points us to the analytical sacrifices entailed in Duménil and Lévy's move from an account of capitalism based on capital accumulation, to one based on personal income.

Duménil and Lévy's emphasis on income is also a dramatic break with Marx's emphasis on the central role of capital accumulation in the capitalist mode of production. Marx uses the stark metaphor of the 'miserly' essence of the capitalist *as* capitalist in the first volume of *Capital*, saying 'his own private consumption counts as a robbery committed against the accumulation of his own capital (Marx, 1990: 739). Rather than arguing that capitalists are literally miserly (nothing could be further from the truth), Marx uses this point to illustrate how the motor of capitalism – the need to survive and thrive in the competitive accumulation process – is so different from the gratuitous consumption of ruling classes under feudalism.

Duménil and Lévy's model of neoliberalism proposes that, indeed, the neoliberal capitalist has 'committed robbery' against his/her own capital. But given that the neoliberal project was aimed at increasing the wealth and privilege of a minority, according to Duménil and Lévy, the diminution of capital need not be considered a problem.

In order to explain how neoliberalism was simultaneously a successful capitalist strategy, and one that saw capital accumulation slow, Duménil

and Lévy introduce the idea of a ‘divorce’ (Duménil and Lévy, 2011a: 27) between domestic economic performance in the developed world, and the interests of those wealthy few who have dominated the ‘neoliberal compromise’ (Duménil and Lévy, 2011a: 18). Capital accumulation, they argue, has been subsumed to the ruling minority’s quest for higher incomes:

Capitalist classes always seek maximum income, but after the imposition of neoliberalism in the early 1980s, major transformations of social relations were realized in comparison to the previous decades, aiming at this maximization (Duménil and Lévy 2011b: 3).

In *The Crisis of Neoliberalism*, Duménil and Lévy describe this divorce as allowing capital accumulation to be ‘sacrificed’ to the interests of income distribution towards the rich:

Neoliberalism is a social order aimed at the generation of income for the upper income brackets, not investment in production.... In countries of the centre, domestic capital accumulation was sacrificed in favour of income distribution benefiting the upper classes (Duménil and Lévy, 2011a: 22).

In the United States, this divergence [between the wealth of the upper classes and the decline of the domestic economy] reached such dramatic proportions that it is possible to refer to a ‘divorce’ between the upper classes and the domestic economy of their own country (Duménil and Lévy, 2011a: 27).

As we saw earlier, Harman and Brenner read the decline in capital accumulation as a tell-tale sign of the problems in the real economy, temporarily hidden beneath (and deepened by) financialisation. In contrast, for Duménil and Lévy the interests of capital and the interests of capitalists have been separated under neoliberalism.

And while Duménil and Lévy agree with those mentioned above that the stagflation crisis of the mid-1970s was caused by a falling rate of profit, they argue that the current crisis, like that of the Great Depression of the

1930s, has a separate cause.⁶ They propose a periodisation of the last 120 years where two of the four major structural crises were due to a falling rate of profit, interspersed with two that have quite a distinct cause – financialisation:

The crises of the 1890s and the 1970s were both the outcomes of downward profitability trends. Conversely, the Great Depression and the crisis of neoliberalism are not linked to the downward trend of the profit rate. In both instances, the profit rate was undertaking a slow process of restoration. Neither an upward nor a downward trend of the profit rate can be considered a determinant of the contemporary crisis (Duménil and Lévy, 2011a: 21).

As Michl (2011: 123) argues, in effect Duménil and Lévy see the 1930s and 2008 crises as caused by *overconsumption* – that the high incomes of the rich under neoliberalism have undermined the basis for economic growth and stability:

Both [the Great Depression and the current crisis] were consequences of the exercise of hegemony, class, and international hegemonies, the boundless expansion of the demands of the upper classes that pushed economic mechanisms to and, finally, beyond the frontier of sustainability (Duménil and Lévy, 2011a: 21).

