FINANCIALIZATION AND SOCIAL STRUCTURE OF ACCUMULATION THEORY

Michael Keaney

Michael Keaney is International Degree Programmes Manager and Principal Lecturer in global economics at the Metropolia Business School, Finland. He has published in various economics and social science journals, and is currently researching the continuing ramifications of the global financial crisis of 2008 onward. Email: michael.keaney@metropolia.fi

Abstract: Recent developments in SSA theory are employed to analyze the construction and ultimate implosion of the global neoliberal SSA. Expanding upon the recent work of Martin Wolfson and David Kotz, who predict a shift toward a more state-regulated regime of accumulation, this article explores various ways by which this shift may be facilitated and accomplished, while contributing to the debates within SSA theory as regards the validity of concepts of transnational SSAs. As neoliberalism retrenches and the transition to a new SSA gathers pace, globalization itself faces reversal on many fronts.

Key words: globalization; social structures of accumulation; financialization; neoliberalism; crisis; finance

1. Introduction and Overview

Social structures of accumulation (SSAs) are the institutional ensembles that cohere in such a way as to facilitate a prolonged period of orderly, profitable capital accumulation. They are borne of crisis, and following an often uncertain, contingent phase of transition, enter a period of stable, consolidated configuration. They are supported by a coalition of class interests that coheres as a hegemonic bloc, such that a sufficiently dominant cross-section of class fractions is able to set the political and ideological agendas, which in turn supports the maintenance and development of the accumulation model underpinning the social structure. Nevertheless, given the class struggle inherent in capitalism, technological change, geographic and ecological constraints, or combinations of some or all
of these, SSAs gradually lose their coherence and experience decline, until the pressures upon the mutually reinforcing constituent parts of the SSA become too heavy to bear and it fragments, ushering in a period of crisis in which the death throes of the old regime are accompanied by the rise of those institutions that will eventually cohere to form the often as-yet indeterminable ensemble that comprises the new SSA.

SSA theory was first developed in response to questions surrounding the economic decline of the USA during the 1970s. A previously successful model of growth that had delivered measurable, significant gains for the US working class had stagnated. Profit rates had fallen continuously since the 1960s, despite the rise of conglomerate corporations that applied the supposedly universal tonic of expert management while spreading risk via diversification. A restive financial sector took advantage of a series of financial scandals and failures to lobby for changes that would ultimately have global impact, as the power of the US financial sector was first leveraged against the US conglomerates, and thereafter, the US political system, followed by the rest of the world. Along the way, the whole sector was itself transformed, such that its previously somewhat modest economic role and financial performance was superseded by its overwhelming economic dominance and outsized profits, until the latter became outsized losses requiring similarly outsized bailouts. Never have so many given so much so immediately to so few.

However, the question arises, where do we go from here? There is a broad consensus among commentators and analysts of various stripes that the SSA that characterized the neoliberal era is no more. Its implosion was unprecedentedly rapid, and yet, the path ahead appears uncertain and strewn with danger, with respect to the conditions of labor, rapacious exploitation of natural resources, and regional and global rivalries and struggles, all in the context of our planet’s increasingly fragile ecology.

As we search for clues, it is important to remember the continuities that bind successive SSAs as well as the genuinely new aspects of a successor regime. It is clear, e.g., that the structural power accumulated and enjoyed by the financial sector is little diminished, the severity of crisis notwithstanding, and that a “ferocious rearguard” has been fought against all efforts to bring it to heel (Plender 2009; Wolf 2013b). An entire global political economy has been structured around the prerogatives of finance-led capitalism, and while it may be debated just how pervasive financialization has become, the extent of its reach is sufficient to impose significant limitations on the development path ahead. Not only in terms of the large debt overhang and organization of production but also as regards the political and ideological spheres, there remains a similar overhang that shapes perceptions, both of what is to be taken as normal and what might be considered as possible. Such is the scale of financialization’s penetration of both the popular
imagination and expert epistemic communities that the need for radical—as in truly innovative—but feasible—as in sufficiently appealing and workable—solutions is imperative.

This article is an effort to look for clues regarding what might eventually replace the neoliberal SSA. The following section rehearses some key points of SSA theory as these have developed in recent years, in conjunction with contributions from various Marxist and other critical sources. The aim is to establish a theoretical framework to be applied in the third section that examines financialization’s legacy and how that is likely to be experienced and confronted by the various social forces seeking a way out of crisis. This article concludes with what is considered to be a likely scenario, given the preceding discussion and further evidence.

2. Theoretical Considerations

SSA theory began as a response to the crisis and collapse of the post-1945 growth SSA of the United States during the 1970s. By the early 1980s, the USA was experiencing its deepest recession since the Second World War, and a series of economically painful adjustments to the ensuing stagnation was about to intensify with the deregulation and liberalization of the financial sector. At the time, the original authors conceived of an SSA as “the complex of institutions” necessary to support “a long period of relatively rapid and stable economic expansion” (Kotz, McDonough, and Reich 1994, 1); “central to SSA theory has been the idea that a new SSA promotes strong economic growth” (Wolfson and Kotz 2010, 73).

The breakdown of the post-1945 order renewed interest in pre-existing ideas of long swings and cycles, such as those featured in the work of Nikolai Kondratieff (1935) and Joseph Schumpeter (1939). Recognition of capitalism’s cyclical development pathology was seen to be an alternative to Marxist and other treatments (such as that of John Maynard Keynes) that viewed stagnation as normal to capitalism, as well as to more mainstream views that took growth to be the default setting. “There seems no good reason to suppose that either pole of capitalist performance is more ‘normal’ than the other” (Kotz 1994, 60). SSA theory can easily accommodate both conditions. Similarly, instead of a narrowly economic approach to accumulation, a wider array of social institutions is viewed as relevant. In this way, the traditional base-superstructure dichotomy and its economic determinism is blurred such that a greater appreciation of the evolutionary characteristics of institutional change is incorporated into the analysis (see below).

Nevertheless, the present crisis and its preceding period of stable but unspectacular growth have reawakened interest in theories that emphasize the normality of stagnation in capitalism (e.g., Foster and McChesney 2012). But
often missing from these is the attention to institutions that is one of SSA theory’s greatest strengths. In the case of the Monthly Review school, its traditional macroeconomic focus on capitalism’s tendency to monopoly and stagnation as a result of the tendency of the rate of profit to fall means that it has had comparatively little to say about the political and ideological aspects of the accumulation process. This is not to say that this focus is misplaced—rather, it can easily inform the development of an analysis based on SSA theory.

Wolfson and Kotz (2010, 76) note that SSA theory’s original focus on growth and the conditions necessary to facilitate that meant that it was in a weak position with respect to providing an understanding of the neoliberal era. US growth rates since 1980, or even since 1990, when a global neoliberal SSA may be said to have formed in the USA, are mediocre by comparison with the post-1945 growth SSA. Similarly, for Britain, the average growth rate during the “economic miracle” supposedly wrought by Thatcherism in the 1980s was less than that experienced during the supposed era of decline and failure that was Butskellist corporatism.3

As Freeman (2012/13) highlights, UK gross domestic product (GDP) growth “until 1973 never fell below zero, yet it was negative in each of the following three recessions, and rarely exceeded the 3% average achieved between 1949 and 1973” (172).

This raises two issues. First, how are SSAs periodized? Second, and relatedly, how is the transition between successive SSAs to be treated? As Wolfson and Kotz (2010) recognize, “growth rates of GDP in the neoliberal era have remained significantly lower than those during the postwar SSA and essentially the same as during the crisis years of that SSA” (76). Therefore, according to the original view of SSAs as underlying prolonged stability and growth, we might yet be trapped in the unwinding of the Keynesian–Fordist era. This is hardly satisfactory, and so an adjustment is required so that the SSA concept might be able to incorporate a broader array of economic phenomena. The answer for Wolfson and Kotz, and with which this article is in agreement, is to redefine a SSA as “a coherent institutional structure that supports capitalist profit-making and also provides a framework for the accumulation of capital” but not necessarily one that promotes rapid accumulation (Wolfson and Kotz 2010, 79). For such a structure to be effective, the contradictions inherent in capitalism must somehow be stabilized or at least minimized. These contradictions include the fundamental capital–labor relation, as well as rivalries within capital and labor, and the relationship between capitalist production and the conditions of production—incorporating the ecology of our planet (O’Connor 1998).

As a result, a SSA is redefined as the ensemble of institutions that cohere to facilitate prolonged, orderly, profitable accumulation, but not necessarily rapid growth. Stabilization of contradictions is a necessary but insufficient condition for
rapid growth, which requires other stimuli, such as new technology, population growth, or geographic expansion, as with Soviet collapse and China’s incorporation into global circuits of capital.

