

Pathologies of Capital

Review of *The Enigma of Capital: And the Crises of Capitalism* by David Harvey. Oxford: Oxford University Press, 2010, pp. 296, ISBN: 978-0-19-975871-5, \$24.95 (Hbk.)

By Matthew Morgan

Since the global financial crisis began to emerge in 2007, we have been treated to first a trickle and now a deluge of books on the topic. Most so far have sought to provide a perspective on the crisis, as it broke, from the inside of either a financial institution or the halls of American political power, focusing on how different responses were formulated. Meanwhile, a second and smaller stream of books has sought to conduct a thoroughgoing analysis of the factors that caused the crisis to occur (see e.g. McDonald and Robinson, 2009; Foster and Magdoff, 2009). What has been missing from this burgeoning literature, however, is a book which places the current crisis within a larger framework, recognising that while the circumstances that led to the crisis of 2008 may themselves be unique, crisis, as a product of capitalism, is not. *The Enigma of Capital* is an important contribution in this regard as it adopts a systemic perspective and proceeds to demonstrate, in a clear and 'non-academic' style, that crisis and instability are inherent to capitalism, revealing the latest crisis as simply the most recent manifestation of this tendency.

Harvey has produced some of the most important works of the past several decades in terms of understanding the present configuration of global capitalism. While the *Enigma of Capital* incorporates elements from all of his prior books, it is perhaps most closely connected to *A Brief History of Neoliberalism* (2005). If that book sought to comprehend the formation, extension, and dominance of neoliberalism across the globe, the *Enigma of Capital* seeks to underline its weaknesses, portraying the economics of neoliberalism as increasingly under strain. For Harvey, the crux of the problem is that the reproduction of a healthy capitalist economy requires a continual compound rate of growth per annum of 3 per cent (2010, p. 27). The rise of financialisation and neoliberalism that began in the 1970s was a response to this imperative, and to the surplus of capital that had been built up in the preceding years. However, rather than being invested in production, this surplus capital was directed towards the acquisition of property or absorbed within the banking system as speculative capital. And whilst temporarily effective, both of these avenues proved to be problematic and fuelled

bubbles, with property prices and stock market averages marching upwards in lockstep.

For Harvey, this relation of mobile financial capital to fixed productive capital requires the incorporation of a geographical perspective into any theory that proposes to explain the general accumulation of capital. The accelerating process of urbanisation and the creation of spectacular building projects, such as in Dubai, provide crucial sites for the mopping up capital surplus, while at the same time providing a mechanism for the expansion of credit through the securitisation of mortgages for these new properties. This leads Harvey to argue that:

... rent has to be brought forward into the forefront of the analysis, rather than being treated as a derivative category of distribution as happens in Marxist as well as in conventional economic theories. Only in this way can we bring together an understanding of the ongoing production of space and geography and the circulation and accumulation of capital and put them in relation to processes of crisis formation where they so clearly belong. (2010, p. 183)

Shifting the weight of analysis towards rent and arguing that it now plays a pivotal role in the reproduction of capital is an argument sure to raise some eyebrows in certain Marxist circles, but not all.

Harvey's characterisation of financialisation as an attempt to deal with problems of over-accumulation is indebted, as he makes clear, to Giovanni Arrighi's landmark book the *Long Twentieth Century* (1994). But more of Arrighi's themes emerge as Harvey analyses the shift towards larger political entities within the global process of capital, identifying a potential shift in hegemonic power away from the United States and towards China. Of course, as a nation with vast financial reserves and a rapidly urbanising population, China in many ways seems destined to overtake the United States. However, Harvey overlooks the political consequences of this hegemonic transition, choosing instead to discuss the potential environmental consequences of China's rise. Here, Harvey's perspective might be too optimistic for some. Nature, he argues, cannot impose any absolute limits on capital, which can always circumvent, overcome and adapt. The question, therefore, is one of how capitalist dynamics provoke environmental change, and of how environmental change alters social relations. Thus, rather than focusing on the supposed limits to capital accumulation imposed by nature, Harvey argues that our attention should be directed towards the adaptations that will occur in order to navigate around what appeared to be formally insurmountable barriers to continual growth (2010, p. 78).

