

Capitalism Evolving: An Introduction to Social Structure of Accumulation Theory

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In this comment piece, Professor Mark Setterfield reflects on the current state and future of Social Structures of Accumulation Theory.

I. Conflict, uncertainty and fluctuations in growth: foundations of social structure of accumulation theory

The process of growth in a capitalist economy is riven by distributional conflict and fundamental uncertainty. In the first instance, capitalism can be understood as ‘contested terrain, characterized Edwards (1979) by various forms of non-cooperative rivalry: between individual firms in the process of market competition; between aggregate ‘capitals’ (such as industry and finance) for dominance of the corporate sphere; between state and capital, for control over social priorities; and between capital and labor, over the terms and conditions of employment. At the same time, economic activity necessarily takes place in the present, sandwiched between a given and immutable past, and a future that, rather than being the product of immutable laws, is yet to be created by economic decision makers.¹ This gives rise to fundamental uncertainty – the idea that decision making takes place in a state of partial ignorance about the future, aspects of which do not yet exist and so are unknowable in principle.

Conflict and uncertainty may be causally related. Hence uncertainty may provoke conflict while conflict, to the extent that its outcomes are indeterminate, can be a source of uncertainty. The two phenomena are also linked by the fact that neither conflict nor uncertainty are conducive to steady accumulation by capitalists in the pursuit of expected future profits.² According to social structure of accumulation theory (SSAT), this is why the historical growth record does not resemble a steady or even process but is, instead, characterized by long-term fluctuations in growth – specifically, *long swings* or *long waves* of approximately 50 years in duration.

The observation of long waves in the growth record is not new.³ Nor are efforts to explain long waves. Traditionally, these explanations have focused on technology clusters (Schumpeter, 1939; van Duijn, 1977, 1983). But according to SSAT, the fluctuations in growth associated with long waves are associated with the rise and decline of successive *social structures of accumulation* (SSAs).

II. SSAs and the growth process

In order for firms to engage in accumulation in an environment of conflict and uncertainty, they must be sufficiently confident in their ability to create and realize profit. In SSAT, what is functional to this confidence is the existence of a stable SSA: a mutually-consistent array of institutions set up to address and, in the process, ameliorate conflict and uncertainty. As used here, the term ‘institutions’ refers to correlated behaviors of individuals and/or groups that recur under like circumstances – that is, ‘proceduralist’ behavioral heuristics that specify ‘in event of conditions x , do y ’.⁴ So-defined, institutions encompasses what are variously referred to as norms, conventions, customs, rules, habits and even formal laws, and are understood to be *transmutable but relatively enduring*. They can and do change over time,

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¹From this perspective, choice and decision making are, in part, creative acts – akin to Schumpeterian innovation – as a result of which change is characterized by novelty.

²This is not to say that conflict and uncertainty have no positive role to play in capitalist dynamics, however. As noted, uncertainty may be associated with innovation. Meanwhile, a ‘profit squeeze’ resulting from distributional conflict between capital and labor may spur technical change designed to reconfigure the technique of production (specifically, make it less labor-intensive) and in so doing, contribute to the technical dynamism of the economy.

³See Kondratieff and Stolper (1935) and Mandel (1978, chpt.4). For more recent evidence on the existence of long waves see, for example, Korotayev and Tsirel (2010); Basu (2016); Gallegati (2019).

⁴This can be contrasted with ‘consequentialist’ behavior, which follows the principle ‘in the event of conditions x , act on the basis of a prior evaluation of the subsequent consequences of alternative feasible behaviors’.

but not on a moment-by-moment basis, remaining, instead, relatively inert (see also McDonough 1990, 136, Lippit 2005, 27-28).

According to SSAT, the inertia of the institutions that make up a stable SSA is conducive to higher rates of accumulation over periods of several successive business cycles. Conversely, if an SSA becomes unstable because the institutions of which it is are breaking down, then firms will lose confidence in their ability to create and realize profit and the rate of accumulation will decline. In this way, the rise and decline of stable SSAs furnishes a theory of the long waves in the growth record mentioned earlier.