As Freeman has pointed out, even profit-making is not guaranteed to be of such a level that it would be evidence of successful reversal or stemming of the tendency of the profit rate to fall. Much of Marxist political economy treats financialization as having restored the profit rate following the crisis of the 1970s, coincidentally around the time that Margaret Thatcher and Ronald Reagan assumed power in Britain and the USA, respectively, although the monetarist economic policies associated with their names were in fact implemented prior to their taking office. However, the manner in which profit rates are calculated greatly affects the resulting numbers. For Freeman, the traditional focus on physical capital means that the growth of the financial sector relative to the rest of the economy is effectively excluded from calculations of the profit rate, because money capital is ignored. By including “money balances, hoards and financial investments” on the grounds that money capital is simply capital in another form, the impact of financialization is made visible.

This visibility yields the startling result that the US profit rate is shown to have declined steadily since 1982, while in Britain, the fall of the profit rate has even accelerated since 1987, coinciding with its financial sector’s “big bang,” privatization, and expansion of personal finance, while manufacturing remained stuck in an apparently irreversible downward path (Freeman 2012/13, 170, 177, 179).

This apparent mismatch between the general profit rate and the increasingly massive profits reported by the financial sector (Morera Camacho and Rojas Nieto 2012, 163) can be explained with reference to the typical operations of a private equity financed buyout of an established manufacturing enterprise. Private equity firms typically finance the acquisition of an asset with investors’ funds that are used as leverage for the accumulation of debt necessary to complete the acquisition. As Morgan (2009) explains, what occurs is the “capture of the rights to the returns on large assets based on a proportionately small equity commitment” (230–31), and awarded very preferential tax treatment that enhances the profitability of the transaction for the acquirers—a form of subsidy by any other name. The asset is duly “sweated,” which is to say that it is used as leverage while the new owners sell off that which can be profitably sold, engineering further debt whose favorable tax treatment yields further returns to the investors. Normally, within 10 years, the asset is sold, leaner but not necessarily fitter, with many previous claim holders (including pension savers) finding themselves significantly poorer, but with little legal recourse.
Here, the nominally productive asset, instead of being nurtured and allowed to grow, is instead denatured and thereafter left to sink or swim, having served its purpose as a vehicle for the financial engineering that enables the profit-making of the investors, but which hardly enhances the economy’s productive potential, instead effectively liquidating it. The profits accumulated by the private equity investors might be remarkable, but compared to the amount of money capital at stake throughout the period spanning the asset’s acquisition, ownership, and sale, in fact, they represent a mediocre return on total investment. The true rate of return is in fact less than recorded, given the tax subsidy awarded to debtholders. The only explanation for why such a sub-par profit performance would be treated as acceptable is that within the declining rate of profit, a larger share of that profit is being enjoyed by a shrinking number, as reflected by statistics showing rising inequality as characteristic of the neoliberal era. The boost provided by leveraging real assets eventually pales beside the rapid increase of risk that this entails, a rather fundamental point covered in standard corporate finance textbooks that has been underscored from 2007 onward.

The example of a private equity financed buyout crystallizes the experience of financialization as a whole as “an appropriation from the rest of the economy” to the financial sector (Tabb 2012, 41–42). Freeman highlights the evidence concerning net investment, unemployment, and GDP growth as confirming the suspicion that the consensus regarding the profit rate as having been restored is in reality unjustified. What has happened is that the profit rate for some has certainly been restored, if not enhanced, while for others, it has declined, and in many cases, drastically so. We might add to the list of evidence the fiscal crisis of the state that has returned with a vengeance, given the sovereign debt crisis afflicting certain countries of the Eurozone and the creaking infrastructure of those high-income countries whose profit rates are supposedly restored to pre-1970s crisis levels.

All of which is to say that the neoliberal SSA that came into being following the decline of the post-1945 growth SSA has delivered stability with respect to class contradictions, if not financial markets. This aspect of the revision of SSA theory by Wolfson and Kotz serves to strengthen SSA theory’s explanatory power. Before going on to their second major revision, some consideration of transition between SSAs is in order.

As stated previously, earlier SSA theory would have had difficulty recognizing the end of the crisis phase of the post-1945 growth SSA and the beginning of the neoliberal SSA. The mediocre growth rates that transcend these periods would make a theory whose central concept is predicated on rapid, sustained growth rather redundant, or at least somewhat misleading. Nevertheless, having rediscovered the importance of stagnation as a common, if not typical, condition of capitalist accumulation, we need to be able to identify the point at which the decline of
one ensemble of institutions is eventually supplanted by the cohering of a new ensemble that delivers the stability necessary for accumulation and in such a way as to satisfy the social forces that comprise the hegemonic bloc whose interests are, to what is regarded by its members as a satisfactory extent, served by this arrangement. This is, by necessity, a retrospective task, as predictions are almost certain to fail, given the uncertainties inherent in forecasting such a complex matter. Nevertheless, in understanding the past, we may look for clues as to how the present gives birth to the future (see section “Out of the Ashes, What?” below).

The end of the Second World War and the first oil crisis of 1973 are convenient bookends for the post-1945 growth SSA, and the fact that real hourly take-home pay in the USA peaked in 1972 only to have been reduced 10.4 percent by 1994 (Gordon 1996, 20) offers evidence in support of this periodization, agreed upon by Wolfson and Kotz (2010, 75). But where should we locate the beginning of the neoliberal SSA? Wolfson and Kotz (2010, 73) date it as starting in 1979, coinciding with Thatcher’s first election victory in Britain and Paul Volcker’s appointment as chairman of the Federal Reserve. Both names are synonymous with monetarist economic policies, which are themselves often taken to be synonymous with other aspects of Thatcherism: privatization, deregulation, and market liberalization.

However, aspects of these policies pre-date 1979, with first the Conservative Government of Edward Heath and then, more seriously, the intervention of the International Monetary Fund in 1976, which imposed spending cuts and other policy changes on the British Labour government, despite its not requiring the loan that was part of the conditionality package. “IMF conditionality offered to American authorities an instrument through which they could precipitate the macroeconomic policy changes they deemed necessary in the UK” (Harmon 1997, 230). At this point, the “American authorities” were those housed in the Treasury—William Simon and Alan Greenspan, chiefly, with assistance from Arthur Burns at the Federal Reserve. Meanwhile, what of the resistance to the changes implemented especially by Thatcher, whose initial monetarist-inspired policies provoked the chief spokesman for British industry, Terence Beckett, to promise a “bare-knuckle fight” with the government (D. Smith 1987, 98)? Or, especially, of organized labor, culminating in the miners’ strike of 1984–85, whose defeat may be regarded as the final nail in the coffin of the British post-1945 SSA, occurring as it did on the eve of the transformation of the City of London from relatively provincial gentlemen’s club to global financial center rivaling New York (Augar 2000).

Here, it is necessary to disentangle certain points before proceeding further. First, Wolfson and Kotz are primarily focused upon the SSA prevailing in the USA, not Britain. SSA theory recognizes the historical fact of SSAs specific to individual countries. Second, however, Wolfson and Kotz (2010, 75) also note
the globalizing nature of the neoliberal SSA. By the 21st century, that had come to fruition in what many authors agree is characterized by the financialization of production and indeed much else.

Not all authors agree that it is appropriate to conceive of a global SSA: “institutions vary widely among capitalist countries . . . it is not meaningful to speak of a global or international SSA” (Lippit 2010, 45n1). Given the transnationalization of production (Robinson 2004) that has accompanied its financialization, coupled with the aggressive pursuit of profit by US financial interests outside the USA since the 1970s, and the consequent growth of structural imbalances, including the US current account deficit and Chinese dollar holdings that were misleadingly diagnosed in 2005 by Ben Bernanke as constituting a global “savings glut” (Palley 2012, 106–12; for more mainstream treatments, see also Wolf 2008; Rajan 2010), it seems no longer tenable to treat the USA as sufficiently separated from the rest of the world in this way. There is a wealth of statistical evidence and compelling analysis (see, e.g., Lapavitsas 2012) for us to agree with Tabb (2012) in his conclusion: “The debt-driven redistributive growth model, featuring a harmful financialization, characterizes the global neoliberal SSA” (54). Globalization is not exogenous to the USA, an economy that, in having done most to drive the process, is firmly located at globalization’s heart.

