Pre-publication version of paper prepared for the “Memorial symposium on Professor Jim Crotty,” *Review of Radical Political Economics*, December 2023, 55(4), pp. 707-713.

A World on Fire: Observations and Speculations in a Crottyian Vein

Ilene Grabel
Josef Korbel School of International Studies; University of Denver; Denver, Colorado; USA

Abstract

I offer this paper as a small way of honoring my friend, mentor, and role model, Jim Crotty, whose intellectual legacy, commitment to engaged scholarship, lived experience, and warmth and generosity continue to influence me profoundly. Here, I offer several observations and speculations on the state of play in the global and US financial systems in a Crottyian vein. These include several 1980s throwbacks – bank failures in the United States; rentier-driven tight monetary policies across the world with attendant negative effects; and debt distress and the likelihood of a (new) “lost decade” in the Global South. These familiar experiences are unfolding against the backdrop of an interregnum in which a “post-American global financial order” is emerging in an environment marked by “productive and destructive incoherence.”

Keywords
Jim Crotty; bank failures; monetary policies; debt crises; post-American global financial order

JEL Codes
F02, F33, O23; E44; E58

CONTACT Ilene Grabel Ilene.Grabel@du.edu; Josef Korbel School of International Studies, University of Denver; Denver, Colorado; USA, 80208

1. Remembering Jim Crotty

I write with great sadness in memory of the passing of my dear friend, mentor, and role model, Jim Crotty, from whom I have learned so much. Jim's physical absence from the world makes it less just, smart, compassionate, comprehensible, and funny.

I came to UMass in 1985 as a dedicated Marxist committed to writing a dissertation on labor exploitation. That seemed the thing for a young radical to do. Jim (and later, along with Jerry Epstein) changed all of that. My time at UMass coincided with a tumultuous time in the financial world and macroeconomy. There was the savings and loan bank and stock market crises in the United States; the start of what we now understand as the financialization of the US and global economy, and the associated ascendancy of rentiers and the International Monetary Fund; austerity and the "lost decade" for the Global South; growing income and wealth inequalities; vast increases in executive pay and the crushing of labor; domestic and international financial liberalization; tight monetary policies; and the rise of central bank independence. The passion and knowledge with which Jim discussed these and other developments—deeply rooted in his radical approach to macroeconomics, finance, and Keynes—set me off on an entirely different course of study. To wit: I became obsessed with all things finance and remain so.

Jim's writing, teaching, and mentorship transformed my life. The same was true for generations of students, who (like me) found a compassionate ear and a razor-sharp wit and intellect in that cluttered, always welcoming corner office of Thompson Tower. I think Jim managed to mess up also the prime office he later came to occupy in beautiful Crotty Hall, named for his and Pam's role in the development of radical political economics and URPE.

I'll never forget the times I spent with Jim and Pam over wonderfully warm dinners at their home. Similarly, I'll never forget all the time I spent learning from Jim in the classroom, during the years when I was working on my dissertation under his and Jerry's direction, and then all that I continued to learn from him in the decades since I left UMass. I can still picture Jim and Pam's Potwine Lane living room clear as day. I spent so much time there drinking tea, playing with their dog, talking with Jim about the agonizing process that was my dissertation, and—with his excellent example—imagining myself as a future professor talking with my own students. The latter is something I never would have expected given that, like Jim, I was a working-class person from the non-tony parts of the New York metropolitan area. Jim's patience with me and support seemed infinite. He always made me feel like I was the most important person in the world, that he had infinite time for me, and that *we* would get through that dissertation despite my doubts.

For those of us not from academic or even professional families, Jim's lived experience and empathy were life preserving. Having Jim in my court and in my head helped me every day to work, to do better work, and ultimately to build a life and career that I love. That red pen (I can still see it now), but wielded always with such love, wit, and keen insight.

I strive all the time to think about what Jim would say and do when struggling with a writing project, navigating academic politics, working with a student, or trying to make sense of this ugly world. I also think so often about the things he said to me and about the example he set without ever calling attention to himself as a mentor and role model. I will never be ten percent as smart, kind, or good as Jim was in any respect. But his example continues to challenge me to do better.

I also think often of so many of his quips and funny asides. He'll always be the great, brilliant, kind person in a light blue oxford shirt, tan chinos, and metal-rimmed glasses. I know how much he enjoyed telling the story about being asked by someone (I think it was Jack Amariglio) if he owned only one shirt and one pair of pants or if he had a closet full of identical outfits. I remember demand and supply curves chasing one another off the blackboard in our macroeconomics course. I remember after a quite famous discussant aggressively criticized a paper of his at a conference at UMass, he started his response by saying "I'm really glad that 'so and so' liked my paper so much." Then he paused to chuckle, give his great wry smile, and proceeded to destroy the discussant without a trace of malice in his voice. I remember his stories about his experiences at Carnegie Mellon (he had much to say about Alan Meltzer), his experiences with the nuns as a boy at catholic school in the Bronx, his time as a rugby player, reflections on his parents, his feelings about some academics who were "born to the manor," and his funny and brilliant reflections about just about everything else. He was a great talker. But unlike many great talkers, he was also a great listener. I also remember how he picked up the phone in the age of texting and emailing to find out how my husband, George DeMartino (also a former Crotty student) and I were doing after he had heard about a health crisis we were confronting. Above all, I remember how much he "got me" and how much that meant to me when I struggled to feel that I belonged in graduate school and academia.

