

Social Structure of Accumulation Theory

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SSA theory and its origins

Social Structure of Accumulation (SSA) theory seeks to explain the long waves--averaging about fifty or sixty years for a complete cycle--that have characterized capitalist economic growth, and the distinct stages of capitalism that have marked each long upswing. Thus in the United States, the upswing early in the twentieth century was marked by industrial consolidation, mass production, and the introduction of "scientific management"; the one following World War II was marked by the growth of the state, U.S. leadership in the world economy, limited competition, and tacit "accords" between capital and labor on the one hand, and between capital and the citizenry on the other. This second SSA is among those analyzed in greater detail below as a means of supporting and clarifying the theoretical argument presented here.

The focus of SSA theory is on the institutional arrangements that help to sustain long wave upswings. Institutions can be thought of in a narrow sense as organizations (like universities or the World Bank), or in a broader sense as made up of customs, habits and expectations. In this sense, they are typically country or culture-specific.¹ A further division can be made within the broader sense, which might refer to something rather specific like collective bargaining on the one hand, or more broadly to the entire system of labor relations that exists within a country. Although these broader senses are generally most useful in SSA analysis, the discussion here will refer to institutions in all three senses.

Sometimes the SSA literature refers to things like “*Pax Americana*” or “U.S. hegemony” in the postwar SSA (Gordon, Weisskopf and Bowles, 1996: 233). U.S. hegemony is not strictly an institution in any of the senses described above, but it can be thought of as encompassing a set of institutions ranging from the nature of the relations between the U.S. and other countries (based on a set of mutual expectations and patterns of behavior) to an international monetary system based on the U.S. dollar, which became the principal reserve currency throughout the world.

Capitalists or enterprises require attractive profit rates to invest, but they must also have a high degree of confidence in their expected investment outcomes, a confidence that can be ensured only by a set of institutions that is both stable and favorable. The set of institutions that favors investment is the “social structure of accumulation,” or SSA. The concept of the social structure of accumulation is laid out clearly by its originators, David Gordon, Richard Edwards and Michael Reich (1982):

We understand the capital accumulation process to be the microeconomic activity of profit-seeking and reinvestment. This activity is carried on by individual capitalists (or firms) employing specific workforces and operating within a given institutional environment. We wish to separate that process from its environment....

The inner boundary of the social structure of accumulation, then, divides the capital accumulation process itself (the profit-making activities of individual capitalists) from the institutional (social, political, legal, cultural and market) context within which it occurs.

In the other direction we specify the outer boundary so that the social structure of accumulation is not simply a shorthand for “the rest of society.” We do not deny that *any* aspect or relationship in society potentially and perhaps actually impinges to *some* degree upon the accumulation process; nonetheless, it is not unreasonable to distinguish between those institutions that directly and demonstrably condition capital accumulation and those that touch it only tangentially. Thus, for example, the financial system bears a direct relation whereas the character of sports activity does not. (p. 25)

Two distinct lines of theoretical inquiry have merged to form the basis of Social Structure of Accumulation (SSA) theory. On the one hand, Marx and neoMarxian theorists have sought to

ascertain the core contradictions in capitalism that ultimately drive systemic change. On the other hand, various theorists have sought an explanation for the long cycles or waves that have characterized capitalist economic growth in the past. Within this second group, we may note especially the work of Kondratieff (1935) and Schumpeter (1939). Kondratieff saw long cycles in the U.S. as tied to the replacement needs for long-lived capital goods, while Schumpeter focused on the clustering of innovations leading to an investment boom, with activity then tapering off until a new cluster of innovations was produced.

The neoMarxian literature is richer and more complex than that focusing on long cycles, even though much of the earlier neoMarxian work followed Marx down a blind alley in presupposing an imminent collapse of capitalism and in seeking to specify the central contradictions (such as the falling rate of profit or underconsumption) that would bring about that final collapse (Weisskopf, 1996). While it was developed largely by people working within this theoretical tradition, SSA theory breaks with it by focusing on the recuperative power of capitalism--its ability to revive and renew itself following prolonged periods of relative stagnation or crisis. This perspective enables SSA theory to account for the distinct stages of capitalism, as well as for the long cycles that have accompanied its development. Thus, for example, contemporary American capitalism differs dramatically from the system that prevailed half a century ago.

The two lines of theoretical inquiry that merged to form SSA theory were first brought together in the work of David Gordon. His 1978 essay, "Up and Down the Long Roller Coaster," examines the quantitative evidence for long cycles in the U.S. since the beginning of the nineteenth century, ties the long cycles to institutional structures that support (or fail to support) the accumulation process, and links them logically to Marxian theories of contradiction and crisis. A subsequent essay (1980) then led into the "definitive" early presentation of SSA theory in *Segmented Work, Divided Workers* (1982), a work co-authored with Richard Edwards and Michael Reich. The most comprehensive subsequent study of SSA theory is *Social Structures of Accumulation: The Political Economy of Growth and Crisis* (1994), edited by

David Kotz, Terrence McDonough and Michael Reich. It provides a rich spread of essays (including one by Gordon) assessing the state of SSA theory and the questions the theory has raised. While a number of essays addressing SSA questions have appeared before and after the publication of this latter book, its breadth and sophistication make it a logical reference point for many of the theoretical issues I address below. With slight variations, the questions I address are the ones raised by David Kotz in his thoughtful essay “Interpreting the social structure of accumulation theory” (chapter 3 in Kotz, McDonough and Reich 1994).

These questions are as follows. (1) What gives an SSA its structural integrity--what makes it more than a laundry list of institutions that impinge on the accumulation process? Can we speak of core institutions in an SSA or a core organizing principle? (2) Why do SSAs collapse? What is the role of class struggle in this process? (3) Why do SSAs take a long time to establish, and why do they tend to endure for extended periods? (4) What is the relation of SSA theory to concepts of overdetermination and historical contingency, both of which suggest that institutions alone cannot account for rapid accumulation and the accompanying long-wave upswings?

To address these questions purely in the abstract is not possible. For this reason, I turn first to brief accounts of two SSAs: the postwar SSAs in the U.S. and Japan. These accounts should help to clarify the theoretical discussion by applying it to specific institutional frameworks. After returning to the theoretical issues, I turn to a third SSA, the current one in the United States,ⁱⁱ to provide additional empirical materials that in turn make it possible to deepen the theoretical discussion.

It should be noted at the outset that there is no way to “prove” the importance (or even existence) of SSAs using the deductive reasoning that is so common in economic theory. In hypothesizing the role of SSAs (using *inductive* reasoning) there are two central issues to be addressed: (1) Does positing the existence of SSAs make it possible to tell a more convincing story about the economic history of capitalist countries, including especially the long cycles and distinct stages of development that have been manifest within each country? and (2) Does SSA

theory help us to understand current conditions and dynamics within each capitalist country, as well as the forces shaping their economic futures? I believe that the argument to follow provides a resounding affirmative response to both questions.

The postwar SSA in the United States

For an extended period following World War II, the United States enjoyed strong growth in investment, productivity and real wages. David Gordon, Thomas Weisskopf and Samuel Bowles (1996; hereafter *GWB*) attribute this "golden age" to the formation of an SSA whose subsequent collapse ushered in an era of sluggish growth and real-wage stagnation. Between 1948 and 1973, the rate of growth of productivity averaged 2.8% per year, but it then fell sharply to an average of 1.4% per year between 1973 and 1995 (Baumol and Blinder 2006, 134). Between 1973 and 1995, real average hourly earnings fell by 13% and median family income rose by only 4% (*Business Week*, 12/16/96, pp. 31-32). Between 1995 and 2004, productivity growth again kicked into high gear, averaging 3.0% (Baumol and Blinder, *op. cit.*). Although SSAs can never be dated with great precision since institutions are always in the process of formation and decay, this pattern of widely disparate productivity growth rates is consistent with the presence of a postwar SSA that lasted roughly a quarter of a century, followed by its collapse and the formation of a new SSA from the mid-1990s.

According to *GWB*, the core institutions accounting for the earlier period of prosperity consisted of (1) a capital-labor accord under which labor ceded management control of enterprise operations in exchange for rising real wages and job security; (2) *Pax Americana*, a world marked by U.S. hegemony, with a strong dollar limiting the cost of imported raw materials to American firms and facilitating their overseas expansion; (3) a capital-citizen accord in which social security, Medicare and other accoutrements of the welfare state were accepted by business in exchange for minimal public intervention in the corporate pursuit of profit; and (4) muted intercapitalist rivalry, made possible by oligopoly at home and the weakness of foreign economies that were still recovering from wartime devastation. The capital-citizen accord

implied a vastly expanded role for the state in the economy, which, together with the increased defense spending that accompanied the Cold War, assured the maintenance of aggregate demand.

Although *GWB* do not include it in their analysis, a subsequent essay by Martin Wolfson (1994) points to the key role of (5) the financial system in the postwar SSA. A brief discussion of these five components follows, a discussion which is extended to indicate their relation to the theoretical issues that have been raised.

The capital-labor accord addressed one of the central contradictions in capitalist economies. As *GWB* put it, capital can be "too strong" or "too weak" relative to labor. If capital is too strong, wages will be kept down, but that in turn threatens the maintenance of aggregate demand, leading to a potential crisis of underconsumption. Profits will be high in production, but sales will be curtailed by limited purchasing power, discouraging new investment. On the other hand, if capital is too weak, high wages will limit profitability by raising production costs; this too will discourage new investment. A capital-labor accord is one way of assuring balance, maintaining profits in production at a satisfactory level while aggregate demand is also sustained. By facilitating labor-saving technological change (under the accord, labor focuses on the security and benefits of current workers rather than of prospective ones), it also creates scope for profit-enhancing innovation.

Pax Americana was largely an outgrowth of World War II. With much of the industrial capacity of Japan and Western Europe destroyed during the War, the U.S. economy emerged with great strength relative to its potential competitors. In addition, the fixed exchange rates agreed to at Bretton Woods in 1944 assured the strength of the U.S. dollar, and facilitated its emergence as the dominant reserve currency. This made it possible for the U.S. to obtain raw materials and intermediate goods cheaply abroad, and facilitated the spread of foreign direct investment by U.S. firms.

