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Robert Brenner, S J Jeong

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Robert P. Brenner speaks with Jeong Seong-jin

Jeong Seong-jin: Most media and analysts label the current crisis as a "financial crisis." Do you agree with this characterization?

Robert Brenner: It's understandable that analysts of the crisis have made the meltdown in banking and the securities markets their point of departure. But the difficulty is that they have not gone any deeper. From Treasury Secretary Paulson and Fed Chair Bernanke on down, they argue that the crisis can be explained simply in terms of problems in the financial sector. At the same time, they assert that the underlying real economy is strong, the so-called fundamentals in good shape. This could not be more misleading. The basic source of today's crisis is the declining vitality of the advanced economies since 1973, and, especially, since 2000. Economic performance in the U.S., Western Europe, and Japan has steadily deteriorated, business cycle by business cycle, in terms of every standard macroeconomic indicator -- GDP, investment, real wages, and so forth. Most telling, the business cycle that just ended, from 2001 through 2007, was -- by far -- the weakest of the postwar period, and this despite the greatest government-sponsored economic stimulus in U.S. peacetime history.

Jeong: How would you explain the long-term weakening of the real economy since 1973, what you call in your work "the long downturn"?

Brenner: What mainly accounts for it is a deep, and lasting, decline of the rate of return on capital investment since the end of the 1960s. The failure of the rate of profit to recover is all the more remarkable, in view of the huge drop-off in the growth of real wages over the period. The main cause, though not the only cause, of the decline in the rate of profit has been a persistent tendency to overcapacity in global manufacturing industries. What happened was that, one-after-another, new manufacturing power entered the world market -- Germany and Japan, the Northeast Asian NICs (Newly Industrializing Countries), the Southeast Asian Tigers, and, finally, the Chinese Leviathan. These later-developing economies produced the same goods that were already being produced by the earlier developers, only cheaper. The result was too much supply compared to demand in one industry after another, and this forced down prices and, in that way, profits. The corporations that experienced the squeeze on their profits did not, moreover, meekly leave their industries. They tried to hold their place by falling back on their capacity for innovation, speeding up investment in new technologies. But, of course, this only made overcapacity worse. Due to the fall in their rate of return, capitalists were getting smaller surpluses from their investments. They, therefore, had no choice but to slow down the growth of plants and equipment and employment. At the same time, in order to restore profitability, they held down employees' compensation, while governments reduced the growth of social expenditures. But the consequence of all these cutbacks in spending has been a long-term problem of aggregate demand. The persistent weakness of aggregate demand has been the immediate source of the economy's long-term weakness.

Jeong: The crisis was actually triggered by the bursting of the historic housing bubble, which had been expanding for a full decade. What is your view of its significance?

Brenner: The housing bubble needs to be understood in relation to the succession of asset price bubbles that the economy has experienced since the middle 1990s, and especially the role of the U.S. Federal Reserve in nurturing those bubbles. Since the start of the long downturn, state economic authorities have tried to cope with the problem of insufficient demand by encouraging the increase of borrowing, both public and private. At first, they turned to state budget deficits, and in this way they did avoid really deep recessions. But, as time went on, governments could get ever less growth from the same amount of borrowing. In effect, in order to stave off the sort of profound crises that historically have plagued the capitalist system, they had to accept a slide toward stagnation. During the early 1990s, governments in the U.S. and Europe, led by the Clinton administration, famously tried to break their addictions to debt by moving together toward balanced budgets. The idea was to let the free market govern the economy. But, because profitability had still not recovered, the reduction in deficits delivered a big shock to demand, and helped bring about the worst recessions and slowest growth of the postwar era between 1991 and 1995. To get the economy expanding again, U.S. authorities ended up adopting an approach that had been pioneered by Japan during the later 1980s. By keeping interest rates low, the Federal Reserve made it easy to borrow so as to encourage investment in financial assets. As asset prices soared, corporations and households experienced huge increases in their wealth, at least on paper. They were therefore able to borrow on a titanic scale, vastly increase their investment and consumption, and in that way, drive the economy. So, private deficits replaced public ones. What might be called "asset price Keynesianism" replaced traditional Keynesianism. We have therefore witnessed for the last dozen years or so the extraordinary spectacle of a world economy in which the continuation of capital accumulation has come literally to depend upon historic waves of speculation, carefully nurtured and rationalized by state policy makers -- and regulators -- first the historic stock market bubble of the later 1990s, then the housing and credit market bubbles from the early 2000s.

