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THE 2007 CRISIS IN THE UNITED STATES: SUPPLY-DEMAND IMBALANCE OR PROFITABILITY CRISIS?

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Summary. The economic crisis caused by the COVID-19 pandemic and the current announcement by the Federal Reserve of a possible recession in the face of the inflation that has occurred in the last quarter makes it necessary to discuss the nature of crises in terms of short and long term cycles in the economy, their characteristics and main consequences. The characterization of the 2007 crisis as a crisis of profitability and as the end of a long-term economic growth cycle, as well as the socio-economic particularities it presents, opens the way to the possibility of formulating more efficient and effective policies to deal with cyclical crises in the face of the difficulties presented by the exhaustion of an accumulation model linked to neoliberal globalization. For this reason, the objective of this research is to find the main characteristics of the aforementioned crisis by means of a descriptive socio-historical study for the case of the United States as the main world economic center, and thus, to characterize the last long-term cycle of capitalism. The approach aims to be comprehensive, so the phenomenon is analyzed from the main economic schools: neoclassical, neo-Keynesian, Keynesian and Marxist. The document concludes with a series of economic policy proposals regarding the characteristics of the crisis and the accumulation model of the long-term growth cycle that began with the establishment of neoliberal policies to the detriment of post-war Keynesian policies.

Key words: Economic cycle, crisis, conjunctural economic policies, structural economic policies

LA CRISIS DE 2007 EN ESTADOS UNIDOS ¿DESEQUILIBRIO ENTRE OFERTA Y DEMANDA O CRISIS DE RENTABILIDAD?

Resumen. La crisis económica provocada por la pandemia del COVID-19 y el actual anuncio de la Reserva Federal de una posible recesión frente a la inflación que se ha presentado en el último trimestre hace necesaria la discusión de la naturaleza de las crisis en términos de los ciclos de corto y largo plazo en la economía, sus características y principales consecuencias. La caracterización de la crisis de 2007 como una crisis de rentabilidad y como el fin de un ciclo de crecimiento económico de largo plazo, así como las particularidades socio-económicas que presenta abre paso a la posibilidad de formular políticas más eficientes y efectivas para enfrentar las crisis coyunturales ante las dificultades que presenta el agotamiento de un modelo de acumulación ligado a la globalización neoliberal. Por esta razón, el objetivo de esta investigación es encontrar las principales características de la crisis antes citada por medio de un estudio socio-histórico de corte descriptivo para el caso de Estados Unidos como principal centro económico mundial, y así, caracterizar el último ciclo de largo plazo del capitalismo. El planteamiento pretende ser integral por lo que se analiza el fenómeno desde las principales escuelas económicas, la neoclásica, neokeynesiana, keynesiana y marxista. El documento concluye con una serie de propuestas de política económica entorno a las características de la crisis y del modelo de acumulación del ciclo de crecimiento de largo plazo que comenzó a partir del establecimiento de las políticas neoliberales en detrimento de las políticas de corte keynesiano de la posguerra.

Palabras clave: Ciclo económico, crisis, políticas económicas coyunturales, políticas económicas estructurales

Introduction

The term crisis refers to the point at which economic expansion abruptly ceases, to a situation of acute stagnation or to a serious disturbance in the economic system or a sector of it (Sabino, 1991). Crisis is associated with the terms recession and depression, which are used in basic economic texts, referring to the former as a low degree of crisis and to a severe, deep and long crisis for the latter (Rodriguez, 2009).

The 2007 crisis shook mainstream economic theory and has challenged the claims of economic self-regulation. The *sub-prime* mortgage crisis in the United States managed to shake the global financial apparatus as a whole and has been catalogued as the worst economic crisis since the Great Depression of 1929; the rapid contagion to the main economic powers precipitated the world into a recession from which it has still not been able to fully recover and keeps a possible recovery vulnerable.

