

# DOWNLOAD PDF BOOM, BUST, AND MISERY : THE CURSE OF CAPITALISM

## Chapter 1 : Capitalism and the mental health crisis - The Socialist

*Capitalism is characterized by generalized commodity production. That means production for profit, not for use. When sales of goods and services slow down, assembly lines slow, or grind to a halt, and workers are laid off.*

The table is tilted, the dice are loaded, the cards are marked, but the game goes on. By John Lanchester and cross-posted from the London Review of Books Some of the more pessimistic commentators at the time of the credit crunch, myself included, said that the aftermath of the crash would dominate our economic and political lives for at least ten years. Bush was president of the United States, and only politics wonks had ever heard of the junior senator from Illinois; Nicolas Sarkozy was president of France, Hu Jintao was general secretary of the Chinese Communist Party, Ken Livingstone was mayor of London, MySpace was the biggest social network, and the central bank interest rate in the UK was 5. It is sometimes said that the odds you could get on Leicester winning the Premiership in was the single most mispriced bet in the history of bookmaking: To put that in perspective, the odds on the Loch Ness monster being found are a bizarrely low to 1. Nonetheless, to 1 pales in comparison with the odds you would have got in on a future world in which Donald Trump was president, Theresa May was prime minister, Britain had voted to leave the European Union, and Jeremy Corbyn was leader of the Labour Party – which to many close observers of Labour politics is actually the least likely thing on that list. The common factor explaining all these phenomena is, I would argue, the credit crunch and, especially, the Great Recession that followed. Perhaps the best place to begin is with the question, what happened? Answering it requires a certain amount of imaginative work, because although ten years ago seems close, some fundamentals in the way we perceive the world have shifted. The most important component of the intellectual landscape of was a widespread feeling among elites that things were working fine. Not for everyone and not everywhere, but in aggregate: Both the rich world and the poor world were measurably, statistically, getting richer. Most indices of quality of life, perhaps the most important being longevity, were improving. In the words of Gordon Brown: The intellectual framework for this overconfidence was derived from contemporary trends in macroeconomics. Not to put too fine a point on it, macroeconomists thought they knew everything. Or maybe not everything, just the most important thing. In a presidential address to the American Economic Association in , Robert Lucas, Nobel prizewinner and one of the most prominent macroeconomists in the world, put it plainly: Macroeconomics was born as a distinct field in the s, as a part of the intellectual response to the Great Depression. The term then referred to the body of knowledge and expertise that we hoped would prevent the recurrence of that economic disaster. My thesis in this lecture is that macroeconomics in this original sense has succeeded: That was the climate of intellectual overconfidence in which the crisis began. But one of the things that happens in economic good times – a very clear lesson from history which is repeatedly ignored – is that money gets too cheap. Too much credit enters the system and there is too much money looking for investment opportunities. In the modern world that money is hotter – more rapidly mobile and more globalised – than ever before. Ten and a bit years ago, a lot of that money was invested in a sexy new opportunity created by clever financial engineering, which magically created high-yielding but completely safe investments from pools of risky mortgages. Poor people with patchy credit histories who had never owned property were given expensive mortgages to allow them to buy their first homes, and those mortgages were then bundled into securities which were sold to eager investors around the world, with the guarantee that ingenious financial engineering had achieved the magic trick of high yields and complete safety. That, in an investment context, is like claiming to have invented an antigravity device or a perpetual motion machine, since it is an iron law of investment that risks are correlated with returns. The only way you can earn more is by risking more.

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## Chapter 2 : Prophet of Boom (and Bust) | Prout Journal

