Authoritarian Capitalism

What is actually taking place currently can be seen as a sort of "internal convulsion" within the normal functioning of capitalism. The image I have is of the system as a balloon: the problem being that too many people have been allowed into the basket recently with the rapid expansion of credit – which was itself necessary in order to "fuel" the next stage of capitalist development, which might perhaps like to be described as a form of democratic capitalism. But now the basket has become too heavy and the balloon begins to lose height and the system become less dynamic SO the only option is to start throwing people out of the basket! What will then happen is a consolidation of power and wealth in the hands of fewer people (or groups): those who "have" still, will be in a relatively stronger position to consolidate e.g. by buying up businesses and assets at a cheaper price, let alone by dictating terms over wages and employment to those who have less, or no longer have at all. So, for instance, the figures released in February on the numbers of people doing unpaid overtime, let alone skilled professionals having to take low-paid part-time employment just to hang on in the system.

Hence we could be moving into a more authoritarian form of capitalism, one which is mediated by national governments who are intent upon controlling capital and credit flows but are actually unable to do so. There is also an increased risk of protectionism as each nation state decides to give preference to its own workers and industries – there is already considerable evidence of this with banks being told to lend within their own national borders, and then the growing unrest of workers who feel their jobs are under threat from foreign nationals. But the real power – as ever – lies elsewhere and will remain partly hidden in this process.

Now the dilemma for a potential theological critique is that the more radical forms of response – so those that are environmentally motivated and argue for responses to peak oil and climate change by a return to the local; or those such as the New Economics Foundation (NEF) which want a de-consolidation of financial institutions and also a return to the local; let alone Radical Orthodoxy or Liberation Theology – will inadvertently play into the hands of this move towards authoritarianism. To the extent that ordinary people with a legitimate religious motivation will advocate and practice what I back in 2005 called "the new localism", they will simply leave the wider, global field, even more open to the elite who want to appropriate the remaining "goods and goodies" of global capitalism for themselves. This is NOT the intention of the critique, but its perverse consequence. Perhaps this is an example of what Lacan,

Zizek and Eagleton call "the Real" – the inescapable "cut" or internal split at the centre of human life that undermines the best of intentions! So what is one to do, given that I, for instance, have a great deal of sympathy with the courses of action being advocated by these more radical critiques? Is there a way of keeping them more globally attuned to the political risks involved? Is this simply another aspect of the "full spectrum dominance" of global capitalism as it re-invents itself yet again in another form? (The term coined by Hardt and Negri but adopted from US policy under George W.Bush).

An alternative of course is to support the less radical and more reformist mode of critique which makes lesser claims for what can be achieved and seeks to chip away at the edges of whatever takes shape and to humanize as is best possible by flagging up other values whenever possible. The problem with this is that it seems too modest and too accepting of the status quo and maybe fails to address the serious nature of the global problems we face – at least, that might be an environmentally-based critique of this position. Global capitalism cannot be reformed in this piecemeal manner. But perhaps this is the best one can do and might be less likely to be appropriated by the authoritarian capitalist agenda than the radical approach. I am not convinced.

The double bind in all this is that NEITHER approach delivers the goods of an effective critique in the sense of providing a viable alternative to global capitalism. One colludes inadvertently while claiming to collide: the other colludes knowingly on the grounds that there is really no alternative to the current system. What this does not accept then is that Robert Peston is correct in saying that a new form of more humane capitalism is now on the cards – quite the opposite in fact. We are more likely to see an even less humane form of global capitalism develop as those still left in the balloon basket rise up, up and away, leaving more folk falling rapidly back to earth grasping at every rope they can catch hold of in the meantime and thus more susceptible to manipulation and control. One danger then is that we move towards the sort of global conflict scenarios outlined by Dennis Smith and described briefly in Chapter 1 of "Reconstructing Practical Theology"(J.Reader, Ashgate, 2008). It also raises the question of whether my proposed move towards a reflexive spirituality which takes the "green" position but then moves beyond it has any purchase on this developing picture. All of this needs testing out now.

Economic Analyses.

Since writing this impressionistic piece, I have been researching the field of economics to discover what types of analyses are currently available. The first of these comes from the work of a US economist called Hyman Minsky who was actually writing in the 1980s and before, but one particular book “Stabilizing an Unstable Economy” (McGraw-Hill, 2008), has been reissued as it is clearly relevant to the contemporary situation. Others are now picking up and working with his ideas including economists such as Steve Keen in Australia and more will emerge from this source in due course. Minsky is described as a Post-Keynsian economist although there is no need to go into the details of this as such, what this means will become clear in what follows.