The injection of liquidity by the Federal Reserve to clean up the financial system and overcome the crisis, as well as the maintenance of interest rates at levels close to zero, prevented the recession from deepening and many economists considered the crisis to have been overcome; however, more than ten years after its onset, some economists have begun to question these assertions: what were the particular characteristics of the 2007 crisis in the United States? why were counter-cyclical policies insufficient to achieve a strong recovery? could a new crisis in the United States be possible? what would be its causes and consequences?

The aim of this paper is to respond to the questions raised above by means of alternative explanations to the neoclassical line that consider the crisis endogenously to the explanatory model in order to point out the particularities of the current crisis, the exhaustion of countercyclical policies to achieve sustained recovery and the possibility of a new crisis in the central economy of modern capitalism.

The 2007 U.S. crisis: general characteristics and orthodox explanation

The crisis officially began in December 2007, when the highest level of the previous boom, which began in November 2001, was reached, and the slowdown began and ended in June 2009. The second quarter of 2007 was the epicenter; in April New Century Financial Corporation, a leading mortgage lender, filed for bankruptcy, which caused other lenders with similar operational characteristics to begin to close; the rating agencies had reduced their scores, categorizing them as high-risk borrowers, a situation that generalized distrust about the financial system (Duca, 2013). By the summer of 2008, Fanny Mae (Federal National Mortagage Association) and Freddy Mac (Federal Home Loan Mortagage Corporation), two companies promoted by the government to achieve housing goals, were showing significant losses and the G. W. Bush administration made a significant injection of money, but without fully backing their committed funds, increasing distrust of the risk of default and precipitating housing prices and other financial assets (Krugman, 2015).

The reduction in housing prices began at the end of 2006. The decrease was initially moderate (3%), with no significant increase in the risk of default. However, in early 2007 the price decline accelerated (15%) without lending stopping throughout the mortgage system, because the decline was still focused on the states with the largest housing bubbles. Once the fall in prices became generalized, losses for both lenders and debtors became evident and housing prices began a downward spiral that spread to the rest of the financial markets due to restricted access to new credit; this resulted in a liquidity crisis, which in some cases turned into insolvency (Krugman, 2015).

With the impossibility of restructuring the debt and with the failure of the federal housing development bailout in mind, it was decided to conduct a bailout that left no doubt that the debts were properly backed; among the most important beneficiaries of the bailout were Bear Stearns, Citygroup, America Investment Group and Bank of America. The total bailout amounted to 2 trillion dollars, equivalent to more than 14% of the GDP of the United States, of which two thirds went to the financial sector and the rest was concentrated in the automotive sector, mainly in three companies, General Motors, Ford and Chrysler, which committed 106.3 billion dollars. To the above amount must be added 787, 000 million that were released in February 2009, mostly dedicated to federal and local tax exemptions for companies and individuals; the rest was dedicated to boosting infrastructure, science, health, energy, education, training and protection of vulnerable populations (Gutiérrez, 2015).

The housing crisis resulted in the Great Recession of 2007-2009 that spread to the broader economy through four main avenues. Growth in the construction industry stalled, wealth and thus consumer spending declined, reduced the ability of financial firms to lend, and eroded the ability of firms to raise funds from the stock markets; in this situation, investment contracted and with it economic growth (Duca, 2013). According to the Department of the Treasury (2012) during the recession real GDP contracted by just over 5%, 8.8 million jobs were lost, household debt reached over 120% of real household income, and accelerated the growth of the fiscal deficit to accumulate a total of $6 trillion in 2011.

Causes and solutions of the crisis in the neoclassical monetarist school

The neoclassical school, basing the whole explanation of the economic system on the idea of general equilibrium, does not develop a theory to explain the crisis, although it conceives it as imbalances resulting from the lack of a free market caused by state intervention or other externalities. In this sense, the neoclassical consensus attributes the 2007 financial crisis to three key factors: (a) an expansionary monetary policy triggered by the low interest rate that the Federal Reserve adopted at the turn of the century in response to the 2001 economic recession; (b) a policy of stimulus to home purchases that pushed prices away from the equilibrium point; and (c) an incorrect valuation of risk by financial intermediaries and regulatory institutions as a result of product innovation that was priced similarly to traditional instruments (Meltzer, 2009; Schwartz, 2009; Taylor, 2009).

