Introduction: Social Structure of Accumulation Theory for the 21st Century

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Since the 1994 publication of our volume, *Social Structures of Accumulation: The Political Economy of Growth and Crisis* (Kotz et al. 1994), social structure of accumulation (SSA) theory has continued to inspire a substantial outpouring of articles and books in a variety of disciplines. The purpose of this new volume is to provide a definitive account of the state of SSA theory and its applications today, 30 years after SSA theory first emerged, and well over a decade since our previous volume was published. SSA theory seeks to explain, among other things, why long periods of relative economic stability alternate with long periods of economic crisis. For this reason, it is well suited to help understand the factors underlying the financial and economic crisis of global capitalism that broke out in 2007–08.

SSA theory was developed in the 1970s and early 1980s by David Gordon, Richard Edwards, and Michael Reich (1982) as a way of relating apparent long cycles of growth and stagnation in capitalist history to periods of change in the institutional structure of capitalism. Contrary to the sunny picture of conventional equilibrium economics, capitalist history appeared to be punctuated by periodic crises of unusual depth and length. And contrary to some conventional Marxian expectations, capitalism had not fallen into a permanent state of depression or stagnation. Subsequent to the crisis periods, capitalist economies experienced prolonged periods of relatively vigorous and stable growth and accumulation. SSA theory sought to explain both the long periods of more rapid expansion and the long periods of stagnation or contraction.

This task was made urgent at the end of the 1970s by the crisis of the postwar social order, manifested in the United States as The

Great Stagflation. The concurrence of high levels of unemployment and inflation in the United States challenged the inherited Keynesian orthodoxy and prompted a period of innovation in economic theory. Monetarism, rational expectations, and post-Keynesianism emerged around this time. SSA theory constituted another, alternative response.

SSA theory understood the postwar expansion to result from the inauguration of a new stage of capitalism at the end of World War II, analogous to the monopoly capitalist stage initiated at the turn of the twentieth century and identified by Baran and Sweezy, Ernest Mandel, and others. SSA theory analyzed The Great Stagflation as the crisis of this postwar stage of capitalism (Gordon, Edwards, and Reich 1982; Bowles, Gordon, and Weisskopf 1990). More generally, SSA theory explains alternating periods of growth and stagnation in capitalist history in terms of new stages of capitalism and their subsequent crises. Each new stage of capitalism is characterized by a new SSA.

SSA theory is rooted in both Marxian and Keynesian macroeconomic insights. Marxian economics sees capitalism as an inherently conflictual system, characterized by crisis tendencies brought about by such factors as the conflict between classes, most prominently between workers and capitalists, and competition among capitalists. These crisis tendencies can appear in a number of concrete blockages to the accumulation process. Keynesian economics sees the investment decision as inherently unstable, subject to large fluctuations due to changing expectations and periodic imbalances between the financial and real economies, and prone to self-reinforcing periods of stagnation and depression.

SSA theory argues that these inherent problems can be attenuated through the construction of sets of institutions that mitigate and channel class conflict and stabilize capitalists' long-run expectations. Institutions in this sense are conceived of broadly and can be economic, political, ideological, or cultural in character. The particular organization of markets and the structure of competition are examples of economic institutions. The state, including its various organs and associated policies, is the site of the most prominent examples of political institutions. Ideological and cultural institutions include political ideologies, the higher education system, and systems of religious belief. The economic, political, ideological, and cultural institutions of any social structure of accumulation are mutually compatible and generally supportive of each other as well as supportive of the accumulation process. Thus, each SSA constitutes a relatively unified structure.

When a social structure of accumulation is in place, many of the determinants of the profit rate are secured, and long-run expectations of profitability are stabilized. Higher levels of investment lead to expansion and growth. Initially, this expansionary dynamic reinforces the SSA and provides resources that can be devoted to its consolidation. However, over time the process of expansion eventually undermines the accumulation process. This undermining can result from intensifying class conflict, increasing competition in product and resource markets, the saturation of markets, or any of a number of other causes, some of which are general tendencies of capitalism, while others are specific to individual SSAs. As institutions are destabilized, profits and profit expectations fall, leading to declines in investment rates. The decline in resources then further undermines the institutions of the SSA. The integrated character of the SSA accelerates the decline as failing institutions destabilize each other. The SSA ceases to underpin accumulation, and the economy enters into a long period of stagnation.

