Contours of Descent
U.S. Economic Fractures and the Landscape of Global Austerity

Robert Pollin
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160 pages.

If we have learned anything from thinkers such as Althusser, Foucault, and Derrida, it is that no interpretation of a text can ever be impartial. So to reveal a few of my own sources of bias, let it be known that I studied at the University of Massachusetts Amherst, where Robert Pollin teaches and works at the Political Economy Research Institute, and I am generally sympathetic to his work on such topics as living wages and financial market regulation. I use this book as a text for my introductory macroeconomics course.

The book is well-written; beginning each chapter with a hook, often taken from a popular source, such as an article, editorial, or political speech, Pollin proceeds to demolish conservative arguments about the 'ideal' 1990's economy. The tone of the book is evenhanded and reasonable, yet makes a solid, persuasive case.

The basic argument of the book is two-fold: first, the neoliberal policies pursued during the Clinton years (and the first two years of the Bush administration) have led to an increase in economic inequality, both in the US and elsewhere in the world, through institutions and agreements such as the IMF, the World Bank, the WTO, and NAFTA. Second, the prosperity of the Clinton years and the slump of the Bush years are simply two sides of the same coin, for both result from the increased economic volatility that results from neoliberal policies of deregulated financial markets, and the lack of effective government action to stabilize aggregate demand, as well as a basic antipathy towards worker's rights.

As should be clear from the summary above, the main theoretical apparatus of the book is quite close to what Keynes argues in *The General Theory* and elsewhere, and what left-leaning economists who followed Keynes have developed since the 1930's. Pollin makes his approach clear in the first chapter, where he addresses what he considers three major problems with unregulated market capitalism, associated with three great figures in economics, which Pollin dubs "The Marx Problem", "The Keynes Problem", and "The Polanyi Problem". Now, before delving into these problems, I should say, it takes a certain amount of verve to summarize the entire work of these great minds in a few paragraphs, and by doing so, one is certainly setting oneself up for a critique.

Let's start with where Pollin is the strongest, which is with his argument on "The Keynes Problem". Here Pollin delivers a wonderfully concise treatment of one of Keynes' arguments, which is that because business ventures are uncertain, financial markets developed to enable firms to have more flexibility and to manage risk. However, these markets not only provide a means for turning society's savings into productive investment, they provide venues for speculation, which leads to a great deal of instability. Keynes argues that investment is the most volatile part of aggregate demand. Thus, if we want a more stable economy, in which destructive business cycles are minimized, effective regulation of financial markets and other government intervention in the economy are essential.

Pollin is also on solid ground with his treatment of “The Polanyi Problem”, in which he argues that free markets tend to produce outcomes which are quite unfair. To solve this problem, markets must be “embedded in social norms and institutions that promote broadly accepted notions of the common good.” This argument, which many New Deal liberals, including Keynes himself, shared, brought about many reforms, labor laws, minimum wage and strong wage growth, and welfare state policies. To implement these, strong growth was needed in the government. According to Pollin’s figures, government spending as percentage of GDP went from 8% in 1913 to 38% in 1992. Unfortunately, Pollin is not as clear as he might have been in this section. He mentions that markets generate ‘inequitable’ outcomes, but there is no real discussion of what this means in a concrete way.

However, it is when Pollin turns to Marx that he falters, arguing that “The Marx Problem” is that workers have less power than employers when it comes to bargaining for wages. As a result, international competition and pressure from unemployed and underemployed workers tends to bring wage levels down. That’s “The Marx Problem”? Shouldn’t an old dynamic of capitalism that was discussed by many other economists, including William Petty in the 17^{th} century and Adam Smith in the 18^{th} century, be attributed to someone else besides Marx? Surely one of Marx’s more original contributions to economics should be given such an impressive title.

How can we explain Pollin’s anemic treatment of Marx? After all, Pollin studied with Paul Sweezy, and even wrote a nice retrospective on Sweezy recently.
(See http://www.counterpunch.org/pollin03062004.html)

There is no mention of exploitation, or the tendency of competition to lower the rate of profit, perhaps precipitating a crisis, nor of anything like ‘dialectical materialism’, themes which loom large in the Marxian literature. One is tempted to conclude that Pollin has not read much beyond “The Communist Manifesto”, and perhaps not even to the end of that.

Indeed, Pollin goes into considerable detail in discussing the rate of productivity growth in the U.S., showing that for substantial periods of time, including much of the 1980’s and 1990’s, the rate of productivity growth was increasing, while wages were in fact falling. Pollin notes that rising productivity does not guarantee higher wages.

This is all especially interesting in the context of what Marx calls ‘the rate of surplus value’, which is frequently called simply the rate of exploitation: $e = {}^{s}/_{v}$, the surplus value divided by the value of labor power which the worker receives as a wage. This rate of surplus value is quite similar to the rate of productivity used in the mainstream economics literature (let us hold aside for the moment the price / value distinction and other esoteric points). It is clear from the above that the rate of exploitation may rise even as wages fall -- indeed, Marx argues that this is a major tendency of the capitalist class process. However, the rate of exploitation may rise when wages remain constant, if there is an increase in the intensity of labor. The rate of exploitation may rise even if wages rise, if the increase in the intensity of labor outweighs the effect of the wage increase.

Even when discussing third world sweatshops, Pollin does not use the concept of surplus, nor discuss exploitation, except in the most general of terms, and always to mean wages that are 'too low', never to mean the problem of someone who did not produce surplus value who appropriates that surplus value -- Marx's definition of exploitation. The lack of understanding of class and exploitation seriously impairs Pollin's ability to clearly explain the sources of inequality in the U.S. economy in relation to globalization.

Pollin is quite good when he discusses and critiques mainstream economists' glowing treatment of the economic performance of the 1990's. His discussion of the causes of the stock market boom, which, as he notes, is heavily influenced by the work of Lawrance Evans *Why the Bubble Burst*, is also quite good. But do not expect more than a liberal view of how to reform capitalism. Pollin ends by discussing what we need, in the words of Robert Heilbroner: 'a slightly imaginary Sweden' -- meaning, of course, a highly-regulated market economy overseen by a democratic government. The reader cannot help but wonder, are there no new ideas? Are we completely out of fresh perspectives? If one is searching for something that could perhaps revitalize popular movements across the globe with a new vision of how to create a better society, my advice is, keep looking, but if one is searching for a solid liberal critique of the excesses of the roaring 90's, this is it.

About the Reviewer

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