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Review of an excellent book on the 1990s “New Economy”
hype.

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After the New Economy, Doug Henwood, The New Press
(ISBN 1-56584-770-9), 2003

This is an excellent book and is highly recommended. It cuts through the crap of the hype associated with the excesses of rhetoric produced during the US bubble of the 1990s. It exposes the various claims of the “new economy” to the harsh like to reality, showing that while they were taken dreadfully seriously at the time in the media they reflected little more than wishful thinking.

The book is broken into five main sections. Novelty covers whether the “New Economy” was, in fact, that new. As Henwood recounts, capitalism experiences similar hype-fests whenever it goes into an extended boom. Indeed, you know when a crash is coming when the pundits proclaim that the business cycle has finally been overcome. The next section, work, explores the myths of how technology can revolutionised work and productivity. Simply put, the US “miracle” economy of the 1990s simply cannot be explained in terms of an IT revolution. It can, however, be explained by workers

working longer for less. Henwood also sticks the boot into mainstream economists and their definitions of productivity. And quite rightly too.

The third section, income, exposes the myths of income and its mobility in the land of the free. Basically, the US has been increasingly polarised into a very large poor majority and an amazingly wealthy elite. And mobility up and down the social hierarchy is not that much different than in Western Europe (although the poor in the US find it harder to get out of poverty in the land of opportunity than in “old” Europe). Essential reading to discover the real nature of class in America. And not only that, given his discussion of the effects of sexism, racism and homophobia on income.

The fourth section is on Globalisation. Henwood makes good points on the vagueness of this term and the undesirability of localist capitalism as an alternative. Similarly, he notes some obvious benefits of internationalism and the importance of fighting a globalised system with a globalised movement. After all, as he stressed, capitalism has always international. Blaming globalisation as such for our current problems, lets capitalism off the hook. And given that most of these problems cannot be linked to increased international trade or investment the roots are better found in the class war at home (which uses globalisation as one of its many weapons).

And this is the message of the fifth section on Finance. In some ways, it is a summary of Henwood’s previous book, the equally excellent “**Wall Street**”. As in that book, he exposes how finance capital works and for whom. In how new book he summaries his previous arguments and brings them up to date. He again usefully links how economic theory is used as a weapon in the class war. For example, he notes how the “Efficient Market”, while having little empirical evidence to support it, was a useful tool in promoting the interests of capital over labour. If the market is always efficient, then promoting

the interests of those who own society is, by definition, also efficient. Henwood exposes how this “efficiency” translated in higher corporate profits at the expense of their workers, their wages and their job security. His account of how the central banks operate to keep unemployment at a level sufficient to fear the sack (and so be compliant workers) should be required reading for all anarchists.

Ultimately, the economy is all about power. Mainstream economics exists to justify the power and profits of the wealthy. As such, it has little to say about money or finance or the internal workings of a company but a hell of a lot to say about how capital deserves its share. He hammers home that profits, interest and rent are simply the unpaid labour of workers and that it is them, not managers, who produce wealth which finance so successfully concentrates in a few hands.

If changing the world first requires understanding it, then Henwood’s book is essential reading. Where it is weak is in constructive suggestions. From Henwood’s analysis, it is clear that a militant labour movement is essential for ensuring a decent standard of living for workers under capitalism. That would be a good place for anarchists to start constructive work. Equally, the moral of the “New Economy” hype is that the appeal of a better world still strikes cords. He ends by arguing “if all challenges to capitalism were dead, why did we hear so much about democratisation and the overturning of hierarchy? Evidently the message has appeal, even in apparently conservative times.” Henwood exposes the reality of that rhetoric extremely well. He ends of a positive note: “If a little hierarchy-overturning democratisation is such a good thing, then why not more?”

Why not, indeed?