The continuing economic crisis and the growing evidence that the United States no longer is able to shape world events to its advantage and liking have spawned a quickly growing library of books that seek to explain the causes of the crisis and variously predict the future or offer advice for government officials or for the reading and voting public. The books by David Kotz and Immanuel Wallerstein and his collaborators are worthwhile contributions to the ongoing debate even as they reveal limitations to their approaches and, for the most part, fail to address work from scholars outside their orbits.

Kotz is an economist who elaborated the “social structure of accumulation theory” first developed by Michael Gordon. In The Rise and Fall of Neoliberal Capitalism, Kotz, echoing Marx’s description of modes of production, sees the social structure of accumulation as a “coherent institutional structure . . . [that] centers around promoting profit-making and a stable capital accumulation process . . . . After one or several decades, each social structure of accumulation turns from a structure that promoted profit-making and accumulation into an obstacle to it, ushering in a period of economic crisis. The crisis period lasts until a new social structure of accumulation is constructed” (p. 3).

Kotz argues that U.S. history since the Civil War has been a repeating cycle of one social structure of accumulation that lasts for decades and spurs rapid growth for the economy along with rich profits for capitalists, followed by a crisis created by the dynamics of that structure that ends in the development of a different social structure of accumulation. The structures of accumulation vary in the degree to which the state regulates capitalism and the extent to which growth is shared between capitalists and workers.

Kotz describes the period from the end of the Civil War to 1900, which Mark Twain called the Gilded Age (and also The Great Barbeque), as one of unregulated capitalism, albeit with heavy federal and state subsidies for politically connected firms such as railroads. Hyper-competition among numerous locally based small firms led to rapid economic growth at the cost of frequent recessions. Kotz finds that from 1870 to 1900 there were 179 months of contraction and 181 of growth (p. 184). Wages hardly grew in nominal terms, but massive long-term deflation, caused by intense competition among firms, meant that real wages grew throughout those decades. Capitalists pursued various strategies to profit in such a competitive and turbulent economy. Industrial entrepreneurs combined numerous locally based small firms into vertically integrated behemoths. Speculators manipulated markets and looted firms while bankers, who expanded beyond their localities by floating government and railroad bonds, began to
market stocks in the expanding large corporations. Bankers emerged victorious in intra-class conflict. They used their growing leverage as the principal sources of credit to force firms to limit their competition and instead engage in what Kotz labels “co-respective competition.” At the same time, government also imposed regulation on business in an effort to preempt the growing socialist movement. Regulation was less onerous for big business than socialists’ and other radicals’ suggestions to break up the recently formed monopolies and oligopolies.

For Kotz, popular mobilization (or its absence) is a key element in determining the direction and durability of reform. Thus, nationalist fervor during and after World War I allowed the government to crush the Socialist Party and weaken unions, allowing many of the Progressive reforms to be undone. Kotz is much too vague on how the retreat from regulation actually changed the institutional links among firms and with banks to undermine co-respective competition. He is much clearer on the consequences. Wages declined and mass demand was sustained only by a series of bubbles: real estate in the first half of the 1920s and then the stock market until 1929.

The Depression undermined laissez-faire as an ideology and fortified radical groups. For Kotz, the 1930s were an intensified version of the 1900s, creating a system of co-respective competition and of social benefits that in itself limited capitalists’ competition. The cycle turned again in the 1970s as U.S. corporate profits declined. Kotz reviews various explanations for falling profits without coming down in favor of one theory or another. He shrewdly concludes that no matter the cause, corporate leaders felt threatened and responded by attacking unions and government regulation. Kotz argues that businesses were willing to put up with social welfare spending but objected when “social regulations” attacking pollution, protecting worker safety, and preventing consumer fraud were proposed. In addition, business leaders had, by the 1970s, only dim memories of the Great Depression and had forgotten earlier fears of a post-World War II collapse that was averted, he argues, by Cold War spending.

Kotz’s analysis and his own research on business lobbying tracks the work of various sociologists, most notably G. William Domhoff (2013), but he does not engage them nor does he draw on either the archives or published works he cites in enough depth to explain why business elites were able to achieve their objectives in some eras but not others. Kotz instead asserts that if capitalists make good and steady profits, they are willing to tolerate unions and government regulation (up to a point); but when profits are endangered, they swing into action, developing new ideologies, lobbying and buying political candidates, and breaking unions. His simple model does not attempt to explain how ideologies are constructed and win adherents. While both Keynesian and neoliberal ideologies were convincing explanations of the phenomena of their times, so were other ideologies that failed to achieve salience. Thus, we need to turn to authors such as Greta Krippner (2011) or Manuel Castells (2011) to really understand how neoliberalism triumphed over competing interpretations of reality.