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The GDP is up. Housing starts are on an upswing. However, before popping a champagne cork, consider the following. The growth in exports is weak. Trade is in deficit territory. Wage improvements are the slowest since In fact, the past 40 years have seen a virtual wage freeze, except for the top 1 per cent of the people, each of whom makes more money in a day than most workers do in a year. In order to pay their bills, millions of working people go into debt. This is encouraged by low interest rates, and by a selfish desire to eat and sleep under a warm roof. More about debt in a moment, but first— Do the ups and downs of the so-called free enterprise economy seem like a merry-go-round except for the merry part? Despite the fact that giant monopolies dominate it, the system is chaotic, unplanned and quite irrational. It puts human needs at the bottom of the list, well below profit, the so-called bottom line. For proof, just look at how bankrupt firms, like Enron, Stelco, Target and Sears, treat their retired workers. Capitalism is characterized by generalized commodity production. That means production for profit, not for use. When sales of goods and services slow down, assembly lines slow, or grind to a halt, and workers are laid off. Is that because there is no work to be done? An overproduction crisis occurs. Often, it involves the overproduction of useless things. Industries are periodically over-capacity. Over-production crises are a mainstay of capitalism. The decline in the rate of profit is also a feature of the system. It results from the growing reliance of capitalism on machines, increasingly on robots. But machines cannot be squeezed to produce more surplus value profit. One experiment, proposed by British economist John Maynard Keynes, seemed to work for a while. Government expenditure based on tax revenues, deficit spending, and some money-printing created public projects, social services and jobs. But a by-product of such currency creation, deficits and public spending is inflation. Inflation can quickly get out of control. Eventually debt mushrooms, and becomes bad debt. Then the bubble bursts. Of course, the government comes to the rescue—to the aid of the biggest banks and corporations — not to the rescue of heavily indebted workers. Imperialist war destroys the competition. It also kills millions of people and devastates the natural environment. Conquest by war lays the basis for a new round of capital accumulation and production for profit. Some countries, due to exceptional circumstances, can avoid one or another aspect of the destruction. There is only one way out of this mess, that is, in the interests of the working class and the dispossessed. Break the stranglehold of monopoly capitalism! To do that it is necessary for working people to take hold of the commanding heights of the economy not the corner grocery store or barber shop, but the big banks, mines, mills and factories and run it according to a democratically decided plan. Only public ownership and a planned economy can replace the waste and brutality of capitalism with a cooperative commonwealth. Canada is not presently on the verge of an economic transformation. But that day is surely coming as capitalism continues to wreak havoc on people and the environment. Radical change will be hastened as socialists step up efforts to explain the necessity and viability of it. Hopefully, the transformation will occur before catastrophic climate change makes political action a tragically belated, academic exercise.

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## Chapter 3 : The Reality Behind the Numbers in China's Boom-Bust Economy | Mises Institute

*Capitalism was by its nature intrinsically dynamic I mean that was the essence of Capitalism to invent, to innovate, to risk was the Capitalist, he thought, just like in feudal days, to get on a horse, to ride, to joust, and to fight was the very essence of what.*

The Chinese people created more goods and had more purchasing power with which to obtain them – a classic sign of prosperity. At the same time, the Shanghai Stock Exchange Composite more than doubled in value since October of 2007. This explosion in growth was accompanied by a post-recession construction boom that rivals anything the world has ever seen. In fact, in the three years from 2009 to 2011, the Chinese economy consumed more cement than the United States had in the entire twentieth century. Across the political spectrum, the narrative for the last fifteen years has been that of a rising Chinese hyperpower to rival American economic and cultural influence around the globe. But this series of events should have surprised nobody. Rather, the boom was fueled primarily by a cascade of debt pouring out of the Chinese central bank. New apartment buildings, roads, suburbs, irrigation and sewage systems, parks, and commercial centers were built not by private creditors and entrepreneurs marshaling limited resources in order to satisfy consumer demands. They were built by a cozy network of central bank officials, politicians, and well-connected private corporations. Nearly seventy million luxury apartments remain empty. This metric provides very little useful or accurate information about the actual quality of life in a country. GDP also includes government spending – such as when a government department purchases new computers. This transaction merely redirected labor and raw materials that would have otherwise been used to directly satisfy consumer demands with better or additional products. Government purchases and sales do not operate with the same rules that other actors in the market are subject to. Thus when we look at GDP numbers from a country drunk on spending newly printed money on projects completely devoid of market signals, we should not place too much faith in them. To compare the Chinese and American economies using a crude metric like GDP is like trying to gauge the athleticism of an individual by how much sweat comes out of his pores. When one economy can produce companies like Google, Boeing, Costco, and General Electric while another builds empty homes, what meaningful information could an unsophisticated metric like GDP tell us? Much to the chagrin of Keynesians, not all spending is created equal. Some fifty years ago, mainstream economists blabbered tirelessly about the rising Soviet powerhouse. An Introductory Analysis by Nobel-prize winning economist, Paul Samuelson predicted that Soviet GDP was nearly half that of the United States, but by and surely by 1980, the strength of the Soviet economy would surpass that of the United States. The Soviet Union crumbled. When experts rely on crude metrics we should not be surprised when experts are wrong. The US Federal Reserve orchestrated an artificial boom from 2000 to 2007 through artificially low interest rates and has resumed doing so once again. Entrepreneurs operating under faulty market signals created by the Federal Reserve malinvested hundreds of billions of dollars into capital intensive projects primarily in the housing sector. We paid for our boom with millions of destroyed jobs, wasted labor, and wasted resources. They will reap the same rewards. The views expressed on Mises.

