sion might be, because large firms might be unwilling to make new investments when they already have a good deal of excess capacity. Their market power might make it more difficult for new capital to enter the market as the economy grows, and this slows down the recovery from a slump. Large firms in oligopolized markets might simply raise their prices as demand increases, just as in a downturn they might shed workers rather than lower their prices, since their large capital investments make price wars too risky to begin.

Each downturn is likewise unique. Perhaps during an expansion consumers and businesses, caught up in the optimism that often accompanies such periods, take on very large amounts of debt. They think that it is safe to do so as long as the economy is growing; the growth in income gives them the ability to pay back the debt and still prosper. However, when the expansion ends, the debt still has to be paid, and the payments on the debt deepen the slump. Consumers have to devote a higher fraction of their (reduced) incomes to debt repayment rather than spending on consumer goods and investing.

Can a government use Keynesian economic policies to end a slump? In some circumstances, yes, although we have seen that in today's less regulated global economy Keynesian policies can be foiled by the actions of consumers (increasing their demand for imported goods and services), businesses (refusing to make domestic investments), and speculators (selling the domestic currency). But even supposing that the government could bring a slump to an end, it must be remembered that, according to the radical theory, governments normally act in the general interest of the capitalist class. They will not normally want to push unemployment too low for fear that this will ultimately push down profits. It has frequently been the case that governments pursue policies that raise unemployment, pushing the economy toward a slump, for the express purpose of reducing the potential power of workers and their collective organizations. During the early 1980s, when the U.S. economy was mired in its deepest crisis since the Great Depression, the Board of Governors of the Federal Reserve system, under the chairmanship of Paul Volcker (currently appointed to head an advisory group trying to resurrect the Arthur Andersen accounting firm after the Enron debacle), pushed interest rates up to nearly 20 percent. This caused the failure of many businesses and the unemployment of millions of workers, including thousands of steel workers in my then hometown of Johnstown, Pennsylvania.