One of Kotz’s major contributions is to offer an overview of neoliberalism’s limited achievements in the United States. He finds that while profits recovered, it was due mainly to wage stagnation and secondarily to cuts in corporate taxes. Neoliberalism since the 1980s, like laissez-faire in the 1920s, produced rising inequality and a series of asset bubbles that allowed workers with stagnant wages to go ever deeper into debt to purchase the mountains of stuff churned out by American and, in recent decades, foreign firms. The bubbles of the 2000s were, in Kotz’s analysis, the inevitable result of the growing wealth of the rich combined with a lack of productive investment, since weak consumer demand and international competition meant that existing plants already were at overcapacity. Financial deregulation allowed unrestrained speculation.

The 2008 financial collapse and the resulting prolonged recession seemed to raise serious doubts about neoliberal doctrine and to revive interest in Keynesian solutions. But after a year or two of government stimulus, austerity has again come to dominate political discourse. After
beginning the book with the suggestion that the current recession is a historical turning point, when the neoliberal social structure of accumulation will give way to something new, Kotz concludes much more tentatively by identifying possible futures without suggesting which one is more likely or even offering a method for weighing how capitalists’ organizational capacities or internal conflicts, mass mobilization, or factors external to the United States might shape the ultimate outcome.

Kotz’s limitations stem in part from his single-minded focus on the United States. While he mentions that neoliberalism has been practiced elsewhere, he fails to systematically compare neoliberal policies among countries. Had he done so, he would have been able, like Monica Prasad (2006), to offer hypotheses on how and under what conditions ideology, capitalists’ unity and organizational capacities, social movements, and politicians’ autonomous interests combine to yield Keynesianism and regulation or neoliberalism or particular mixes of them in different countries. Kotz’s book remains valuable for bringing sociologists a clear account of the economic achievements and ultimate limitations of Keynesian and neoliberal economic policies, but it needs to be combined with other approaches if we want to understand when and how new policies are adopted.

Where then can we turn for a fuller understanding of neoliberalism’s origins, limitations (both in terms of implementation and accomplishments), and future prospects? As I mentioned above, comparative analysis is essential. Following Prasad, we need to examine why particular neoliberal policies were effectively implemented in some countries but not others. Such comparison also will help us to understand the different targets and achievements of social movements across time and place. Kotz’s shrewd decision to remain agnostic on the causes of the economic decline of the 1970s also makes it more difficult to see how the particular economic conditions and institutions in each country affected political relations and made possible certain policy changes, as Michael Mann (2013) attempts to show. We also need to acknowledge not only that national economies are in competition, but that they are part of a global structure that is shaped and distorted by cycles of economic growth and crisis that Kotz traces for the United States and others, such as Ha-Joon Chang (2002; 2011), Giuliano Garavini ([2009] 2012), and Giovanni Arrighi (2007), link to geopolitics.

Geopolitical openings or the needs of dominant powers, like the United States, to win and hold allies have an independent effect on economic policies. In addition, global warming and resulting ecological disasters no doubt will cause economic collapses in some places while spurring efforts at “mitigation” in other countries that can have as much of a Keynesian effect as the Cold War once did (Lachmann 2016). Similarly, if we want to understand what might follow neoliberalism in the United States, it pays to examine countries that have been able to challenge those policies in Latin America (see, e.g., Yates and Bakker 2014) or that avoided neoliberal nostrums and benefitted from state-directed development, at least until the 2008 financial crisis (Ó Riain 2004).

World systems theory offers a framework that relates economic cycles to geopolitics while seeking to account for ideological change and the causes and effects of social movements. The work of Giovanni Arrighi (1994; 2007) is the pinnacle, so far, of the efforts to explain the ongoing crisis of U.S. capitalism in terms of the tensions and limitations inherent in occupying the hegemonic position in the world system. Arrighi, who originated the concept of financialization, and whose work Kotz mentions briefly but misleadingly (pp. 190–91), sees the crucial cycle as not an oscillation between laissez-faire and regulation, but a move by each hegemon away from productive capitalism to financial manipulation. Whether and how long financialization can sustain U.S. dominance remains to be seen. Arrighi, who died in 2009, was unable to see if his predictions would be borne out; and it appears that China and other industrial competitors are willing so far, for a combination of domestic and geopolitical reasons, to cede financial supremacy to the United States (Hung 2009). That may prove as or more important than the factors that are Kotz’s focus in explaining the future trajectory of American neoliberalism.
Immanuel Wallerstein, like Kotz, challenges “the dominant view in social science . . . that the modern world shows a pattern of linear development in which all positive trends go upward in more or less linear fashion” (p. 1). Wallerstein and his collaborators in The World Is Out of Joint (20 authors for 10 substantive chapters) offer a global and longue durée analysis. This book can be read in a number of ways. First, it offers schematic histories of the central social phenomena of the past 500 years. Thus, we learn that world inequality has been remarkably stable for centuries, as rich countries’ relative egalitarianism coexisted with, and depended upon, the export of low-wage jobs to and extraction of resources from peripheral lands with much higher levels of inequality. Roberto Patricio Koreniewicz and Timothy Patrick Moran show that migration partly mitigates global inequality and that the unprecedented rise of China and India is changing the global distribution of income to a greater extent than at any time in the history of the world system. At the same time, Peter J. Taylor et al. show that the foci of rapid urban growth have shifted over centuries from political centers to core economic centers, then to core frontier cities, and in recent decades to peripheral economic centers. Eric Vanhaute et al. look at the peasants left on the land in the wake of urbanization. Like the other authors, Vanhaute et al. find a widening divergence between core and peripheral regions. While agriculture becomes more efficient and uses far fewer workers in the core, “in the global South more agricultural workers were employed per unit of farmland in 2000 than 1950” (p. 65).