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## Chapter 4 : Hamilton's Curse - LewRockwell

*Author Howard Sherman explores the root causes of the cycle of boom and bust of the economy, focusing on the financial crisis and the Great Recession of He makes a powerful argument that recessions and the resulting painful involuntary unemployment are inherent in capitalism itself.*

In the meanwhile, [click here](#) to go to the current home page. It is the product of the unplanned, anarchic nature of capitalism, whereby periods of hyped-up investment as sales increase and profits rise are followed by periods of overproduction leading to falling profits and layoffs. Marx was careful to point out that this was not overproduction above human need, but rather overproduction of what can be sold profitably. A rational system based upon planned production and distribution could always make use of extra machines and products to improve the quality of human life. Then the whole cycle begins again. Underlying this cycle is a more long-term pattern that Marx identified as a "tendency for the rate of profit to fall," which could lead to the slumps getting worse and the booms shallower. This is true for two reasons. The first reason is that competitive capitalism, over time, has turned into its opposite. The relatively freer competition of early capitalism between smaller competing units has given way to the concentration and centralization of capital into ever-larger units. Alongside this process is a trend toward a greater labor productivity. The need to increase market share compels each capital to invest in technology that reduces the amount of labor time necessary to produce each individual unit, and therefore its cost. The capitalist who is the first to use labor-saving technology is able to undersell his or her competitors, at least until they adopt similar methods. We explained in an earlier article that living labor is the source of value, that the amount of labor time necessary to produce a commodity determines its value. Profit is the difference between what capitalists spend on all the elements necessary for production--from machinery to labor power--and what they get back when they sell the product. The capitalist likes to think that profits are simply the reward for bringing all these elements together to produce a thing for sale. But machines do not produce extra value. They merely pass on all, or part, of the labor-value that was already expended on them in their production. Marx called the difference between necessary labor time the time necessary to match wages and surplus labor time the time appropriated without compensation by the employer the rate of exploitation. This rate of exploitation under capitalism is constantly increasing, because with increased productivity, the amount of time necessary to reproduce the necessities of workers goes down. But as productivity increases, labor becomes a relatively smaller and smaller component of production, and machinery a relatively larger and larger component. So the short term gain that individual capitalists get by investing in new machinery in allowing them to undersell their competitors leads over time to an increasing ratio of expenditure on machinery compared to labor. The result is that, over time, the rate of profit falls. But capitalism is driven by the pursuit of profit. Ironically, the very process of accumulation that drives capitalism is also a process that undermines it!

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## Chapter 5 : A Theory of Socialism and Capitalism | Mises Institute

*An explanation of how and why the economic downturn of became the Great Recession of and It explores the root causes of the cycle of boom and bust of the economy.*

The capitalist system is bad for your mental health. This has been known for decades but the defenders of the system either ignore the evidence, or if they are forced to admit it, they simply shrug their shoulders and claim that as there is no alternative economic system nothing can be done. Boom and slump The problem for the capitalist class is that their system is indefensible. It is not just that the regular economic recessions that are a certainty under capitalism that cause problems. It is toxic at all times. In fact the economic cycle from boom to bust and back again has a negative effect on working people. When the figures for economic growth, unemployment, sickness and death are examined for the last years, it is clear that ill-health and misery are caused by both boom and bust. As early as , it was found that the divorce rate, alcohol problems and criminal convictions went up during booms, and suicide during recessions. The divorce figures are easy enough to understand. Divorce becomes more common in a boom because those involved, especially women, have somewhere to go, have the chance of personal financial security through finding work, and can thus risk life on their own. It would seem that economic change in itself has a negative effect. Stress related deaths, such as those from coronary heart disease and alcoholic cirrhosis, rise during booms. And the extended crisis of capitalism over recent decades is causing a surge in mental health problems – of anxiety, depression, self-harm, and suicide – which is evident to nearly everyone. A particular feature of the last thirty years has been a dramatic increase in the suicide rate across most of Western Europe. Low income The reasons for this are complex but it can be clearly demonstrated that the suicide rate is linked to economic factors and in particular to the unemployment rate. Throughout the twentieth century and into this century the suicide rate can be shown to have risen during economic recessions. The recent dramatic increase seen during the Greek economic crisis is a particularly good example of this. The level of unemployment is the strongest predictor of the suicide rate, especially for older men. The relative risk of deliberate self-harm behaviours is also increased by unemployment, with one study estimating a 19 times increased risk of such behaviour among those who had been unemployed for more than 12 months compared to those who are employed. It is not just unemployment that kills, but also poor jobs. Job dissatisfaction and frequent job changes are more common in those who commit suicide. It is a startling fact that suicide and sudden cardiac death are more common on Mondays, the first day of the working week for most, declining in frequency as the week progresses. Assembly line workers have the highest mortality and sickness rates. Poor mental health in general is significantly associated with areas of low income. Stigma and oppression Unemployment, insecure and unrewarding jobs, and poverty, are not the only stresses young people face. Racism, sexism, homophobia and transphobia also have an adverse effect on mental health. And stigma and prejudice reinforce all the negative effects of capitalist society. Socialists demand adequate investment in services now to provide the treatment and support that those who have mental health difficulties face. But this is not enough. There is an alternative economic system – a socialist system which would abolish poverty and unemployment. We need sweeping and profound changes in society to begin to really address the problems of mental health.

