

5. Stages and Forms of Capitalism

Stages and Forms of Capitalism

Topics

- 1) Increasing centralization theory
- 2) Social structure of accumulation theory
- 3) Regulation theory (brief)
- 4) Neoliberal capitalism

Increasing Centralization Theory

Stages of capitalism

- 1) Competitive Capitalism, to 1900.
Crisis/transition phase 1870-1900
- 2) Finance or Monopoly Capitalism,
1900-45.
Crisis/transition phase 1914 (or 1929)
to 1945.
- 3) State Monopoly Capitalism 1945-?

Increasing Centralization Theory (con)

Main contradictions of competitive Capitalism

- 1) Sharp capital-labor struggle
- 2) Unrestrained competition
- 3) Financial and macro instability

Resolution: monopoly/finance
capitalism.

Increasing Centralization Theory (con)

Main contradictions of monopoly capitalism

- 1) Sharp capital-labor struggle
- 2) Financial and macro instability
- 3) Sharp inter-imperial rivalry

Resolution: State monopoly capitalism

Increasing Centralization Theory (con)

Main contradictions of state monopoly capitalism

As of the 1960s there was no accepted analysis of the main contradictions of state monopoly capitalism or how it would lead to transition to socialism/communism.

Various theories:

- Rising surplus leading to stagnation

- Socialist camp would win peaceful competition with capitalism

- Third world revolutionary movements would overthrow capitalism

The Social Structure of Accumulation Theory

Basic Claim: A long period of rapid and stable capital accumulation requires a set of institutions -- economic, political, and cultural -- that are favorable for capital accumulation.

Social Structure of Accumulation (SSA): A set of interrelated institutions (economic, political, and cultural) that promote capital accumulation.

How an SSA promotes accumulation: An SSA creates stability and predictability \Rightarrow capitalists make long-run investments \Rightarrow long period of vigorous accumulation.

Also, SSA promotes high rate of profit (this was added later)

How does an SSA create stability and predictability: The institutions of an SSA

- A) regulate class conflict, intra-class relations, and competition
- B) assure growing markets

The Social Structure of Accumulation Theory (con't.)

Example of SSA: Post World War II SSA in US, 1940s
– 1970s (subset of SSA)

1. Bretton Woods system
2. US military, political, and economic dominance in the world
3. Militarization of the economy
4. Peaceful collective bargaining
5. Modest welfare state
6. Cold War ideology

The Social Structure of Accumulation Theory (con't.)

SSA's and Long Waves in Accumulation:

Creation of a new SSA \Rightarrow long period of rapid and stable accumulation \Rightarrow long period of rapid accumulation undermines the SSA \Rightarrow SSA collapses \Rightarrow long period of relative stagnation and instability \Rightarrow creation of new SSA.

Why the Long Wave Expansion Ends

1. Contradictions in the accumulation process

- a) Long period of vigorous accumulation \Rightarrow development of serious crisis tendencies \Rightarrow eventual serious business cycle recession
- b) Slowdown in accumulation puts pressure on SSA because
 - (1) Institutions in SSA require resources to maintain
 - (2) Institutions in SSA may require smooth accumulation process for their stability
- c) SSA begins to crumble \Rightarrow accumulation slows further and long wave contraction begins

2. Contradictions in the SSA

Class conflict, which is contained but not abolished by the SSA, continues and eventually undermines institutions in the SSA.

3. Contradictions in the accumulation – SSA relation

Two subcases:

- a) Institutions in the SSA which had initially fostered accumulation begin to hinder it
- b) Accumulation eventually undermines institutions in the SSA

Why the Long Wave Expansion Ends: Examples

1. Contradictions in the accumulation process

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Examples from end of Post World War II SSA:

1. Contradictions in accumulation process/crisis tendencies: Falling s/v causes series of crises in late 1960s to mid 1970s.

Why the Long Wave Expansion Ends: Examples (con't.)

2. Contradictions in the SSA

Class conflict, which is contained but not abolished by the SSA, continues and eventually undermines institutions in the SSA.

Examples from end of Post World War II SSA (con't):

2. Contradictions in SSA: Class conflict undermines peaceful collective bargaining and expands modest welfare state.

Why the Long Wave Expansion Ends: Examples (con't.)