Jeong: You were prophetic in forecasting the current crisis as well as the 2001 recession. What is your outlook for the global economy? Will it worsen, or will it recover before the end of 2009? Do you expect that the current crisis will be as severe as the Great Depression?

Brenner: The current crisis is more serious than the worst previous recession of the postwar period, between 1979 and 1982, and could conceivably come to rival the Great Depression, though there is no way of really knowing. Economic forecasters have underestimated how bad it is because they have over-estimated the strength of the real economy and failed to take into account the extent of its dependence upon a buildup of debt that relied on asset price bubbles. In the U.S., during the recent business cycle of the years 2001-2007, GDP growth was by far the slowest of the postwar epoch. There was no increase in private sector employment. The increase in plants and equipment was about a third of the previous, a postwar low. Real wages were basically flat. There was no increase in median family income for the first time since World War II. Economic growth was driven entirely by personal consumption and residential investment, made possible by easy credit and rising house prices. Economic performance was weak, even despite the enormous stimulus from the housing bubble and the Bush administration's huge federal deficits. Housing by itself accounted for almost one-third of the growth of GDP and close to half of the increase in employment in the years 2001-2005. It was, therefore, to be expected that when the housing bubble burst, consumption and residential investment would fall, and the economy would plunge.

Jeong: Many assert that the current crisis is a typical "Minsky crisis" not a Marxian one, arguing that the financial speculation-bubble-bust has played the central role in this crisis. How would you respond?

Brenner: I don't think it's helpful to counterpose in that way the real and financial aspects of the crisis. As I emphasized, it is a Marxian crisis, in that it finds its roots in a long term fall and failure to recover the rate of profit, which is the fundamental source of the extended slowdown of capital accumulation right into the present. In 2001, the rate of profit for U.S. non-financial corporations was the lowest of the postwar period, except for 1980. Corporations, therefore, had no choice but to hold back on investment and employment, but this made the problem of aggregate demand worse, further darkening the business climate. This is what accounts for the ultra-slow growth during the business cycle that just ended. Nevertheless, to understand the current collapse, you have to demonstrate the connection between the weakness of the real economy and the financial meltdown. The main link is the economy's ever increasing dependence on borrowing to keep it turning over and the government's ever greater reliance on asset-price run-ups to allow that borrowing to continue. The basic condition for the housing and credit market bubbles was the perpetuation of low costs of borrowing. The weakness of the world economy, especially after the crises of 1997-1998 and 2001-2002, plus East Asian governments' huge purchases of dollars to keep their currencies down and U.S. consumption growing, made for unusually low, long-term interest rates.

At the same time, the U.S. Fed kept short-term interest rates lower than at any time since the 1950s. Because they could borrow so cheaply, banks were willing to extend loans to speculators, whose investments drove the price of assets of every type ever higher and the return on lending (interest rates on bonds) ever lower. Symptomatically, housing prices soared and the yield in real terms on U.S. Treasury bonds plunged. But because yields fell ever lower, institutions the world over that depended on returns from lending had an ever more difficult time making sufficient profits. Pension funds and insurance companies were particularly hard hit, but hedge funds and investment banks were also affected. These institutions were, therefore, all too ready to make massive investments in securities backed by highly dubious sub-prime mortgages because of the unusually high returns they offered, ignoring their unusually high risk. In fact, they could not get enough of them. Their purchases of mortgage-backed securities allowed mortgage originators to keep lending to ever less qualified borrowers. The housing bubble reached historic proportions, and the economic expansion was allowed to continue. But, of course, this could not go on for very long. When housing prices fell, the real economy went into recession and the financial sector experienced a meltdown, because both had depended for their dynamism on the housing bubble. Today, the recession is making the meltdown worse because it is exacerbating the housing crisis. The meltdown is intensifying the recession because it is making access to credit so difficult. It is the mutually reinforcing interaction between the crisis in the real economy and financial sector that has made the downward slide so intractable for policy makers and the potential for catastrophe so evident.

