

# The Global Financial and Economic Crisis and Marxian Crisis Theory : From the Perspective of the Stages Theory Originated by the Uno School

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# The Global Financial and Economic Crisis and Marxian Crisis Theory-- From the Perspective of the Stages Theory Originated by the Uno School

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## **Introduction —The global financial and economic crisis in the late 2000s and the significance of Marxian crisis theory**

The global financial and economic crisis, aggravated in the fall of 2008 in particular, was the most salient incident concerning the contemporary global economy. before the impacts of COVID-19 global pandemic The depth and breadth of its impact was quite significant. The financial and economic crisis began in the United States and then spread to the global economy and brought about the EU sovereign debt crisis and Eurozone crisis as the second major phase of a successive global crisis. At the time, there was even widespread apprehension that the Euro or even the EU system itself might collapse. China and other BRICs countries, together with the growth economies in Asia and other emerging economies, which had enjoyed notable economic development and dramatic industrialization, experienced a major economic plunge. The global spread of this serious financial and economic crisis forced major countries to enact various emergent fiscal and financial measures on a scale unprecedented except for

wartime, quite contrary to the “small government” ideal of the once dominant neo-liberalism. This brought about fiscal limitations in major countries, leading in turn to the shift in emergency measures toward financial expansion through the main central banks (FRB, ECB, BOJ, and BOE, among others) implementing “quantity easing” (QE) on a vast scale through the extraordinary expansion of central bank credit. The heavy reliance on QE by the main major central banks continues to this day, although it has not yet fully lifted the economy out of the prolonged depression even after more than a decade has elapsed since the outbreak of the crisis.

The most appropriate and effective way to understand comprehensively the actual depth and scale of the global scale financial and economic crisis, and also its historical dimension, is to elucidate it according to the framework of Marxian crisis theory. Although there is a widely held view that the crisis can be grasped exclusively as a financial phenomenon, as typified by the G20 statement (G20 [2008]) in November 2008 immediately after the crisis became serious, the Japan Society of Political Economy (JSPE) has instead categorized it as the “2008 World Crisis,” which was the main theme of its 57th annual conference in 2009. The crisis has also been frequently analyzed according to the Keynesian Minsky Model of “financial speculation and its collapse.” The term “Lehman shock,” generally used among the mass media, is an expression that reflects the “external shock” theory within the neoclassical growth doctrine, even though the focus in this case is on the bankruptcy of a single major investment bank<sup>1)</sup>. Many of

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1) For this interpretation of the theoretical system of the basic theory of the Uno School, see Kawamura [2015a], Chapter 1, pp.79-80, Note 26. This paper is a summary of major points discussed in various parts of my articles and book chapters for the sake of brief overview of the issue. For the details and sources of the discussions, refer to the relevant sections indicated in the following footnote.

these types of analyses only emphasize a specific aspect of the entire process of the global financial and economic crisis. Thus, none of them can be said to have elucidated overall real significance of the depth of the crisis nor its historical dimension.

Marxian crisis theories have accumulated a great deal accumulation of research, from basic theories to reality analyses. According to the results of past studies, historical “crisis” phenomena, although different in individual cases, are typified as a set of consecutive and complex processes of financial panic, commodity market turmoil with price collapse, and sharp decline of production with a surge of unemployment, occurring in a short period of several months, as seen in the classical cyclical global crises before World War I. Traditionally, Marxian crisis theories have been classified into several types, which focus on mainly the cause of crisis: the contradiction between the anarchy of distribution and the social character of production; underconsumption (including realized crises theory); imbalance between sectors of production; excess capital, among others. That is a reflection of the fact that Marx's own accounts of crisis theory did not elucidate the fundamental integrated process of the business cycle including its crisis phase.

However, the global financial and economic crisis was a crisis of the global formation of current capitalist system as a whole, which was described a “once in a hundred years” crisis (Greenspan [2008]) or one of the “worst since the Great Depression” (Geithner [2008]). It is appropriate to analyze it as a “structural crisis” similar to the 1930s Great Depression that led to the disintegrating the whole world capitalist economy. In that sense, it should be elucidated as a “global crisis” of the “global capitalist system,” which is brought about by the structural characteristics inherent to the specific capital accumulation structure and the mechanism of the

current phase of modern capitalism. It cannot be reduced as a pure theoretical model of the crisis theory. Indeed, it is necessary to comprehensively elucidate it as a “global crisis” in reality, including its historical dimension.

