Consumerism and the Crisis: Wither 'the American Dream'?

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Abstract

Starting with an inquiry into the socio-material foundations of American-style consumer capitalism as it emerged under Fordism and evolved under neoliberalism, this article seeks to outline the origins of the present economic crisis and the possible implications for the future of consumerism. The article argues that the ongoing crisis in the USA is not a regular cyclical downturn but signifies the end of finance-driven consumer capitalism as an accumulation regime whose key features can be summed up as debt-financed mass consumption of largely offshore produced goods and 'wealth creation' through rapidly appreciating asset values. The crisis qualifies as systemic in that various disproportionalities of the capitalist mode of production have resurfaced at the same time. While debt-driven consumer capitalism seems damaged to the extent of being no longer operable, the contours of a 'post-consumerist' future are not yet in sight.

Keywords

consumerism, economic crisis, value and consumption, work and consumption, USA

Introduction

The burst of the housing and mortgage bubble in the summer of 2007 triggered an economic crisis that shook the very foundations of neoliberal capitalism in the USA. Bubbles, however, no matter how formidable, do not cause crises, they are simply manifestations thereof. Besides, the housing bubble, while by all means bigger than the dot-com bubble, was trumped in size by the biggest of all bubbles that emerged under post-Fordist liberal productivism: the Great Consumption Bubble whose underlying 'asset' – 'the American dream' – inflated out of the proportion relative to both the historical trend and the so-called economic fundamentals. Consumerism, to be sure, was not an invention of liberal productivism. The postwar economic miracle in the USA was unthinkable without and inseparable from the powerful appeal of the American dream – a hegemonic project that promoted the accumulation of commodities as a social norm, civic duty, display of individual achievement, and a key source of life-satisfaction. Consumption in the Fordist regime, however, served to prop up domestic mass production of

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consumer goods and housing – the most expensive commodity of all – while the rising wages of the working classes constituted the main source of demand. Consumption under post-Fordism cannot be fully understood without considering the decline of domestic mass production and the resultant transformation of work along with the changed role of the worker who morphed from a 'trained gorilla' (Taylor, 1967) serving the assembly line into an increasingly 'independent' contractor capable of wearing many hats as demanded by the rules of 'flexible specialization' (Piore and Sabel, 1984). Suppression of labor income became an imperative – since wages were seen primarily as 'labor cost', they had to be sacrificed for the sake of higher surplus value (or efficiency, if one wants to use the politically correct term).

Paradoxically at first glance, stagnation of labor income went along with the highest levels of personal consumption in American history. The Great Consumption Bubble was enabled by the confluence of three factors. First, the massive wave of production outsourcing to peripheral countries where the combination of rising productivity and super-exploitation made possible falling import prices in the USA. Thus, stagnating real incomes did not necessarily preclude an increase in the consumption of imported goods. Second, super-exploitation in the periphery, while speeding up the accumulation process, actually exacerbated the problem of chronic over-accumulation which was the key driver of outsourcing to begin with. Over-accumulation of capital relative to profitable opportunities for re-investment in production spurred an oversupply of credit for non-productive uses which promised higher returns. This process of deepening 'financialization' was also riddled with contradictions which manifested themselves in the regular production of bubbles with the consumption bubble being the generalized and overarching case. Third, the so-called 'wealth effect' generated by the bubbling of asset prices also stimulated consumption; although, it should be noted, the wealth effect was disproportionately skewed towards the higher-income classes.

The happy coincidence of these three factors has now come to an end. The broken financial system has made access to credit, and thus consumption on credit, more difficult. Falling housing prices have effectively eliminated home equity withdrawal as a financing option. Actual labor incomes in the USA are not sufficient to sustain the high consumption level of the previous era. Furthermore, rising debt-to-income ratios are inherently deflationary since they divert income from consumption to debt-servicing. Thus, the ongoing economic crisis in the USA is not a regular cyclical downturn, but signifies the end of finance-driven consumer capitalism as an accumulation regime whose key features can be summed up as debt-financed mass consumption of largely offshore-produced goods and 'wealth creation' through rapidly appreciating asset values. The avant-garde of this regime – a mushrooming parasitic class of financiers assisted by organic intellectuals – has been instrumental in sustaining its reproduction not only by promoting the ideological appeal of consumerism (the American dream), but also through its direct interpenetration with all branches of government. Thus, it comes as no surprise that all efforts of the US administration (past and present) have been aimed at keeping the services-based bubble economy on life support.

This article argues that the present crisis management policies are bound to fail because they are neither able to identify nor to address the actual causes of the crisis. Saving debt-driven consumerism requires significant modifications in the accumulation regime and a redefinition of the terms of the wage relation. Consequently, nothing short of a new social contract is necessary to resuscitate American-style consumer capitalism. However, even such a dream project, regardless of how unlikely, may not be a sufficient condition to restore the previous regime since the crisis of neoliberal capitalism, much like the crisis of Fordism, was not *caused* by falling demand. The present crisis qualifies as systemic in that various disproportionalities of the capitalist mode of production have resurfaced at the same time. Finally, the analysis undertaken here is informed by the conviction that American-style consumer capitalism should be left to die. The explosive growth of commodity production and consumption creates externalities for society and nature whose feedback effects are impossible to control. Capitalism thus systematically destroys the very human and environmental 'resources' it feeds on. But abandoning American-style consumerism is tantamount to abandoning American-style capitalism – a movement which will most certainly run into formidable difficulties. However, '[t]he conditions of this movement result from the premises now in existence' (Marx and Engels, 1967 [1932]: 26).

This article is structured as follows. The first part analyzes the role of consumption in the process of valorization of capital. The second part examines the unique character of American consumerism as it emerged under Fordism and evolved under post-Fordism. The third part looks at the origins of the present economic crisis and its implications for the future of consumerism.

Work, Consumption, and the Commodity Form

> And finally, with an effort of concentration bordering on madness, it came upon me that in the innermost core of the commodity structure there was to be found the 'transcendental subject'.
>
> (Sohn-Rethel, 1978: xiii)

> In a purely formal way, Kant's transcendental subject shows features of striking likeness to the exchange abstraction in its distillation as money… (Sohn-Rethel, 1978: 7)

Various contradictions of the capitalist mode of production can be traced back to the duality of exchange and use-value in the commodity form. The latter, however, is itself merely an embodiment of the source of all contradictions – the dichotomy of abstract and concrete labor which derives from the constitution of labor power as a commodity. Unlike concrete labor which can be defined as 'the aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind' (Marx, 1990 [1867]: 270), abstract labor obtains when the laborer 'offer[s] for sale as a commodity that very labour-power, which exists only in his living body' (Marx, 1990 [1867]: 272). Abstract labor is thus 'work in the capitalist form', expended on the production of exchange values, '*alienated, imposed and boundless in character*' (De Angelis, 1995: 111, original emphasis).