Therefore, while 1979 may mark the starting point of the US neoliberal SSA, its globalizing tendencies might be regarded as sufficiently well developed by 1990 for it to have, by then, become a global neoliberal SSA for the USA and, thereafter, an increasing number of other countries that were “integrated” into the global economy. Like 1979, 1990 is a peak year of the business cycle, but also coincides with the collapse of the Soviet Union, which cleared the way for “shock therapy” and the formal integration of the former communist countries into global capitalism, and pointed the Chinese regime toward an export-oriented development model more in keeping with the species formerly known as the “Asian tiger” economy. Politically, it was the period in which the first President Bush coined the phrase “new world order” to describe what other commentators gleefully termed the “unipolar moment” (Krauthammer 1990/91) and even the “end of history” (Fukuyama 1989).

Thus, ideologically and politically, a sufficiently large portion of the globe was primed to accept the new economic order of the Washington consensus, now applicable to all countries and not just indebted Third World states. Financial deregulation, market and capital account liberalization, and an invigorated free trade agenda that also encompassed foreign direct investment, public service provision (General Agreement on Trade in Services (GATS)), and intellectual property (Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs)) were the means by which the economic aspects of the new SSA were
to be globalized, and all with the backing of the US state, whose network of military bases, far from shrinking as was hoped in the talk of a “peace dividend” following the Soviet collapse, was rearranged to address new perceived threats to US dominance. “There are still today, ten years after the end of the Cold War, some eight hundred Department of Defense facilities located outside the United States, ranging from radio relay stations to major air bases” (Johnson 2000, 36). And this was before the attacks of September 2001. Meanwhile the Treasury and Federal Reserve continued their deployment of financial weapons, most notably in the concurrent Asian crisis and rescue of Long Term Capital Management in 1998.9

With the economic and legal apparatus in place, the political and ideological spheres experienced a sharp swing to the right; as continuing and even accelerating deindustrialization denuded organized labor in the higher income countries, consumerism assumed a greater economic and cultural significance, with the USA now commonly being regarded as the “consumer of last resort” (Palley 2012, 127),10 and with the spread of Marxist theorizing that had occurred throughout the social sciences during the 1960s and 1970s, supposedly creating “the conditions for a Marxist intelligentsia on a mass scale” (Hirst 1985, 60) was instead supplanted by a shift toward postmodernist emphases on difference and discourse. “Grand narratives” were utterly discredited in the new conventional wisdom. Instead, identity politics, consumerist culture, and discourse supplanted effort to make sense of macro-level developments, leading to academic preoccupations with sexuality and textuality.11

With the collapse of the Soviet Union, Marxism, socialism, and even traditional social democracy were no longer regarded as viable alternatives. Indeed, there was no alternative. The anodyne formulations of the “Third Way” (Giddens 1998)12 served as an ideological response to and confirmation of the previous era’s perceived synonymity with failure, an echo of “a kind of folk memory of decline and disorder” (McKibbin 1991, 3) that was manufactured expressly for the purpose of legitimizing the neoliberal turn.13 As for Britain, so too for the USA: Reagan’s “Morning in America” of 1984 successfully buried not just his immediate predecessor, but the preceding 20 years in popular memory. But politically, they also served as a reminder to the overenthusiastic libertarians that stable capital accumulation requires an effective state (Panitch 1998).

The ends to which that effectiveness is put are themselves inherently contradictory:

The capitalistic state must try to fulfill two basic and often mutually contradictory functions—accumulation and legitimization . . . This means that the state must try to maintain or create the conditions in which profitable capital accumulation is possible. However, the state also must try to maintain or create the conditions for social harmony.
A capitalist state that openly uses its coercive forces to help one class accumulate capital at the expense of other classes loses its legitimacy and hence undermines the basis of its loyalty and support. But a state that ignores the necessity of assisting the process of capital accumulation risks drying up the source of its own power, the economy’s surplus production capacity and the taxes drawn from this surplus (and other forms of capital) . . . The state must involve itself in the accumulation process, but it must either mystify its policies by calling them something that they are not, or it must try to conceal them (e.g., by making them into administrative, not political, issues). (O’Connor 1973, 6)

This leads to the second major revision of SSA theory. Wolfson and Kotz (2010, 81–85) distinguish two ideal types of SSA: liberal and regulated. The former is epitomized by the global neoliberal SSA in which the corporation’s unfettered freedom to dispose of its assets as, when, and how it deemed fit came to be considered almost sacrosanct (Dugger 1989; McDermott 1991; Donald and Hutton 1998). This culminated in the effort coordinated by the Organization for Economic Co-operation and Development (OECD) to formally legalize the removal of all restrictions on foreign direct investment via the Multilateral Agreement on Investment, whose negotiations were conducted in secret until they collapsed in 1998 following public exposure (Roberts 1998).

The implications of such an agreement were and remain relatively easy to grasp—costs to firms of health and safety at work legislation, environmental protection, age limits, and so on could be challenged as unfair and therefore legally untenable. Signatory states would be forced to withdraw any legislation or regulations that would disadvantage any producer’s profit-making capacity with respect to its competitors anywhere in the world. The result would be a rapid race to the bottom with respect to all gains made by organized labor over centuries of struggle, together with our more recently acquired, and ever-growing, understanding of ecological costs and their significance.14

Rather more difficult to grasp before the current crisis were the implications of financial liberalization, “light touch regulation,” and the structural power that the financial sector has been able to employ as a result: “financial regulation normally does not matter much in domestic politics, due to its rather technical and complex character, as well as its unclear distributional consequences” (Nölke 2010, 49). Those are certainly much clearer now, but still easier to obfuscate than, say, air pollution in Beijing or Los Angeles.15

According to Wolfson and Kotz (2010, 81), the regulated SSA is distinct from the liberal SSA in its stabilization of the capital–labor contradiction, the state’s economic role, intra-class contradictions, and the dominant ideology. Taking the first of these, we can identify potential problems with a conceptualization that appears to be analogous to a pendulum movement between the two ideal types.
While the liberal type of SSA is characterized by capital’s “active pursuit of full domination” of labor, in the regulated SSA, labor enjoys greater power and as a result capital is forced to compromise. This appears to fit the post-1945 economic history of the USA, and in line with Kotz’s (2009) view that the current financial crisis represents the onset of decay in the global neoliberal SSA, the authors look forward to the gradual formation of a regulated SSA as neoliberalism is dismantled (Wolfson and Kotz 2010, 87). While they are careful to avoid the pitfalls of outright prediction, the expectation of a turn to what would be effectively an increase in the countervailing power of labor vis-à-vis capital is open to challenge (see section “Out of the Ashes, What?” below).

The distinction between liberal and regulated SSAs is congruent with that employed in the “varieties of capitalism” literature in which the world is basically divided into two camps: the liberal anglosphere or “Lockean heartland” (Van der Pijl 1998, 70–78) and the corporatist rest, usually exemplified by Germany and Japan (see Crouch and Streeck 1997; D. Coates 2000; Hancké 2009). In the literature on corporate governance, this distinction is also observed in the demarcation between outsider or exit-based regimes, and insider or voice-based systems (Nooteboom 1999; Grahl 2001, 28–30). However, Wolfson and Kotz’s somewhat pendulum-like concept of the direction in which successive SSAs are oriented must be treated as separate from the cultural and institutional foundations upon which national SSAs are constructed, rooted as these are in separate histories. In other words, a shift toward a more regulatory SSA in the USA does not mean that conditions typically observed in Germany will eventually prevail. The starting points of each are completely different. And having just argued for the existence of a global neoliberal SSA above, it must be remembered that it need not be replaced by a global regulatory SSA of some sort, or indeed a global SSA of any sort. This will be discussed in greater detail below.

Now we are in a position to summarize the preceding discussion before moving on to the next section. First, SSAs are stable, coherent institutional ensembles in which the economic, political, and ideological spheres are supportive of a hegemonic bloc’s effective domination, which ultimately depends on the bloc’s ability to secure adequate profits, whether during periods of growth or stagnation. Stagnation especially requires of the bloc greater focus on the political and ideological spheres in order to retain legitimacy, but the bloc itself will be prone to internal tensions and fissures as limited profits are the object of struggle between competing elements. As profits decline, fissures will eventually become ruptures as the bloc fragments. This process heralds the decline phase of the SSA, out of which is born its successor.

Second, with the accelerating decline of the post-1945 growth SSAs of the West during the 1970s, a new hegemonic bloc was formed in which financial
interests came to assume primacy, first in the USA, then in Britain, and thereafter swiftly followed by the European Union (EU), and with great speed by the former communist states. Concurrently, the globalization of production via transnational corporations, the transnationalization of finance facilitated by legal and technological changes, the full spectrum supremacy of the USA, and the collapse of the Soviet bloc, coupled with the acceleration of China’s capitalist development, meant that a new global neoliberal SSA came to incorporate almost all of the planet through such vehicles as the World Bank and the International Monetary Fund (both primarily responsible for implementing the “Washington Consensus” on lower income countries—see Keaney 2011), the OECD (performing an analogous disciplinary role upon its member states), European monetary union and the neoliberal takeover of the European Commission (see Van Apeldoorn 2002), the Basel accords on banking, the World Trade Organization (WTO), and conventional wisdom on economics, finance, and business transmitted via higher education.