Under conditions of stagnation, conflict increasingly focuses on restoring the conditions for renewed profitability and accumulation. Since different classes and social forces favor different programs, and new initiatives are often tentative and may be blocked, a successful set of institutions must include political and ideological innovations as well as economic ones. The construction of the new SSA therefore requires a long period of time and as a result the period of stagnation is usually lengthy. Eventually, however, one political-economic program is able to defeat its rivals, or an historic compromise is reached. A new SSA is constructed, and more rapid accumulation begins again.

The SSA school has produced analyses of U.S. history that illustrate this dynamic process.[1] In the mid to late nineteenth century, a competitive SSA was dominated by a market structure of small and medium-size firms. Labor control strategies were simple and direct, resisted eventually through craft union organization. The state provided infrastructure but overall maintained a laissez faire position. Trade constituted the dominant form of international economics relations, and the dominant ideology consisted of classical liberalism. While there are some differences in the SSA school over which factors were most important in undermining this SSA, analysts have pointed to falling prices due to unrestrained competition, rising real wages, excess capacity created in the competitive

[1] There are differences in the SSA literature concerning the precise character and time path of the various SSAs in U.S. history. Here we present one common account.

struggle, and conflicts over the role of gold and the structure of finance, which led to a profit squeeze. This crisis was resolved through the creation of a new monopoly SSA, characterized by an oligopolistic market structure, weak unions, U.S. expansionism in Latin America and Asia, and the creation of the Federal Reserve System. This SSA then ended in the Great Depression, with the SSA literature citing such causes as inadequate demand due to wages rising more slowly than profits, the collapse of a speculative bubble in the stock market, and the exclusion of the United States from areas of further overseas expansion.

The Great Depression then led to a long period of institutional reform, including new regulations in finance and an expanded role of the state in the economy. The economy did not revive fully until the economic stimulus of war production in the 1940s. The new SSA was consolidated following the end of World War II, with the institution of the Keynesian welfare/warfare state, industrial unions strong enough to impose a limited "capital-labor accord," U.S. international dominance, and a new Cold War ideology. The Great Stagflation of the 1970s marked the beginning of the end of the boom period. The decline and disintegration of the postwar SSA was visible in a squeeze on profits, an end to the capital-labor accord, a price/wage spiral, rising international disorder due to increasing European and Japanese competition, the end of the Bretton Woods system of fixed exchange rates, and two episodes of very rapid increases in oil prices. Beginning in the 1980s a new SSA, which we call the contemporary SSA, was established. We discuss the contemporary SSA in detail below and throughout this volume.

SSA theory bears a strong family resemblance to two other influential attempts to come to terms with the political economy of our time. These are Regulation Theory, which developed in France, and the Varieties of Capitalism School, as systematized by Peter Hall and David Soskice.

Regulation Theory

Although the term regulation had earlier been borrowed from systems theory by French Marxist scholars, regulation theory effectively began with Michel Aglietta's *A Theory of Capitalist Regulation,* published in French in 1976, and was developed subsequently by other French scholars, including Robert Boyer. Aglietta defines part of his project as seeking to show "that the institutionalization of social relations under the effect of class struggles is the central process of their reproduction (Aglietta

1979: 29).” He applies this understanding to capitalist regulation and crises (Aglietta 1979: 19):

> This theoretical position will enable us to conceive crises as ruptures in the continuous reproduction of social relations, to see why periods of crisis are periods of intense social creation, and to understand why the resolution of a crisis always involves an irreversible transformation of the mode of production.