I still remember how lovely it was to mark the release of his monumental Keynes book in Washington, DC (even though his health prevented him from traveling to the event)(Crotty 2019). I have equally fond memories around the release of the book that contained many of his collected papers during the great Crotty Hall celebration (Crotty 2017), and his wonderful retirement party where he gave a tour d'force speech. He continued to write well beyond that time.

I also remember so well the time Jim and Pam stayed at our home in Denver. That visit meant a great deal to me. And I recall that when Jim saw my home office he said "it looks like you could perform surgery in there!" He was not wrong.

His work lives on in so many ways – through his former students, colleagues in the department and around the world (including in Japan and South Korea, where he had a large community of colleagues), and through the intellectual traditions that he helped build. I miss him dearly. And I always will.

Jim's oeuvre is deep and broad. His pioneering work on Keynes is one among several red threads that mark his career. He is perhaps the reason why so many generations of radical political economists (including myself) find so much in Keynes, whom they might have otherwise (and, as Jim's work tells us, wrongly) dismissed as a mere reformer of capitalism. Jim's landmark book demonstrates that Keynes should be understood as a perceptive critic of capitalism (Crotty 2019). This argument that ran through Jim's earlier work on Keynes (e.g., Crotty 1983, 1990, 1999). Jim's work has an equally important footprint in the study of Hyman

Minsky and Karl Marx's monetary theory; the development of radical macroeconomic theory and political economy; the study of international finance and domestic and international financial policy; the case for capital controls; the political economy of neoliberalism, austerity, and financialization; the 1997-8 financial crisis in South Korea and the global financial crisis of 2008; and the political business cycle (see papers in Crotty 2017). It's been a genuine pleasure in recent months to reread some of Jim's work. His writing is marked by the precision of his arguments, the elegance of his prose, and the commitment to marshalling vast amounts of qualitative and quantitative evidence. His work always reflected his intolerance for hypocrisy, a commitment to policy-relevant research for a better world, and—above all—an unabiding hatred of the human ravages of capitalism, especially neoliberal capitalism. For someone who was so consistently and profoundly pissed off at the world, he nevertheless laughed easily and remained always so much fun.

I can't help but think of how Crottyian these times are. Afterall, all gloves and pretences are off. Rentiers, white-collar criminals, business lobbyists, fascists, and autocrats have free run. Some are heads of states, some are powerful back benchers, and some run the world's biggest banks. Regulators are captured by a financial sector that they barely understand. Bankers claim not to know that interest rates both go down and up. Everything, including nature, is securitized and financialized. Multilateral institutions reflect post-war dynamics and are (still) unable to address sovereign debt crises in the Global South. Central banks have revived old strategies. Decades of neoliberalism, deregulation, corporate concentration, short-termism, offshoring, and union busting have created systemic fragilities made plain during and since the Covid crisis and the war in Ukraine. Crypto and technology "bros" are heroes in a Hayekian dreamworld devoid of states and central banks. And US Treasury Secretary Yellen, Fed Governor Powell, and President Biden are stuck on the horns of several disasters, some of their own making and some reflecting the "know nothingism" and dishonesty of our times.

2. 80s Throwbacks and a New Twist

In what follows I offer some observations and speculations on the state of play in the global and US financial systems in a "Crottyian vein." By a Crottyian vein, I mean an account that is consistent with Jim's theoretical and normative commitments. Chief among these are his concern for the peoples and nations harmed by domestic and global rentier capitalism, understanding of the cascading nature of financial instabilities, and commitment to developing alternatives to the American-led neoliberal financial order. With all of this (and much else about Jim's work) in mind, I highlight here several 1980s throwbacks – bank failures in the United States; rentier-driven tight monetary policies across the world with attendant negative effects; and debt distress and the likelihood of a (new) "lost decade" in the Global South. These familiar experiences are unfolding against the backdrop of an interregnum in which a "post-American global financial order" is emerging in an environment marked by "productive and destructive incoherence."

