In Marxist political economy, there is a significant debate in progress between two ways of explaining the dynamics of capitalist crisis. Paul Burkett and Martin Hart-Landsberg [B&H-L] are exponents of a view which explains crises as basically due to a lack of consumer demand, this being caused, in turn, by a high rate of exploitation and wage levels which are low relative to output. In their book on the crises in East Asia, B&H-L argued that, because wages in Japan lagged behind productivity growth in the post-war period, the Japanese economy has suffered from inadequate levels of domestic demand and therefore overdependence on exports. Competitive pressures to reduce costs of production resulted, especially from the mid-1980s, in high levels of Japanese foreign direct investment in the East Asian region. This has resulted, they suggest, in a hollowing-out of industrial capacity in Japan itself. In the recipient countries, technological dependence on Japanese capital was the underlying cause of the East Asia crisis of 1997. Thus, what B&H-L offer is an explanation of current crises in Japan and East Asia which blends underconsumptionism with a variant of dependency theory.
In contrast, I argued that the recession in Japan since 1990, and the East Asian crisis of 1997, could be more convincingly explained by: (i) a central focus on *profitability* rather than *demand* in explaining the national and regional dynamics of accumulation; (ii) use of Marx’s theorisation of the ways in which finance and industrial capital interrelate in build-up of capitalist crises, and in their consequences.

In writing at some length about their book, my hope was that a careful examination of the argument presented by B&H-L – and an outline of the major Marxist alternative on offer – would help advance an important debate about theory, as well as help clarify the nature of the current crises in Japan and East Asia and the political responses required on the Left. Given this, the comment by B&H-L on my critique of their East Asian book is disappointing both in substance and tone. Sadly, they have chosen to evade debate by reading into my text a non-existent position of support for neoliberal attempts to cope with the crisis, and have wasted much of the space available to them in irrelevant condemnation.

What is odd is that they do not even mention – far less try to counter – the main line of argument which I developed, and the evidence which I marshalled in its support. Japan, I suggested, is not exceptional among advanced capitalist countries in the level of exploitation of its labour force *as a whole*. True, in some sectors of manufacturing, levels of productivity, and therefore probably exploitation, are high by international standards. But the evidence I quoted from the important study by Arthur Alexander indicates, for example, that in motor manufacture, Japanese productivity levels are no better than equal to those in the US. In the entire manufacturing sector, average productivity is less than 80 per cent of US levels, in retailing 65 per cent, in telecommunications 46 per cent.

What is exceptional about Japan is, firstly, its level of industrial investment, which despite some decline in the 1990s, has been, until the collapse of the last two years, much higher than that of the European or North American countries. And, secondly, that, in the 1990s, the average rate of profit on industrial

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1 Thanks are due to Pete Green, and to Matthew Caygill, for helpful comments on my reply.
3 For example, investment in machinery and equipment in Japan in 1997 was 11 per cent of GDP. Compare about 8 per cent in the US and Germany and Britain (OECD 2002, p. 210). Fuller detail in Kincaid 2001, p. 92.