III. SSAs, long waves, and ‘stages of capitalism’

How, then, do SSAs rise and decline? Assume, to begin with, that a stable SSA has emerged. The institutions of which the SSA is comprised will diminish conflict and uncertainty, raise firms’ confidence in their expectations of future profitability, and so create conditions conducive to rapid accumulation. This phase of rapid accumulation will endure, spanning several successive business cycles – a phase of growth that can be associated with the upturn of a long wave – because of the relatively enduring nature of the institutions that comprise the SSA. Because institutions persist, so, too, will conditions favorable to rapid accumulation, and hence the rapid accumulation itself.

According to SSAT, however, the long expansion phase described above will not last indefinitely. One or more of a number of factors will eventually bring the long-wave upswing to an end. One possible factor is exogenous shocks, which may impinge directly on the process of accumulation or on its institutional foundations. Of greater interest, however, are *endogenous* developments, arising from within the growth process itself. Two such developments are noteworthy. First, there may be intrinsic limits to growth imposed by certain institutional components of an SSA. Suppose, for example, that a period of rapid accumulation uses up all available land except for wetlands, but part of the current SSA is a formal law devoted to conserving wetlands by placing them outside the scope of commercial development. Then there is no further scope for growth within the framework of this institution. Either growth comes to a halt, or an institutional pillar of the growth process must be abandoned – which development will increase conflict and uncertainty and so undermine the conditions for rapid growth.

Second, sustained high rates of accumulation may feedback negatively onto an SSA, undermining the institutions on which it is based. For example, suppose that part of the prevailing SSA is an agreement between capital and labor that involves workers receiving ‘fair’ wages and stable employment opportunities, in return for which firms retain full and autonomous control over investment and production decisions (the ‘right to manage’). A sustained phase of rapid growth may result in materially secure workers who, having grown accustomed to material security, decide that they should be given greater input into production decisions. This ‘new demand’ challenges – and, in the process, may destabilize – one of the institutions of which the current SSA is comprised, once again undermining the basis for rapid accumulation.

Any one, or some combination of, the various exogenous and endogenous factors described above can serve to destabilize an SSA. This will exacerbate conflict and uncertainty, undermine firms’ confidence in their ability to create and realize profits, and so reduce the rate of accumulation – thus driving the economy into the downturn phase of a long wave. A period of heightened uncertainty and conflict coupled with relatively slow growth will ensue, all of which are the result of the absence of a stable SSA capable of mediating conflict, reducing uncertainty, and promoting rapid accumulation. However, conflict during the downturn phase of the long wave can be productive. According to SSAT, conflict will eventually resolve – either through conciliation between conflicting parties or the exercise of power – into a new set of institutions that by, ameliorating conflict and reducing uncertainty, instill greater confidence in expectations of future profitability and so once again create conditions favorable to rapid accumulation. The economy is thus propelled into the upturn phase of a new long wave.

In SSAT, the recursion of the growth schema sketched above characterizes the essential nature of capitalist macrodynamics, so that capitalist history is characterized by a succession of long waves and their associated SSAs. This gives rise to a conception of capitalist growth and development as being associated with successive and qualitatively different *stages of capitalism*, each stage associated with a complete long wave, and each made qualitatively distinct by the precise institutional features of its SSA. Examples of such stages of capitalism include the post-war Golden Age (Marglin and Schor, 1992) and,

more recently, neoliberalism (Kotz, 2015). The succession of SSAs and associated stages of capitalism provides insight into the *resilience* of capitalism as a mode of production. Hence as noted by Boyer (2021), in a remark about Regulation Theory that applies equally to its sister school, SSAT:

The great contribution of regulation [SSAT] is ... to say that capitalism is not a system driven by a single logic that pushes mechanically towards catastrophe. Capitalism will only collapse if it does not find a way to make to make new political compromises in response to the contradictions it has itself caused.

