

Marx and Stephen Jay Gould: Embeddedness and Social Structures of Accumulation

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By now it is almost uncontroversial that the capitalist economy is embedded in a range of institutions. Further, it is recognized that the market economy cannot function without the effective functioning of its embedding institutions. This insight is, of course, one of the founding principles of the institutional school of economics. Marxian economics has always seen capitalism as an historical mode of production in a complex dynamic relationship with various institutional conditions of existence at the economic, political and ideological levels. Post Keynesian economics is rooted in the recognition of the essential importance of money and accompanying financial institutions, demand and consumption, and the institutional responses to the inevitable uncertainty of economic decision-making. Even the neoclassical mainstream has interpreted the failure of “shock therapy” in Eastern Europe as due to insufficient attention to the institutional context of markets.

Thus it is widely accepted within economics that capitalism exists in relationship to a number of conditioning institutions.¹ It would be possible to adopt a strictly static approach to this relationship. Indeed there is a strong temptation within some wings of the neoclassical, Post Keynesian and Marxian tradition to conceptualize capitalism in a “pure form” and then conceptualize the somewhat invariant institutional preconditions that must accompany this pure form. This facilitates both mathematical modelling and the hypothesizing of teleological trajectories to optimal equilibrium, socialist transition, etc. Nevertheless, much of the theorizing about embeddedness in economics assumes that institutions change over time and that this change contributes to the creation of a more

¹ It is perhaps appropriate to observe at this point that most social sciences would hardly regard this as an insight and generally treat the existence and importance of institutions as a “common sense” background.

concrete history of capitalist development than more abstract theoretical models allow. Thus both the embeddedness of capitalism in social institutions and a development of this relationship over time are widely accepted.² The question I wish to address is whether or not it is possible to say something more specific than this about the relationship between capitalism and its institutional environment.

I will situate the proposed answers within the Marxian tradition and more specifically within the Marxian tradition of stage theory. Marxism was never proposed primarily as a theory of what we characterize today as “economics.” Rather it was a theory of history in general with a ‘political economic’ aspect of that history, the class struggle, as its principle dynamic force.³ Thus Marxism is a significant current in historiography and Marx is widely regarded as one of the founders of both modern sociology and political science. A comprehensive presentation of cultural studies cannot afford to ignore the Marxian tradition. Arguably, the bulk of the work in the Marxian tradition exists outside of efforts to further Marx’s treatment of the economy strictly speaking.⁴

Thus a concrete consideration of the capitalist mode of production quickly becomes a consideration of the broader ‘social formation,’ including its political, ideological and cultural aspects. Marx himself had at one time included a volume on the state as one of six book plan for what later became the series on *Capital*. Recently, Resnick and Wolf (xxxx) have elaborated a conception of subsumed classes, groups characterized by the supply of one of the conditions of the capitalist class process. This includes political and ideological

² In the case of the neoclassical mainstream, it is another question whether these insights have had more than marginal significance in modifying its fundamental world view.

³ This is only one reading of ‘historical materialism’ and other interpretations can find specific textual support in Marx’s work and have been subsequently developed within the Marxian tradition.

⁴ I have argued elsewhere that admission to the canon of the history of economic thought is organized around attempts to found economics as a science separate from the broader social sciences (McDonough 2000). Thus within the history of economic thought only a truncated version of Marxist “economics” has been admitted.

conditions, thus bringing the institutional embedding of capitalism into class analysis itself.

The Marxian tradition of capitalist stage theory brings these factors into the heart of the Marxian analysis of the capital accumulation process.

There is a fundamentally continuous tradition of Marxian stage theory from the beginning of the twentieth century until the present day. The Marxian stage theory tradition is intimately linked to turning points in the historical process of capital accumulation. These turning points mark the inauguration of a period of relatively unproblematic reproduction of capitalist social relations or, symmetrically, the beginning of a period of stagnation and crisis. Simply put the alternating periods of growth and crisis which describe the transition from one capitalist stage to another have left a strong imprint on the history of the Marxian theory of capitalist stages.