While Marx's labor theory of value has been extensively studied and interpreted, a value-theoretic account of consumption is largely outstanding.[1] While such an account is beyond the scope of this article, I offer some preliminary remarks that inform the present analysis. As it is widely known, Marx conceived of production, distribution, exchange, and consumption as instances in the process of valorization of capital. The dialectical unity of work and consumption can be derived from the 'immediate identity'[2] of production and consumption stressed in *Grundrisse*:

> Production, then, is also immediately consumption, consumption is also immediately production. Each is immediately its opposite. But at the same time a mediating movement takes place between the two. (Marx, 1993 [1939]: 91)

> Production produces consumption (1) by creating the material for it; (2) by determining the manner of consumption; and (3) by creating the products initially posited by it as objects, in the form of a need felt by the consumer. (Marx, 1993 [1939]: 92)

> Consumption produces production in a double way, (1) because a product becomes a real product only by being consumed … (2) because consumption creates the need for *new* production, that is it creates the ideal, internally compelling cause for production which is its presupposition. Consumption creates the motive for production; it also creates the object which is active in production as its determinant aim. (Marx, 1993 [1939]: 91)

The concept of (exchange) value, which refers to the abstract labor embodied in a commodity measured in units of socially necessary labor time (Clarke, 1980), constitutes the link between production and consumption. For, while value is created in the process of material production, its magnitude is determined when private labor is socially validated in the exchange process. 'It is only by being exchanged that the products of labour acquire a socially uniform objectivity as values, which is distinct from their sensuously varied objectivity as articles of utility.' (Marx, 1990 [1867]: 166) Therefore, while capitalist exploitation is grounded in the sphere of material production, it is validated and thus perpetuated in the process of social exchange. Hence, the concept of value as an expression of the class relation between labor and capital can acquire its full meaning only when analyzed within the context of the overall process of capitalist reproduction instead of being restricted to the stage of material production alone. In this context, work and consumption appear like the two sides of a coin. They represent the beginning and the end of the process of creation of surplus value in which consumption of capitalist commodities can be thought of as merely work in a different form that gives products their 'last finish' (Marx, 1993 [1939]: 91). Furthermore, the constitution of labor power as a commodity underlies the essential difference between consumption under simple-commodity production and consumption under capitalist-commodity production. In the first case, consumption can be thought of as 'final consumption' in that it results in destruction of the value of commodities. In the second case, workers' consumption is 'productive consumption' because it results in a product distinct from the consumer. 'The personal consumption of workers under capitalist conditions … is … identical with the production of the commodity they sell to capitalists: that is to say, the personal consumption of wage labourers is the production of labour-power' (Rosenthal, 1993: 63).

Consumption, similarly to work, can be thought of as alienated, imposed, and boundless in character. Its alienated character obtains directly from the fact that the worker needs to alienate labor power in order to acquire use-values. The alienated and imposed character of consumption is further the result of the social formation of needs which follows the demands of capitalist production (Lebowitz, 1977–1978). The process of creation of social needs, wherein the intrinsic properties of objects are largely irrelevant, is tantamount to the imposition of an alien power over human beings.

> Under private property … every person speculates on creating a *new* need in another, so as to drive him to fresh sacrifice, to place him in a new dependence and to seduce him into a new mode of *gratification* and therefore economic ruin. Each tries to establish over the other an *alien power*, so as thereby to find satisfaction of his own selfish need. The increase in the quantity of objects is therefore accompanied by an extension of the realm of the alien powers to which man is subjected, and every new product represents a new *possibility* of mutual swindling and mutual plundering. (Marx, 1964 [1932]: 147)

Finally, it is through consumption that capitalist exploitation becomes truly boundless in character. This process has two dimensions. First, the ideology of consumerism prompts the worker to not only consume his or her entire income (exchange value acquired in return for the sale of labor power), but also to engage in consumption on credit which entails the commitment to sell labor power in the future. Second, the ideology of consumerism increases workers' tolerance for exploitation which is now perceived as the price to pay for gaining entry into the paradise of shopping. Thus, pushing the boundless character of capitalist exploitation to the utmost limits constitutes the very essence of consumerism as a societal project.

To conclude this section, re-establishing the value-related character of consumption is of key importance in the effort to counter the hegemonic discourse of 'consumer sovereignty' and demystify the boundless character of exploitation in a society built upon wage labor.

Consumerism and Its Double: The Special Case of 'the American Dream'

Until recently, American capitalism was touted as 'the most successful' in the family of capitalisms. While there might be different measures of economic success, high living standards manifest in high levels of personal consumption are typically considered as one of the leading indicators. Indeed, over the last century there has been quite a remarkable increase in the consumption levels of the working classes in the USA. Equally significant, however, is the fact that rising consumption has been accompanied by a rising degree of capitalist exploitation as measured by the amount of surplus value generated relative to the amount of value paid to workers in wages. Thus, the starting point of this section is the acknowledgement of an apparent paradox: the combination of a high degree of capitalist exploitation in the USA, which has come along with formidable human and social costs in terms of psychological distress, human insecurity, social dysfunction, and the highest rates of incarceration among rich countries (see e.g. Ladipo, 2001; Uchitelle, 2007) on the one hand, and the remarkably little resistance that this exploitation has generated, on the other. As argued by Wolff (2005) and Resnick and Wolff (2003), rising consumption has been accepted by the working classes as a compensation for rising exploitation. The purpose of this section is to inquire into the socio-material origins of this acceptance while highlighting the particular and unique character of American consumerism as it was formed under the Fordist regime of accumulation and evolved under neoliberalism.

Consumerism and Fordism

Fordism as a model of capitalist development can be analyzed as a labor process model, a regime of accumulation, and a mode of regulation (Lipietz, 1992: 1–2). These components are certainly overlapping with the regime of accumulation being the overarching one. The labor process model is of particular importance for the present analysis since the view taken here is that production patterns influence consumption standards: 'needs are produced just as are products' (Marx, 1993 [1939]: 527) – while the behavioral and stratification patterns of the consumer society reflect the particular organization of the labor process.

Production and consumption are further unified by their common subject – 'the wage worker as distinct from the slave is himself an independent center of circulation, someone who exchanges, posits exchange value, and maintains exchange value through exchange' (Marx, 1993 [1939]: 419). Furthermore, as noted by Kautsky (2003: 21), '[t]he personal consumption of the members of the dominant and exploiting classes is usually insignificant; and it is relatively smaller, the more the rate of exploitation grows'. Historically, the surge in productivity made possible by the intensification of work under the Fordist-Taylorist division of labor necessitated the intensification of consumption by the working classes. The emergence of the 'workers-as-consumers' worldview in 1920s' America was brought about by the recognition that exercising direct control over labor power was not a sufficient condition for the successful reproduction of mass-production monopoly capitalism. Consumerism can thus be thought of as an ideology of collective participation in what was construed as the benefits of capitalist development for the purpose of workers' material and symbolic co-optation to the existing order. However, the change in capitalists' attitudes and strategies occurred neither quickly nor easily. In the pre-Depression period, Henry Ford belonged to the minority of those businessmen who not only recognized that stagnating labor income could be a drag on capitalist accumulation, but endeavored to treat their own workers as consumers – an approach which encountered resistance from more traditionally minded capitalists. For, as Marx (1993 [1939]: 419) observed, while capitalists tend to see the total mass of workers as consumers and 'possessors of exchange value (wages)', this point of view usually does not apply to their own workers. Thus, it took decades of struggle by 'citizen consumers' and labor unions 'obsessed with expanding workers' purchasing power' (Cohen, 2003: 153) for the workers-as-consumers paradigm to gain ground. Consumerism became the glue that held together the components of the Fordist model which 'became known throughout the world after the war as "the American way of life" – a productivist model which was "hedonistic" in that it was based on the pursuit of happiness through the mass availability of a greater number of goods' (Lipietz, 1992: 6).

The Fordist fragmentation of the object of production epitomized by the assembly line had its counterpart in the Taylorist fragmentation of the subject of production enacted through 'the schism made by Taylor between the mind and the body of the industrial workman [who] handed over his mind to a new institution which has come into existence – the modern management in charge of the economy of time peculiar to monopoly capitalism' (Sohn-Rethel, 1978: 157). The separation of head and hand was the precondition for breaking the monopoly of skills which dislodged the supremacy of the craftsmen over the work process (see Braverman, 1974). While labor was thus not just debased but materially stripped off to its very basics, its owners were nevertheless compensated with a relative security of subsistence and the ability to buy the commodities they produced. The re-engineering of the labor process resonated with profound changes in the fabric of the wider social formation.