Subsequently, Robert Boyer emerged as a leading figure of what was referred to as the Parisian school of regulation theory. In a concise introduction to this work, Boyer (1990) carefully defines a number of intermediate concepts. The first concept, the regime of accumulation, includes the organization of production, the distribution of the value produced, and a related composition of social demand that is consistent with production possibilities. The regime of accumulation is conditioned and reproduced by further intermediate institutional forms, collected under five headings: forms of monetary constraint, configurations of the wage relation, forms of competition, position within the international regime, and forms of the state. These institutional forms together constitute the mode of regulation. The combination of the regime of accumulation and the mode of regulation is the mode of development. The objective of the regulation school is “to explain the rise and subsequent crises of modes of development” (Boyer 1990: 48).

The commonalities between regulation theory and SSA theory, which were discussed by Gordon and by Reich in presentations to Boyer’s Paris seminars in the 1980s, led to joint work by Samuel Bowles and Robert Boyer (1988, 1990a, 1990b). Kotz (1994) identifies the similarities between the two approaches. He argues that both theories set out to explain long-run patterns of capital accumulation by analyzing the relationship between that process and the sets of social institutions that condition or regulate it. The SSA is roughly analogous to some combination of the regulation theory terms “regime of accumulation” and “mode of regulation.” Both schools view capitalism “as moving through a series of stages, each characterized by a specific form of the accumulation process embedded in a particular set of institutions” (p. 86). Stages end in a long-term structural crisis that involves a significant reduction in the rate of accumulation over a prolonged period of time. These structural crises result from a failure of the institutions to continue to successfully secure the conditions of accumulation. The crisis ends when a new, more successful set of institutions is put in place.

Kotz observed that regulation theory maintained a closer fidelity to the Marxian perspective through its emphasis on production relations and the

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class distribution of income rather than a more Keynesian concern with the determinants of the capitalist investment decision. Regulation theory located the origin of long-term crises within the regime of accumulation whereas SSA theory located the origin of the crisis in the breakdown of the institutions of the SSA (closer to the mode of regulation in regulation theory).

Regulation Theory: The State of the Art, edited by Boyer and Saillard (2002 [1995]), demonstrates the emergence of two distinct theoretical strands within the regulation school. Olivier Favereau (2002: 315) distinguishes between regulation theory 1, as "similar to the Marxist analysis of the capitalist mode of production," and regulation theory 2, as "separate from this analysis and based on dynamic aspects of institutional forms."

More recently, regulation theory has placed a greater emphasis on the role of institutions (found predominantly within the mode of regulation) both in constituting the period of successful regulation and in the emergence of crisis. Aglietta (1998: 56) summarizes these developments:

> … the various mediation mechanisms are dovetailed to form the framework of a mode of regulation. This dovetailing does not happen automatically, because each of these organizations has its own rationale, the integrity of its own structures that makes it persevere in its perceived social role. That is why the coherence of a mode of regulation does not conform to any pre-established general law. It is a historically unique entity that may be called a growth regime. By contrast, the symptoms of exhaustion of a growth regime, heralding a period of uncertainty, crisis and change, must be sought in malfunctions of the interaction between mediation mechanisms.

This formulation shifts the dynamics of the formation of the "growth regime" into the realm of the dynamic interaction of the institutions. The "general laws" of accumulation no longer dominate, and each growth regime is historically unique, constituted by the coherence of the institutions that make it up. Similarly, the malfunctioning interaction of the institutions – or "mediation mechanisms" – inaugurates the crisis of the growth regime. The description of the constitution and decay of capitalist social structures and the resulting alternating periods of expansion and crisis thus converges with the contingent description developed within the SSA approach.

