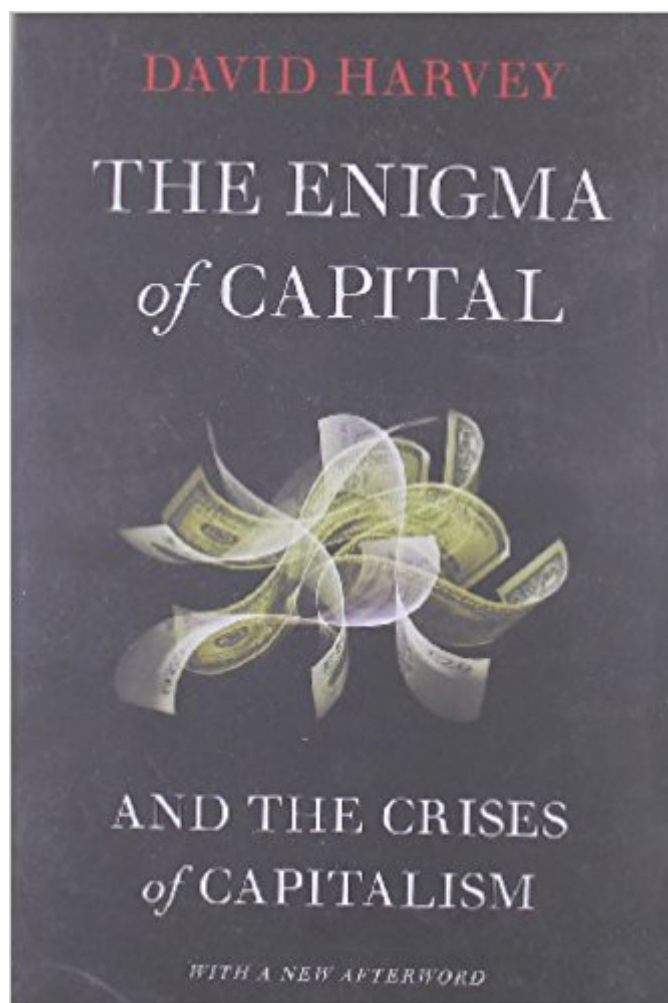


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# The Enigma Of Capital: And The Crises Of Capitalism



## Synopsis

For over forty years, David Harvey has been one of the world's most trenchant and critical analysts of capitalist development. In *The Enigma of Capital*, he delivers an impassioned account of how unchecked neoliberalism produced the system-wide crisis that now engulfs the world. Beginning in the 1970s, profitability pressures led the capitalist class in advanced countries to shift away from investment in industrial production at home toward the higher returns that financial products promised. Accompanying this was a shift towards privatization, an absolute decline in the bargaining power of labor, and the dispersion of production throughout the developing world. The decades-long and ongoing decline in wages that accompanied this turn produced a dilemma: how can goods--especially real estate--sell at the same rate as before if workers are making less in relative terms? The answer was a huge expansion of credit that fueled the explosive growth of both the financial industry and the real estate market. When one key market collapsed--real estate--the other one did as well, and social devastation resulted. Harvey places today's crisis in the broadest possible context: the historical development of global capitalism itself from the industrial era onward. Moving deftly between this history and the unfolding of the current crisis, he concentrates on how such crises both devastate workers and create openings for challenging the system's legitimacy. The battle now will be between the still-powerful forces that want to reconstitute the system of yesterday and those that want to replace it with one that prizes social justice and economic equality. The new afterword focuses on the continuing impact of the crisis and the response to it in 2010.

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## Customer Reviews

"At times of crisis," notes eminent Marxist geographer Harvey (*Spaces of Global Capitalism*), "the irrationality of capitalism becomes plain for all to see." Harvey excels at a revealing and constructive analysis of global capitalism at a moment when its integration--and the attendant widespread susceptibility to its disruptions and downturns--has never been tighter or the post-cold war Western economic model for the world economy more discredited. The narrative delineates with admirable clarity the arcane details of the current financial crisis, while rehearsing the rise of capitalism as a historically specific "process" plagued by fundamental dilemmas. A Marxist perspective comes augmented and nuanced by wide reference to scholarship, close readings of Marx and Engels, and instructive examples of capitalism's basic tendencies in episodes like Henry Ford's notorious Fordlandia venture in the . While certain to be controversial even on the broad left, Harvey's analysis joins other recent attempts (such as Raj Patel's *The Value of Nothing*) to re-think the current economic and political regime from its roots, while identifying and variously championing ready alternatives already manifesting themselves within it. Copyright © Reed Business Information, a division of Reed Elsevier Inc. All rights reserved. --This text refers to the Hardcover edition.

