

Graham Turner, *The Credit Crunch: Housing Bubbles, Globalisation and the Worldwide Economic Crisis*

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BUBBLENOMICS

Economic cataclysms such as the Great Depression or today's ongoing collapse of global finance destroy commonly held understandings of political and economic reality. That is one reason why we call them cataclysms; such events occur precisely because no one with the power to do anything about them saw them coming. Icebergs spotted in time do not, after all, sink ships. But once the conventional wisdom has joined prosperity and confidence in the wreckage on the ocean floor of the global economy, we begin to hear of 'the' explanations for what happened. Such proclamations mark the times as surely as collapsed Ponzi schemes, falling governments, ruined banks and suicides among the former *nouveaux riches*. Thus, in the aftermath of the Depression, there emanated from various quarters announcements that the reasons for the catastrophe lay in policy errors by the Federal Reserve, in the Smoot-Hawley Tariff Acts, in stock trading on the margin, in vengeful treatment of Germany in the Versailles Treaty and so forth.

Similarly, the present-day plunge into the economic abyss has again brought forth a smörgåsbord of assertions about 'the' cause: mad scientists let loose in dealing rooms, squishy liberals dishing out mortgages to the coloured, inscrutable Chinese officials 'manipulating' their yuan, feckless American central bankers throwing the gasoline of low interest rates on a briskly burning fire of asset inflation, Robert Rubin and his cronies in the Clinton White House tearing up regulations, George W. Bush waging wars of choice while cutting taxes on the rich—the discriminating diner can pick and choose what best suits his or her ideological tastes and preconceptions.

In *The Credit Crunch: Housing Bubbles, Globalisation and the Worldwide Economic Crisis*, Graham Turner has placed on the buffet table his own

explanation for what has gone wrong, and it is a good deal more appetizing than many. Turner lays the blame for the current crisis squarely at the feet of the holy of holies of conventional economic orthodoxy: the ‘unquenchable enthusiasm for raw free trade.’ Given the near-total absence of any warning of the crisis from right-thinking academic economists, the distaste of the latter for such an account should provide no grounds for rejecting Turner’s offering out of hand.

In 1817, David Ricardo set out the classic case for free trade: that a country can improve its economic well-being by channelling scarce capital into activities in which it enjoys a *comparative* advantage—that is to say, at which it is relatively more efficient. It then trades the resultant surplus for everything else it needs. The case says nothing about whether the territory in question enjoys a *competitive* advantage in such activities; i.e., whether it is more efficient than other countries in those activities. It simply states that the territory should specialize in what it does best. If every country follows a free-trade regime, trading what it is best at producing for goods which it makes less efficiently, economic output on both a national and a global level will rise. Yet simple as it may seem, the theory of comparative advantage is not immediately obvious. To this day it is often confused with competitive advantage—invariably so by advocates demanding protection for an industry facing cheaper or higher-quality foreign competition. They react like anyone else whose income is threatened by a given set of facts or chain of reasoning: by resolutely not seeing them.

Turner is not one of those. Nor is he advancing the argument common to economic nationalists—that a global regime in which each country uses static comparative advantage to determine its economic structure locks existing hierarchies of power and wealth among nations in place. (As the nationalists like to note, Japan’s comparative advantage in the late 19th century lay in silk and pearls; that of the mid-1940s, in cocktail favours and cheap toys.) Turner instead neatly inverts the economic nationalist argument. It is not that rich countries use free trade to keep poor countries poor, but rather that the rich in rich countries use free trade to make themselves richer, while keeping their own poor poor and eviscerating the basis of middle-class prosperity: stable jobs at high wages. Ricardo was alert to concerns that under a universal free-trade regime, capital would migrate to lower-cost countries, thereby impoverishing English workers. He dismissed these fears, due to the ‘difficulty with which capital moves from one country to another.’ But of course we live in a vastly different world, where the telegraph, fax, computer and Boeing 747 have progressively eliminated the ‘difficulty’ that sheer distance had posed to the free movement of capital in the early 1800s. Over the last generation, policy-makers in Washington, London, Basel and Davos embarked on a crusade to dismantle another sort

of 'difficulty' hindering the free movement of capital: that posed by laws and regulations. Neo-classical economic doctrine gave this drive the imprimatur of Ricardian orthodoxy, but the real motive was to push down wages. 'Free trade today is no longer driven by comparative advantage', Turner writes, but rather by 'the ability to maximize profits by cutting costs'; elsewhere he notes that 'imports of cheap goods from low-cost countries have been fundamental to the downward pressure on wages for many workers'. Today, then, free trade has little to do with Ricardo's picture of the Portuguese using their comparative advantage in wine-making or the Scots in sheep-shearing to make better lives for themselves. Rather, it has enabled 'large multinationals to control and drive labour costs down . . . by moving jobs around from one country to another'. It is in this drive that we find 'the heart of the debt problems facing the West.'