In unraveling the methods through which capital seeks to continually reproduce itself, in examining the consequences of this reproduction upon social life, and in asking which political strategies might be best able to overcome the ceaseless process

of capital accumulation, Harvey adopts an explicitly non-determinist approach, with varying results. Harvey refuses to ordain any particular segment of society with the inherent ability to disrupt the accumulation process; instead, he draws upon Autonomist literature to argue that 'revolutionary blockages' can occur at an innumerable and unpredictable number of points and can be provoked by wide-ranging sections of the population. However, it is when he attempts to deploy this concept as political analysis that his argument is at its weakest. Harvey proposes the existence of seven different 'activity spheres' that have co-evolved within the historical evolution of capitalism in distinctive ways. While no single sphere is dominant, the potential exists for a specific sphere to become particularly influential or evolve more rapidly than the others at any one point in time. In contrast to the rest of the book, this section exhibits an overall lack of clarity. It is not certain what exactly is contained within each sphere or how they interact with one another, although Harvey notes that the interactions must be dialectical in nature (p.134). It seems that Harvey is attempting to posit that capitalism is the systemic force that binds all these activity spheres together (and shapes the course of their development), although this point gets lost in the generalities that Harvey employs in this portion of the book. By writing in a non-academic style Harvey appears here to have sacrificed conceptual sophistication in the hope of having an impact upon a wider audience.

The *Enigma of Capital* is clearly an important addition to the growing literature on the present crisis. While it does conduct an analysis, in the first chapter, of the factors which caused this particular crisis, the majority of the book is dedicated to showing that while it may have occurred as a result of a particular set of decisions, those decisions were rooted within a larger framework which determined the problem and framed the eventual solution. The financial crisis grew out of the solution (i.e. investments in property and stock markets) that capital reached for how to deal with the problem of over-accumulation that began in the 1970s. The current crisis can therefore be traced back to the crisis of Fordism, and should be recognised as the product of an enduring capitalist contradiction: namely, to avoid crisis while struggling to maintain a 3 percent compound rate of growth per annum. By presenting this longer view, and by doing so in an accessible and readable manner, the *Enigma of Capital* will play an important role in challenging the emerging consensus on the crisis of 2008. The problem is not a bad or improper capitalism. The problem is capital itself.

Bibliography

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Analogies of Crisis

Review of *The Creation and Destruction of Value: The Globalization Cycle* by Harold James. London: Harvard University Press, 2009, pp. 336, ISBN: 978-0-674-03584-3, £14.99 (hbk.)

By Liam Stanley

In this accessible study, Harold James places the recent global financial crisis in historical context, arguing that economic crises create ruptures in the constant and contingent 'cycle' of globalisation and deglobalisation. It therefore speaks directly to the question of how the recent crisis is best understood, situating the conjunctural crisis of the prevailing financial order within a broader theory of global cycles. James' main aim, however, is to return to the events of 1929 and 1931, and to ask what these might be able to tell us about the recent crisis.

The first two chapters outline his previous works on globalisation and the Great Depression, and thus may not be of great interest to those already familiar with James' back-catalogue. His aim in these earlier works was to address the globalisation debate of the 1990s, and, in particular, to take issue with the then popular view that globalisation is an 'irreversible' or 'natural' process. Here he reiterates these arguments, emphasising the de-globalising effect of wars and financial crises, and characterising the Great Depression as a key moment that kick-started the 'de-globalising interwar period'. Hence, rather than a natural and constant force, globalisation is for James a cyclical process wherein moments of crisis cause economic orthodoxy to be undermined and prompt states to act against global integration. However, upon close inspection, this is more of a caveat to the mainstream than a critique of it. Those interested in reversing, halting or modifying globalisation will not find much comfort in James' analysis, as it veers worryingly close to the economic determinism that many find uncomfortable about the mainstream globalisation literature. Whether intentional or not, using the term 'reversible' suggests it can be changed by 'people'. However, his argument appears to imply that whilst the direction of the globalising force may shift contingently through uncontrollable crises or wars, these forces are very much that: uncontrollable.