

**Jack Rasmus, *Systemic Fragility in the Global Economy*, Atlanta, GA: Clarity Press, pp 490, GBP 17.51, USD 29.95**

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### Abstract

*This article presents some background information on the work of Jack Rasmus, summarizes his work on crisis, especially the concept of systemic fragility, and his criticisms of alternative approaches, and offers some comments on the overall approach proposed by Rasmus.*

Jack Rasmus studied economics at Berkeley, took his doctorate in the University of Toronto (1977), and worked for many years as a union organizer and labour contract negotiator. Then, after working as an international economist for global companies (such as Siemens) and an international strategic analyst for some Silicon Valley start-ups, he became a full-time independent economic researcher, author, journalist, radio host, playwright, poet, lyricist, and activist. He also established Kyklos Productions and Jack Rasmus Productions, which use different media, including stage plays and musicals, to explain the long run changes in the USA and its future trajectory. He is currently Federal Reserve Bank chair of the Green Party Shadow Cabinet and economic advisor to Jill Stein, the party's presidential candidate. This background is important for understanding the theoretical novelty, persuasive power, political passion, and programmatic significance of this book.

*Systemic Fragility in the Global Economy* (2015) is the fourth in a series that Rasmus has produced within this broad intellectual and activist project. Each work not only provides a theoretically-informed, empirically-grounded diagnosis but also offers a wide-ranging set of policy recommendations aimed at progressive movements. The first work was a detailed critique of the diverse upward wealth transfer mechanisms employed in the corporate-government class struggle against subaltern classes and groups in the Reagan-Bush-Clinton-Bush era (Rasmus 2006). The second, based in

part on major journal articles, was *Epic Recession: Prelude to Global Depression* (2008). This also provides the theoretical foundations for his analysis of systemic fragility. Its two main claims are that, first, the North Atlantic Financial Crisis (my term) is more comparable to the recessions followed by stagnation that occurred in the USA in 1907-1914 and 1929-31 than it is to normal cyclical recessions (marked by a brief contraction followed by a swift return to growth) or a classic depression; and, second, that the explanation for epic recessions can be found in the interaction of debt-default-deflation dynamics across the corporate, household, and government sectors. This work was followed by detailed critique of the current and future policy failures of the Obama Presidency and the presentation of an alternative policy programme and reform agenda (2012). The fifth is concerned with the Greek crisis and the rise of financial imperialism (2016).

The book reviewed here extends the analysis of epic recession dynamics, with declining growth, increasing fragility, and worsening instability, to the global economy. In particular, Rasmus argues that the epic recession has been mutating as the financial crisis becomes more general and directly weakens the 'real economy', generates secular stagnation, and produces ricocheting contagion effects around the world economy exacerbating weaknesses in each economy and giving rise to distinct crisis symptoms in different regions. Starting in the neoliberal, finance-dominated US-UK economies in 2007-2008, in 2010-14 it affected the weak regional links in the advanced economies the Eurozone and Japan before shaking China and emerging markets. Despite their different forms of appearance (real estate, stocks, currency markets, government bonds), the underlying causes remain excessive liquidity that fuel different kinds of speculative financial bubbles and growing debt. The resulting crises cannot be tamed by fiscal or monetary means. Indeed central bank liquidity injection and government fiscal policies exacerbate the crises. Central bank responses have boosted liquidity, which has flowed into further asset speculation rather than productive investment and is creating the basis for an even bigger economic crisis. The detailed empirical analysis is backed by a sustained critique of international financial institutions, Wall Street shills and regulators, economic statistics and statisticians, and, more importantly, mainstream economics, especially neoclassical economists and hybrid Keynesians (who seek to integrate Keynesian insights into neoclassical economics), mechanical Marxists (who invoke the falling rate of profit to

explain crises), and the significant but now outdated contributions of Hyman Minsky to the analysis of financial instability.

The theoretical novelty in this text compared with the author's *Epic Recession* is a more systematic presentation of systemic fragility. The possibility of recession, crisis, and depression is given in the price system in general and the dynamics of financial asset prices in particular, which differ in several ways from those of real asset prices and can become fundamentally destabilizing under conditions of systemic fragility. For Rasmus, this phenomenon is rooted, for in nine key empirical trends: slowing real investment; deflation; an explosive growth in money, credit and liquidity; rising levels of global debt; a shift to speculative financial investing; the restructuring of financial markets to reward capital incomes; downward pressure on wages; the failure of Central Bank monetary policies; and ineffective fiscal policies.

The case studies of the USA, Europe, Japan and China are excellent, typically contrarian, and highly teachable. Many important and provocative arguments and points are made in passing in these studies and they are strengthened by the more sustained theoretical analyses that follow. A major contribution is the analysis of the complexity of shadow banking, an ill-defined term of art in most of the literature. I have found the analysis of debt-default-deflation dynamics very helpful in my own research on crises and the elaboration here is more detailed than in *Epic Recession*.

Nonetheless there are also three unresolved issues that will interest readers of *Capital & Class* and are unlikely to be solved through Rasmus's promised next iteration of the analysis. First, perhaps reflecting his economic training and labour activism in the USA and Canada, the critique of official dogma, orthodox economics and Keynesianism is well-developed but the presentation and critique of Marxist theories leads much to be desired, especially the critique of "mechanical Marxism", and, compared with his biting criticisms of other theorists, his grasp of Marx's method and arguments is disappointing. Second, relatedly, while the analysis of financial asset price formation and debt-default-deflation dynamics is innovative, the articulation of this analysis with the contradictions and crisis-tendencies in the circuits of productive capital is weak. This matters insofar as the crisis of Atlantic Fordism in the 1970s and 1980s has a strong bearing on the rise of financialization and finance-dominated accumulation in

the USA and UK. And, third, the institutional mediation of crisis dynamics in the political system, the influence of neoliberalism broadly considered, and the specificities of political and ideological struggles that have shaped the rise of finance-dominated accumulation all deserve far more attention than they receive in this text. The analysis seems at times to move uneasily between detailed empirical description of crisis symptoms and dynamics, a general middle range theory of debt, liquidity, and financial asset price formation, and a potentially class-reductionist account of the social forces behind the rise of financialized capitalism. Paradoxically this makes this book an excellent and cathartic text for teaching and activism but leaves much unfinished business for those who want to relate this analysis to broader questions of international political economy and political strategies that look beyond the labour and green movements.

## References

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