3. Contradictions in the accumulation – SSA relation

Two subcases:

- a) Institutions in the SSA which had initially fostered accumulation begin to hinder it
- b) Accumulation eventually undermines institutions in the SSA

Examples from end of Post World War II SSA (con't.):

3a. Favorable institution becomes obstacle: militarization of economy creates disadvantage for US capital relative to rivals.

3b. Accumulation undermines institutions of SSA: Rapid world-wide accumulation \Rightarrow US rivals catch up \Rightarrow relative economic parity among leading capitalist nations \Rightarrow collapse of Bretton Woods system.

Regulation Theory

Regime of Accumulation (ROA): a reproduction scheme -- a form of the labor process and a mode of allocation of the product between consumption and accumulation.

- A) Extensive ROA: little change in the labor process; accumulation occurs primarily through a growing supply of wage laborers and extension of the workweek.
- B) Intensive ROA: continual change in the labor process.
 - 1) Without mass consumption by working class.
 - 2) With mass consumption by working class.

Regulation Theory (con't.)

Mode of Regulation (MOR): a set of institutions (structural forms) that accompanies and supports a ROA.

Example: In postwar US, a Fordist ROA and monopolistic MOR.

Why Crisis Occurs:

A) ROA is exhausted.

B) MOR becomes an obstacle to the emergence of a new ROA.

Regulation Theory (con't.)

Features of Regulation Theory:

1. Focus on rate of profit.
2. Structuralist emphasis (class struggle is effect, not cause, of crisis).
3. Materialist approach (ROA has its own independent development; crisis can result from “exhaustion” of ROA).
4. Does not view each stage as centering around producing rapid accumulation, unlike the SSA theory.

Neoliberalism

Two Claims:

1. Historical materialism: The political and ideological aspects of society tend to promote development of economy and of forces of production.
2. SSA Theory: The crisis of one SSA leads to another SSA that again promotes rapid accumulation.

Neoliberalism seems to be in conflict with both of the above claims.

Neoliberalism (cont)

What is neoliberalism?

Note: The term is derived from meaning of “liberalism” outside of USA.

1. Ideology
2. Economic theory
3. Policies
4. Institutions

Neoliberalism (cont)

Neoliberal Ideology:

1. Glorification of individual choice, markets, and private property.
2. The state is seen as an enemy of individual freedom and economic efficiency.
3. An extreme individualist conception of society.

Neoliberalism (cont)

Neoliberal Economic Theory

1. Neoclassical theory of the optimality of a competitive market system. (Also Hayek's theories.)
2. Critique of the possibility that the state can correct market failures.
3. New macro theories claiming an unregulated market system brings stability and full employment.

Institutions of Neoliberal Capitalism

1. Low barriers to movement of goods, services, capital, and money.
2. Globally integrated production processes
3. New or transformed global regulatory institutions: WTO, IMF, World Bank
4. Weak trade unions
5. Casualization of labor market: temporary, part-time, untenured jobs.
6. Change in labor process: flexible specialization.

Institutions of Neoliberal Capitalism

7. Renunciation of Keynesian macro-regulation aimed at low unemployment
Includes changes in fiscal policy (renounce counter-cyclical policy) and monetary policy (target low inflation only).
8. Elimination of, or reductions in, social programs.
9. Shift in tax burden away from business and the rich.

Institutions of Neoliberal Capitalism

10. Privatization of enterprises and of the provision of public goods and services

Includes education, social welfare, prisons, military functions.

11. Deregulation of financial sector and key non-financial sectors.

Includes manufacturing, power, transportation, extractive industry, communication

12. Financial-productive capital relation changes: financial capital becomes independent of productive sector.

Institutions of Neoliberal Capitalism

13. Shift from co-respective competition to unrestrained competition.
14. Market develops in corporate CEOs.
15. In the US, Increasingly repressive mechanisms of social control (mass incarceration, especially of African-Americans).

Neoliberalism (cont)

Alternating Period of Liberalism and Regulationism in US

- 1) Liberal period 1870s-90s
- 2) Progressive Era Regulationist Period 1900-1916
- 3) Post World War I Liberal Period 1920-32
- 4) Post World War II Regulationist period 1948-1973
- 5) Neoliberal period early 1980s to present

Neoliberalism (cont)

Is neoliberalism good for capital?

It weakens the bargaining power of labor.