Whereas Brenner and Harman's explanation of the current crisis is consistently integrated into their account of neoliberal dynamics, Duménil and Lévy's appears to have been included after the fact. Having denied any inherent problem for capital connected to falling accumulation, they instead tend to locate the current crisis in the expansion of the financial system.

6 Duménil and Lévy argue that neoliberalism originated in a crisis of profitability, and in places clearly argue that the rate of profit remains central to the driving dynamics of capital accumulation (Duménil and Lévy, 2011b). However they vigorously reject the idea that the 2008 crisis is attributable falling profitability and explicitly oppose application of Marx's ideas about the impact of a rising organic composition of capital to the rate of profit by authors like Harman (Duménil and Lévy, 2011b: 25.).

Financial Hegemony

As we saw earlier, Harman and Brenner are insistent that the origination of the current crisis in the sub-prime mortgage sector and the financial system does not indicate that we are therefore experiencing a purely financial crisis. Rather they argue that the financial crisis revealed a more general crisis of profitability across capitalism. At times in their work Duménil and Lévy too insist that the interests of financial capitalists are integrated with those of capital as a whole. For instance in *The Crisis of Neoliberalism* Duménil and Lévy use the term ‘finance’ to refer to all top capitalists, not those only those in the financial sector:

We denote as ‘Finance’ the upper fractions of capitalist classes and their financial institutions. (Finance, directly or indirectly, owns the entire large economy, not only financial corporations) (Duménil and Lévy, 2011b: 2).

Nichter (2008) is right, however, to point to Duménil and Lévy’s ‘looseness’ with the term finance. Despite defining finance as representing the upper fractions of capital more generally, Duménil and Lévy’s work implies that one section of capital has consistently diminished the rest. In fact it is impossible not to read Duménil and Lévy’s account of a financial ‘coup’ in the form of the 1979 ‘Volcker-shock’ interest-rate rise (Duménil and Lévy, 2004, 2011a; Harvey, 2005) as attributing historical agency to ‘Finance’ as a specific section of capital against others (Nichter, 2008: 80).

Because of this Duménil and Lévy’s work resonates strongly with the tradition that understands financial interests as parasitic – not only on the labour of value producing workers, but also on industrial capitalists. Sotiropoulos criticises what he categorises as a Keynesian problematic: of a ‘conspiracy’ by the financial rentier against the ‘productive’ classes (Sotiropoulos, 2011: 105). He argues that Duménil and Lévy’s understanding of neoliberalism focuses too heavily on the ‘question of income redistribution pertaining basically to the sphere of circulation’ (Sotiropoulos, 2011: 107) at the expense of an account of what was happening to surplus production itself. Or as Harman argues:

[Duménil and Lévy’s explanation of the relationship between industrial and financial capital] sees things back to front. The growing importance of circuits of finance to the world system

was not something in opposition to the direction of industrial capitalism, but a product of trends in its development (Harman, 2005).

This question, of whether finance capital can be understood as a parasitic and destructive *vis-à-vis* industrial and commercial capital, or rather whether its very growth is a product of trends within the real economy, has far-reaching consequences. Indeed flowing from the divergent accounts explored above are significantly differing predictions for the future of neoliberalism.

In particular, Duménil and Lévy predict that the current crisis will spell the end of neoliberalism:

In sharp contrast to this success story [of the income growth of the wealthiest during neoliberalism], the deep character of the contemporary crisis, its global extension, its likely duration, and the measures taken during its treatment suggest a final failure of the neoliberal class strategy (Duménil and Lévy, 2011a: 26).

Further, based on Duménil and Lévy's understanding of the sections of society involved in the neoliberal compromise, in *The Crisis of Neoliberalism* (Duménil and Lévy, 2011a) they predict that the current crisis may usher in a new era that, similar to the Keynesian period, involves financial regulation, an increase in productive investment and constraints on globalisation. Duménil and Lévy name this potential formation 'neomanagerial capitalism' (Duménil and Lévy, 2011a: 29). In fact more than merely predict such a formation, Duménil and Lévy seem to advocate it. They urge a 'reconciliation' between capital accumulation and the top sections of capital, (an un-doing of the 'divorce' discussed earlier) saying:

From the viewpoint of the U.S. society and economy, a reconciliation [between the domestic economy and the upper sections of capital] is urgently needed. It will require a dramatic and, most likely, time-consuming adjustment, the transition to a new social order (Duménil and Lévy, 2011a: 28).