2.1 Crises in US banks

The spring of 2023 offered students of bank runs fresh material. Social media fueled runs updated the traditional scenario. Three mid-sized, regional banks failed (viz., Silicon Valley Bank, First Republic Bank, and Signature Bank). Others have since come under pressure. All grew rapidly under lax oversight by regulators charged with enforcing already weak regulations that were further undermined in the Trump era. Their fragilities were revealed by interest rate increases that they failed to hedge against in a time of inflation. (This was also the case with savings and loan banks in the 1980s.). And in the banks that failed, customers with deposits of a size that most households and business could never envisage were shielded from the ceiling on individual account deposit insurance. Signature was involved in cryptocurrencies, something that inexplicably escaped regulators.

The failures culminated in a series of ad hoc rescues and, in the case of First Republic, a hastily negotiated sale to JPMorgan Chase. The result of the on-going turmoil is the extension of "too big to fail" to mid-sized banks. Another is the practical end of the cap on deposit insurance. And an already concentrated US banking sector will likely become ever more so (with obvious effects on financial exclusion). The political climate and the power of the financial lobby make it extraordinarily unlikely that the bank failures will result in policy change. As a consequence, the banking system grows ever more fragile, with bankers having little skin in the game—where they are insulated from the downside of their rapacious hunt to accumulate (Taleb 2018).

2.2. Fighting the last war with tight monetary policies

As the Covid crisis wound down, the world's central bankers embraced tight monetary policies as a regrettable necessity in the face of inflationary pressures. The only outliers to this trend were the central banks of Japan and China, though the former ultimately fell in line. Fed Governor Powell for a while tried to push back on the narrative that the Fed was not doing enough to fight inflation, flagging that the more important culprits were Covid-era supply chain issues, food price inflation aggravated by the war in Ukraine, and a too strong labor market. He eventually shifted to a less complicated, more politically palatable message that simply signaled the Fed's unbridled commitment to do whatever it takes in a "too strong" economy.

As was the case in the 1980s, we do not live in a world where countries of the Global North are challenged or obligated to consider the global spillover effects of their policies. Expansionary monetary policies had strongly negative effects on financial stability and (through their effects on currencies) on trade in the Global South. Now, tightening policies are having devastating, familiar effects, a point to which I'll return below. I cannot help but think about Keynes' ideas (as channeled through Crotty) regarding the necessity of addressing asymmetries in the global monetary system, most notably, in connection with the undue burden of adjustment that falls on deficit countries, and the need to control capital flows in both source and recipient countries.

2.3 Another lost decade

Tight monetary policies have predictable effects on the Global South – currency depreciations (that, among other things, increase the cost of imported food), capital flight and the perceived necessity of mirroring Northern central bank policies, bankruptcies, economic slowdowns, severe and unfolding debt distress and crises, and calls for austerity by lenders. And climate finance in private markets, which is already scarce, becomes both scarcer and more expensive. Indeed, we are poised on the cusp of what seems like a new lost decade across the Global South with vast debt overhang and widespread debt distress but one legacy of this period. The consequences are surely dire. The Covid crisis caused significant backsliding on the United Nations (UN) Sustainable Development Goals. The unfolding debt crisis threatens the prospects of reversing those losses by the 2030 target established by the UN.

The lost decade of the 1980s serves as a powerful warning of what's to come. That period witnessed economic collapse under austerity programs, untold human suffering, intergenerational social and economic losses, and environmental degradation driven by debt repayment obligations. Debt distress in the 1980s and 2020s share a common driver – US monetary policy. The enormous contradiction in US monetary policy is that it has global reach, affecting lives and livelihoods everywhere and especially in the Global South, but its decision making is decidedly, stubbornly national. We talk of this kind of problem as an externality, but in the context of US monetary policy that term seems woefully inadequate given the outsize influence of that policy beyond US borders.

2.4 We are on the road to a post-American financial order, and the ride is rough

I've argued in recent work that we are in a period between periods, an interregnum between an American-led global financial order and something else that has not yet achieved a coherent shape and is not yet informed by a clear theoretical or political vision. I've referred to this as an emergent "post-American financial order" (Grabel 2022, 2023).[1] The American financial order involved reifying the role of the market over the state. It relied on austerity, trickle-down economics, handouts to the rich and large corporations, shifting burdens onto working people and the Global South, exploiting minoritized communities, and accumulating without a thought to sustainability. These were always indefensible, but they kept capitalism running in a manner of speaking. Those strategies work less well now as the United States confronts a fracturing and increasingly pluripolar world. Recognition of this fact by the Biden administration, might partly explain recent efforts to restore and modernize US relevance with a new branding initiative, which the administration is calling a "New Washington Consensus" (Sullivan 2023).