Turner devotes much of his book to an elaboration of how free trade coupled with deregulated capital markets led to 'problems' that have, since he finished writing in the spring of 2008, become full-fledged economic cataclysms. What Turner calls a 'fundamental shift in the balance of power between capital and labour, or companies and workers' led via free trade and deregulation to 'concerted downward pressure on wages', to which the 'asset bubbles that are now bursting all across the industrialized West' are 'indelibly linked'. With the loss of high-paying, stable jobs, middle-class families managed to stave off for a time a downward lurch in living standards by reducing their savings while borrowing against their homes and equity portfolios. They could do so because the countries that were running trade surpluses with the West—the petroleum exporters; emerging markets such as China—were holding the proceeds of their surpluses in Western currencies, mostly the US dollar. By the very fact that they were denominated in such currencies, these surpluses were automatically re-invested in the West. Now it is a truism that too much money causes inflation. But the inflation that inevitably accompanied the rivers of money pouring back into the West from China, Kuwait and so forth did not find its way into goods and services. Free trade and the systematic transfer of production capacity to low-wage countries kept those prices from rising much.

Instead, the money was steered into markets for equities and real estate. It was this asset inflation that enabled the middle class temporarily to sidestep the consequences of the transfer of production capacity abroad, under a global regime of unrestricted free trade. Buffed-up stock portfolios seemed to give many families tacit permission to stop saving from current income; borrowings against the rising value of residences replaced the income lost when good jobs disappeared. Meanwhile, those rising values both induced working people to buy houses they could not afford and encouraged bankers to extend the debt that made the purchases possible. Western governments

were loath to step in to break up the party. They kept corporate interests happy by zealously hunting down and eliminating the last remaining barriers to the 'free movement of goods and capital', while treating asset bubbles with benign neglect. By ignoring the bubbles, they ensured that the debt seen as a 'panacea' for falling wages would soar. But bubbles by their very nature blow up. Their defining feature is the divorce of prices from the cash flow the asset can conceivably generate: the dividends from a share of stock; the rents from a house or office building. Prices nonetheless continue to climb because practically everyone has convinced him or herself that the assets' value can only go up, and because lots of money is chasing too few assets. Players enter the market precisely because they can raise the money. But at some point the money dries up—perhaps central banks tighten rates, private banks get cold feet, or, as in the summer of 2007, 'private investors turned against US assets with a vengeance'. They can no longer be sold to a 'greater fool' since said fool can no longer find the money to buy them. The asset prices tumble; the bubble bursts, leaving ruin in its wake.

Turner offers the standard recommendation for what policy makers need to do once asset bubbles burst: cut interest rates fast in order to get money flowing again. This of course is the usual therapy for dealing with impending recessions; only out on the lunatic fringe today can one find exhortations to keep money tight in a slumping economy in order to 'purge the rottenness', as Andrew Mellon, Herbert Hoover's Treasury Secretary, once sweetly urged. Turner warns, however, that the Federal Reserve 'took far too long . . . to swing into action'. Elsewhere he observes that 'when housing markets begin to deflate, the timing of rate cuts is critical. Leave it too late and the slide in property values can render rate cuts increasingly ineffective'. Turner concludes that 'only time will tell whether the Federal Reserve, the Bank of England and the European Central Bank can prevent Keynesian liquidity traps taking root. The omens are not encouraging.'

They certainly are not, and the world seems to have landed precisely where Turner feared we were headed when he was writing his book. Once in a liquidity trap, monetary policy becomes useless; no matter how low interest rates are cut (and, as Turner notes, they cannot be cut below zero), no matter how much money the central bank 'prints'—i.e. tries to force into the banking system—banks will not lend, businesses will not borrow and households will not spend. They are all scared; they all hoard cash. Turner does not offer much in the way of specific advice for what policy makers should do once they find themselves stuck in a liquidity trap, other than urging measures to 'prevent debt deflation from taking root', which is begging the question, and issuing calls for a 'more equitable balance of power between capital and labour', which he concedes will be 'no small task'. Instead, he devotes a chapter to discussing what he calls the 'credit bubbles across a

wide swathe of developing countries' that are the 'flip side' of the recent housing slump in the West.

