

Capitalist Development and Crisis Theory: Accumulation, Regulation and Spatial Restructuring

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1 Introduction

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In the 1960s the older industrialised countries (OICs) of Western Europe and the United States experienced socio-economic well-being unprecedented in their histories. Prosperity was not simply a consequence of powerful economies. Rather, the OICs grew because, ever since World War II, they had augmented economic management with political and cultural accommodations to development. Both the emergence of the modern welfare state and the rise of a mass consumer culture contributed in their own ways to complementing basic productivity gains in national economies. The concordance of economic, political and social forces around robust growth stimulated analysts to talk about an end to ideology and to remark about the emerging similarities between advanced industrial societies across the globe. European and American welfare statism converged around a core set of structural features including accommodations between workers and capital, the presence of state regulation, the feeding of consumer demand, and an integration of world capitalism through institutions such as the EEC and the IMF. Metropolitan spatial development played itself out against the backdrop of this larger structure which has come to be called the world system.

The two decade period of post-war prosperity for the OICs was driven by a certain 'regime of accumulation' based upon a correspondence between levels of capitalist industrial production and levels of consumption dependent on the purchasing power of labour. This so-called 'intensive' form of accumulation for capitalist society¹ held the crisis tendencies of capital in check principally by matching the supply of commodities produced by domestic industry with domestic demand. However, because the necessary correspondence is not inherent in the capitalist mode of production, state regulation and the provision of use values for both capital and labour also became necessary. Thus, the intensive regime of accumulation required also a certain 'mode of regulation' and it was precisely upon the latter need that the modern welfare state was based. Along with the development of a mass culture of consumption and spectacle, welfare state provision sustained the necessary reproduction of labour and helped to

coordinate worker claims on surplus value with the tendency of profit rates to fall.

Today, however, the older industrialised countries have experienced a decomposition of the correspondences between the sectors of production and consumption and have reached the limits of Taylorist and Fordist² forms of work organisation that sustained continuous productivity gains in the past, and, as well, a certain effective form of labour reproduction managed by the state. A central role in this collapse of the post-war regime of accumulation was played by the slowing productivity rates in the major industrial branches (chemicals, automobiles, steel and coal) coupled with periods of intractable inflation (the so-called 'stagflation'). Eventually, this trend helped to force changes in the mode of surplus value extraction for basic industry.

In addition to the crisis experienced within the OIC manufacturing sectors, several other factors also played decisive roles in the break-up of the post-war regime of accumulation in recent years. Labour unrest and accelerating worker demands, for example, during the late 1960s threatened the mutual accords which served as the backbone for the correspondence between capital's needs and worker claims on surplus value. Fiscal and monetary strains, in addition, along with the inflation crisis brought about debt problems for governments at every level. Such tendencies also accelerated in the 1970s as a result of the oil price shock which, for a time, spun inflation out of control, and increased the upward pressure on wages.

Finally, the 1970s ushered in an era of intense international competition which penetrated the calm of world system co-operation, eventually calling this concept itself into question. Global competition attacked unproductive and obsolete industries within the OICs thereby undermining directly the old regime of accumulation. This latter trend also accelerated during the 1980s due to the efforts of Japan and several 'newly industrialised countries' (NICs), such as Taiwan, Singapore, Korea and Brazil, which surfaced because of their own ambitious efforts in promoting export manufacturing and international competition.

By the late 1970s institutionalised accommodations between capital and labour under corporatism in the OICs could not withstand the triple pressures of industrial decline, inflation and declines in the rate of profit. The welfare state reeled under the mounting debt crisis and its inability to reproduce labour while simultaneously also reproducing the general conditions of production under the new constraints of

fiscal austerity. Consequently, the mode of regulation also characteristic of post-war industrial society began to crumble along with its regime of accumulation and a global need for restructuring within the OICs manifested itself.

In the 1980s the combination of economic and political crises in the OICs, global competition involving the NICs and the OICs and a world debt crisis of monumental proportions forced an extended period of restructuring in many countries. Restructuring also affected fundamentally the socio-spatial organisation of OIC metropolitan areas through the complex articulation of economic change, political interventions, labour requirements and characteristics, and the effect of spatial design on valorisation and realisation relations of capital. Traditional cities were afflicted by industrial decline, the diffusion of the productive system across the national space, deconcentration of the urban population and the secondary, tertiary and even quaternary economic activities, a growing unevenness in incomes and the social polarisation of housing provision, and, finally, the degradation of social equipment and urban infrastructure along with the selective building up of certain places through gentrification and robust investment in real estate. The result of recent restructuring is a landscape found in traditional metropolitan regions within the OIC of progressive unevenness in socio-spatial change and of extremes between the affluent and the poor, and, the well-cared for places and blight which seem to exist side by side.