The Varieties of Capitalism School

The Varieties of Capitalism (VoC) school, which was formulated by Peter Hall and David Soskice in 2001, draws upon a longer tradition of comparative analyses of European, U.S., and Japanese capitalisms (see Crouch and Streeck 1997; Hollingsworth and Boyer 1997). One such approach contrasts bank-centered and patient capitalism in Germany and Japan, with relatively strong states to shareholder-centered and impatient capitalism in the Anglo-American world, with relatively weak states. Another approach contrasts countries with relatively centralized employer and union structures, in which strong corporatist labor-management agreements could be negotiated, and those with more decentralized structures that would not be characterized as corporatist. The similarity of the VoC approach to both regulation theory and social structure of accumulation theory is evident in the following (Hall and Soskice 2001: 3):

> During the 1980s and 1990s, a new approach to comparative capitalism that we will term a social systems of production approach gained currency. Under this rubric, we group analyses of sectoral governance, national innovation systems, and flexible production regimes … Influenced by the French regulation school, they emphasize the movement of firms away from mass production toward new production regimes that depend on collective institutions at the regional, sectoral, or national level.

In addition to the social system of production, Hall and Soskice also emphasize the character of the financial system and the role of the state in their analysis. As synthesized in their 2001 book (Hall and Soskice 2001), they identify two main extant variants of capitalism in the industrialized countries. The first, typified by the United States and the United Kingdom, and also including Australia, Canada, Ireland, and New Zealand, consists of a set of liberal market economies (LMEs). The second, typified by Germany, and also including Japan, Switzerland, Belgium, the Netherlands, Austria, and the Scandinavian countries, consists of a set of coordinated market economies (CMEs). Hall and Soskice (2001: 16) contend that "differences in the institutional framework of the political economy generate systematic differences in corporate strategies across LMEs and CMEs" and (p. 17) that the "presence of institutional complementarities reinforces the differences between liberal and coordinated market economies." Precisely, because of these complementarities, the VoC school contends that capitalist countries have not converged to a single Anglo-American model. Although a small amount of convergence toward the Anglo-American model occurred during the boom years that ended with the onset of the financial and economic crisis in 2007, the crisis has undermined the Anglo-American model itself. One type of capitalism has not yet proven to perform better or to dominate the other.

By including in its purview relationships within and between firms, the character of the state, and the nature of the financial system, the VoC approach appears similar to the institutional focus of the SSA approach. Both approaches also emphasize that complementarities among institutions must be present for a system to be successful. The VoC approach has stimulated considerable research on the institutional frameworks of different national capitalisms (see, for example, Streeck and Thelen 2005). However, it has not addressed adequately the links among them – especially important in an era of globalized finance – and it has only recently begun to discuss how institutions have evolved over time, which is central to the SSA theory (Hancke et al. 2007, Hall and Thelen 2008). Nonetheless, it provides important analyses of the institutional variations that remain important in understanding specific countries and their policies.[2] For this reason, it contributes to our understanding of models that the United States or the United Kingdom might seek to emulate in a period of economic crisis.

Recent Historical Developments

Since the publication of our 1994 volume on the SSA theory, five important historical developments have affected both SSA theory and our understanding of contemporary capitalism. First, a shift in institutions, policies, and ideas that began around 1980, often referred to as “neoliberalism,” has proven to be a long-lasting albeit much-debated phenomenon.[3] Second, the balance of power between workers and employers has shifted decisively in favor of employers. Third, the debate over whether capitalism had become significantly more globally integrated than in the past has been resolved in favor of the globalization position. Fourth, capitalism became much more financialized, in the sense that not only has the financial sector come to represent a greater share of economic output, finance has also inserted itself in and transformed much of the

[2] For a related approach that extends the comparative analysis to Japan, see Brown et al. (1997). Jacoby (2009) provides a detailed discussion of how finance and labor fit together in different institutional contexts.

[3] The term “neoliberalism” requires some explanation for American readers. In U.S. political discourse, liberalism refers to a position that favors active government intervention in the economy to benefit ordinary people and restrain the power of business. In Europe, Latin America, and most of the rest of the world, liberalism means the opposite, referring to a policy of limited (although not a total absence of) state intervention in the economy and support for “free markets.” The term neoliberalism draws on the latter meaning of liberalism.

real economy. Fifth, the severe financial and economic crisis that erupted in 2007–8 appears, at the time of this writing (June 2009), to signal the beginning of the crisis phase of the contemporary SSA.

