

IIPPE Training Workshop

Periodisation of Capitalism

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9 November 2016

Introduction

- Periodisation is common
 - a summary of conquest and incorporation
 - Roman Britain, Norman England
 - after a ruling family
 - the Plantaganets, the Tudors, Georgian England, the Victorian age
 - after a technology
 - the Railway age
 - a description of dates
 - the inter-War years
 - a description of modes of production
 - slave, feudal, capitalist
 - a summary of an era of capitalism
 - the golden age, the neoliberal era

Structure of Knowledge

- Basic elements: **abstractions** or **determinations**
 - ways of talking about aspects of reality abstracting from whole complex of factors that make up a concrete instance
 - to understand historical specificity of CMP, these abstractions are value, labour, money, commodity
 - cf neoclassical economics: to understand resource allocation in any society, focus on preferences, technology, endowments, the market
 - abstractions are **layered** or **ordered**:
 - concrete to abstract (to formulate the theory)
 - abstract to concrete (to expound and develop the theory)
 - starting points important in establishing meaning
- Abstractions constituting a theory define each other
 - cannot understand them outside the system comprising all of them
 - set of ideas concerning value comprise a self-determined system
 - all theories have this self-determined character

Explanation and Prediction

- Basic activity of science lies in explaining phenomena
- What is a good explanation of something?
 - use the ordered set of determinations constituting the theory to understand the phenomenon, so that
 - the phenomenon is reproduced by the way in which the determinations of the theory interact
 - the fundamental determinations continue to operate
- In this sense, reality is determined, explained *ex post* by theory
- Does not mean future is predetermined
 - after event has happened, all of its determinations have occurred
 - given the causes of the phenomenon, event is ‘necessary’ or ‘inevitable’
 - but in the future we have no way of knowing all determinations that will be active, even if we believe we know some of them

What Did Marx Mean? Hegelian Tradition

- In Hegelian tradition, what happens has special status
 - observation of real cases \Rightarrow awareness of contingent possibilities
 - subsequent theoretical analysis \Rightarrow understanding of full determinations of these real cases
 - in that sense, what is ‘possible’ is developed into something that is ‘necessary’
- Does not mean we can deduce pattern of capital accumulation from axioms
- Rather means we can rationally explain patterns of capital accumulation within the framework of the theory

Historical Materialism I

- Most general formulation:
 - take any historically given set of circumstances
 - against this background, human activity takes place
 - this activity
 - is purposive (undertaken with some end in mind)
 - occurs in combination with others (whether cooperatively or coercively)
 - is productive (produces something, whether material or immaterial)
 - this activity thereby alters the environment in which it occurs
 - this alters the producers themselves
- How people combine with others called **relations of production**
 - determined by prevailing pattern of **property relations**
 - are **class relations**
- Production possibilities called **forces of production**
 - determined by prevailing patterns of knowledge, structured by science and its applications through innovation to technology

Historical Materialism II

- Any particular combination of relations and forces of production called a **mode of production**
 - mutual co-existence/determination
 - what forces of production are possible is determined by prevailing relations of production
 - what relations of production exist is determined by forces of production
- Dynamics
 - forces of production developed under prevailing relations of production
 - being property relations, relations of production are conservative and slow to change
 - forces of production less static and have potential for rapid development
- Determination through ‘contradiction’
 - when dynamic forces of production are systemically constrained by static relations of production, strains develop
 - unless resolved somehow, these strains worsen until there is a **revolution** which transforms property relations so that
 - they are more appropriate to prevailing forces of production
 - forces of production can be developed further

Historical Materialism III

- Legal and political forms, and forms of social consciousness all determined by patterns of forces and relations of production
- Modes of production generally called after prevailing relations of production, **patterns of ownership defining classes**
 - slave mode of production
 - private property in people (and nonlabour means of production)
 - feudal mode of production
 - private property in land (and nonlabour means of production, but not people)
 - capitalist mode of production
 - private property in nonlabour means of production (and land, but not people)
 - communist mode of production
 - no private property in means of production (ie held communally)
 - ‘socialised’ mode of production
- Each mode of production characterised by different form of appropriation of surplus product

Historical Materialism IV

- Is this sequence
 - inevitable?
 - Marxism ambivalent, with some recourse to Luxemburg's 'socialism or barbarism'?
 - Eurocentric?
 - Asiatic mode of production an outlier
 - absence of private ownership of land
 - autarkic village communities
 - despotic centralized state in charge of public works, especially irrigation
 - state extracts, via coercion, an economic surplus produced by local communities in the form of tributes and collective work
- General idea
 - sequence of growing social control via accelerating development of forces of production
 - given the theoretical structure, hard to see how it could reverse

What Do We Want To Periodise?

- Marxism periodises history into sequence of modes of production
- Do laws of tendency work as
 - as continuous trends? (forces of production?)
 - through discrete stages? (sequence of relations of production?)
- Capitalist mode of production
 - abstract concept
 - 2 classes: capitalists and workers
 - dynamic: accumulation of value expressed in necessary laws of tendency
 - possible problems
 - what of other classes? (petty-bourgeois; peasantry)
 - do pre-capitalist modes co-exist with CMP?
 - from abstract to concrete
 - from mode of production to social formation or more simply society?
 - construction of geographical space?

Principles of Periodisation I

- Can capitalist mode of production be periodised into stages?
- If so,
 - what are characteristics of each stage?
 - what types of change are involved in transition from one stage to another?
 - how do these types of change differ from those that transform one mode of production into another?
- Modes of production differ only in the form in which the surplus is pumped out of the direct producers
 - precapitalist modes of production: no separation of spheres of social life (economic outside home, economic inside home, political, social, etc)
 - exploitation direct and coercive
 - capitalist mode of production: separation of spheres
 - exploitation is economic, existing as a class relation even if every individual receives the full value of the commodity they sell

Principles of Periodisation II

- By analogy with sequence of modes of production, periodising within capitalist mode of production based on changing forms
 - capitalist forces of production
 - even though developed under capitalist relations, forces of production are increasingly socialised
 - increasingly properties of social/collective rather than individual activity
 - capitalist relations of production
 - how can private property relations maintain control over social activity?
 - only by continually reasserting rules of private property over activities that are intrinsically increasingly social
- So how and why are capitalist forces of production developed in particular directions?
- And how and why do they shape the forms which capitalist relations take?

Character of Capitalist Production

- Capitalism is a **technically progressive** mode of production
 - theme occurs throughout all of Marx's writings on CMP
 - earlier class societies did not have systematic technical change
 - only capitalism constantly revolutionises its methods of production
- Understanding how capitalism works:
 - **exploitation**: source of surplus value is exploitation of workers
 - **reproduction**: circuit of capital as mode of reproduction
 - **expansion (accumulation)**: effects of technical progress
 - technical progress alters parameters that determine
 - exploitation and circuit of capital
 - rate of surplus value
 - composition of capital outlays
 - rate of capitalisation of surplus value
 - turnover times of the various phases of the circuit of capital