Harvey, longtime academic teaching Karl Marx's *Das Capital*, discusses capital flow, which is the lifeblood of all capitalist societies, spreading throughout the world like blood circulating through the human body, noting that the body dies when the blood flow stops. The author contends that many economists, executives, and politicians may not fully understand the nature of capital flows as the global institutions and lenders suck the life blood out of people everywhere, especially the poor, and central bankers' actions result in excess liquidity, falsely believing such transfusions will cure capital-flow problems. We learn about the disruptions and destruction of capital flow and the author's suggested guiding norms (which he readily admits are utopian), including respect for nature, radical equality in social relations, and technological and organizational innovations oriented toward the common good rather than supporting military power and corporate greed. Although this is clearly a view from the Left, and all readers will not agree with Harvey, he nevertheless offers thought-provoking analysis and ideas in this excellent but challenging book. --Mary Whaley --This text refers to the Hardcover edition.

David Harvey teaches at the Graduate Center of the City University of New York and he is a Marxist. The book is a critique of capitalism and a scathing attack on the excesses of those who

have the ability to exploit both the capitalist system and economically weakest members of society. The book has the United States as its primary focus, which is fair given that the total global output in 2008 stood at \$56.2 trillion and the United States contribution was a staggering \$13.9 trillion. The erudite David Harvey draws on examples from a wide range of other countries too which is necessary for the case of the global reach of capitalism. Harvey poses the question of how capitalism has managed to survive so many crises and why is it so crisis prone. To answer these questions he makes the point that capital is not a thing, "but a process in which money is perpetually sent in search of more money." The continuous circulation of capital is very important because an interruption of the process always entails incurring losses. In the late nineteenth century when there was surplus capital in Britain, it was sent to the United States, Argentina or South Africa where it could be profitably deployed. The faster the flow of capital, the higher the profits so there is always an incentive to speed up the circulation. Speed nearly always pays off in higher profits, Harvey notes. Any innovation that increases speed will be in demand. In the process of circulating capital, money is assembled in one place and brought to another place where it can buy the resources required to produce a good or service. "I deposit money in a savings account in my local bank in Baltimore," writes Harvey, "and the money ends up in the hands of an entrepreneur in China who built a sock factory in Dongguan hiring migrant labourers (mainly young women) from the countryside." This is not too different from the securitisation of local bonds on properties around the United States and their sale to investors all over the world. It was just another way of connecting areas where there is a shortage of capital to those where there is a surplus, and in a way that was supposedly minimised risk. Capital flows because it always has to be put to work. Capitalists reinvest their money in expansion rather than spending all their profits on pleasures because of "the coercive laws of competition." If a capitalist does not reinvest in expansion, his rival will. This does presume that there will always be ways of creating growth. If there is no growth then the over-accumulated capital will be devalued or destroyed. The pursuit of growth requires an answer to the question of where the new investment opportunities will come from. If capitalists need 3 per cent growth, this will mean finding new and profitable global investment opportunities of \$1.6 trillion now, rising to closer to \$3 trillion by 2030. Growth, when the numbers are this big, it is a challenge that capitalism cannot continue to meet forever. Herein lies a serious flaw in the system. In answer to the question as to why capitalists want to accumulate more money than they could possibly use in multiple lifetimes Harvey explains that money is a unique form of social power available to individuals. The mega-rich cannot actually own "billions of yachts or McMansions," he explains, but there is no limit to the millions or

billions of dollars a person can own. In each of the many crises that capitalism has experienced capital is devalued. This is clearly an undesirable situation that seems to be part of the capitalist system. The values lost in the current crisis is estimated to be in the order of \$50 trillion globally-xx when devalued capital is understood as deserted and abandoned factories, empty office and retail spaces, surplus goods that cannot be sold, money that is not earning interest, and so on. Despite his antipathy to capitalism Harvey admits that the performance of capitalism over the last 200 years has been nothing short of astonishingly creative. However, he seems unable to avoid interspersing his arguments with flippant jibes at capitalism such as: "It's its endless innovations have, after all, laid the basis for wondrous new technologies like Velcro and Maclaren pushchairs that can benefit the whole of humanity." This is unfortunate as it lowers the tone of this carefully argued work. His observations of the "state-finance nexus", the tight relationship between states and the financial power houses is certainly a matter of concern. The American situation is a horror story written large where the state bailed out financial institutions with money paid by taxpayers who will never get their debts similarly treated. While the book is certainly challenging, Harvey fails to give the reader any sense of a coherent alternative, preferring to challenge those who oppose capitalism to work on addressing the matter intellectually and practically. What a reading of this book certainly achieves is a clarification of the need to intensify capitalism's already emergent commitment to social issues, the environment and ethical corporate behaviour. Readability Light ----+ Serious Insights High --+---- Low Practical High ----+ Low