Minsky’s basic position confirms my own conclusions that what we have at the moment is one of these inescapable internal convulsions of the capitalist system. The system is inherently unstable and will yield such recessions and potentially worse, given the conditions which are required for a successful economic growth. He traces a series of booms and busts from 1966 through to the early 1980s and suggests that there will indeed be periods of tranquillity, but that these will simply be “the lull before the storm” as pressures build up towards inevitable financial speculation and the resultant risks. I will now use his summary of these arguments (Pp319-326).

He argues that our political leaders and their economic advisors claim that they can deliver something that is actually beyond their control – they do not acknowledge the limits of their own policy interventions. “Our economic leadership does not seem to be aware that the *normal* functioning of our economy leads to financial trauma and crises, inflation, currency depreciations, unemployment, and poverty in the midst of what could be virtually universal affluence – in short, that financially complex capitalism is inherently flawed”. The result of this is that the politicians tend to blame crises on external factors beyond their control – the current handy explanation is “globalization” it would seem! This happened in the credit crunch of 1966; the liquidity squeeze of 1970; the banking crises (in the US) of 1974-5; the inflationary spiral of 1979-80 and the problems of 1981-2. Minsky analyses these in detail and shows how the intervention of what he calls “Big Government” helped to avoid each of these turning into another 1930s Depression.Yet there has still been a failure to set in place structures that might have guarded against the even deeper crisis that we now seem to be facing.

Minsky suggests the following approach the first part of which builds upon Keynes. (One needs to be aware that there are different

interpretations of his work even within the Keynsian and Post-Keynsian schools of thought). The following are derived from Keynes' theories:

- The market mechanism is an effective control device for a myriad of unimportant decisions, but it fails important equity, efficiency and stability tests
- A sophisticated, complex, and dynamic financial system such as ours endogenously generates serious destabilizing forces so that serious depressions are natural consequences of noninterventionalist capitalism: finance cannot be left to free markets
- The decentralized market mechanism is particularly unstable and inefficient for an economy in which capital investment constitutes a significant portion of private national product
- Big Government capitalism is more stable than small government capitalism as is shown by the experience of recent history and by an economic theory that allows for financial institutions – the weakness of most neo-classical and monetarist economic theory is that it does not take into account the workings of the financial institutions

But there are a number of other factors which must be built into the equation IF an appropriate foundation for economic policy is to be constructed:

- The ideas underlying the institutional structure of our economy are pre-Keynsian – favouring investment and capital intensity and against labour-force participation and deflation. This leads to an inflationary bias as a means of countering recessions – not working in this instance of course because the cycle appears to have gone too far and too deep!
- The emphasis on investment and "economic growth" rather than on employment as a policy objective is a mistake. A full-employment economy is bound to expand, whereas an economy that aims at accelerating growth may be increasingly inequitable in its income distribution, inefficient in its choices of techniques, and unstable in its overall performance
- The fear of uncertainty which dogs economies can best be constrained by apt interventions, and such aggregate apt interventions will make it unnecessary and undesirable to intervene in the details. So recognising the limits of what policy makers can achieve, mechanisms that use and rig markets are to be preferred to regulations and controls that affect the details of the economy

> In other words, there is no magic bullet, no single programme or particular reform that will set things right forever. But, there are actions that could be taken – and in the present case perhaps should have been taken – that can alleviate the worst excesses of capitalism which are an inevitable result of the system. The depressing part of this is that it suggests that it is now too late to avoid a deep recession and possible global depression as the general tendency to deregulate the financial institutions and cut back the powers of Big Government have already done too much damage. So this is one interpretation of what has happened.

The second comes from a lecture given by an Australian Marxist economist that is the most detailed analysis I have so far encountered. I use this now not because I have any sort of dogmatic reverence for this tradition but because it matches my experience of what is happening. The lecture can be found on the World Socialist Web Site and was given by Nick Beams (www.wsws.org) and is entitled "The World Economic Crisis: A Marxist Analysis". I will use this selectively to support my general argument but diverge from his solutions should one read that far.