> [T]he mechanical disintegration of the process of production into its components also destroys those bonds that had bound individuals to a community in the days when production was still 'organic'. In this respect, too, mechanization makes of them isolated abstract atoms whose work no longer brings them together directly and organically; it becomes mediated to an increasing extent exclusively by the abstract laws of the mechanism which imprisons them. (Lukács, 1971: 90)

The survival of the Fordist production model until the late 1970s would have been difficult to imagine without the vibrant 'consumer culture' cultivated and maintained by the increasingly powerful system of commercial propaganda. In the first postwar decade, mass consumption in the USA was widely hailed as enhancing social equality. A Labor Department study of American consumer patterns claimed in the early 1950s that 'the automobile has aided wage earners … in breaking down barriers of community and class', while the magazine *House Beautiful* proudly asserted that '[o]ur homes are all on one level, like our class structure' (quoted in Cohen, 2003: 125). The commercial egalitarianism of the mass-market pattern exhausted itself by the mid-1950s due to market saturation and was supplanted by the emerging practice of market segmentation, which relied on studying and harnessing gender- and class-related difference in taste and preferences for the purpose of propping up consumer demand. For example, scientific managers of consumption in the mid-1950s were confronted with the fact that the rising incomes of the working classes did not necessarily lead to a 'refinement' of taste. On the contrary, despite the fact that many blue-collar workers acquired middle-class incomes that allowed them to live in suburban 'mass-produced domestic comfort', they typically retained their values and lifestyles epitomized in their wives' preferences for yellow refrigerators, rosebuds, and flowery flourishes. Thus, designers' 'dream of economic mobility leading to cultural uplift had been turned on its head … through the mechanism of mass production this ethos actually drove the standards for shiny appliances, automobiles, and other goods that permeated mainstream culture' (Nickles, 2002: 582).

The work of the marketing guru Pierre Martineau from the same period offers further evidence of the scientific management of consumption by the marketing industry which, while attempting to exploit class-related difference in taste and preferences, ended up reifying class divisions. While adopting the six-class system developed by Warner and Lunt (1950)[3] which was not based on the amount of income but rather on the type of income, type of occupation, type of housing, and the place of residence, Martineau (1958: 122) argued that 'different class membership' resulted in 'psychological differences between individuals'. Analyzing the answers to the question, 'Suppose your income was doubled for the next ten years, what would you do with the increased income?', made by respondents from different classes in the Chicago metropolitan area, Martineau found that higher-status individuals were more likely to save than spend the extra income, while the opposite was true for lower-class individuals – the lower an individual's class position, the more likely it was that he mentioned spending only. In addition, higher-status individuals' savings were intended to be used for investment and, in particular, intangible investment such as stock or insurance. Conversely, when a lower-status person was contemplating investment, he was 'very likely to prefer something tangible and concrete – something he can point at and readily display' (Martineau, 1958: 129).

Martineau's findings highlight the fact that the 'head' of the system of commercial propaganda was well aware of the propensity of the lower classes to spend the bulk of their income on consumption, and of the importance of stimulating this type of behavior, as well as working-class consumerism in general, for the reproduction of the system of capitalist production. The use of the term working class or classes here refers to both the lower classes and the middle class in Martineau's analysis. The latter found that two-thirds of the population in the Chicago metropolitan area belonged to the lower classes and one third to the middle class (the upper classes comprised less than 1%). Quite obviously, the working classes constituted the overwhelming majority of the US population and thus the overwhelming majority of consumers.

Indeed, 'psychological differences' between individuals in the above sense derive from the underlying class structure which is further stratified in the labor process. The division of labor that emerged from the marriage of the Fordist fragmentation of the product and the Taylorist fragmentation of the worker was formalized in the wage structure to become the backbone of social hierarchy.

> The constitution of different layers of power in the hierarchical structure of society thus first, 'taylorises' society through a hierarchical social division of labour; second, diffuses the sense of resentment and frustration against capital and capitalist work, while directing it against a particular concrete form of work; and third, creates the impression of social mobility. (De Angelis, 1995: 115).

The hierarchical social structure of the 'taylorised' society is mirrored and reproduced by consumption patterns driven by apparent 'psychological differences'. Reification reigns not less, but arguably more, in the sphere of consumption than anywhere else. To this effect consumption has to be scientifically managed according to the rules of rational mechanization. Scientific management, as Braverman (1974: 90) noted in his seminal study of the labor process, is not about increasing efficiency; it is about dealing with 'the specific problem of how best to control alienated labor – that is to say, labor power that is bought and sold'. The same principle applies to the management of consumption. For the ultimate purpose is to ensure that not only the life of society as a whole, but also individual lifestyles, modes of work, modes of consumption, and ultimately modes of consciousness are adjusted to conform to the general socio-economic premises of the capitalist system so perfectly absorbed and reproduced by the Taylorist principles. 'The internal organization of a factory could not possibly have such an effect – even within the factory itself – were it not for the fact that it contained in concentrated form the entire structure of capitalist society' (Lukács, 1971: 90).

The system of commercial propaganda, epitomized by the corporate media, subservient journalism, and organic intellectuals in the academe, has been instrumental in the reproduction of the Taylorist schism between mind and body, head and hand, consciousness and action that characterizes the consumer society. The influence of the advertising system, 'our master's voice' (McChesny et al., 2009: 2), over the process of consumption mirrors the power of the managerial authority over the labor process. Key to the reproduction of this regime has been an apparent form of consent epitomized in the make-belief of the lower classes sustained by the constant infusion of commercial propaganda that 'status' can somehow be acquired through the purchase of (more) commodities. In this distorted order of things, growing consumption has been perceived as a substitute for social mobility. American-style consumer capitalism can thus be thought of as the 'highest' stage of capitalism in that it invented a nearly perfect method of exploitation – 'Each new need becomes a new link in the golden chain which secures workers to capital' (Lebowitz, 1977–1978: 442). The substance and method of consumption is exploitation – work to consume, more consumption means more work while the modalities of work and consumption are predetermined. On the surface, exploitation is hidden in the act of buying things which is construed as pleasurable activity, a delightful pastime, an act of self-expression, 'individual freedom' (Bauman, 1992), 'daydreaming' (Campbell, 1994), etc. by the system of commercial propaganda born in 'the marriage between social science and selling' (Cohen, 2003). Buying things has thus become the fetish form in which the exploitative class relation between labor and capital is hidden. And ultimately, what appears as consent has nothing to do with consent at all since it is merely the reified imposition of the commodity form. Consent would imply, at least theoretically, the existence of alternatives, the possibility to choose, and the awareness thereof. But under the universal rule of the commodity form epitomized by the double rupture of the separation of head and hand and the fragmentation of work and mind, all differences are merely quantitative; thus, there are no true alternatives for the reified mind which is so mired in the commodity form that it 'does not even try to transcend it. On the contrary, it is concerned to make it permanent by "scientifically deepening" the laws at work' (Lukács, 1971: 93).