## **1. Theoretical elucidation of the current global financial and economic crisis**

### **(1) Business cycle and crisis theory at the pure theoretical level**

In this context, the reconstitution of the Marxian theoretical system by the Uno School in Japan is quite significant. The Uno School in Japan, which originated with Kozo Uno, has pursued the reconstitution of the theoretical system of Marxian political economy based on theoretical “purification” of Marx’s *Capital*. One major contribution is the introduction of the “Stages Theory” between the “basic theory” and the analyses of the real state of capitalism. Three theoretical dimensions of the theory systems are distinguished: “Basic Theory (Principles) of capitalism,” “Stages Theory of the historical development of capitalism, and “Analyses of real state of capitalism”. The whole capitalist system should be analyzed as a synthesis of these three theoretical dimensions of the entire theoretical system.

In the theoretical tradition of the Uno School, the principles of capitalism have been elucidated as an integrated system of the three theoretical domains of the Basic Theory. The first domain is the “theory of elemental forms of market economy,” which clarifies the three basic market forms of market economy in general, i.e., the forms of commodity, money, and capital. In other words, it elucidates the process and mechanism of “institutionalization” of these three basic forms of the market economy.

The second domain is the “theory of the inner structure of the capital.” which elucidates the internal structure of the social production of capital as a whole, which is organized in accordance with the basic logic of capital; this elucidates that the basic market forms are superficialities of the capitalist system as defined by their internal structure on the basis of the labor value theory. The third domain is the “theory of the competitive mechanism of individual capital,” which elucidates the processes of the creation of the dynamic mechanisms of the capitalist system led by the competitive movements of individual capital, structurally regulated by the internal structure of capital. In this area, the competitive process of individual capital in the market sphere creates or *institutionalizes* the specific dynamic mechanisms of capitalist system, i.e., “production price,” “market production price and excess profit,” “rent,” “commercial capital,” “commercial credit and banking system,” and “stock and securities markets.”<sup>2)</sup> The business cycle, including a cyclical crisis phase, constitutes a general dynamic process of the movements of the capitalist system as a whole. The whole process consequently realizes the internal structure of social organization of capital as a whole. In that sense, the theoretical system of the principles of capitalist system provides the comprehensive analytical criteria and tools for the analysis of the crisis of real capitalism<sup>3)</sup>.

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2) For a systematic understanding of the theoretical system of the Basic Theory see Kawamura [2017], pp.46-51.

3) D. Harvey categorizes the major Western debates on the crisis theory to date into three types: the profit squeeze (profits fall because real wages rise), the falling rate of profit (labour-saving technological changes backfire and ‘ruinous’ competition pulls prices down), and the underconsumptionist tradition (lack of effective demand and the tendency towards stagnation associated with excessive monopolisation) (Harvey [2010a], p.342). Then he proposes “a far better way to think about crisis formation.” He emphasizes “several potential limits and barriers in the process of capital circulation” : “Money capital scarcities, labour problems, disproportionalities between sectors, natural limits, unbalanced technological and organisational changes (including competition versus monopoly), indiscipline in the labour process, and lack of effective demand head up the list. Any one of these circumstances can

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slow down or disrupt the continuity of capital flow and so produce a crisis that results in the devaluation or loss of capital. When one limit is overcome accumulation often hits up against another somewhere else.”

Relating to the contemporary global financial and economic crisis, he remarks that “crises as surface eruptions of deep tectonic shifts in the spatiotemporal logic of capitalism. The tectonic plates are now accelerating their motion, and the likelihood of more frequent and more violent crises increases.”

This remark is theoretically more important. It tries to unravel comprehensively the structural changes in the inner structure of a capitalist system that brought about, on the surface, the global financial and economic crises. He comprehensively examines the characteristic “structural” aspects of the global spatiotemporal developments of the current capitalism, including development of urban space, accumulation of excess capital, “shadow banking” and financial speculation, and the geographical uneven developments.

However, his basic theoretical framework to elucidate “deep tectonic shifts” or the inner structure of the contemporary capitalism” seems to rely on an interpretation of the theory system of the published editions of *Capital*, of which Volume II and III were edited by F. Engels based on the K. Marx’s main manuscript in 1865. This does not fully reflect later development of K. Marx’s thought.