The standard Marxist position on capitalism is that it is riven with internal contradictions that have yet to be resolved and perhaps cannot be resolved, certainly not within the existing structures. These are objective contradictions and not simply of an intellectual nature. One of these comes to the fore at the moment through the question of the regulation of the global economy. All of our leaders talk about the current crisis being of a global nature and requiring global solutions – this may just help them shift the blame of course but there is some legitimacy to the argument nevertheless. The problem and contradiction however is that although markets are indeed global in scope, the world remains divided amongst capitalist powers who will inevitably look to their own interests first. So while international rules require enforcement, nation-states demand sovereignty. This is already becoming evident as we see the larger states construct bail-out packages for their own institutions and businesses – and understandably so – but there has to be a real fear that this will lead us into another era of protectionism just as in the response to the Crash of 1929 which then lead into open conflict within a decade. So there is a real conflict here and it is not obvious to see how it could be resolved as each rushes to protect their own! This may threaten the stability of existing political blocs such as the EU, let alone relationships between those blocs.

There is then a fundamental question of whether it is possible to expunge the “toxic” or “bad” side of capitalism from the wider system leaving behind a robust and healthier form of capitalist system. I say this is fundamental as it might undermine the comments of people like Robert Peston who are arguing that the current crisis may lead to a New Capitalism, one with a more human face. It also challenges any reformist or realist approach, Christian or otherwise, which sets as its goal purging the less palatable elements of the current system in the belief or hope that what remains will be both economically viable and morally more acceptable. A Marxist interpretation would deny that this is possible, so the “good” cannot be separated from the “bad” in this way, as it is the “bad” which turns out to be the very driving force of historical capitalism.

My instinct is that this may be right, and that simply throwing the blame for the current crisis onto the greedy bankers and financial institutions, let alone upon governments as having failed in their tasks of regulation, is a misunderstanding of what is happening. The problems are intrinsic to the system that has been created and removing the “toxic” elements will damage the overall viability of the whole system. This will be explained and described as we go along in economic terms. But it needs to be acknowledged that there is also a philosophical-political aspect to this argument that cannot be reduced purely to economics. I will NOT go into this here but it does relate back to the work of Lacan, Zizek and Badiou that I referred to earlier.

One obvious question that is raised about why the “herd mentality” that has lead us all over the cliff despite the fact that some people now claim they could see this coming, can be answered by understanding the psychology of the system. It is the structure of the financial market itself which provides the explanation. So long as credit is cheap and asset prices are rising, every financial institution is forced to participate – if one tried to withdraw one would simply lose one’s competitive position and business would migrate elsewhere. If the collapse, when it occurs, happens across the market, which is what happened, then no one involved loses their competitive position – all are in the same boat for both good times and bad times. Hence although individuals might sound warnings, and indeed did so, no institution could afford to pull back from the system.

The US subprime mortgage crisis was the trigger for a wider collapse which needs to be explained. One of the problems is that the purchase of new businesses has been financed by massive borrowing against the asset value of the company – for instance – at its pre-crisis value. But once the

value of the business begins to shrink, as is happening now, then the value of the debt which needs to be repaid to the banks or other financial institutions remains the same, whilst the asset itself becomes worth less than the debt incurred to purchase it. How will this debt be repaid? It may be only by the sale of other assets, but that will only lead to a devaluation of those assets and a deepening of the crisis! So what is happening now is a devaluation of all the assets of these businesses, including of course the asset of labour itself which remains the key means of generating profits through creating surplus value. This seems to me a more technical way of describing my analogy of throwing people and businesses out of the balloon – there is a massive devaluation taking place that will lead to the demise of some inevitably.

What we are about to witness then is a violent economic contraction, the scale of which will depend upon the extent of the original over-accumulation of capital. The lecture points out that this has happened before and that in 1931, Herbert Hoover's Treasury Secretary, Andrew Mellon gave this advice: " Liquidate labour, liquidate stocks, liquidate the farmers, liquidate real estate. High costs of living and high living will come down. People will work harder, live a more moral life. Values will be adjusted, and enterprising people will pick up the wrecks from less competent people". In order to avoid such a drastic response, successive US governments have put their faith in monetary policy as presented by Milton Friedman and pushed by people like Alan Greenspan. The stated approach of the latter has been that the Fed's task is NOT to intervene in the markets by trying to prevent the formation of asset bubbles, but to clean up the mess after they have burst. Since the last big stock market crash in 1987 this appears to have worked, but, this time, the sheer scale of the crisis has defeated even this response. Hence we see that the programme announced by Paulson in early October (Troubled Asset Relief Programme) had to be abandoned just over a month later.