Turner maintains that 'the strong economic growth' around the world in recent years was not 'fuelled by free trade, but by rapid credit growth, with bubbles appearing across every continent.' Their source, again, lay in the 'determination of companies to cut labour costs'; it was this that 'underpinned excessive capital inflows, which have proved difficult for central banks . . . to manage.' Indeed, 'Eastern Europe has been consumed by a grotesque credit bubble.' Meanwhile, in Asia, a first round of bubbles burst in 1997 with the so-called Asian Financial Crisis. But the lessons learned in its wake—build up a thick wall of international reserves (mostly dollars) as a defence against future speculative attacks on the local currency or sudden withdrawals of capital—were the wrong ones, he says. Those reserves went to fuel such asset bubbles as the US housing market, which have now burst, leaving these countries 'more vulnerable to events in the West'. Turner does not, however, hold them ultimately responsible. 'It was wrong . . . of the Federal Reserve to shift the blame for housing bubbles in the West on to governments of so-called developing economies. Their "excess savings" were driven *a priori* by capital flows in search of cheaper labour, a policy which governments of the West sanctioned and enthusiastically promoted.'

According to his publishers, Turner spent 'the 1990s working for Japanese banks'. He thus presumably lived through the sheer agony of trying to shake free of the liquidity trap Japan seemed to have fallen into in the early part of the decade. His experience lends an extra urgency to his call to do whatever is necessary to avoid it in the US and Britain—a call that, alas, now appears too late. He obviously believes that the pain Japan endured need not have happened; indeed he states quite bluntly that 'deflation could have been avoided'. Turner blames specific policy errors by the Japanese authorities. Since what Japan went through is at least superficially similar to recent events in the US and UK—a housing bubble followed by tumbling asset prices and collapsing financial institutions—Turner maintains that those policy errors should be identified and given the closest study.

Above all, Turner points his finger at the Bank of Japan. Determined to halt the 'astonishing' rise in Japanese asset prices in the late 1980s, the BOJ 'misread the early warning signs' that housing prices were already set to fall. Instead, it 'started raising interest rates far too late into the boom.' A new BOJ governor appointed in December 1989 'refused to accept that Japan was on the verge of a credit squeeze'. The BOJ 'dithered' until 1995 when it 'relented', but by that point it had 'lost the chance to secure a meaningful fall in real borrowing costs'. BOJ mistakes were compounded by government policy, Turner contends, most particularly by Ministry of Finance attempts to 'cajole' banks to raise lending margins and sell their non-performing

loans. This drove many companies into bankruptcy and forced collateral sales into an already plunging market that led to a ‘precipitous’ collapse in property prices. Ultimately, though, the ‘failure to recognize the significance of the money-supply numbers was arguably the single biggest policy blunder committed by the Japanese authorities during the first year of the crash.’ Turner is referring to the BOJ’s seeming refusal to appreciate what was happening in 1990—that the money supply had begun to plummet and that interest rates needed to be cut, and cut fast. Broadly speaking, this is the same mistake Milton Friedman and the monetarists accuse the Federal Reserve of making in 1931, and that Turner maintains Ben Bernanke made last year: not acting quickly enough in the wake of the collapse of an asset bubble.

It is curious that a book that starts out blaming the current catastrophe on the ‘unquenchable enthusiasm’ for free trade and the ‘fundamental shift in the balance of power between capital and labour’ essentially ends up alongside Turner’s ideological opponents in the monetarist camp. Turner would perhaps respond that the question of how we got ourselves into this jam and the matter of what we do once we are in it are two different issues, which seems fair enough. If the car is in the ditch, even the lousy driver who put it there might have an idea worth listening to on how to get it out. But Turner may have missed an opportunity in this book to draw broader lessons than the proper response of central bankers to sudden contractions of credit in the wake of bursting bubbles. For Japan’s experience in the 1990s actually points directly to the flaws in the very architecture of the world’s political and economic framework that brought on the catastrophe. Getting a grip on that, however, requires an ability to see political realities and power relations in a multifaceted, three-dimensional way. Alas, the lamentable divorce of economics from politics and the narrow, technical training economists receive today almost guarantees that their wider vision will be blurred. Turner is clearly an experienced economist, and he makes a convincing case that today’s crisis is bound up with the assault, over the past three decades, on the institutions in the US and UK that had once provided for the economic security of the middle class. But he might also have used the example of Japan, and perhaps explains why he failed to use Japan to strengthen the fundamentals of what seems to be his argument: that what we are going through today is a systemic political crisis dressed up in financial clothing.