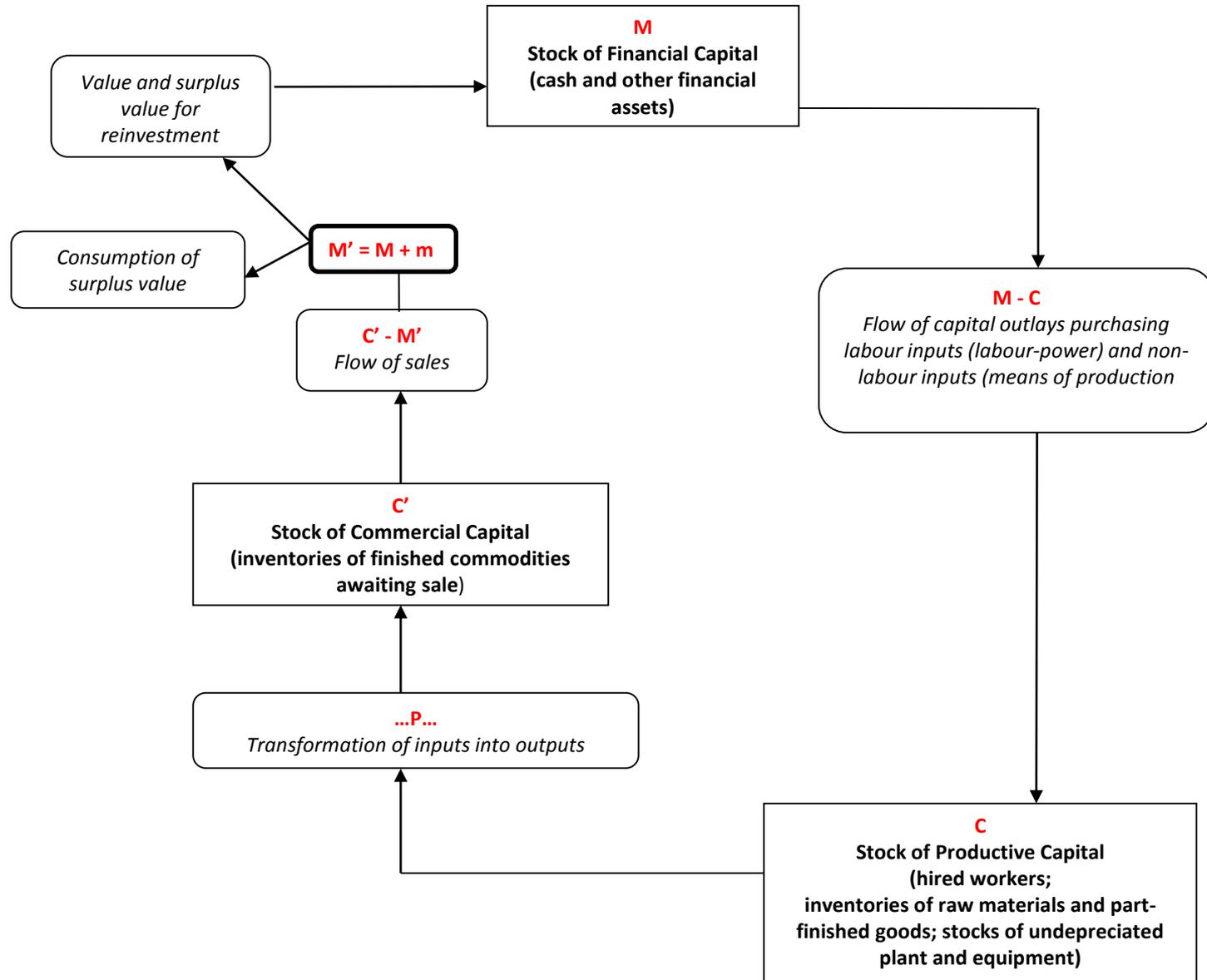
Basic Structure of Marx's Theory

- Consider societies in which production is organised through exchange: commodity production
- Special laws (ie fundamental determinations) arise in such societies, pertaining to dual nature of exchanged products (commodities)
 - use-value (any society has useful products)
 - value: exchangeable with other commodities (unique to commodity production)
 - value is created by labour
 - appears in the form of money (which is value separated from any particular commodity)
- LTV: source of value added (of net output) is labour expended (in producing it)

Origin of Profit

- $M - C - M'$: money that makes more money: **capital**
- $M - C\{lp, mp\} \dots P \dots C' - M' = M + \Delta M$ **circuit of capital**
 - capitalist production as we observe it
 - M and M' are identical use-values
 - M and M' are different values: $\Delta M =$ **surplus-value**
 - process recreates its initial conditions, hence repeats indefinitely
 - **conservation of value in exchange** \Rightarrow **change in value occurs in P**
 \Rightarrow there is some commodity that has the power of creating value as it is used up, and **more** value than it itself possesses
 - this value-creating commodity is **the capacity of workers to do useful work**; ie **labour-power**
 - capitalist purchases labour-power at its value for a wage
 - on an individual level, no injustice, no cheating, no fraud: worker is paid full value for the commodity she sells
 - but worker has no claim to any part of product or value of product, because that belongs to the capitalist

Circuit of Capital



Marx's Exposition

- In *Capital* I, ch. 1, Marx outlines a labour theory of value

p_i = unit price of commodity i

λ_i = unit value of commodity i

λ_m = unit value of unit of money

Then

$$p_i = \lambda_i \frac{1}{\lambda_m}$$

- Interpretation

- this cannot be true for individual commodities (because of different compositions of capital in their production)
- so must not interpret it literally as true for each and every commodity (linen, cloth etc.)
- rather expresses how system as a whole works
 - so **we must interpret it as an aggregate or macroeconomic relation**

Conservation of Value

- Fundamental determinations show themselves in aggregate or average behaviour of system
 - often appear as **conservation principles** applying to whole system
- **Marx's LTV: in whole system value is**
 - **produced by labour**
 - **conserved in exchange**
- \Rightarrow factors governing production of value are not the same as those governing its distribution
 - capitalist competition (tendentially) equalises rate of profit
 - this can only happen through transfers of value in exchange
 - hence **for individual commodity, unequal exchange is the norm**
 - conservation of value added in the aggregate ensures all unequal exchanges sum to zero

Aggregate Value Added I

- LTV applies to aggregate production of commodities (or the average commodity), and not to each particular commodity
 - net output evaluated in terms of money (£) is $\mathbf{p}\mathbf{y}$,
 - net output evaluated in terms of time (SNLT) is $\lambda\mathbf{y}$
 - value of net output is determined by total hours worked to produce \mathbf{y}
 - hence $\lambda\mathbf{y}$ is denominated in hours (of SNLT) = H

$$\mathbf{x} = \mathbf{A}\mathbf{x} + \mathbf{y} \Rightarrow \lambda\mathbf{x} = \lambda\mathbf{A}\mathbf{x} + \lambda\mathbf{y}$$

$$\lambda = \lambda\mathbf{A} + \mathbf{I} \Rightarrow \lambda\mathbf{x} = \lambda\mathbf{A}\mathbf{x} + \mathbf{I}\mathbf{x}$$

$$\therefore \lambda\mathbf{y} = \mathbf{I}\mathbf{x} = H$$

- Conservation principle: $\mathbf{p}\mathbf{y}$ and H are equivalent expressions
 - because they are the same, we can equate them
 - but since one is in £ and the other is in hours, we need something that converts hours into money (the ‘value of money’ or its inverse, the ‘melt’)

Aggregate Value Added II

- So apply Marx's formula to total net product (or value added) \mathbf{y}
 - price is \mathbf{py}
 - value added is $\lambda\mathbf{y} = H$

$$\begin{aligned}\mathbf{py} &= \frac{\lambda\mathbf{y}}{\lambda_m} \\ &= \frac{H}{\lambda_m} = H \left(\frac{1}{\lambda_m} \right) = H * melt\end{aligned}$$

- value of money λ_m is in hours per £
 - its inverse, the *melt* is £ per hour
- In the aggregate actual losses and gains of value in exchange must sum to zero (all losses are exactly matched by gains)

Two Questions

- USA 2010:

$\mathbf{py} = \$9,876.4$ billions

$H = 99,329$ million hours

$$\mathbf{py} = \lambda \mathbf{y} \frac{1}{\lambda_m} = H \frac{1}{\lambda_m} = H * melt$$

$$(9,876.4) * 1000 = 99,329 \frac{1}{\lambda_m}$$

- How much value in \$ does 1 hour of labour-time create?

- ie: what is the “**monetary equivalent of labour-time**” (*melt*)?

$$melt = \frac{\mathbf{py}}{\lambda \mathbf{y}} = \frac{\mathbf{py}}{H} = \frac{(9,876.4) * 1,000}{99,329} \approx \$99.4 \text{ per hour}$$

- How much labour-time does \$1 represent?