This history begins with the first crisis of Marxism. This crisis was precipitated by the recovery of the capitalist economy from the first Great Depression at the end of the nineteenth century. Seeing capitalism recover from what was thought to be its final crisis, Marxist activists searched for a way of explaining this recovery without abandoning the revolutionary implications of Marx's analysis of the contradictory character of capitalist social relations. This explanation was to be found in the pioneering work of Rudolf Hilferding on finance capital, Nicolai Bukharin on the world economy and V.I. Lenin on imperialism. All three argued that the capitalist economy had, with the advent of monopoly capitalism, entered into a new and higher stage of capitalism. This new stage underlay the recovery but it had not transcended the basic Marxian dynamics of capital accumulation.

Hilferding's, Bukarin's and Lenin's (HBL) analysis would be carried into the post World War II era through the work of Paul Sweezy and Ernest Mandel. In their influential expositions of Marxian economics the HBL analysis of monopoly capitalism was treated by each as essentially a fourth volume of capital. Their descriptions of the transition to monopoly capital consolidated stage theory

as an accepted component of Marxian theoretical practice. Both would be influential in forming the basis for the second wave of Marxian stage theory.

The second wave of Marxian stage theorizing emerged with the end of the post World War II expansion. Ernest Mandel's Long Wave Theory (LWT), the Social Structure of Accumulation Framework (SSAF), and the Regulation Approach (RA) analyzed the stagflationary crises of most of the advanced capitalist countries as the end of a long wave of growth following the end of the war. This long wave of accumulationⁱ was underpinned by the emergence of a new stage of capitalism which was analogous to the reorganization brought about by monopoly capital at the turn of the century. Since this new stage was the resolution of the crisis of the monopoly stage, these new schools were reluctant to predict the non-resolution of the current crisis, thus opening up the possibility of further stages of capitalism in the future. This identification of a new stage following on from HBL's monopoly stage and the possibility of subsequent stages in the future elevated Lenin's theory of the highest stage to a general theory of stages of capitalism. The SSAF built on Sweezy's contribution and that of the American Monopoly Capital School. Mandel's LWT, not surprisingly, was founded on his earlier analysis of monopoly capital. The RA claimed no precursors apart from Althusser, though Althusser's admiration for Lenin and specifically his *Imperialism* is well known.

This tradition has contended that a full analysis of capitalism cannot be satisfied with an understanding of the general transhistorical dynamics of capitalism as a mode of production nor with the analysis of particular historical conjunctures. Stage theory undertakes an intermediate level of analysis in the sense that it identifies periods intermediate in length between the conjuncture and overall capitalist history. This intermediate period of analysis is founded on the observation that while all economies are embedded in the broader array of social institutions, this is especially important in the capitalist era because of the conflictual foundations of capitalism in class division and capitalist competition. For accumulation to proceed relatively smoothly these sources of

instability must be countered through the construction of a set of stable institutions at not only the economic but also the political and ideological levels.

The construction of such a social structure underpins the profit rate and creates the secure expectations that make long term investment possible. Nevertheless as accumulation proceeds the institutions are undermined by class conflict, capitalist competition and accumulation itself. These forces and the interdependence of the institutions lead to a breakdown of the institutions, a fall in the profit rate, and the collapse of accumulation, initiating a period of crisis and stagnation which is only overcome with the construction of a new set of institutions. Thus capitalist stages are constituted by the sets of interdependent economic, political and ideological institutions which underpin relatively successful accumulation separated by intervening periods of crisis. The following section considers the SSAF wing of the second wave of theorizing in more detail.