The capital-citizen accord actually had its roots in some of the New Deal policies of the 1930s when, for example, the social security system was initiated. The problem which this accord addresses was highlighted by the Great Depression, which demonstrated that an

unregulated capitalism does not necessarily assure that the most basic needs of the population for employment, old-age security and so forth will be met. Like some other institutional supports for the postwar SSA, the capital-citizen accord evolved gradually over time, supported by the Full Employment Act of 1946, under which the state assumed responsibility for macroeconomic management to sustain full employment, and subsequent extensions to the welfare state such as Medicare (signed into law in 1965). Meeting the basic needs of citizens helped secure the general acceptance of capitalism and the pursuit of profit. As the capital-citizen accord indicates, the creation and evolution of institutions is an ongoing process, so an SSA may incorporate institutions previously established or new ones that are created subsequently.ⁱⁱⁱ

Limited competition, both domestic and international, was a natural accompaniment of the oligopolistic market structure that came to prevail in most major industries in the postwar period and the weakened state of industrialized economies abroad. This component of the postwar SSA is actually composed of two discrete elements, one of which (oligopoly) is clearly institutional and one of which is actually a matter of historical contingency (the inability of industrialized economies to compete vigorously in the U.S. market for an extended period of postwar reconstruction). It should also be noted that it overlaps with the "U.S. hegemony" component. The role of historical contingency will be addressed more fully in the theoretical discussion which follows, but at this point it should be noted that the overlapping of SSA components is not unusual and in fact helps to account for the unique integrity of each SSA. This too will be elaborated in the theoretical discussion below.

Martin Wolfson (1994, 133-134)) argues that "the financial component of the postwar social structure of accumulation contributed to strong economic growth in the United States in three important ways: by promoting stability, by enhancing profitability, and by managing class conflicts." Wolfson places special emphasis on the financial reforms of the 1930s, including the separation of commercial and investment banking, the prohibition of interest payments on demand deposits and the placing of ceiling interest rates on time deposits, the introduction of federal insurance of deposits, and the strengthening of government supervision and regulation of

the financial sector. Although many of these reforms were reversed in the 1980s and 90s, that in itself does not negate the role they played in the prosperity of the postwar era. It is not at all unusual to find that institutions which play a positive role in one period do not do so in another, when changes take place in external conditions and with the other institutions with which they interact.

International financial institutions also came to play an important role in the postwar SSA. In 1944, the Bretton Woods agreement created the basis for an international financial system that also enhanced the environment for postwar investment by establishing the U.S. dollar as a reserve currency and by supporting the expansion of international trade. It is of interest to note that these institutional changes came prior to the postwar "golden age," but having them in place helped to secure a stable financial environment with low interest rates that contributed strongly to the postwar expansion.

Japan's postwar SSA

From 1955 to 1970, the Japanese economy grew at an average rate of 9.7% per year, and the growth rate continued to average between 4 and 5% over the next two decades (Hirata 1995, 41). Following the collapse of the stock market and real estate bubbles at the end of 1989, however, the growth rate of GDP fell off sharply to about 1.3%. Once again the historical pattern is consistent with a postwar SSA, in this case lasting about 35 years, followed by collapse. The set of institutions that composed Japan's postwar SSA is quite distinctive, and the ways in which the institutions involved were both mutually supportive and able to contribute to high rates of accumulation and economic growth is evident. The principal institutions included:

- (1) The close relationship between corporations and the state, often referred to as "Japan Incorporated."
- (2) The *keiretsu* system of business groups, typically organized around a leading bank and marked by cross-shareholdings.
- (3) The "lifetime" employment (at that time until age 55) and seniority systems in

the labor market.

(4) The family system.

(5) The educational system and career patterns.

The family system involved a rigid division of labor between husband and wife. Women were expected to drop out of the labor market when they had children. The wives were responsible for taking care of the household and the education of the children. The husbands were free to work for their companies until late at night under this arrangement. The children, meanwhile, were being prepared for success in a brutally competitive educational system. Going to a good college and receiving favorable letters of recommendation was critical, for a lifetime job (after a two-year trial period) would typically be found right after college or high school. The meritocratic educational system, then, combined with the family system to create the next generation of dedicated employees.

The very top students at the national universities could aspire to careers in government service, careers that combined the highest social respect with the power to affect deeply the companies under their ministry's purview. Following retirement in their early fifties, most would become advisors or senior executives at these same firms, or assume leading managerial roles at public institutions. Others would go into politics and seek to become senators in the Diet. Under the marriage-arrangement system, wealthy families with daughters would seek to marry them off to government officials, seeing this as the most secure and prestigious future. The family money would then make possible a political career, which required a great deal of it.

Everyone knew that the young bureaucrats working in government ministries had to be among the very top students, that they had a great deal of power, and that their futures were very bright. Under the Japanese system, each ministry would tend to support and protect the firms in the industries for which it was responsible, supporting their growth and organizing cartels to reduce capacity in an orderly fashion when overcapacity threatened. When the officials reached retirement they would start a second career as senator or official in the firms they had just been supervising. Meanwhile, their places in the ministries would be taken over by the younger

officials they had previously mentored. Thus the system known as “Japan Incorporated” involved a seamless web of mutually supportive institutions, with government and corporations closely tied, but in a way that allowed for full contributions from the education, family and lifetime employment systems.

The *keiretsu* system of business groups also played a key role in the successful formation of Japan’s postwar SSA. The various member companies could support the other members of the group in various ways. Thus, for example, banks could be counted on to provide loans and trading companies to find markets or supplies abroad. The *keiretsu* relationships were cemented by interlocking shareholdings. In addition to facilitating strong economic growth, they contributed to the social standing and security that those who were successful in the educational system could expect, which in turn provided ample motivation to sustain the prevailing family system. Although this description of Japan’s postwar SSA is quite brief, it should help to clarify the way in which the different institutions that compose a given SSA function in a mutually supportive fashion, enhancing its stability and helping it to endure.

The structural integrity of an SSA

When we speak of a social *structure* of accumulation, we imply a linkage among the various institutions that comprise a specific SSA. Moreover, when we speak of the collapse of an SSA, that implies the collapse of the entire structure rather than simply the collapse of some of its individual components. This in turn suggests as well that the various institutions must be linked together in some fashion. The question to be addressed, then, is what accounts for the structural integrity of an SSA?

There are two principal approaches to this question in the SSA literature. David Kotz (1994, 65-67) argues that a core set of institutions is established early in an SSA, a core that then interacts with and shapes the formation of the other institutions that come to constitute the full SSA:

This core of institutions must be sufficient to significantly stabilize class conflicts and competition, and to assure long-term markets. For the early twentieth-century in the US, the following institutions might have made up the core: monopoly/finance capital, repression of trade unions, and an aggressively imperialist policy. The core institutions of the post World War II expansion in the US might have been peaceful collective bargaining, militarization of the economy, and US ascent to a dominant position in the world. (p. 65)

Terrence McDonough (1994) seeks to explain the structural integrity of SSAs in terms of either a single institution or an event which can serve as the "unifying principle" of the newly emerging SSA. Thus he finds the early-twentieth century SSA in the U.S. to be based on the oligopolization of the economy that occurred in the span of a few years around the turn of the century, while World War II served as the basis for the postwar SSA. There is some similarity between the approaches of Kotz and McDonough in that both focus on a limited set of institutions or events that occur early in the formation of an SSA and contribute significantly to the formation and shaping of the other institutions that come to constitute the full SSA. There are, however, significant differences as well. While Kotz focuses on a set of institutions as the organizing principle, McDonough finds that some exogenous factor--e.g., World War II--can play a comparable role. Further, in focusing on a set of core institutions that shape subsequent institutional development, Kotz can explain the relation between the core and the "peripheral" institutions, but still cannot account for the structural integrity among the institutions that constitute the initial core. By focusing on a single organizing principle, McDonough is able to avoid this problem.

By focusing on a single organizing principle, however, McDonough distracts attention from a potentially much more robust approach that he himself cites. Referring to Gordon's 1980 article, McDonough (1994: 76-77) writes:

What is it which integrates an SSA into a coherent whole? I believe the most promising direction in which to look for the answer to this question was proposed by Gordon in one of the earliest expositions of the SSA framework. In this early article, Gordon (1980) proposes that "the interdependencies among the individual institutions create a combined social structure with a *unified* internal structure of its own—a composite whole, in effect, whose intrinsic structure amounts to more

than the sum of the individual institutional relationships” (p. 17). For Gordon this unified internal structure is the reason that “changes in any one constituent institution are very likely to reverberate throughout the entire structure, creating instability in all of the other constituent institutions” (p. 17). This integral structure is thus at the heart of the SSA framework...(and) it is likely the relationships (among) these institutions must be unique to each SSA and hence historically contingent.

Gordon’s formulation is very close to the principles of overdetermination in its focus on the mutual interaction among the various institutions composing any given SSA. Perhaps the main difference is that Gordon appears to present each institution as an independent entity which is then subject to change when another institution, an external entity, changes. The idea of overdetermination suggests that institutions are never entirely disparate entities, that each is shaped by and incorporates elements of the other institutions and social forces with which it interacts. This distinction actually strengthens Gordon’s argument since it is not simply a matter of external changes influencing each institution in that the “external” institutions at least in part have been internalized.

The theoretical approaches of Kotz and McDonough are both inspired by attempts to address deficiencies they perceive in the basic presentation of SSA theory in Gordon, Edwards and Reich's *Segmented Work, Divided Workers*. Gordon, Edwards and Reich (GER) do not attempt to privilege any set of core institutions, and readily admit that exogenous forces--they mention World War II specifically (p. 31)--may be very important in determining the formation of an SSA. By failing to follow up fully Gordon’s earlier discussion concerning the question of what accounts for the structural integrity of an SSA, however, and by presenting a listing of apparently disparate institutions in the SSAs they analyze, GER have left open the question that Kotz and McDonough attempt to address. In searching for a core organizing principal or a set of core institutions, however, Kotz and McDonough turn away from the more promising direction

that Gordon himself indicated in the quotation from McDonough above. In considering the question of what accounts for the structural integrity of an SSA, it is possible to build on Gordon's suggestion concerning the mutual interactions among institutions, considering this in the light of the concept of overdetermination as expounded by Resnick and Wolff in *Knowledge and Class* (1987, chapter 2).

