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The Current Crisis of US Neoliberal Capitalism and Prospects for a New "Social Structure of Accumulation"

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Abstract

Wage squeeze/profit squeeze crisis theories provide a powerful framework for the historical analysis of US capitalist crises and the alternating demand-side and supply-side social structures of accumulation (SSA). However, the current neoliberal SSA would seem to defy the logic of this model in its persistence in the face of a deep financial crisis and a failure to realize its espoused objectives. This paper reviews this theoretical model of economic crises, its relationship to and viability alongside the rise and establishment of neoliberalism, and some of the political and economic obstacles that would seem to prevent the construction of a new SSA that would address and correct the glaring deficiencies of neoliberal political economy.

JEL Classification: P16, G01

Keywords

economic and financial crises, social structures of accumulation (SSA) theory, neoliberalism, financialization

1. Introduction

Economic theory informs a range of theories of capitalist crisis that have been applied to twentieth, and twenty-first, century US capitalism (Clarke 2016; Wright 1975). The wage squeeze/profit squeeze theory provides one powerful framework for the historical analysis of US capitalist crises. It theorizes and documents historically alternating demand-side and supply-side crises and the social structures of accumulation (SSA) associated with these phases of accumulation. However, the currently prevailing SSA—known as *neoliberalism*—has defied the logic of this crisis theory in persisting as a dominant SSA in spite of generating a deep financial crisis and economic stagnation. This paper assembles various neo-Marxian theoretical strands in presenting and reviewing this theoretical model of economic crises, its relationship to and viability alongside the rise and establishment of neoliberalism, and some of the political and economic factors that have prevented the exploration or establishment of an alternative SSA that would address and correct the glaring deficiencies of neoliberal political economy.

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2. Capitalist Crises and SSA

One neo-Marxian theory of capitalist crisis tendencies and patterns is grounded in a central contradiction of capitalism based on the two necessary conditions for capital accumulation and the imbalance that develops between the two requirements as a result of the ongoing struggle between labor and capital. Capital accumulation depends on the joint presence of a "capacity to produce" (CTP) and a "capacity to consume" (CTC; Amin 1976; more recently described as the "contradictory unity of production and realisation" by Harvey 2014). The CTP refers to the conditions that encourage and facilitate capital investment, and is often linked to the supply side of the economic equation. Capitalists will invest and, therefore, "supply" when they anticipate that capital investment will yield a sufficient profit. One can think of the "business climate" as a proxy concept for the CTP. The CTC refers to the necessity for the capitalist to have a market for the goods produced—or, in more familiar economic language, effective demand—and is associated with the demand side of the economic equation. Joining the two capacities creates the production–consumption nexus.

One of the central contradictions of capitalism is revealed by these two requisite capacities as it relates to wage rates. On the CTP side, wages should be low to encourage investment with the anticipation of elevated profit. On the CTC side, wages should be high for there to be effective demand and a market for the goods produced. From the perspective of an individual capitalist, the ideal scenario would be one in which the workers in that firm provided free labor but the workers in all other firms were paid munificently. Under these conditions, products would be produced at a low cost, but at the same time, there would also be guaranteed and sufficient market demand. This stylized example brings into sharper relief the associated contradiction between what is rational for the individual capitalist versus what is rational for collective capital accumulation on a larger scale.

The relative dominance of the two capacities has been associated with two different types of capitalist crisis. When the CTP is strong relative to the CTC, capital imposes its interests on labor, and there is the likelihood of a demand-side crisis (aka "wage squeeze"). When the CTC is strong relative to the CTP, and labor is able to institutionalize policies advancing its interests, there is the likelihood of a supply-side crisis (aka "profit squeeze"; Bowles, Gordon, and Weisskopf 1990). The SSA that is constructed to address and resolve one type of crisis tends to plant the seeds for the emergence of the opposite type of crisis. Thus, the 1930s demand-side crisis was resolved with Keynesian demand-side economic policies that eventuated into the emergence of a supply-side crisis in the 1970s. This supply-side crisis was resolved with neoliberal supply-side policies that laid the foundation for a demand-side crisis in the 2000s.

The relative strength of the two capacities has also been associated with particular forms and periods of capitalist growth. This was the basis for what was labeled a "social structure of accumulation," referring to the political-economic institutions and paradigm underlying and supporting a period of capital expansion and accumulation (D. M. Gordon, Edwards, and Reich 1982). The concept of an SSA was designed to explicitly include the broader external environment within which microeconomic decision making is conducted: "The inner boundary of the social structure of accumulation, then, divides the capital accumulation process itself (the profit-making activities of individual capitalists) from the institutional (social, political, legal, cultural and market) context within which it occurs" (D. M. Gordon, Edwards, and Reich 1982: 25). For example, the post–World War II (WWII) period (1945–1970) when Keynesian demand-side policies served to create greater balance between the CTP and the CTC was founded on a non-zero-sum logic in which the capitalist class presumably recognized that higher wages were not a pure cost to capital since they also translated into higher demand for the goods produced. Thus, this particular SSA has been labeled the "capital-labor accord" (Bowles and Gintis 1982) that operated from the post-WWII period into the 1970s, a period of the most dynamic and expansive economic growth in US history. The capital-labor accord also entailed a tacit agreement, primarily between organized labor and monopoly capital, which linked productivity increases, based on managerial control of the workplace, with proportionate rising wages. However, it is argued that capital never fully accepted the Keynesian logic (see Domhoff 2015) informing the accord, as it was based on a compromise that was perceived as disadvantageous to the interests of profit maximization and capital flexibility. When in the 1970s, the US economy suffered from inflation and unemployment (aka stagflation), capital seized on the opportunity to institute a new and more favorable SSA that is now termed *neoliberalism*. This movement was based on the perception that the capital-labor accord SSA had resulted in taxes too high (and progressive), regulations too stringent, unions too powerful, and welfare too generous. Thus, the neoliberal SSA can be understood as one that addresses each of these perceived obstacles to capitalist profitability advocating lower taxes, deregulation, labor discipline, and a sharply curtailed social welfare state.

It is interesting to note here that the revolt of the capitalist class defied the more general Marxist expectation at the time that "the new working class" (e.g., Aronowitz 1973) would emerge in opposition to the unnecessarily oppressive working conditions of advanced capitalism. Streeck (2014: 15–16) expresses this unexpected development most pointedly:

> The assumption was that, under the new historical conditions of assured prosperity, neither the repressive discipline required by capitalism as a social organization nor the coercive regime of alienated wage-labour could in the long run continue to be enforced. . . Actually, of course, it was not the masses that refused allegiance to postwar capitalism and thereby put an end to it, but rather capital in the shape of its organizations, its organizers, and its owners; rather than the general strike we have the "capital strike."