The plan was to buy up toxic assets by using the resources of the US Treasury in order to maintain the fictitious asset values. But this created a dilemma. If the government were to pay the true value for these near worthless assets, the banks that held them would be forced to take massive losses. If, on the other hand, the government paid the inflated values necessary to avoid these bank losses, the $700mill would be but a drop in the bucket. The only other alternative is to liquidate whole sections of capital – exactly what Mellon recommended back in 1931! What is happening, both in the US and in the UK, is that the funds made available are being used instead to recapitalise the banks and to save businesses deemed important enough to the general economy to save –

the motor manufacturers for instance – knowing that others will simply "go to the wall".

The other main internal contradiction of capitalism according to the Marxist analysis – remember the first is the conflict between the global and national demands of the system – is that between the growth of the productive forces on the one hand and the social relations of capitalist production, based on the private ownership of the means of production and the exploitation of the working class through the system of wage labour, on the other. How then does the capitalist continue to create surplus value given that the Marxist position argues that this contradiction will lead to a falling rate of profit? (The Labour Theory of Value is now largely discredited but the question of how profits are created is still worth pursuing and has explanatory significance).

One means has been through exporting one's products but this depends obviously upon the exchange rates between the countries involved. This is also where, as we can see historically, real problems have begun to emerge. The post-war boom was marked by two major developments: the collapse of the Bretton Woods agreement of 1944 which had ushered in a period of fixed currency exchange rates, and a sharp fall in the rate of profit in every major capitalist country. This lead to a recession in 1974 after the agreement collapsed and the onset of stagflation at the end of that decade. Without going into the technical details of this, Bretton Woods created a period of stability by fixing the exchange rates, but only really because the dollar became the main currency backed by gold. In due course the amount of dollars circulating outside the US far exceeded the actual US gold reserves leading the US to cut the link between the dollar and gold on August 15th 1971. In due course – 1973 – this lead to a floating dollar regime. What had happened was that the expansion of world trade and investment that the Bretton Woods system had given rise to, could not be contained within a system of national regulation. Once again, the conflict between world economy and the nation-state had reasserted itself.

Understanding this is critical as it is what leads, in due course, to the current financial architecture of the capitalist system and the causes of the recent problems. Once the fixed exchange rates break down, those dependent upon importing and exporting goods and services are faced with greater unknowns and instability in terms of both prices and costs. Fluctuations in the exchange rates over time can increase the costs of purchasing equipment, for instance, as bills become payable months later. Similarly, the amounts to be paid for agricultural produce, for instance,

can have shrunk since the original budgets were set months or years before, simply because of the time lags involved. It is this problem which leads to the creation of financial derivatives. Futures contracts are the best known of these and these create contracts which agree to deliver a certain quantity of a commodity at a certain price at a certain time. Hence stability and the capacity to budget properly can be restored. Futures contracts are thus a rational and necessary response to the new system.

Since then of course, such derivatives have expanded into the financial markets and appear to have developed a life of their own. Financial derivatives allow importers, exporters and indeed financial institutions to hedge against currency fluctuations, under conditions where currency movements could wipe out profits from business deals overnight. In 1973, two academics, Black and Scholes, developed a formula for pricing options, thus providing a kind of insurance against these fluctuations. The problem is that these options then become the means for making big profits, even though that was not the original intention.

Once again there is no need to go into the details of this which are available if one wants to pursue this. The impact of this is that derivatives become a source of speculation, in which vast profits can be made from correctly judging the movement of financial variables. These have thus grown exponentially over the last 3 decades. According to the Bank for International Settlements, the notional amount – the value of the underlying asset on which the derivative is based – for OTC (over the counter agreements) contracts was $683.7trillion at the end of June 2008. This is an amount equivalent to more than ten times world output! 35 years ago such derivatives were virtually non-existent. The daily turnover of global currency markets has increased 50 fold since 1980 and now stands at $1.9trillion per day! Two thirds of this is transacted in derivative markets and three quarters of this trade is in foreign exchange swaps. In other words, these processes are now so fundamental to the global economic system that it will not be possible to “purge” them without undermining significant sectors of global capitalism. No one can afford to “write off” such a scale of bad debts as Paulson presumably realised.