In their study, Resnick and Wolff follow Althusser's development of the Marxian insight that social processes, including economic ones, are mutually determinative. In discussing the work of Althusser, Resnick and Wolff write:

Each distinct social process is the site constituted by the interaction of all the other social processes, each contains "within itself" the very different and conflicting qualities, influences, moments, and directions of all those other social processes that constitute it. In this sense, argues Althusser, each social process is the site of, or "contains," the complex contradictoriness inseparable from overdetermination. Each social process exists, for Althusser's Marxism, only as a particular, unique concentration of contradictions in its environment. (p. 88)

Although the concept of overdetermination as developed by Resnick and Wolff focuses on the manner in which each social process is "overdetermined" by the other social processes with which it interacts, their conceptual framework can be extended readily to the interaction among institutions, that between institutions and social processes, and that between institutions and "exogenous" events or conditions. *That is to say, there is an ongoing process of institutional formation and institutional change which is brought about by the interaction among (1) the internal contradictions of any specified institution, (2) the other institutions that coexist with it, (3) exogenous events, and (4) the full range of social processes. All of these elements mutually (over)determine one another.* And just as "essentialism" (privileging the economic, for example, over the other forces that account for social processes) must be rejected in accounting for causation, any attempt to privilege a "core" set of institutions--or a core institution or event--as responsible for the structural integrity of a given SSA appears questionable.

In accounting for the structural integrity of any given SSA, then, it is critical to avoid conceptualizing institutions in isolation, and to recognize the multiplicity of forces serving to create and sustain each institution, forces that include other institutions, the full array of social process and exogenous events (historical contingency). In considering the forces that may ultimately undermine each institution and ultimately the entire structure of which it is a part, the interaction of these same factors must be recognized as playing a role, together with the internal contradictions that tend to arise in all institutions.

Approaching the structural integrity of SSAs in this way is much closer to the spirit of the initial work of Gordon and of GER, who do not attempt to assign priority to any particular institution and who explicitly recognize that "'exogenous' forces may be very important," citing, as I have noted, the impact of World War II on the postwar SSA (1982, 31). GER do not attempt, however, to analyze the manner in which the institutions that constitute the SSAs they address, the exogenous events with which the the SSAs interact, and the various social processes overdetermine one another. Such an analysis can help to deepen our understanding of the structural integrity of SSAs and why they tend to endure for an extended period of time. Further, when the role of internal contradictions is considered together with these interactions, the forces contributing to the eventual collapse of all SSAs become more transparent.

Overdetermination and the postwar SSA in the United States

Although it is not possible here to provide a comprehensive example of the manner in which overdetermination can account for the structural integrity of a given SSA, the approach can be applied in admittedly cursory fashion to the postwar SSA in the United States to demonstrate the logic of the argument. I have already specified five institutions as constituting the postwar SSA in the United States (the four indicated by Gordon, Weisskopf and Bowles, and a fifth provided by Wolfson): the capital-labor accord, *pax Americana*, the capital-citizen accord, muted intercapitalist competition, and the favorable financial framework. The discussion that follows attempts to indicate some of the ways in which these institutions interacted with one another, and

contributed to shaping one another in the process. These interactions, often mediated by exogenous events and ongoing social processes, can help to account for the structural integrity of the SSA that emerged.

The capital-labor accord can be thought of as an agreement to divide the "spoils" available in a favorable economic environment. There is of course a cost to business in providing rising real wages, job security and a variety of benefits. The readiness of business to "buy" labor peace was enhanced by the favorable economic climate provided by the other elements that constituted the postwar SSA. The strong dollar and low raw material prices associated with U.S. hegemony, the macroeconomic stability ensured by the larger role of government and the absence of political challenges to profit-seeking (both part of the capital-citizen accord), muted competition (both domestic and international), and low, stable interest rates all contributed to the creation of an environment in which corporate profitability could be quite high if labor peace was secured. Without these complementary conditions, it is doubtful that capital would have embraced the capital-labor accord so readily.

One need only look at the new SSA that was formed in the U.S. during the 1980s and 90s for a counterfactual example. Faced with intense competition, much of it international in origin, U.S. firms were forced to focus on cost reduction to sustain and enhance their profitability. Since labor costs are the single largest cost for firms (constituting, on average, about two-thirds of total costs), it was quite natural for them to do everything possible to keep these costs down, with real wages and job security sacrificed as a consequence. Under these conditions, a capital-labor accord of the type that characterized the postwar SSA was inconceivable. Since the new SSA remains in force in 2006 (despite the 2001 recession), the intensified split between capital and labor—discussed more fully below--remains the rule.

Pax Americana was of course a matter of historical contingency, dependent on the destruction experienced by the leading potential competitor countries during World War II. Nevertheless, it is important to note that the stable international order with which it was associated created a highly favorable environment for export-led economic recovery and growth

in Japan, Germany and the rest of Europe, with fixed exchange rates increasingly undervaluing their currencies and making them more competitive as their economies recovered. The Asian tigers (South Korea, Taiwan, Hong Kong and Singapore) were of course also able to flourish in this environment. *Pax Americana* was to the mutual benefit of all active participants in the world economy, contributing to the recovery of Europe and Japan while creating development opportunities for those less-developed countries capable of shaping their institutions appropriately (especially so as to facilitate rapid export growth).

Thus growth abroad increased U.S. markets and investment opportunities while also proving advantageous to the other participants in the capitalist world economy (CWE). At the same time, however, by the late 1960s it reached a point where substantial foreign competition for American firms emerged, and where the Bretton Woods regime of fixed exchange rates had become unsustainable. Initially, then, the long-term postwar expansion of the world economy increased markets and investment opportunities for U.S. firms. By the late 1960s, however, it increasingly undermined the postwar SSA by increasing competition and making the Bretton Woods regime of fixed exchange rates unsustainable. This provides a clear example of the development of an internal contradiction contributing to the collapse of a key institution and ultimately of the SSA of which it formed a key part.

The capital-citizen accord must also be understood in the light of historical contingency and the other institutions that constituted the postwar SSA. Social security had already been initiated in the 1930s, both a policy response to the poverty and insecurity engendered by the Great Depression, and an effort to forestall more radical change. The GI Bill (formally called the Servicemen's Readjustment Act of 1944) and then the Marshall Plan (1948) helped to sustain aggregate demand in the immediate postwar years, after which the emergence of the Cold War fulfilled the same function. The suburbanization of America and the general prosperity of the 1950s created an environment in which the realization of individual aspirations appeared eminently compatible with the profit-seeking of corporations. There were not many people

ready to challenge the notion that "...what was good for the country (the U.S.) was good for General Motors and vice versa."^{iv}

The breakdown of the capital-citizen accord starting in the mid to late 1960s reflects changes in the institutions with which it interacted, its own internal contradictions, and historical contingency. The strongly rising production and consumption of the postwar era was carried out for the most part with little thought to environmental consequences. At some point it was inevitable that the deteriorating quality of the air, land and water would impinge on the popular consciousness and lead to efforts to regulate and limit corporate activity. At the same time, during the 1960s, the widespread participation of young people especially in the movements for racial equality and against the Vietnam War contributed to the creation of a more activist generation, and ultimately led to legislation that greatly increased the regulation of business, increasing business costs and decreasing profitability. By 1992, according to a Washington University report cited in *The Economist* (12/13/97: 52), firms with fewer than 20 employees spent an average of \$5,784 per employee to meet federal regulations, with firms employing more than 500 spending about half that amount.

The era of limited competition was also unsustainable. The reconstruction of Europe and Japan initially expanded export and investment opportunities for U.S. business, but once recovery abroad had taken place, strong growth in foreign competition was inevitable. The fixed exchange rates of the Bretton Woods accord, moreover, left the U.S. dollar increasingly overvalued; the stability they initially imparted to international commerce turned into a competitive force highly inimical to U.S. business.

At home, the very dynamism of capitalism turned the period of muted competition into a brief interlude. Supermarkets readily replaced local grocery stores, but once these had been eliminated they had to compete with one another for market share. Discount stores grew up to compete with established department stores and other retailers (including supermarkets), aluminum began to take markets away from steel, plastic from glass, and so forth.

Oligopolistic market structures, when they are stable, will ordinarily discourage price competition (which is apt to hurt all parties) and naturally give rise to phenomena like price leadership when overt collusion to fix prices is not feasible. Oligopolistic market structures tend to become unstable, however, when foreign enterprises enter the market and when technological change makes it possible for new competitors to emerge from other industries, as when aluminum replaces steel or plastics replace glass in a range of industries. When new sources of competition emerge, firms are forced to become much more concerned with reducing production costs. As U.S. firms increasingly found themselves in this situation in the 1970s and 80s, the high costs of labor and the rising costs of regulation became increasingly intolerable. Under such circumstances, there was no way in which the capital-labor and capital-citizen accords could be sustained. In other words, muted competition, a key component of the postwar SSA, was necessary for two of the other core components to become established and to persist.

The financial institutions which played such a great part in the postwar golden age—and the low and stable interest rates associated with them--were also unsustainable when the other institutions and the external environment changed. The financial legislation of the 1930s and the Bretton Woods agreement of 1944 had created the national and international basis respectively for the low rates. With the economic recovery abroad forcing a move from fixed to floating exchange rates and a sharp decline in the value of the dollar, inflationary pressures grew strongly from the late sixties, abetted by the Vietnam War and the spikes in the price of energy associated with the rise of OPEC in 1973 and the Iranian revolution in 1979. The stagflation of the 1970s in turn gave rise to Federal Reserve Bank efforts to control inflation by deliberately increasing short-term interest rates in the early 1980s, while double-digit inflation rates led to 30-year Treasury bond rates in excess of 14%. Sharply rising interest rates also contributed to a sharp increase in financial crises among U.S. corporations.