It is true that in the early stage of the manuscripts of *Capital*, in 1861–64, Marx had a plan to put Chapter six (“The Results of Direct Production Process”), written in 1864, at the end of Volume I. It may mean that Volume II of *Capital* “The Process of Circulation of Capital” would deal with the analysis of just the circulation process of capital per se after the direct process of production. However, he abandoned the plan and put “The Process of Accumulation of Capital as part seven at the end of Volume I of *Capital*, after the first publication of *Capital* in 1867. The theoretical relation between Volume I and Volume II is open to debate.

In any case, Harvey tends to interpret the whole theoretical system of *Capital* basically on the basis of understanding that Volume II “The Process of Circulation of Capital” deals with the circulation process of capital per se just after the elucidation of the production process in Volume I, and then he grasps the positions of commercial capital and interest, credit, and finance in particular as the fundamental movement mechanism of capitalist system in Volume III, See, Harvey [2010] and [2013].

According to this interpretation of the theoretical system of the current edition of *Capital*, Harvey tends to understand “potential limits and barriers in the process of capital circulation” as causes of crises more or less associating with the “realization” problem (capital circulation). Especially in the analysis of “the dynamism of the “uneven developments” he links them to “all the problems of spatiotemporal development of capitalist system on the global stage.” This is, of course, a very important argument. However, it seems the spatiotemporal theory of capital is not fully based on an understanding of the theoretical framework that can be viewed as the “internal structure of capital” and the “competitive processes and mechanisms of individual capital on the “surface.” For this reason, it cannot be denied that the analysis of the structure and mechanism of the real capitalism that brought about the global financial crisis and economic crisis known as the global “Great Crisis” has been insufficient. I would like to subject Harvey’s arguments to more detailed examination at some other opportunity.

In the Basic Theory, which elucidates the basic principles of capitalism in general, the phenomenon of “crisis” is elucidated as one aspect of the business cycle, which constitutes a dynamic process of the whole capitalist system. According to this theoretical framework, one significant aspect of the business cycle and crisis theory is that the structural relation between the “internal structure” of capital (especially the “capital accumulation process”) and the “dynamic process” of the capitalist system constitutes the core of the business cycle and crisis analysis.

In this context, we should emphasize another very important aspect of the theory. In the Basic Theory, the “capital circuit” theory, which Marx discusses in Volume II of *Capital*, provides the fundamental framework to define the “internal structure” of the capitalist system. In the second domain of the system of the Basic Theory, capital as individual capital is elucidated as an integration of three circulation formulas: 1) the circulation of money capital (monetary aspect of capital that represents the viewpoint of the finance sphere), 2) the circulation of production capital (production aspect of capital circulation that represents the view point of the factory sphere, and 3) the circulation of commodity capital (business marketing sphere, involving selling and purchasing, which represents the viewpoint of the business operation sphere). This clarifies the various functions of individual capital movements, providing the theoretical basis of the “company theory of the firm” as a real entity of capital. As for the aggregate level, there appear three total capital circulation formulas: the circulation of money capital ( $G-W \dots P \dots W'-G'$ ), the circulation of production capital ( $P \dots Ck \dots P$ ), and the circulation of commodity capital ( $Ck \dots P (W')$ ). Thus, in accordance with these three capital circuit formulas, the internal structure of capital is elucidated in three parts of the second domain of the Basic Theory, namely: Part I—the “direct production



process” (including value formation and creation of surplus-value of capital); Part II, the “circulation process of capital” (including the turnover of capital and costs of capital circulation); Part III the “reproduction and circulation of aggregate social capital” (including the capital accumulation process and reproduction process)<sup>4)</sup>.

In the third domain of the Basic Theory, the “dynamic mechanism movement of the capitalist system,” the business cycle process including cyclical crisis phase is elucidated as an integrated process with the dynamic mechanisms of the individual capital, of which the whole process is regulated individually and structurally by the internal structure elucidated in the second domain.