Third, the financialization of the accumulation process that typified neoliberal globalization was built on an unsustainable accumulation of debt, a quickening succession of asset bubbles, greater extraction of profit from economic assets via intensified exploitation of labor and reduced physical investment, the rapid and deep penetration of personal finance (Martin 2002; Lapavitsas 2012), and an increasing reliance on financial reporting trickery (Crotty 2005) and sophisticated tax avoidance. All of this was backed by states that restructured in such a way as to liberalize the financial sector and place more economic decision-making outside of democratic reach in a process described as “new constitutionalism” by Stephen Gill (2003, 66). This accumulation model imploded, culminating in the onset of crisis in 2008, from which the world has yet to recover, and which also can be taken to mark the onset of the decline, if not the end, of the neoliberal SSA.

The following section examines the legacy of the neoliberal SSA and looks for clues as to its possible successor(s), and how the latter might be achieved.

3. Out of the Ashes, What?

Given the precarious state of the global economy and especially the enormous debt overhang in all major economies, China included, where do we go from here? There are good reasons to agree with Wolfson and Kotz that a turn toward a more regulated type of accumulation regime is very likely. The financial sector demonstrated, in full view of the entire world, the unsustainability of its operating model, the irresponsibility and sheer greed of its leaders, and the destructiveness of its impact on the rest of the economy. The ideological gloss that had insulated it from effective criticism for so long is no longer even remotely credible. The efficient markets hypothesis is ridiculed in the financial press (Jackson 2011),
while the refusal of mainstream economists and state regulators to countenance the possibility of a crash memorably prompted the publicly bemused British monarch to ask why did no one foresee the crisis (S. J. Smith 2013, 87). Commentators such as Martin Wolf of the Financial Times, who had previously championed neoliberalism (Wolf 2004), and John Kay, who was similarly sanguine as regards the benefits of shareholder value before seeing its destructive qualities at first hand, have become trenchant critics insisting upon tighter regulation of the banking sector especially (Kay 2012). Governments talk tough as regards the need for tighter regulation, and popular disgust with the financial sector, and the banks especially, remains undimmed. So the scene is set for a radical restructuring. Or is it?

A cursory consideration of the conjuncture strongly suggests not only the likelihood, but even the need, for accumulation to resume on a more stable footing, for a transition to a more regulated SSA. Neoliberalism has been shown to be not just ideologically bankrupt, but economically bereft. Freeman’s recasting of profit rate analysis for the neoliberal era undermines the very basis for neoliberalism’s existence—its ability to deliver steady, if not growing, profit rates. The reality of a consistently declining profit rate helps to explain why the neoliberal SSA crashed and burned as it did. Current efforts to reinvigorate the patient with the same medicine are subject to diminishing returns, and revealing of fractures within the hegemonic bloc, as free trade negotiations between the USA and the EU encounter difficulties that expose fissures not only between EU member states but also within them. The revelations regarding US spying on European allies will have long-term consequences that, among other things, will deplete if not exhaust the goodwill among Europeans toward the USA following Obama’s succession of George W. Bush (Dyer 2013). There are already negative repercussions for the transatlantic trade negotiations (Heisbourg 2013).

Meanwhile, figures have been released by the World Meteorological Organization showing that our planet has just experienced “the warmest decade since the start of modern measurements 160 years ago and it was also a decade of unprecedented extremes” (Connor 2013). The failure of “cap and trade” efforts to stem the growth of carbon emissions, let alone driving their decline, will simply add to increased pressure on governments, as will further occurrences of extreme weather such as hurricanes and droughts (Wolf 2013a; see note 11).

These are only a few of the pressing matters that any future SSA—a stable and stabilizing ensemble of institutions that facilitates prolonged profitable capital accumulation—will have to address. For the remainder of this article, discussion will focus on the prospects for revitalized state regulation of the economy.

In the USA, it is clear that the financial sector remains politically dominant. The Obama administration’s second term effort to achieve further trade liberalization
via transatlantic and transpacific initiatives is indicative of the continuity, if not the inertia, of policymaking spanning two decades. This inertia is also evident in both the response to and aftermath of the financial crisis.

In many countries, private sector debts have been transferred to the state sector, triggering a sovereign debt crisis whose remedy is the same set of austerity measures that have demonstrably failed in Africa, Latin America, and Asia during the neoliberal era. The banks that contributed so much to causing the crisis are largely intact, and banking insiders have steered US economic policy with great continuity over the terms of the Clinton, second Bush, and Obama administrations. Bush’s Treasury Secretary, Hank Paulson, a former Goldman Sachs chief executive, was replaced by Timothy Geithner, who, as chief executive of the Federal Reserve Bank of New York, coordinated the Targeted Asset Relief Program with Paulson, and who, as Treasury Secretary, did everything in his power to prevent radical overhaul of the banks, possibly even to the point of insubordination (Suskind 2011, 378). Geithner’s eventual replacement as Treasury Secretary in 2013 was Jack Lew, a veteran of Citigroup who was already, prior to Obama’s taking office, the preferred candidate for chairman of the National Economic Council but vulnerable to congressional scrutiny, given his rewards amid catastrophic failure (Suskind 2011, 147–48). Throughout the crisis, the Obama administration’s response, coordinated by Geithner, has followed the pattern of financial sector regulation that became embedded during the neoliberal era: what “used to be about telling financial institutions what to do” has become “asking financial institutions what they do” (Tsingou 2010, 25).

This remarkably small network that transcends government, academia, and high finance in the USA encapsulates a more general problem that is on daily display in the news media—that of a severely limited intellectual pool that compounds the widespread perception of a directionless drift that conveniently benefits the perpetrators of the crisis, since it is largely they who remain in charge. These “epistemic communities” (Helleiner et al. 2010, 13) are representative of the “Davos culture” (Huntington 1997, 57) whose “esoteric politics” (Doyran 2011, 190) have assumed preeminence in conventional policy circles. Their apparent inability to resolve contradictions inherent in their accumulation model is perhaps best exemplified by the public hand-wringing over widening inequality, coupled with the stern refusal to countenance tax increases that would finance downward redistribution. The careful and ultimately futile balancing act that political leaders are performing has even been codified by the OECD (2012).

“A crisis calls attention to the perceived fairness of a society’s political economy” (Tabb 2012, 4). Given the violence of the upward redistribution that has occurred in the wake of the present crisis, and the lack of a clear end in view as regards the latter’s resolution, it is not at all surprising to see popular discontent and,
in some cases, such as Greece, unrest emerge. The facilitation of accumulation that is the capitalist state’s responsibility requires also its legitimization, which has been sorely lacking, especially in Europe, where bank failures compounded the inadequacies of monetary union to expose ruthlessly the failures of a project that had become a poster-child for neoliberalism. Insulating first the European Commission and then the European Central Bank from democratic accountability, and locking in a set of rules effectively constitutionalizing neoliberalism and its pro-cyclical economic policy, has resulted in a profound crisis of legitimacy that threatens to wreck the EU as a viable political-economic project.

As with Obama’s reluctant embrace of the so-called Volcker rule that separates retail banking from proprietary trading, motivated by plunging popularity in response to disgust at the administration’s leniency toward the financial sector (Suskind 2011, 397), world leaders are edging toward an issue that has exposed the crisis of legitimacy at the heart of the global neoliberal SSA—that of tax havens. As a result of campaigns such as that of the Tax Justice Network (TJN), the slow but steady rise of corporate tax evasion and the industry that supports it as a thorny issue culminated in its prominence as a key agenda item of the G8 summit in June 2013 (Houlder 2013; Houlder and Parker 2013). The industry is now sufficiently concerned about this to be engaged in defensive lobbying, effectively claiming that the UK’s status as the center of a network of tax havens (Shaxson 2011) in fact boosts its tax receipts (Houlder and Pickford 2013). Even if this were true, it says nothing of the implicit opportunity cost borne by other states that are the victims of this predatory behavior, a point made by the TJN.