This system has been allowed to develop basically because China has supported it through the low cost of manufacturing production. So this is where surplus value through very low labour costs has been generated, and in this virtuous economic circle, cheap goods from China have allowed the US to keep down the rate of inflation without having to worry about lowering interest rates. Thus cheaper credit has fuelled a number of asset bubbles in recent years: the share market bubble; the

dot.com bubble and now the housing bubble. Another aspect of this has been the creating of securities, or the packaging together of a series of financial obligations irrespective of the individual risks – e.g. bad risks in the sub-prime US housing market – and these have also become toxic elements of the new financialised economy. Again the details can be accessed elsewhere but it is the impact which is really of concern. More speculation and potentially higher profits as long as house prices continued to rise, but once the debts become higher than the asset value, the system goes rapidly into reverse and the scale of the liabilities cannot be covered by existing asset values. Hence the only remaining option is a massive devaluation of the assets and the costs paid by workers through unemployment and by businesses which close down.

What else can be done then? The Marxist analysis turns to solutions and that is where it gets more difficult. The lecture points out the dangers of a new protectionism allied to a new localism, both of which are understandable and predictable responses to the crisis as each attempts to protect its own as the system begins to implode. This is likened however to the 1930s and the growth of fascism, which was of a similar ilk and reacted against "globalization" in its current forms. Even a Keynsian approach is not seen as doing anything other than protecting the "haves" against the "have nots" as living standards for the many begin to fall. For the Marxist only a new and renewed global struggle of the workers – whoever they are now – can provide the basis for an alternative system. My personal view is that, even if this were possible, it would still simply create another form of capitalist system which would contain the internal contradictions identified by Marx and others. So is there any escape from the contradictions of capitalism? I cannot see how or where, in which case how and why are those of faith to become engaged with what is happening at the moment? What exactly is it that we should be arguing for and working towards?

Proposed Approach.

What I am going to suggest is a combination of the existing approaches based on their relative strengths and weaknesses. This is merely a schematic framework as yet and needs further development. It would look something like this:

- The utopian approaches are better at the micro level but unconvincing at the macro level: therefore the ideals and ideas for things like credit unions; time banking; disaggregation of financial institutions; going local through Transition towns and Low Carbon Community Network etc can be supported BUT with the proviso

that they are balanced by concerns for and interpretations of the macro level.

- Realist and reformist approaches are better at the macro level but lack imagination at the micro level: therefore their recommendations for restructuring the central systems through greater regulation and the introduction of different values into the capitalist process are to be supported BUT with the proviso that they are balanced by concerns for the grass roots and local initiatives as above.
- The approaches detailed here are better at the global level and provide the most convincing analysis of the wider intrinsic contradictions within capitalism but weak in terms of convincing alternatives: therefore such analyses need to be employed with the proviso that they are balanced by the insights of the radical movements such as the local and environmental in order to reshape the existing systems.
- All of the above need to remain subject to a faith-based critique which draws upon a number of sources, including the philosophical and political analyses of some of the thinkers already mentioned and ideas for a reflexive spirituality. We need to be clear whether we believe any of this will create a radically new structure, or new form of capitalism, or whether the aim is to reconstruct a capitalism that will still contain the structural contradictions, in which case there will always be further crises.

A Cautionary Postscript.

Of course one of the problems with this sort of document is that the situation changes on an almost daily basis and that one needs to up-date the report on what is happening likewise. So there is news now of the USA adopting the massive financial package proposed by the new President: the major problems faced by the US motor industry and its possible impacts across the globe: the state of the banking and financial system in Eastern Europe and the scale of the debts incurred there which may affect the institutions that have lent to them from other parts of the world. None of this is exactly encouraging. Remember also that this journey began for me with an attempt to respond to Robert Peston's argument that we could be entering into a New Capitalism, one characterized by somewhat more moderate and humane values. My response to that was to suggest that a number of possible scenarios presented themselves:

- A return to "business as usual" through a rebuilding of the current system
- A more radical reconfiguration along the lines that Peston suggests and incorporating alternative values, particularly a concern for environmental issues, so a sort of "Greening" of a revised capitalism
- A return to the economies of the 1970s with low rates of growth and forms of deflation or perhaps stagflation as the current system returns to a less volatile but also less dynamic process
- A more drastic collapse of the system where all attempts to revive and rebuild fall by the wayside; nations return to the sort of protectionism seen in the 1930s and international tensions rise as each attempts to protect their own at the expense of the rest

Those were my thoughts back in the early part of the year (2009). Worryingly much of the comment since then steers towards that final scenario. The initial suggestions that we might be returning to the problems of the early 1990s have been changed to the 1980s, 1970s and even now to the 1930s, so the threat of a real worldwide Depression similar to that of the 1930s is a spectre raised by our politicians.