Thus, the system of the Basic Theory as a whole provides general criteria and tools for analyzing the real capitalist business cycle and crisis

**(2) Basic Theory and the Real Capitalism --- The basic logic of the institutionalization of capitalism and the real dynamism of “institutional formation” in the real capitalist system.**

One important theoretical point in this regard concerns the essential categories and propositions of capitalist system, which are purely

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4) The “circuit of capital” theory was elaborated by Marx, first in his first main manuscript of *Capital* (in 1863-65) until his final eighth manuscript of Volume II in 1880 (Otani [1998]), which was utilized by Engels to edit the current version of Vol. II of *Capital*. The theory constitutes the most basic theoretical framework of the internal structure of capital that Marx himself formulated. There is a common understanding in the Uno School that the Basic Theory of capitalist system, defined as a theoretical “purification” of *Capital*, consists of three domains of the *elemental forms of market economy*, *inner structure of the capital*, and *competitive mechanism of individual capital*. In particular, Mitsuhiro Takumi ([1971], [1972]), argues that the “internal structure” of capital in the second domain of the Basic Theory should be organized in accordance with Marx’s theoretical framework of the three capital circuit formulas. *The Basic Theory of Economics* edited by Koichiro Suzuki (Suzuki, eds, [1960] and [1962]) is close to this direction. However, theoretical reorganization of the theoretical system of *Capital* in this direction is still open to discussion and further research is required.

elucidated in the Basic Theory and should be distinguished from the real capitalist system per se. As a matter of course, as long as the real capitalist system is essentially the capitalist system, elements of the basic categories and propositions can be found within it. However, strictly speaking, the categories elucidated as the pure categories of capitalism and the basic model of capitalism constructed through their systematic synthetization as a whole within the pure theory are the result of “theoretical abstraction” through the history of economic studies; i.e., Marx's method of a critique of political economy. It is an abstract model and does not exist as is in actual capitalism. The Basic Theory system is a theoretical synthesis of capitalist system as a whole. It is the purely systematic elucidation of the institutional formation process of capitalist system. Generally speaking, it is the process of human consciousness and behavior placed in the morphological basic relationship of the commodity to generate the basic categories and mechanisms of the capitalist system. This constitutes the fundamental common mechanism of “system formation” dynamism for real capitalism, generating the whole system in a specific time and space.

In real world, categories of the real capitalist system are the result of the synthetization of the basic logic of the categories of capitalist system (the most basic categories of which are the commodity, money, and capital), which are synthesized (or “hybridized”<sup>5)</sup>) with various elements of non-capitalistic and even non-market economies, even including cultural and historical elements of the real world such as the cultural characteristics of

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5) The “hybridization dynamism” has been clarified realistically and concretely as an analytical method to elucidate the dynamism of the overseas transfer of corporate management and production systems and their transformation due to local conditions as a “hybridization” process. It is an analytical concept that has been developed based on comprehensive field research results. See Kawamura, ed. [2011] for the latest achievements. Boyer, et al eds. [1998] is a generalized argument of hybridization for the transfer of management and production systems.

society, natural geographical or geopolitical conditions, the state (political system / legal system), etc. The real entity of capitalist system is the result of these institutionalization processes. The institutionalization process is the inherent nature of the capitalist system. As is clearly shown in the theory of the genesis of money, the logic and process of the formation of the elementary forms of the market economy, i.e., commodity, money, and capital, typically demonstrate the inherent nature of the institutionalization of the capitalist system.

It should also be mentioned that the most central concept within the Basic Theory is “capital,” which is elucidated in principle as the most central entity of socio-economic organization and structure of the capitalist system, manifested as the “capitalist firm” in the real world. Capital incorporates various actual conditions that are combined with the business type, scale, and various elements, including socio-economic, political, and even cultural aspects of each country and region. Even functions of the nation states constitute an important part of a capitalist system. A capitalist firm, in taking various concrete forms within the given institutional setting, functions as a going concern that survives in an uncertain and fluctuating market economy as the decision-maker. As the aggregate of such systematic interconnections within reality, the entire system of real capitalism has a specific institutional structure and mechanism, in relation to a multi-layered world organization, and dependent on a specific country or region and period.

The Stages Theory of original Uno School, which distinguishes “three stages” of capitalist development (the stages of mercantilism, liberalism, and imperialism), defined in accordance with the method of economic policy approach, should be reformulated in light of these re-examinations of the theoretical system of Marxian economics, focusing on the fundamental

institutionalization (or “reification”) mechanisms of the formation of the theoretical categories of the capitalist system, which is typified in the logical development process of value forms in the genesis of the money form<sup>6)</sup>.

The real capitalist system in the real world should be theoretically analyzed as a specific synthesis of real entities of the basic categories, which incorporates various non-market or even non-capitalist real conditions of the real world as a set of institutions. Theoretically in the Stages Theory, for example, capitalist firms, the real entity of the basic category of capital, which incorporate internal institutions and organizations as the result of the actual historical institutionalization process, constitute the core of the specific capital accumulation system.