In contrast to the previous consensus are the defenders of the post-2001 monetary policy because, in their opinion, it prevented a deeper crisis, recovered investment and kept inflation under control. These authors attribute the subsequent financial bubble to excess savings in newly industrialized Asian countries with large surpluses that fed investment funds, altering prices, demand and, above all, the risk perception of economic agents, leading them to make decisions far from the market optimum (Greenspan, 2008a, 2008b and 2010; Khon 2009). Another factor to which great importance is given is the existence of preponderant financial actors that can take advantage of both privileged information and their market power to hide and carry out movements that can destabilize healthy economies with the sole purpose of obtaining higher profits; this factor is called *Moral Hazard or moral* risk (Brunnermeier, 2009; Bordo, 2008).

The neoclassical current observes the crisis, following the above arguments, as temporary imbalances that will be resolved by the correct functioning of the market once economic agents gain sufficient experience in the valuation of the new financial instruments, confidence in the financial system is restored and overly lax monetary policies are avoided, without contemplating the possibility of a profound change in economic relations for any scenario.

Causes and solutions of the crisis in the neo-Keynesian school of thought

The economic analysis of the neo-Keynesian school accepts in general terms the neoclassical synthesis of general equilibrium; however, it affirms that there are imperfections in the system that can unbalance the economic structure as a whole. Such imperfections must be corrected or smoothed by the state through public policies to avoid acute recessions (Berzosa, 2018).

The explanation of the 2007 neo-Keynesian crisis is built around the critique of the policies of deregulation of the financial system at the international level, very optimistic about the free market, which followed the breakdown of the post-war capitalist pact. Deregulation resulted in the proliferation of actors and instruments outside of standard regulation that managed to concentrate a large part of the world's financial capital movements without major restrictions. This, together with public policies that have been geared towards the inflow and outflow of financial capital, has created bubbles of all kinds around the globe, to the detriment of policies that promote full employment.

Most developed countries tried to recover growth after the turbulent decade of the 1980s by gradually reducing interest rates and advancing the deregulation of financial capital. Cheap credit caused financial bubbles that, when burst, made it difficult to employ countercyclical monetary policy due to lower interest rates and the rigidity of the system to increase the fiscal deficit. In this situation, if the economy and the currency are sufficiently influential, the crisis can be global in nature.

The above aspects are part of the mechanism of the 2007 crisis. The low interest rates in the United States in the post-crisis stage at the beginning of this century caused an over-indebtedness of families due to the bubble in the real estate sector that kept housing prices growing; however, when the slowdown and doubts about the increase in prices began, speculative movements began that reduced the price of assets questioning the payment of liabilities, especially short-term liabilities, not only in the real estate sector but also in other sectors, causing a liquidity crisis. The reduction in the price of financial assets across the board did not only hit the United States; the crisis was quickly transmitted to the rest of the world due to financial globalization that exposed all participants and the strong influence of the dollar.

The decline in credit, despite the reduction in interest rates, caused investment to slow not only in the construction sector, but in many others that depended on the abundant credit of recent years; thus, capitalists' expectations were affected, delaying investment spending and deepening the decline in growth. Despite the depth of the crisis, it is claimed that the correct intervention of the State and the strong injection of liquidity, both to recapitalize the mortgage sector and to encourage investment, prevented a long and deep depression. However, it is noted that the loss of the interest rate as a countercyclical instrument due to the abuse of recent years must be made up for by increased public spending to avoid a future relapse.