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## Chapter 6 : Boom and Bust – the Capitalist Curse | Socialist Action – Canada

*Modern Capitalism Two developments paved the way for the emergence of modern capitalism; both took place in the latter half of the 18th century. The first was the appearance of the physiocrats in France after ; and the second was the devastating impact that the ideas of Adam Smith had on the principles and practice of mercantilism.*

The plague of mass unemployment, underemployment, low wages, destruction of benefits, social service cutbacks, and mounting poverty is overcoming the system and bringing unrelieved disaster to the multinational working class and the oppressed peoples of the world. In addition to the threat to the working class, the life-sustaining character of the environment of the planet is in dire danger. An entire generation of workers is facing a dismal future. For a growing majority, capitalism has in store only unemployment, marginal work and unskilled, low-paid jobs as the system incorporates more and more skills into software and machinery. Technology and the world-wide wage competition orchestrated by the employers continue to drive wages down. Among the most poisonous political and social consequences of the crisis are the intensification of racism, the growth of the prison-industrial complex, the rise in the persecution of immigrants and undocumented workers, and the war on women and lesbian, gay, bi and trans people. The ruling class seeks all means to sow division among the masses in order to divert attention from the failure of the economic system and the growth of obscene inequality. These are the ultimate and inevitable consequences of the laws of capitalist development, which are what drive the evolution of the profit system. Capitalism has generated dozens of periodic cyclical crises since at least , when the first real international crisis of overproduction swept the globe. But the present crisis goes far beyond the normal cyclical crises. This book deals exclusively with the present crisis in the U. At least twice before it reached a similar dead end, where it could no longer grow; it could only drag society backward toward an abyss. In fact, the economic crisis that began with the collapse of the housing market in December resembles the two previous great crises: The Long Depression was global and in the U. The initial downturn began with the economic collapse of a gigantic railroad bubble and lasted from to . It led to the longest economic contraction in U. A brief recovery was followed by another collapse in the s. The final and most drastic downturn of the period began with the collapse of a second widespread railroad and land speculation bubble. This crisis lasted nearly until the turn of the century. In many of these class battles, workers used armed self-defense against the scab armies of the bosses. The Great Depression is said to have begun in with the collapse of a gigantic stock market bubble. However, it was preceded by the collapse of a wild land speculation bubble, which fueled the stock market collapse. That in turn led to massive banking failures and finally a full-scale economic collapse. By there was 25 percent unemployment in the U. A brief economic upturn from to was followed by another collapse, which lasted until . Unemployment was 17 percent at the end of this period and never went below double digits, even during the brief upturn. There were unemployment and hunger marches and municipal general strikes in San Francisco, Toledo and Minneapolis in . From on there were hundreds of plant occupations across the country, including the legendary, victorious Flint sit-down strike which brought unionization to General Motors. This was a developing pre-revolutionary period. There are many differences between the crisis toward the end of the 19th century and the one of the s. But there are several important and fundamental similarities, which have great bearing on understanding the current crisis. In both crises, the automatic functioning of the capitalist market, the normal boom and bust cycle of capitalist development, ran out of steam. Capitalism reached a point where nothing of an economic nature could by itself get the system moving forward and upward any longer. Capitalism was mired in economic paralysis; mass unemployment was overwhelming the system. Both crises were preceded by long periods of enormous growth of the productive forces, great strides in technology, and major increases in the productivity of labor. From the middle to the end of the 19th century, the application of science to industrial processes and communications resulted in what is often referred to as the second industrial revolution. There were major improvements in steel production and chemical processes, the widespread use of the internal