Post-Fordist Restructuring

The Fordist period of capitalism has often been romanticized by scholars impressed with its high rates of productivity growth, economic growth, and, most importantly, the fact that the working classes shared in the overall prosperity. Since social demand was institutionally regulated through the capital-labor compromise and the institutions of the Keynesian welfare state, rising productivity translated into incremental increases in workers' wages which were a key source of demand. There is a significant body of literature debating the causes of this model's demise and it is beyond the scope of this article to revisit these debates or to try to contribute to them. It is, however, important to note that the Fordist model relied on one key assumption that turned out to be demonstrably false – the belief that the crisis-prone nature of capitalism can be reformed by institutionally regulating demand. This assumption rested on the observation made by both Marx and Keynes of the tendency to uneven development between Department I (producing investment goods) and Department II (producing wage goods).[4] While in Marx's theory of crisis this was just one of several disproportionalities that characterized the capitalist mode of production, and not even the key one, the entire Keynesian edifice of theory and policy rested on the importance of institutionally supporting demand. It should be noted that the crisis of Fordism was not a crisis of insufficient demand. For domestic demand in the 1970s was quite healthy; thus, it was not the regulation of effective demand that malfunctioned. The crisis of Fordism was a 'supply-side' crisis caused by the rising cost of mechanization of production (i.e. rising organic composition of capital) with corresponding decline in profitability, which was further aggravated by chronic overcapacity and overproduction (Brenner, 2006), and, as noted by Lipietz (1992: 17), a crisis of the labor process, 'which, because it dehumanizes the worker, ends up by not being efficient, even from the employer's point of view'. Ultimately, the crisis of Fordism was indeed brought about by disproporionalities, although other than the one regulated by the Keynesian institutions and policies.

A number of different disproportionalities originating in Marx's theory can serve as the source of a crisis: the disproportionality between variable and fixed capital related to the growing organic composition of capital which determines the tendency of the rate of profit to fall; the Keynesian-regulationist disproportionality between the sector producing means of production and that producing means of consumption; the disproportionality deriving from the dual nature of money as money-income and credit-money which underlies the essential conflict between the financial system grafted on credit-money and the monetary base grafted on money as embodiment of the value of social labor; and finally, the disproportionality between necessary and surplus labor (cf. Bologna, 1973). All these types are not mutually exclusive and may co-exist. In fact, they emphasize different aspects of the inherent crisis tendencies of capitalism and, arguably, the first three can be ultimately derived from the fourth one – that between necessary and surplus labor – which is the underlying case. Furthermore,

> if we place the emphasis on any of the first three types, there is a danger of falling into the all too common pathogenic kind of interpretation, which sees crisis as a result of errors on the part of the capitalist class – failures of calculation, inability to plan the economy on the part of capital. It follows that crisis can be 'solved' by the introduction of external correctives, by the mobilisation of those famous 'counter-tendencies', above all by the action of an overall subjective will, externally imposed – that of the state – to which is assigned the capacity to restabilise the system, to re-establish equilibrium from time to time (Bologna, 1973).

The post-Fordist neoliberal project represented an attempt of embattled Fordist capitalism to reinvent itself through a 'supply-side revolution'. In the USA, the latter took the form first and foremost of a severe attack on (and ultimately defeat of) labor epitomized in the reorganization of the labor process, redefinition of the wage relation, and the gradual erosion of the institutions of the welfare state.[5] The attack on the labor unions launched by President Ronald Reagan in the early 1980s had important practical and symbolic effects while the high unemployment engineered by monetarist policies exerted additional disciplinary influence on the work force.

Officially, the post-Fordist reorganization of work was hailed in an ideologically appealing way as realizing 'the project of liberated, fulfilling work, originally interpreted as an anti-capitalist project … staged by capitalist management itself (admittedly in miniature version) in the name of efficiency' (Kern and Schumann, 1992: 111). This bold claim merits some scrutiny. First of all, the notion of 'liberated, fulfilling work' is already a contradiction in terms in the context of the present analysis since the adjectives 'liberated' and 'fulfilling' are incompatible with alienated wage labor which constitutes work in the capitalist form. Second, the argument that work under post-Fordism has become 'more' liberated and fulfilling is difficult to uphold against the backdrop of existing evidence. According to the cheerleaders of post-Fordism, work restructuring was necessitated by the challenges of global competition and rapid technological change. The only way to ensure survival in this competitive environment was by increasing efficiency, i.e. lowering production costs, most importantly wages, and increasing profit rates. Flexible specialization took two forms: functional flexibility, particularly cherished by Piore and Sabel (1984), which referred to the nature and the characteristics of the tasks performed, and numerical flexibility, which concerned changes to both the employment structure of the firm and the contractual form of the wage relation (see Pietrykowski, 1999: 183–184; Smith, 1997). The latter strategy was most widely used by employers to control the wage bill. Thus, the burden of firm restructuring was disproportionately placed on some workers while retaining and strengthening the privileged status of others. The result has been the emergence of intra-firm dualism between the privileged 'core' workers who are deemed indispensable for the function of the enterprise and the 'peripheral' workers that are considered expendable and treated accordingly by the 'flexible' firm. The functions of 'peripheral' workers can be subcontracted to satellite firms or contracted out to temporary staffing agencies. However, even when such workers are retained by the firm, they are still denied the standard employment rewards granted to 'core' professionals such as job security, benefits, and opportunities for promotion into the 'core' area (Biewener, 1997; Smith, 1997; Vallas, 1999: 76, 91). The effects of this strategy were twofold: it eliminated any possibility of concerted intra-firm opposition, and simultaneously redrew the wedge between mental and manual labor understood as the separation of design/control/ability to exercise discretion over the labor process, on the one hand, and simple execution, on the other.

In addition, while the implementation of self-directed work teams has figured prominently in theories of workplace flexibility, empirical evidence does not suggest that firms have abandoned the hierarchical and/or repressive patterns of organization and authority. Undeniably, in some cases novel forms of organizational control such as 'team work' have emerged to supplant or supplement the old ones; these, however, appear to be not less repressive in terms of their impact on individual autonomy than the traditional forms of control (see e.g. Biewener, 1997; Sewell, 1998; Sinclair, 1992). Furthermore, conducting work in teams does not necessarily dissolve hierarchical patterns of authority; on the contrary, teams can be employed to intensify Taylorist management practices (Barker, 1993; Parker, 1993). In addition to preserving management hierarchy, post-Fordist 'flexible production co-exists with "rigid" low-skill, low-paid workers' (Taplin, 1995: 413). Thus, rather than representing a radical departure from the Fordist labor process, the 'new' production paradigm appears more as a modification thereof. By combining numerical flexibility with direct hierarchical control, it resembles 'a form of Taylorist organization of working practices, [but] *without* the social benefits of the Golden Age of Fordism' (Lipietz, 1997: 7). In fact, the true break with the past concerns the dismantling of employment protection manifest in the proliferation of part-time, low-paid, no-benefit jobs, the emergence of job insecurity as a structural feature of 'the American way of life' (see Uchitelle, 2007) along with the rise in the length and intensity of work (Shipman, 2001). While work under American 'neo-Taylorism' (Lipietz, 1997) has not become less dehumanizing than work in the Fordist era, the erosion of stable employment relations under the regime of numeric flexibility has taken an additional toll on the individual worker, and on society as a whole, in terms of growing human insecurity and psychological distress. And ultimately, the post-Fordist worker has indeed become 'the most wretched of commodities' whose 'wretchedness … is in inverse proportion to the power and magnitude of his production' (Marx, 1964 [1932]: 106).