The solutions focus on a recapitalization of the financial system in a coordinated manner among the major economies so that the financial system regains confidence and credit flows again, a reform of the regulatory system of financial institutions that includes the characteristics of the non-bank financial sector, and an increase in public spending to reactivate job creation at levels close to full employment. The problem with this solution is that it does not depend on any particular national economy, no matter if it is the largest like the United States; the only way for a stable and vigorous recovery is the coordination of expansionary policies of the great powers.

In short, neo-Keynesian ideas, by accepting the dogma of general equilibrium, reduce the crisis to a problem of confidence among agents generated in the financial sector and which manages to unbalance aggregate supply and demand. Without the correct intervention of the State, it can be prolonged and deepened. The explanation lacks an analysis of the relationship between the financial sector and the productive sector, because in the general equilibrium view money is only a veil that does not influence the determination of equilibrium prices or create aggregate demand. Therefore, to avoid a prolonged liquidity crisis, caused by the low interest rates of recent years, effective demand must be increased through government spending and moderate inflation must be allowed to promote investment and consumption. The proposed solutions are considered valid because they have historically proven effective in preventing major depressions, but it is not specified in what situations they are effective or for what time intervals they will be effective.

The general equilibrium model is incompatible with the existence of crises and, therefore, it is out of scope to precisely define their causes, consequences or possible solutions. However, there are heterodox alternatives based on both Keynesian and Marxist thought that consider the crisis as an integral part of the economic system and define it for different levels of aggregation and different time horizons, thus offering a better picture of the current economic reality. For the Marxist and other Keynesian currents, crisis has always been central because it is considered a characteristic phenomenon of capitalism and, therefore, they include it as an integral part of the explanatory model of economic behavior.

The economic crisis in Marx and Keynes as an endogenous factor in the system

The mention of crisis in Marx is found throughout his work and recognizes multiple causes such as: underconsumption or overproduction, sectoral disproportionality and downward movements of the rate of profit. However, the first disturbances are considered part of the nature of capitalism because of the physical separation between sales and production, and the individual production of anarchic organization that makes equilibrium states difficult, but not as the sole cause of severe disruptions in the functioning of the system. The main variable that keeps the system in constant growth is the rate of profit and its decrease in general terms can cause the other imbalances to

worsen until the extended reproduction of the system presents serious difficulties, stopping the accumulation of capital (Shaikh, 2006).

Profit for Marx is central because it is the variable that makes it possible for capitalists to invest in new capital to bring the system to constant growth and which, through competition, causes the technological advance of the system. The rate of profit is understood as the relation between the surplus value and the total capital invested, i.e., it depends on the unpaid labor time of the worker within the productive process and the investment in total capital, in accordance with the law of value which states that the only economic surplus comes from the exploitation of labor within the productive process, making it evident that the original cause of the crisis is the conflict between workers and capitalists.

The transmission mechanism of the crisis is described as follows: the need to obtain surplus, the wage-profit conflict that prevents the free extraction of any level of surplus value and the competition between producers mark a tendency to accumulate capital at a higher rate than the rate at which the surplus value appropriated by the capitalist grows, which reduces the rate of profit in the long run, causing investment and growth to decline. However, the trend is not considered constant and there are circumstances that manage to counteract it, such as: the increase in the exploitation of labor, the reduction of wages below their value, the cheapening of constant capital, relative overpopulation, foreign trade and the increase in stock capital. In other words, the general and most important tendency of capitalism is the decrease of the rate of profit in the long term, but capitalism has multiple mechanisms to stop or reverse the process, opening the possibility of great fluctuations in the process of accumulation.

The crisis for Marx is a characteristic state of capitalism that generates fluctuations in accumulation that tend to occur recurrently in the short and long term, both because of the temporal separation between purchases and sales and the configuration of individual production and investment decisions, but above all because of the decreasing trend of the rate of profit in the long term and the application of mechanisms to counteract the decline.