One aspect of the neoliberal turn has been a series of policies promoting greater freedom of movement and mobility for capital investment. Harvey (1982) has described this as a "spatial fix," as it attempts to resolve the central wage-based contradiction between the CTP and the CTC. This was accomplished by geographically segregating points of production from the points of consumption. Production could be carried out in nations and regions characterized by "slave wage" conditions, thus satisfying the CTP, while commodity consumption could be realized in the industrialized nations that possessed relatively higher wage labor. However, as a result of the effects of capital flight, outsourcing in manufacturing, global wage arbitrage, and neoliberal policies in the center states, wages and labor's share of income are suppressed, thus retarding severely the CTC. Developments such as these would normally and inevitably provoke a demand-side crisis. However, that day of reckoning was postponed as workers used overwork (Schor 1991), multiple paycheck households (Warren and Tyagi 2007), and finally and most critically and tragically, private debt fueled by the housing bubble to sustain material standards of living (Hudson 2015). Accordingly, Crouch (2009) has referred to the turn to private debt as "privatized Keynesianism," as it represents an acceptable nongovernmental form of stimulus propping up the demand side and thus postponing the inevitable crisis, although it depended heavily on an extended phase of loose monetary policy.

The accumulation and concentration of the surplus, generated by increased productivity, lower cost production domestically and globally, and stagnant compensation to labor, made the search for a profitable outlet for the surplus that much more urgent. This provided enormous opportunities for investment banking. The combined effects of financial deregulation, rising levels of worker debt, and corporate surplus generated conditions facilitating the development of complex and exotic financial instruments bundling consumer mortgage debt into high-risk securities. Put another way, capital was gambling their surplus on the accumulated debt of workers caused by the very wage suppression they had instituted under the neoliberal regime. Similarly, low taxes and insufficient revenues generating public debt provided additional investment opportunities (Streeck 2014).

The Great Recession, or Great Financial Crisis, of 2008 was a demand-side crisis produced by a huge imbalance between the CTP and the CTC, growing inequality, and the financialized methods to forestall that crisis. The only way out of the demand-side crisis is for labor to obtain sufficient spending power to restart the retail-driven consumer capitalist model of the US economy.

This would require the establishment of a new SSA, but there is little indication that such a political-economic restructuring is forthcoming.

The CTP and CTC model of capitalist crises has assumed a cyclical dynamic driven by the inevitable imbalances as labor and capital alternate positions of relative power. This is based retrospectively on the analysis of the Great Depression and the New Deal/Keynesian response, and the crisis of the seventies and the neoliberal/supply-side response. The pendulum-like oscillation suggested by these crises, between the CTP and the CTC, can be compared with Polanyi's (1944) double movement that assumed the encroachment of the market would be matched and challenged by a countermovement demanding social protections from the ravages of capitalist labor markets. The advance of the market may promote the CTP, while the countermovement for social insurance can promote the CTC for those marginalized by market forces. Block (2008) spells it out this way:

> Tilting policies too far in the direction favored by the movement of *laissez-faire* risks both weakening the domestic economy and becoming too dependent on the global hegemon. But tilting too far in the other direction can anger the business community and lead to disinvestment that could jeopardize efforts to improve the nation's global position. Political leaders have to thread the needle between these two dangers and this provides opportunities and openings for both movements.

But looking ahead, there is no reason to assume that such a pendulum swing in crisis tendencies and/or counter-movements to capital hegemony are inevitable or in the cards for the current crisis. This is because rather than an automatic process, it is contingent on, among the many factors, the relationship between the capitalist economy and the vitality of the democratic system in permitting the exercise of countervailing forces.

3. Political Dynamics: Capitalism and Democracy

At the heart of political economy is the question of the relationship between economy and polity, and more specifically capitalism and democracy. Are they mutually enhancing or inherently antagonistic? Bowles and Gintis (1987), in *Democracy and Capitalism*, frame the question in the context of the fundamental tension between *property rights* and *citizenship rights*. Property rights are based on the possession of capital resources, both industrial and financial, and thus are unequal and nondemocratic. Citizenship rights are the political and socioeconomic rights accorded to all citizens. One can think of property rights as used to advance and justify policies associated with the CTP. Citizenship rights, on the other hand, can be used to advance the CTC through democratic participation aimed at state policies protecting workers and providing a social wage (income provision independent of labor market participation). The relationship between capitalism and democracy that is the focus of Bowles and Gintis's treatise on competing rights is also the dynamic examined cross-nationally and historically through case studies by Rueschemeyer, Stephens, and Stephens (1992) in *Capitalist Development and Democracy*. Here, the question is why there is a positive cross-national relationship between capitalist economic development and democracy, and why did democratic institutions seemed to emerge alongside the development of capitalism in Europe and North America. The short answer the authors advance is that capitalism creates the social class structure that produces the tensions and conflicts, and mobilizing tendencies, promoting democratic pressures and institutions.

This suggests a broader historical span than Polanyi's double movement dynamic and would seem to be a more contingent, rather than inevitable, relationship based on the emerging social class formation, organization, and mobilization. The most logical organized class-based force opposing neoliberalism, and promoting alternative political-economic arrangements, would be labor unions and the labor movement. Galbraith's (1952) analysis of American capitalism identifies the importance of "countervailing power" to private corporate domination and includes trade unions as one of the organizational vehicles. This "countervailing" concept has taken on wider political significance today, but largely in lamenting the absence of any significant countervailing power exercised by labor. Much of this in the US context is the direct result of the demise of organized labor in the private sector of the economy, which now stands at 6.4 percent. Together, corporate restructuring through outsourcing and offshoring and neoliberal policies that have made it more difficult for unions to organize and collect dues (e.g., "right-to-work" laws) have contributed to the decline in membership. The political consequences extend beyond the workplace. Unions have historically reduced national income inequality and promoted norms of equity and fairness (Rosenfeld 2014) that could compete with the ideological principles of neoliberalism. Even more significantly, cross-national evidence points to the role of labor unions in educating and mobilizing members for electoral participation and, through that participation, moving political parties to the left, which further enhances the participation of nonunion working-class segments of the population (Radcliff and Davis 2000). None of these synergies are currently operating in the US political economy under the neoliberal regime, and thus, the prospects for a democratizing countermovement are bleak. This suggests that the dual contradictory tendencies—capitalism and democracy—do not hold the same relative degrees of power under the neoliberal regime.