It facilitates raising s/v

It transfers income to the rich

Neoliberalism (cont)

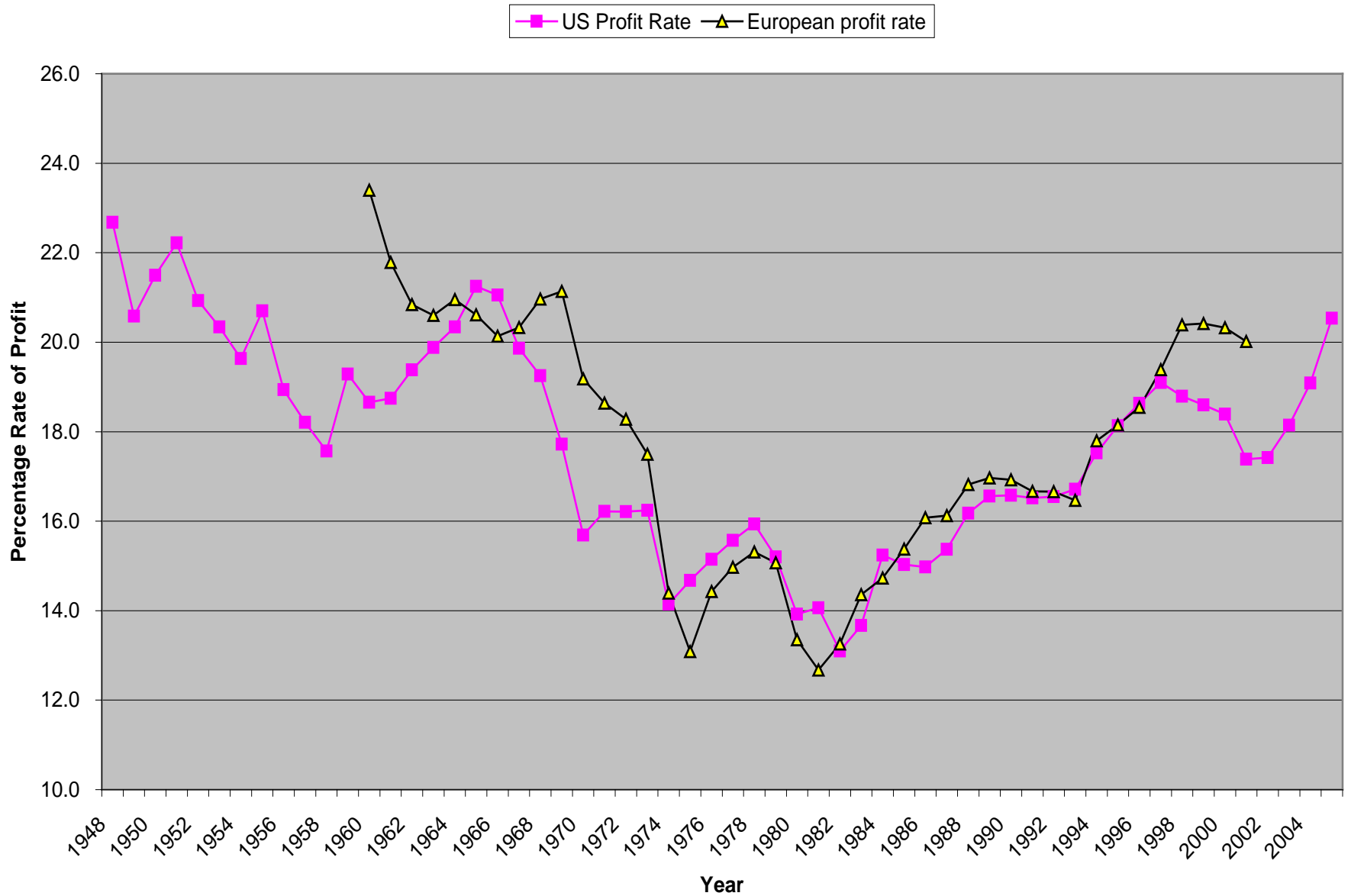
Does neoliberalism promote rapid accumulation?

Yes: Tends to raise the rate of profit.