Ian Mann of Gateways consults internationally on leadership and strategy

David Harvey begins his book, *The Enigma of Capital: And the Crises of Capitalism*, by looking at the financial crisis that first raised its ugly head in 2007. He examines a sequence of seemingly unrelated events that occurred over the last thirty years or so - including oil crises, debt disasters, real estate and dot com bubbles and their bursts, along with multiple international bailouts - then introduces the reader to some of the factors that might help expose their underlying connections. Harvey doesn't see these individual events as the cause of the current crisis, but instead looks at the big picture through the lens of Marxist philosophy to see whether they might be the result of a neoliberal system that fostered a new surge of capitalistic greed, and the 'moral hazard' that accompanied it, beginning in the 1970s. In the process, he points out that crisis is an inevitable feature in capitalist economic growth, which, when tied to capitalism's need to maintain a minimum 3% per year profit surplus for reinvestment, problems with excess capital accumulation can, and indubitably did, cause problems that affect the economy today. According to Harvey's analysis, an

inordinate amount of this surplus capital was not reinvested in the production of goods or services, but rather became the catalyst for a dangerously expanding financials-based market. This diversion of capital produced two results; 1) it increased the wealth of those in the elite capitalist class and, 2) decreased the wealth of those in the lower classes. Throughout the book, Harvey uses Marxist theory to reiterate how capitalism's weaknesses are observable when the flow of capital is changed or diverted from a production-focused flow (which is more likely to bring some amount of wealth to all involved), to one that serves only to build wealth for one group at the expense of another. Harvey uses the first chapter to explore the facts building up to the current crisis, starting with the displacement of Keynesian economics by neoliberalism during the 1970s and progressing to the growth of the financials-based capitalist economy of today. He looks at a few smaller crises that arose along the way, including the Arab Oil Crisis in 1973, the New York City bankruptcy, problems in Japan, Norway and south-east Asia, and the U.S. savings and loan crisis. He also looks at various small scale attempts at correcting the current crisis, many of which were failures in and of themselves. Upon examining these issues, he writes "there is, we have to conclude, some inherent connectivity at work here that requires careful reconstruction." (Location 150). Harvey also explains the underlying principles of neoliberalism, which he describes as a "class project" that served to centralize wealth and power in the hands of elites by spreading "rhetoric about individual freedom, liberty, personal responsibility and the virtues of privatization, the free market and free trade" (Location 161). The results of this "class project" included a strengthening of the notion that banks need to be protected at all costs, a loosening of governmental regulations meant to protect society from capitalist abuses, the weakening of workers' rights, and a growing global economy through laissez-faire economics. It is these factors, according to Harvey, that started the world on the path of a growing wealth inequality between the social classes. In the second chapter Harvey explains the nature of capitalism, focusing primarily on it as a system of capital flow, but looking also at how it operates within and upon society and the social order. He points to its origin as a means by which money is sent in search of more money, which in the beginning was through the power of production. The continuing profits allowed for reinvestment, which is viewed by economists as a requirement for competitive reasons. This reinvestment allowed capitalists to 'grow' their business in order to stay competitive, all the while creating new (though not always good) opportunities for a growing and willing labor supply. Chapter 2 also looks at the beginning of a "state-finance nexus", a system that ties together politics and economics due to the controlling influence of the bourgeoisie class on the government. This change gave the growing capitalist class greater opportunities to build wealth through the "dispossession and destruction of pre-capitalist forms of social provision"