Jeong: Even if one grants that postwar capitalism entered a period of a long downturn in the 1970s, it seems undeniable that the neoliberal capitalist offensive has prevented the worsening of the downswing since the 1980s.

Brenner: If you mean by neoliberalism the turn to finance and deregulation, I do not see that it helped the economy. But, if you mean by it, the stepped-up assault by employers and governments on workers' wages, working conditions, and the welfare state, there can be little doubt that it prevented the fall in the rate of profit from getting worse. Even so, the employers' offensive did not wait until the so-called neoliberal era of the 1980s. It began in the wake of the fall of profitability, starting in the early 1970s, along with Keynesianism. It did not, moreover, result in recovery of the rate of profit, and only further exacerbated the problem of aggregate demand. The weakening of aggregate demand ultimately impelled economic authorities to turn to more powerful and dangerous forms of economic stimulus, the "asset price Keynesianism" that led to the current disaster.

Jeong: Some have argued that a new paradigm of "financialization" or "finance-led capitalism" has sustained a so-called "Capital Resurgent" (Gerard Dumenil) between the 1980s and the present. What do you think of the thesis of "financialization" or "finance-led capitalism"?

Brenner: The idea of a finance led-capitalism is a contradiction in terms, because, speaking generally, there are significant exceptions, like consumer lending -- sustained financial profit-making depends on sustained profit-making in the real economy. To respond to the fall in the rate of profit in the real economy, some governments, led by the U.S., encouraged a turn to finance by deregulating the financial sector. But because the real economy continued to languish, the main result of deregulation was to intensify competition in the financial sector, which made profit-making more difficult and encouraged ever greater speculation and taking of risks. Leading executives in investment banks and hedge funds were able to make fabulous fortunes, because their salaries depended on short-run profits. They were able to secure temporarily high returns by expanding their firms' assets/lending and increasing risk. But this way of doing business, sooner or later, came at the expense of the executives own corporations' long-term financial health, leading, most spectacularly, the fall of Wall Street's leading investment banks. Every so-called financial expansion since the 1970s very quickly ended in a disastrous financial crisis and required a massive bailout by the state. This was true of the third-world lending boom of the 1970s and early 1980s; the savings and loan run-up, the leveraged buyout mania, and the commercial real estate bubble of the 1980s; the stock market bubble of the second half of the 1990s; and, of course, the housing and credit market bubbles of the 2000s. The financial sector appeared dynamic only because governments were prepared to go to any lengths to support it.

Jeong: Keynesianism or statism seems poised to return as the new Zeitgeist. What is your general assessment of resurgent Keynesianism or statism? Can it help to resolve, or at least, alleviate the current crisis?

Brenner: Governments today really have no choice but to turn to Keynesianism and the state to try to save the economy. After all, the free market has shown itself totally incapable of preventing or coping with economic catastrophe, let alone securing stability and growth. That's why the world's political elites, who only yesterday were celebrating deregulated financial markets, are suddenly now all Keynesians. But there is reason to doubt that Keynesianism, in the sense of huge government deficits and easy credit to pump up demand, can have the impact that many expect. After all, during the past seven years, thanks to the borrowing and spending encouraged by the Federal Reserve's housing bubble and the Bush administration's budget deficits, we witnessed what was, in effect, probably the greatest Keynesian economic stimulus in peacetime history. Yet we got the weakest business cycle in the postwar epoch.