No:

1. Causes problem of slow growth of demand.
2. Creates instability on macro level.
3. Encourages corporate managers to take short-run view

Figure 4.1 Rate of Profit in the US and in Three European Economies



Annual Compounded Percentage GDP Growth Rates Under Four Institutional Structures in the US

| Definition of Period | Growth Rate/Period | Progressive Era Regulated Institutional Structure | Post World War I Liberal Institutional Structure | Post World War II Regulated Institutional Structure | Contemporary Liberal Institutional Structure |
|-----------------------------------|---------------------------|--|---|--|---|
| (1) Institutional Definition | Growth Rate | 3.70 | 0.31 | 3.99 | 3.09 |
| | Period | 1900-16 | 1920-32 | 1947-73 | 1980-2007 |
| (2) Peak to Peak | Growth Rate | 3.64 | 1.84 | 3.98 | 2.96 |
| | Period | 1899-1916 | 1919-37 | 1948-73 | 1979-2007 |
| (3) Trough to Trough | Growth Rate | 3.32 | 0.32 | 3.68 | 3.16 |
| | Period | 1900-17 | 1921-33 | 1947-75 | 1980-2001 |
| (4) Best Decade (Peak to Peak) | Growth Rate | 3.46 | 3.48 | 4.43 | 3.28 |
| | Period | 1903-13 | 1919-29 | 1959-69 | 1990-2000 |

Growth Rates of Real Gross Domestic Product for Selected Countries

(Annual average percentage rate of growth)

| Country | 1950-73 | 1973-79 | 1979-2000 |
|----------------|----------------|----------------|------------------|
| France | 5.0 | 2.8 | 2.1 |
| Germany | 6.0 | 2.4 | 2.1 |
| Italy | 5.6 | 3.5 | 2.0 |
| Japan | 9.2 | 3.5 | 2.7 |
| UK | 3.0 | 1.5 | 2.3 |
| USA | 4.0 | 3.0 | 2.9 |

Growth Rates of GDP and Labor productivity for the USA

| Period | GDP* | Output per Hour** |
|---|-------|-------------------|
| 1948-73 | 3.98% | 2.79% |
| 1973-79 | 2.95% | 1.14% |
| 1979-2007 | 2.96% | 1.97% |
| * Real GDP in Chained 2005 Dollars. | | |
| Source: US BEA website, July 31, 2009 | | |
| ** Output per Hour of Nonfarm Business Sector | | |
| Source: US BLS website, Dec. 2, 2009 | | |

Why Neoliberalism Arose and Persisted

In the context of the crisis of the 1970s:

1. Resolved main contradiction of regulated capitalism: growing bargaining power of working class.
2. Globalization → Increasing competition → big business shifts from support for regulated capitalism to neoliberal capitalism.
3. Long time since the Great Depression of 1930s
4. Enabled cutback of environmental, job safety, and consumer product safety regulations.
5. Demise of the rival state socialist system.

Neoliberalism and the SSA Theory

Lessons of Neoliberalism

1. There are period of regress in the development of the FP in history.
2. The concept of an SSA needs revision:
A long-lasting, coherent set of institutions that promotes profit-making and stable accumulation.
An SSA does not necessarily promote rapid accumulation.

Neoliberalism and the SSA Theory (cont)

3. There are 2 types of SSA, liberal and regulated.

They differ along 5 dimensions:

- a) How K-L contradiction is temporarily stabilized
- b) State role in economy
- c) Nature of contradictions within K
- d) Nature of contradictions within working class
- e) Character of dominant ideology

Neoliberalism and the SSA Theory (cont)

Regulated SSA has faster accumulation than liberal SSA.

Each type has a particular dominant crisis tendency or tendencies:

Regulated: profit squeeze

Liberal: underconsumption, over-investment, bubble-induced over-investment, financial crisis

Neoliberalism and the SSA Theory (cont)