So my cautionary tale comes from Steve Keen's book "Debunking Economics" published in 2001 well before the current crisis but in the light of the collapse of the dot.com bubble. The book is important in its own right as it argues for a reconstruction of the discipline of economics itself and shows how much of the current orthodoxy is based on faulty arguments and is in need of a radical overhaul. The detail of this is for another occasion perhaps, and there is only a brief survey of alternative approaches in this particular text. It feels as though the subject is grossly underdeveloped and requires a very different (philosophical?) framework in order to become more convincing and more effective. The problem of course is that most, if not all, of those in power politically and economically, have been brought up within the existing orthodoxy, hence both their analyses and their proposed solutions to the current crisis are likely to be limited and even counter-productive.

The account that is most disturbing however goes back to the 1930s Depression and the work of Irving Fisher. Two weeks before Black Monday (28th October 1929) Fisher had said that he

expected to see the stock market a good deal higher over the next few months. Within 3 years of course the values had fallen by 90% and many a rich speculator had gone bankrupt. Fisher himself lost his personal fortune and the index did not regain its 1929 level for another 25 years! As a result of this Fisher produced a very different analysis of the financial markets, one which subsequently received little attention, but which Keen himself has returned to since the current crisis took hold.

The main plank of this is that the notion that the economy can achieve a stable equilibrium is badly misguided. Fisher recognised that even if equilibrium were reached it would not be maintained for very long. Like Minsky later in the century he realised that instability quickly ensues because of the dynamic nature of the economic system. He argued that the crucial factor needed to turn a limited instability into a catastrophic collapse was an excessive level of debt. This would then most likely lead into a period of rapid deflation. Keen calls this the "debt-deflation hypothesis" (see his blog on the "Debunking Economics" website). He quotes Fisher as follows:

"Thus over-investment and over-speculation are often important; but they would have far less serious results were they not conducted with borrowed money. That is, over-indebtedness may lend importance to over-investment or to over-speculation. The same is true as to over-confidence. I fancy that over-confidence seldom does any great harm except when, as, and if, it beguiles its victims into debt" (Keen P225).

This over-confidence leads investors to overestimate the prospective gains from investment, or to underestimate the risks and thus to commit themselves to an unsustainable level of debt. Funds are committed well beyond the level which returns an optimum gain. This will always happen as an economy begins to overheat and people work on the false assumption that the good times will last for ever. A chain reaction ensues that can tip the economy into recession or even worse. It begins with distress selling, at severely reduced prices, driven by the need to cover debt repayments. Falling prices means that the real burden of debt increases even though the nominal value of the debt falls, and the repayment of debt also reduces the money supply. These effects cause further bankruptcies, reducing profits, investment, output and employment. Pessimism rises, causing those with money to hoard

it, which further reduces business activity. This then is Fisher's explanation of the Great Depression, his debt-deflation theory which has been largely ignored up until now.

My question is "Doesn't this sound familiar?" Suddenly all the talk is about the risks of deflation, the impact of this upon wage levels which may actually fall or be forced down; the real threat of a Japanese style lost decade which that country went through in the 1990s after suffering a similar deflationary period. Keen states that the measure of comparison with the Great Depression is the ratio of private debt to nominal GDP. Both the USA and Australia entered the current crisis with much more debt than before the Great Depression: USA's debt to GDP ratio at the start of 2007 was 275% compared to 175% at the end of 1929: for Australia it was 238% at the start of 2008 compared to 65% at the end of 1929. The nature of this debt has also changed since then, so derivatives valued at US$683 trillion in June 2008, adjustable rate mortgages which account for 62% of the subprime mortgages and other unquantifiable off-balance sheet activities constitute what Warren Buffet has described as "financial weapons of mass destruction".

Quantitative easing is being proposed and already carried out to try to cover the levels of debt that have been exposed and cannot be covered from existing sources. Then the opposite threat comes into play – that of the danger of rapid inflation, once again the spectre of the 1930s comes into view. Meanwhile all the attention is focussed on the banking system and its failings in fuelling the current bubble and excessive bonuses being paid to some of its senior figures, but is this less of a cause and more of a symptom of an economic system that cannot help creating these periods of instability? In the end it matters not a lot as the scale of the crisis is so much deeper than anything experienced since the 1930s – apparently – and none of the current orthodox economic theories really appear to have much of a grasp of what can be done to alleviate it. We hang on in as best we can, try one bolstering move after another, and hope that something will shift confidence back towards the positive when every single action taken shows that confidence to be swinging in the opposite direction. Keen suggests that economic theory is about as reliable at predicting the future as weather forecasting – I fear that weather forecasting may have a better track record!

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