Consumption patterns in the post-Fordist world have undeniably changed, although not as much as and not quite in the way that many have argued. The claim that the transition from standardized mass production to batch production and the creation of differentiated products for niche markets has drastically transformed consumption patterns should be taken with a grain of salt. Indeed, substantial parts of US manufacturing have been outsourced to peripheral countries. This, however, has not eliminated the importance of mass-produced consumer goods for the US market. While this analysis does not discount the fact that important changes in consumerist attitudes and behavior have taken place, it strives to emphasize that these changes have occurred within the particular framework set by the social norm of (mass) consumption which has remained centered around housing (more or less standardized depending on what individual incomes can afford), filled with a growing number of consumer durables (more or less differentiated to suit individual taste/purchasing power), and the automobile (the hallmark of individual self-expression). Thus, while the domestic base of mass production disintegrated, the Fordist social norm of mass consumption was maintained largely through the importation of foreign products as reflected by the ballooning trade deficit. In this process, American-style consumer capitalism has increasingly come to rely on cheap foreign labor in the form of offshore produced consumer goods and of domestically employed immigrants. It has further come to depend on the willingness of foreigners to pay tribute to the US Treasury by investing a portion of their economic surplus in the purchase of American debt. This sweet gift of seigniorage, in turn, propped up the series of asset bubbles that, along with the Great Consumption Bubble, powered the US economy for almost three decades (Ivanova 2010a).

Consumerism as an ideology and social practice has undoubtedly intensified along with the intensification of work. In line with the psychological and social distress generated by the neoliberal destabilization of employment, consumption has become more erratic, even less ‘rational’, possibly more ‘hedonistic’, undoubtedly more unequal (Migone, 2007). Inequality as an underlying and overarching feature of social existence in the USA has deepened precipitously – an important matter to which I shall return later.

It is important, however, to emphasize that accounts of postmodern visionaries who contemplate the move of consumption to the center stage of human existence to become ‘the focus and playground of individual freedom’ which would enable the reproduction of the capitalist system through individual freedom (Bauman, 1992: 51) are not only exaggerated, but, more importantly, mystifying and reifying. The scholarship of Zygmunt Bauman whose concepts have experienced intensive recycling by postmodern students of consumerism is a case in point. Bauman argues that an alleged transition from a ‘society of producers’ to a ‘society of consumers’ has led to a decline in ‘work ethic’ and a strengthening of ‘the aesthetics of consumption’ – ‘It is aesthetics, not ethics, that is deployed to integrate the society of consumers, keep it on course, and time and again salvage it from crises. If ethics accord supreme value to duty well done, aesthetics put a premium on sublime experience.’ (Bauman, 1998: 31) Since the flexible labor market has rendered the commitment to any particular occupation impossible, except for the privileged few, ‘the prospect of constructing a lifelong identity on the foundation of work’ is ‘dead and buried’ for the majority of people (Bauman, 1998: 27). In

> present-day society, consumer conduct (consumer freedom geared to the consumer market) moves steadily into the position of, simultaneously, the cognitive and moral focus of life, the integrative bond of society, and the focus of systemic management. In other words, it moves into the selfsame position which in the past – during the ‘modern’ phase of capitalist society – was occupied by work in the form of wage labor. This means that in our time individuals are engaged (morally by society, functionally by the social system) first and foremost as consumers than as producers. (Bauman, 1992: 49)

Now, it may appear to the unsuspecting reader of the above passage that Bauman's 'free consumers' exist in some kind of hyper-reality and not in a society reproduced by wage labor, where at least the bottom 80 percent of the populace still need to toil in jobs with 'low aesthetic value' in order to be able to afford their 'subjectivities' as consumers. It is somewhat ironic that the picture of the society of 'consumer freedom' painted by Bauman (1992: 49), while painfully inadequate with regard to the laboring classes doomed to toil without vocation, can be deemed more relevant to the situation of 'the elite of the lucky and successful' that enjoy 'entertaining' and materially rewarding jobs. While Bauman (1992, 1998, 2007) undeniably offers a plethora of pertinent insights in his treatment of consumerism, by splitting the human persona into a 'consumer' part and a 'worker' part, he contemplates human existence as occurring in two parallel worlds – symbolic and material. This treatment of the 'reality' of consumer society is symptomatic of what Lukács (1971: 95) once termed the 'divorce of the phenomena of reification from their economic base'.

> Just as the economic theory of capitalism remains stuck fast in its self-created immediacy, the same thing happens to bourgeois attempts to comprehend the ideological phenomenon of reification. Even thinkers who have no desire to deny or obscure its existence and who are more or less clear in their own minds about its humanly destructive consequences remain on the surface and make no attempt to advance beyond its objectively most derivative forms, the forms furthest from the real life-process of capitalism, i.e. the most external and vacuous forms, to the basic phenomenon of reification itself. (Lukács, 1971: 94)

The progressive commodification of everything spawns 'production' everywhere; consumption presupposes production and thus work in the capitalist form. The 'free consumer' has to purchase the access to said 'freedom' with the sale of that 'peculiar commodity' labor power, i.e. with the 'sale of one's living self'. If the individual strives to emphasize its *aesthetic* persona as a 'sovereign' consumer while suppressing its *wretched* persona as a disposable worker, this should not be taken to imply that 'subjectivity fetishism' has supplanted 'commodity fetishism', but rather that they co-exist and mutually reinforce each other as merely aspects of the same dialectical unity. As Bauman notes:

> *Members of the society of consumers are themselves consumer commodities*, and it is the quality of being a consumer commodity that makes them bona fide members of that society. Becoming and remaining a sellable commodity is the most potent motive of consumer concern. (2007: 57, original emphasis)

Consumerism with its production of images, discourse, and modes of interaction is a layer of the symbolic order which ensures the reproduction of capitalism. The commodity status of the individual that becomes apparent in the sphere of social interaction mirrors the exchange of commodities; its source, however, lies in the commodification of labor power. For 'only when the ability to work becomes a commodity must all goods become commodities' (Mattick, 2008: 214).

Fractures and Fault-lines in American-style Consumer Capitalism

> Allow me a smile at this point. Keynes looks like a subversive genius, in view of the centrality of rent to the post-industrial system of organization of contemporary capital. Today no political leader or economic thinker has the courage to attack rent … All we see are moralistic sweeps against the obvious thieves and corruptors of banking credit systems. But who is attacking the habitual and surreptitious thieves, the rentiers who are worse than the usurers? Who will ever bring into the frame the sacred, both real and symbolic, foundation of every property? Keynes tried, to no avail, but at least he tried. (Negri, 2009: 4)

According to the common-sense view, the crisis that started in the US mortgage market in the summer of 2007 unfolded through time and space to evolve first into a 'credit crunch' and later into an outright 'financial crisis' to ultimately contaminate the 'real economy' – the sphere of material production and exchange – at home and abroad. The initial appearance of the economic depression as financial panic was deliberately used to frame the former as first and foremost 'financial crisis' for the double purpose of saving private financial capital with impunity while keeping the public in the dark as to the true origins and consequences of the crisis.[6] On the one hand, this image served to justify a bottom-up redistribution of national wealth on a scale quite remarkable even for the USA via two main channels: the prodigious funneling of Treasury funds into private financial institutions and the zero-interest lending by the Fed coupled with direct monetization of government and private debt. Consequently, the cost of business failure, speculation, and financial plunder has been socialized twice – once by the taxpayers and second time by the inflation tax while the entire enterprise has been touted as some kind of Keynesian welfare-enhancing project. On the other hand, the framing of the present depression as caused by the lack of liquidity served to deflect attention from the structural contradictions of American capitalism manifest in the global imbalances – a consumption-based and savings-poor economy heavily dependent on foreign delivery of goods and capital. Thus, economic propaganda, spearheaded by government institutions and the 'research' of key economic players has effectively served to deceive the public not only of the true origins of the problems, but also of the actual consequences of the 'solutions'. Lack of regulation, run-away innovation, and financial speculation have been among the most commonly cited causes of the crisis. However, as insightfully observed by Marx a long time ago,

> the very recurrence of crises despite all the warnings of the past, in regular intervals, forbids the idea of seeking their final causes in the recklessness of single individuals. If speculation towards the close of a given commercial period appears as the immediate forerunner of the crash, it should not be forgotten that speculation itself was engendered in the previous phases of the period, and is therefore, itself a result and an accident, instead of the final cause and the substance. The political economists who pretend to explain the regular spasms of industry and commerce by speculation, resemble the now-extinct school of natural philosophers who considered fever as the true cause of all maladies. (Marx and Engels, 1975: 401)

While speculation and lack of regulation have certainly contributed to the build-up of the imbalances that led to the crisis, the fundamental causes of the latter have everything to do with the underlying irrationality of the capitalist mode of production. Regardless of all real and imaginary changes to its nature that have been underway in the last two centuries, capitalism remains at its core a commodity-producing economic system. Capital accumulation – 'Moses and the Prophets' of this system – hinges upon a constant expansion in the production and consumption of commodities. This essential characteristic of the capitalist mode of production has not been altered and cannot be altered by any degree of 'financialization'.