4. There is a tendency for the two types of SSA to alternate.

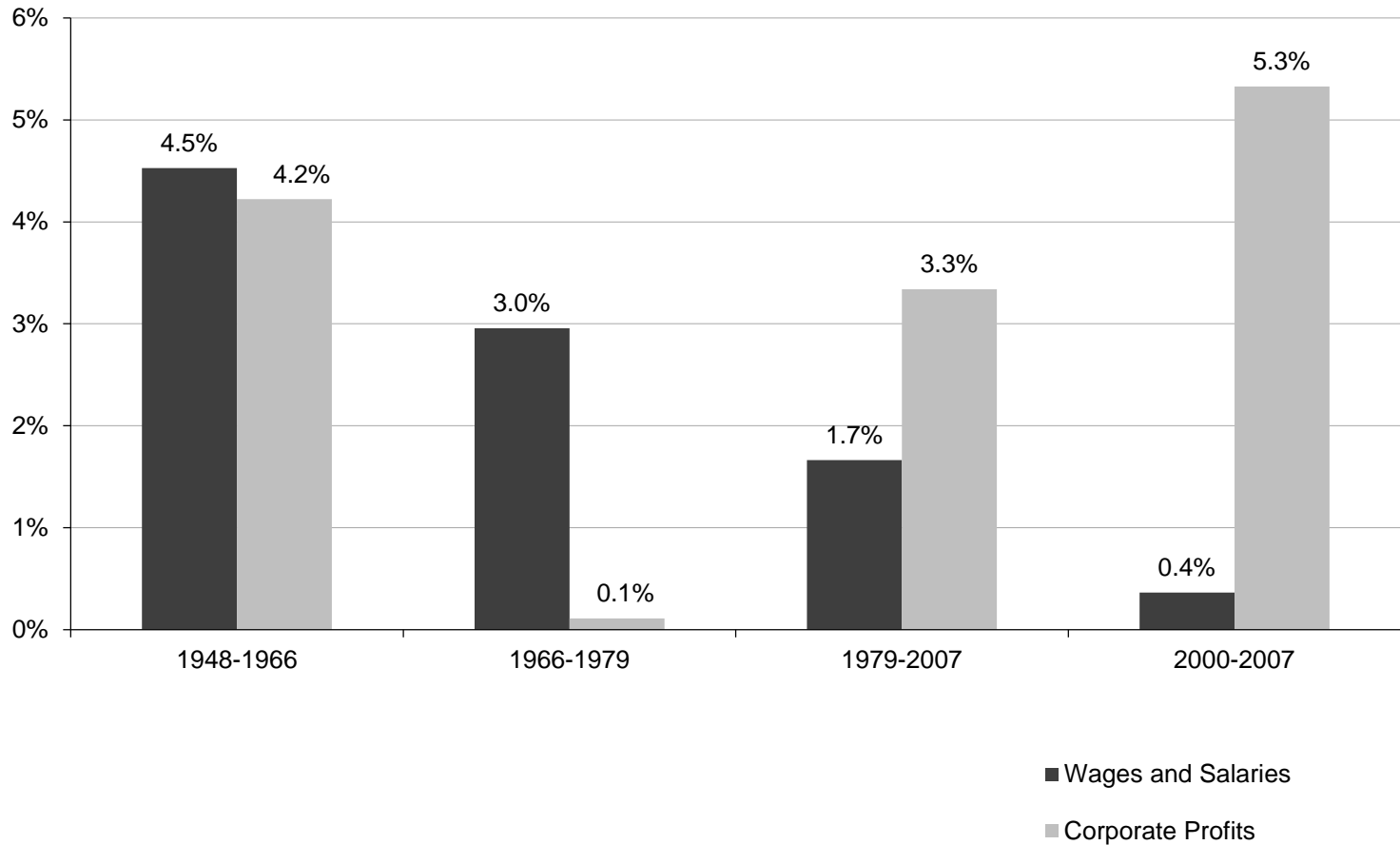
Crisis of Neoliberalism?

Appears neoliberal SSA entered crisis phase in 2008.