The Stages Theory constitutes the theoretical reality of capitalism in the real world. It detects the systematic structure of particular capitalism at a particular time and its peculiar basic logic, which is formed by the interrelationship of the realities of these categories of capitalism. It covers all the realms of the capitalist systems elucidated in the Basic Theory. Only after reconstructing all areas of the capitalist system given by the Basic Theory as a whole in the real world, can the specific stage of capitalist development be defined. In this theoretical dimension, the state consists of the synthetic part of the capital accumulation structure and mechanism as one of the capitalist systems. We can specify a central capitalist system with specific capital accumulation structure and mechanism that exerts dominant influences over other regions and nations in a specific period. This constitutes the core system that determines the basic logic of a

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6) This argument shares a certain similarity with the basic theory of institutional formation by John R. Commons. See, Takahashi [2006]. Detailed examination of the major difference will be discussed on different occasions.

specifics stage.

The specific capital accumulation structure and mechanism of a specific stage of development of capitalist system is totally integrated as a world formation organization integrated by the international monetary system and its financial system. Historically, we can distinguish two major systems of the pound-sterling system based on the gold standard and the dollar system based on the managed currency system<sup>7)</sup>.

In accordance with the historical analysis through the analytical method of the capitalist system, based on the Basic Theory and the Stages Theory, as described above, we can distinguish two distinct historical stages of capitalist system: the Pax Britannica Stage (including the generating phase of modern capitalism) and the Pax Americana Stage (established in the post-World War II period, following the transitional period from World War I to

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7) Uno School's mainstream arguments, typified by Tsutomu Ouchi's theory of "state monopoly capitalism" and its revised version on "welfare state" theory, argue that the Uno's stage theory cannot be directly applied to the analysis of the modern capitalism after World War I, which should instead be analyzed as a current state analysis. The major reason given for this is that a historical transition process has been entered to a socialist system because of the emergence and "internalization" of the real socialist system (i.e. the USSR). The capitalist system lost the self-organizing mechanisms and the supplemental roles of the modern state, which are "external" to the capital relations per se, became indispensable to the capital accumulation system. In that sense they fail to elucidate the specific self-organized structure and mechanism of capital accumulation, especially that of the modern capitalism after World War II.

Kawamura [2016] and [2019] investigate major reformulations of Uno's original theoretical framework: Mitsuhiro Takumi's "transformation of crisis-business cycles theory approach" ; Eiichi Kato and Hiroji Baba's reformulation of the Uno's stage theory to elucidate the post-WWII modern capitalism as one of the specific stages of capitalist development. Takumi's arguments methodologically unfold the possibility of a direct application of the stages theory to the post-WWII capitalist system. However, his approach shares the insufficiency of Ouchi's arguments. Takumi argues that the post-WWII modern capitalist system continues the loss of self-organizing mechanisms that was firmly demonstrated by the "structural crisis" of the Great Depression in the 1930s and has persisted despite major reorganizations in the post-WWII capital accumulation system. Takumi emphasizes the indispensable supplemental roles of the "external" state in it.

World War II). According to these analyses, the current phase of capitalism is in the transformation phase of the Pax Americana stage, which is characterized by global capitalism with the United States as the epicenter since the mid-1970s; and the global financial and economic crisis in the late 2000s can be elucidated as the global “Great Crisis” of the “Global Economic Growth Linkage” itself, which the global capitalism developed especially after the 1990s and occupied the core of the new global capital accumulation system centered on the United States.

In any case, ignoring the systematic relationship and distinction between the pure theoretical model and the real capitalism leads to the simplistic method of “direct application-ism,” which involves mixing-up the model with the real world. The problem is typically found in the mathematical model analysis of neoclassical or Keynesian (including Post-Keynesian).

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Kato’s reformulation, which centers on a concept of the “welfare-state system,” is effective, incorporating the arguments of the “organized capitalism” theory of the German Social Structure School, originally developed by R. Hilferding. Kato’s arguments nonetheless show methodological ambiguity regarding the self-organizing and autonomous character of capitalist system, especially concerning the state functions.

Kawamura [2016] and [2019] reexamine the fundamental institutionalization (or “reification”) mechanisms of formation of the theoretical categories of capitalist system, which is typified in the logical development process of value forms in the genesis of money form. The real capitalist system in the real world should be theoretically analyzed as a specific synthesis of real entities of the basic categories that incorporate various non-market and even non-capitalist real conditions of the real world as a set of institutions. In the Stages Theory, for example, capitalist firms—the real entity of basic category of capital that incorporate internal institutions and organizations as the results of actual historical institutionalization processes—constitute the core of the specific capital accumulation system. In this theoretical dimension, the state consists of the synthetic part of the capital accumulation structure and mechanism as one of the capitalist systems.

