

**Sociology 621**  
**Lecture 27 & 28**  
**Capitalist Dynamics: a sketch of a Theory of Capitalist Trajectory**  
**December 7 & 9, 2009**

In the past several sessions we have explored the basic underlying structure of classical historical materialism, both as a general theory of history and as a specific theory of capitalist history. In both cases the objective of the theory was to provide us with the foundations for at least a sketch of a theory of the future. The ambition was to provide a theory which firmly predicts the long-term non-sustainability of capitalism, for a theory which could establish that would go a long way towards providing the central ingredients of a theory of the achievability of an emancipatory alternative to capitalism.

We have seen how that ambitious theory is unsatisfactory, both in its general epochal form and in its narrower form as a theory of capitalism's demise. Nevertheless, there are elements from the general impulse for that ambitious theory which have proven more durable and provide at least the basis for a less determinate theory of history. These are not really theories of the future, but theories of the way qualitative changes are generated within capitalism. The argument thus points the direction to how to think about capitalism's development, and perhaps – ultimately – about how to think about historical possibility if not destinations.

## **I. The trajectory of crisis and contradictions of capitalist development.**

### **1. The historical and intellectual context of my analysis.**

I wrote this chapter at a time when the LTV was more or less taken for granted by Marxists. Within the broad framework of the LTV-type analyses, there were a series of contending views about the nature of economic contradictions of capitalism and how, out of these contradictions, crises were generated. This was in the mid-1970s when the post-WWII economic boom seemed to have come to an end, when there was “stagflation” – stagnation and inflation combined – and a general sense of gloom and doom.

### **2. The core argument**

I argued that the competing Marxian theories of crisis should each be viewed as tapping different historically specific crisis-mechanisms. The “dialectic” of historical development can then be understood as a process that has very much the same logic as the forces/relations of production argument that Marx used in classical historical materialism to explain epochal change, but instead it is used to explain transformations in the nature of capitalism. That is, at its core, there is an argument of the specific institutional conditions of production becoming fetters on the development of the forces of production which generates crisis and then a transformation of those institutions.

Here is how the argument works:

- each stage of capitalist development generates distinctive constraints on continued capital accumulation
- as accumulation continues, those constraints are encountered and they become increasingly pervasive fetters on continued capitalist development
- this generates crises of different intensities and disruption
- the crisis sets in motion a “search” for structural solutions
- since the solutions advantage different groups of capitalists to varying degrees, and affect the economic conditions of the working class in different ways, this search takes the form of struggle combined with trial and error institution building
- when it happens that institutional changes occur which unblock accumulation, crisis pressures subside and the search/struggle over institutions recedes
- actors then adapt their strategies to the new institutional opportunities
- over time the institutional solutions tend to eventually become less effective because (a) the PF develop, and (b) class actors take advantage of contradictions in these solutions to advance their interests.
- and thus crisis tendencies re-emerge

The basic account of this trajectory I laid out in Figure 3.6 in my book *Class, Crisis and the State*. I am not at all sure that the actual mechanisms of development, fettering, crisis, and transformation which I posit in that chart are sound, but I think this way of approaching a systematic, structural account of transformations remains valuable. You should note that my predictions of what would be the emergent solution to the crisis tendencies of the 1970s have proven to be completely wrong. Not just a little wrong, but completely wrong. I saw the stagnation of the 1970s as the result of a political dynamic in which the costs of reproducing capitalism through the provision of what is sometimes called a “social wage” had grown more rapidly than the capacity of capitalism to pay for those costs. The result was a profit-squeeze generated by the expansion of the interventionist, Keynesian state. My prediction was a further politicization of accumulation and a move from the Keynesian state to the affirmative, productivist state. I did not imagine a massive role back of state regulation towards a restoration of a freer market. So much for futurology.

## II. Arrighi's trajectory of long-cycles of capitalist expansion

Arrighi's analysis is much more ambitious than mine and proposes a general model of the long-term trajectory of capitalist development. It also comes closer to making real determinate predictions about the future.

### 1. M-C-M'

The starting point of Arrighi's account is an analysis of the fundamental nature of capitalist accumulation. He argues, following Marx, that capital accumulation is rooted in what is often called "circuits of capital" which involves two connected processes:

Capitalists begin with a quantity of money,  $M$ , which they invest in one way or another. "Investing" means that they purchase machines, or purchase goods for trade, etc. They only do this, however, because of the belief that this investment will lead to an augmentation of  $M$ , or what is called  $M'$ . The purpose of investment is not actually production, it is the accumulation of capital, the augmentation of the initial stock.