Although the components of America's postwar SSA can be differentiated, then, it is clear that they were mutually reinforcing. The capital-labor and capital-citizen accords brought labor peace and minimized regulatory threats, enabling U.S. corporations to benefit from the

expanding global economy that *Pax Americana* helped to create. Low interest rates and limited competition at home and abroad had the same effect.

In addition to the mutual reinforcement provided by the different components of the postwar SSA, the role of economic theory as ideology must also be acknowledged. Keynesianism provided the intellectual glue for America's "golden age," bringing with it widespread acceptance of a major role for government in the economy. Like everything else, of course, this acceptance was overdetermined, with the rise of the Cold War playing a major role. Even aside from military spending, however, the government took a major role in the economy through social security, the G.I. bill, the interstate highway program and other infrastructure spending. The increase in and stabilization of aggregate demand to which government spending contributed also played a leading role in the postwar SSA.^v

This brief review should help to make it clear that the set of institutions that sustained postwar prosperity was interdependent, with each institution overdetermined by the others with which it interacted, the prevailing ideology and by exogenous events. The postwar social structure of accumulation, then, constituted a *structure* precisely because of this process of overdetermination, and the collapse of the entire structure can readily be understood in terms of the interaction among (1) changes in the other SSA institutions, (2) the development of internal contradictions in several of its components, and (3) the impact of exogenous events. According to the logic of this argument, then, we do not have to posit a core institution, event or set of institutions to understand the logic underlying the structural integrity of an SSA.

Why SSAs require many years to construct and why they endure many years

According to the argument just presented, the emergence of each institution in an SSA is shaped by a multiplicity of factors. Although the American family is not one of the SSA institutions, the changes that took place within it over the course of the twentieth century illustrate both the diverse nature of the forces at work and the reasons for which changes that take place can do so only over an extended period of time. During the better part of the twentieth

century, a gender division of labor prevailed among “middle-class” married couples, with the husband serving as the “breadwinner” and the wife responsible for taking care of the household and child-rearing. When women did participate in the paid labor force, it was normally before marriage, when no husband was present, or when the husband was unable to earn enough to support the family. From the 1960s especially, however, it became increasingly common for both husband and wife to participate in the paid labor force. This reflected a wide range of forces: the movement for equality between the sexes, the fact that “middle-class” living standards could no longer be maintained by one salary, technological changes that reduced the time required for housekeeping and its physical burden, institutional changes such as the spread of “fast-food” restaurants, the increasing frequency of divorce making it clear to women that they could not afford to be wholly dependent financially, and so forth. By the end of the century, the nature of the family and the roles expected within it had changed dramatically.

This example suggests both that institutions in the broader sense of established customs and habits are overdetermined, and that changes in them are apt to come very slowly, both because expected patterns of behavior become deeply ingrained and because the forces that overdetermine them change slowly over time. There is also, it should be noted, a feedback effect. As more women enter the labor force and have less time for household tasks, and as single-parent households become increasingly prevalent, the demand for fast food and the number of restaurants providing it increases, supermarkets and restaurants increasingly provide items like prepared salads and entire meals for take-out, and so forth.

This example of the changing nature of the family in twentieth-century America and of the roles expected within it could be extended indefinitely, but the point it is intended to demonstrate should already be clear. Institutions by their nature are slow to form and slow to change. Moreover, other institutions in society may impede change. Thus, for example, young professionals are typically expected to display their dedication to their institutions and profession as a condition for advancement. Physicians doing residencies, junior executives working for large corporations and law firm associates, among others, are expected to put in extremely long

hours if they hope to establish their professional credentials and be promoted. Thus even men who acknowledge their equal responsibility for childrearing and taking care of the household may find themselves torn by their participation in institutions (in the narrow sense) with competing demands, further slowing the pace of institutional change (in the broad sense).

An understanding of the tensions engendered by competing loyalties further contributes to our understanding of why new institutions are slow to form and tend to endure for prolonged periods once formed. Struggles among competing interests typically accompany the processes of institutional formation and change, and these struggles are apt to be prolonged and marked by partial victories rather than by decisive ones. Enterprise managements tend to believe that demanding less of their employees will cause their labor costs to rise and their profitability to be harmed, so they tend to resist changes that would accommodate the new family structure characterized by two breadwinners. Legislation like the Family and Medical Leave Act (1995) may be passed despite such resistance, but the accommodation of the new family structure this represents remains quite limited in practice.

Despite the solid reasons for expecting institutional change to be a prolonged process, some authors remain unconvinced that SSAs can explain long waves. Terrence McDonough (1994), for example, argues that SSA theory "is more adequate as a theory of stages of capitalism than of specifically long waves" (p. 72), and that there is no reason why the period of expansion initiated by an SSA is necessarily long (p. 78). He finds "unsatisfying" the argument presented by Gordon, Edwards and Reich (1982) that institutions by their very nature are durable (p. 75). While McDonough is certainly correct in agreeing with GER that each SSA represents a distinct stage in the development of capitalism, his dismissal of the argument that institutions by their very nature are durable appears questionable in the light of the discussion above. Although he is clearly correct in arguing that there is no reason why the period of expansion associated with the establishment of an SSA is *necessarily* long—the length of a given SSA expansion will be governed by the intensity of its internal contradictions and the impact of exogenous events—we can normally expect an established SSA to persist over a more or less extended period.

If institutions are thought of as habits and customs--and the associated patterns of behavior that people expect of others and of themselves--then of course they will be slow to change. If a specific set of institutions emerges at a particular historical juncture that encourages rapid accumulation, that set of institutions will tend to endure for a prolonged period, and thus will be associated with a prolonged period of relative prosperity. There are numerous reasons for which such institutions tend to be especially long-lived. All institutions tend to be prolonged through mutual expectations. In Japan, for example, when people meet or are introduced they bow, whereas in the United States they shake hands. Not bowing or extending one's hand is regarded as impolite, so people tend to perpetuate the respective institutions without giving it a second thought. Over time, however, institutions can and do change. On social occasions, people in the U.S. often greet one another with a hug or a kiss on the cheek; this institutional change has been going on for decades in the U.S., but it is still far from complete and tends to exclude business greetings.

SSA institutions have additional supports. Most importantly, every SSA creates broad groups of beneficiaries. In America's postwar SSA, for example, labor received rising real wages, pension and medical benefits, and seniority rights that protected long-term workers from lay-offs. Companies benefited from labor peace, managerial rights to introduce more productive equipment, and high profit rates. Those who benefit from the existing SSA characteristically seek to sustain it and oppose public policy initiatives or any other changes that could undermine it. Moreover, the dominant ideology that characterizes each SSA—Keynesianism in the postwar U.S.—provides support to its component institutions. Thus the capital-citizen accord required a major role for government in assuring the lives of senior citizens and in taking responsibility for a wide range of social problems. This made it difficult to cut back dramatically on the role of government in the economy.

For all of these reasons, SSAs tend to be long-lived. They do not, however, endure indefinitely. Change is the inevitable result of internal contradictions emerging within the institutions, changes taking place in the full range of social processes, changes in historically

contingent exogenous circumstances, and the overdetermination that characterizes the relations among institutions and between a given set of institutions and exogenous conditions. There is no specific time period for which an SSA will last as its durability will depend on the strength of the individual institutions and the overall structure, as well as the counteracting strength of the forces that ultimately undermine it. Although SSAs tend to be durable, therefore, the periods for which they remain in place may vary widely.

If we consider the postwar SSA and its subsequent collapse starting around 1970, we can readily apply these principles to account for both the period of prosperity and the period of subsequent stagnation being relatively prolonged. Fractious labor relations harm business profits and make them less certain. Once the capital-labor accord was established in the postwar period, both sides developed a vested interest in its maintenance. With labor expecting job security and rising real wages, any unilateral effort by business to eliminate job security or wage increases would have met fierce resistance, and there was no reason for business to enter into such a struggle as long as it was able to maintain high profitability. With inflation heating up from the late 1960s, however, and with foreign competition beginning to intensify, business firms found themselves unable to meet the demands of labor while sustaining profitability. In this context, class struggles began to intensify and the capital-labor accord collapsed.^{vi}

Pax Americana was favorable to U.S. business interests, but the era of fixed exchange rates and the widespread use of the U.S. dollar as a reserve currency also facilitated the postwar recovery of the other industrialized nations and the emergence of the Asian tigers, which adopted domestic institutions that helped them benefit from the stable international order provided by U.S. hegemony (perhaps most notable among these is the establishment of government authority to direct low-interest loans to export-oriented firms). Once the more rapidly growing countries abroad reached the point where they could provide a competitive threat to U.S. firms, however, U.S. hegemony and the regime of fixed exchange rates could no longer be preserved. The point that requires emphasis here is that given the length of time required for the industrialized economies to recover and for the exports of the emerging countries to reach a critical mass, and

given the size of the U.S. economy--which could absorb rising imports for an extended period before domestic enterprises were broadly threatened--any challenge to U.S. hegemony could emerge only over a matter of decades.

The capital-citizen accord was also something that was not subject to collapse in a short period of time. Overdetermined by the general prosperity of the golden age, the capital-labor accord, U.S. hegemony, and the other institutions that constituted the postwar SSA, the capital-citizen accord remained strongly entrenched for most of the golden age. As the supporting conditions weakened, however, and as environmental consciousness grew apace with evidence of environmental deterioration, suspiciousness of business and social activism (spurred by the racial equality and anti-Vietnam War movements of the 1960s), conditions were set in place for growing regulation of business activity, conditions that could only weaken profitability and increase uncertainty.^{vii} Changes of this type are inevitably spread over a prolonged period of time.

Finally, to grasp the forces prolonging periods of prosperity and the subsequent periods of relative stagnation, it is important to recognize the broad impact of such periods on social relations. Lengthy periods of prosperity create many beneficiaries, including various social classes and other groups. Capital enjoys rising profits, labor enjoys rising wages, marginalized social groups enjoy rising employment opportunities, rising tax receipts enhance the capacity of government to provide social services benefiting different groups, and so forth. The many beneficiaries of an SSA have a vested interest in its continuation and thus have a strong motive to act to preserve it.