Another relevant analysis of this tension can be found in an earlier political-economic classic of the 1970s—James O'Connor's (1973) *The Fiscal Crisis of the State*. The "fiscal crisis of the state" thesis argued that capitalism faced a dilemma of growing expenditures but declining revenues. This was based on the two functions of the state, according to O'Connor, involving an accumulation function and a legitimation function. The former entailed state policies (e.g., low taxes) and business climate expenditures designed to support and encourage capital investment or the CTP, and the latter was aimed at quelling potential discontent under an inherently inequitable system through social welfare payments and protections, indirectly contributing to the CTC. Together, the two functions would inevitably produce the fiscal crisis of the state as accumulation and legitimation expenditures would far exceed state revenues.

The accumulation and legitimation functions were addressing two sides of the same coin of capital expansion and accumulation. State-supported accumulation activities brought with them negative socioeconomic externalities that had to be ameliorated to assure the legitimacy and fairness of the capitalist system and advance the cause of social harmony. Under the neoliberal state, things have taken a very different turn. The state still supports capital accumulation and the interests of capital, but through the actual scaling back of the very economic regulations and social policies previously associated with the legitimation function, as these are deemed undesirable by the most powerful segments of the ruling class and impediments to profit maximization. Under the neoliberal regime, the accumulation function has not only negated but also absorbed the legitimation function under a different guise. This is done through the promotion of the widely appealing and seductive universal ideology of freedom and liberty but in the service of property rights and market justice (e.g., more concretely, a favorable business climate) as the undisputed principle of legitimacy driving socioeconomic policy (see Block and Somers 2014). With the marginalization of the state role in providing social assistance and protection, as it had under the former legitimation function, threats to social harmony must now be managed with a different set of state policies.

The dynamics of this shift in the modes of social control are perhaps best outlined in the work of Loic Wacquant (2009: 4), who brilliantly links the expansion of mass incarceration and the criminal justice industrial complex to the implementation and consequences of the neoliberal regime: "Indeed, the generalized hardening of police, judicial, and correctional policies that can be observed in most of the countries of the First World over the past two decades partakes of a *triple transformation of the state*, which it helps to simultaneously accelerate and obfuscate, wedding the amputation of its economic arm, the retraction of its social bosom, and the massive expansion of its penal fist." The latter represents the new method by which the negative social externalities felt by the inevitably marginalized population are managed, and thus serves as a replacement for what O'Connor (1973) describes as the legitimation function. Welfare has been replaced by workfare, the safety net by the dragnet. Deregulation of capital is accompanied by the hyper-regulation of marginalized populations making up the growing reserve army of labor.

None of these neoliberal tendencies were significantly altered as a result of the great financial crisis. There was a momentary expectation, with the election of Obama, that a logical response to the crisis would be the establishment of a "New Deal" where the political economy would be reorganized perhaps heralding a new SSA (see, for example, Kuttner 2008). But nothing of the sort materialized. In the way of comparison, after the last great demand-side economic crisis of the 1930s, the governmental response involved bailing out workers through jobs creation and social insurance, while more tightly regulating industry and finance. Today, we see the mirror opposite—finance has been bailed out and the mass of citizenry is more tightly regulated and monitored. Wacquant has outlined the strategies aimed at the most marginalized and potentially radical segments through the dragnet and the penal fist. For the remainder of the population, one can see an equally effective apparatus of social control and manipulation. It is a multipronged apparatus that rests on consumerism, trivial media distractions, a two-party political duopoly, debt peonage, material insecurity, and ideologies of free choice and individual responsibility. Taken together, all of these forces have effectively blunted any oppositional, let alone revolutionary, fervor. It is remarkable that a nation with such a highly educated population is not moved to more radical action in the face of a withering democracy, plutocratic rule, and Third World inequality, but perhaps it is that very education that has effectively numbed any critical sensibilities.

How does neoliberal hegemony affect the larger tension between capitalism and democracy? Under neoliberalism, the "legitimation function" of an earlier time was more than simply a functional imperative but also based on active democratic participation and demands for social protection from capitalism's negative externalities. Thus, in addition to the neoliberal ideology privileging the imperatives of capital, there must also be, in the words of Wolfgang Streek (2014: 5), "a progressive emancipation of the capitalist economy from democratic intervention . . . a process of de-democratization of capitalism through the de-economization of democracy."

Returning to the framework of Bowles and Gintis (1987), property rights would trump citizenship rights and, more specifically, capital would work to weaken the ability of the working-class majority to use citizenship rights through universal suffrage and electoral mechanisms to advance policies that would encroach on the property rights imperative of capital investment and profit. Much of the historical struggle described in Bowles and Gintis's analysis revolves around the effort by capital to transport property rights into the realm of citizenship rights (the democratic state) and the effort by labor to transport democratic citizenship rights into the realm of property rights (the capitalist economy) through state legislation of the labor market (or ideally through workers control). This is one aspect of citizenship rights, enshrined in the concept of the power of numbers, which might stem the domination of capital. But capital, perhaps fearing the consequences of growing inequality and wage stagnation, and the potentially radical prospect of the power of the many against the few under the democratic principle of one person–one vote, has countered by successfully transporting property rights into the democratic political arena. Through means of campaign contributions, supported by Supreme Court judicial decree that equates constitutional citizenship rights with corporate personhood (e.g., Citizen's United), the logic of the market, where money determines distributional outcomes, is extended into the political arena replacing one person–one vote with one dollar–one vote. This represents a massive victory for capital, and the death knell of what was already a feeble democratic polity. Add to this the widespread attempts at and accomplishment of voter suppression. As a result, the status of the United States as even an "electoral democracy" is called into serious question. The Electoral Integrity Project ranks the United States at the bottom among all Western democracies on the Electoral Integrity Index (Norris *et al*. 2016).

For all of the reasons cited above, the likelihood that there will be a new SSA emerging through conventional political channels, one that will be transformative for US capital, is sharply diminished. Importantly, capital continues to thrive even under current lingering crisis conditions. Apart from a short profit slump immediately at the start of the financial crisis, corporate profits have reached record heights, and this includes the financial sector largely criminally responsible for the debacle. So the social class segments that are most able to affect political and policy changes are content with the existing state of affairs.