- ie: what is the “**value of money**”?

$$\lambda_m = \frac{\lambda \mathbf{y}}{\mathbf{py}} = \frac{H}{\mathbf{py}} = \frac{99,329}{(9,876.4) * 1,000} \approx 0.0101 \text{ hours per } \$ = 32.6 \text{ seconds per } \$$$

Labour-Power I

- A peculiar commodity
 - an aspect of human beings
 - not produced in a capitalist-organised production process
 - reproduced outside of capitalist relations
 - so considerations of unequal exchange (forced by competitive equalisation of rate of profit) do not apply
 - so basic formula applies: **price = value ÷ value of money**

$$w \text{ (per hour)} = \frac{vlp \text{ (per hour of labour hired)}}{\lambda_m}$$

$$vlp = w\lambda_m$$

- USA 2010

$$w = \$25.06; \text{ so } vlp = (25.06) * (0.0101) \approx 0.25$$

so for each hour of work, worker gets 0.25 of what is produced, and capitalist gets 0.75

Labour-Power II

- USA 2010: for each \$ of new value produced, worker gets 25 cents and capitalist 75 cents. Can be put a different way:

$$vlp = w\lambda_m, \text{ and since } \lambda_m = \frac{H}{\mathbf{py}}$$

$$vlp = \frac{wH}{\mathbf{py}} = \frac{W}{Y}$$

- So **vlp** measures
 - (productive labour) wage share of net output (0.25, NB not 0.71)
 - proportion of total money value added that (productive) working class receives in exchange for 1 hour of collective labour-power
- Net output that is not wages is profit, produced by working class but accruing to capitalist class; hence called **surplus-value**
 - proportion of net value that working class does **not** receive is due to **exploitation**

The 'working day' I

- Metaphor: whole of social labour time = 'working day' =
 - no. of hours of social labour expended in production
 - total value added in time
 - total value added in terms of money (conservation principle)
- vlp represents less than 1 hour of social labour time equivalent, received by workers, per hour of labour expended
- So vlp divides working day
 - as time (H) into paid and unpaid labour
 - as £ (value added) into wages and profit

Capitalist labour time

Paid labour time	Unpaid labour time	Working day
Wages (variable capital)	Profits (surplus value)	Value added
Necessary labour	Surplus labour	Reproduction

vlp

The 'working day' II

- Commodity relations are not in fact the only processes in the reproduction of capitalist society
- Important part of social reproduction lies outside capitalist relations of production
 - developed societies:
 - household production and domestic labour
 - social consumption
 - less developed societies: traditional peasant production
- Hence modify Marx's division of working day

Social labour time			
Non-wage labour	Wage labour		Working day
	Paid labour time	Unpaid labour time	
	Wages (variable capital)	Profits (surplus value)	Value added
Necessary labour		Surplus labour	Reproduction
		vlp	

Absolute and Relative Surplus-value

- Amount of surplus-value depends on
 - total social labour time
 - partitioning of that time between paid and unpaid labour (determined by vlp)
- Marx assumes a given employed labour force. Then, to increase social surplus-value
 - increase total social labour time, holding paid labour time constant
 - called production of **absolute surplus-value**
 - reduce that part of total social labour time that is paid, holding total labour time constant
 - called production of **relative surplus-value**

Absolute Surplus-value I

Capitalist labour time

Paid labour time	Unpaid labour time	→	Working day
Wages (variable capital)	Profits (surplus value)	→	Value added
Necessary labour	Surplus labour	→	Reproduction

vlp

- Forms of absolute surplus-value (1): **lengthen working day**
 - workers' resistance
 - depends on bargaining power and worker solidarity
 - class struggle over length of working day → growth of trade unions
 - eventually limited by state regulation
 - pervasive tendency of early stages of capitalism
 - especially whenever/wherever workers' ability to resist is weak
 - » newly industrialising countries

Absolute Surplus-value II

Capitalist labour time

Paid labour time	Unpaid labour time	→	Working day
Wages (variable capital)	Profits (surplus value)	→	Value added
Necessary labour	Surplus labour	→	Reproduction

vlp

- Forms of absolute surplus-value (2): **fill in 'holes' in working day**
 - continued pressure to reduce unproductive periods within given working day
 - coffee/tea breaks
 - informal socialising
 - rest periods
 - lunch breaks

Absolute Surplus-value III

Capitalist labour time

Paid labour time	Unpaid labour time	→	Working day
Wages (variable capital)	Profits (surplus value)	→	Value added
Necessary labour	Surplus labour	→	Reproduction

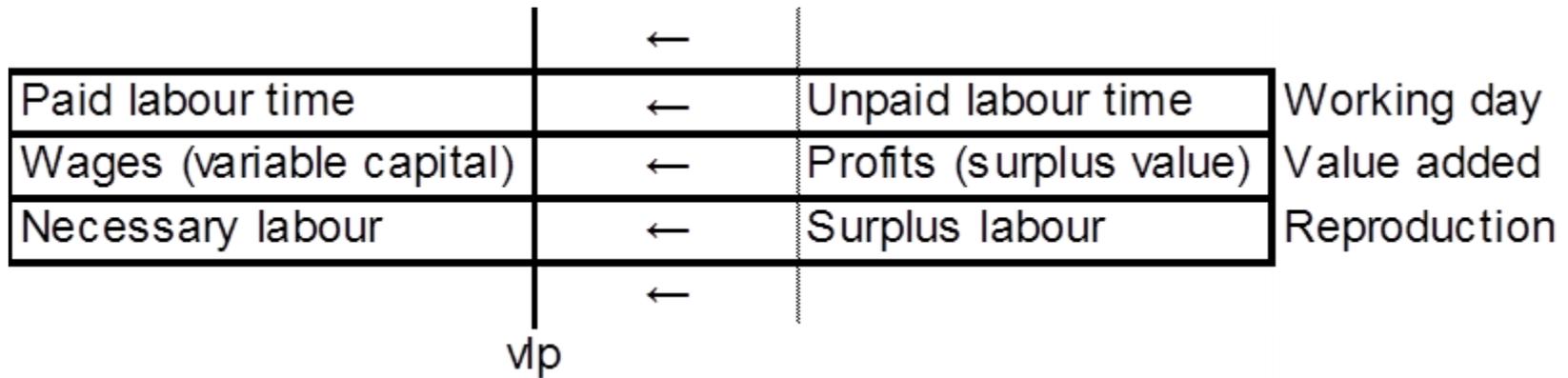
vlp

- Forms of absolute surplus-value (3): **family labour**
 - employing women and children gets a more than proportionate increase in social labour time relative to payment of wage
 - bargain between male unions and male employers
 - » restrictions on employment of women and children to protect family
 - ‘protective’ legislation later dismantled
 - » important source of sexual inequality eliminated
 - » pressures to expand social labour time supplied by family
 - » emergence of 2-income family as social norm

Digression?