Keynes, on the other hand, writes his main work around the crisis, which he perceives as an abrupt change in economic relations that leads the system from an upward trend to a downward one, which can extend into a depression. The change is explained by a variable, the marginal efficiency of capital, which is understood as the expected returns on a new unit of capital. Thus, as the marginal efficiency of capital decreases, investment and economic growth decrease and unemployment increases (Keynes, 1936).

The mechanism is transmitted to the system as follows: during an economic boom, good expectations increase investment and consumption, thereby boosting aggregate demand and driving investment above actual expectations, which lowers future returns on investment. In the crisis phase, unrealized expectations delay investment spending, and employment and consumption are reduced, until expectations about future investment returns and investment spending decline across the board due to

increased uncertainty. Poor expectations about yields stop purchases of stocks and financial assets at first, precipitating a wave of selling of stocks and bonds that depresses prices and further reduces investment, employment and consumption to the point of recession.

The recessionary situation may drag on, however, since it is aggregate demand that determines the supply side of the system Keynes assumes that, by stimulating demand from the State, the prospects for future returns on the part of capitalists may improve; the latter, accompanied by a monetary policy that avoids raising interest rates in the stage following the collapse of asset prices, should lead the system into a new growth cycle to avoid a deep recession.

The Keynesian and Marxist explanations see the crisis as a phenomenon that is recurrent in capitalism, but explained differently. For Keynes, capitalists' expectations of expected returns, which in turn determine the level of investment, do not have to coincide with actual profit levels, creating an erratic system of decisions that makes for an unstable system. For its part, the crisis in Marx, in addition to identifying the fluctuations that can cause the erratic decision making of the system, adds the decreasing tendency of the long-term rate of profit as a process that highlights the contradictions of the process of extended reproduction of capital and gives way to large oscillations in the rhythms of economic accumulation.

Keynes observes the phenomenon of crisis as avoidable if the State drives the level of investment to full employment by stimulating demand at the moment when entrepreneurs' expectations are affected and by decreasing their spending at the moment when prospects exceed reality. In contrast, Marx, observes the process of crisis as inevitable because it exposes the structural contradictions of the system, but sees the trauma as a potential process of transformation that opens the way for accumulation to be reactivated, allowing for a new long cycle of growth.

The difference in the two conceptions lies in the objective of the explanatory models. Keynes concentrates on the short-term crisis caused by differences between aggregate supply and demand, which is determined by decisions on expected demand, which tend to equalize through movements in the level of utilization of installed capacity; when the movements of utilized capacity are efficient and achieve the tendency to equalize supply to the effective demand of the economy, there are periods of stable growth without large fluctuations in short-term accumulation.

On the other hand, Marx recognizes the existence of short-term cycles, but also explains the long-term economic functioning that depends on the general level of the rate of profit, which in turn depends on slow-moving factors such as the degree of exploitation, the technological level and the general level of installed capacity (Duménil and Lévy, 1999). Therefore, two types of crises can be distinguished, which require different actions for their solution and with different consequences. Based on this idea, in the following sections an effort is made to integrate in a basic way the central ideas about short and long term crises and their interconnection in current capitalism, a reasoning that has been developed in the last decades to reconcile Keynesian and

Marxist ideas and to give an integral explanation of economic cycles adapted to the current conditions of the economy.

Short term, crisis and money

The prerequisite for a stable growth process in the short term is the tendency of aggregate demand and supply to equalize. In the short term, productive decisions are made based on the utilization rate of installed capacity and on expected demand because capital stocks are considered fixed and changes in their level slow; in the same sense, prices are not determinant in the short term because their adjustment is considered slower and debt decisions are adjusted to investment needs by channeling savings through bank loans or issuing bonds and shares; financing is granted based on the balance sheets and solvency of each company (Duménil and Lévy, 1999). In the short-term analysis, investment depends, on the one hand, on own resources based on profits generated and, on the other hand, on available savings originating from money capital accumulated on the basis of these profits; the institutional framework that allows the issuance of money and the increase of funds available to capitalists is a factor that is considered basic, but which has a greater influence in the long term (Duménil and Lévy).