Despite its focus on redistribution, the campaign for tax justice is not a class-based phenomenon, but rather more akin to the new social movements that came to prominence during the 1970s (Jessop 1990, 3, 70). Given the present state of organized labor in the high-income countries, it should not be surprising that the class content of the tax justice campaign is minimal, although social democrats especially have been eager to align themselves, at least rhetorically, with its goals. But this should be seen as more of a substitution for redistributive politics than as a continuation of social democracy by other means. The more aggrieved parties in the struggle over tax belong to the petty bourgeoisie—the “middle class,” comprising clerical and professional occupations. The loss of real income—in addition to money income, transfers, and services, including education, health care, and social care—has been acutely felt by those previously regarded as having benefited most from the post-1945 growth SSA and its welfare state (M. A. Jones 1983, 89; Diamond and Lodge 2013, 7). “Third Way” social democrats remain committed to “welfare reform,” a euphemism for reductions in welfare expenditure, and rhetorically justified on the basis that it is the forces of conservatism and middle-class beneficiaries specifically that are exploiting the
status quo, along with loungers and scroungers that are supposedly typical of the unemployed (Diamond and Lodge 2013, 15). The absurdity of blaming welfare benefit recipients for receiving welfare benefits at a time of acute economic crisis, resulting in chronic youth unemployment throughout Europe and record unemployment in the USA, is a measure of the desperation of the political and ideological struggle conducted by the hegemonic bloc. And as more revelations concerning corporate and plutocratic tax avoidance come to light, it is to be expected that this bloc will be further weakened, as politicians under pressure are forced to close loopholes, even if reluctantly and in piecemeal fashion, if only for the sake of legitimacy.

The fiscal crisis of the state, which has returned with a vengeance, means that redistribution is at the center of struggle. The return of prolonged economic stagnation means that the growth previously relied upon to serve as the tide that raises all boats is no longer available as a safety valve—indeed, following Freeman (2012/13), since when has it been? As the struggle intensifies, so will the legitimacy of the prevailing order fade. This is already the case in the EU, given violent protests in Greece and the widespread rise of populist and anti-immigrant political parties. The “Tea Party” movement in the USA is analogous in its response to a “left” that has aligned itself very visibly with the neoliberal SSA’s hegemonic bloc under the cloak of responsibility, in so doing discrediting the very notion of a left among those presumed to be its constituency.

The standard response to crises of legitimacy during the neoliberal era has been to rely increasingly on technocracy—taking the politics out of politics, so to speak. The EU is the embodiment of this approach, from its inception and in reinvigorated form following the onset of crisis:

Neo-functionalist integration relies on a “spill-over” from already integrated fields into other functionally associated areas, set off by causal connections which present themselves politically as factual constraints (Sachzwänge) that merely require ratification . . . Integration now “spills over” from monetary to fiscal policy. The Sachzwänge of the international markets—actually the historically unprecedented empowerment of the profit and security needs of financial-asset owners—is forging an integration that has never been willed by political-democratic means and is today probably wanted less than ever. (Streeck 2012, 66–67)

According to Giandomenico Majone, this institutionalized technocracy is

simply the culmination of this generic process whereby the imperatives of economic efficiency under conditions of capitalist competition compel political actors to delegate power to agencies composed of experts, independent of political parties or legislative
interference. This development began in the United States toward the end of the 19th century and has taken some time to arrive in Western Europe, where policies of income redistribution and nationalization were more strongly established. (Schmitter 2012, 23)26

The expectation of a turn toward a more regulated SSA comes up against the problem that is part of the neoliberal SSA’s legacy. One of neoliberalism’s central ideological tenets is the innate incompetence of the state in economic matters. At its extreme, this results in the libertarianism that is presently in the ascendant in the US Republican Party ranks, and which is a strong ideological current in the small business sector, whose entrepreneurs are led to believe that government is a conspiracy against initiative and reward, by big business interests that are far more conspiratorial against the small business sector for reasons explained long ago by John Kenneth Galbraith (1985). The failure of regulators to intervene with a view to preventing or even forewarning of impending crisis has justifiably reduced public confidence in their abilities to regulate.27 Nevertheless, for the same reason that systemic critiques are harder to employ persuasively than to attribute failure simply to corrupt or incompetent individuals, rhetoric aside, in liberal democracy, it is widely expected that government should deliver, and intervene where delivery fails to occur, all libertarian ideology notwithstanding, as Chris Christie well knows.

In the European context, the problem for the hegemonic bloc is that the EU is, following its conversion into a single market in the 1980s, a “regulatory polity” without the power to tax or exercise military force: “All that the Eurocrats in Brussels can aspire to is extending their regulatory grasp into new areas—producing, in the process, an acquis of some 90,000 pages of directives” (Schmitter 2012, 24).

For the European Commission, the financial crisis has proved to be a golden opportunity for such grasping. In the process, further rifts within the hegemonic bloc are exposed. The British state has already restructured its regulatory apparatus, with the Financial Services Authority’s (FSA) tasks divided between the Bank of England, which regains the banking supervision lost in 1997, and the new Financial Conduct Authority. Prior to this, the FSA, under the leadership of Adair Turner,28 had already begun the process of increasing its regulatory assertiveness, but such was its loss of credibility that it was perceived as too little, too late. The reluctance of the British government to undertake radical reform is surpassed only by its opposition to efforts by the European Commission to impose a more rigorous pan-EU regulatory structure that would—in line with Schmitter’s analysis above—centralize powers. Given the European Commission’s track record, it would be unwise to interpret this as heavy-handed interventionism of
the corporatist type practiced in the 1970s.29 Nevertheless, the City of London’s pre-eminent role in global finance, facilitating and innovating practices that are commonly regarded as fundamental causes of the present crisis, and skewing the British economy’s resource allocation to dramatic effect, is not the great prize sold to the British electorate by its nationalistic defenders (Financial Times 2011).

Having gone from faithfully implementing the standard neoliberal regulatory template prior to the crisis (Posner and Véron 2010), the European Commission has subsequently ditched “its previous regulatory stances . . . and multinational firm allies” in order to prioritize pan-EU integration (Posner 2010, 110). Its Green Paper, Corporate Governance in Financial Institutions and Remuneration Policies (Posner 2010) even went so far as to question the principle of shareholder value (see Horn 2012, 177).

According to Elliot Posner, the Commission’s apparent new direction does not signal either a continuation of the light-touch regulatory trend or a “return to twentieth century statist or Rhenish banking” (Posner 2010, 109). However, the signals are indeed mixed. According to Pagliari (2013), at least part of this new direction involves the EU reclaiming regulatory jurisdiction over actors domiciled outside the EU but operating in European markets. Previously, it had been content to entrust regulation of these actors to their own domestic regulators. But this is the basis of a disagreement in which the Commission and Wall Street are presently lined up against the US Treasury Department, which refuses to countenance the inclusion in transatlantic trade negotiations of a section on finance that would enshrine the principle of mutual recognition of regulation (Politi and Barker 2013).

The capitalist imperative of adequate and sustained profit-making requires, among other things, the existence of domestic order in the centers of accumulation. Parliamentary democracy and regular elections can provide a degree of legitimacy during periods of growth, especially when the growth is sufficient to provide most of the population with at least the expectation of economic security and even prospects for improvement in living standards. The outbreaks of violent protest in response to austerity in Greece, to corruption in Brazil, to authoritarianism in Egypt and Turkey in 2013, and to exclusion in England in August 2011 are warnings of what prolonged high levels of youth unemployment may bring to other European states. The English riots are perhaps the most disturbing because they were ostensibly the least political, and were easy to portray as simple lawlessness and greed, given the destruction to property and widespread looting that accompanied these. But they were in fact the fruit of the deindustrialization of the 1980s and the closing of opportunities for semi-skilled and unskilled labor outside of low-paying jobs in the retail and ancillary service sectors (O. Jones 2011).

Meanwhile industry leaders bemoan the lack of sufficiently skilled younger workers able to fill vacancies—in Britain (Groom 2013), in Europe (Milne 2013),
and in the USA (Luce 2013). Given the uncertainties inherent in the offshoring model that very much relied on cheap energy and even cheaper labor in China and elsewhere, only to be threatened by rising energy and labor costs, the attractions of “onshoring” are increasing. This is especially the case in North America, where the Free Trade Agreement allows the USA to oversee the reconfiguration of its supply chains, given the shale energy boom and Chinese wage inflation that have made production in Mexico cheaper for some companies.31

All this points to a renewed emphasis on education, as part of a more comprehensive investment in infrastructure,32 which has been allowed in many high-income countries to decay to levels that threaten profit rates. The EU is already relaxing its strict budget rules for expenditure that would count as investment in infrastructure—a measure pointedly benefiting those member states that have weathered the crisis rather better than the countries on the periphery (Chaffin and Fontanella-Khan 2013). But this will increase pressure on budgets and therefore on tax revenue collection, adding further impetus to the tax justice campaign.

Growing interest in industrial policy, including in the USA (Luce 2013; Politi 2013a), together with increased concern worldwide over food and energy security, and the partial retrenchment of the financial sector (Wilson 2013), means that further trade deals are less likely to succeed. The USA, as the world’s largest subsidizer of agriculture (Momagri 2012), rejected India’s proposal at the WTO for countries to be permitted “to subsidise agriculture for food security purposes” (Leahy 2013).

