**Book Review**


Arthur MacEwan and John Miller’s latest book, *Economic Collapse, Economic Change: Getting to the Roots of the Crisis,* seeks to explain the global economic crisis of 2008. In carrying out this inquiry, the authors divide their study into five main parts, each containing two related chapters. First, they offer an introductory overview to the so-called “Great Recession” and the book’s central themes. Then, they present an economic history of the United States, from the 1930s to the emergence of the crisis. Next, they put forward an outline of the events and developments leading up to the recession. They also reflect on the implications of the crisis on the global economy, with special emphasis on the U.S.-China relations. In the fifth and final section, MacEwan and Miller consider possible solutions to the economic crisis.

This work shares objectives with other books, both liberal and radical, which expound on the current crisis, including Joseph Stiglitz’s (2010) *Freefall: America, Free Markets, and the Sinking of the World Economy,* and David Harvey’s (2011) *The Enigma of Capital.* MacEwan and Miller specifically intend the book for activists, engaged in various progressive social movements. Curiously, however, the authors acknowledge that their contribution does not really offer a full-fledged program for resolving the crisis, though they propose solutions to some concrete problems.

In building their analysis, the authors rely on such economic data as unemployment rates, GDP growth, and housing prices to establish the gravity of the current downturn. They compare these figures with statistics from other twentieth-century recessions, noting that the depth of the “Great Recession” defines it as a “crisis.” They also articulate opportunities for promoting societal change within the latest crisis, stressing out that the U.S. has been known to emerge from earlier economic predilections as a fundamentally — and, often, constructively — altered society.

MacEwan and Miller’s overview of the United States’ economic history runs from the 1930s to the most recent “dot com” crash. Along the way, the authors consider economic ideology, specifically the shift from Keynesian demand-management spending, and contrast it to the neoliberal model that emerged in the late 1970s. In addition, they highlight the change in power and income equality in
the context of the declining strength of organized labor and the ever-rising influence of corporations. At this point of the analysis, the authors flesh out their concept of “inequality-power-ideology nexus” (p. 4), asserting that the triad of neoliberal ideology, corporate hegemony, and excessive income inequality has caused the current crisis.

In part three, MacEwan and Miller describe the variables contributing to the economic downturn that started in 2008. In chapter five, they offer an explanatory analysis of the financial deregulation which laid the groundwork for the crash. The pair views the erosion of the Glass-Steagall Act (which distinguished commercial from financial banks) as an important step in deregulating the financial sector. In light of this, MacEwan and Miller cite the securitization of debt through mortgage-backed securities (MBSs) and collateralized default obligations (CDOs) as outcomes of irresponsible deregulation. Curious developments in the financial sector, they claim, allowed banks to package bad debts with other loans in MBSs and CDOs, thus making it difficult to pinpoint the exact source of the bad debts within the U.S. financial system. They track the unfolding of the crisis by examining the build-up of debt and the associated housing bubble. Specifically, they illustrate how the bursting of the bubble set off a crisis in the financial sector, as loan defaults and bad debt dragged down the values of bank holdings.

In a historical continuum, MacEwan and Miller consider the discontinuation of the fixed rate exchange system in 1971 as a key development in creating instability on global level. As a result of this development, the international currency floated, no longer being backed by the United States’ gold reserves. Without a stable international currency, then, speculators could engender massive fluctuations in currency and commodity values.

From a current international perspective, the authors illuminate the U.S. and China’s role in the global crisis, describing the massive Chinese-funded debt of the United States, as well as China’s reliance on American consumption for export-led growth. As the U.S. and China vie for economic dominance, this contradictory relationship may play out in unexpected ways.

While this book presents a good analysis of the latest economic crisis, its actual contribution lays in the solutions the authors offer in some defined area: namely, (1) bank regulation; (2) government stimulus spending increase; (3) universal social program creation (health care, child daycare, etc.); and (4) labor movement strengthening. Implementing changes in these four areas, according to MacEwan and Miller, could lead to breaking the inequality-power-ideology nexus. Relevant changes would stabilize the financial sector, while also increasing demand for products and services, thereby pulling the United States out of the crisis. The authors specifically criticize the Obama Administration’s American Recovery and Reinvestment Act of 2009 for being too small and structured too heavily towards tax cuts. “[A] program of $787 billion was insufficient, even by optimistic estimates, to bring the economy back to an ‘acceptable’ level of output and employment” (p. 173), the authors postulate, and to lower the unemployment rate to 5%, the stimulus would have had to be roughly over one trillion dollars.
Book Review

McEwan and Miller’s account of the “Great Recession,” however, lacks certain clarity in the analysis. My main concern pertains to their inequality-power-ideology nexus. They link the nexus to the complex relationship between wealth creation and inequality, corporate hegemony, and neoliberal ideology. Whereas I readily accept that financial deregulation, declining wages, corporate power, and mushrooming debt most certainly contributed to the current crisis, I am not so sure they constitute the cause for it. I submit that the drive for profit, inherent in capitalist production, registers as the force majeure for creating crises. Drawing from the writings of Karl Marx, David McNally (2011, 67) explains the compulsion that drives capitalists. In their quest for profits, McNally asserts, capitalists are prone to both over-invest and over-accumulate wealth, thereby leading to crises. Thus, through monopolization, labor exploitation, and corporate domination of government and media, the profit system generates the foundations of what MacEwan and Miller define as the inequality-power-ideology nexus. Their nexus, therefore, is not the root cause for the crisis, but merely a byproduct of the central focus of capitalism, profit.

For progressive social activists, analytical clarity proves necessary for achieving sensible social change. Consequently, I suggest that those invested in social struggles also consider reading David McNally’s Global Slump for an even more pointed analysis of the current economic crisis and for even better proposals for creating a more just world.

Neil Loehlein
Independent scholar

Neil Loehlein is an independent scholar in the field of geography from Portland, Oregon.

References