In this regard, Kawamura [2016] and [2019] conclude that the Uno’s original “three stages” theory of capitalist development, the “Mercantilism Stage”, the “Liberalism Stage” and “Imperialism Stage” should be reformulated as two stages of the “Pax Britannica Stage” and the “Pax Americana Stage.” Global capitalism is defined as the capitalism in the “transfiguring phase” of the “Pax Americana Stage,” including significant processes of transition toward a new stage of capitalist development.

Broadly speaking, this is the classical methodological issue of the “relationship between theory and history” in economics (and more generally in the social sciences).

In this sense, the real crisis of capitalism cannot be reduced to pure theory and synthesized as a “model” of crisis. Simple direct application of a “model” to analysis of the real crisis is insufficient to elucidate its actual historical dimensions<sup>8)</sup>.

## **2. The newly emergent “Global Economic Growth Linkage” — Emergence of a new nexus of capital accumulation structures and mechanisms under the global capitalism of the 1990s.**

The new "Global Economic Growth Linkage" in the global capitalism that emerged in the 1990s as the result of developments of global capitalism in the process of the transfiguration of the “Pax Americana system.”<sup>9)</sup> It is a

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8) On this point, see Kawamura [2016a], in particular. In addition, the Basic Theory system and the capitalist systems in the Stages Theory of capitalist development are discussed comprehensively in the Introduction Chapter and Chapter 1 of Kawamura et al [2016b] [2016a].

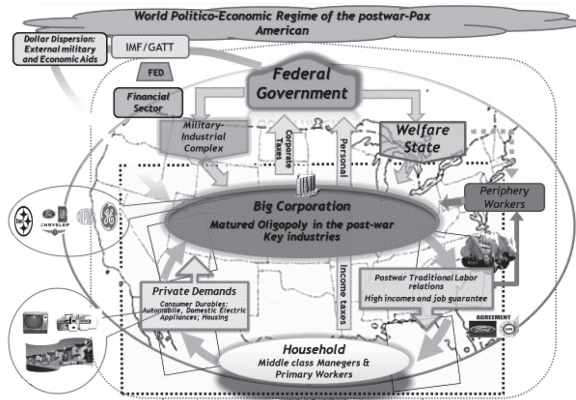
9) As to the structural characteristics and the inherent internal problems of the capital accumulation system of “sustained economic growth” in the post-World War II United States, which constituted the core of the Pax Americana Stage. See Kawamura [2003] Chapters 2 to 4. Especially, the reorganizing and transformation process in response to the decline of the Pax American system after the mid-1970s is discussed in detail in Chapter 5. Kawamura [2008] also discuss the emergence of a new global capitalist system, mainly led by the globalization of enterprises, finance, and information, within the shifting government functions from Keynesian type management framework to neo-liberal ones, and the eventual development of urban spaces in global cities and their multi-layered networks. This brought about the shift of the U.S. capital accumulation system to the “Global Economic Growth Linkage,” accompanying the new imperial structure of flow of capital fund and its financial institutional development centered on the global financial center New York. See Kawamura [2012]. For more about the latest analysis of the “Global Economic Growth Linkage” nexus, see Kawamura [2015a], [2015b], and a simplified version [2017].

new nexus of structures and mechanisms of capital accumulation on a global scale, which were derived from the actual analysis of the real-world capitalist system in the 1990s and the early 2000s, in accordance with the above-discussed theoretical framework. This system can be summarized as the combination of two characteristic developments: (1) global capital relations accompanying the development of urban functions and spaces in the “global cities” and their multi-layered networks, and (2) a “global flow of fund patterns centered on the United States,” sometimes referred to as “New Imperial Capital Circulation.” New York financial markets and mechanisms constitute the core or a node of “Global Economic Growth Linkage” and function as an “engine” of global economic expansion through vast credit creation. This is the result of a major transformation of the capital accumulation system on a global scale, with the United States as the epicenter, caused by the impasse of the capital accumulation system within the “sustained economic growth” structures and mechanisms of the United States in 1950s and 1960s, which was the center of the Pax Americana Stage – the following Chart 1 shows a composition of the “sustained economic growth” nexus in the United States in the 1950 and 1960.