> It is utter nonsense to suggest that all capital could be transformed into money capital without the presence of people to buy and valorize the means of production … Concealed in this idea, moreover, is the still greater nonsense that capital could yield interest on the basis of the capitalist mode of production without functioning as productive capital, i.e. without creating surplus-value, of which interest is simply one part; that the capitalist mode of production could proceed on its course without capitalist production. (Marx, 1991 [1894]: 501)

Furthermore, any finance-driven alterations to the modalities of production and exchange, while self-sustaining over a period of time, ultimately end up exposing the insurmountable structural contradictions of the capitalist mode of production. Capital as a social relation strives to reproduce itself through the self-expanding logic of commodification, i.e. through the universal imposition of the commodity form. In this process, the inherent contradictions of the commodity form are dispersed and reproduced throughout the wider socio-economic formation. Capital, however, can never 'achieve full closure, i.e. … reproduce itself fully through the value form', because this reproduction depends on various non-economic supports as well as fictitious commodities (Jessop, 2000: 325–326). Not only is full commodification thus rendered impossible by the 'incompleteness' of capital, but the entire process of reproduction is bound to unfold unevenly, in a precarious manner, distorted by tensions and conflicts.

Thus, the unraveling that started with the subprime debacle and the ensuing credit crunch exposed the impossibility of a never-ending rise in asset prices and the highly dubious character of this type of 'wealth creation'. Financial engineering and asset price inflation cannot create value; albeit this is not to say that this process of wealth creation is purely fictional. The 'wealth', however, is of peculiar and abstract character being first formed as a claim on things of value while its validation is contingent upon realization through the purchase of things of value such as human labor and its artifacts. On the surface, this functional relation reflects the contradiction between two different types/forms of capital – capital as a value-in-process and as a validated value. At a deeper level, this and all other contradictions of the capitalist mode of production ultimately hark back to the underlying one – the duality of exchange and use-value in the commodity form which derives from the commodity status of labor.

In this context, the present crisis reveals two major fractures in the existing accumulation regime. These fractures, however, are the manifestations of the crisis and should not be confused with its causes. Firstly, the financial system is overloaded with massive amounts of fictitious capital – claims that cannot be validated. The only way out of these gargantuan imbalances is devalorization of capital on a grand scale – a development that authorities have gone out of their way to prevent. In the summer of 2007 when the panic in the mortgage market triggered the 'credit crunch', the crisis management options of the Federal Reserve (Fed) revolved around the choice between devaluing money or assets, devaluing labor or capital: in strictly monetary terms, the choice between inflation and deflation. The decision made was to salvage the financial system at all costs. Thus, the first step of the Fed's Chairman Ben Bernanke was to increase access to liquidity by lowering short-term interest rates and hoping to sustain the bubble. Since liquidity could not solve the underlying problem of insolvency in the financial system, another solution was tried – numerous lending facilities mushroomed throughout the system for the purpose of funneling funds into broken banks and markets. Since none of these measures was quite successful, by September 2008 amidst a wave of bailouts and bankruptcies, the most radical action was taken – virtually flooding the credit system with liquidity in the hope that lending would resume. This was a desperate attempt to save a broken financial system, risking the disastrous devaluation of labor power whose monetary expression would be high inflation and, possibly, hyperinflation (Ivanova 2010b). The artificially propped up financial system is now extremely vulnerable – any panic may lead to a crash. Furthermore, the ballooning government debt renders it not unlikely that the panic may start in the very beating heart of the American empire – its bond market.

Secondly, a key manifestation of the crisis is the inability to consume on a sufficient scale and thus to realize (surplus) value created in the production process. For decades, maintaining high levels of personal consumption has been the overriding aim of government economic policy. Consumer spending in the USA fluctuated between 60 and 70 percent of GDP in the postwar period and exceeded 70 percent of GDP in 2002 and the following years. Buoyant levels of consumption, however, were not due to strong income growth. Quite the reverse, ever since the early 1980s, total

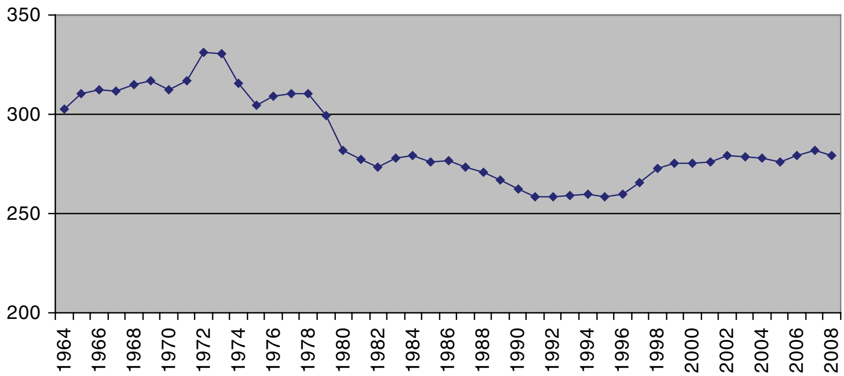

Figure 1. Total private average weekly earnings in 1982 dollars, yearly averages
Source: US Bureau of Labor Statistics

weekly private earnings, measured in constant dollars, have been significantly lower than in the 1960s and the 1970s (Figure 1). Income growth for 95 percent of the population has slowed down over the last three decades but stagnation has been most pronounced in the lower-income brackets (Table 1). While the incomes of the bottom 60 percent increased by 4.21, 10.04, and 19.51 percent, respectively for every quintile, over the period 1978–2008, the average income of the top 400 taxpayers nearly quadrupled since 1992 according to the Office of Management and Budget (OMB, 2009a: 9). As shown by Dew-Becker and Gordon (2005), over the entire period 1966–2001, only the top 10 percent of earners enjoyed a growth rate of real incomes equal to or above the average rate of productivity growth, while the median real income barely grew at all.

> By 2004, the wealthiest 10 percent of households held 70 percent of total wealth, and the combined net worth of the top 1 percent of families was larger than that of the bottom 90 percent. In fact, the top 1 percent took home more than 22 percent of total national income, up from 10 percent in 1980. (OMB, 2009a: 9)

Persistent repression of labor income also characterizes the present crisis. As reported by the US Department of Commerce on 4 August 2009, wages and salaries fell 4.7 percent in the 12 months through June, the biggest drop since records began in 1960.