As income and wealth inequality grow, those benefitting disproportionately use that material resource to further extend and strengthen their position of domination and privilege. Legislators in both parties, for their part, have been "cognitively captured" by the ideology of neoliberalism (Stiglitz 2012), and many have a vested material interest in its continuation given their location in the class structure. The shift of both political parties to the right in terms of acceptance and defense of the political-economic status quo of neoliberalism ensures that there will continue to be a dominant paradigm favoring neoliberal-style political-economic policies and an absence of a systemic critique or alternative political-economic arrangements. Both parties contribute to the ongoing democratic deterioration. Absent an extra-partisan mass social movement, there is little prospect for systemic change that would threaten the existing setup, or that would force substantive political-economic restructuring in opposition to the wishes of capital.

Cahill (2011) has emphasized an aspect of Polanyi's political-economic formulation that would also suggest not an automatic countermovement but rather an explanation for neoliberalism's longevity. It is based on the central concept of "social embeddedness" and the fact that all political-economic regimes—including those that seem, like neoliberalism, to be the most asocial—must be embedded ideologically, institutionally, and through social class relations. These can be considered necessary features of an SSA that contribute to its consolidation.

On the ideological dimension, the persistence of the neoliberal political-economic model has also been attributed to its continuing support from the halls of academic economics. As Mirowski (2013) has meticulously documented, just as neoclassical and libertarian free market principles and rhetoric have informed supply-side and neoliberal doctrine, this same intellectual community, which he labels the "Neoliberal Thought Collective," has worked mightily to construct elaborate defense mechanisms to protect neoliberalism from being subjected to empirical nonverification and held responsible for the financial crisis. Similar to cognitive capture, Mirowski (2013: 28) also highlights ideological penetration: "neoliberalism as worldview has sunk its roots deep into everyday life, almost to the point of passing as the 'ideology of no ideology.'" Ultimately, the ability of neoliberalism to weather the storm is based on the fact that it has served the interests of capital, particularly finance, reflected in its continuing promotion by corporate-financed think tanks (e.g., Heritage Foundation, American Enterprise Institute, Cato Institute) that believe the solution to "market failure is more markets" enforced by state power.

4. The Neoliberal Economic Stagnation Spiral

In addition to the political obstacles to establishing a new political-economic paradigm, or SSA, there are also economic structural features of US neoliberal capitalism that both undermine the viability of conventional policy alternatives to produce the intended results, and suggest instead continuing economic stagnation. One of the defining features of an SSA, in its original theoretical formulation (D. M. Gordon, Edwards, and Reich 1982), was its ability to generate a period of sustained capital accumulation but, over time, the transition from "consolidation" to "decay" and "crisis" driven by the inevitable internal contradictions resting on imbalances between the CTP and the CTC. The neoliberal SSA has suffered a severe crisis, and it does not have a strong record on sustained economic growth and private capital investment, yet, as noted, it does not appear to be on the verge of being replaced by an alternative SSA.

If shedding the Keynesian-based macroeconomic model was the key to resolving the supply-side crisis of the 1970s, it would logically follow that the lingering demand-side crisis of 2008 would require abandoning the supply-side neoliberal political-economic paradigm. The more moderate demand for policies that would stimulate economic growth can be found among the Keynesian economists (see, for example, Krugman 2012). This would involve getting money back into the hands of workers so that they can spend and kick start the consumer capitalist dynamic central to the US economy. This perspective takes the demand-side crisis diagnosis as the most important point to emphasize.

There are several ways the demand side might be resuscitated. One, gaining some momentum at the bottom end of the wage scale, workers are paid more money by their employers through raising the minimum wage, thus increasing levels of earned income as opposed to debt. There has been some limited uneven progress in this direction. Two, but more unlikely, the government engages in radical redistribution from the top to the middle and bottom through progressive fiscal policy. Third, the government launches a major "New New Deal" with massive spending on infrastructure and jobs programs. Fourth, we have another asset bubble that can propel consumer spending (this was the primary way that the long-building demand-side crisis was forestalled through the late 90s and early 2000s).

But apart from the obvious obstacles to nonprivatized public Keynesian solutions—opposition by capital and apparent bipartisan attachment to neoliberal precepts—there are two deep-seated structural features of the US economy that would undermine the potentially dynamic efficiencies of progressive demand-side policy. These are financialization and the global reorganization of production through outsourcing and offshoring.

The financialization of the US economy has been conceptualized as both a consequence and cause of capitalist crisis. From the perspective of the Monthly Review School advancing the "stagnation thesis" of capitalist accumulation and crisis (originally Baran and Sweezy 1966; today Foster and McChesney 2012), the crisis tendency under monopoly-finance capital is toward over-accumulation and stagnation without the continual development and discovery of new outlets for the accumulated surplus. Through the twentieth and twenty-first centuries, crises have been averted through imperialism and global economic expansion into emerging foreign markets, social and military spending (aka "military Keynesianism"), the "sales effort" involving the ramping up of consumer capitalism through advertising and the creation of false needs, and most recently debt-driven consumer spending (privatized Keynesianism). Thus, in this analysis, financialization is a *symptom* of stagnation tendencies, representing a potential "fix" and profitable outlet for the accumulated and concentrated surplus. It is assumed that other potential avenues for directing profits are either less attractive in terms of the desired profit threshold, or unavailable due to the global restructuring of capitalist production (elaborated below).

The view that financialization is a solution, or fix, for political and economic crisis tendencies (Boyer 2000) is convincingly demonstrated in Krippner's (2011) account of economic policies instituted in the 1970s to 1980s that eventually contributed to the Great Financial Crisis. While not as mechanistic as many neo-Marxist analyses, efforts to manage a stagnating economy and avert distributional conflicts generated state policies that laid the groundwork for financial sector expansion and its role in extending economic growth (yet at the same time, as most neo-Marxist analyses would argue, inevitably planting the seeds for the next crisis). Krippner (2011: 2) states her thesis as follows:

> [T]he turn to finance allowed the state to avoid a series of economic, social, and political dilemmas that confronted policymakers beginning in the late 1960s and 1970s, paradoxically preparing the ground for our own era of financial manias, panics, and crashes some three decades later. . . Thus financialization was not a deliberate outcome sought by policymakers but rather an inadvertent result of the state's attempts to solve other problems.

A second consequence of the 1970s crisis was corporate restructuring involving both "structural disintegration" and "spatial dispersion" (Jaffee 2000). These are more commonly referred to as outsourcing and offshoring, respectively. They are core elements of the larger process of globalization that have outsourced commodity production to competing subcontractors who carry out these tasks offshore as part of what are known as "global value chains" (Milberg and Winkler 2013). These chains are driven by either large retail "buyers" who exercise monopsony power over subcontractors, with Walmart as the prototype, or "brand manufacturers" who subcontract production and then slap a brand label on the final product, elevating its value and marketability, with Apple being the best example. This trend, sometimes referred to as "Nikefication," has replaced the traditional corporate form of business organization (Davis 2016). The key point for the present purpose is that what was once done within a single firm (vertically integrated) domestically is now carried out by legally independent entities offshore in Asia or Latin America.