Despite this, internal contradictions and exogenous changes prevent SSAs from being sustained indefinitely. When an SSA collapses, the social consensus that helped sustain it is fragmented as well, and a period of intense social conflicts ensues. These conflicts include, but are not limited to, class conflicts. In seeking to restore and enhance profitability, firms seek to lay off workers and limit the wages of those who remain; workers attempt to resist this. But at the same time, in a more competitive labor environment, measures like affirmative action are

increasingly challenged by those who claim to be victims of "reverse discrimination." Opportunities for women are apt to be more circumscribed, and the longer hours expected for professional success have a disproportionate impact on women, given their family responsibilities. Limited tax receipts intensify competition among potential beneficiaries: should taxes be used to shore up social security, improve education or help farmers? Or should tax reductions be implemented to benefit homeowners, those in high marginal brackets or taxpayers in general? Such conflicts are intensified during periods of general stagnation and sluggish growth. They cannot be solved easily or quickly. Moreover, numerous elements of the institutions that comprised the previous SSA inevitably remain, together with their beneficiaries and the thought processes they engender. In the 1970s and '80s, for example, U.S. workers perceived it as "unjust" that their real wages were not rising and unions tended to cling to bargaining tactics that were no longer viable in an era of intense global competition. Thus the establishment of a new SSA can only follow a more or less prolonged period of social conflict, during which time a new set of institutions marking a new stage in capitalist development can be established.

The foregoing discussion should help to clarify the reasons for which SSAs require many years to construct and why they endure many years. If institutions are thought of primarily as habits, customs and expectations--which properly they should be--then institutional change must require an extended period of time to come about. Although specific SSAs can vary widely in length, then, SSA theory can provide an explanation for the long waves that have characterized the history of capitalist development, as well as for capitalism's distinct stages.

The role of class conflict in SSA formation and collapse

David Kotz (1994: 55) argues that the stabilization of class conflict and competition is at the core of SSA formation. Class conflict is of course one of the main social struggles that characterize capitalist society, and we can see its impact in the example provided above, with firms seeking to extract the maximum value from the labor power they hire conflicting with the

need of workers to meet simultaneously their own needs and the other social demands placed upon them. Privileging class conflict to the exclusion of other social conflicts, however, limits our understanding of the nature of an SSA and of the time required to form one.

Gender and racial conflicts provide obvious examples of other struggles that impact SSA formation. We should also keep in mind that society is the site of numerous other struggles, all of which impinge necessarily on its institutional structure and SSA formation. Social security and Medicare, for example, involve transfers from those presently working to the elderly, and the exploding costs of these entitlements have increased taxes on those who are working for the benefit of those who are retired (they also involve a potential shift in resources from other dependents in society such as young children). Unless substantial changes are made in these entitlement programs, tax rates can be expected to grow substantially over the course of the twenty-first century. The struggle between those who are retired (or near retirement), those who are working and (indirectly) young children is not a class conflict, but it clearly affects the process of SSA formation by raising business costs and taxes, thereby reducing profitability and the resources available for accumulation.

Another example of nonclass struggle playing a role in SSA formation (or dissolution) is provided by the role of environmental movements. Environmental regulations can influence business costs and revenues in a wide range of industries--and indeed in industry in general--when they mandate treatment of factory wastes, limit logging, increase compliance paperwork and so forth. Environmental issues may also play a role in other nonclass conflicts, such as that between urban and agricultural interests over the use of water. Thus, for example, industrial development in the city of San Diego has been constrained by the high cost of water, which is well over ten times the cost paid by agricultural users in much of California.^{viii}

Just like class struggles, intergenerational, environmental and other nonclass struggles play out over decades and are marked by partial victories for either side. When a resolution to class and nonclass struggles is reached that permits satisfactory profitability and predictability, SSA formation is enhanced. Such resolutions may involve compromise agreements (as in the

capital-labor accord), or they may involve victory for one side--as long as the outcome favors accumulation by making investment both profitable and predictable.

The new SSA in the U.S. was formed during the 1980s and 90s, and dates from around 1995. As the discussion below of this SSA will demonstrate, it is possible for capital to crush labor in their ongoing struggles and still retain favorable conditions for accumulation as long as the exogenous conditions are suitable. During the 1980s and 90s, strong growth in some of the less developed countries and the growing participation of formerly communist countries in the capitalist world economy created rapidly expanding markets for U.S. companies. This meant that the demand for their products and services became less dependent on the level of domestic demand, so that stagnant real wages at home became consistent with the increasing profitability of investment.

When considering the reasons for which SSAs collapse, both class and nonclass struggles play major roles. As the discussion of the collapse of the postwar SSA in the U.S. shows, however, historical contingency (such as the rise of OPEC) and the emergence of internal contradictions within the institutions that constitute the SSA can be of comparable importance. In the case of Japan, growth based on government-supported export prowess was ultimately undermined by the inevitable floating of the yen and then its appreciation. In understanding the processes of SSA formation and collapse, then, it is helpful to recognize that nonclass as well as class struggles play a role, and to recognize the manner in which both processes are overdetermined.

The formation of a new SSA in the U.S. in the 1980s and 90s

While it is always somewhat arbitrary to provide a fixed date for the start and ending of an SSA expansion, a result of the ongoing changes in social institutions and external conditions, the new SSA in the U.S. can be thought of as starting around 1995, with important social struggles and institutional changes during the 1980s and 90s leading up to it. I have argued elsewhere (Lippit 1997) that there is clear evidence that a new SSA was formed in the United

States during the 1980s and 90s. I would like here to review this argument briefly from the standpoint of the theoretical positions elaborated above. This review is meant to demonstrate (1) the manner in which the various institutions that make up the SSA are overdetermined by the other institutions with which they interact, as well as by exogenous circumstances (historical contingency), accounting for the structural integrity of the new SSA; (2) the role of class and nonclass struggles in the formation of the new SSA; and (3) the reasons for which the process of SSA formation is necessarily prolonged, and for which the new SSA can be expected to endure for a prolonged period of time, creating a new long wave upswing.

The elements of the new SSA are as follows:

- (1) The strengthening of capital relative to labor.
- (2) A change in financial institutions favorable to investment.
- (3) Deregulation.
- (4) Institutional changes in the nature of the corporation marked by restructuring, downsizing and reengineering, as well as by ongoing reforms in corporate governance.^{ix}
- (5) Smaller government.
- (6) An increase in international agreements to facilitate international trade and investment.
- (7) Capital markets favorable to small, entrepreneurial companies.

After briefly elaborating the nature of and evidence for each of these component elements of the new SSA, I will return to a discussion of the manner in which the new SSA illuminates the theoretical points at issue. First, however, the argument that a new SSA has indeed been formed must be defended in light of the economic weakness that followed the collapse of the U.S. stock market bubble in 2000 and the recession that took place in 2001.

Historically, business cycles in the U.S. have lasted about five and a half years, with SSA cycles roughly ten times that length. Business cycles continue to occur within SSAs, then, but they tend to be less frequent and milder than when they take place during periods of SSA

collapse. During the latter periods, economic crises are apt to be more severe and recessions may turn into depressions. During the 1990s, by contrast, the U.S. experienced its longest peacetime expansion in history. When recession finally did arrive in 2001, it remained relatively mild, with unemployment reaching a peak of only 5.7% of the labor force in 2001 (it did rise as high as 6.3% in 2003; Bureau of Labor Statistics website, www.bls.gov) despite a stock market collapse (beginning in March 2000) unequalled since the Great Depression. The strong institutional support an SSA provides the economy, then, does not disappear during periods of economic weakness, but serves to contain the duration and magnitude of that weakness.

The following review of the new SSA in the U.S. should help to clarify the very concept of an SSA as a set of institutions supporting accumulation, as well as to provide an empirical basis for elaborating the theoretical argument presented here. The discussion is keyed to the seven core elements identified above.

(1) *The strengthening of capital relative to labor.* A key element in the postwar SSA was the capital-labor accord, which represented a rough balance of power between the two sides. In the new SSA, capital has achieved a position of supremacy in the renewed struggles between the two sides. The very possibility of this outcome has been strongly influenced by two exogenous factors in particular: globalization and the information technology revolution.

Globalization weakens the bargaining power of labor by increasing the possibilities for outsourcing or moving production overseas. Moreover, by enhancing the importance of overseas markets, it makes firms less dependent on domestic demand, thus overcoming the macroeconomic contradiction that would otherwise be posed by sluggish growth in domestic real wages. At the same time, the ongoing revolution in information technology reduces the demand for low-skilled labor in production even while production of the capital equipment itself has limited labor requirements. Semiconductors, for example, are at the core of this technological revolution, and their production is divided between highly capital-intensive plants, some now costing over two billion dollars each, and labor-intensive final stages which are characteristically completed in low-labor-cost countries in Southeast Asia.

The story of labor's weakened position in the U.S., represented symbolically by President Reagan's firing of the air traffic controllers in 1981 and the collapse of the bitter Caterpillar strike in 1994-95, is amply supported by the evidence.^x Union membership in the private sector fell from 16.5% of the labor force in 1983 to 9.0% in 2000 (Bureau of the Census 1996, 436; 2001, 411), the number of workers involved in major strikes fell from an annual average of 1,145 thousand between 1975 and 1979 to 293 thousand between 1996 and 2000 (Bureau of the Census 2001, 410), real wages remained stagnant between the mid-1970s and the mid-1990s, and corporate profits as a share of national income rose from 7.5% in 1980 to 10.6% in 2000 and 11.2% in 2004 (Bureau of the Census 1996, 449; 2001, 422 & 501; Economic Report of the President 2006, 313), a phenomenon reflected in the extraordinary bull market in common stocks that occurred between 1982 and 2000. Even after the end of the bull market, in the first decade of the 21st century, profit rates for American corporations reached profit levels not seen since the 1960s (Economic Report of the President 2006, 313).