Today, the challenge is much greater. As the housing bubble collapses and credit becomes harder to come by, households are cutting back on consumption and residential investment. As a consequence, corporations are experiencing falling profits. They are, therefore, cutting back on wages and laying off workers at a rapid pace, detonating a downward spiral of declining demand and declining profitability. Households had long counted on rising house prices to enable them to borrow more and to do their saving for them. But now, because of the build-up of debt, they will have to reduce borrowing and increase saving at the very time that the economy most needs them to consume. We can expect that much of the money that the government places in the hands of households will be saved, not spent. Since Keynesianism could barely move the economy during the expansion, what can we expect from it in the worst recession since the 1930s?

To have a significant effect on the economy, the Obama administration will likely have to contemplate a huge wave of direct or indirect government investment, in effect a form of state capitalism. To actually accomplish this, however, would require overcoming enormous political and economic obstacles. The U.S. political culture is enormously hostile to state enterprise. At the same time, the level of expenditure and state indebtedness that would be required could threaten the dollar. Until now, East Asian governments have been happy to fund U.S. external and government deficits, in order to sustain U.S. consumption and their own exports. But, with the crisis overtaking even China, these governments may lose the capacity to finance U.S. deficits, especially as they grow to unprecedented size. The truly terrifying prospect of a run on the dollar looms in the background.

Jeong: What is your general assessment of the victory of Obama in the last presidential election? Do you think Obama is a "lesser evil," compared to the Bush administration? Many regard Obama as a F.D.R of the 21st century. Indeed, Obama promises a "new New Deal." Do you think the anti-capitalist progressives can give critical support to some of his "new New Deal"?

Brenner: The triumph of Obama in the election is to be welcomed. A victory for McCain would have been a victory for the Republican Party and given an enormous boost to the most reactionary forces on the U.S. political scene. It would have been seen as an endorsement of the Bush administration's hyper-militarism and imperialism, as well as its explicit agenda of eliminating what is left of unions, the welfare state, and environmental protection. That said, Obama is, like Roosevelt, a centrist Democrat, who cannot be expected, on his own, to do much to defend the interests of the vast majority of working people, who will be subjected to an accelerating assault from corporations trying to make up for their collapsing profits by reducing employment, compensation, and so forth. Obama has backed the titanic bailout of the financial sector, which represents perhaps the greatest robbery of the U.S. taxpayer in American history, especially as it came with no strings attached for the banks. He also supported the bailout of the auto industry, even though it is conditional on massive cuts in the compensation of auto workers. The bottom line is that, like Roosevelt, Obama can be expected to take decisive action in defense of working people only if he is pushed by way of organized direct action from below. The Roosevelt administration passed the main progressive legislation of the New Deal, including the Wagner Act and Social Security, only after it was pressured to do so by a great wave of mass strikes. We can expect the same from Obama.

Jeong: According to Rosa Luxemburg and, recently, David Harvey, capitalism overcomes its tendency to crisis by way of geographical expansion. According to Harvey, this is often facilitated by massive state investments in infrastructure, to back up private capital investment, often foreign direct investment. Do you think that capitalism can find an exit from the current crisis, in Harvey's terminology, by way of a "spatial-temporal fix"?

Brenner: This is a complex issue. I think, first of all, it's true and critically important to say that geographical expansion has been essential to every great wave of capital accumulation. You might say that growth of the size of the labor force and growth of the system's geographical space are the sine qua non, the essentials, for capitalist growth. The postwar boom is a good example, as it featured spectacular expansions of capital into the U.S. south and southwest and into war-torn Western Europe and Japan. Investment by U.S. corporations played a critical role, not only in the U.S. but in Western Europe in this epoch. Without question, this expansion of the labor force and the capitalist geographical arena was indispensable for the high profit rates that made the postwar boom so dynamic. From a Marxist standpoint, this was a classical wave of capital accumulation and, necessarily, entailed both the sucking in of huge masses of labor from outside the system, especially from the pre-capitalist countryside in Germany and Japan, and the incorporation or re-incorporation of additional geographical space on a huge scale. Nevertheless, I think that, by and large, the pattern of the long downturn since the late 1960s and early 1970s has been different. It is true that capital responded to falling profitability by further expansion outward, seeking to combine advanced techniques with cheap labor.