The quality of and insight offered by the chapters, unfortunately, is highly uneven. The chapters on ecology, intellectual property, “women’s spaces and a patriarchal system,” and citizenship are superficial, and the conclusions of all but the latter read more like speeches to the like-minded than analyses from which one can learn something new. The chapter on state, by Atilio M. Borom and Paloma Nottebohm, offers valuable data on public expenditures in a number of countries, but some of the conclusions drawn cannot be justified by the data. The authors argue that U.S. government spending increased in the 2000s because Bush and Obama “increased military expenses to record-high levels” (p. 103). In nominal terms the spending is high, but as a percentage of GDP it is far lower under both those presidents than it was under Reagan, Kennedy-Johnson, or Eisenhower. The jump in overall spending under Obama was due mainly to Keynesian spending from the stimulus and for social programs that have built-in counter-cyclical effects. The same was true of other rich countries.

Jorge Fonseca traces changes in the form of large firms over 100 years and in the flows of foreign direct investment over the past century. He finds that the United States has shared rather than dominated international capital. While Fonseca doesn’t draw out the implications of his findings, his research could provide the basis for a deeper understanding of the difficulties the United States faces now, and has faced in the past, in controlling the global capitalist system. Fonseca’s chapter shows the strengths of Wallerstein’s collective project: the ability to examine a wide range of phenomena and to marshal researchers to create new data that give a more precise picture of change over time. However, his brief chapter also reveals the limitations of this volume. Whether this is a decisive limitation of the entire project remains to be seen: hopefully future volumes, either by individual authors or the collective working group, will go into greater depth than is possible in chapters of 15 to 20 pages, give fuller accounts of what they have found, and then go on to elaborate their analyses.

Ari Sitas et al.’s chapter on deviance offers an innovative and provocative theory. They differentiate what they call existential deviance (where a whole group is considered a deviant “other” deserving of removal or elimination) from behavioral deviance (the focus of most theory and research), deviance expression, and what they call miasmic deviance (the carrying of “impure substances, such as bad spirit or diseases”) (p. 148). They relate these four types to each other and explain the rise and fall of the policing of each type to world systemic cycles and to long-term changes in the global structure. Their arguments deserve further elaboration and study.

Wallerstein concludes the volume by drawing out the implications of his
collaborators’ findings for studying the current global crisis. He sees a common thread in all the chapters: the world is becoming increasingly polarized, and “the system bifurcates” (p. 167). Neither neoliberalism nor renewed social democracy can cure the crisis, in Wallenstein’s analysis. He predicts that states will weaken under the double burden of “reduced incomes and increased expenditures” (p. 167). At the same time, people will turn to those weakened states for protection from crisis. States’ loss of capacity will strengthen regional structures such as the EU. As Wallerstein has written before, the world’s future will be determined by the outcome of struggles between popular forces seeking a more democratic and egalitarian world order and those with wealth and power who, worried “that they cannot secure their future through the existing capitalist system . . . will seek to bring into existence some other system, one based not on a central role of the market but rather on a combination of brute force and deception” (p. 168).

If Wallerstein is correct, neoliberalism will turn out to have been a short episode in the long history of capitalism, albeit one that propelled the world system’s instability. He and his collaborators have performed a valuable service in focusing our attention on the multiple sites at which the struggle for the future will be played out. However, we will need to draw on other perspectives in addition to world systems theory to identify and understand the forces that will shape future turbulence. The great task ahead will be to develop frameworks that will allow us to see how multiple factors interact in contingent chains of conflict and structural change that produce varying consequences in different parts of the world. That will then give us the basis to analyze how unexpected events, such as the catastrophic consequences of global warming, will affect the dire developments already in process.

References