Boyer (2021, 166), as translated by Tadjeddine (2024, 15)

IV. Evaluating SSAT

SSAT is an ‘intermediate’ rather than a general theory, which is to say that it draws on observed features of history to discuss the particulars of SSAs, rather than providing a ‘pure’ or abstract (and time invariant) theory of the institutions of which any SSA must be comprised. As such, SSAT is more adept at explaining past events than predicting future outcomes – although it can also provide a basis for assessing current developments in the sphere of political economy (McDonough, McMahon and Kotz, 2021, 3). For example, the question as to whether or not the Great Recession brought to an end the upswing phase of a neoliberal long wave – implying that since 2009 we have been experiencing the sort of *inter regnum* between stable SSAs characteristic of the downturn phase of a long wave – is an important topic of current debate.⁵ Indeed, there is not even any necessary expectation in SSAT that the historically-observed pattern of SSAs and accompanying long waves will automatically reproduce itself in the future (McDonough, 2021, 17).

SSAT suggests that the existence of a stable SSA is the basis for the expansion phase of a long wave. However, some of the institutions that are claimed to have been part of specific SSAs emerged only after the beginning of the long wave upswing that they purportedly helped foster. For example, the Bretton Woods system can be seen as part of the SSA that contributed to the 1945-73 Golden Age, but this system did not become fully operational until the late 1950s. Furthermore, some institutions seem to change and develop *during* the long wave expansion phase to which they contribute. For example, a commitment to macroeconomic policies designed to ensure full employment can be seen as part of the Golden Age SSA. But in the US, commitment to full employment wavered during the 1940s and 1950s, becoming firmly established only during the 1960s. Finally, a functioning SSA is understood to possess a ‘logic of the whole’, its various institutions being both complimentary and working synchronously as an integrated whole. But what becomes of this ‘logic of the whole’ if history suggests that SSAs can work despite the temporary absence of some of their institutional components and/or ongoing change in others?

One response to criticisms of this nature has been the development of the ‘core/ periphery’ model of SSAs (Kotz, 1994). According to this variant of SSAT, the onset of a long wave upturn requires only that the core of an SSA be in place – these central institutions being sufficient, by themselves, to reduce conflict and uncertainty to such an extent that accumulation increases. As the upswing gathers momentum, the core institutions of the SSA are solidified and peripheral institutions develop. Hence what we observe *ex post* as a fully-fledged SSA emerges over the course of the long wave upswing, not prior to it. Moreover, the evolution of institutions during the lifecycle of an SSA is to be expected, because SSAs *diminish* rather than *eliminate* conflict and uncertainty. Hence what conflict and uncertainty remain can be expected to re-shape some of the institutions of an SSA even during the SSA’s lifecycle. This is different from the breakdown of institutions that signifies the destabilization of an SSA and the onset of a long wave downswing.

V. Future development

SSAT has strong associations with economics at The New School For Social Research owing to the important role played by David Gordon in both the initial development and subsequent propagation

⁵Note that such interpretation of recent history would provide the basis of an SSAT contribution to recent debates about the onset of secular stagnation since the Great Recession.

of the theory (see especially Gordon, Edwards and Reich, 1982; Bowles, Gordon and Weisskopf, 1990). It also bears close resemblance to other schools of thought in macrodynamics, that seek to locate the capitalist growth in the context of an institutional framework that both influences and is influenced by the process of growth itself. These include, in particular, Regulation Theory (see, for example Boyer, 1990, for a succinct introduction) but also variants of ‘institutionalist Keynesianism’ (see, for example Cornwall, 1990; Whalen, 2022). Indeed, as defined and outlined in this introduction, the term SSAT can even be thought of as a portmanteau term for a variety of theoretical approaches – including but not limited to SSAT narrowly defined – that treat capitalism as a historical construct, take institutions seriously, and seek to use the two-way interaction between the core operating principles of capitalist macrodynamics and their historically-specific institutional context as a basis for explaining observed capitalist growth and development.⁶

Many of the themes outlined briefly in this introduction have been summarized and discussed in greater detail in a series of excellent modern compendia of SSAT. Among the most notable of these are Kotz, McDonough and Reich (1994), McDonough, Reich and Kotz (2010), and McDonough and Kotz (2021). The contents of this special issue build further on these foundations. In so doing, they promise new chapters in the development of the SSAT tradition in particular, and ‘institutional macroeconomics’ more generally.

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⁶See also McDonough (2021, 18) on this broader interpretation of SSAT.

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