- Marx: “In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world as one nation, and assume that capitalist production is everywhere established and has possessed itself of every branch of industry.” (*Capital I* p. 581)
 - so discussion has assumed employment constant
 - but employment might rise (China, women, migration)
 - David Harvey: accumulation by dispossession
 - contemporary primitive accumulation (= jumble of levels of abstraction)
 - privatisation and commodification of public assets
 - financialisation
 - management and manipulation of crises
 - tax and spend policies of the state
 - contemporary forms of the production of absolute surplus-value?
- Digression because all above at lower level of abstraction

Relative Surplus-value I



- v/p regulated by (socially necessary) labour-time required to produce commodities in average standard of living
 - reduction in snlt required to produce these commodities reduces v/p and increases e
 - doesn't mean wages fall
 - Fordism: conscious choice of US capitalists in early 20C to increase wages (and hence workers' standard of living) in newly developed continuous line processes (Henry Ford at Dearborn, MI)
 - purpose: to create a mass market for consumer durables
 - because productivity increases > wage increases, e increased
- Production of relative surplus-value typical of 'mature' capitalism

Relative Surplus-value II

- How does production of relative surplus-value work?
- Basic idea: through capitalist competition
 - competition as war fought through productivity rises
 - innovation (often involving larger scale of production) enables more use-values to be produced in given period of time
 - in given period of time, total value produced is constant
 - so value of each individual use-value falls
 - innovating capitalist can
 - undercut rivals and expand market share
 - gain extra profits through unequal exchange until innovation generalised across competitors
 - by-product: cost of workers' consumption is reduced
- So capitalist production inherently dynamic as new methods of production developed and older ones scrapped
 - quite different from production of absolute surplus-value

Relative Surplus-value III

- So continual search for cost-reducing innovations
 - applied in any area of production and to any costs
- Innovation is means by which forces of production developed
 - innovations that sacrifice control over pace and intensity of work are problematic
 - most successful innovations are those that
 - increase productivity
 - maintain/increase surveillance and control over labour process, usually by
 - extending division of labour
 - specialising and deskilling
- Marx paid particular attention to labour-saving innovations
 - hence growth of employment alongside displacement of employment

Relative Surplus-value IV

- Accumulation via centralisation as well as concentration
 - requires more sophisticated credit system to mobilise financial resources required for both M&A and large investments in fixed capital
 - cyclical pattern (Goodwin)
- Larger scale breaks down the localism of labour markets in early stage capitalism
 - development of mass transport
 - large-scale employment in plants/firms
 - geographical generalisation of value of labour-power
 - material basis for growth of trade unions
- Class conflict over wages, length of working day, work intensity, health and safety of work environment, holiday entitlement, pensions

Marx's Periodisation: 1. Early stage of capitalism

- Adoption from feudalism of unchanged techniques of production
 - formal subsumption of labour to capital
- Accumulation via concentration
 - some relative surplus-value via specialisation of tasks
 - extension of division of labour via cooperation
 - acceleration of specialisation in manufacture
 - growth of employment alongside growth in means of production
 - simple and extended reproduction
- Production of absolute surplus-value predominates
 - expansion of labour force
 - lengthening of working day

Marx's Periodisation: 2. Later stage of capitalism I

- Production of absolute surplus-value is limited
 - expansion of labour force (especially employment of women and children) and lengthening of working day was destructive to interests of capital in general, though not to individual capitals
 - physical destruction of workforce entailed serious additional costs
 - increase in costs of reproduction of labour-power
 - state intervention via Factory Acts (1844 onwards)
 - limits to employment of women and children
 - limits to length of working day
- Why was this possible?
 - because power-driven machinery was revolutionising production processes
 - real subsumption of labour to capital
 - production of relative surplus-value comes to predominate

The Big Picture: Earlier

- Initially, capitalists take over the technical methods of production inherited from previous modes of production
 - formal subsumption of labour to capital
 - production of absolute s predominates
- In these methods
 - labour employed ineffectively, so large surplus labour times not possible
 - very little capital outlays required on anything except labour
 - hence
 - rate of exploitation $e = s/v$: relatively low
 - composition of capital $k = v/(c + v)$: relatively high (labour-intensive)
 - markup on costs: q can still be high since $q = ek$
 - rate of profit: as long as turnover n not too slow, $r = nq$ can still be high

The Big Picture: Later

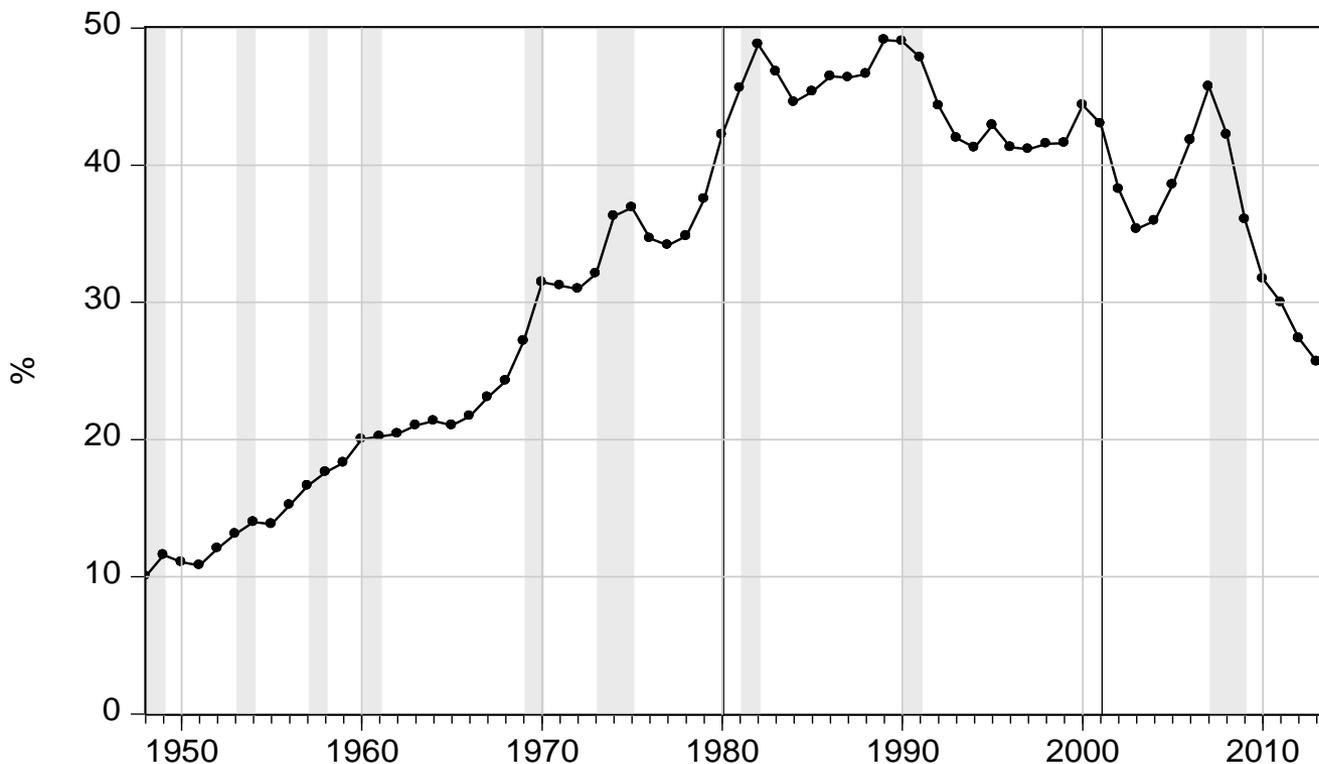
- Capital accumulation proceeds, and transforms methods of production
 - real subsumption of labour to capital
 - production of relative surplus value predominates
- In these methods
 - much larger quantities (and somewhat larger values) of nonlabour inputs
 - much higher labour productivity
 - much larger surplus labour times
 - hence, even if real standard of living rises in the process
 - rate of exploitation: e relatively high
 - composition of capital: k relatively low (means-of-production-intensive)
 - markup on costs:
 - q lower if composition of capital effects dominate rate of exploitation effects
 - q higher if rate of exploitation effects dominate composition of capital effects
 - rate of profit: for given turnover n , ambiguous outcome

Since Marx I

- Changing forms of control over production process
 - process control
 - transformation of inputs into outputs
 - ‘separation of ownership from control’
 - growth of salaried hierarchical managerial stratum
 - accounting control
 - choice of product and of technique
 - purchase and sales policies
 - large firms attempt to socialise processes of price formation and determination of market share (‘monopoly capital’)
 - financial control
 - inside firm: financial policy
 - outside firm: wider credit system
 - development of stock exchanges, banking system
 - credit booms and financial crises