Furthermore, these two structural features of the US economy—financialization and global value chains—are mutually reinforcing. A key aspect of financialization is the prioritizing of shareholder value, which places raising stock price over all other managerial obligations. This, in turn, has encouraged the corporate shedding and outsourcing and offshoring of low-value economic activities that are not regarded as core competencies of the firm. This general tendency toward structural leanness and meanness has been received favorably by "the markets." As firms become increasingly "factoryless," profits generated through sales are directed disproportionately toward the financial sector and shareholders (what Lazonick [2009: 2] has described as "downsize and distribute"). This undermines the so-called accelerator effect as increases in consumer demand, as well as corporate profits, do not necessarily translate into expanded capital investment (Stockhammer 2006).

To put it in a slightly different context, from the classical political-economic perspective of industrial capitalism and the supply side of the equation, surplus profit would ideally be retained and reinvested in the expansion of further production and employment (Lazonick 2009). This is the central basis for the legitimacy of the concentration of profit in the hands of the capitalist class, as well as the logic underlying trickle down economics. There are two factors that work against this more virtuous tendency. First, profit rates devoted to industrial manufacturing activities cannot compete with those that can be derived from the panoply of investment instruments invented by the financial sector. Second, corporate restructuring—involving vertical disintegration and spatial dispersion—has resulted in the outsourcing and offshoring of manufacturing to subcontractors. Thus the lead firms (from Walmart to Apple) that direct production no longer formally/legally own the entities that manufacture the products and do not direct profits toward industrial capitalist expansion.

From the demand side, and it is here where the Keynesian solution will fall short, putting additional income in the hands of consumers will fail to yield the expected positive impact. This is because financialization has left a large debt overhang that diverts a large proportion of the income of workers into debt payments on home mortgages, credit cards, car loans, and student loans, and into the hands of the rentier class (Hudson 2015). What is described by Keynesians as the "paradox of thrift," in which the individually rational decision to save, rather than spend, is collectively irrational in its effect on aggregate demand, is in reality more accurately a case of "debt deflation." The net result is less income available for spending on the goods and services offered by consumer capitalism, short-circuiting the virtuous cycle. Furthermore, as noted, even where some discretionary income remains after debt payments to purchase goods, most are produced in outsourced and offshored factories, thus having minimal impact on the expansion of domestic investment, production, and employment, and instead fueling imports and an expanding trade imbalance. And to come full circle, the profits made by the factoryless retailers are plowed back into the financial sector.

These deep-seated structural problems characterizing US capitalism can be compared with those that Amin (1976) had identified for the less developed or "peripheral" countries back in the 1980s. Amin (1976: 233) used the term "disarticulation" to describe the weak or missing links between economic sectors ("sectoral disarticulation") and the production-consumption nexus ("social disarticulation"), which undermined the possibility for the virtuous cycles and dynamic efficiencies he viewed as features of "autocentric" capitalism in the center states. Under social disarticulation in the periphery, where export-oriented commodity production is destined for markets in the center, wages are a pure cost since those producing are not consuming. Thus, there is no Keynesian rationale for increasing wages. Under sectoral disarticulation, economic activity in one sector—be it natural resource extraction or labor-intensive assembly—uses capital goods and machinery produced in the center states, thus negating the potential for positive spinoff effects in other economic sectors that might supply the capital goods within the peripheral nation.

Today in the United States, various forms of disarticulation have come home to roost. Sectorally, retail sales do not stimulate the domestic industrial production of commodities at home but rather in the periphery. Accordingly, activity and profits in the retail sector are disarticulated from domestic production and employment. At the same time, stagnating wages in the United States, more than a pure cost because it fuels domestic commodity consumption, must be supplemented through debt/credit. While some economists may believe that one person's debt service is another's income stream, this overlooks the obvious fact that spending propensities differ greatly between the 1 percent and the 99 percent (see Hudson 2015: 168). Thus, domestic consumption is depressed by, or dependent on, the accumulation of debt rather than generated from earned income of active labor.

This brings us back to the original framework on the necessary conditions for capitalist expansion—the CTP and the CTC—as Amin's analysis of the autocentric capitalism of the advanced center states was based on the co-presence of a CTP and a CTC (see Figure 1). But today, in the United States, each of these conditions is negatively affected by the twin and mutually reinforcing structural neoliberal characteristics of financialization and deindustrialization. Financialization compromises the dynamic and stimulative impact of both the CTP and the CTC. For the former, earnings and profits are diverted into speculative investments, debt, and buybacks; for the latter, the debt overhang leaves consumers with a much smaller level of discretionary income. The outsourcing and offshoring of manufacturing through the global value chains accomplish the same results (Milberg and Winkler 2010) through little or no investment in domestic productive capability (CTP), and, as a consequence, the loss of capital expansion and employment in production contributes to downward mobility and wage stagnation (CTC). And finally, as noted, even where the CTC is expanded, much of the impact of consumer demand will be diverted to pay debt or felt outside the United States where the lion's share of commodity production takes place. In short, the economic consequences of these structural characteristics of US capitalism portend a bleak economic future for the majority of workers, an economy operating far below its full capacity, increasing concentrations of income and wealth, and the likelihood of future financial crises.

5. Assessing the Original SSA Model

The postcrisis persistence of the neoliberal SSA alongside these economic stagnation tendencies raises several critical questions. First, given the logic of the SSA model generally, and the expectation that major crises will generate pressures for a new SSA, does the continuity of neoliberalism represent a refutation of the SSA model and indication of its limited utility for our understanding of capital accumulation and crisis going forward? Second, in what sense, and by what measures, can we say that the neoliberal SSA is suffering a crisis or decay that would evoke the necessity of a new SSA? Third, are there features of the SSA model itself that could account for and explain the persistence of a crisis-wracked SSA?

These questions have been addressed most directly by Wolfson and Kotz (2010), prompting a conceptual revision to the traditional SSA model. Apart from the question of whether the great financial crisis would automatically usher in a new SSA, Wolfson and Kotz note a more fundamental aspect of neoliberalism that deviates from the SSA theory—that is, since its inception, it has not produced the growth rates or sustained capital accumulation that are a defining characteristics of a consolidated SSA.