But what of labor? In the revision of SSA theory, a regulated SSA “embodies one form of stabilization of the capital-labor relation, in which labor has significant power, which capital is compelled to accept, producing a capital-labor compromise” (Wolfson and Kotz 2010, 81). Given the defeats inflicted upon organized labor over more than 30 years, the apparent permanence of structural unemployment, widening inequality, and deepening poverty, all in the higher income countries, not to mention the devastation wrought upon much of the former Soviet Union and the awful working conditions endured by so many in the sweatshops established in the lower income countries, now does not appear to be a propitious time to suggest a revival of working class fortunes. It most certainly cannot be attributed to any incisive political leadership or interventions by trade unionists or parties purporting to represent workers.

The discrediting of the financial sector is deep and enduring, to the extent that a broad cross-class movement that encompasses traditional political actors and new social movement-type campaigns like TJN have applied sustained pressure, forcing reluctant rulers to concede territory, if only to save their electoral skin. This is unlikely to disappear quickly—indeed, the financial sector has compounded its sins by offending a section of contemporary society that enjoys unrivaled status:
entrepreneurs. Small businesses have joined the ranks of the aggrieved as loans have been denied, financing facilities withdrawn, and access to start-up capital nearly vanished. Banks have been far more enthusiastic about real estate lending than in financing entrepreneurs, despite the bursting of the housing bubble, and even despite state assistance (Maltby 2010; 2011; Rigby, Jenkins, and Jones 2013).

The declining rate of profit intrinsic to the neoliberal SSA means that reform is unavoidable. This will require a reassertion of state authority over the financial sector, and because this cannot be achieved at the global level, it will be left to regional powers to administer. Countries with strong manufacturing sectors will achieve greater political prominence as a result of their economic strength. This process has already begun (Luce 2013). Meanwhile China’s reliance on inward investment for capital accumulation and technology transfer will decline—Chinese firms are already making purchases of rival or related firms worldwide, as well as expanding beyond their domestic markets into areas where they are being welcomed as saviors (Volvo Cars in Sweden) and economic boosters (Great Wall Motors in Bulgaria). At the same time, China’s financial sector looks frail (Chancellor 2013) and is likely to require more drastic state intervention, as will its ecology. Politically, China’s prosperity means a global rebalancing such that the USA cannot any longer presume unipolarity.

Geopolitically, this means the likely increase in the significance of the Shanghai Cooperation Organization, founded in 2001, and comprising China, Russia, Kazakhstan, and other central Asian countries. The admission of Turkey as “dialogue partner” in April 2013 is indicative of the growing hostility toward US unilateralism and a desire among rising middle-income countries to exploit their position, economically and geographically, such that greater political independence can be attained.

The security implications of this are not lost on the USA or Europe: “an underlying goal of the group’s two largest members—China and Russia—is to diminish U.S. influence in the region” (Hoffman 2011, 3). Having had so much production transferred to a region whose main power openly challenges US hegemony is not to be regarded as wise, or sustainable. “Onshoring” can be expected to increase, as transnational corporations restructure their supply chains along regional lines, while indigenous small- and medium-sized firms are likely to benefit from greater state support, whether in the name of research and development, entrepreneurship assistance, or economic security. In Britain, this process was already begun in the dying days of Gordon Brown’s premiership, and, following some ritual jettisoning during the transfer of power to a new administration, is once again on track. Again, Germany acts as a model (Cookson 2010; Groom and O’Connor 2013).

As for economic policy, the basic point made by Keynes decades ago and later echoed by Hyman Minsky, that policy should attend to income distribution
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precisely to ensure the viability of an accumulation regime, is perhaps never more apparent than now. Crude demand management of the post-1945 growth era vintage, or “bastard Keynesianism” (Turgeon 1996), was never Keynes’ prescription: “instead of the demand for low-wage workers trickling down from the demand for the high-wage workers, such a policy should result in increments of demand for present high-wage workers ‘bubbling up’ from the demand for low-wage workers” (Minsky 1968, 338).

This is precisely the opposite of financialization, of shareholder value dogma, of the global neoliberal SSA’s economic effect, which has been to accelerate the concentration of capital accumulation even at the expense of its reproduction. For this fundamental reason, and the others discussed above, we can expect to see a more regulated SSA taking shape.

The transition process will not be smooth, however. Economically, it will require a significant reconfiguration of production, as transportation costs, political risk, and even reputational risks caused by reliance on low-cost labor employed in dreadful conditions force a reconsideration of the neoliberal model. Political risk is likely to increase as a factor in the foreign direct investment calculus, as a corollary of the geopolitical scenario sketched above is the rise of nationalism, whose deep reservoirs globalization will be shown to have drained very little. This can be seen in places as disparate as Russia, China, Turkey, Hungary, Japan, and the USA, whose unilateralist inclinations are in evidence with every refusal to ratify international agreements that are nevertheless forced upon other countries. Natural resource extraction and national development goals that conflict with neighboring countries’ interests are already providing ready ammunition to regimes eager to employ nationalist rhetoric to shore up their domestic standing.36

Ideologically, the assumed innate incapacity of “government” to manage the economy has been such a key plank of the neoliberal SSA that only the same sort of sustained confrontation as that which characterized the Thatcher–Reagan era’s successful repackaging of the preceding two decades as failure writ large—McKibbin’s folk memory of decline and disorder—will be necessary to overcome its deeply entrenched position in the collective consciousness of the high-income countries. Nationalism will provide a ready justification for such a change of direction, but not necessarily toward an agreeable destination—the pitfalls entailed in such a turn do not require much historical investigation to become apparent.37

4. Conclusion: Where Do We Go from Here?

If the above scenario is correct, then how are we to respond? First, heterodox political economy must provide ready, accessible perspectives on policy and economic problems. A model in this regard is the output of Research on Money
and Finance (RMF), which employs Marxist political economy in its analyses, commentaries, opinion page articles in the financial news media, and press releases concerning contemporary economic issues. More generally, heterodox political economy must become more embedded in university and business school curricula. It has the great advantage, in an era of mass higher education, of being more accessible and meaningful than a mainstream whose axioms and mathematical elegance are demonstrably, and very visibly, at odds with recent history.

Second, what remains of organized labor should support campaigns regarding tax justice and executive pay restraint, as part of a more general effort at recruitment and wider public relations. Associated with this in the long term, some sort of incomes policy with respect to relativities would be a realistic strategic goal, given the widespread disgust at the behavior of bankers especially prior to and following the crisis. Meanwhile, given the lingering anger over the behavior of the banks and their leaders, pressure for stricter regulation is likely to be maintained, forcing regulators to make at least symbolic concessions. Progress will necessarily be piecemeal, but with sufficient momentum over the medium term potentially substantial.

Third, there must be a reactivation of industrial policy that takes account of both climate change and the threat posed by structural unemployment. The idea of an employer of last resort should become a central policy demand, especially within Europe, where youth unemployment, already dangerously high, is threatening to bequeath on a much grander scale the sort of social catastrophe that has blighted large areas of the UK following deindustrialization. Localization of production would also in many cases serve to reduce the “externalities” that are associated with ecological destruction and climate change. The “re-territorialization of production” envisaged by Duménil and Lévy (2011, 2) should not simply be left to corporations to direct. Given the dependence of banks on state assistance, the state should be able to use its leverage to direct funds in such a way as to support industrial policy. The inevitable response will be that “picking winners” is something that “the state” is ill-equipped to do—a claim that ignores literally centuries of evidence.

These are only a few suggestions intended for further consideration. Meanwhile, it is to be hoped that the development of SSA theory and analysis will continue apace. More SSA-informed studies of individual countries, neoliberal globalization, financialization, and alternative accumulation models would be very welcome, necessary, and an excellent means of facilitating dialogue and collaboration across theoretical traditions within political economy, but also across the social science disciplines, with a view to informing and learning from substantive action. Given the need for radical, creative solutions, we must grasp the opportunity.
Notes

1. An earlier version of this article was presented at the fourth annual conference of the International Initiative for Promoting Political Economy, International Institute for Social Studies, Erasmus University, The Hague, The Netherlands, July 9–11, 2013. The author thanks all who generously gave of their time and patience, and takes full responsibility for the remaining flaws. Special thanks go to Jim Craven and to Stuart Holland for their encouragement and assistance.

2. ITT’s chief executive came to symbolize “the rise of the all-purpose professional manager—Harold Geneen was a well-known example of a type who thought he could manage anything” (Owen 2000).