Since Marx III

Interest receipts to private enterprise income



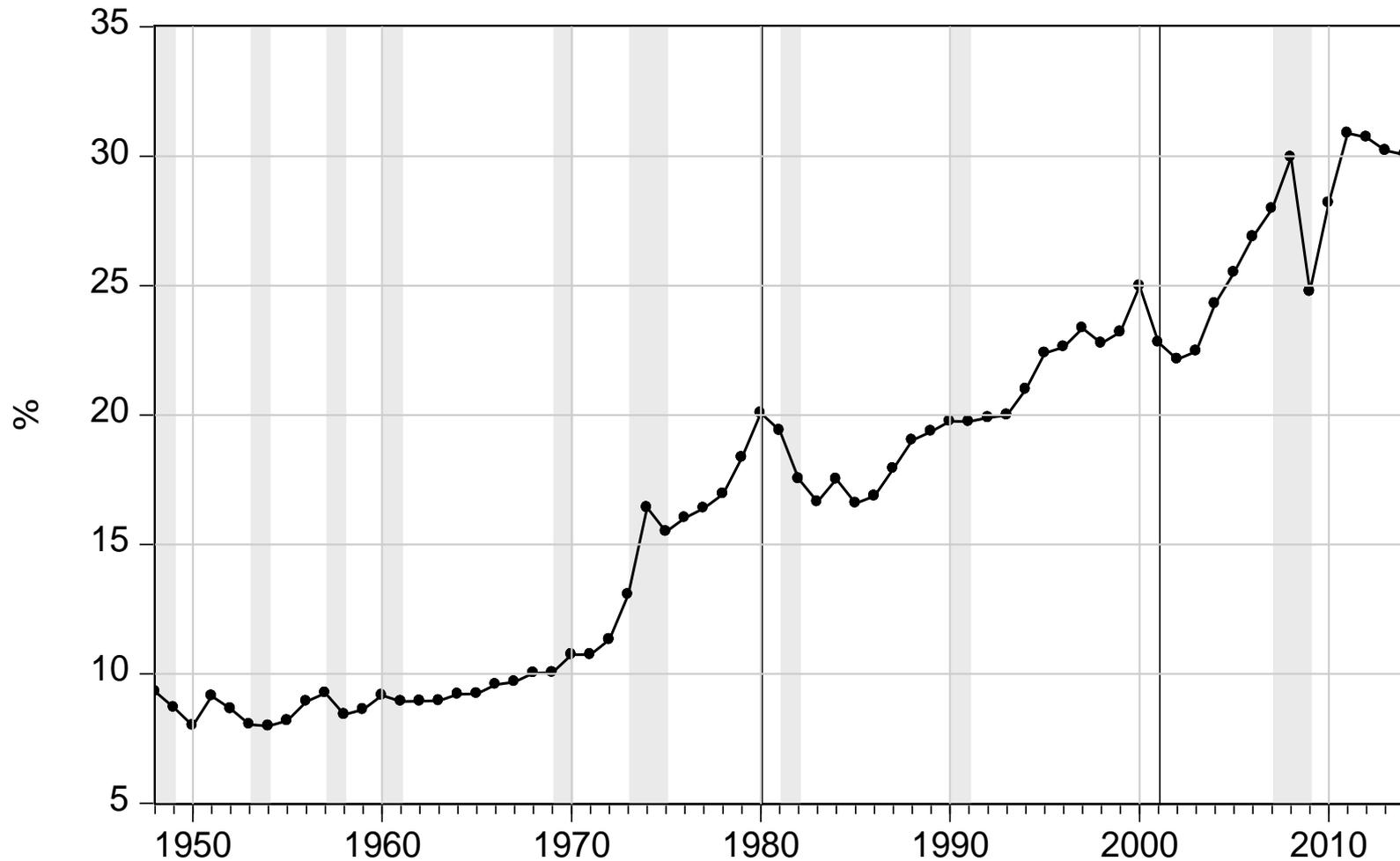
- Changing forms of appropriation of surplus-value
 - increasing proportion of interest revenue
 - needs careful interpretation since steep fall in r 1966-82

Internationalisation

- Expansion of capital beyond national boundaries
- More concrete than trends so far identified, as capital is individuated into competing **national** capitals
- Stages of internationalisation of capital
 1. internationalisation of commodity capital (C'-M' stage of circuit)
 - international trade in goods (and later services)
 - weak capitals promote protection, strong capitals free trade
 - free trade can cheapen v/p and elements of constant capital, so bias of capital in general towards free trade
 2. internationalisation of financial capital (M-C stage of circuit)
 - international capital flows (money hoards, portfolio investment, profit and interest remittances)
 3. internationalisation of productive capital (C...P...C' stage of circuit)
 - capital flows of direct investment as multinationals organise production across national boundaries
 - transfer pricing, tax competition, take advantage of different national v/p s

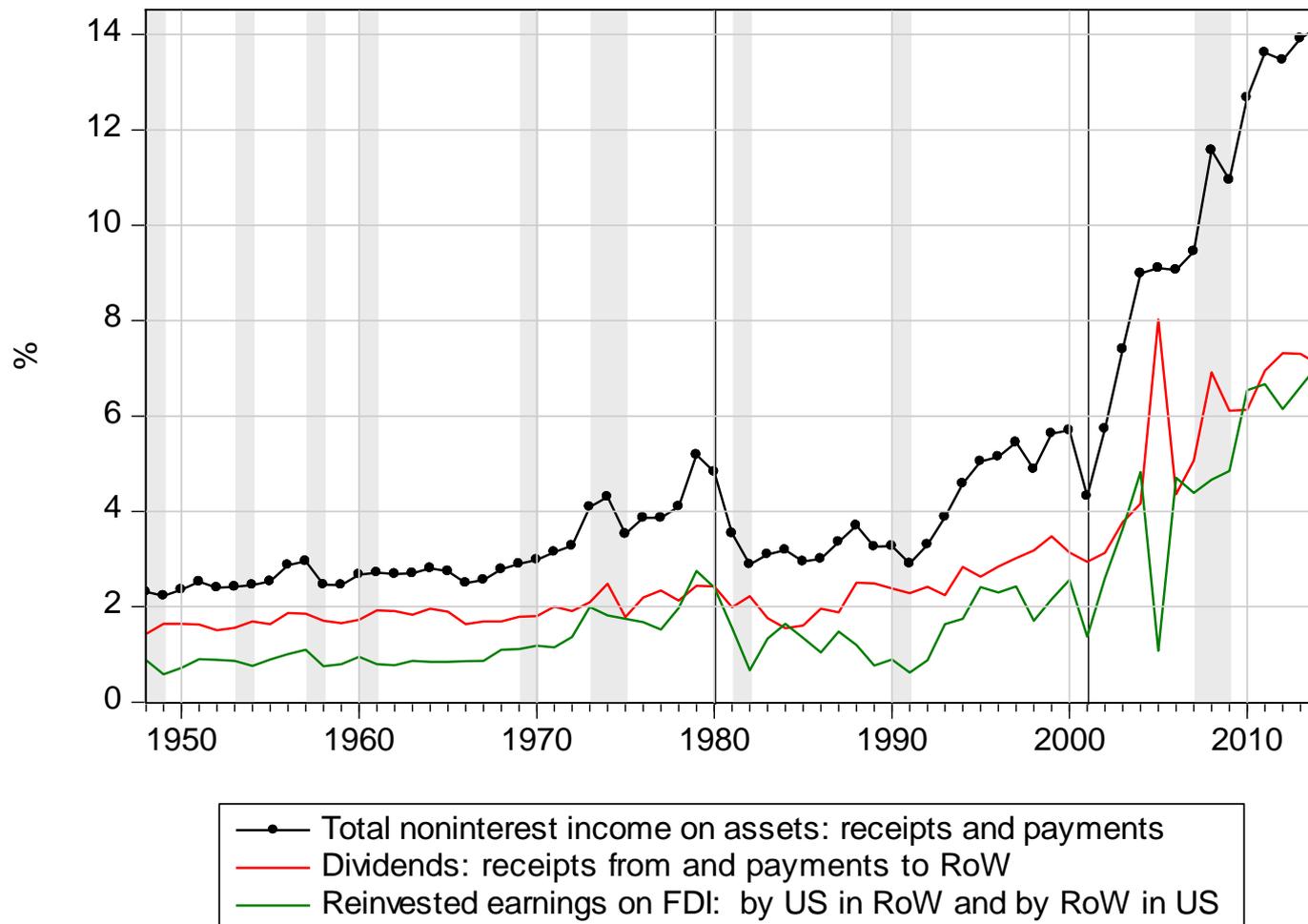
Importance of International Trade, USA, 1948-2014