The main dynamism at work, simply put, was that, corresponding to the dismantling of the systematic institutional settings and structures in place during the sustained economic growth period of U.S. capital accumulation after World War II, the “profit principle,” which is the most fundamental logic underlying capitalist firms and financial institutions, was separated from the existing “institutional settings and structures” of the postwar capital accumulation system, in operation globally across borders, in a bare form that exerted great transformative pressure directly and indirectly on the existing systems in all aspects of the economy, society, politics, ideologies, and even culture on a global scale, including the United States,



Chart 1: Sustained Growth Nexus in the United States in 1950/60s



Europe, Japan and the rest of the world. This signified the dynamism of “global capitalization,” bringing about a large-scale institutional transfiguration of existing systems. Great institutional and structural shifts of the capital accumulation system as a whole occurred at the same time, which even relativized and made fluid the nation state and national economic framework. The process progressed in conjunction with the complex trends of international agreements, promoting changes in industrial agglomeration and the international division of labor worldwide, and in international flow of funds patterns, thereby leading to a major transformation of the international currency and financial system. As a result, the formation and structure of the world capitalist system changed. The entire process can be understood as a comprehensive shift for “global capitalism” as a whole.

The formation of a global financial circulation structure centered on the United States (“New Empire Circulation”) can be seen, which provided the central mechanism to accelerate economic growth globally. This was the “engine” for expanded “global economic growth linkage” as a whole. The

United States has seen a huge current account deficit structure, mainly caused by the import of huge amounts of goods and services, due to the shift of the basis of capital accumulation. Moreover, due to the expanded globalization of corporations, finance, and information, a huge amount of dollar funds have accumulated in the global financial center New York, where settlements of international payments are concentrated because of the key currency position of the U.S. dollar internationally. The huge scale of credit creation based on the enormous accumulation of the dollar balances has promoted financial expansion, through “leveraged finance” and speculative operations that make full use of derivatives and financial engineering techniques. In this way, “financialization” and “casino-ization” of financial markets have progressed significantly, so that the financial expansion centered on New York functions as the “engine” for expanding the whole linkage of global economic growth; Chart 2 and Chart 3 below show the conceptual model of the “global city” and a composition of the U.S. centered “global economic growth linkage” nexus.

Chart 2: Conceptual Model of the Global City Nexus

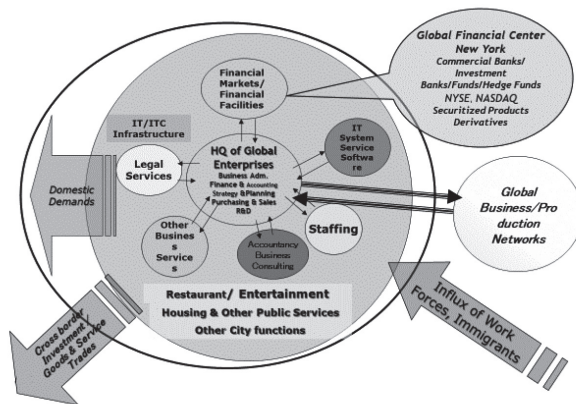
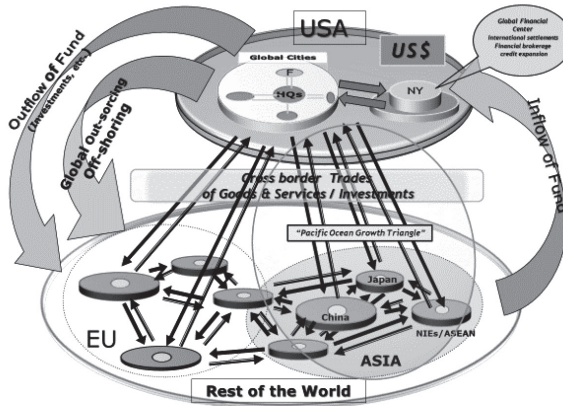


Chart 3: A composition of the U.S.-centered Global Economic Growth Linkage" Nexus



Theoretically, the key relations of the nexus of the “Global Economic Growth Linkage” are elucidated as the integrated networks of three capital circuits. In reality, global companies as the real entities of “capital” conceptualized in the Basic Theory are functioning with actual physical and human functions along with the all the aspects of each phase of the three circuits of capital on a global scale. The newly developed urban spaces of the “global cities” and their global multi-layered networks provide the main “grounds” of the business operations centering around the headquarters of the global enterprises, as the real entities of “capital” in real world. They are combined with various developments of capital accumulation relations, which are mainly emblemized as the “global supply chains” and “global value chains,” which constitute the most mainstays of the nexus. The entire global “capital circulation” processes include metamorphoses of the components of capital as the integrated movements of the three circuits of capital, intermingled with general global markets and accompanying financial transactions. The entire process of capital accumulation occurs

within such a nexus. The market transactions and their settlements are carried out through the New York financial markets and its financial facilities as the global financial center, based on the position of the U.S. dollar as the key international currency.