Where does this leave the SSA as a viable theory of capitalist expansion and crisis? On the one hand, one of the most invaluable features of the SSA, as already noted, is the conceptualization and identification of a constellation of institutional structures that serve to bolster historical phases of capital expansion. Whether they are described as "social structures," "projects," or "regimes," this highlights the fact that an institutional infrastructure determined by competing social class forces shapes the direction of capitalist accumulation and crisis. On this count, Wolfson and Kotz (2010: 73) regard neoliberalism as a "new, coherent institutional structure that has been in existence since at least the early 1980s" and that also stabilizes (temporarily) class contradictions.

On the other hand, they concede that "growth during the neoliberal period, which we date from 1979 to 2007, averaged only 2.90% per year, which is no faster than during the crisis period" (Wolfson and Kotz 2010: 74). Thus, neoliberalism meets the institutional, but not the economic growth, criteria for a SSA based on the traditional model.

Wolfson and Kotz (2010: 87) resolve this internal theoretical dissonance by arguing: "The link between an SSA and rapid capital accumulation should be severed. Capitalists' objective in creating the institutions of an SSA is to promote profit-making; the institutions thus created may or may not promote rapid growth." This somewhat arbitrary revision preserves the neoliberal phase as a distinct SSA on the basis of profit rather than growth, and places profit as the primary crisis-generating factor prompting a transformation of the SSA.

Much of my preceding argument and analysis addressed a corollary SSA thesis and expectation that there would be alternating SSAs promoting either CTP (supply-side) or CTC (demand-side) policies but concluded that the pressures to institute a new demand-side-oriented SSA favoring labor, even after the great financial crisis, are too weak in the face of the accumulated political strength of capital vis-à-vis labor.

In a similar fashion, Wolfson and Kotz (2010) distinguish two types of SSAs—a "liberal" SSA and "constrained-market" SSAs. The liberal SSA is one that largely favors capital over labor through policies aimed at the CTP or supply-side; a constrained-market SSA is one where there is a greater balance of power between capital and labor and, thus, policies and institutions that enhance labor's income share and protect labor from extreme commodification. Under this scheme, neoliberalism fits squarely into the liberal SSA category. According to Wolfson and Kotz, growth rates tend to be higher in market-constrained than liberal SSAs. Therefore, the slow growth under the neoliberal SSA neither disqualifies it as a bona fide SSA nor necessarily suggests impending crisis.

Since profit-making is now seen as the essential necessary condition for the success and sustainability of an SSA, and high rates of profit and upward redistribution have characterized the neoliberal SSA, Wolfson and Kotz (2010: 77) ask, "Given such conditions, would anyone expect a major segment of the capitalist class to propose eliminating the neoliberal SSA, and its replacement by a new institutional structure, on the grounds that economic growth has not been impressive?" To ask the question is to answer it. The condition that would precipitate a transformational crisis for the neoliberal SSA is, therefore, not present.

To extend the logic of this argument, it is possible to take the liberal versus market-constrained distinction, as an integral feature of the revised SSA model, which can now explain and account for the longer-term durability of the neoliberal SSA. Under a liberal SSA, where the CTP is favored over the CTC, or supply-side policies are privileged over demand-side policies, capital is advantaged relative to labor. Among the many ways this is reflected, and perhaps most relevant here, is in the sharp decline in labor's share of income, and its transfer from labor to capital, over the neoliberal period (Giovannoni 2014). In contrast, under a market-constrained SSA, where the CTC is favored over the CTP, or demand-side policies are privileged over supply-side policies, labor is at a relative advantage over capital. Given these differences, one might also expect an unequal propensity of the capitalist class to act in initiating a new SSA under the two conditions. That is, capital would have less reason to act, as Wolfson and Kotz suggest, where profit share is enhanced rather than threatened.

With profitability as the critical condition for transformational precipitation in the reformulated SSA model, financialization looms as a central factor in supporting the continuation of the neoliberal SSA (Lapavitsas and Mendieta-Muñoz 2016). Financialization provides an alternative and profitable outlet for the surplus, on the one hand, and a privatized Keynesian basis for sustaining debt-driven consumer demand, on the other. Thus, financialization has served as both the adaptive and sustaining, as well as the diverting and stagnating, mechanism of neoliberalism. This source of neoliberal profitability corresponds to the outsized political power of finance capital described by former IMF (International Monetary fund) economist, Simon Johnson (2009), as the "financial oligarchy." As the financialization of the economy has further increased the power of this segment of the capitalist class, they have used their clout to influence economic policy and thwart financial sector reform (Johnson and Kwak 2010; Wilmarth 2013). By all current indications, this segment of the capitalist class is firmly entrenched regardless of which political party is in office. Thus, there appears to be no logical exit from the vicious financialization-stagnation cycle.

Nonetheless, aspects of economic stagnation outlined above based on the combined weakness of both capital investment driving the CTP and consumer demand driving the CTC—while not defining a crisis of profitability—might logically precipitate the exploration of a new SSA. On this count, it is worth noting that in the original SSA formulation, the existence of a crisis was based as much on a symptom as a measurable economic indicator: "We can define an economic crisis as a period of economic instability that requires institutional reconstruction for renewed stability and growth. For capitalists seeking such reconstruction the process is difficult and unpredictable, because it requires some collective action and the creation of a political consensus. Individual capitalists acting in isolation cannot restore prosperity" (D. M. Gordon, Edwards, and Reich 1982: 30). And now, we can add that such a reconstruction may also be less likely for a liberal SSA than a market-constrained.

Therefore, it would seem that the capitalist class, under the continually profitable neoliberal SSA, lacks any significant economic incentive for institutional reconstruction. Furthermore, even assuming there is a perceived need to address some of the collateral damage of neoliberalism such as inequality, public debt, health care, climate change, or infrastructure investment, is there any existing capacity for "collective action and the creation of a political consensus?" In addition to the deep-seated antigovernmental ideology of neoliberalism that precludes a return to a more mixed economy (Hacker and Pierson 2016) involving public-sector interventions, there is a question of the capitalist class ability to act collectively. Mizruchi's (2013: 265) recent analysis describes, contrary to what one might expect given capitalist class hegemony, a highly fragmented and disorganized corporate elite: "This is an elite that, rather than leading, has retreated into narrow self-interest, its individual elements increasingly able to get what they want in the form of favors from the state but unable collectively to address any of the problems whose solution is necessary for their own survival." This suggests that, at present, the capitalist class is not only disinterested but also organizationally unable to act collectively and that a condition preventing prosperity ("Individual capitalists acting in isolation") is firmly in place.

