"Summary of article by David M. Gordon, Thomas E. Weisskopf, and Samuel Bowles: Power, Accumulation, and Crisis: the Rise and Demise of the Postwar Social Structure of Accumulation" in Frontier Issues in Economic Thought, Volume 5: The Political Economy of Inequality. Island Press: Washington DC, 2000. pp. 127-130

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In the United States, the period immediately after World War II was one of prosperity, rising expectations and falling inequality. By the end of the 1970s, however, the trends in economic growth, earnings and productivity which marked this "Golden Age" had faltered. High inflation and sluggish growth in the late 1970s (stagflation) were followed by steep recession in the early 1980s and the resurgence of inequality. The authors of the chapter summarized here trace the reversal of the Golden Age to the mid-1960s when profitability began to decline. Their analysis, based in a Marxian framework, proposes that the economic regime which gave rise to postwar prosperity was inherently contradictory and ultimately unsustainable.

The Postwar Social Structure of Accumulation

Karl Marx described two sources of crisis in capitalist economies. One results from a shortfall in demand for goods and services. Such a crisis occurs when the capitalist class is too strong and workers, farmers and other non-capitalists command too little income to absorb the goods and services produced by the economy. The capitalist class is therefore unable to realize gains from its investments. This type of crisis is also well-established in Keynesian macroeconomic theory and represented by the 1930s Depression.

The second type of Marxian crisis arises from the supply, or production side of the economy and is characteristic of weakness in the capitalist class. When workers, political entities, or foreign trade partners are relatively strong, profitability falls, inducing capitalists to cut back on new investment. In either type of crisis a declining rate of profit leads to lower investment and slower growth. "The pace of the economy is driven by the rate of capital accumulation while capital accumulation is fundamentally conditioned by the level and stability of capitalist profitability. As profits go, in short, so goes the economy." [227]

A typical Keynesian crisis can be resolved through policies which strengthen the position of non-capitalist classes, redistributing income to them and increasing their demand for goods and services. However, the crisis of late-20th century capitalism arose from the relative weakness of U.S. capitalists and the strong position of interests antagonistic to them. The profit rate reached a peak in the mid1960s, then fell sharply. Within a couple of years the rate of accumulation, defined as the rate of change in the net capital stock, also fell.

Power and Profit

"Profits are made possible by the power of the capitalist class over other economic actors which it confronts." [228] The employment relationship is based in the power of the employer to induce workers to sell their labor power for less than the full value of what they produce. Employers extract the surplus as profits. International terms of trade depend on the exercise of political and military power as well as market forces. The relationship between the capitalist class and the state influences the profit rate through taxation, and state policies concerning labor supply, research and development and other economic issues. The intensity of inter-capitalist competition affects the cohesiveness with which the capitalist class fights this three-front war against workers, foreign buyers and sellers, and the state.

The Postwar Social Structure of Accumulation

Capitalists need an expectation of making a profit before they will invest in production. At any given time a particular set of institutions comprises a socioeconomic regime, or social structure of accumulation (SSA) which influences expectations and investment decisions. If the SSA is stable and supportive of their aims, capitalists will be enthusiastic about investing and will expand productive capacity. If the SSA is shaky or its institutions pushed to their limit, "capitalists will be more disposed to put their money to other uses - consumption, financial investments, or assets abroad." [231]

It is not sufficient for the SSA to encourage the expectations of investors; it must also enable adequate demand. This is a daunting task: capitalists must be in a strong position to be confident of investment, but other classes must command enough income to consume production. Historically the United States has gone through several periods of expansion and contraction, each several decades long and each characterized by a different SSA.

The postwar SSA contained four institutional elements which produced the economic expansion, but then generated contradictory or oppositional forces which eventually led to decline. The *capital-labor accord* governed employment relations. Through explicit and implicit agreements, management held control of business decision-making. In return, compensation for workers would rise with productivity. Better working conditions and job security also contributed to labor's sharing in capitalist prosperity. However, corporate control declined after the mid-1960s. Many workers became restive under bureaucratic restrictions and were less vulnerable to corporate discipline as tight labor markets lowered the cost of losing a job.

The *Pax Americana* "was the postwar structure of international economic institutions and political relations that assured the United States a dominant role in the world capitalist economy." [233] The U.S. enjoyed favorable terms of trade in its dealings with foreign suppliers of goods, materials and components. Capital mobility enabled U.S. firms to threaten domestic workers with moving plants offshore, therefore strengthening the bargaining position of U.S. employers. By the mid-1960s the U.S. faced challenges to its hegemony, most notably from Third World resistance to domination. The revolutionary movement in Vietnam and the OPEC oil cartel were two of the most visible examples.

The *capital-citizen accord* established a role for the state in the economic security of its citizens and regulation of business, however profitability was the overriding goal. By the mid-1960s trust in the social accountability of business eroded and movements arose to constrain corporate greed. "With striking speed, these movements led to new government regulations in traffic safety, occupational health and safety, environmental protection, consumer product safety, and nuclear power generation." [234]

The *moderation of intercapitalist rivalry* for U.S. firms occurred because European and Japanese firms were devastated by World War II. The rapidly expanding U.S. economy was able to accommodate many large firms, giving them ample room to grow. After the mid-1960s, both foreign and domestic competition intensified. Japanese and European firms cut into U.S. export markets and supplied more and more imports to the U.S. domestic market. As economic pressure on U.S. capitalists increased on many fronts, internecine competition also increased. Mergers, hostile takeovers, and junk bond buyouts became common events in the corporate scramble to stay on top.

The conservative administrations of the 1980s responded with "a consistent effort to restore corporate profitability by rolling back effective challenges to United States capitalist power: by raising the cost of job loss, improving the terms of trade, more vigorously flexing United States military power, reducing the intensity of government regulation, and dramatically reducing capital's share of the total government tax burden." 237] The strict monetarist policies undertaken as one element of this campaign led to a severe recession in the early 1980s and increased the value of the dollar, making U.S. exports unattractive. Capacity utilization fell to extremely low rates. U.S. capitalists won the battle for control over labor and the state, but still failed to restore profitability, at least by the mid-1980s.

Critique of Alternative Explanations

Mainstream economists attribute the stagnation of the U.S. economy after the Golden Age to exogenous shocks like the rise of oil prices in the 1970s or to macroeconomic mismanagement. However, the relevant indicators began to change in the mid-1060s, well before the oil price shock of 1973. Mainstream accounts ignore the challenges to capitalist control that arose in the 1960s and fail to see that dynamics internal to the prevailing socioeconomic regime led to its decay.

Some Marxists also present alternative views. One stresses a tendency for capital to over-invest; however, factoring in trends in capital intensity does not increase the explanatory power of the statistical model. Others view the late 20th century crisis as a typical Keynesian under-consumption crisis; however profitability fell well before investment, output or demand. If this were a Keynesian crisis, measures to support demand would also serve to redistribute resources to non-capitalist classes.

The most obvious resolution to the stagnation of this crisis is the one proposed by the right wing: strengthen the capitalist class, restore its profits and set off a new cycle of accumulation. For other classes, this path leads to economic insecurity and inequality. Progressive solutions may need to be more radical than the New Deal solutions to the 1930s Depression when both capitalists and non-capitalists could benefit from restorative economic measures. At present, it is not clear that simply beating back the challenges to capitalist control will be enough to build a new social structure of accumulation. Furthermore, it is shortsighted to assume that there is no alternative to capitalism. Democratic socialism provides another model. The focus on political power in the analysis presented above leads to the conclusion that greater power in the hands of the people can lead to social transformation.