(2) *The change in financial institutions favorable to investment.* Under the two chairmen of the Federal Reserve Bank during the 1980s and 90s, the focus of Federal Reserve policy turned almost exclusively to controlling inflation, a response in large measure to the double-digit inflation that emerged at the end of the 1970s. Whereas previously interest rate policy had pursued dual goals, sustaining economic activity as well as limiting inflation, the new focus on inflation created a prolonged period of disinflation throughout the 1980s and 90s, bringing down interest rates in its wake. The federal funds rate (the key short-term rate controlled directly by the Fed) fell from an annual average of 11.21% between 1981 and 1985 to 5.46% between 1996 and 2000 (Bureau of the Census 1996, 520; 2001, 737). The lower interest rates contributed to the increase in corporate profitability, while the lower inflation they reflected--the consumer price index fell from an annual average increase of 8.9% in the 1976-80 period to 2.5% in the 1996-2000 period (Bureau of the Census 1996, 483-484; 2001, 453)--created an environment that encouraged investment by enhancing the predictability of investment outcomes.

While the formal structure of the Fed did not change, the change in its behavior is tantamount to the creation of a new institution. With business firms increasingly confident that the Fed would keep inflation under control, their ability to plan long term investments was greatly enhanced. Moreover, with the Fed having established its credentials as an inflation-fighter, long term interest rates have remained modest (the 10-year government note is at 4.6% at the time of this writing in September 2006), keeping corporate financing costs quite low. Early indications are that the 2006 appointment of Ben Bernanke to succeed Alan Greenspan as Fed Chair will result in continuation of the Fed's anti-inflation focus.

(3) *Deregulation.* Toward the end of the postwar period of prosperity, the public became increasingly conscious of the negative externalities of business activities. The increase in environmental concerns was perhaps preeminent, but other social movements from consumer protection to gender and racial equality all played a part in the increasing regulation imposed on business from the late 1960s. However worthy its objectives, regulation imposes additional costs on business, decreasing profitability and discouraging investment; as I have noted above (p. 13), small firms spent an average of \$5,784 per employee to comply with federal regulations in the early 1990s. The movement toward deregulation actually began in the late 1970s with the abolition of the Civil Aeronautics Board (which had set airline fares for interstate travel and limited competition), but it gathered speed during the Reagan era. Deregulation lowers business costs, but it is often also associated with an increase in investment opportunities, as well as with competitive pressures that drive increased investment. The changes in the telecommunications industry provide a ready example of the spur to investment that a move from regulated monopolies to competition can provide.^{xi}

(4) *Institutional changes in the nature of the corporation.* During the 1980s and 90s, increases in competition (both domestic and international) provided a severe challenge to corporate profitability and even survival. Under these circumstances, the movements toward corporate restructuring, reengineering and downsizing came to be regarded as imperative. Management theories that had favored the rise of conglomerates were discarded as companies

sought to focus on their core competencies, while the intensity of competition also forced companies to rethink in a fundamental way the manner in which they carried out their production activities. The result is that U.S. companies have become much more efficient and much more competitive in global markets, providing a spur to investment. This remained true despite the constraint on exports initially posed by the strong dollar (which has reversed course and generally been weakening since 2003) and the weakness in overseas economies during the early years of the twenty-first century; without the increased competitiveness, the impact on the U.S. economy would have been much greater.

Changes in corporate governance have also played a major role in the new SSA. Initially, the emphasis was on aligning management and shareholder interests, especially through the granting of extensive stock options to senior managers. The power to grant stock options was abused, however, and both boards of directors and outside auditors became too closely linked to senior management to protect the interests of shareholders. During 2002, in the aftermath of the stock market collapse, widespread improprieties in corporate behavior and governance came to light. The collapse of such leading firms as Enron and Worldcom were widely covered in the press and created strong pressure for corporate governance reform. The Sarbanes-Oxley Act of 2002 required corporate CEOs to personally assume responsibility for the accuracy of their companies' financial statements and a new oversight board was created within the SEC. Institutional investors took the lead in seeking corporate governance reform, including pressuring corporations to have a majority of their board members independent. With regard to the current SSA, the point of interest here is the relatively vigorous response that appeared in response to the weaknesses in corporate governance that were revealed. An SSA is more likely to remain healthy and endure when strengthened by vigorous responses to external changes or exposed institutional deficiencies.

(5) *Smaller government.* Government spending as a share of national income has not in fact changed significantly during the 1980s and 90s, although the federal share did decline in the 1990s, following the end of the Cold War. It is significant, however, that discretionary spending

has been slashed at the federal level, and that state and local governments have been under severe political pressure to restrain spending. Large tax cuts in 2002 promise to continue spending restraint at the federal level, and the stock market collapse and recession following 2000-2001 curtailed state and local revenues sharply, followed by severe cuts in state and local services. By checking increases in government spending, the prevailing sentiment for smaller government has contributed to a combination of tax reductions and smaller tax increases when increases are unavoidable. Low taxes cut business costs, encouraging investment. Since public investment is often complementary to private investment, however, whether in infrastructure or education, smaller government may well have contradictory long-run effects that ultimately undermine the current SSA.

(6) *An increase in international agreements to facilitate international trade and investment.* From broad, multilateral agreements like the World Trade Organization to regional agreements like NAFTA and APEC, the U.S. has participated in ongoing efforts to liberalize international trade and investment. Such agreements spur investment by opening up markets abroad, by encouraging foreign direct investment in the U.S., and by strengthening the position of capital relative to labor, which cannot press its demands for improved wages and benefits too strongly for fear of seeing production moved abroad or an increase in foreign outsourcing.

In constant 2000 dollars, real exports rose from \$323.5 billion in 1980 to \$1,120.3 billion in 2004, with real imports rising from \$310.9 billion to \$1,704.0 billion in the same interval; exports plus imports as a share of (real) gross domestic product rose from 12.3% to 26.0% in this period (Bureau of the Census 2005, 443). At the time of this writing (September 2006), however, the “Doha” round of negotiations in the WTO appears to have virtually collapsed. This is a reminder that even when a given SSA appears firmly in place, the various institutions that compose it are subject to ongoing social struggles and exogenous developments that may ultimately contribute to its collapse. Although the industrialized countries would be the main beneficiaries of a new trade-expanding agreement, powerful agricultural interests in both Europe and the United States have thus far refused to make sufficient concessions to make a deal

feasible. Once again a nonclass struggle—here between agricultural interests on the one side and industrial and service corporations, their employees and consumers (potential beneficiaries of lower agricultural and general import prices) on the other—is one of the numerous ongoing struggles that help determine the duration of each and every SSA.

(7) *Capital markets favorable to small, entrepreneurial companies.* The existence of a strong venture capital industry in the U.S. and the ease with which relatively new firms can “go public,” with their shares listed on the Nasdaq exchange, helps to create an institutional environment conducive to entrepreneurship and investment. U.S. companies have long enjoyed an advantage over their European and Japanese counterparts in this respect, but the revolutions in information technology and biotechnology in particular have imbued this advantage with a new significance. From 1992 through June 1996, 3,000 U.S. companies became public with initial offerings that raised more than \$150 billion, whereas from 1990 through June 1996 fewer than 150 European companies became public (*Wall Street Journal*, 9/20/96, p. A14). From the standpoint of SSA analysis, we may regard these technological revolutions as exogenous factors that serve to strengthen existing institutions and transform their role.

By the late 1990s, it was apparent that a new SSA had been formed in the U.S., with the strong rise in investment providing an important part of the evidence. Table 1 below shows the year-over-year increases in nonresidential fixed investment (in real terms) between 1992 and 2005.

Table 1: Percentage increases in nonresidential fixed investment, 1992-2005

<u>Year</u>	<u>Inv. increase</u>	<u>Year</u>	<u>Inv. increase</u>	<u>Year</u>	<u>Inv. increase</u>
1992	3.2%	1997	12.1%	2002	-9.2%
1993	8.7%	1998	11.1%	2003	1.3%
1994	9.2%	1999	9.2%	2004	9.4%
1995	10.5%	2000	8.7%	2005*	8.5%

1996 9.3% 2001 -4.2%

*preliminary

Source: *Economic Report of the President 2006*. Washington D.C.: U.S. Government Printing Office.

The fall-off in investment in 2001-2 reflects the recession of 2001. Aside from this cyclical decrease, these figures stand in marked contrast to the investment increases at the end of the 1980s, when the annual increase for 1987-89 (non-recession years) stood at -1.1%, 4.4% and 4.0% (Bureau of the Census 1996, 445).

This brief review of the new SSA in the United States can serve as the basis for further illustrating the theoretical assertions concerning the nature of SSAs that have been presented above.

SSA theory in the light of the newly-constructed SSA in the U.S.

I have argued above that the structural integrity of SSAs must be understood in terms of the concept of overdetermination, with each component institution overdetermined by its interaction with exogenous forces (historical contingency), the full range of social processes and the other institutions that compose the SSA. I have also argued that with class and nonclass struggles playing a key role in the formation, durability and ultimate collapse of each SSA, the entire cycle is necessarily played out over a prolonged period of time, enabling SSA theory to account for the long waves that have characterized capitalist economic growth. Analyzing the process of forming a new SSA in the U.S. during the 1980s and 90s can help to demonstrate the validity of these assertions.

With the collapse of the capital-labor accord that marked the first SSA, a collapse related to sharply higher competitive pressures faced by American business in the 1970s and 80s, American workers found their real wages stagnant for some two decades into the mid-90s (as

noted above). Under "ordinary" circumstances, the failure of real wages to grow can lead to a crisis of underconsumption, for even though profits in production are high, it is difficult for firms to sustain real sales growth. Increasing globalization, however, tended to remove this macroeconomic constraint, since the growth of markets abroad could substitute for the sluggishness of domestic demand. At the same time, the growing awareness of labor that production could be outsourced or moved abroad to lower-wage countries forced it to mute its wage demands. These trends were further reinforced over time by the continuing growth in competition associated with globalization and technological change.

Chrysler was saved from bankruptcy only by a government bail-out at the start of the 1980s, while IBM, the premier growth company of the postwar era, was able to survive only through a drastic downsizing a decade later. Throughout corporate America, competitiveness and even survival required corporate restructuring and thoroughgoing reconsideration of the manner in which production and ancillary activities were carried out. This brought about a change in the nature of the corporation and in the expectations of employees. The increased strength of capital vis-a-vis labor, then, was tied to (overdetermined by) globalization, the change in the nature of the corporation, the increased competition associated with deregulation, technological change, and a host of other social processes and institutions.