So where does this leave the SSA model of capitalist expansion and crisis that assumes a resilient capitalism capable of devising institutional and ideological strategies for renewed capital accumulation and popular legitimacy. Are we seeing glimpses of the end game of capitalism? The neoliberal SSA has created a political and economic dynamic that undermines the bases for the expected pendulum swing. To a large extent, the SSA model assumed an alternating political-economic cycle resting on collective action by social classes to restrain and correct an excessive emphasis on either the supply-side CTP or the demand-side CTC. We have already outlined the defeat and demise of labor as a progressive countervailing political force under neoliberalism and have noted further the disorganized state of the corporate elite. According to some theories (Hodgson 2001; Streeck 1997), supported by historical patterns, the survival of capitalism is dependent on oppositional push back to prevent the system from chasing its worst instincts, so to speak. In contemplating the end of capitalism, Streeck (2016: 57–58) concludes that: "Capitalist progress has by now more or less destroyed any agency that could stabilize it by limiting it; the point being that the stability of capitalism as a socio-economic system depends on the *Eigendynamik* being contained by countervailing forces—by collective interests and institutions subjecting capital accumulation to checks and balances. The implication is that capitalism may undermine itself by being too successful."

The ideological legitimacy of supply-side neoliberal doctrine is also losing its effectiveness. It is increasingly impossible to sustain the fiction that what generates profit for the few will inevitably benefit the many. The growing misalignment between private returns and social benefits (Stiglitz 2012), or as Streeck (2016: 34) concludes, in the context of the Mandevillean Fable of the Bees, that "the private vice of greed is no longer magically converted into a public virtue—depriving capitalism even of its last consequentialist moral justification" signals the potentially explosive conversion of economic stagnation into political illegitimacy.

Drawing on the crisis of neoliberalism, generated specifically by financialization and globalization, Duménil and Lévy (2013: 29) describe this divergence as the "divorce" between the dominant classes and the health of the larger economy necessitating a "much needed 'reconciliation' between the upper classes and the domestic economy." The reconciliation they propose—a potentially new SSA—they label "neomanagerial capitalism." It would involve less financial and more domestic capital investment, restrictions on trade and capital mobility, and a more tightly regulated financial sector. Given their diagnosis of the pathologies of neoliberalism, this is theoretically sensible but practically remote given that it would require: "a compromise between the upper classes, capitalists and managers, but under managerial leadership, with a degree of containment of capitalist interests, and without the welfare features of the postwar decades" (Duménil and Lévy 2013: 30). Many of the political and economic structural characteristics of neoliberalism outlined above make this compromise highly unlikely.

Because many do not see a viable exit strategy from the neoliberal morass, some are concluding that capitalism has truly and finally run its last lap since there seems to be no clear alternative arrangement offered by either the fragmented self-interested capitalist class or the downtrodden forces on the left. Combining the political and economic limitations of contemporary capitalism has led observers across the political spectrum to predict either the end of capitalism as we know it (Mason 2015; Streeck 2016) or some version of long-term sustained stagnation (R. J. Gordon 2016; Summers 2014), but at present, there is no coherent new SSA on the horizon. There also seems to be little recognition among the corporate-financial elite that neoliberalism, as a particular political-economic policy regime, has definitively exhausted its ability to resolve the myriad socioeconomic contradictions or that it is time to explore a new SSA. Under these conditions, the popular phrase "there is no alternative" (TINA) is less a celebration of the "end of history" than an expression of fatigued resignation.

6. Prospects for US Neoliberalism

Theorists of capitalist development and crisis have developed a variety of models to explain and predict the trajectory of US capitalism. One of these theories, informed by the Marxist-based contradiction between the "unity of production and realization," or the CTP and the capacity to consume, has logically predicted phases of capitalist accumulation based on political-economic regimes that tend to address disproportionately one of the two necessary conditions under SSA resulting inevitably in a wage squeeze (demand-side) or profit squeeze (supply-side) crisis. Most observers regard the current political-economic setup as a supply-side-oriented neoliberal SSA that has aggressively advanced a wage-squeeze agenda. The deep financial and continuing crisis of this SSA would suggest the need for the exploration of a new SSA that would redirect economic policy toward the demand-side through the enhancement of labor's share. We have outlined some of the political and economic factors that have thus far thwarted this logic.

In considering the future direction of neoliberalism in the United States, it is impossible to ignore the 2016 election campaign and result. The failed socioeconomic consequences (for the vast majority) of long-term neoliberal economic trends were acutely felt in the electoral political arena as manifested in the candidacies of Bernie Sanders and Donald Trump, and the ultimate victory of the latter in the Presidential contest against Hillary Clinton. Both Sanders and Trump based their campaigns on the rhetoric of populist opposition to established, or "establishment," political-economic interests and the economic hardship and insecurity experienced by the majority of US citizens. Both campaigns were fueled by larger social movements—for Trump the Tea Party, for Sanders Occupy Wall Street. To a large extent, these two movements represented the divergent ideological emphases of the two campaigns. Trump rallied the socioeconomically disaffected on the basis of economic nationalism and cultural/racial chauvinism, while Sanders aimed his antiestablishment message against the corporate-financial system. While much has been written, and much more can be said, about the 2016 primary and general election campaigns, as it relates to the subject of a transition to an alternative SSA, Sanders was the only candidate who offered a different vision of capitalism—one with a more social democratic thrust along the lines of the Nordic model.

Once the general election was underway, pitting Trump against Clinton, there was virtually no mention specifically of neoliberalism or financialization as structural problems responsible for the economic pain experienced by the majority of Americans, or of any alternative political-economic model. It seemed as if the media and the two parties conspired to confine the debate between the two candidates to personality deficiencies and scandalous biography. This protected US capitalism from any genuine critical scrutiny that would imply the failure of American capitalism as a system, and the need for an alternative political-economic approach.

The relevant question for present purposes is whether the Trump administration will initiate or represent a departure from the prevailing neoliberal regime. This question should be considered in the context of what Brenner and Theodore (2002: 351) term *actually existing neoliberalism*, meaning "the contextual embeddedness of neoliberal restructuring projects insofar as they have been produced within national, regional, and local contexts defined by the legacies of inherited institutional frameworks, policy regimes, regulatory practices, and political struggles." This suggests, importantly, that concrete expressions of neoliberal policy will not always conform to the abstract principles associated with the political-economic model.