The social structure of accumulation framework⁵

At the end of the 1970's, David Gordon (1978; 1980) published two articles linking long cycle theory with the concept of stages of capitalism. In this context, the advent of monopoly capital at the turn of the century coincides with the completion of the long wave trough at the end of the nineteenth century and the inauguration of the long wave expansion which ended with the Great Depression of the 1930's. The new question which the adoption of a long wave perspective posed to the monopoly stage of capitalism tradition was whether the postwar expansion was associated with a similar set of multidimensional institutional changes. Gordon (1978) answers this question by proposing a set of postwar institutions whose establishment accounted for the long period of postwar prosperity. These institutions included among others multinational corporate structures, dual labor markets associated with a bread-and-butter industrial unionism, American international economic and military hegemony, easy credit, conservative Keynesian state policy, and bureaucratic control of workers.

⁵ For a useful collection of articles explaining, reviewing and applying the SSA approach see McDonough et al (2010).

In this way, Gordon established the possibility of articulating a postwar set of institutions which conditioned the subsequent expansion of the economy in a way similar to the manner in which the set of institutions analyzed by Hilferding, Bukharin and Lenin accounted for the turn of the century expansion. Thus the multi-institutional analysis of monopoly capital is implicitly used by Gordon as a model for explaining the postwar expansion.

The repetitive use of this kind of explanation raised the question of whether the assembling of such sets of institutions could be generalized as the basis of a comprehensive theory of stages of capitalism. Gordon (1978; 1980) answers this question by proposing that both the institutions comprising monopoly capital and those making up the postwar social order constituted examples of social structures of accumulation (SSAs). The construction of a new SSA provided the basis for a new stage of capitalism. The disintegration of this set of institutions marks the end of each stage.

The SSA approach achieved its definitive form shortly thereafter with the publication of Gordon, Edwards, and Reich's *Segmented Work, Divided Workers* (1982). This volume used Gordon's SSA approach to capitalist stages to reformulate these authors' earlier analysis of the history of capital-labor relations in the U.S. The authors' exposition of the SSA which dominated the capitalist world at the beginning of the twentieth century clearly owes a great deal to HBL's original description of the era of imperialism.

Developments within the SSA school have brought the SSA framework closer to the HBL position. The notion of long cycles or long waves has been deemphasized in favor of a conception of periods of alternating growth and stagnation in capitalist history. The length of these periods is not determined in advance. They don't follow on from one another with the strict logic which a cycle theory would demand. The eclipse of the long cycle argument refocuses attention on Lenin's concept of stages of capitalism (see McDonough 1994a, 1994b).

SSA theory is rooted in both Marxian and Keynesian macroeconomic insights. Marxian economics sees capitalism as an inherently conflictual system, characterized by crisis tendencies brought about by such factors as the conflict between classes, most prominently between workers and capitalists, and competition among capitalists. These crisis tendencies can appear in a number of

concrete blockages to the accumulation process. Keynesian economics sees the investment decision as inherently unstable, subject to large fluctuations due to changing expectations and periodic imbalances between the financial and real economies, and prone to self-reinforcing periods of stagnation and depression.

SSA theory argues that these inherent problems can be attenuated through the construction of sets of institutions that mitigate and channel class conflict and stabilize capitalists' long-run expectations. Institutions in this sense are conceived of broadly and can be economic, political, ideological or cultural in character. The particular organization of markets and the structure of competition are examples of economic institutions. The state, including its various organs and associated policies, is the most prominent example of a political institution. Ideological and cultural institutions include political ideologies, the higher education system and systems of religious belief. The economic, political, ideological and cultural institutions of any social structure of accumulation are mutually compatible and generally supportive of each other as well as supportive of the accumulation process. Thus each SSA constitutes a relatively unified structure.