East Asia is of course the fundamental case, and unquestionably represents a world-historical moment, a fundamental transformation, for capitalism. But, though expansion into East Asia represented a response to falling profitability, it has not, I think, constituted a satisfactory solution. This is because, at the end of the day, the new manufacturing production that has emerged so spectacularly in East Asia is to too great an extent duplicating the manufacturing production already taking place elsewhere, though taking place more cheaply. The problem is that, on a system-wide scale, it's more exacerbating than resolving the problem of overcapacity. In other words, globalization has been a response to falling profitability, but because its new industries are not, basically, complementary for the world division of labor, but redundant, you have had a continuation of the problem of profitability. The bottom line, I think, is that to actually resolve the problem of profitability that has so long plagued the system -- slowing capital accumulation and calling forth ever greater levels of borrowing to sustain stability -- the system requires the crisis that has so long been postponed. Because the problem is overcapacity, massively exacerbated by the buildup of debt, what is still required is, as in the classical vision, a shakeout from the system of high-cost, low-profit firms, the subsequent cheapening of means of production, and the reduction of the price of labor. It's by way of crisis that, historically, capitalism has restored the rate of profit and established the necessary conditions for more dynamic capital accumulation. During the postwar period, crisis has been warded off, but the cost has been a failure to revive profitability leading to worsening stagnation. The current crisis is about that shakeout that never happened.

Jeong: So you think that only the crisis can resolve the crisis? That's a classical Marxian answer.

Brenner: I think that that is probably the case. The analogy would be this: At first, in the early 1930s, the New Deal and Keynesianism were ineffective. In fact, though the length of the 1930s, there was a failure to establish the conditions for a new boom, as was demonstrated when the economy fell back into the deep recession of 1937-1938. But, eventually, as a result of the long crisis in the 30s, you shook out the high-cost, low-profit means of production, creating the basic conditions for high rates of profit. So, by the end of the 1930s, you could say that the potential rate of profit was high and all that was missing was a shock to demand. That demand was provided, of course, by the massive spending on armaments for World War II. So, during the war, you got high rates of profit, and those high rates of profit provided the necessary condition for the postwar boom. But I don't think that Keynesian deficits could have worked even if they had been tried in 1933, because you needed, in Marxian terms, a system-cleansing crisis first.

Jeong: Do you think that the current crisis will lead to a challenge to U.S. hegemony? World-system theorists, like Immanuel Wallerstein, who was also interviewed for The Hankyoreh, are arguing that the hegemony of U.S. imperialism is declining.

Brenner: This is, again, a very complex question. Perhaps I am mistaken, but I think that many of those who believe that there has been a decline in U.S. hegemony basically view U.S. hegemony as mainly an expression of U.S. geopolitical power, and, in the end, U.S. force. From this standpoint, it's mainly U.S. dominance that makes for U.S. leadership, it's U.S. power over and against other countries that keeps the U.S. on top. I don't see U.S. hegemony that way. I see the elites of the world, especially the elites of the capitalist core, broadly conceived as being very happy with U.S. hegemony, because what it means for them is that the U.S. assumes the role and the cost of world policeman. This is true, I think, of the elites even of most poor countries today.

What is the goal of the U.S. world policeman? It's not to attack other countries. Mainly, it's to keep social order on a world scale, to create stable conditions for global capital accumulation. Its main purpose is to wipe out any popular challenges to capitalism, to support the existing structures of class relations. For most of the postwar period, there were nationalist-statist challenges, especially from below, the free rein of capital. They unquestionably were met by the most brutal U.S. force, the most naked expressions of U.S. domination. Although within the core there was U.S. hegemony, outside of it there was dominance. But, with the fall of the Soviet Union, China and Vietnam taking the capitalist road, and the defeat of national liberation movements in places like southern Africa and Central America, resistance to capitalism in the developing world was very much weakened, at least for the time being. So, today, the governments and elites not only of western and eastern Europe, Japan, and Korea, but also Brazil, India, and China -- most any place you can name -- would prefer the continuation of U.S. hegemony. U.S. hegemony will fall not because of the rise of another power capable of contending for world domination. Above all, China prefers U.S. hegemony. The U.S. is not planning to attack China and, until now, the U.S. has kept its market wide open to Chinese exports. With the U.S. providing the role of world policeman and insuring ever freer trade and capital movements, China has been allowed to compete in terms of cost of production, on an equal playing field, and this has been incredibly beneficial to China -- it couldn't be better.