Two cases in point: first, Turner seems to believe that the BOJ is fundamentally a free agent. Although he would no doubt concede that no central banker anywhere is wholly immune to political pressure, the BOJ does not enjoy anything like the *de facto* autonomy of the Federal Reserve, not to mention that of the Bank of England. Even since the passage in 1998 of a law that

provides for the *de jure* independence of the BOJ, the Ministry of Finance—the most powerful of Japan’s bureaucratic fiefdoms—continues to control the BOJ’s budget. The laws that ostensibly govern the Ministry of Finance and the Financial Supervisory Agency contain clauses that directly contradict any assertion of the BOJ’s autonomy. There was certainly no question of it at the time of the policy steps Turner describes. Second, Turner does not seem to understand that there really is no Japanese bond market independent of financial institutions licensed and controlled by the Ministry of Finance, the BOJ and the Financial Supervisory Agency. Bonds in Japan are not, for the most part, purchased by end-investors but by financial intermediaries, meaning that open-market operations of the type used by the Federal Reserve to push money into the economy do not work in Japan—they simply end up bloating the balance sheets of financial institutions.

If it is any comfort, Turner’s mistake is shared by such economists as Paul Krugman and Adam Posen, who both called for explicit inflation targeting by Japan’s authorities to pull the country out of the liquidity trap. They did not realize that the BOJ has few tools to force money into the economy outside the banking system. Turner asserts, in discussing the early 1990s, that ‘bondholders were even slower to respond’ to the onset of deflation than the BOJ; that ‘had bond yields fallen in line with short-term rates, deflation could have been averted. Japan would never have slipped into a liquidity trap.’ But that steeply upward-sloping yield curve was deliberately engineered as part of the attempt Turner describes to bail out banks by raising lending margins; it was not a matter of short-sighted bond investors, in the grip of ‘money illusion or liquidity preference’, failing to grasp economic realities. These ‘investors’ were marching to the tune played by the authorities.

This is not to suggest that the policy errors of the 1990s were not in fact errors—interest rates were indeed raised too late in the 1980s boom, and they were not cut quickly enough after asset prices began to tumble. But the picture Turner paints of a policy elite considering a range of tools, and then picking one as opposed to another, is fundamentally flawed; as is his implicit view that there is a private financial sector in Japan overseen by a public sector of disinterested regulators. Banks and other financial institutions in Japan have—at least since 1927, when the Ministry of Finance consolidated its control over the Japanese financial system—functioned as instruments of bureaucratic policy, not as profit-seeking entities on the Western model. That does not mean there has been no discord—Japanese finance has been riven by conflict, and it became very severe in the wake of the collapse of the late 1980s bubble. But it is not the conflict of greedy cowboy bankers trying to pull wool over the dim eyes of regulators, or even the capture of the American regulatory apparatus by private interests that James Galbraith

describes so brilliantly in *The Predator State*. It is the internal conflict of a bureaucratic polity concerned above all with its own survival and ability to achieve pre-determined outcomes.

Understanding policy-making in Japan starts by grasping the central theme of the country's modern history: the right to rule. The absence of any institutionalized means of resolving the matter opened the way to the seizure of power in the 1930s by those with the means of physical coercion at their disposal. The ruin to which they drove themselves and their country led to an American Occupation that in some fundamental ways has never really ended. Japan's policy elite was emasculated by a United States that assumed for Japan those elements by which a state can be most easily identified: security arrangements and the conduct of foreign relations. A truncated remainder of the pre-war elite—the great economic bureaucracies and the cluster of nominally private-sector institutions around them—was left essentially free of any check on its power to undertake the restructuring and reordering of the economy. But it always acted as if its survival and independence hinged upon the preservation of the political and economic arrangements that had been set in place by the Occupation. Because those arrangements were locked into and contingent upon a US-centred global financial and political architecture, the actions taken to preserve them ended up supporting that architecture.

