

The great financial crisis book review

[Government](#), [Capitalism](#)



Introduction

In the year 2008, the United States was plunged into a financial crisis that was the worst ever experienced since the Great depression. Most banks collapsed during this period and the state was involved in organizing for a transfer of wealth. Many scholars among them economists and financial experts were shocked by the speed at which the events took place. John Bellamy in his book “ The Great Financial Crisis” gives a bold analysis of the financial meltdown, its causes, how it developed and the implications that it had to the general economic status of America and other countries across the globe.

This is an excellent book that is easy to understand and explains the causes behind the financial crisis and attempts to offer solutions on how we can work towards avoiding the recurrence of such a situation in future. The solution being proposed throughout the book is socialism. The authors provide a unique and a historical point of view to the latest economic meltdown and tracing its roots. He states that the roots of such a scenario can be attributed to the financing of capital and a constant propensity inclined towards the stagnation in the factual economies of superior industrialized societies. The authorss also explores the roots and the radical actions that may be undertaken in response to the escalating economic downtown. The authors also look at a greater picture of the situation whereby they analyze the long-term implications of this situation. In the analysis he relates the current situation of the economic meltdown to the political-economic aspects. He further adds that the problems being

witnessed are primarily political rather than economic. He suggests that the unstable political-economic structure should be replaced with a single social use rather than a private gain which is geared towards attaining a collective satisfaction of the whole population rather than individuals in the economic setting. This book takes a very good analysis of the current debt crisis, its causes and what can be done to control the situation.

This book is as a result of a collection of five essays issued by Fred Magdoff and John Bellamy Foster five years prior to the occurrence of the economic downtown of 2008. Each of the essays covers the same ground and gives reference to some scholars who had also given their contributions towards the same topic. According to the authors, the ultimate cause of the crisis can be summarized as follows: “ In the modern era of capitalism, the economy is dominated by monopolies.” Under the system of monopoly capitalism the price warfare had disappeared and the monopolies were now charged with the responsibility of fixing the prices. Then a situation arises whereby there is competition which is propagated by advertisement and greater profits are realized. Since the supply exceeds the demands, it is then hard to reinvest back the profit to the business. This situation is called a stagnant economic situation. This was the major cause of the economic meltdown of 2008. According to the authors stagnation is a special kind of overproduction. If such a situation arises, there is a large amount of production and less consumption. The investors cannot invest back their money to the business as it is likely to worsen the situation. This usually has a very bad impact especially to the economy of the country as it also affects subsequent production.

Most of the writings of the authors are based on the theses of Paul Sweezy, Baran and Harry Magdoff who diagnosed the structural problems of the U. S capitalism and its constant trend towards stagnation. The theses stated that the problem of stagnation was rooted in the inadequate business investments which in turn resulted into slow growth, unemployment of labor and low utilization of capital. The authors add further that the excesses in financing the capital and the widening inequality of income were the major contributors towards the stagnating economy. He then explains why such problems can be hard to address with the conventional policy measures which are put in place.

The authors argue that stagnation is the normal state of capitalism. In order to preserve growth, the finance should be increasingly decoupled from the investment. Once the financing of the capital is limited, the business establishments will work towards ways of increasing their sales thus a remarkable growth. However, if the financing of the capital is kept constant, there will be a lot of capital which results into overproduction with less buyers. This eventually leads to stagnation hence low growth.

The authors reject the idea that banking reforms can accomplish anything. He proposes that there is need to force the capitalists back to investing in the real economy. Once the capitalists have been forced back into this kind of investment, then there is a possibility of things changing. However, this cannot be easily attained as there is no any legislation that can implement this proposal. The authors joins ranks with the greatest economists and philosophers like Karl Marx who pointed to the inescapable contradictions in

the base of the capitalist economy as the major roots to the causes of the frequent crisis being witnessed by workers across the globe. The stagnation however does not make the capitalists bankrupt as overproduction did in the past. Stagnation simply deprives the capitalists the opportunity to reinvest his capital.

The stagnation theory was the major focus of the work of the authors. He demonstrates the importance of debt in the capitalist economy. The authors also see the crisis as symptoms of capitalism's contradiction and not the wicked consequences of the irresponsible behavior of some few bankers. This is the main reason why the authors do not see that bank reforms can change anything in the financing sector. The authors occasionally point to the socialism reforms as the only best possible solution to the problems that the country was facing during the time of economic downturn. If this is properly implemented according to the authors then the economy could be easily stabilized.

The authors call for a return of the Union building. He states that the union building can easily push for the changes which are anticipated. The unions can push the capitalists into realizing the harm that they have done to the country and hence help them in changing the current economic situation of the country. The authors also call for a massive class struggle so as to increase government spending which in turn pays tribute to the communal expenditure of the New Deal.

Mr. Foster's work is an excellent piece of work as far as the US economic analysis is concerned. However, he does not seem to recognize the role of

creating money in the current economic crisis. Generally his work is good only that he missed the point of money creation and its importance in terms of improving the country's economy.

Conclusion

In conclusion the authors states that the political economy consisted of some marvelous tournaments whereby different economists represented different economic classes who were struggling for dominance. This book is extremely useful to any person who is seeking to find information about the greatest financial crisis that faced the United States of America in the recent past. The authors's account of the crisis needs a very wide attention as the analysis is very comprehensive and all inclusive. The book gives a real account of the current economic situation of the United States of America and what can be done in order to rectify the current economic situation. This book also presents a sharp and a stimulating analysis of the historical origins and the structural roots of the current financial crisis.

About the authors

John Belamy Foster is an editor of Monthly Review and a Sociology Professor at the University of Oregon. He is also the author of Critique of Intelligent Design. The authors understand the current economic situation of the United States of America and give a comprehensive account of the occurrences of events in America. They write the book with a lot of experiences and gives references to the greatest economists and theorists like Karl Marx who had foreseen the effects of capitalism. They also give his own opinion on some of

the measures that need to be taken in order to realize the success of the US economy.

Work Cited List

John Bellamy Foster & Fred Magdoff. The Great Financial Crisis: Causes and Consequences