3. This amalgam of the names of R. A. Butler and Hugh Gaitskell epitomized the apparent acceptance by both major political parties of the permanence of the welfare state, state ownership of key industries, and full employment as a central goal of economic policy. The latter two were shattered during Thatcher’s premiership, and the ideological attrition waged against welfare provision over the last three decades and more has apparently borne fruit, with a marked decrease in support for benefits provision among the population (Bingham 2012).

4. It is also consistent with earlier work by Bob Jessop (1990) on the evolving nature of the capitalist state, in line with the evolution of the system of accumulation that the state is supposed to facilitate and protect:

   ... changes in the form and content of state intervention are typically required to consolidate the dominant features of succeeding stages [of capital accumulation]. The political discontinuities associated with this restructuring of the state could then provide the basis not only for a periodization of the capitalist state but also for the periodization of capitalist economies ... it would be hard to provide satisfactory explanations without noting shifts in accumulation strategy. (Jessop 1990, 204)

5. Volcker has since shown a greater zeal for regulation that would indicate a healthier skepticism of market participants than Thatcher (Volcker 2011). In this respect, he is closer to Adam Smith, who famously warned, “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices” (A. Smith [1776] 1827, 54; see also Suskind 2011, 340–44).

6. The website of the US Treasury features brief profiles of all holders of the office of Secretary. Regarding Simon, who succeeded George Shultz in 1974, it says, “In foreign affairs, Simon continued the policies begun under Shultz of pressuring Europe and the Eastern Bloc with U.S. economic weapons and thereby keeping international policy initiative in the hands of the United States”—effectively an unabashed admission of what would appear to have been distinctly hostile behavior toward ostensible allies in the case of “Europe.” See: http://www.treasury.gov/about/history/pages/wesimon.aspx (accessed June 19, 2013). This offers further support for the contention that the International Monetary Fund’s (IMF) 1976 intervention in the UK was “a momentous break with Bretton Woods protocol” in that, for the very first time, a major ally of the USA was being treated to the same sort of impositions as those routinely served to borrowers in Latin America and Asia (Panitch 2000, 12), prompting some of them to demand exactly this for Britain in the name of fair play. As Mark Harmon meticulously documents, the US Treasury was happy to oblige, even to the extent of upsetting Henry Kissinger at the State Department (Harmon 1997, 224–25).

7. At the time these were lampooned by Labour’s outgoing finance minister Denis Healey as “punk monetarism” and later “sado-monetarism” (Healey 1989, 491). During his last years as finance minister, however, following the IMF intervention of 1976, Healey had been preaching the virtues of monetarism to his fellow finance ministers in a style that was also to become typical of the British approach to Europe under Thatcher and her successors, in which the presumed superiority of UK economic policy was upheld as a model for others to emulate (Holland 1980, 204).
8. Among the global ramifications of this were the implosions of various states whose anomalous status was revealed to have been tenable only in the context of the Cold War: apartheid-era South Africa, Somalia, Yugoslavia, and Afghanistan, with subsequent regime collapses elsewhere in the global South throughout the 1990s as clients lost their geopolitical rationale, with Indonesia in 1998 perhaps being the most spectacular case.

9. On 8 January 1998, shortly after [US Treasury Secretary Robert] Rubin’s return from Seoul, the economist Rudi Dornbusch was quipping on CNBC that the ‘positive side’ of the financial crisis was that South Korea was “now owned and operated by our Treasury.” (Panitch 2000, 5)

10. This gave successive US administrations structural power in trade negotiations—access to the world’s most lucrative market could be bought in return for concessions regarding US investors’ access to assets in those countries, and those investors’ freedom to withdraw their capital at will. While the Clinton administration used the World Trade Organization as its chief instrument of global economic opening, the successor Bush administration employed bilateral trade deals that were even more far-reaching with respect to the concessions forced upon the co-signatories, as with the proscription of capital controls under any circumstances and the protection of intellectual property rights (Williams and Beattie 2006).

11. Sex began in academia a decade later than it did for Philip Larkin. From the rise of the women’s movement to the postmodern cult of the perverse, few themes have been more persistent in literature departments than sexuality. For most people, writing about multiple orgasms is known as pornography; in academia, it can win you a chair. (Eagleton 2012, 27; see also Boggs 2000, Ch. 7)

12. For a contemporaneous response see also K. Coates and Barratt Brown (1999).

13. As George Orwell pithily put it in 1984: “Who controls the past controls the future. Who controls the present controls the past.”

14. Martin Wolf cites a study of 11,944 abstracts of scientific papers whose conclusion is that “98.4 per cent of authors who took a position endorsed man-made (anthropogenic) global warming, 1.2 per cent rejected it and 0.4 per cent were uncertain” (Wolf 2013a; see also Cook et al. 2013). Climate change deniers, however, receive powerful financial backing (Goldenberg 2013), which helps to explain the nature of the public debate and the slow progress as regards legislative change. Nevertheless, the fact that anonymous billionaires spent as much as US$120 million to solidify political opposition to action on climate change indicates their fear, and the power of their opponents. Of the latter, the climate itself is proving tenacious, as, in the middle of the 2012 presidential election campaign, the previously anti-federal government’s governor of New Jersey, Chris Christie, who had been touted as a presidential candidate, did not hesitate to accept the offer of federal aid in the wake of Hurricane Sandy in 2012, and was very grateful for it, and publicly so, much to the disgust of Tea Party Republicans (Barbaro 2012).

15. A major tactical error by the Obama administration, and indeed the British government, has been the apparent avoidance of criminal prosecution of leading bankers associated with even the most egregious collapses and bailouts. In failing to offer up a scapegoat, political leaders are vulnerable to charges of aiding and abetting the avoidance of justice, having already aided and abetted the actions that led ultimately to crisis. This is, of course, the problem—culpability is so widespread as to condemn the entire system. Had Gordon Brown allowed the state to take control of the banks whose ownership it assumed, he could have begun the important and necessary work of burying neoliberalism’s anti-state mythology, while harnessing popular support for a more interventionist industrial policy. Instead, public frustration and anger has resulted in the largely ineffective Occupy movement (Craven and Zhang 2012), along with some more idiosyncratic repercussions. In the UK, the former head of the Royal Bank of Scotland, in May 2008, the biggest bank in the world by gross assets, was stripped of his knighthood and a third of his £550,000 annual pension, only after strong public pressure, in 2012. He had “retired” in January 2009, aged 50.
Meanwhile, the former head of Halifax Bank of Scotland, following the publication in April 2013 of a damning report of his corporate stewardship, voluntarily gave up his knighthood and almost a third of his £580,000 annual pension, having “retired” in 2006 (Jenkins 2013a; 2013b). He had been appointed non-executive director of the Financial Services Authority (FSA) in January 2004, becoming its deputy chair in November 2007 before resigning in February 2009.

Employers in the USA, together with sympathetic politicians, are complaining of a skills gap, and are studying Germany’s labor market for clues as regards reform. In a measure of both the rigidity of mainstream economic tenets and their hold over supposedly informed discourse, the lack of inflated wages for engineers is taken to mean that there is no such thing as a skills gap. The typical response of state governments attempting to attract inward investment is tax breaks, but for firms such as Siemens, eager to expand further, the answer lies in better education:

According to the OECD, the US comes last out of 29 countries in terms of the work-readiness of its high-school leavers . . . The US needs to rejuvenate its community colleges, which offer two-year vocational degrees but are often starved of funds. And it needs to fall back in love with apprenticeships. (Luce 2013)

The replacement of indigenous, state-led industrial policy with the attraction of inward investment has been a key element of the global neoliberal social structure of accumulation (SSA), disseminated via such bodies as the OECD; such policies “have become standard in most countries, irrespective of their development, geographical location or industrial structure. One of the most important policy questions is: (i) What should be done to attract inward FDI?” (Bellak, Leibrecht, and Stehrer 2008, 3).

Ramsay (1998, 115) describes policies pursued by the UK governments of Harold Wilson, Edward Heath, and James Callaghan as promoting a “producers’ alliance” (see also Middlemas 1991) between organized labor and organized business. This fragile arrangement fractured under various stresses (see notes 4 and 5 above). The tragic irony was that in aligning itself with the financial sector’s dominant interests, UK manufacturing got into bed with its executioner, given that the surest way to cut down the power of organized labor would be to cut down its source of employment, hence the outburst of Terence Beckett at the 1980 conference of the Confederation of British Industry in which he, as Director General of the organization, promised to give Margaret Thatcher’s government a “bare-knuckle fight” (D. Smith 1987, 98). A similar story can be told of the USA. Tabb (2012) quotes the then-CEO of Honeywell, Edson W. Spencer, complaining in 1984: “Many factors have turned American industry into a high-stakes poker game,” (36) thanks to the pressure on fund managers to deliver sufficient quarterly returns.