A powerful driving force behind the bottom-up redistribution of national income has been the radical overhaul of the tax structure coupled with the redirection of public spending away from social welfare purposes initiated by the 'Reagan revolution'. With the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986, the marginal tax rate for the highest income bracket was brought down from 70 to 28 percent. Soaring budget deficits necessitated an increase of the top individual tax rate to 31 percent under President Bush Senior and 39.6 percent under President Clinton. The top rate was brought down to 35 percent in 2006 by President Bush Junior. In addition, owing to lowering corporate taxes coupled with numerous tax breaks for big business, there has been a continuous shift in the tax burden from corporations and the wealthy to lower- and middle-income households. The corporate share of total tax revenues which averaged 28 percent in the 1950s, and 21 percent in the 1960s, has fallen to an average of 10 percent since the 1980s (Friedman, 2003). As a result of continued wage repression coupled with tax breaks for the rich, the US income distribution structure has become increasingly thirdworldized to achieve levels of

Table 1. US family income limits by quintile, in 2008 US dollars, changes in the period 1947–77 compared to the period 1978–2008

	Upper limit of each quintile				
	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Lower limits of top 5%*
1947	13,356	21,552	29,225	41,469	68,063
1977	25,892	43,359	61,298	84,458	133,827
Change	12,535	21,806	32,073	42,990	65,764
1947–1977	93.85%	101.18%	109.74%	103.67%	96.62%
1978	26,677	44,825	62,755	87,228	138,292
2008	27,800	49,325	75,000	113,205	200,000
Change	1123	4500	12,245	25,977	61,708
1978–2008	4.21%	10.04%	19.51%	29.78%	44.62%

Source: US Commerce Department, Bureau of the Census
* The US Census Bureau does not report the incomes of the top five percent of the population. Therefore, the top 'quintile' only covers incomes from the 80th to the 95th percentiles.

inequality virtually unseen among developed countries. Thus, the US GINI index for families increased from its all-time low of 0.348 in 1968 to 0.44 in 2005–6 (Figure 2).

Not rising incomes, but rising debt levels have enabled consumption growth well in excess of income growth and thus the consumption bubble of the neoliberal era. Since the 1960s, the growth rate of real household debt has significantly exceeded the growth rates of real disposable income and real household wealth (Glick and Lansing, 2009). Debt accumulation particularly accelerated after 2000 with most of it due to the rise in mortgage debt which increased from $6.8 trillion in 2000 to $14.6 trillion in 2007. Consumer debt increased by $800bn or 47 percent in the same period. Household leverage peaked in 2007 at 136 percent of disposable income. These high levels of personal indebtedness are clearly unsustainable. On the one hand, rising debt-to-income ratios

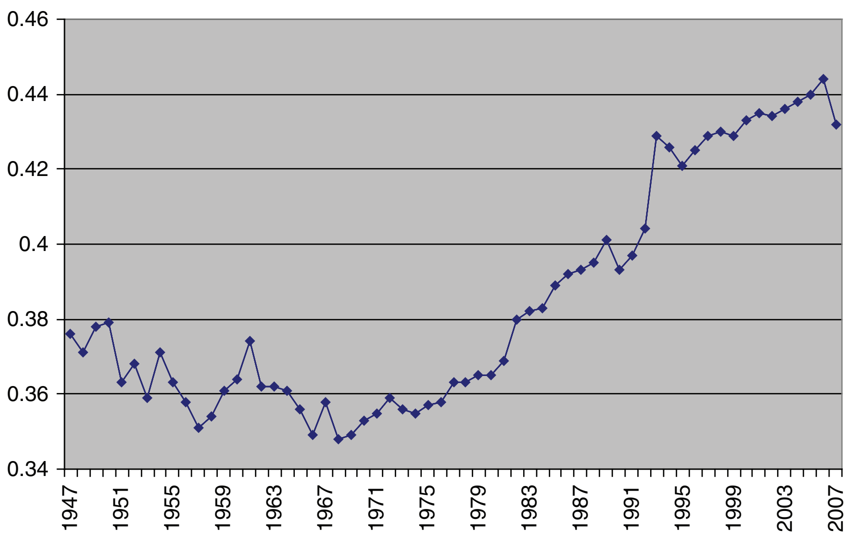

Figure 2. US GINI Index for families
Source: US Commerce Department, Bureau of the Census

create solvency problems for borrowers and reduce their access to further credit. On the other hand, the need to allocate a rising share of disposable income for debt servicing depresses personal consumption.

At present, the USA constitutes quite a peculiar case of 'world consumer of last resort'. Its populace is shopped-out and debt-burdened, faced with rising unemployment and foreclosure rates. Despite the $168bn stimulus of President George W. Bush's administration, personal consumption expenditure in 2008, and in particular in the last two quarters of the year, suffered a near collapse by American standards. In fact, this was the first decline in consumption since 1981. Consumer spending further declined in the second quarter of 2009 despite the $787bn stimulus package implemented by the administration of President Barack Obama. While Bush's stimulus package was limited to a one-time personal income tax rebate, tax breaks for businesses and some mortgage guarantees for lenders, Obama's plan, quaintly titled 'The American Recovery and Reinvestment Act of 2009', boasted a seemingly comprehensive and ambitious program for 'jumpstarting' the US economy. The Plan was inserted into the administration's budget proposal featuring staggering fiscal deficits for 2009 and 2010 under the somewhat ironic heading of 'A New Era of Responsibility' (OMB, 2009a, 2009b).[7] The 'Immediate Relief' portion of the plan comprised income tax credits, temporary benefit increases for the retired and the unemployed, expansion of the child tax credit and food stamps. The second part committed approximately $330bn to investment in infrastructure, science, 'clean energy', education and training, and health care. While all this superficially sounds like an expansionary program, a striking feature of the stimulus package is its relatively small size not only compared to what has been spent, lent, or committed to prop up the financial system – $12.8 trillion according to one estimate (see Pittman and Ivry, 2009) and $23.7 trillion according to another (see Braithwaite, 2009) – but also as a share of the overall nearly $4 trillion budget of the administration. But more importantly, there is nothing in the package – from the temporary jobs at infrastructure projects to the student loans intended to prop up the higher education bubble – that could in any way help 'jumpstart' the economy. The Plan reveals a lack of understanding of the causes of economic collapse and correspondingly the absence of any vision of possible solutions. Driven by an apparent preoccupation with preserving the status quo, it does not seem intended to provide more than a modest temporary relief until the almighty market supposedly resumes working its magic.

Table 2. Changes in total net worth (US$bn) and selected categories

	2005	2006	2007	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
Change in net worth	6167.7	4207.9	385.9	–2440.8	–824.0	–2743.4	–4877.2	–1329.7
– Real estate	2782.0	311.2	–1677.8	–747.8	–274.7	–675.2	–974.5	–551.1
– Corporate equities	916.8	1832.5	772.0	–709.7	–514.7	–896.0	–1625.2	–347.8
– Mutual fund shares	193.8	343.8	202.1	–308.4	–30.1	–497.7	–561.1	–114.3
– Equity in noncorporate business	1507.9	460.8	82.1	–125.1	–131.1	–138.9	–523.8	–305.7
– Life insurance and pension	513.1	1125.6	535.4	–807.5	–118.4	–682.4	–1499.8	–545.6
Net worth outstanding	57,997.8	62,205.8	62,591.6	60,150.8	59,326.8	56,583.4	51,706.2	50,376.5

Source: Federal Reserve, Flow of Funds Accounts of the United States, 11 June 2009

Table 3. Credit market borrowing (US$bn)