Can the U.S. continue its hegemony in the current crisis? This is a much harder question. But, I think that, in the first instance, the answer is yes. The world's elites want more than anything to sustain the current globalizing order, and the U.S. is key to that. None of the world's elites are trying to exploit the crisis, and the U.S.'s enormous economic problems, to challenge U.S. hegemony. China keeps saying, "we're not going to continue to pay for the U.S. to continue its profligate ways," referring to the manner China covered record-breaking U.S. current account deficits during the past decade and to the titanic U.S. budget deficits now being created. But, do you think China has now cut the U.S. off? Not at all. China is still pouring as much money as it can into the U.S. to try to keep the U.S. economy going, so that China can keep developing the way it did. But, of course, what is desired is not always possible. The depth of the Chinese crisis may be so great that it can no longer afford to finance U.S. deficits. Or, the assumption of ever greater U.S. deficits and printing of money by the Federal Reserve could lead to the collapse of the dollar, detonating true catastrophe. In either case, all bets are off. If those things happened, there would have to be a construction of a new order. But under conditions of deep crisis, that would be extremely difficult. Indeed, under such conditions, the U.S., as well as other states, could easily turn to protection, nationalism, and even war.

I think, as of this moment, the elites of the world still are trying to avoid this -- they are not ready for it. What they want to is to keep markets open, keep trade open. This is because they understand that the last time states resorted to protection to solve the problem was at the time of the Great Depression, and this made the depression way worse, because in effect, when some states started to protect, everybody moved to protection, and the world market closed down. Next, of course, came militarism and war. The closing of world markets would obviously be disastrous today, so elites and governments are doing their very best to prevent a protectionist, statist, nationalist, militarist outcome. But politics is not just an expression of what the elites want, and what elites want changes over time. Elites are, moreover, generally divided, and politics has autonomy. So, for example, it can hardly be ruled out that, if the crisis gets very bad, which would not at this point be a big surprise, you would see a return of far-right politics -- a politics of protectionism, militarism, anti-immigration, nationalism. This sort of politics not only could have broad popular appeal, growing sections of business might find it the only way out as they see their markets collapse, the system in depression, see a need for protection from competition and state subsidies of demand by way of military spending. This was, of course, the response that prevailed in much of Europe and Japan during the crisis of the interwar period. Today, the right is on its heels, because of the failures of the Bush administration and because of the crisis. But, if the Obama administration is unable to counter the economic collapse, the right could easily come back... especially because the Democrats are really offering no ideological alternative.

Jeong: You spoke about a potential crisis in China. What do you think of the current state of the Chinese economy?

Brenner: I think the Chinese crisis is going to be a lot worse than people expect, and this is for two main reasons. The first is that the American crisis, and the global crisis more generally, is much more serious than people expected, and in the last analysis, the fate of the Chinese economy is inextricably dependent on the fate of the U.S. economy, the global economy. This is not only because China has depended to such a great extent on exports to the U.S. market. It is also because most of the rest of the world is also so dependent on the U.S., and that especially includes Europe. If I'm not mistaken, Europe recently became China's biggest export market. But, as the crisis originating in the U.S.

brings down Europe, Europe's market for Chinese goods will also contract. So the situation for China is much worse than what people expected, because the economic crisis is much worse than people expected. Secondly, in people's enthusiasm for what has been China's truly spectacular economic growth, they have ignored the role of bubbles in driving the Chinese economy. China has grown, basically by way of exports and, particularly, a growing trade surplus with the U.S. Because of this surplus, the Chinese government has had to take political steps to keep the Chinese currency down and Chinese manufacturing competitive.