(Exports + Imports) to GDP



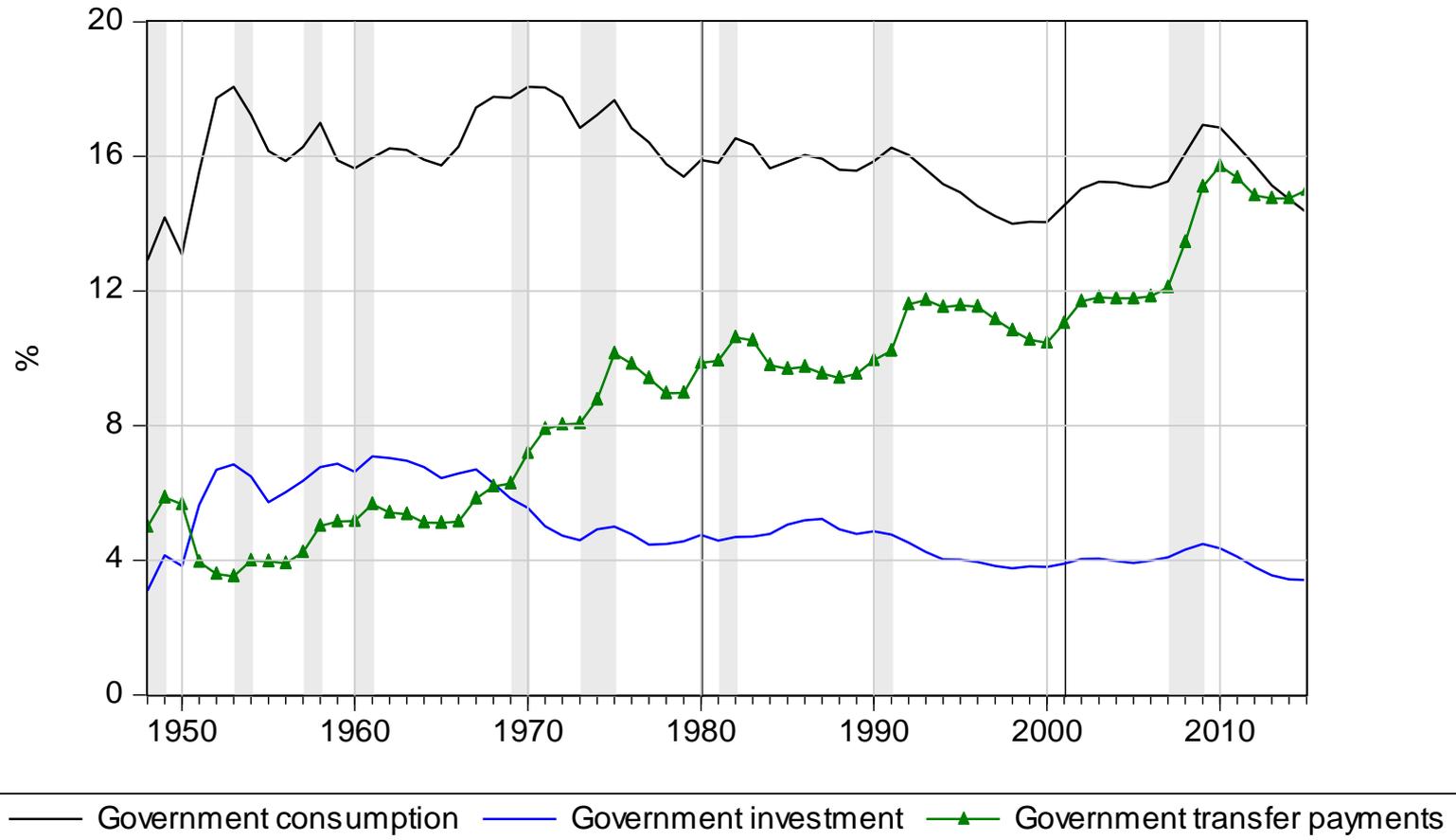
Non-interest Income on Assets (Receipts and Payments)

Noninterest Income on Assets (Receipts and Payments) to Private Enterprise Income
USA, 1948-2010