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combustion engine, the development of petroleum drilling, the telegraph and many other advances. These technological developments brought about great leaps in the growth of the productive forces — including the massive development of the railroads. These leaps forward in science and industry were accompanied by decimation of the Native people and the seizure of their lands, forcing captured African people into chattel slavery that took on a modified form called share-cropping after the Civil War, the annexation of one-half of Mexico and the importation of Chinese labor. All this laid the basis for land grabbing and made possible the building of a transcontinental railroad system, mining and timber empires, and the meteoric growth of U. Similarly, in the period from the turn of the 20th century up until the crash, capitalism took another technological leap forward into the era of mass production. Economic growth was fed by the mass production of automobiles, new road-building technology, the electrification of manufacturing, the spread of electricity to households, the telephone, the mass production of radios and household appliances, among other things. Once again, as in the 19th century, the productivity of labor increased exponentially. And once again, consumption could not keep pace with production. Shortly before the economic collapse, production began to decline and profits shrank. How did these depressions end? The Long Depression that had begun in ended only with the plunge of the U. The productive forces and the profit system had outgrown the narrow framework of the capitalist nation state. Unemployment in the U. Likewise, the Great Depression ended only with the build-up for World War II and the war itself, when industry was converted to war production. In the post-war period, the massive means of production, infrastructure and housing destroyed during the war had to be rebuilt. The present crisis, which began in December , grew out of the same conditions that preceded the two previous crises: As in the previous crises, the system has been overcome by capitalist overproduction. Auto, housing, steel and other industries central to capitalism and to employment are shrinking. Industry is contracting because the markets cannot absorb the enormous output. Wages are falling everywhere. Inequality is at unspeakable levels. While we are at the early stages in the development of the present crisis, the capitalist system, as in the two previous great crises, cannot restart itself despite all the efforts of central banks and capitalist governments. Even when there is a slight economic upturn, mass unemployment does not recede and in most cases continues to grow. Because of the extraordinary development of the globalization of production, commerce and banking and finance, the present crisis is being played out on a far wider stage than the previous crises. The Long Depression and the Great Depression signified that capitalism had outgrown the nation state. They led to the age of imperialism, inter-imperialist rivalry and war. Indeed, the rise of imperialism signified that capitalism had entered into a phase of general crisis, a crisis from which it has never really emerged. The present crisis indicates that capitalism has outgrown the planet itself. Furthermore, it is a threat to sustaining human life on the planet. As this crisis deepens and becomes more prolonged, just as in the previous crises, the ruling class is escalating its military intervention and aggravating global military tensions. It is expanding its arsenal of destruction. The threat of war against Iran rises steadily over time. And military tensions with Russia have been deliberately stoked with the construction of missile defense systems. But the options for capitalism that were used to revive the system in previous crises have narrowed. Imperialist expansion once brought a softening of the class struggle at home as the bosses used some of the super-profits to make concessions to an upper layer of the workers in order to keep class peace. Now, in the age of globalized production, global wage competition means spreading low-wage jobs around the world. This has been enabled by the scientific-technological revolution. Class tensions are increasing in the U. The era of concessions has been replaced by the era of givebacks. As such, the option of military mobilization as an economic stimulus to pump up the economy has greatly diminished. In addition, the trillions of dollars in capitalist state intervention have failed to revive the system. As the ruling class runs out of options and moves in the direction of military adventure and political reaction, its traditional measures of recovery can no longer reverse the crisis. Thus the situation is historically favorable to the intervention of the working class and the oppressed to resolve the crisis on a revolutionary basis. The profit system is entering a stage at which it can only drag humanity backward. The masses of people will come to a point where they cannot go on in the old

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way because capitalism is blocking all roads to survival. This is the point at which humanity can only move forward by clearing the road to survival, which means nothing less than the destruction of capitalism itself.

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## Chapter 7 : The Roller Coaster Economy - Howard J. Sherman - Google Books

*Then there's the Skyscraper Index, a.k.a. tallest building in the world Curse-- a host of "the tallest building in the world" projects are either under construction or on the drawing boards, an intuitively appealing signal that the stock market is topping out.*