	2005	2006	2007	2008	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
Total credit market borrowing	3544.8	4037.0	4450.1	2616.9	2869.0	2072.8	3335.8	2190.1	–255.3
– Open market paper	245.1	317.1	–169.4	–189.0	23.4	–267.1	–593.7	81.5	–662.5
– Treasury securities	307.3	183.7	237.5	1239.0	411.4	310.1	2080.2	2154.2	1442.8
– Agency and GSE-backed securities	82.8	330.6	908.3	771.7	650.8	1323.8	706.0	406.4	34.4
– Municipal securities	195.0	177.4	215.6	63.2	94.7	57.4	96.6	4.2	128.7
– Corporate and foreign bonds	859.1	1250.0	1172.6	–165.0	296.2	295.1	–681.4	–569.8	257.1
– Bank loans n.e.c.	167.8	126.8	337.0	693.7	472.4	86.7	1376.0	839.7	–856.4
– Other loans and advances	155.8	156.4	545.0	95.1	305.4	46.5	468.0	–439.6	–468.0
– Mortgages	1437.5	1390.5	1069.8	64.1	493.8	119.3	–151.2	–205.3	–40.7
– Consumer credit	94.5	104.4	133.6	44.0	120.8	101.0	35.4	–81.1	–90.7

Source: Federal Reserve, Flow of Funds Accounts of the United States, 11 June 2009

The belief that consumer capitalism from the previous era can be kept on life support by tax credits and food stamps until the banking system resumes business as usual – read prodigious lending across the board – is utterly unrealistic. In addition to the continuous stagnation of labor income, US households experienced a dramatic decline in their net worth over the last two years. More than $12.2 trillion of wealth have been lost between the end of 2007 and the first quarter of 2009 (Table 2). The deflationary impact of stagnant incomes and shrinking net worth cannot be compensated for by more borrowing given the existing high level of personal indebtedness. Furthermore, the meltdown in the credit market continues at an unprecedented pace. As shown in Table 3, the 'open market paper' virtually collapsed in the first quarter of 2009 at the annual rate of $662.5 billion. Both banks and non-bank lenders significantly reduced the amount of loans extended while mortgages and consumer credit continued to contract. The only agency massively borrowing in the market is the US Government, which absorbed $1.44 trillion of credit in the first three months of 2009. Apparently, government borrowing is crowding out private borrowing and due to the exorbitant size and self-sustaining dynamic of the former, the outcome of this situation is difficult to predict with certainty. But one thing is for sure, the collapse of credit for the working classes signifies the end of debt-driven consumer capitalism.

In conclusion, far from being a regular cyclical downturn, the present 'recession' points to the outright failure of the existing accumulation regime, in particular, and to the severe exhaustion of the mediation mechanisms of American capitalism, in general.

Conclusion

Marx saw crises as the 'means by which capital attempts to resolve its contradictions on its own terms' (Clarke, 1980: 14). Indeed, the ongoing situation in the USA can easily be interpreted in such a way since the totality of crisis management efforts by monetary and fiscal authorities has in fact served to consolidate financial power and thus to tighten the grip of *haute finance* on the US economy. Consequently, while the 'real' economy is shrinking on all sides and shedding jobs, the financial industry is having its best year ever in terms of profits.[8]

However, because of the nature of capitalism as a production system, lasting recovery will not obtain without restoring the mechanism of production and realization of surplus value. This would also mean addressing the grave disproportionality between surplus and necessary labor that deepened so precipitously under neoliberalism. In other words, labor income will have to rise. It is, however, unclear how such an outcome can obtain. With 'Labor' clearly out of the picture, even if there were another power to bring it about, the restoration of the previous accumulation regime would still remain unlikely. For the problems to be solved also include a profitability crisis of fairly long standing – at least since the mid-1970s – as argued on different grounds by Brenner (2006) and Kliman (2009). Thus, it seems that American capitalism is in the eye of a perfect storm where all the disproportionalities of the capitalist mode of production – between fixed and variable capital, between production and consumption, between credit-money and money-income, and between surplus and necessary labor – have come together to haunt it. While debt-driven consumer capitalism seems damaged to the extent of being no longer operable, the contours of a 'post-consumerist' future are not yet in sight.

It is of particular importance to understand why finding adequate solutions to the crisis in the USA has been and will be tremendously difficult. No other 'rich' country has made such inroads in the commodification of all necessities of life including without being limited to education, health care, housing. The progressive commodification of everything has led to the subsumption of a growing number of human activities into consumption-type relationships resting on work and exploitation. Consequently, the commodity rules all symbolic and material aspects of people's lives in a particularly brutal way which may not even be considered acceptable in other parts of the so-called developed world.

With the commodity form so firmly impressed upon all forms of thought and action, the 'solutions' typically re-create the problems. With consumerism firmly grounded as an all-encompassing mode of existence, any resistance beyond the level of the individual seems not only hard to materialize; it is almost impossible to imagine. Certainly, an apparent search for 'alternatives' has never ceased; these, however, have been intra-paradigm alternatives which have served to reinvigorate consumerism and prolong its lease of life. Public initiatives such as 'green consumerism' are mute efforts in terms of genuine transformative impact not simply because they constitute a *contradictio in adiecto*, but because they themselves are part and parcel of the consumerist paradigm. Attempts to modify consumerism serve to solidify the American version of consumer capitalism because they reaffirm the rule of the commodity form. For example, appeals to curb 'irresponsible consumerism' by raising 'responsible' consumers able to make 'better choices' through more 'education' – an overpriced conspicuous commodity *par excellence* – arise from the self-preservation urges of the dominant social order and are aimed at absorbing and dissipating any resistance and the search for genuine alternatives.

The commodity constitutes both the substance and the form of capitalism as a mode of production while commodity form and thought form are aspects of the same dialectical unity (Sohn-Rethel, 1978). The only true challenge to consumerism can come from thinking beyond the commodity form.

Notes

1 To my knowledge, the only work that attempts such a treatment of consumption is Rosenthal (1993).
2 The term 'immediate identity' here should not be confused with the assertion of the classical economists that supply creates its own demand and, therefore, supply and demand always balance (see Marx, 1993 [1939]: 423–424).
3 The Warner and Lunt classification included an upper-upper class of inherited wealth, a lower-upper class of new arrivals to wealth, an upper-middle class of well-off professionals and successful businessmen; a lower-middle class of white-collar salaried employees; an upper-lower class of skilled wage-earners, and a lower-lower class of unskilled labor.
4 The early division of Marxists into those supporting the disproportionality theory and those supporting the underconsumption theory was stimulated by the work of Rudolf Hilferding and Rosa Luxemburg in the first decades of the 20th century. Initially, though, both theories were seen as overlapping, with underconsumption being considered as a particular form of disproportionality. By the late 1930s, the theory of underconsumption had established itself as the dominant Marxist orthodoxy while disproportionality was denounced as a social democratic deviation (see in detail Clarke, 1994).
5 It should be noted that there were significant differences in the ways governments and business in the affluent world handled the crisis of Fordism and the restructuring of the labor process. The Anglo-American model was quite different from the way taken by Germany, Scandinavia, and Japan (see Lipietz and Cameron, 1997).
6 Here one cannot but be reminded of Lukács's (1971: 105) remark that the 'incomprehensibility and irrationality of crises is indeed a consequence of the class situation and interests of the bourgeoisie but it follows equally from their approach to economics. (There is no need to spell out the fact that for us these are merely aspects of the same dialectical unity).'
7 As reported by the Congressional Budget Office on 8 October 2009, the actual budget deficit of the US Government for the 2009 fiscal year turned out to be 'only' $1.4 trillion or 9.9 percent of GDP which was lower than the projected $1.84 trillion or 12.9 percent of GDP.
8 In July 2009, Goldman Sachs announced the highest quarterly profit in its 140-year history (see Bowley, 2009).

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