When a social structure of accumulation is in place, many of the determinants of the profit rate are secured and long run expectations of profitability are stabilized. Higher levels of investment lead to expansion and growth. Initially, this expansionary dynamic reinforces the SSA and provides resources that can be devoted to its consolidation. However, over time the process of expansion eventually undermines the accumulation process. This undermining can result from intensifying class conflict, increasing competition in product and resource markets, the saturation of markets or any of a number of other causes, some of which are general tendencies of capitalism, while others are specific to individual SSAs. As institutions are destabilized, profits and profit expectations fall, leading to declines in investment rates. The decline in resources then further undermines the institutions of the SSA. The integrated character of the SSA accelerates the decline as failing institutions destabilize each other. The SSA ceases to underpin accumulation and the economy enters into a long period of stagnation.

Under conditions of stagnation, conflict increasingly focuses on restoring the conditions for renewed profitability and accumulation. Since different classes and social forces favor different programs, and new initiatives are often tentative and may be blocked. A successful set of institutions must also include political and ideological innovations as well as economic ones. The construction of the new SSA therefore requires a long period of time and as a result the period of stagnation is usually lengthy. Eventually, however, one political-economic program is able to defeat its rivals or an historic compromise is reached. A new SSA is constructed and more rapid accumulation begins again.

U.S. history illustrates this dynamic process. In the mid to late nineteenth century, a competitive SSA was dominated by a market structure of small and medium size firms. Labor control strategies were simple and direct, resisted eventually through craft union organization. The state provided infrastructure but overall maintained a laissez faire position. Trade constituted the dominant form of international economics relations, and the dominant ideology consisted of classical liberalism. While there are some differences in the SSA school over which factors were most important in undermining this SSA, analysts have pointed to falling prices due to unrestrained competition, rising real wages, excess capacity created in the competitive struggle, and conflicts over the role of gold and the structure of finance, which led to a profit squeeze. This crisis was resolved through the creation of a new monopoly SSA, characterized by an oligopolistic market structure, weak unions, U.S. expansionism in Latin America and Asia, and the creation of the Federal Reserve System. This SSA then ended in the Great Depression, with the SSA literature citing such causes as inadequate demand due to wages rising more slowly than profits, the collapse of a speculative bubble in the stock market, and the exclusion of the U.S. from areas of further overseas expansion.

The Great Depression then led to a long period of institutional reform, including new regulations in finance and a heightened role of the state in the economy. The economy did not revive fully until the economic stimulus of war production in the 1940s. The new SSA was

consolidated at the end of World War II, with the institution of the Keynesian welfare/warfare state, industrial unions strong enough to impose a limited "capital-labor accord," U.S. international dominance, and a new Cold War ideology. The boom period lasted until the Great Stagflation. The decline and disintegration of the postwar SSA was visible in the 1970s, with an end to the capital-labor accord, a price/wage spiral, and rising international disorder due to increasing European and Japanese competition, the end of the Bretton Woods system of fixed exchange rates, and two episodes of very rapid increases in oil prices. In the 1980s and 1990s a new SSA, global neoliberalism, was established.

Global neoliberalism is characterized by the creation of a transnational capitalism class which faced a nationally divided working classes, decisively weakened by capital's ability cross borders. Capital acquired the ability to site each portion of the accumulation process in the location most conducive to profitability. Domestic policy moved from the Keynesian welfare state to what Bob Jessop characterizes as the Schumpeterian workfare state. At the transnational level, tentative moves have been made in constructing a transnational state apparatus. The pursuit of competitiveness has become the touchstone of more and more areas of policy. Capitalist class and market relationships have spread worldwide with the imposition of structural adjustment programs on less developed countries and the capitalist transitions in Eastern Europe and China. All of these developments are legitimated and partially driven by neoliberal ideology. Overproduction due to the aggressive merging of markets and deficient consumption as a result of stagnating wages set the stage for economic collapse. In 2008 the collapse of a property bubble driven by neoliberal finance may well have initiated the crisis of the global neoliberal stage of capitalism.

The table below summarizes these historical developments.