It is the legacy of Alexander Hamilton and his political, economic, and constitutional philosophy. The great debate between Hamilton and Jefferson over the purpose of government, which animates American politics to this day, was very much about economic policy. Hamilton was a compulsive statist who wanted to bring the corrupt British mercantilist system to America. Hamilton complained to George Washington that "we need a government of more energy" and expressed disgust over "an excessive concern for liberty in public men" like Jefferson. Hamilton "had perhaps the highest respect for government of any important American political thinker who ever lived," wrote Hamilton biographer Clinton Rossiter. Hamilton and his political compatriots, the Federalists, understood that a mercantilist empire is a very bad thing if you are on the paying end, as the colonists were. Hamilton was neither the inventor of capitalism in America nor "the prophet of the capitalist revolution in America," as biographer Ron Chernow ludicrously asserts. He was the instigator of "crony capitalism," or government primarily for the benefit of the well-connected business class. Far from advocating capitalism, Hamilton was "befogged in the mists of mercantilism" according to the great late nineteenth century sociologist William Graham Sumner. The Curse of Government Debt In a lengthy "report" to Congress on the topic of the public debt Hamilton said that "a national debt, if it is not excessive, will be to us a public blessing. The reason Hamilton gave for favoring a large public debt was not to finance any particular project, or to stabilize financial markets, but to combine the interests of the affluent people of the country particularly business people to the government. As the owners of government bonds, he reasoned, they would forever support his agenda of higher taxes and bigger government. This immediately became public knowledge in New York City, but the news spread ever so slowly to the rest of the country. Huge fortunes were made by these slick New York speculators. John Quincy Adams wrote to his father that the wealthiest Federalist lawyer in Massachusetts made a huge fortune with this caper. Hamilton participated in this parade of plunder himself, but claimed that the profits he made were for his brother-in-law. Thus, Wall Street investment bankers became inveterate lobbyists for any and all tax increases on the rest of the population, anyway to assure that their own principal and interest would be paid, and that they could promise their clients the purchasers of government bonds that the bonds were a good investment. They were corrupt from the very beginning. When Hamilton and George Washington led some 15,000 conscripts into Pennsylvania to enforce the hated whiskey tax, the purpose was not only to collect the tax and reassure bondholders, but also to send a message to any future tax resisters. The volunteer officers who led the conscripts were mostly "from the ranks of the creditor aristocracy in the seaboard cities," wrote Claude Bowers in Jefferson and Hamilton. The rebellion succeeded, nevertheless. Citizens were prohibited to criticize it, however, thanks to the Sedition Act that outlawed free political speech. This was exactly what Hamilton wanted. The BUS was a disaster for the general public, however; excessive money creating by the BUS printing press caused 72 percent inflation in its first five years, from to It became so unpopular that its twenty-year charter was not renewed, but then the War of gave it a new life, and it was resurrected in It immediately caused the Panic of , and did what all central banks have always done: The bursting of the housing bubble in our time is the latest example of this hoary tradition. This, and other interventions of that period 50 percent average tariff rates, massive corporate welfare for the railroad industry, income taxation, pervasive excise taxation , led historian Leonard Curry to observe in his book, Blueprint for Modern America: Nonmilitary Legislation of the First Civil War Congress , that the interventions "ushered in four decades of neo-Hamiltonianism: It may have meant instability to the ordinary citizens, but was the source of great riches to the banking industry and other members of the politically

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well-connected class. Things have not changed at all to this day. They understood what Adam Smith wrote in *The Wealth of Nations* , which was a harsh condemnation of British mercantilism as both corrupt and impoverishing. Indeed, many of these men or their ancestors came to America in the first place to escape from that very system. The politically incestuous relation between the banking and finance industries and government is the sole cause of the current economic crisis, particularly the boom-and-bust cycle caused by the Fed and the system of fractional reserve banking i.

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## Chapter 8 : Three crises of the capitalist system: , and “ Workers World

*China's state-led "red capitalism" was a model to be admired and even emulated. Yet, here we sit in watching the Chinese stock market fall apart despite the Chinese central bank's desperate efforts to create liquidity through government-backed loans and bonds.*

Includes bibliographical references p. Contents Preface and Acknowledgments-- Part I. Problems of the Roller Coaster Economy-- 1. Boom, Bust, and Misery: The Curse of Capitalism-- 2. History of the Roller Coaster-- 3. Diagnosing the Roller Coaster-- 4. The Income Gap-- 5. The Consumption Gap-- 6. The Housing Crisis-- 7. Investment and Profit-- 8. The Credit Balloon and the Financial Crisis-- 9. Government Spending and Taxes-- Diagnosis and Cure of the Roller Coaster Economy-- The Public Option for Health and Employment: Author Howard Sherman explores the root causes of the cycle of boom and bust of the economy, focusing on the financial crisis and the Great Recession of He makes a powerful argument that recessions and the resulting painful involuntary unemployment are inherent in capitalism itself. It concerns itself with the fairness of the organization, its management, and its delivery of public services. This book describes social equity in terms of its arguments and claims in political, economic, and social circumstances. Nielsen Book Data Subjects.