Turner traces the beginnings of today's catastrophe to the elections of Reagan and Thatcher, writing that 'clamping down on wages was central to Reaganomics and Thatcherism'. But it was Japan's response to events earlier in the 1970s that created the financial circumstances that made possible the 'Reagan Revolution' of tax cuts and high defence spending, at a time of draconian anti-inflationary monetary policy in the US. And what Japan did to enable the Reagan Revolution was in turn rooted in the bureaucratic imperative to preserve existing arrangements. To see this, we have to go back to the 1940s and the laying of the foundations of the postwar economic and financial framework. This took place in a context in which fear of working-class power was a far more significant factor than it was to be for Thatcher or Reagan. The US government worried that the end of the war would bring about the return of the Great Depression. Moreover, beginning with the Soviet takeover of Eastern Europe, a string of Communist successes culminating in the 1949 Chinese revolution convinced US power holders that they faced an existential threat from a messianic, monolithic Communism. These fears gave men such as Keynes and George Marshall the political space to design and implement a global economic and political framework that would harness the overwhelming relative American economic power of the time in the service of worldwide growth. The formal financial part of that framework, known as Bretton Woods, placed the US dollar at the

centre of the global financial order, and linked to it the currencies of all other participating countries.

Turner is wrong when he writes that ‘there were inherent adjustments within the [Bretton Woods] system, to prevent countries running large and persistent trade deficits and surpluses’, that ‘the system was symmetrical’, and that ‘pressure to take corrective action applied equally to countries, whether they were in deficit or surplus’. To be sure, that was Keynes’s initial vision: a formal set of arrangements that would require surplus countries—which meant at the time the United States—to take proactive measures to reduce their surpluses by stimulating their economies. But Keynes was overruled by the American delegation. The framework that emerged thus had no formal sanctions against surplus countries, which was to prove its undoing when the United States slipped into deficit and Japan emerged as the pre-eminent surplus country.

The central flaw in the system was visible almost immediately. Other countries needed to obtain supplies of the US dollars that Bretton Woods had enthroned as the world’s money. But this required American balance-of-payments deficits that would ultimately weaken confidence in the dollar. Although the US had balked at Keynes’s notions of institutionalizing pro-growth requirements on countries running external surpluses, Washington ended up doing what he wanted anyway: running a pro-growth economy that produced a dollar outflow. In the first decades after the war, these flows primarily took the form of such transfers as the Marshall Plan, aid to Occupied Japan, and military spending on a global network of bases and the Korean and Vietnam Wars. From the mid-1960s, however, the outflow migrated to the trade accounts when the US began running systemic trade deficits.

Meanwhile, Japan took advantage of the economic ecology of the era to construct an economy run on mercantilist lines, complete with trade protectionism and draconian capital controls. The demands of the time for reconstruction were so obvious that implementation of whatever seemed to work required no political discussion or theoretical justification. Japan’s truncated policy elite reoriented the institutional mechanisms they had used to direct scarce financing to munitions makers during the war years to ensure that promising export industries had priority access to funds. The objective was to accumulate sufficient dollars to pay for essential imports of commodities and capital equipment. Washington had no objection and indeed encouraged what Japan was doing; no one on either side of the Pacific at the time believed that the country posed any long-term threat to American manufacturing or technological supremacy. The US market was open to Japan without any reciprocal obligation—apart from unrestricted access for the US military to bases strung throughout the length of the Japanese archipelago, lip-service in support of American foreign policy, and keeping leftists away

from the levers of power (a ‘threat’ that Japan’s power holders exaggerated to Washington when their economic methods began to cause political problems in the US).

Japan succeeded beyond anyone’s expectations, racking up growth rates between 1955 and 1969 that were higher than any previously achieved in human history. But because Japan’s economic methods involved the systemic suppression of domestic demand and the deliberate channelling of financing into internationally competitive export industries, the inevitable result was a string of trade surpluses that began to alter the global economic ecology in which Japan had thrived. Specifically, it exposed the flaw at the heart of Bretton Woods—that there was no way to force surplus countries to make adjustments. By the late 1960s, the US had become the world’s leading deficit country. Unwilling to take the necessary measures to reduce the US deficit—slowing down the economy and accepting lower living standards—and unable to persuade Japan to permit the yen to rise and thereby ease the strains on the Bretton Woods system, Nixon allowed it to collapse.