Neoliberalism is characterized by the deregulation of business, the privatization of state enterprises and responsibilities, the dismantling of social programs, the expansion of market forces into new corners of society, a much-weakened trade union movement, the return of unrestrained competition, and the rebirth of previously rejected free-market economic theories. The SSA school has grappled with how central all the institutions associated with neoliberalism are for the contemporary SSA. For some, many of the features of neoliberalism have operated only on the margins of many countries' institutions. For example, Glyn (2001) and Jacoby (2009) argue that the scope of neoliberal reforms was quite limited in much of Western Europe and Japan. Bowles, Edwards, and Roosevelt (2005, ch. 7) argue that the role of the state has not decreased in the United States; tax revenues have risen rather than declined since 1980 as a percentage of GDP and many of the regulatory activities of the state have not diminished. In their view, and those of others such as James Galbraith (2008), although political conservatives long clamored for a smaller state (and still do in theory), once they were in power and had more influence over the nature of state spending, they found it advantageous to redirect it rather than to rein it in. Chapters 2 (Lippitt), 3 (Wolfson and Kotz), and 4 (Kotz and McDonough) in this volume argue against this view, making the case that neoliberalism has been central to a new SSA.

A consensus has emerged that a rapid decline of worker power began in the 1980s in the United States and the United Kingdom and spread to Continental Europe and Japan in the 1990s. This shift occurred partly because of employer offensives against unions and partly because of the increased threat and reality of relocating jobs offshore. As a result, labor's share of income declined in all these countries and inequality among workers increased too (Reich 2008a, b; Brown et al. 2009). In the United States, owners of capital and top executives were able to claim most of the growth in income that was generated by increased productivity. Consumption for broad sectors of the working population did increase, but only by taking on increased debt. Income growth for the very rich was not matched by a comparable growth in real investment and instead led to a series of financial bubbles.

In the 1980s and 1990s, many analysts argued that capitalism had entered a new stage of globalization. Those who initially doubted this claim cited the relatively high degree of international economic interconnection in the decades before World War I. Indeed, claims about capitalism entering a new stage of "internationalization" have been made periodically for more than a century. By the late 1990s, however, it became generally accepted that a new form of globalization had taken hold. This consensus was based on accumulated evidence that capitalism had indeed reached a new level of global economic integration in the current period, with respect to flows of goods, services, and capital. Moreover, relative to earlier periods of globalization, the production of goods was now increasingly located in what had been the capitalist periphery, and in many industries the production process was spread vertically across numerous countries. The recognition of the globalization of capitalism has stimulated analysis of the relation between global and state-level SSAs, an area that had previously been underdeveloped within the SSA literature. Part II of this volume is concerned with globalization and the SSA theory.

Fourth, capitalism has become increasingly "financialized" since the early 1990s. Financial institutions and transactions have grown in importance in the industrialized countries and in the global system, and nonfinancial corporations themselves have increasingly engaged in financial activities. The role of this new institutional feature in the contemporary SSA requires a specific examination. Chapters 6 (Tabb) and 9 (Boyer) offer such an analysis.

Recently, most of the SSA literature has converged on the view that a new SSA did emerge sometime between the early 1980s and the mid-1990s (Reich 1997). Neoliberalism, globalization, and financialization, as well as other developments, have all played a role in the emergence of this new SSA. As we have already indicated, debates remain concerning many aspects of the contemporary SSA, including the timing of its consolidation, how to understand its main institutions, and how favorable it has been for capital accumulation compared to past SSAs. Many of the chapters in this book contribute to these debates.

The fifth development is the severe financial and economic crisis that arose, first in the United States and then in the global economy as a whole, starting in 2007. At the time of this writing, it is too early to provide a definitive assessment of this crisis. Nonetheless, it already seems clear that the financial and economic crisis constitutes the onset of the crisis phase of the contemporary SSA. In just a few months, important institutions of the contemporary SSA have rapidly unraveled.

In Chapter 4, Kotz and McDonough provide an account, necessarily tentative at this time, of the factors that caused this turn from expansion