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## Chapter 9 : After the Fall – “ Rigged Game

*The Roller Coaster Economy: Financial Crisis, Great Recession, and the Public Option by Howard J. Sherman, , available at Book Depository with free delivery worldwide.*

Bankers, bosses, politicians and economists talk about it but none of them know what to do. Karl Marx has now been dead for years; yet his ideas, and in particular his analysis of the capitalist crisis, are alive, while those of our contemporary defenders of bourgeois rule have only a zombie-like existence. Nevertheless, the flood of anxious reports on the state of the world economy has not ceased. A month later March 21 it added that capital spending in will fall by 8. A CIA official, releasing a follow-up study, underlined the point: As well, he justifies his enormous military build-up by arguing that forcing the USSR to match the U. It reflects the growing sentiment within the U. All the bourgeois spokesmen, whether pessimists or optimists, agree on one thing: But working-class people must be immediately suspicious of such rosy claims. The crisis has brought depression conditions, not just a mere downturn, to whole regions of the U. Even though Reagan has found a few positive statistics to crow over lately, the fact remains that massive unemployment, prohibitive consumer interest rates and deteriorating public services are still with us and are showing no signs of improvement. Moreover, very few people believe in the economic wisdom of any of the official or unofficial ideologists of capitalism any more. The recent CIA reports had to acknowledge this decline while seeking to bury its significance. The decline was reconfirmed by Soviet figures in early With open variants of bourgeois ideology floundering, it is no accident that pseudo-Marxist theories are becoming popular again. As world capitalism careens toward collapse, obviously tinkering with the external manifestations of its crisis will not suffice. With the class struggle threatening to heat up, a theory that can influence masses becomes necessary. As in the past, the system will attempt to save itself by resting on the appeal of pseudo-Marxist ideology and pseudo-Marxist political forces to masses of workers. Thus the seemingly arcane task of disassociating authentic revolutionary Marxism from its corruptions is critical. In sharp contrast to Marx, they all stand for the reform of capitalism, not its overthrow. The only analysis that can come to grips with the world crisis is Marxism. Western and Eastern social patriots alike have a vested interest in denying any inevitable revolutionary showdown in theory and in fact. They also share a common interest in treating East and West as separate, distinct systems in order to suppress their increasingly visible similarities and their symbiotic roles in the preservation of world capitalism at the expense of the working classes. We have to review the classical cycle in order to see how the development of capitalism has compelled it to change. This comes about because capitalism, on both the domestic and international scale, is a system of separate and independent ownerships. When times are good, all resources are strained to bring new fixed capital into production; but once this capital starts producing, a flood of commodities is brought onto the market, and the crisis ensues. Unemployment, which falls during the boom, rises again; the high rate of profit that stimulated the boom declines, first when the low level of unemployment strengthens the bargaining power of workers, and further when the crisis forces production to slacken off. The crisis eventually takes its toll: But the effects of the slump enable profitability to revive: So the slump is followed by a new recovery period and in turn by a new boom. Typically, in the course of the boom period, the competition among capitalists stimulates new productive techniques that advance the level of productivity. This leads to the program of persuading wise managers and concerned capitalists to advance their own self-interest by paying the workers more; the workers will then be able to consume and purchase more, and thereby crises will be forestalled or dampened. There are insoluble problems with such a theory. First of all, as Marx pointed out, crises arise in the wake of cyclically high wages for labor, not low. As well, much of what is produced and overproduced under capitalism is means of production, not simply commodities meant for working-class consumption: If underconsumption were the cause of crises, then crisis would not be cyclical but permanent. Overproduction demonstrates the necessary contradictions of a system that has the potential to produce real abundance, yet under which that very potential