Specifically, it has bought up U.S. dollar-denominated assets on a titanic scale by printing titanic amounts of the renminbi, the Chinese currency. But the result has been to inject huge amounts of money into the Chinese economy, making for ever easier credit over a long period. On the one hand, enterprises and local governments have used this easy credit to finance massive investment. But this has made for ever greater overcapacity. On the other hand, they have used the easy credit to buy land, houses, shares, and other sorts of financial assets. But this has made for massive asset price bubbles, which have played a part, as in the U.S., in allowing for more borrowing and spending. As the Chinese bubbles bust, the depth of the overcapacity will be made clear. As the Chinese bubbles bust, you will also have, as across much of the rest of the world, a huge hit to consumer demand and disruptive financial crisis So, the bottom line is that the Chinese crisis is very serious, and could make the global crisis much more severe.

Jeong: So you think the capitalist logic of overproduction is also applied to China.

Brenner: Yes, just like in Korea and much of East Asia in the later 90s. It's not that dissimilar. The only thing that hasn't happened yet is the kind of revaluation of the currency that really killed the Korean manufacturing expansion. The Chinese government is doing everything to avoid that.

Jeong: So, then you do not agree with the characterization of Chinese society as a kind of "non-capitalist market economy".

Brenner: Not at all.

Jeong: So you think China is currently capitalist?

Brenner: I think it's fully capitalist. You might say that China had a market non-capitalist economy maybe through the 80s, when they had very impressive growth by means of the town and village enterprises. The TVE's were publicly owned, owned by local governments, but operated on a market basis. That economic form, you might say, initiated the transition to capitalism. So perhaps up to maybe the early 90s, it was still a kind of non-capitalist market society, especially because there was still such a big industrial sector owned and planned by the central state. But, from that point on, there was a transition to capitalism, which has certainly by now been completed.

Jeong: What do you think of the severity of the coming Korean economic crisis? Do you think it could be more severe than the IMF crisis of 1997-1998? In order to cope with the coming crisis, the Lee Myung-bak government is now reviving Park Chung-Hee-style state-led investment for the construction of huge social infrastructure, especially the Korean Peninsula's "Grand Canal," while copying Obama's "green growth" policies. However, Lee Myung-bak's government still tries to stick to the neoliberal deregulation policies of the post-1997 crisis period, especially by turning to the U.S.-Korea Free Trade Agreement. You might call this a hybrid approach, combining what seems to be an anachronistic return to a Park Chung-Hee-style state-led method of development with contemporary neoliberalism. Will it be effective in combating or alleviating the coming crisis?

Brenner: I'm doubtful that it will be effective. This is not necessarily either because it represents a throwback to Park's state-led organized capitalism or because it embraces neoliberalism. It is because, whatever its internal form, it continues to depend on globalization at a time when the global crisis is bringing about an extraordinary contraction of the world market. We were just talking about China, and I was arguing that China is likely to be in serious trouble. But China has low wages, potentially a huge domestic market, so, over time, it could conceivably have a better shot than Korea of confronting the crisis, though I'm far from sure about this. Korea, I think will be hard hit. It was hard hit in 1997-1998, but was saved by the U.S. stock market bubble and the resulting growth of U.S. borrowing, spending, and imports. But when the U.S. stock market bubble burst in 2000-2002, Korea went into what promised to be an ever more serious crisis than 1997-1998. Nevertheless, the U.S. housing bubble came to the rescue of Korea during the recent period. But now, the U.S. bubble, the second U.S. bubble, has collapsed, and there's no third bubble to get Korea out of the current crisis. It's not necessarily because Korea is doing the wrong thing. It's because I don't think there's going to be an easy way out for any part of what has become a truly global, interdependent capitalist system.

Jeong: So what you are saying is that the external environment is far worse than ever before.