China’s financial system has long been careening out of control. Total credit had expanded by more than 30 per cent of gross domestic product every year since the global financial crisis. During April total credit issuance was up an extraordinary 59 per cent on the previous year. (Chancellor 2013)

Now that the Chinese government has expressed its desire to reduce the supply of credit, the worry is that a slowdown will become a crash. Ironically, the risk of the latter is heightened by the government’s “expressed desire . . . to rely on market mechanisms” (Wolf 2013c).

And the more shareholder value became a guide to action, the worse the outcome. On the board of the Halifax Building Society, I voted in 1995 for its conversion to a “plc.” We would allow the company to pursue the goal of maximising its value untrammelled by outmoded concepts of mutuality: in barely a decade, almost every last penny of that value was destroyed. (Kay 2010)
21. The long-running dispute between the EU and the USA involving the use of genetically modified crops has opened cleavages within the British government, with the environment minister accused by Liberal Democrat coalition partners and a fellow Conservative MP, of being “an industry puppet” (Bawden 2013).

22. These are likely to be magnified in Europe by the publication of a study by München-based Ifo economic think tank that calculated that a trade deal would provide a far larger boost to the US economy than to the EU (Politi 2013b). In the USA, meanwhile, domestic political struggles, arising in large part due to widespread dissatisfaction with the financial sector’s lingering political hegemony, make a trade deal less likely than in the past (Hill 2013).

23. Suskind also notes the desire of Obama to involve ex-Goldman Sachs CEO, Clinton’s Treasury Secretary, and subsequent Citigroup director/adviser Robert Rubin in his economic team. Like Lew, Rubin’s role at Citigroup and consequent vulnerability to scrutiny meant that his former deputy, Lawrence Summers, who succeeded him as Treasury Secretary, became head of Obama’s National Economic Council. Earlier, upon leaving Treasury in 2001, Summers became President of Harvard University, which appointed Rubin a member of the Harvard Corporation, the university’s executive governing body, in 2002. Meanwhile Summers received substantial payments from Wall Street firms, including Citigroup, during this time. So, too, did Obama’s deputy national security adviser for international economic affairs Michael Froman, who “received more than $7.4 million from [Citigroup] from January 2008 to when he joined the White House” in 2009 (Zeleny 2009). Froman, who was made US Trade Representative in April 2013, had previously worked for Rubin in Clinton’s Treasury team and had followed Rubin to Citigroup. Froman reputedly introduced Obama to Rubin (Kantor 2008).

24. In the original online version of Houlder and Pickford’s article, Tax Justice Network’s (TJN) Nicholas Shaxson is quoted to this effect. In the UK print edition, however, a much abbreviated version of the article shorn of any criticism appears.

25. The phrase “forces of conservatism” was employed by Tony Blair in his speech to the Labour Party conference of 1999. A classic of ideological triangulation, it managed to enthuse party loyalists, who thought that finally the tables would be turned on their conservative foes, while, in fact, it was directed primarily against the defenders of policies previously associated with social democracy, such as state earnings-related pensions (Bickerstaffe 2002).

26. See also Majone (1998).

27. In unintentionally sacrificing his personal reputation, Alan Greenspan may have done his beloved libertarianism a significant service.

28. Turner was appointed FSA chairman in September 2008. It is very likely that Turner’s regulatory activism and willingness to embrace comparatively radical perspectives, including support for a global financial transactions tax (Parker 2009), sank his candidacy to succeed Mervyn King as Governor of the Bank of England in 2013. While FSA chairman, Turner published a damning report of the financial sector’s activities (Turner 2009), was very publicly positioning himself as an activist regulator (Masters 2012), and was immediately appointed full-time Senior Fellow at the George Soros–funded Institute for New Economic Thinking on April 1, 2013, as the FSA was disbanded (Gray and Jenkins 2013).

29. The recent criticisms by French Industry Minister Arnaud Montebourg of the European Commission as having “institutionalised the EU as being anti the European people” and having responsibility for the rise of the populist and racist right (Carnegy 2013b) have much evidence to commend them. They were prompted by Commission President Jose Manuel Barroso’s criticism of French critics of globalization as “reactionary,” which came in response to President Francois Hollande’s efforts to recapture the economic policy initiative in Europe. Even conservative former Prime Minister Alain Juppé has retorted that Barroso is “archaic” for pursuing ultraliberal trade policies (Carnegy 2013a). Such exchanges strongly echo German Chancellor Gerhard Schröder’s outspoken criticisms of the Commission at the start of his campaign for re-election in 2002, before the impending US-led invasion of Iraq gifted him with a more immediately effective campaigning weapon (Black and Hooper 2002).
30. Owen Jones’ book, *Chavs*, explaining the long-term impact of England’s deindustrialization in great detail, was published a few months prior to the riots and was therefore a very timely intervention.

31. Mexico’s lower costs and proximity to the US, which reduces transport costs and increases flexibility, will make it increasingly competitive as a manufacturing location, analysts say. Groups including Honda and Nissan, the Japanese car manufacturers, and General Motors of the US, have announced new investments in Mexico. (Crooks 2013)

More generally, prospects for the container shipping industry are described by Maersk Line’s chief executive as “downbeat,” with “US and European ‘offshoring’ of production to Asia . . . all but over and in some cases . . . being reversed,” while containerization has gone as far as it can go (Odell 2013). See also Fishman (2012).

32. This is a central demand of a recent book by a doyen of US foreign policy (Haass 2013).

33. Increasing multipolarity is expected also by Duménil and Lévy (2011) and Desai (2013).

34. Turkey has since stepped up its efforts to achieve full membership, ostensibly as a rebuke to the EU, but with more profound implications for US geopolitical strategy (see Keck 2013).

35. This is also a long-term goal of many in Japan, rivalries with and provocations of China notwithstanding (Johnson 2006, Chapter 5).

36. Prior to his removal from office in July 2013, Egypt’s President Mohamed Morsi’s regime was using a dispute with Ethiopia, involving the latter’s proposal to build a dam that threatens to reduce the flow of the river Nile, to shore up domestic support (Daragahi 2013). China’s almost total monopoly in rare earths has become a matter for nationalistic breast-beating in recent years (Dombey 2010).

37. I have argued elsewhere that such a possibility existed while Gerhard Schröder was German Chancellor. However, the German trade union movement does not have the social activist tradition and ethos of its French counterpart, preferring instead to focus on traditional sectoral struggles over the share of the surplus. Schröder, having eked out a victory in 2002 on the basis of campaigning against German involvement in any US-led invasion of Iraq, was too discredited by adherence to neoliberal policies by 2005, when he lost to Angela Merkel (see Black and Hooper 2002; Keaney 2005, 281n40).

38. See: http://www.researchonmoneyandfinance.org. The Centre for Research on Socio-Cultural Change (CRESC), based at the University of Manchester, is less theoretically focused but also attracts a great deal of positive media attention. See: http://www.cresc.ac.uk/home. Perhaps the most effective counterpunch in recent times has been the discrediting of the claim of Harvard economists Carmen Reinhart and Kenneth Rogoff that public debt higher than 90 percent of gross domestic product (GDP) stifles growth. Through this, researchers from the heterodox economics department of the University of Massachusetts very publicly undermined the European Commission’s case for austerity policies (Herndon, Ash, and Pollin 2013; Pollin and Ash 2013). These are just a few prominent examples.

39. In the UK, the last official review of pay relativities was led by Hugh Clegg in 1979, before being consigned to history by the incoming Thatcher government, which regarded it as an outdated interference in the labor market (Middlemas 1991, 164). However, support for a regulated approach to incomes comes from management theorist Peter Drucker, who came to argue that pay differentials within corporations should be such that the highest paid should not earn more than 20 times the income of the lowest paid worker (Crumm 2010, 74). Following the crisis, the financial press has been especially full of negative commentary as regards the stratospheric awards enjoyed by executives, irrespective of their performance (e.g., Skapinker 2011). And, in response to public pressure, the Dutch government in 2013 announced that it would impose “the strictest cap on bonuses for financial services staff in Europe,” exceeding the EU’s bonus limit of 100 percent of salary with a ceiling of 20 percent (Marriage 2013).
40. The Federal Reserve is promising to implement risk management rules that are tougher than the Basel III capital regime (Braithwaite 2013), and the European Commission is restricting how banks trade credit derivatives, in parallel with similar US efforts led by Gary Gensler at the Commodity Futures Trading Commission (Gapper 2013), while Britain pledges to implement the recommendations of a high-level panel. Nevertheless, the predictable omission of more stringent measures means that pressure must be maintained (Parker and Masters 2013; Plender 2013; Wolf 2013b).

41. See Wray (2009).

References


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