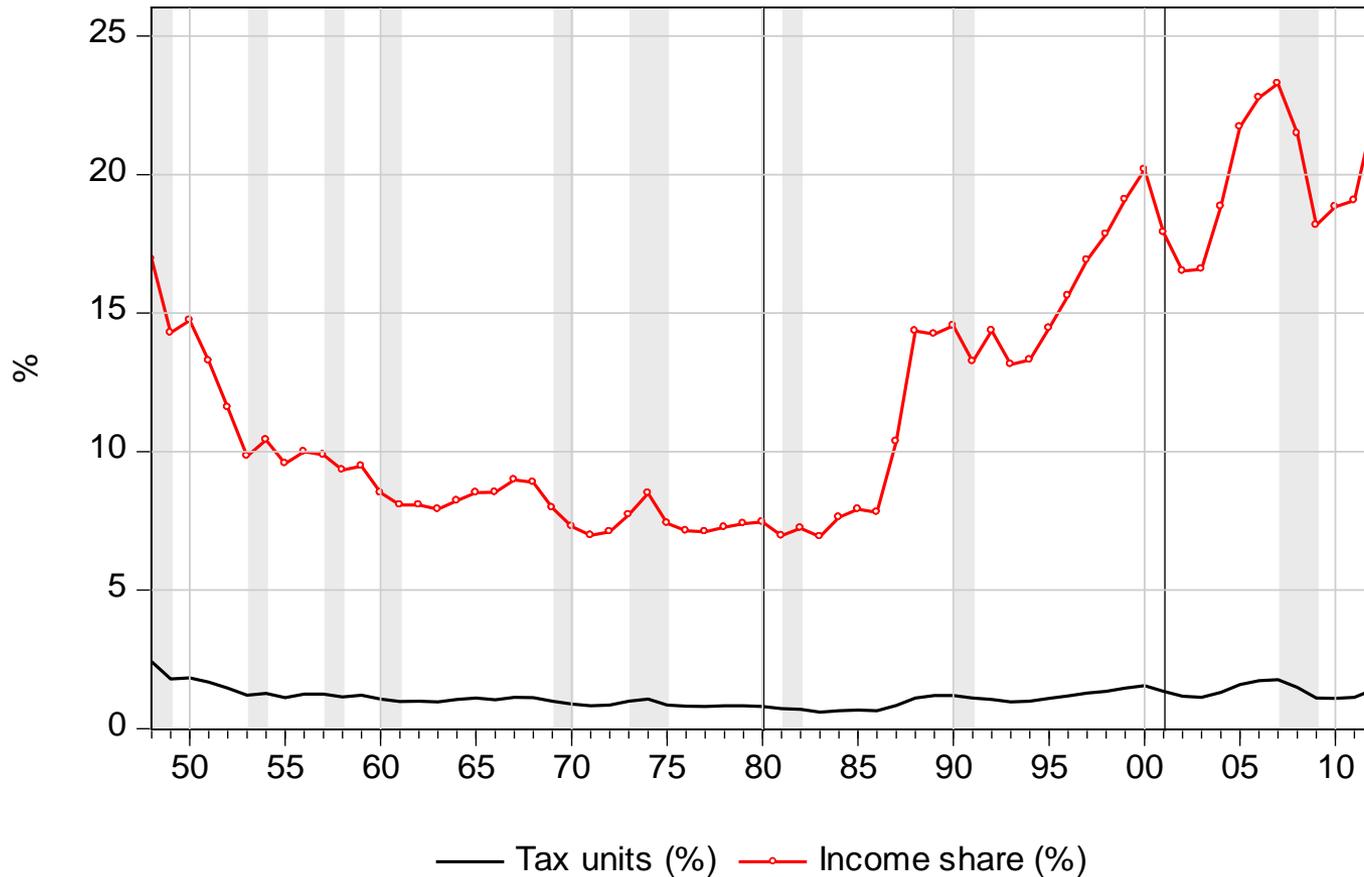
Role of State

Percentages of GDP, USA, 1948-2015



- Large expansion in economic activities of state (cf 1929: GC = 6.4%, GI = 2.8%, Gtr = 0.8%)
 - GC in 1948 is double its 1929 level (GI 1929 = GI 1948), thereafter little trend in both
 - Huge increase in Gtr: 1948 = 6.5 x 1929 level; 2010 = 3 x 1948 level
 - State's increasing role in reproduction of labour-power

Number of Capitalists and Their Income share



- 1948: 2.4% of all tax units; 16.9% of all income
- 1979: 0.8% of all tax units; 7.4% of all income
- 2007: 1.8% of all tax units; 23.3% of all income

The Social Structures of Accumulation (SSA) Approach I

- Account of successive institutional forms of capitalism underlying periods of growth and severe crisis
 - enables historical, comparative and programmatic analyses
 - similar to French Régulation approach (less ‘structuralist’, more ‘voluntarist’)
- SSA: coherent institutional structure combining
 - economic and political institutions
 - dominant economic theories and ideas
- Purpose is to enable profit making and stable capital accumulation, via
 - stabilizing relation between capital and labour
 - stabilizing relations between capitals
 - ensuring growing markets and hence aggregate demand
 - state intervention in economy

The Social Structures of Accumulation (SSA) Approach II

- Over time, SSA becomes obstacle to profit making and stable capital accumulation
- Hence period of economic crisis, which is ‘structural’
 - emerges from current structural form of economy (like any business cycle)
 - cannot be resolved within current SSA (unlike ordinary business cycle)
- A structural crisis cannot be resolved by well-chosen economic policies
 - eg bold Keynesian policy of fiscal expansion (big increases in public spending)
 - would stimulate faster economic growth and create more jobs for a time
 - would not resolve underlying structural problem blocking resumption of normal trajectory of profit-making and long run capital accumulation
- A structural crisis can only be resolved by major structural change
 - construction of new SSA
- So does not explain why particular form of capitalism gives rise to a severe crisis at a given time and place
 - rather provides a framework for investigating the roots of a crisis

The Social Structures of Accumulation (SSA) Approach III

- 1929-1941: structural crisis of pre-29 capitalism
- 1941-48
 - full employment; considerable controls and planning in a wartime economy
 - emergence of alliance between big business and organised labour around
 - collective bargaining (required Cold War supplanting leftist trade union leaderships by moderates, plus Taft-Hartley outlawing secondary boycotts)
 - Keynesian policies to regulate the business cycle
 - government provision of social welfare programs (social security retirement pensions and unemployment compensation)
 - smaller business opposed, but too weak for opposition to be effective
- 1948-1973: “regulated capitalism”
- 1973-1979: structural crisis of regulated capitalism
 - big business shifts support away from regulated and towards neoliberal capitalism
 - construction of alliance between big business and smaller business
 - organised labour too weak to block new alliance
- 1979-2007: “neoliberal capitalism”
- 2007-??: structural crisis of neoliberal capitalism

The Ideas and Institutions of Regulated Capitalism (Kotz)

1. Dominance of Keynesian ideas and theories
2. The Global Economy: The Bretton Woods System, with fixed exchange rates, a gold-backed U.S. dollar as the world currency, and a moderately open world economy although with tariffs and some obstacles to free capital movement
3. Role of Government in the Economy
 - a) Keynesian fiscal and monetary policies aimed at a low unemployment rate and an acceptable inflation rate
 - b) Government regulation of basic industries
 - c) Government regulation of the financial sector
 - d) Social regulation: environmental, occupational safety and health, and consumer product safety
 - e) Strong anti-trust enforcement
 - f) A high level of provision of public goods and services including infrastructure and education
 - g) Welfare state
 - h) Progressive income tax
4. Capital-Labor Relation
 - a) A major role for collective bargaining between companies and unions
 - b) Large proportion of stable, long-term jobs
5. The Corporate Sector
 - a) Co-respective competition
 - b) Corporate CEOs promoted from within the corporation
 - c) Bureaucratic principles govern relations within corporations
 - d) Financial institutions mainly provide financing for non-financial business and households

The Ideas and Institutions of Neoliberal Capitalism (Kotz)

1. Dominance of neoliberal ideas and theories
2. The Global Economy: Removal of barriers to the movement of goods, services, capital, and money across national boundaries.
3. The Role of Government in the Economy
 - a) Renunciation of aggregate demand management
 - b) Deregulation of basic industries
 - c) Deregulation of the financial sector
 - d) Weakening of regulation of consumer product safety, job safety, and the environment
 - e) Weakening of anti-trust enforcement
 - f) Privatization and contracting out of public goods and services
 - g) Cutbacks in or elimination of social welfare programs
 - h) Tax cuts for business and the rich
4. The Capital-Labor Relation
 - a) Marginalization of collective bargaining
 - b) Casualization of jobs
5. The Corporate Sector
 - a) Unrestrained competition
 - b) Corporate CEOs hired from outside the corporation
 - c) Market principles penetrate inside corporations
 - d) Financial institutions shift toward new types of activities and become relatively independent of the non-financial sector

Duménil and Lévy I

- Crisis in capitalism in 1890s
- Result: increase in size of firms, facilitated by
 - developments in transport and communications
 - growing sophisticated technical/organisational processes within firms
 - transformation of monetary and financial mechanisms
- Can be interpreted as 3 revolutions
 - corporate: growth in firm incorporations
 - financial: rapidly expanding banking system to finance incorporations
 - managerial:
 - delegation of management to a salaried managerial personnel
 - supported by subordinate clerical personnel
- Class-power configurations
 - 3 classes: capitalist, managerial and popular (production and clerical workers)
 - none is homogeneous; each is hierarchical

Duménil and Lévy II

- First financial hegemony (1900-1929)
 - free-market economy, nationally and internationally
 - dramatic progress of organisation within firm
 - tight connections between financial and nonfinancial corporations
 - establishment of bourgeois class less connected to individual firms and more connected to financial institutions and the holding of securities
 - alliance of capitalists and upper stratum of managers
- Culminates in 1929 crash and subsequent Great Depression
 - not a crisis of profitability
 - rather a consequence of “the exercise of hegemony, class and international hegemonies, the boundless expansion of the demands of the upper classes that pushed economic mechanisms to and, finally, beyond the frontier of sustainability” (Crisis of NeoLib p.21)

Duménil and Lévy III

- Post-war compromise (New Deal and WWII to end-1970s)
 - enhanced managerial autonomy vis-à-vis capitalists, supported by Keynesianism
 - climate favourable to investment and technical change
 - financial regulation, low real i , stimulative monetary and fiscal policies
 - foreign trade (to varying extent) subordinated to national economic dev't
 - restrictions on capital mobility
 - social democratic aspects
 - increases in purchasing power
 - full employment policies
 - welfare state: health, retirement and education for popular classes
 - containment of finance
 - financial sector oriented to growth of real economy, rather than to interests of collective capitalists
 - pursuit of accumulation rather than capital income
 - little attention to stock market
 - an alliance of managerial and popular classes under managerial hegemony