The utilized capacity of capital tends to remain below 100%, because the individual organization of production keeps aggregate demand unstable and a sufficiently large underutilized capacity is necessary to allow for adjustments during the production process. In this sense, a level of employment below full employment is also considered necessary to absorb increases in demand without a rapid rise in the nominal wage.

Short-term investment decisions focus on the amount of working capital and the level of employment required in each period, which in turn are determined by expected demand. The investment devoted to expanding the capital stock is determined in the medium term by the level of the rate of profit, which results from factors that move more slowly and are considered to be long term. Following the previous argument, the crises that cause short term cycles present a mechanism as follows: during the boom, individual companies cover the demand and its increase by increasing the work shifts and the circulating capital put into production; in this way, as the utilization rate increases and the unemployment rate decreases, wages begin to press for a general increase, a situation that will decrease the rate of profit of the system, investment and growth. However, in a normal state of expansion with a high general level of profit, these falls in the rate of profit should be temporary; the high level of profit allows for greater responsiveness and causes capitalists to adapt to the new conditions by reducing pressures on the rate of profit through investment in labor-saving capital in the medium term.

On the other hand, credit in the short term is indispensable to speed up purchases and sales in the system, thus helping aggregate demand and supply to equalize; however, the interest rate transfers part of the surplus value produced in industry to the financial sector; therefore, a sudden increase in interest rates in the short term, caused

by the increase in demand for credit, may be the second reason for a short-term crisis by affecting net profit, investment and the growth of supply. However, in a context of a high rate of profit, this reduction should be easily corrected given the greater availability of own resources to finance growth and, thus, competition will lead to a rapid increase in the supply of loanable funds, bringing the interest rate back to lower levels. In this scenario, countercyclical Keynesian policies that provide for a decrease in government-set interest rates to pressure a reduction in market interest rates can adjust the rate of net profit to prevent a prolonged squeeze on net profit and revive economic growth.

Long waves and the money market

Decisions in terms of the level of installed capacity that are made in the long run are governed by the rate of net profit, which in turn depends on the rate of surplus value and institutional factors that determine the financial and fiscal structure that influences the establishment of the levels of money supply and the availability of funds for capitalists, especially long-term capitalists. In this time horizon, capitalist competition mobilizes capitals between sectors and companies to take advantage of the difference between the existing profit rates along the system and obtain higher profits; this causes a tendency to the equalization of profit rates around the average rate and, also, of the capacity utilization rates of installed capital. Prices in this space of time become relevant in capitalist decision making because they signal persistent aggregate supply-demand imbalances; real wages are considered inelastic, but the nominal wage can adjust to the relative price movement of consumer goods (Duménil and Lévy (1999).

The level of extraction of surplus value depends on the relationship between wage increases and increases in productivity, the latter due to the choice of the productive technique and the configuration of the labor market that determines the characteristics of the demand for labor, but also on factors that influence the characteristics of the supply of labor force and the formation of the industrial reserve army, that is, the formation of the long-run average real remuneration depends not only on the level of productivity resulting from the technique used in production, but also on the configuration of the supply of labor power, which determines its relative scarcity or abundance and, therefore, its capacity to exert pressure on the wage-profit conflict and its influence on the level of surplus value of the system.

The level of investment depends on the level of average profit, which sets its limits, but also on factors such as the possibilities and facilities for financing it in the long term through the issuance of equity and debt capital, as well as the absorption of available savings through bank credit (Duménil and Lévy, 1999).

The presence of large fluctuations in the levels of investment and economic growth in the long-term context can be explained by the trend reduction in the rate of profit, which is the result of two factors: 1) the wage share and thus the profit share which is determined by the degree of unemployment and the balance of power between labor and capital; 2) the capital-to-capacity ratio which is determined by the choice of technique derived from the imperative of cost reduction imposed on individual firms by

competition (Shaihk, 2016). The ratio of total output to total output at normal capacity utilization is another factor that can generate fluctuations in the average rate of profit, but given that capacity utilization among the different productive units tends to equalize with normal capacity, this factor is considered close to one in the long run under conditions of economic growth.