$M$  means flexibility: these are resources that can be flexibly deployed in whatever way is most profitable

$C$  means rigidity: funds are locked up in some purpose, a narrowing down of options  
 $M'$  means expanded flexibility and opportunity

### 2. The general argument

The basic idea of Arrighi's analysis is that  $M-C-M'$  does not only represent the logic of individual capitalist rationality; it also represents the logic of the system. Capitalism has, since its beginning gone through a series of cycles, each having two basic components:

(1) The cycle of material expansion: This is the  $M-C$  phase, a phase in which money capital sets in motion ever increasing amounts of commodity capital

(2) a cycle of financial expansion: this is the  $C-M'$  phase of the cycle, where capital sets itself free from productive activities and most of the dynamic of accumulation involves strictly financial instruments

Together these define *systemic cycles of accumulation*.

### 3. The spatio-temporal character of the argument

Arrighi observes four such systemic cycles of accumulation in the history of capitalism. Each is closely linked to a different hegemonic economic power. These he calls the Genoese, from the

15<sup>th</sup> to the early 17<sup>th</sup> centuries; the Dutch cycle, from the late 16<sup>th</sup> through most of the 18<sup>th</sup> century; the British cycle, from the latter half of the eighteenth century to the early twentieth century; and the US cycle which began in the late nineteenth century and continued today in the current financial phase of expansion.

Each of these cycles occurs in a larger world-economic environment of capitalist activity. Each of them is rooted in different forces of production, different central forms of investment and accumulation, different articulations of accumulation and the state.

#### 4. The logic of the cycles

Why do you get cycles? What is the process?

##### 4.1. The material expansion phase

Under the protection of some hegemonic power, capitalists in the leading capitalist center engage in M-C accumulation. This can be in material trade or production. The important point is that it is investment in the real economy that has the resulting of stimulating a sustained expansion of material production.

This has the effect of creating rapidly expanding opportunities for other capitalists to copy the initiatives of the capitalists of the leading power. Over time the intensity of competition increases. Whereas initially, under the protection and dominance of the hegemonic power the leading capitalists were able to make high levels of profits through material investment, intensification of competition erodes these profit opportunities.

##### 4.2. the shift to financialization of accumulation

As states of other capitalists get into the act to support their capitalists, geo-political competition and militarism also increases. This provides opportunities for capitalists to shift their investments from commodity capital to financial instruments, **especially government debt**. Government debt assures capitalists of high rates of return and low risk, since it is backed by the coercive taxation capacity of states. In effect, taxation provides a way of pumping surplus out of a population to support interest payments to financial capital. This shift to financial assets as the principle outlet for investment also tends to encourage speculative investments of various sorts generating various recurrent bubbles.

This partial withdrawal of the capitalists of the leading power from primary engagement with material expansion opens the door for some other block of capitalists to fill that space, backed by the military muscle of their state, and when this happens, a new cycle of expansion can occur. This typically occurs in the contexts of extended periods of warfare (from which financial capitalists profit immensely) followed by some innovation in a new model of material expansion.

### 4.3 Turbulence, dislocation, stable expansion, directionality

This whole process is not a smooth, linear development process. The rising, new hegemonic power faces fierce opposition from the declining power, and all of this is complicated by the presence of a variety of subsidiary powers of various sorts. This means that the transitions are filled with disruption, collapses, false starts, and so on.

But in spite of this there is a real directional, cumulative character to the process:

- 1) it is on an ever-broader world scale;
- 2) it involves ever-more productive forces of production;
- 3) the levels of violence and destructiveness of transitions has increased with every transition (up to now anyway).

### 4.4 The current phase

In Arrighi's account we are currently in the mature part of a financial phase of a long cycle of accumulation. The shift from material expansion to financialization for the US occurred in the 1970s. It was fueled in a significant way by the huge growth of state debt in the 1980s and into the early 1990s. As in the classic financialization story, state-backed debt was a central part of the process. There are countless other indicators of this financialization of the US economy: personal debt is greater than personal savings; tremendous growth of financial services in the economy; speculative bubbles in stock markets; etc.

The question, then, is: where is the next center of material expansion going to come from? Arrighi's tentative answer is: East Asia as the future driving force for world economic growth.