In the wake of its demise, however, which shocked Tokyo’s policy elite, the Japanese authorities began to implement policies designed to recreate its certainties: a dollar-centred global order and an undervalued yen that would permit Japan to continue to run an export-led economy. There was little overt debate; indeed the Ministry of Finance actually went so far as to suppress discussion in the financial press of the possible virtues of allowing the yen to rise. To any student of the country’s political history in the 20th century, the reason was obvious: a fear of the disorder that would come from the economic and political shifts necessarily accompanying a restructuring of the economy to put domestic demand instead of exports into the driver’s seat. Instead, Japan accumulated dollars. Among other things, it was those dollars that permitted the Reagan administration to finance an explosion in US government deficits without paying any political or financial price. When those dollars reached the point where they began to have serious effects on Japan’s ability to conduct monetary policy, the authorities began deliberately to foster the growth of asset bubbles to counteract the dollar build-up.

After the bursting of the latest and largest of these bubbles, Japan’s policy makers partly lost control of economic events. The key point, however, is that the beginning of today’s crumbling of the global economic and financial order lay not in the wave of investment from the West in search of low-cost production, as Turner would have it, but farther back, in Japan’s efforts to recreate the certainties of Bretton Woods. This is not only because to this day Japan is the world’s largest holder of dollars outside the United States—add Japan’s dollar holdings in nominally private hands to its official holdings and the total is still twice the size of China’s—but because the lesson that the rest of Asia took from Japan’s example, as a country that had risen from

absolute poverty and devastation to the front rank of the world's industrial powers in less than 25 years, was to keep your currency cheap, structure your economy to generate exports, and pile up dollars to protect yourself from balance-of-payments crises. To be sure, countries such as China and Thailand (although not South Korea) deviated from the Japanese model in one crucial way: they opened themselves up to direct foreign investment. And of course Turner is absolutely right that most of that investment was driven by Western corporations seeking to lower wage costs. But that was an opportunistic response to the conditions created by Japan's success in the 1970s in repairing the international economic and financial order that had emerged from the Second World War.

The current economic cataclysm has, however, destroyed that order and it cannot be repaired a second time. This is probably the way in which today's events most closely resemble the Great Depression. In *The World in Depression* (1986), the late Charles Kindleberger wrote that the origins of the Depression were 'complex and international', and that it was 'so wide, so deep and so long because the international economic system was rendered unstable by British inability and US unwillingness to assume responsibility for stabilizing it.' Similarly, the US today is manifestly unable any longer to stabilize the global economy and no other entity—whether China, Japan or the EU—has either the ability or willingness to take over the job on its own. The system has worked after a fashion for the last forty years because first Japan, and then China and the other 'tiger' economies of Asia, recycled the earnings from their exports into the US economy and left them there. They did so for the most fundamental of political reasons: fear of domestic disorder. China needed millions of jobs for young people; Japan sought to postpone the political upheavals that restructuring would inevitably involve. But these reasons for piling up dollars no longer exist. With a ruined financial system and an economy in free-fall, the US cannot turn these dollars into demand for Chinese and Japanese goods. This is why the omens out of Asia today are as dark as those emanating from the US.

Occasional shafts of light can be glimpsed in the otherwise unrelieved gloom. Turner's indictment of the role of corporate interests, scouring the planet for the cheapest labour costs, may now receive a wider and more sympathetic hearing. One very much hopes that he is right when he asserts that 'a more equitable balance of power between capital and labour will have to emerge' if the world is to enjoy the real benefits of trade. The current crisis may give governments the political space to address other crucial challenges that Turner mentions, such as peak oil and global warming. Alas, the dead weight of conventional wisdom is so overwhelming that even leaders with the best intentions do not really know what to do other than fall back on formulae—stimuli, bailouts, interest rate and tax cuts. The need for a new

global economic and financial architecture is obvious. But in order to lay the conceptual foundation, the world awaits a new Marx or Keynes—someone who understands power, who understands institutions, who understands that there is no such thing as a value-free ‘science’ of economics and can help get us beyond the fantasy of a technical fix for the mess we are in.

Graham Turner is a clear and independent voice in a confused and noisy world."---Hamish McRae, Independent"Graham Turner is a sharp observer of developments in the financial markets and was way ahead of the pack in warning about the risks of the American credit boom. Here, he delves deep into the origins of the credit crunch, laying the blame not just with Wall Street, but with the inevitable consequences of unfettered globalization."---Heather Stewart, ObserverThis book argues that the current financial turmoil signals a crisis in globalization that will directly challenge the