The present moment is marked by destructive and productive incoherence (Grabel 2015, 2017, 2018, 2019, 2022, 2023). Destructive aspects of incoherence are readily apparent. For example, we see destructive incoherence in the failed responses to Covid; debt, migration, and climate crises; rising authoritarianism; and tax avoidance by the world's wealthy and large corporations. The productive aspects of incoherence are found in the aperture of a post-American order. We find here increased opportunities for institutional and policy evolution and experimentation.We also observe challenges to legacy actors and some defunct orthodoxies.[2] We observe expanding financial networks among countries in the Global South. An example is the recent expansion of the BRICS group (comprised of Brazil, Russia, India, China, and South Africa) to include four new members. Some thirteen others have expressed interest in joining. And we find embryonic efforts to create workarounds to US financial power, some of which are responses to economic and financial sanctions. This is exemplified by efforts to settle

---

[1] I use the term "American order" to reflect common usage, with recognition that "US order" is a more accurate descriptor.
[2] Unfortunately, orthodoxy around inflation targeting remains.

trade transactions without the dollar as a vehicle currency, in the slow development of alternatives to the SWIFT (Society for Worldwide Interbank Financial Telecommunications) system by China and Russia, the expansion of institutions and bilateral financial arrangements outside the Bretton Woods institutions, and the currency swaps offered by some (primarily "Petrostate") central banks to their counterparts when they have faced liquidity crises.

3. Concluding Reflections

Jim, I am confident, would have agreed with the UN Secretary-General António Guterres' assessment of the state of the global financial system. Guterres referred to it as one element of a "five alarm global fire" and made the case for global financial governance reform plainly. "Let's tell it like it is: the global financial system is morally bankrupt. It favours the rich and punishes the poor" (UN Affairs 2022).

I offer these reflections—along with those of a more personal nature above—as a small way of honoring Jim's intellectual, professional, normative, and personal legacy, which continue to influence me profoundly. My hope is that my own work continues to reflect the many things I learned from Jim and the important example of how to live and work that he provided.

References

Crotty, James. 1983. On Keynes and capital flight. *Journal of Economic Literature* XXI:59-65.
———. 1990. Keynes on the stages of development of the capitalist economy: The institutional foundation of Keynes' methodology. *Journal of Economic Issues* 24 (3): 761-80.
———. 1999. Was Keynes a corporatist?: Keynes's radical views on industrial policy and macro policy in the 1920s. *Journal of Economic Issues* 33 (3): 555-78.
———. 2017. *Capitalism, Macroeconomics and Reality: Understanding Globalization, Financialization, Competition and Crisis*. Cheltenham, UK and Northampton, MA: Edward Elgar.
———. 2019. *Keynes Against Capitalism: His Economic Case for Liberal Socialism*. Abingdon, Oxon and New York: Routledge.
Grabel, Ilene. 2015. The rebranding of capital controls in an era of productive incoherence. *Review of International Political Economy* 22 (1): 7-43.
———. 2017. *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*. Cambridge, MA: MIT Press.
———. 2018. The upside of a messier global financial architecture. *Current History* 117 (802): 321-4.
——— 2019. Continuity, discontinuity and incoherence in the Bretton Woods order: A Hirschmanian reading. *Development and Change* 50 (1): 46-71.
———. 2022. Post-American moments in contemporary global financial governance. In *The downfall of the American order? Liberalism's end?*, edited by Peter J. Katzenstein and Jonathan Kirshner, 124-43. Ithaca: Cornell University Press.
———. 2023. The war in Ukraine and the ~~end of the~~ American financial order? *Review of Radical Political Economics*. doi: forthcoming, DOI: 10.1177/04866134231166988.

Sullivan, Jake. 2023. Remarks by National Security Advisor Jake Sullivan on renewing American economic leadership, Brookings Institution, Washington, DC, April 27, Accessed at: https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/.

Taleb, Nassim. 2018. *Skin in the Game: Hidden Asymmetries in Everyday Life*. New York: Random House.

UN Affairs. 2022. UN Chief Calls for Action to Put Out '5-Alarm Global Fire,' *UN News*, January 21, Accessed at: https://news.un.org/en/story/2022/01/1110292.

Acknowledgements

Deep appreciation to Don Goldstein, Enid Arvidson, and the Review of Radical Political Economics editorial board for their work on this memorial collection. Thanks to Don Goldstein and George DeMartino for comments on this paper and to Steven Douglas and Greg Gillen for excellent research assistance.

Note on contributor

Ilene Grabel is Distinguished University Professor at the Josef Korbel School of International Studies of the University of Denver. Her book, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (The MIT Press, 2017), won the 2019 European Association of Evolutionary Political Economy Robinson Prize, the 2019 International Studies Association International Political Economy Best Book Award, and the 2018 British International Studies Association International Political Economy Book Prize. Grabel has conducted commissioned research for the Division of Globalization and Development Strategies of UNCTAD, G-24, Human Development Report Office of the UNDP, International Poverty Centre for Inclusive Growth of UNDP, United Nations Women, and UN University/World Institute for Development Economics Research.