There is one concrete policy expression under Trump that defies globalized neoliberal orthodoxy privileging principles of free trade and capital mobility. More specifically, Trump has publicly criticized firms that have moved manufacturing offshore and trade agreements that have facilitated such restructuring. He has expressed a desire to impose tariffs on imported manufactured goods from China and Mexico. While Trump's analysis—if it can be called that—is based on an incomplete understanding of the corporate motives of offshoring ("have to stop our jobs from being stolen"), a major source of trade deficits (value of the dollar), and an obsolete understanding of the contemporary global trade system (now comprising complex global value chains), he seems to have caught the attention of the corporate elite. One indication is the formation of the "American Made Coalition" that includes twenty-five major corporations including GE, Boeing, Dow Chemical, Eli Lilly, and Pfizer. The coalition has come out in support of a proposal to impose 20 percent border adjustment tax on imported goods. Whether this represents a renewed

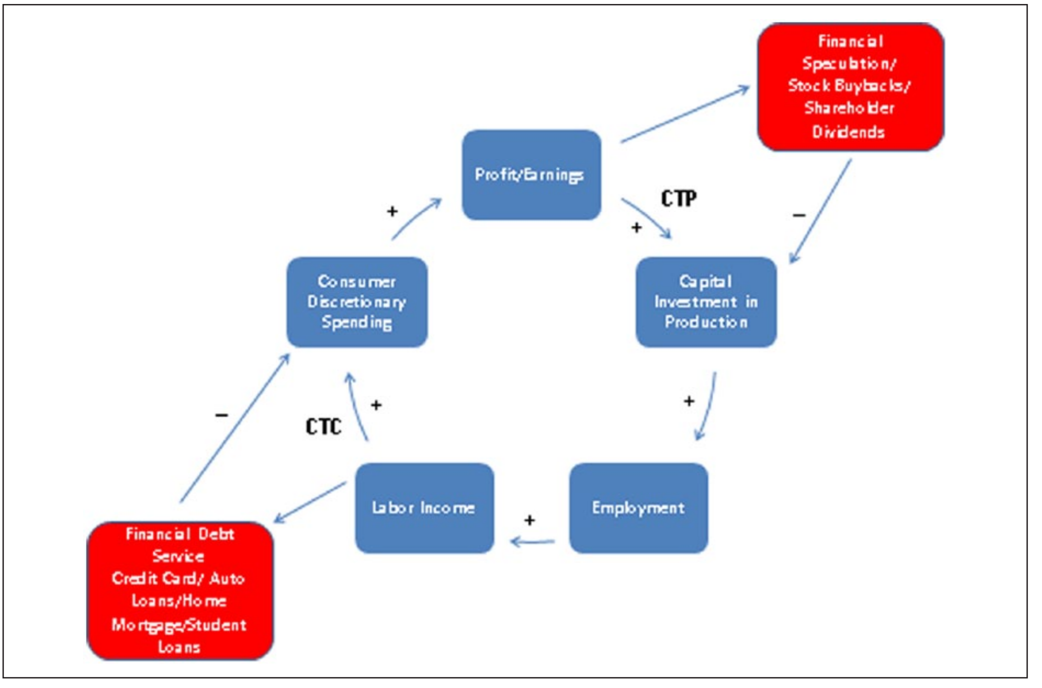

Figure 1. Financialization and economic stagnation.
Note: CTC = capacity to consume; CTP = capacity to produce.

effort by some segments of the capitalist class to organize and redirect political-economic policy remains to be seen.

This kind of policy shift is consistent with what one observer (Bush 2016: ¶8) describes as "national neoliberalism," concluding that "while neoliberalism is not dead, it is being transformed into a geographically more fragmented and localized system." This "localization" is manifested in Trump's rhetorical nod to economic nationalism, cultural chauvinism, and nation-state mercantilism.

More broadly, this could be interpreted as an adaptation strategy designed to address neoliberalism's growing legitimacy crisis among the mass of the citizenry—who increasingly perceive a disconnect between neoliberal policies and domestic prosperity—through the use of "America First" type sloganeering. This nationalistic thrust has been accompanied by the removal of that aspect of neoliberalism that Fraser (2017) labels "progressive neoliberalism." This refers to Democratic Party-style neoliberalism embracing diversity, multiculturalism, empowerment, feminism, and global citizenship. This is being replaced with ethno-nationalist populism.

Another signal of a potential shift in capitalist class thinking, albeit less publicly promoted, is represented by the "Commonsense Corporate Governance Principles" (http://www.governance-principles.org) outlined, and signed, by thirteen CEOs including Warren Buffett (Berkshire Hathaway Inc.) and Jaime Dimon (JP Morgan). The thrust of the "open letter" pertains to the need to reform corporate governance procedures away from the short-term shareholder value model. There is an emphasis on "companies being managed effectively for long-term prosperity" and fostering "economic growth that benefits shareholders, employees and the economy as a whole." This would represent a significant positive break from the current corporate governance regime associated with neoliberalism.

Other developments are far less sanguine. Based on Trump's domestic budgetary/fiscal policy statements, and cabinet appointments, there is little indication that his administration will be challenging either the centers of political-economic power or the domestic neoliberal model. On fiscal policy, the emphasis is on the standard supply-side mantra of tax cutting and deregulation as a means to stimulate the economy. Furthermore, almost every cabinet nominee is a hardcore neoliberal ideologue who advocates policies of privatization (Department of Education, Department of Health and Human Services) and/or the deregulation of the industries they are responsible to oversee (Department of the Energy, Environmental Protection Agency). On the financialization front, in terms of personnel, despite the anti–Wall Street campaign rhetoric, Trump has appointed, including as Treasury Secretary and National Economic Council Chair, more Goldman Sachs executives or former employees than any previous president, and that is quite an accomplishment (see Prins 2017). As it pertains to policy in this area, Trump has proposed repealing the Dodd–Frank Act, the only significant (albeit weak and compromised) regulatory apparatus designed to reign in some of the reckless and criminal behavior of the financial sector.

Politically, the indications are that wealthy corporate interests, as represented by the record number of billionaire and millionaire cabinet appointments, will tighten their stranglehold over the levers of power. This "extreme oligarchy" (Johnson 2016) is also a further extension of neoliberalism's antidemocratic trend. At the same time, there are signs that the repressive arm of the state may be amped up. Trump's appointment of military generals to positions of domestic/homeland security, along with a "law and order" attorney general, portends a potentially authoritarian approach to governing. There have been many debates over the definition and degree of fascism and fascistic tendencies as represented by the Trump campaign and new administration. Whatever criteria one chooses, the joining of military, corporate, and executive power certainly qualifies as an antidemocratic, authoritarian, and potentially fascistic orientation. All this raises the specter that the Trump administration will not only deepen features of the neoliberal political-economic arrangement on the domestic front but also make it less likely that this arrangement can be challenged through political forms of democratic expression.

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