The changed behavior of the Fed to focus almost exclusively on constraining inflation grew out of the stagflation experience of the 1970s and the double-digit inflation that emerged at the end of the decade. In one sense, then, it can be seen as a response to the collapse of the previous SSA and the long-wave downturn that ensued. The disinflationary policies of the 1980s and 90s, however, can also be tied to contemporary developments. Ongoing globalization and the rise in competition associated with it required a policy change that could enhance the competitiveness of American firms if more severe crises were to be avoided. At the same time, these same forces diminished inflationary pressures, making it possible for the Fed to maintain its anti-inflationary stance even while lowering interest rates gradually over time. Disinflation,

with a concomitant, if lagged, decline in interest rates, helped to reduce business costs and enhance competitiveness.

I have already indicated that deregulation is tied to the issues of competitiveness and globalization. I have used the word "tied" intentionally, since causality moves in both directions. Deregulation increases competitiveness, for example, while the competitive environment increases the pressures for deregulation. Deregulation is also tied to the enhanced strength of capital vis-a-vis labor. One consequence of regulation in the past, for example, was to limit price and nonprice competition in fields like transportation, telecommunications and electric utilities. If firms were not strong enough to enhance their profitability by restructuring and dismissing unneeded workers, deregulation could well have been disastrous for the entrenched firms in these fields.^{xii} Deregulation opened up many more new opportunities for profitable investment than would have been possible if labor were strong enough to protect jobs and increase real wages.

Both deregulation and the change in Fed behavior were also influenced by the change in the intellectual climate that accompanied the stagflation of the 1970s. This change in climate can be thought of as yet another exogenous factor that overdetermined these institutional changes. During the 1960s and 1970s, Keynesian influence was widespread in public policy. Keynesian theory, however, with its focus on aggregate demand, cannot provide a satisfactory explanation of stagflation. In the 1980s, supply-side economics came to exert a strong influence on public policy. For all its shortcomings--supply-side economics underlay the substantial budget deficits of the 1980s by assuming that tax cuts would generate a much larger increase in aggregate supply than in fact they did--supply-side economics contributed to the intellectual environment within which deregulation and disinflationary monetary policy could flourish. The prevailing opinion shifted from the "golden age" view that emphasized the role of government in sustaining aggregate demand to one that emphasized creating favorable conditions for an increase in aggregate supply to emerge in the private sector. Just as Keynesian ideology underpinned America's postwar SSA, supply-side ideology plays a comparable role in helping to sustain the current SSA.

Deregulation and a mandate for disinflationary monetary policy were not the only consequences of the shift in intellectual climate. The commitment to smaller government was of course also associated with it. The higher taxes associated with a more forceful role for government spending in sustaining aggregate demand could now be challenged as inimical to supply-side doctrine. This provided intellectual support for the populist movement against taxes and government expenditures, a movement that emerged out of the stagflation of the 1970s. The 1980s' tax cuts that ensued favored those with high incomes and capital in particular relative to labor, which saw payroll taxes rise and payroll tax exemptions maintained for incomes above moderate levels; the growing strength of capital vis-a-vis labor was clearly reflected in this outcome.

The changes in the nature of the corporation were also tied to the growing power of capital. I have already noted how this facilitated the corporate movement toward restructuring and downsizing. Another dimension to this process is reflected in the contribution of the financial markets. Falling interest rates facilitated the growth in leveraged buy-outs. These buy-outs typically led to financial windfalls for the acquiring firms or individuals, often at the expense of their workers as jobs were slashed to free-up resources to service debt; that is, capital benefited at the expense of labor. In an especially great irony, "overfunded" corporate pension plans of the acquired firms were often raided to pay down debt and increase the profits of the acquiring capitalists.

The increase in agreements to facilitate international trade and investment reflected the shift in the sources of enterprise profit growth from U.S. hegemony and muted competition that characterized the postwar SSA to realizing the profit potentialities afforded by growing overseas markets and the international outsourcing of production inputs, the latter of which, not incidentally, weakened the bargaining power of labor. Deregulation, falling interest rates and corporate restructuring all played a part in enabling U.S. firms to increase their competitiveness and realize the advantages of a more liberal international order.

Capital markets favorable to small, entrepreneurial companies already existed prior to the new SSA, but came to assume a special significance as the focus of technological change shifted to information technology and biotechnology. Since new firms in these fields especially depend on research and development before they have products ready to market, the existence of a large network of venture capital firms and the possibilities for initial public offerings on the Nasdaq market give them a competitive advantage relative to comparable firms in the other industrialized countries.

The nature of technological change is most closely tied to this component of the new SSA. Although technological change is treated here essentially as an exogenous factor, this is admittedly a simplification, for technological change is also tied to the other institutional factors noted, influenced by them and influencing them in its turn. The historic bull market in common stocks that took place between 1982 and 2000 reflected the improving profit prospects of U.S. firms, which in turn was tied to the growing strength of capital vis-a-vis labor. The increase in stock market valuations increased the availability of venture-capital funds and facilitated initial public offerings, helping to finance research and development--and the introduction of new technologies. The increase in stock market valuations reflected falling interest rates, a consequence of Fed behavior, as well as rising profit rates. Globalization and the increase in international agreements increased the market potential of new firms both directly and indirectly--indirectly because larger firms found themselves under pressure to enhance their competitiveness with computer-related and other technology that is often provided by newer firms. The reengineering process, which often involves firms focusing on their core competencies and outsourcing a growing share of their needs for intermediate goods and services, also tended to open market possibilities for smaller, entrepreneurial firms. In sum, the various components of the new SSA interacted in mutually supportive fashion.

Conclusion

My main objective here has been to address several key theoretical questions concerning the nature of social structures of accumulation. Since these questions cannot be addressed solely in the abstract, I have used extensive examples from the postwar SSAs in the U.S. and Japan, and from the new SSA that was formed in the U.S. during the 1980s and 90s. In concluding, I would like to reexamine briefly the theoretical questions in the light of these examples.

The first question posed concerns the manner in which we can account for the structural integrity of SSAs. Answers presented in the literature include the hypothesis that SSAs start with a core set of institutions which then shape subsequent institutional development, and one that asserts that each SSA is based on a key institution or event that gives the fully-elaborated SSA its character and structure. I have suggested that both of these positions are unsatisfactory, and that the concept of overdetermination provides a more satisfactory rationale for the structural integrity of SSAs.

That is to say, each institution that composes a given SSA is overdetermined by the other institutional components of the SSA in question, and in turn contributes to overdetermining them. The discussion of America's new SSA in particular should help to clarify the nature of these interactions. The process of overdetermination, however, is not limited to the impact of other institutions. Exogenous developments--I have emphasized here the role of globalization and technological change--also play a role in the process of overdetermination, as do the full range of social processes and struggles that characterize any given social formation. An SSA derives its structural integrity from this process of overdetermination.

A given SSA is simply a particular institutional structure--a constellation of institutions, as it were--that favors investment. Since each component institution is overdetermined, it will be influenced by all the forces contributing to this overdetermination, as well as by any internal contradictions that it engenders. Thus, for example, U.S. hegemony and muted competition were key elements of the postwar SSA, but the worldwide recovery to which they contributed made them unsustainable, a clear example of an internal contradiction contributing to the collapse of

an SSA. SSA collapse, however, is also the product of exogenous developments, the outcome of social processes and struggles, both class and nonclass, and changes in other institutions.

Thus, for example, the Vietnam War and the rise of OPEC can be thought of as basically exogenous events that contributed to undermining the postwar SSA, in large measure by helping to usher in the era of stagflation in the 1970s.^{xiii} In addition, after 1963, the 1960s witnessed a rise in social struggles, first over civil rights and then over the Vietnam War. Social struggles increased in a variety of arenas, reflected in the environmental movement (as the negative environmental consequences of the postwar expansion became increasingly manifest, another example of an internal contradiction undermining an SSA) and in the workplace, as workers sought to maintain the growth in real wages to which they had become accustomed while firms, seeing their profits threatened by the stagflationary environment, became more resistant to labor's demands.

The capital-citizen accord collapsed as environmental and other regulations became increasingly common. As one consequence of this, for example, nuclear power plant construction projects were delayed interminably and often cancelled, damaging utilities directly and raising energy costs for user firms at the very time that rising fossil fuel costs were having the same effect. Faced with rising costs and increased competition, firms found themselves unable or unwilling to sustain their commitments to the capital-labor accord. Thus the collapse of the entire structure that constituted the postwar SSA can be tied to the overdetermining influences of internal contradictions, changes in other institutions, the impact of class and nonclass struggles, and changes in exogenous conditions (historical contingency).

The long periods required to establish new SSAs and the long duration of SSAs once established can readily be understood in this context. By their very nature, new institutions--that is, new habits, customs and expectations--cannot be established overnight. They emerge through a process of class and nonclass struggles, and are overdetermined by changes in other institutions, social processes and exogenous events. Those who do not consider themselves beneficiaries of the new institutions carry out ongoing struggles to stall, divert and transform

them. Consider, for example the domination of capital over labor that marks the new SSA, which stands in sharp contrast to the capital-labor accord of the postwar SSA.

Key moments in the progressive weakening of labor, as noted above, were marked by President Reagan's firing of the air traffic controllers in 1981 and the collapse of the Caterpillar strike in 1994-95, when replacement workers were brought in. The key issue for the United Automobile Workers (UAW) in the Caterpillar strike was "pattern bargaining": the union had reached a settlement with John Deere and Co., which also makes farm and construction equipment, and felt that Caterpillar should adhere to the same general terms. Caterpillar, however, focuses on construction equipment, and considered Komatsu of Japan to be its chief rival. Caterpillar's corporate strategy was to use the U.S. as its main production base for sales on the world market. Caterpillar felt that giving in to union demands would make it uncompetitive on world markets.

Between the failure of these two key strikes, the proportion of private-sector workers who are union members fell sharply, while the steep reduction in the number of labor-days lost to strikes reflected the changed expectations and reduced militancy of unionized workers. As the Caterpillar strike itself shows, however, the ascendancy of capital was achieved only in the context of ongoing struggles, with labor often attaining partial victories. Thus, for example, General Motors had far higher production costs per vehicle than Ford and Chrysler during much of the 1980s and 90s, reducing its competitiveness, but the UAW was able to prevent it from reducing employment and increasing outsourcing as rapidly as it wished. In the late 1990s, moreover, the unions remained strong enough to bring political pressure to bear to frustrate the Clinton administration's attempts to gain "fast track" authority to negotiate new trade agreements.