### **3. Outbreak of the global financial and economic crisis as the global “Great Crisis”**

Through such developments of the global capitalist system with the United States as the epicenter, the structure and mechanism of capital accumulation in the United States, which constitutes the core of the “Pax Americana Stage” capitalism, has shifted significantly to the nexus of “Global Economic Growth Linkage.” This shift of the capital accumulation system of the United States brought about a bubble-like development of the IT boom in the late 1990s, and after the collapse of this boom in the early 2000s, a subsequent housing boom emerged. The financial expansion through the financial mechanism of the nexus, especially the development of so-called “shadow banking” centered on the “securitization mechanism” in New York financial markets, provided the main impetus of the boom. Sub-prime mortgage loans and their “securitization,” especially in new residential areas that were developed, particularly in the outskirts of “global cites,” in conjunction with the eliminating of housing finance and credit discrimination, were the socio-economic characteristics in the United States. A large-scale collapse in the price of securitized securities, mainly due to institutional deficiencies in the “securitization mechanism,” resulted in huge losses in the financial sectors. The paralysis of the “financial engine” of the “Global Economic Growth Linkage” severely affected the real economies, via the reverse routes of the “Global Economic Growth

Linkage” nexus, leading to the brink of total collapse. In that sense, the global financial and economic crisis was a “structural crisis” similar to the “Great Depression” in the 1930s<sup>10)</sup>.

The unprecedented (for peacetime) large-scale, “unusual” state interventions of major countries through fiscal and financial measures, including “unusual” monetary quantitative easing operations by major central banks, led by the U.S. Fed prevented a total collapse. Particularly after the eventually expanded fiscal constraints, the central bank's unusual quantitative measures played a major role in sustaining the “Global Economic Growth Linkage” that was in peril and to prevent a collapse, mainly by replacing functions of the paralyzed private financial sector.

In this way, the cause, depth, scope, and historical dimension of the global financial and economic crises, as well as the significance of national intervention, can be fully elucidated by the analysis of the capital accumulation system in real capitalism under the theoretical framework of the Basic Theory and the Stages Theory. The process and structure of the business cycle in the real world cannot be elucidated without identifying the structure and mechanism of the capital accumulation of real capitalism. Other types of analysis, in contrast, can be described as partial and superficial.

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10) Detailed accounts of the process and mechanisms of the global financial and economic crisis in the late 2000s, see Kawamura [2013], Chapter 4. Also, see Kawamura[2015a]

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## The Global Financial and Economic Crisis and Marxian Crisis Theory-- From the Perspective of the Stages Theory Originated by the Uno School

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### 《Abstract》

The global financial and economic crisis, aggravated in the fall of 2008 in particular, has been described as a “once in a hundred years” crisis (Greenspan [2008]) or one of the “worst since the Great Depression” (Geithner [2008]). It is appropriate to analyze it as a “structural crisis” similar to the 1930s Great Depression that led to the total disintegration of the world capitalist economy. In this sense, it should be elucidated as a “global crisis” of the “global capitalist system” brought about by the structural characteristics inherent to the specific capital accumulation structure and the mechanism of the current phase of modern capitalism. The economic crisis in real world cannot be reduced to a pure theoretical model of the crisis theory. It must be comprehensively elucidated as a “global crisis,” including its historical dimension, in light of the Stages Theory originated by the Japanese Uno School, although it should be reformulated according to the two stages of the “Pax Britannica Stage” and the “Pax Americana Stage.” In accordance with this reformulation, the current global capitalism is defined as a capitalism in the “transfiguring phase” of the “Pax Americana Stage,” including significant processes of transition toward a new stage of capitalist development. The global financial and economic crisis in the late 2000s was the global “Great Crisis” that was brought about by causes deep-rooted in the capital accumulation system specific to the current phase of capitalist development.