Brenner: That's the main point.

Jeong: What, then, are the urgent tasks of progressives in Korea? Korean progressives are very critical of Lee Myung-bak. They usually support the growth of the welfare state and redistribution of income as an alternative to Lee's project of investing in canal construction, of big social overhead capital. This is the hot issue in Korean society today. Korean progressives point out that although Lee Myung-bak talks about "green growth," his construction project would destroy whole environments. Do you agree with them?

Brenner: Of course we should oppose such ecologically-disastrous projects.

Jeong: Do you think that building a Swedish-type welfare state would be the reasonable strategy for Korean progressives in the midst of the economic crisis?

Brenner: I think the most important thing Korean progressives could do would be to re-strengthen the organizations of Korean labor. Only by rebuilding the Korean working class movement could the left build the power that it needs to win, whatever demands it's advocating. The only way that working people can really develop their power is through building new organizations in the course of struggle, and it's only in the course of struggle that they are likely to come to a progressive politics, or indeed decide what a progressive politics actually should be at this moment.

I think the best way to forge a left political response today is to help the people most affected to gain the organization and power to decide what's collectively in their interest. So, rather than try to figure out now, from above in a technocratic way, what's the best answer, the key for the left is to catalyze the reconstitution of the power of working people. The Korean labor movement has obviously been weakened a great deal since the crisis of 1997-1998. At minimum, the priority for progressives is to do what they can to improve the environment for labor organizing, for re-strengthening the unions right now. That goes not only for Korea, but everywhere around the world. That's the key objective. Without the revival of working class power, the left will quickly find that most issues of government policy are truly academic. I mean if the left is to affect state policy, there must be a change, a big change, in the balance of class power.

Jeong: Do you expect that there will be an opening for progressives in a world with recent failures of neoliberalism?

Brenner: The defeat of neoliberalism is definitely creating major opportunities that the left did not have before. Neoliberalism never much appealed to large parts of the population. Working people never identified with free markets, free finance, and all that. But I think that large sections of the population were convinced that this was the only alternative, they were convinced of TINA (there is no alternative). But now, the crisis has revealed the total bankruptcy of the neoliberal mode of economic organization, and you can already see the change. It has been very powerfully manifested in the opposition by American working people to the bailouts for the banks and financial sector. What they are saying today is that "We are told that saving the financial institutions, the financial markets, is the key to restoring the economy, prosperity. But we don't believe it. We don't want any more money going to these people who are just robbing us." So there is a big vacuum ideologically. Thus there is a big opening for leftist ideas. The problem is that there is very little organization of working people, let alone any political expression. So, one can say there is this very big opportunity created by the change in the political environment, or the ideological climate, but that by itself is not going to provide a progressive outcome.

So, again, the top priority for progressives -- for any left activists -- where they should be active is in trying to revive the organizations of working people. Without the re-creation of working class power, little progress will be possible, and the only way to recreate that power is by way of mobilization for direct action. Only through working people taking action, collectively and en masse, will they be able to create the organization and amass the power necessary to provide the social basis, so to speak, for a transformation of their own consciousness, for political radicalization.

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Jeong Seong-jin received his Ph.D. in Economics from Seoul National University. He has served as a professor in the Department of Economics at Gyeongsang National University in Chinju, South Gyeongsang Province, since 1996. Jeong is an economist who has developed theories about the crisis in contemporary capitalism that are based on Marxian crisis theory. Jeong is the author of Marxist Perspectives on South Korea in the Global Economy (2007); Neoliberal Restructuring and Labor Problems in Korea (2003); and Issues in Modern Marxist Economics (2002).

Robert P. Brenner is an economic historian and professor of history at the University of California, Los Angeles, where he is also the director of the Center for Social Theory and Comparative History. Brenner was at the center of a debate over the transition from feudalism to capitalism in western Europe as published in the Past and Present and aired in The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-industrial Europe (1987). He is the author of The Boom and The Bubble: The US in the World Economy (2003).

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