Duménil and Lévy IV

- Structural crisis of 1970s: continuing fall in profitability, with economic tensions expressed in stagflation
- Resulted in neoliberalism
 - second financial hegemony: class alliance between capitalists and managers
 - ideology of the free market, domestically and internationally
 - deregulation in every field, especially of financial mechanisms
 - macro policies aimed at security of lenders (price stability and openness)
 - purchasing power of workers contained
 - resulting indebtedness (of government and households) source of large flows of interest
 - new corporate governance oriented towards shareholder value
 - financialization delivered huge incomes to finance
- Culminated in structural crisis, expressed in financial crisis beginning in August 2007

Duménil and Lévy V

- Causes of the structural crisis
 - dynamics of the quest for high income
 - domestic capital accumulation sacrificed to pursuit of income
 - de-territorialisation of production to periphery
 - propensity to production of fictitious surplus
 - impaired ability to control macroeconomy
 - because of financialization and openness (globalisation)
 - internationalisation of commodity production
 - downward trend in US accumulation
 - rising consumption demand → growing trade deficits
 - growing household indebtedness
- Possible scenarios
 1. financial crisis → recession
 2. business cycle recession → financial crisis
 3. crisis in periphery → crisis in metropolitan heartlands
 4. crisis of the \$
- Resolution: reconstitution of basic class alliances

Rate of Profit Empirically

- Rate of profit = Profit ÷ Capital Stock
- An indicator of the success of profit-making
- Some problems of definition
 - US or world?
 - within US
 - whole economy?
 - corporate only?
 - if sectoral, pre- or post tax profit?
 - impute wage to self-employed?
 - what about capitalist labour income?
 - K: nonresidential; but what about tenant-occupied structures?
 - historic or current cost to measure capital stock?
 - allowance for capacity utilisation?
 - include inventories?

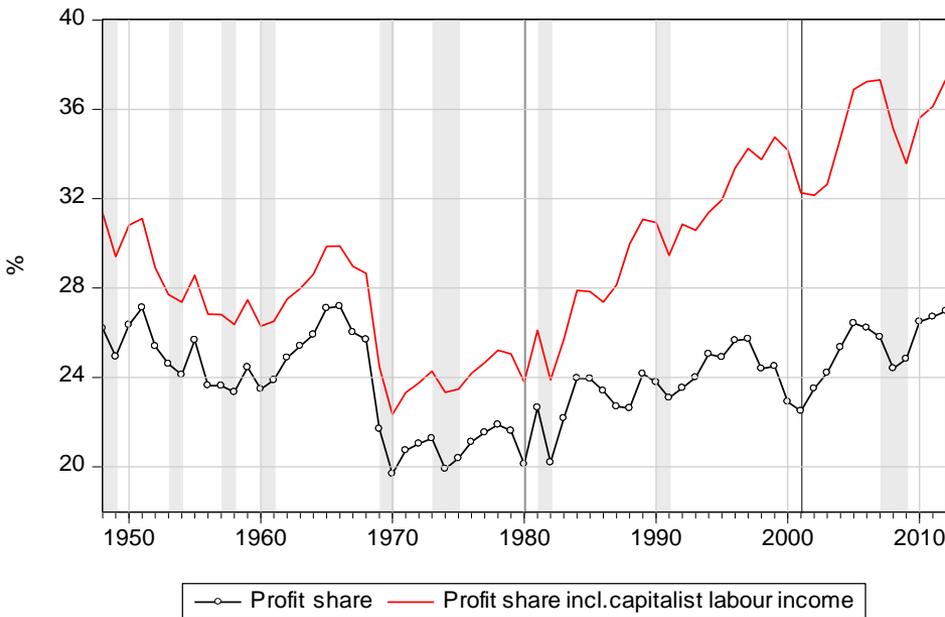
Rates of Profit, USA, 1948-2012



- Rate of profit = $(\text{NDP less imps}) - (\text{CE less imps}) - [(\text{CE} - \text{imps})/\text{ftes}] * \text{SE}$
 $\div (\text{Nonres fixed K} + \text{res tenant-occ structures} + \text{gov't ent fixed assets, all at current cost})$
- Makes a large difference when capitalist labour income is included as part of profits in numerator

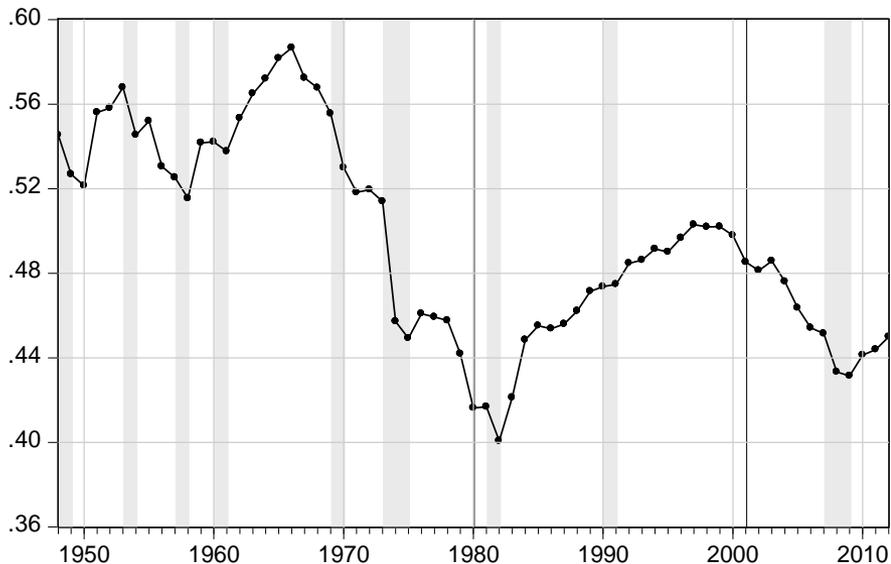
Decomposition of the rate of profit

Profit Shares, USA, 1948-2012



- Conventional profit share almost recovers its 1966 peak by 2012
- Augmenting profits with capitalist labour income:
 - 1966 peak surpassed by 1987
- Both measures: profit squeeze story of 1970s difficult to maintain
 - profit squeeze was late 1960s

Capital Productivity



- Capital productivity peaks in 1965 followed by dramatic fall to 1982
- 1965-82: rising composition of capital dominates e
- 1982-1997: falling composition of capital (and rising e)
- 1997-2009: rising composition of capital, and e rising too
- 2009-2012: another reversal

In Lieu of a Conclusion I

- How do capitalist economies develop as capital accumulates?
- Technical progressivity leads to
 - rising productivity of labour
 - rising rate of surplus value
 - rising real wage
 - falling ratio of production wages to total capital outlays
- Overwhelming empirical support for this list
- Some would add a falling rate of profit: much more controversial
 - no *a priori* deduction possible
 - movement in r depends upon
 - pattern of technical change
 - how changes in values affect v/p and constant capital
 - movement in r seems also to depend upon structure of class alliances
 - eras of financial hegemony do not end in a profitability crisis
 - eras of Keynesian/social democratic managerial accumulation do

In Lieu of a Conclusion II

- Abstractly, periodisation has to be based on
 - progressivity of development of productive forces
 - the way in which this development is shaped by relations of production
 - the processes whereby those relations of production are at the same time thereby undermined
 - the ways in which reorganisations occur which attenuate the contradictions that have built up, resolve them and generate new ones
 - these reorganisations typically require a political reconstitution of class alliances
- Concretely, periodisation has to be based on
 - a specific history
 - a specific geographical area
- A successful periodisation has to navigate both of these convincingly