

Analysis of post-war social structure of accumulation



Post war social structure of accumulation is characterised by four principle feature of institutionalized power relations i) Pax Americana ii) the capital labour accord iii) the state citizen accord iv) the containment of inter capitalist rivalry. Success of these institutional structure led to high rates of corporate profits and sustained increase in hourly income (Fordism)

1. Pax Americana it talks about A) dominance of Bretton Woods institutions (IMF/ world bank). In order to avoid unstable political economy there is a need of independent institution this view gave rise to IMF and world bank and made dollar as the key currency in the new international monetary system. B) Access to natural resources and oil coup in 1953 to install regime of Shah reversed the Anglo- Iranian oil company; coup in Gautemala to reverse the expropriation of united fruit company's land by the Gautemala government after offering a payment. C) Marshall plan- 5 % of US GDP was spent in economic and technical assistance to reconstruct Europe which gave stable source to rise US export, profit and investment. Other channels- American firms who invest outside were given tax benefit. They were allowed to credit foreign tax payment against domestic tax obligation. Thsy had cheap access to resource, and improved terms of trade.
2. Capital Labour Accord- carrot stick policy led to labour cooperation. The real wages of worker rose at an average of 2. 1% annually from 1948- 1966 fast enough to double every decade (Samuel Bowless 2000, 56). Job security, working condition improved, aggregate unemployment, industrial accident rate fall (phase popularly known as

golden age). If these were carrots cyclical fluctuations were stick.

There was huge rise in managers' salary.

3. Capital Citizen accord- state invested in welfare state. Social security act 1935 and employment act 1946 were two major achievements. To maintain Macroeconomic stability government came up with progressive tax and unemployment insurance, huge military expenditure (that boost up aggregate demand), direct public expenditure like rising subsidies, expenditure on transportation, infrastructure, education research, health and unemployment benefits.
4. Inter-capitalist Rivalry- with the rise of new era many corporate giants were able to maintain their monopolies and oligopoly as they had market power. Post WWII there was managed and limited competition and containment of rivalry through merger and accumulation.

Decline of the post war SSA

Post war SSA broke up in the late 1960s and early 1970s after the conflict that emerged within each of these four relations of power and privilege.

1. Decline of Pax Americana: US dominance over world market became less with the rise in bargaining power of some of raw material exporting countries mainly OPEC cartel, international challenge from advanced economies, from third world rebellions, from raw material exporters combined to diminishing US international power. Rise of Japan and Europe as competitors for US corporations not only in foreign but also US domestic market. These all factors led to fall in terms of trade majorly due to oil shocks of 1973 and 1979. Unstable

rise in military spending also lead to drain in productive capacity of the US as they were left with significantly less resources for productive capital formation.

2. Decline of capital – labour accord: In 1970 capital labour accord started to fall with the rise of labour union power. Union lost legal and moral support from state. Corporations and labour fought over the distribution of income many labour lost their job nearly 40% of wage labour worked in secondary jobs that provided less favourable opportunity for wage earners. It led to segmentation of labour by pay, gender race leading to rise in inequality, social disharmony which gave rise to “ protest against racism, sexism and distributive injustice of the growth coalition emerged through four different but effective moments, the welfare rights movement, the organization of elderly and the women movements (Samuel Bowless 2000, 68)”.
3. Decline in capital – citizen accord: profitability of firms were falling due to rapidly rising costs of nature based inputs such as agricultural products, fuels mainly after rise in crude material prices in mid 1960s. US government started to rise with various regulatory agencies such as National highway safety commission, (1970), occupational Safety and Health Administration (1970), the consumer Safety Administration (1970), Environmental protection Agency (1970), Mine enforcement and Safety Administration (1973), and several others (Samuel Bowless 2000, 75). So US was not in position to provide subsidies, benefits for health, unemployment, research etc as it used to before.
4. Decline in managed inter capitalist rivalry: Increased competition from

Japanese and European rival corporation first in overseas market and

later in US domestic market made US profit to fall sharply as they were losing control in product markets. Around mid 1960s, import penetration suddenly escalated. “ Between 1960s and 1970s, imports rose from 4% to 17% of US market (Samuel Bowless 2000, 76)”. Within US domestic market too competition grew in many industries so managed and containment of inter capitalist rivalry was no longer in place.

Post WWII SSA broke up in late 1960s and early 1970s after the crisis and struggle within and conflict that emerged within each of these four relations of power and privilege. In the late 1960s labour was powerful to raise wages and decrease profits this was one of the cause that eroded capital labour institutional relationship in post WWII SSA. Crisis emerged in 1970s with corporations and union fight over the distribution of income, and the wage spiral of 1970s was evidence of neither party gaining the upper hand (Wolfson 2003, 256)”. ‘ After the decade long crisis and struggle post war SSA was replaced by neoliberalism a model of free market that undermined regulatory structure and promoted capital mobility (Wolfson 2003, 255)’. Rise of neo liberal era after the fall of post war SSA can be studied through following points.

1. Class Contradictions:

Class conflict over corporate profit was one of the major causes for decline of post war SSA. ‘ First is the contradiction in capitalist society between capital and labour and another is within capital and within labour and its international dimensions (Wolfson 2003, 258)’. Neoliberalism with new

institutional structure came in existence as a temporary solution to this contradiction.

2. Polanyi's Double Movement:

As Polanyi pointed out economy has been embedded and disembedded with different structure of accumulations. Post war SSA was built with the framework of regulated market as lesson from collapse of free market economy in 1920s. ' Labour market was regulated by the creation of CIO and labour legislation to endorse collective bargaining and improved working conditions, financial institutions was regulated with banking legislation such as Glass- Steagall Act, and international monetary system was regulated by Bretton woods agreements (Wolfson 2003, 259)'. With recent neoliberalization these structures and regulations are gone market is free like before 1920s. Free market, liberalization and deregulation have been pushed in other parts of world too.

3. Capitalist crisis:

Along with growing labour bargaining power, increased competition from international competitors, domestic movements for occupational safety, environmental and health protection act etc profit was falling and crisis in US economy which lead to instability in US economy leading to demise of post war SSA and rise of Neoliberalism that supported free market, capital mobility, capital dominance over labour. But this neoliberalism was not free form defect dominance of capital over labour lead to shooting up of corporate profit and stagnation in wage growth leading to under consumption problem, growing inequality and sluggish economic growth.

Increasing exploitation of the US working class created the conditions for under consumption crisis that led to Tech bubble in 1990 and real estate bubble recently. In post war SSA surplus to capitalist rose sharply with rise in workers' productivity. Workers were exploited more at the same time they were also better paid. Wages rose sharply to double once every generation. But post 1970s ' productivity increased by 3. 26% but real wage fall by 0. 37% between 1978- 2008 (Resnick and Wolf 2010, 176)'. During post war SSA workers too shared productivity gain which solved the problem of under consumption. But in Neoliberalism era workers no longer share productivity gains which helped to increase surplus even faster, surplus is distributed among corporate boards as huge salaries, stock options and bonuses, sales distributions and merchant, raising other subsumed class payments. This rise in surplus value was channelled to labour as debt. Financial institutions enabled capitalist with rising surplus to lend a good portion of them to workers. Workers borrowed heavily because via credit they could make their unfulfilled dream come true. Key collateral used to get access to credit was their house in later period loan was given without collateral later this rising collateralization created housing bubble as value of mortgage fell heavily and after mortgage security market collapsed, crisis spread to mortgaged backed securities market and other interconnected credit markets.

Under capitalism crisis is unavoidable is one possible solution to overcome this crisis tendency could be elimination of class structure in production workers participation in deciding what, where and when to produce as pointed