It is in this sense that long waves are considered as a process inherent to capitalism, since the rate of profit is the driving force of investment, which marks the limits of accumulation and the characteristics that frame the wage-profit conflict to which it is subordinated. In this case, the fiscal and monetary framework can soften the crisis and even prolong it indefinitely, but at the same time it will be stopping the recovery of the rate, the transformation of the productive apparatus and, therefore, the growth of the system to pre-crisis levels.

The 2007 crisis in the United States: characteristics, causes and consequences

The *New Deal* meant for the United States a new pact between the State and the capitalist class that defined a Keynesian or social democratic economic structure, directly stimulated by the government to achieve levels close to full employment, in addition to modifying the patterns of consumption and reproduction of the labor force to make them consistent with mass production capitalism. The mechanisms to achieve this were: 1) Regulation of the labor market and legalization of labor representation to negotiate wages; 2) Investment in public infrastructure, to help raise the productivity of the system and connect the internal market, as well as to provide abundant labor for large industry through internal migration; 3) Increased spending on social security and the indirect wage in a way that would generate a stable labor supply and workers' consumption for the growing supply of goods (Coriat, 1982).

On the other hand, the post-World War II pact of capitalist nations succeeded in promoting trade through international monetary stability. This stability was achieved with the commitment to fix the exchange rates of national currencies to the dollar and the dollar was made exchangeable for a certain amount of gold, thus setting a theoretical limit to the printing of dollars, but making the dollar the world currency (Chapoy, 1983)

In this configuration, fiscal stimulus encouraged productive investment and supply growth was easily absorbed by the systematic increase in working class incomes and the rise in world trade. The rise in wage costs was offset by an increase in productivity resulting from the implementation of new production techniques based on the Fordist production line and the scientific organization of labor throughout the system, allowing for a long period of growth (Coriat, 1982). Moreover, the high level of the rate of profit made it possible to overcome cyclical or conjunctural crises relatively quickly due to the abundance of own resources available in the hands of capitalists to face them.

In the first half of the 1960s, the rate of profit began to decline due to the deceleration of productivity increases relative to wage increases (Duménil and Lévy, 2007). However, accumulation continued as a result of a constant fiscal stimulus that managed to stop the fall in the rate of profit by increasing the use of installed capacity above its normal level, the result was an overheating of the economy and inflation

The crisis process of the seventies provoked an economic policy shift based on neoclassical ideas that claimed that inflation was caused by large fiscal deficits that sought to maintain full employment, which made the labor market rigid and wage adjustments. Investment and productivity would also have been reduced by the exaggerated intervention of the State in business, which prevented the expression of the true individual will and, therefore, prevented the correct self-regulation of the system (Ceceña, 1984).

With these ideas as backing, the conservative wing of U.S. politics achieved political change in 1980 and with the election of Reagan, the economic recovery plan was launched, which focused on the following points: 1) Reduction of the fiscal deficit focused on the reduction of social spending, but with a progressive increase in defense spending and reduction of the tax rate on businessmen; 2) Imposition of limits to state intervention through the cancellation of the suppression of dependencies considered unnecessary and inefficient, in addition to the elimination of policies, controls and regulations to private businesses, especially financial ones; 3) Application of a restrictive monetary policy to combat inflation; and 4) Promotion of free trade and especially the free flow of international capital under the leadership of the United States and the dollar (Bouzas, 1982).