(Location 675). Harvey then points to the growing elite financial class that was able to gain control over producers, merchants, landholders, developers, wage laborers and consumers" through the growing credit system (Location 735). Capitalism, it seems, needed capital to gain more capital, something those with the greatest wealth took advantage of early on through lending and debt creation. The new paradigm put money at center stage in the commodities market. In chapters 3 through 5, Harvey looks primarily at how the flow of capital has affected society through the creation of an economic system which attempts to balance the surpluses within the capitalist system. He also defines seven activity spheres capable of creating barriers that capitalism must overcome in order to continue its minimum 3% growth. These include; 1) technologies and organizational forms, 2) social relations, 3) institutional and administrative arrangements, 4) production and labor processes, 5) relations to nature, 6) the reproduction of daily life and of the species, and 7) mental conceptions of the world (Location 1825). In overcoming one barrier as it is met, new barriers often arise in other areas. Harvey says this occurs because "the relations between the spheres are not causal but dialectically interwoven through the circulation and accumulation of capital" (Location 1915). In chapters 6 and 7, Harvey looks at the role globalization has played in the history of capitalism, including the flow of capital across borders, the change in societies due to labor relations, the consumption and dispossession of natural resources, all through "creative destruction". He relates the effects of a growing financial capitalism throughout this process, including the notion of spreading risk as well as opportunity, and the idea of a global community ripe for the picking. Harvey points out that global capitalism has its internal problems as well. One is brought about by the disconnection between individual financial players, which he sees as a likely catalyst to the current crisis - the "radical disjuncture in time-space configurations" that made it difficult for financiers to fully see what their investors/traders were doing (Location 2840). In his final chapter, Harvey reminds us that "at times of crisis, the irrationality of capitalism becomes plain to see" (Location 3246). It is here that he asks if capitalism can, or even should, survive, and if so, what needs to change and who should initiate that change. The increasing political unrest around the world would be too costly and dangerous for the capitalist class to fight with armies and violence - but because it is unlikely elites would be willing to change (the thrill of the profits game is so tightly woven to their way of life) it is more likely that they will use their current political power to keep the masses under control. These capitalist elites will push for the status quo option, continue to exert their power over the government to keep trade unregulated, thus ensuring that any change would bring little or no negative affect on their profit-seeking abilities. And what of those that have been so drained of wealth during the last thirty years of neoliberal policy? The lack of any clear leadership or

vision will surely diminish their ability to push for change that ensures some kind of fairness and equality. In summation, Harvey's analysis of the current economic crisis is well written and easily understood, and his explanation of capitalism is helpful to those less knowledgeable of the subject. His use of Marxist theory serves to challenge readers to look at the current crisis from a different angle, and helps to show the reader how thirty-plus years of neoliberalism has changed our mental conception of the world - from one that placed value on the hard work of laborers to one that places the value of money above that of the individual. But the use of Marxist theory could possibly scare away those individuals who might benefit most from the information Harvey wants to share - working and middle class citizens raised during the era of the 'communist menace' - those hard-working citizens whose mental conception of the world includes a strong aversion to all things Marxist due to thirty plus years of neoliberal propaganda. Harvey leaves the reader with no real solution, but instead leaves the reader thinking about the possibilities for change. That leaves us with what looks to be a long and difficult debate - should we retain capitalism as our economic driving force? Should the masses dispossess the wealth the capitalist elites have worked so long to accumulate? Harvey writes of the "moral hazard" prevalent in modern capitalism as a major factor in the current economic crisis - the same factor that was taken into account after the U.S. stock market crash of 1929 - the same factor that brought the systems of socialism and communism into fruition at the end of the robber-baron era. But those systems proved weaker than capitalism and according to Harvey should not be re-visited. So where do we go? Based on my interpretation of Harvey's *Enigma of Capital: And the Crises of Capitalism*, the ugly head we have seen over the last few years wears the mask of this "moral hazard". The desire of capitalist elites to achieve greater wealth no matter what the cost to society, be it people's homes or jobs, people's present or future ability to provide for their needs, this desire has played the major role in the creation of this crisis. To bring real change will require a major change in society's mental conception of the world, something the ugly head is already beginning to bring, and once that change happens can we begin the debate as to which direction will lead us to prosperity. Only then then will we be able to remove the mask and see the true face of capitalism, not just the enigma.

David Harvey isn't more Marxist than Marx but he does a good job of making one think that is the case. His masterful explication of *Capital, Volume One* (available on YouTube) shows that he knows the critiques of capitalism extremely well. One point he returns to often is the resiliency of this system of production and social organization--in order to survive capitalism must reinvent itself in response to crisis something that it has been able to do for a couple of centuries. While the fabric is



getting very frayed it might hold together for a bit longer.Or perhaps not. Updated as far as the beginnings of the Greek Euro crisis and covering the events of 2008 to early 2011, "The Enigma of Capital" does not give one the idea that Harvey is completely confident in the continuation of the system."The Enigma of Capital" is a summary and recapitulation of a lifetime of teaching, writing and thinking by Harvey. As such it is missing much scholarly apparatus (a full bibliography for example) and shows some lack of familiarity with issues that barely existed when initially published. The role of micro-credit in India is one of them, the prevalence of HIV/AIDS infection in southern Africa another, but it is excellent as an introduction Harvey's thinking and to Marxist analysis.He isn't an economist or historian but a geographer--it seems the more qualitative social sciences, particularly anthropology, are coming to the fore in economic analysis. Actually they are filling a void since the economists failed so miserably in predicting the housing collapse that we are still feeling now. Gillian Tett in "Fools' Gold" and David Graeber in "Debt" are two other anthropologists shouldering aside their quantitative brethren.

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