Neither Harman nor Brenner make the kinds of predictions about the future course of the crisis that we find in Duménil and Lévy. However in extrapolating from their accounts of neoliberal capitalism it is clear that Brenner and Harman would reject Duménil and Lévy's hypotheses.

Space here has not permitted examination of either Brenner's or Harman's explanations for the mechanisms that underpin the low profitability that they agree underwrote the neoliberal decades. In the briefest of terms, Brenner argues that falling profitability since the 1970s results from overproduction (particularly in the manufacturing sectors) and aggressive competition between the established manufacturers in the US and the rise of Japanese and West German sectors in the 1960s (Brenner, 2002a: 12).

Harman disagrees, arguing that falling profitability in the 1970s was caused by a rising organic composition of capital, as depicted in Marx's 'Law of the Tendential Fall in the Rate of Profit' (Marx, 1991: 317 - 79). For Harman it has been the consistent effort of the state to bail-out large unprofitable capitals that has allowed the organic composition of capital to remain high despite the counter-acting influences on profitability of economic crisis and increasing exploitation of labour.

For both Harman and Brenner, whether it be because of its impact on the composition of capital or excessive competition, state intervention to prop-up large unprofitable companies has prevented the regeneration profitability since the 1970s (even if it has staved off complete economic melt-down). If anything this bail-out culture has only intensified through the course of the current crisis.

Therefore if we accept the propositions of Harman and Brenner, we would expect that the current crisis will remain protracted, with profitability continuing to languish. Neither Harman nor Brenner would foresee the sudden return of the conditions of post-war boom Keynesianism (rapid capital accumulation and global economic growth, financial regulation, a welfare state and near full employment more conducive to worker militancy). Yet, as we have seen, for Duménil and Lévy this seems like a genuine possibility.

Conclusions

Rather than living through 'events that mark a turning point between one epoch and the next, when one orthodoxy is overthrown and another takes its place' (Rudd, 2009), the continuation of the crisis seems to only intensify the experience of neoliberalism. Instead of acting as an 'agent for this change' as Rudd predicted, the crisis appears as an agent of concentration of the forces of neoliberalism. Whether Duménil and

Lévy's predictions of a new Keynesian-like arrangement prove correct in the fullness of time, remains to be seen. However events so far appear to confirm Harman and Brenner's insistence that bail-outs of corporations that are both unprofitable, and yet 'too big to fail', will do nothing to rejuvenate growth.

By contrasting the pictures of neoliberalism that emerge from Harman and Brenner, to that of Duménil and Lévy, I have illustrated the some of the main implications of the debates that dominate the Marxist analysis of neoliberalism. As we have seen, what appear from some angles as minor differences of interpretation or emphasis can have profound impacts in how we understand neoliberal capitalism. At its most crude neoliberalism is understood as either successful for capital or a failed strategy.

Duménil and Lévy find something hopeful in the current crisis, because they see no fundamental problem with capital accumulation. Rather they argue that the interests of domestic accumulation have been over-ridden for a time by the greed of financial managers and upper-level capitalists. They suggest that all this could be remedied if the current crisis manages to force a new alliance of managerial layers with the popular classes.

A starkly different prospect emerges from Brenner and Harman's picture of the crisis. If we accept their account we can see the savagery of neoliberal austerity currently being imposed around the world as yet another attempt to drive up exploitation in order to remedy a crisis in profitability. But this strategy seems unlikely to end the stagnation of the global economy, any more than the increased exploitation of workers since the 1970s has been able to prevent the current crisis itself.

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