During the Reagan administration, the transformation was consolidated throughout the 1980s and caused a slow and unstable recovery of growth, unemployment grew following the trend of the last years of the previous decade and managed to stop the systemic growth of wages; the public deficit and the external deficit increased progressively, but inflation began to stop. The reduction of taxes made new resources available to capitalists, which restored modest growth, but with growth increased the demand for imports as a result of the appreciation of the dollar due to high interest rates, in addition to increasing the public deficit with the reduction of tax collection (Ceceña, 1984). However, the reduction of wage pressures and the stabilization of the profit rate created the conditions for economic recovery based on the precariousness of the labor market and the reduction of indirect wages due to cuts in social spending.

The 1990s saw the consolidation of new economic policies that were reinforced by the integration of new communication technologies into industry and finance. The new technology set the trend of accumulation, which was concentrated in this type of machinery and equipment, achieving almost a decade of growth with productivity increases above the wage increase, which remained at reduced levels that resulted in the recovery of the rate of profit, but without reducing either the public or trade deficit, or increasing installed capacity at the same rates of the previous long cycle.

In summary, the recovery of the rate of profit from the reduction of the wage share and the introduction of new technologies to industry and finance that made it possible, reached its peak in the second half of the 1990s where the rate of profit began to fall as a result of a cyclical crisis explained by the wage increase in conjunction with a process of over-accumulation in the technology sector driven by stock market capital. From this point on, the rate of net profit recovered due to the systemic reduction of the interest rate and financial globalization that made it possible for capitalist enterprises to obtain profits from credit leverage, thanks to the international interest rate differential. With this configuration, financial stimulus results in economic growth above normal capacity, without recovering the level of investment.

Overaccumulation is reflected in the construction sector based on household indebtedness, causing the real estate bubble that burst in 2007 as a result of the end of the short cycle caused by a strangulation of the rate of profit resulting from an increase in the wage share of income and a gradual recovery of the interest rate from 2003-2004. The recovery that occurred in 2009 is explained by the increase in the net profit rate due to a further reduction in the interest rate, and also by the injection of monetary resources to the financial and industrial sector, which made it possible to recover liquidity, demand and the profit rate due to the increase in the use of installed capacity, but without recovering productive investment to the same extent.

Conclusions

The 2007 crisis in the United States can be explained as part of the general mechanism of fluctuations in the general rate of profit, but with particular characteristics that can be explained by the conditions of recovery from the last structural or long-term crisis. In this sense, it can be affirmed that the last long cycle of the U.S. economy was achieved thanks to the recovery of the rate of profit based on the reduction of wage costs and the obtaining of absolute surplus value. However, the rate of profit did not recover to post-war levels and remained relatively low, which also caused economic growth to be lower and more unstable in the face of the reduced availability of resources to face economic crises.

The weak recovery of the rate of profit in the long wave (from the 1970s onwards) also defined the destiny of capital in the long term, privileging the financial space as the preferred market to valorize the available capital, especially since the crisis of the technological bubble. In this configuration, household debt grew in response to low wages, low productive investment and depressed aggregate demand to fuel the mortgage bubble that finally burst in 2007. In this context, the probability of a new crisis is high due to the low level of the rate of profit and it is also probable that the economic crises that arise will be increasingly deeper, unless there is a restructuring of the social and productive structure that allows for a sustained recovery of the rate of profit, investment and aggregate demand.

Keynesian counter-cyclical policies are functional to overcome cyclical crises by avoiding deep crises through the restoration of the rate of profit through the injection of money, government spending and the increase in the use of installed capacity; however, by avoiding the devaluation of capital, it has hindered a full recovery of the rate of profit, causing a weak economic recovery and has hindered the transformation to create the necessary conditions of profitability for a new long wave of sustained growth.

The 2007 crisis in the United States is a crisis of profitability caused by a low rate of profit which is associated with the weak recovery of profit during the last long wave but is not due to a process of general over-accumulation but sectoral and, being commanded by financial capital, take the form of highly unstable financial bubbles that provoke recurrent crises, low economic growth and expansion of financial forms of valorization of individual capitals, which have been maintained in the new century by means of the injection of large sums of money by the State to avoid their collapse, but delaying their necessary transformation.

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