During the 1980s and 90s, the declining power of unions was intensified by the increased globalization process, which strengthened the restructuring resolve of companies threatened with foreign competition and determined to take advantage of the new market opportunities opening up abroad. At the same time, the disinflationary commitment of the Fed led to very high interest

rates in the early 1980s, which drove the value of the dollar up sharply to its peak in 1985, further reducing the competitiveness of U.S. firms--many of which found their very survival in question--and strengthening their determination to reduce labor costs. Also during this period, ongoing technological change was reducing the labor requirements per unit of output in the traditional high-wage industries, so that by the mid-1990s there were as many people employed in the (nonunionized) chicken processing industry (about 220,000 workers) as in the (heavily unionized) steel industry (*Wall Street Journal*, 12/1/94: A1). It was in this context that the class struggles between capital and labor were carried out; naturally the process of forming a new SSA requires an extended period of time.

In Japan, both class and nonclass struggles continue to impede the formation of a new SSA (although reforms since 2003 especially may mark the beginning of the formation of a new SSA). The slow progress of reform in Japan comes despite the widespread acknowledgment of the need for change. The beneficiaries of the previous SSA are characteristically hostile to changes that would undermine their status, security or income. The bureaucracy, for example, strongly resists any reduction in its authority, and is supported by many politicians who themselves have emerged from the bureaucracy. The bureaucracy is also supported by the many firms that fear--often with good reason--the advent of a more competitive market economy. In the labor market too, reforms face the opposition of vested interests. The older members of the labor force are the current beneficiaries of Japan's "lifetime" employment and seniority systems. It is quite natural for them to resist efforts to make the labor market more flexible. Over time, however, as many older workers retire, the overstaffing and mismatch of job skills that characterized the Japanese economy in the 1990s has diminished, making modest labor market reforms more feasible.

In the financial realm, the legacy of the collapse of Japan's postwar SSA was a greatly weakened banking and financial system which could be restored to health only at great cost, and the question of who would bear this cost--the taxpayers, the enterprises themselves or members of their *keiretsu* business groups—required a lengthy period to sort out. In addition,

consolidation of the financial services industry is difficult to accomplish and is still under way. Thus the intense struggles to create a new institutional structure continue to require a prolonged period of time before they can be resolved.

Once a new SSA is established, it tends to endure because many beneficiaries are created in a period of prolonged prosperity, and because habits and customs tend by their very nature to be enduring. The system of "lifetime employment" in Japan, for example, emerged early in the twentieth century when the larger firms sought to reduce the costs imposed by the rapid turnover of skilled workers. By reducing training and recruitment costs, and by increasing the commitment of employees to their firms, the system proved beneficial to both capital and labor for an extended period. By the 1990s, however, many firms were finding their flexibility hindered by the lifetime employment system and the seniority-based promotion system that had grown up to accompany it. The problems were intensified by the fact that while there were many young, newly-hired and lowly-paid workers in the period of rapid growth from 1955 to 1970, by the 1990s the aging structure of the labor force tended to raise labor costs disproportionately. Nevertheless, "lifetime employment" was viewed as a commitment by both capital and labor--and indeed by society as a whole--and thus firms did not feel themselves free to change their behavior at will.

To choose a very different example of the tendency of institutions to persist, and thus of SSAs once formed to endure, one could consider the example of (U.S.) capital markets favorable to small, entrepreneurial firms. A large part of venture capital is provided by people who have themselves been successful with start-up firms and then sold out. The success of many new firms--in information technology especially, but also in other industries--increased the readiness of investors to provide capital, either at the venture capital stage or when stocks became publicly traded; that is, success tends to breed success. This process, of course, reached an excess as the stock market bubble peaked at the turn of the century. The market's collapse, however, did not in itself indicate the collapse of the new SSA, nor did it indicate that the U.S. economy was destined to repeat the experience of the Great Depression or that of Japan following its market

collapse. At the time of this writing (September 2006) this seems highly unlikely, since the other elements of the new SSA are, by and large, still functioning effectively and since reform in areas like corporate governance remains vigorous.

The endurance of the new SSA in the U.S. is also promoted by the ability of the institutions that characterize it to generate supportive changes in other institutions. Thus under the new SSA, the demand for and wages of people with selected skills tend to increase. Educational programs and practices (e.g., computers in elementary school classrooms) tend to change accordingly, as do career expectations. Another example of a "successful" institution creating its own constituency can be found in the changed behavior of the Fed. The disinflationary policies followed by the Fed ultimately contributed to bringing down interest rates, benefiting corporations, homeowners and others. When a new Chairman or even Board members are proposed for the Fed, they are now unable to gain Senate approval unless they are considered to have strong anti-inflationary credentials. Through interactions like these, we can readily see how successful SSAs can be self-perpetuating, generating long-wave upswings in capitalist economies that may well last for decades.

The understanding of SSAs provided here is thus anti-essentialist. Each SSA--and the institutions that constitute it--is overdetermined by the broad array of extant institutions, social processes and struggles, and exogenous forces/historical contingency. SSAs tend to endure for prolonged periods of time because they tend to generate favorable changes in related institutions, because success tends to generate supporting constituencies, and because institutions are by their very nature slow to change. Ultimately, however, all SSAs do collapse, as internal contradictions emerge and as the social forces and institutions that overdetermine them change. When collapse occurs, a prolonged period of struggles, both class and nonclass, is required before a new SSA can be constituted. The long waves of expansion and stagnation that capitalist economies experience can thus be understood as an expression of SSA formation and collapse, with each SSA constituting a distinct phase in capitalist development.

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ⁱ Several efforts have been made to treat SSAs as global phenomena, parallel to treatments of the capitalist world economy (CWE). Although the CWE is quite useful for certain purposes, focusing as it does on the linkages among economic activities that are geographically disparate, the core conception of an SSA does not permit such treatment. Since institutions vary widely among capitalist countries—the “lifetime” employment system in Japan, for example, contrasts markedly with the easy dismissal of employees in the United States—it is not meaningful to speak of a global or international SSA.

ⁱⁱ A more complete account of this third SSA appears in my essay, “The Reconstruction of a Social Structure of Accumulation in the United States,” *Review of Radical political Economy*, vol. 29, no. 3, 1997, pp. 11-21. Reprinted in Bob Jessop, ed., *Regulation Theory and the Crisis of Capitalism*, vol. 4, Cheltenham, UK: Edward Elgar, 2001.

ⁱⁱⁱ Another example of an institution supporting an SSA during one period but proving an obstacle to SSA formation in another is provided by various business groups in East Asia. The *chaebol* in South Korea and the *keiretsu* in Japan supported their postwar SSAs in numerous ways. The *chaebol*, for example, given their support by the military regimes, made possible a high degree of leverage and thus the rapid expansion of investment. When South Korea democratized, however, and the relations between business and government changed, high levels of *chaebol* debt exposed the entire economy to severe financial risk, a risk that materialized in the Asian financial crisis of 1997.

^{iv} Statement by Charles Wilson, former President of General Motors, during his confirmation hearings as Secretary of Defense under President Eisenhower.

^v While Keynesian ideology took the leading role in supporting the various elements that made up the postwar SSA, every SSA tends to generate its own economic and social ideology, an ideology that interacts with those elements in a way that supports them and contributes to their evolution.

^{vi} A more complete account of these struggles appears in my essay “Class struggles and the reinvention of American capitalism in the second half of the twentieth century,” *Review of Radical Political Economics*, vol. 36, no. 3 (Summer 2004), pp. 336-343..

^{vii} For a discussion of the rise of regulation from 1969, see my book, *Capitalism* (London: Routledge, 2005), pp. 57-59.

^{viii} “Many California farmers still pay the government \$2 to \$20 per acre-foot for water, which represents as little as 10 percent of the full cost of the water, although some farmers are paying more as contracts are revised (e.g., \$35 per acre-foot). For new projects built or proposed by the Bureau of Reclamation, water costs are between \$250 and \$500 per acre-foot” (National Resources Defense Council 2004, 5). In southern California, water costs are higher than in other parts of the state, and those in San Diego are among the highest in southern California.

^{ix} Corporate governance was not included in the initial article. I am indebted to Michael Reich for his essay pointing to its significance, “Social Structure of Accumulation theory: Retrospect and Prospect,” *Review of Radical Political Economics*, vol. 29, no. 3 (Summer 1997), pp. 1-10. Since his article appeared, issues of corporate governance have been at the forefront of business news, especially since the collapse of Enron and WorldCom at the start of the 21st century.

^x See my essay cited in note vi.

^{xi} The reconfiguration of the U.S. telecommunications industry was facilitated in the quarter century following 1981 (the break-up of the old AT&T), by falling and then low interest rates, and by the weakness of labor relative to capital that facilitated employee layoffs.

^{xii} An instructive counter-example is provided by the privatization of France Telecom, France’s leading telecommunications provider. Since the firm was initially fully owned by the state, some two-thirds of its workers have jobs guaranteed for life. As new technologies make an increasing proportion of such jobs unnecessary, the company’s bloated cost structure makes it difficult to protect itself against domestic competition or to expand as it would like into other parts of Europe. The company has approached its problem in an innovative fashion, helping employees who wish to do so to start their own businesses (but it will take them back if they fail within the first three years). Although the program has been a success to date with about one thousand employees helped to switch careers, and other major French companies have similar plans, the proportion of workers involved remains quite small (*Wall Street Journal*, 8/14/06:A1) and overstaffing continues to leave the firm at a competitive disadvantage. With a considerably more flexible labor market, firms in the United States are much better situated to take advantage of deregulation by restructuring their operations.

^{xiii} In the last analysis, nothing is *completely* exogenous. Both the Vietnam War and the rise of OPEC, for example, were tied to American foreign policy. Treating these events as essentially exogenous, therefore, is simply a device for making the analysis more manageable.