	Comp. [1865-1898]	Crisis	Mon. [1898-1945]	Crisis	Postwar [1945-1982]	Crisis	Gl. Neol. [1982-2008]
Capital Capital	Comp.	p↓ wages↑ excess Cap.↑ profits↓	Olig.	Dem.↓ Fin. Fragility	Olig.	Pop. Unrest↑ Stagflation Int. comp.↑	Transn'l Kist. Class
Capital Labour	Craft Unions		Weak Unions		Strong Unions		Nationally Divided, weak'd work. cl.
State	Laissez Faire Infrastructure		Mildly Reg.		Keynes Welfare		Schumpeterian workfare state Trans-national State Apparatus
Ideol.	Classical Liberalism		Corporatism		Cold War Liberalism		Neoliberalism Competitiveness
Int'l	Trade, Investment		Imperialism		US Int'l Dom.		Russia China SAP's

What are the implications of the Marxian stage theoretic approach to capitalist history? At a general theoretical level, Marxian stage theory integrates the institutionalist conception of the embedding of capitalist markets with the Marxian analysis of the contradictions and crisis tendencies of capitalism. This integration succeeds in explaining alternating periods of capitalist stability and crises. It explains how it is possible for capitalism to generate crises which are deeper than business cycle declines but short of the final crisis of capitalism. It brings the analysis of politics and ideology into the heart of the Marxian analysis of capital accumulation.

At the level of current conjunctural analysis, it's understanding of the nature of capitalist crisis is crucial in coming to an understanding of the current situation. Is the

current crisis *the* crisis of capitalism in that it precedes and conditions the transition to a new mode of production? It is too early to tell. While the crisis may not be the crisis of capitalism, it is increasingly safe to say it is the crisis of the current stage of capitalism. That is, it is the crisis of global neoliberalism. It is not simply or even primarily a crisis of finance. It is a crisis of the total set of institutions which have conditioned capital accumulation over the last twenty-five to thirty years and must be analyzed as such.

Finally, what can the SSAF specifically contribute to the creation of a heterodox model of the economy? Certainly any such model must incorporate the institutional conditions of economic activity. This is to some extent the purpose of the employment of the social fabric matrix. The central insights of stage theory are that, on the one hand, the institutional framework within which the capitalist economy is embedded is not constant and, on the other hand, that change is not continuous. The succession of one capitalist stage by another is marked by the installation of new and different institutional structure whose changes ramify across the economic, political and ideological levels of society. Institutional change is characterized by periods of relative stability punctuated with episodes of comprehensive change. Within this overall pattern each stage has a period of relatively health conditioning of the accumulation process and a period of breakdown and crisis.

The evolutionary biologist and historian of science, Stephen Jay Gould has written extensively about the debate between gradualism and catastrophism within historical sciences like geology and evolutionary biology. This debate bears directly on one of his major contributions to evolutionary biology, the theory of punctuated equilibrium. Evolutionary conceptions of the origin of species had replaced a conviction of momentary

creation with a conception of gradual change and adaptation. Gould and his co-authors realized that the fossil record does not seem to support this gradual conception. Instead species seem to be stable in form for long periods of time and then undergo a shorter period of rapid change leading to a renewed period of stability. Gradual incremental change is not absent and to some extent characterizes the stable periods. Nevertheless major changes, including speciation, do not seem to be the cumulative result of gradual changes.

Gould's notion of punctuated equilibrium in evolution has been greeted with considerably controversy due to the appeal of the progressive conception of gradual, adaptive, and cumulative change. Versions of gradualism still have considerable appeal within the social realm. Marxian stage theory breaks with gradualist conceptions of change not only at the traditional boundaries between modes of production, but also within capitalist development.⁶ This is good news for the heterodox modelling project. Periods of stability mean the embedded character of capitalist economies can be described (and modelled) beyond the particular conjuncture. Stadial theory insists, nevertheless, that close attention be paid to the temporally bounded nature of such models.

⁶ The connection between punctuated equilibrium and Marxian conceptions of history is perhaps not accidental. Gould avowed Marxist politics for much of his life.

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