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causes a breakdown every time it builds up. The class struggle compelled the capitalists to advance productivity, accumulate more and more means of production and therefore to produce useful commodities more cheaply. For the first time in history, scarcity — with all its endemic misery, starvation, wars and pestilence — was no longer an inescapable part of human life. The Epoch of Capitalist Decay The history of the capitalist cycles changed around the turn of the century. It was Vladimir Lenin, leader of the Russian Bolshevik party, who observed during the First World War that the imperialist policies being carried out by all the major capitalist countries were signs of a new stage of capitalism: For Lenin, the modern capitalist epoch is one of reaction, counterrevolution and world wars. At the same time it also makes possible the proletarian revolution and the transition to socialism. The contradictions of capitalism have matured to their fullest. The imperialist stage, the new epoch, is chiefly characterized by the straitjacketing of free competition by monopoly: It is the qualitative extension of the tendencies of concentration and centralization. The hegemonic power of giant capitalists within each country is mirrored by the international hegemony of a handful of states. The result, both domestically and internationally, is that the surplus-value produced by workers everywhere is siphoned away from the weaker capitalists and disproportionately into the pockets of the dominant big capitalists in the imperialist countries. The result is that further economic growth in the non-monopoly industries and in the non-imperialist countries is severely hampered — as we can see in the present day, when none of the ex-colonial countries has been able to rise to the level of the economically advanced, despite the long boom of the post-World War II years. Lenin actually expected that the uneven growth characteristic of the epoch of capitalist decay would work out differently: While both of these trends have occurred, the predominant tendency has been the opposite: In this, he was following the logic of Marx himself, who foresaw the decay and breakdown of capitalism decades before it came about. As soon as capital begins to sense itself and become conscious of itself as a barrier to development, it seeks refuge in forms which, by restricting free competition, seem to make the rule of capital more perfect, but are the same time the heralds of its dissolution and of the dissolution of the mode of production resting on it. Society-wide economic organization is a condition of socialism and working-class rule; by keeping industry out of the hands of the proletariat capitalism sought to prolong its own existence and use the new forms against the workers. And imperialism had a similar response: The Marxist-Leninist assessment of the epoch of imperialist decay was confirmed by World War I and its aftermath: The system defended itself by relying on the Social Democracy, the reformist parties who held their grip on sectors of the working class by means of benefits paid for out of the superprofits imperialism extracted from the colonial countries. Reformism rested on key layers of workers who felt that they had an interest in defending capitalism. In line with the new epoch, the Depression; among other things, totally altered the behavior of the business cycle. There were ups and downs within the overall depression of the decade, but the normal processes of capitalist recovery never took hold: The Falling Rate of Profit The chronic disease that produced such severe symptoms as world war and the Great Depression had already been analyzed by Marx. He called it the tendency of the rate of profit to fall. Bourgeois economists had previously observed this law, but Marx discovered the reasons for it. Since surplus-value is extracted only out of the labor of current workers, machinery in production only transfers to new commodities value that has been previously produced, the rate of profit as a proportion of capital invested necessarily declines. History, on the other hand, has verified it. Significant evidence is provided by statistics on capital accumulation: Consider the figures in the table taken from the book *Capital in the American Economy*, by Simon Kuznets, pages He observes that the percentage rate of growth in capital stock for the U. When Kuznets in separate calculations excludes military industries, the decline is even sharper. The long-term fall in the rate of profit arising from the concentration of capital is not the same thing as the short-term profit fluctuations dependent on the business cycle: But the cyclical crises and the law of the falling rate of profit are closely linked. The long-term fall is carried out, ratchet-like, by the periodic crises: At the same time, the value of obsolescent invested capital is also forced down. At the depths of the crisis, surviving capitalists can buy up cheap equipment from those who go under, and thus the rate of profit on new investment turns up again. But the strongest capitalists, because of

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their near-monopoly power and their influence over the state, manage to survive even when their productivity is backward. It made monopoly at home and imperialism abroad inexorable. The American victory in the war made good the U. The post-war boom began in the U. As we explained in Socialist Voice No. As well, the hegemonic economic and military power of the U. Together these factors brought together sufficient amounts of surplus-value extracted from workers to re-establish the profitability of capitalist economy. There were subsidies to industry through the arms budget and other state spending and policies like unemployment insurance to prevent working class incomes from sinking as low as before the war. But all that these Keynesian measures accomplished was to sustain the prosperity bubble once it got started; they could not create it. Only the capitalist victory in the class struggle over the workers, together with the restructuring of capital through the war, managed to do that. The boom built up a massive balloon of fictitious capital, the various capitalist claims to a share in surplus value based on waste production, overvaluation and speculation rather than productive investment. In the classical business cycles, such balloons were periodically burst by cyclical crises; in contrast, the post-war balloon has been continually inflated. The danger of a cataclysmic collapse should a severe crisis occur only encourages capitalist governments to try desperately to keep postponing the crisis " and thereby making its consequences even greater. Ideology of the Boom The post-war boom produced a powerful impression among people. In the imperialist countries it appeared that capitalism had solved its economic problems once and for all; so the bourgeoisie argued through its news media, schools, churches and every ideological pulpit. Indeed, the depression did seem to have been forgotten. Even today, when the slide into the next great depression is already underway, the ideologists insist that proper governmental policies will reverse it. But today the prescriptions are far from unanimous. At present, no successful capitalist solutions are available, but all the pro-capitalist theorists guarantee that they exist. The situation is little better among professed Marxists. Indeed, such a period of uninterrupted prosperity during the epoch of capitalist decay had never been foreseen by either Marx or Lenin. Europe will be thrown violently into reverse gear. Millions of European workers will die from unemployment and malnutrition. The United States will be compelled to reorient itself on the world market, reconvert its industry, and suffer curtailment for a considerable period. Afterwards, after a new world division of labor is thus established in agony for 15 or 20 or 25 years, a new epoch of capitalist upswing might perhaps ensue.