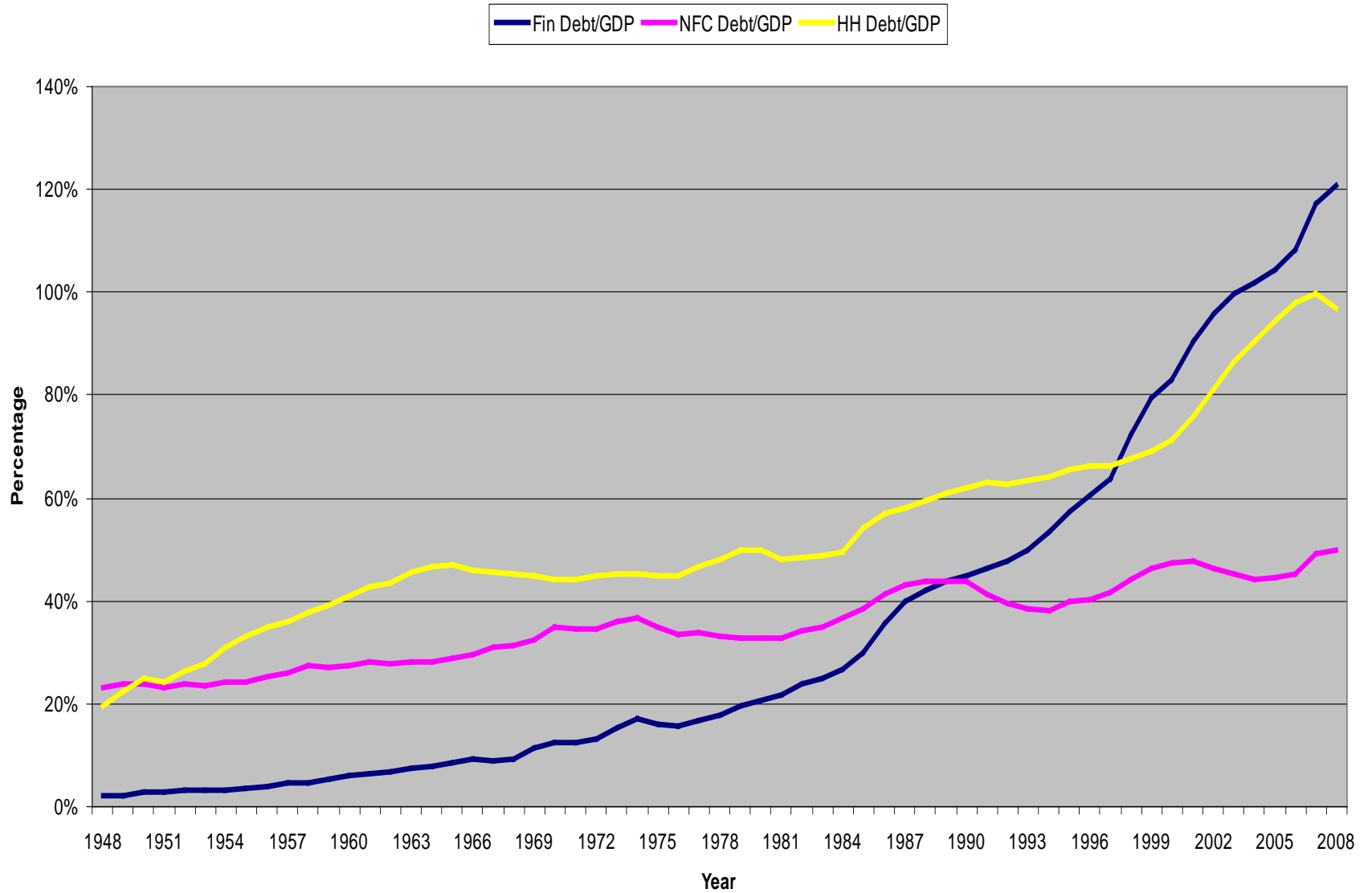
Contradictions that led to crisis:

- 1) Growing inequality → growing realization problem/tendency to overproduction.
- 2) Financial deregulation plus other institutions of neoliberalism → increasingly speculative, growing financial sector
- 3) 1&2 → series of big asset bubbles whose collapse threatened macroeconomy
- 4) 1,2,3 → LR rise in debt → became unsustainable

Annual Growth Rates of Wages and Salaries and Corporate Profit



Debt as Percentage of GDP



Crisis of Neoliberalism? (cont)

Regulated SSA crisis develops gradually, as in 1970s.
Crisis of a liberal SSA tends to develop suddenly –
1929 and 2008.

In 2008-09 there were signs of the dissolution of the
neoliberal SSA:

- Sudden appearance of huge government bailouts

- Sudden approval of big government spending
programs

- Sudden discrediting of neoliberal ideology

Then shift back to neoliberal ideas & policies - austerity.

What will come next?

- Product of complex class and group struggles over
coming years.

Crisis of Neoliberalism? (cont)

So far: Attempts to resuscitate neoliberal SSA are still dominating.

History suggests this cannot resolve the structural crisis.

Three possibilities:

1. Capitalist-dominated statist SSA
2. Social-democratic SSA
3. Transition to socialism