Almost paradoxically and along with decline, restructuring has also given birth to new landscapes of growth. The so-called 'silicon landscapes' appeared, such as high-tech industrial parks, technopoles of growth, corridors and routes of development outside the city, and so on, which correspond to expanding industrial branches linked to defence-related industries and new forms of co-operation among industry, research and the state. During the 1980s it became fashionable to speak of geographical splits and regional uneven development, such as the distinction between the traditional city and suburb, or the 'sunbelt-frostbelt' contrast. Regional inequities and their social consequences along with the spatial transfer of value to new domestic and foreign growth poles brought forth new state policies as well that involved a new relation between the state and localism.

In short, today the spatiality of the OICs can be characterised by a lower and sometimes negative rate of urbanisation along with the presence of deconcentration which corresponds to the new pheno-

menal form of late capitalism³ that has replaced the traditional industrial city. Furthermore, today there exists a new centrifugal industrial mobility, a spatial diffusion of production and the transfer of growth activities to new places both domestically and across the globe, a domestic deterioration of the traditional physical and social metropolitan environment, the recommodification and retreat from collective consumption by the welfare state, and, finally, growing social inequities in employment, income, housing and social care.

It is precisely this multi-dimensional readjustment of capitalism's 'regime of accumulation' that has been characteristic of development over the last decade and which will be in effect for some time to come. Every industrialised society in the West has had to change the way it does business. Fundamental transformations have occurred at all levels bringing social, political and spatial, as well as economic, issues into consideration. The old accommodations between planning and economic growth, the welfare state accords and the conflict between capital and labour, the management of debt and global finance, and capital investment in local development have all become obsolete and candidates for change in the face of new realities caused by the needs of crisis adjustment.

As major consequences of this multi-dimensional restructuring, traditional political ideologies, such as socialism and conservatism, institutionalised planning schemes, and social welfare programmes have all been questioned and discovered to be inadequate for guiding social organisation in the future. Consequently, new forms of national politics and worker social movements have appeared in the OIC that resist easy characterisation by old labels.

Given all that has occurred of substance during the past decade, current attempts at understanding crisis and restructuring among industrialised nations have been wholly inadequate. Inquiries have followed the more traditional avenues of academics and have produced myopic studies that stick to individual disciplines and limited points of view. The multi-dimensionality of the present patterns of change is lost on single-minded treatments encapsulated in individual academic fields, such as human geography or international economics. More importantly, without an interdisciplinary understanding of contemporary industrial restructuring, theoretical perspectives remain hopelessly inadequate and out of date. This collection seeks to remedy this conceptual and theoretical failure. It is both interdisciplinary and geographically diverse. The editors have brought together a series of original papers from eminent political economists, sociolog-

ists, geographers, and planners from the United States, the United Kingdom, France, Germany, Belgium, Australia and Greece that focus on different aspects of the growing imbalance between economic restructuring and state policies that have resulted in crises of regulation and leadership.

The following discussions are about present day patterns of capitalist development and the ways that growth has been linked to crises and restructuring. Papers contained in it document empirically contemporary changes but they also seek out new ways of understanding the fit between social, political and economic forces in the development of the world capitalist system. The past decade of restructuring calls into question accepted ways of conceptualising the nature of capitalist industrialisation. There already exist a considerable variety of partial explanations for the current crisis. These include: problems with the costs of energy following the 1970s oil shocks; problems with inflation which also reduces purchasing power and demand; the reduction of investment due to lower rates of profit and rising labour costs; a re-orientation of investments towards greater rationalisation and involving the entire globe; the growing ineffectualness of the Fordist welfare state; and, the impact of technological innovations which create new markets and restructure labour, industry and space.

Along with the above observations there are also more substantively articulated theories of contemporary crisis developed by political economists working in the main traditions of Neo-classicism, Keynesianism and Marxism. A starting point of the Neo-classical approach to crisis is the principle of the impossibility of a true crisis in the sphere of real economic relations of production and exchange. Because of the rational behaviour of economic actors, according to this approach, competition establishes equilibrium through a system of prices compatible with the latter. Also, particular equilibriums occur in the market for products, in the market for factors of production and in the money market. Consequently, the existence of systemic stability and equilibrium, despite temporary perturbations and ill-fits among particular equilibria, are assumed as the overarching system's property by the Neo-classical approach.

Neo-classicists acknowledge that techno-economic laws of production and exchange do not extend to the fields of money and circulation, and, this separation may lead to crisis. Money and circulation introduce discontinuity and crisis in the economic system and, therefore, are the main objects of state intervention. Consequently,

monetary policies of the state, which are based on its own political interests and not pure economic considerations, become a permanent agent of perturbation that upsets the natural tendency of markets to arrive at equilibrium. A stable conviction cutting across all Neo-classical approaches, consequently, is the disjuncture between self-regulating workings of the private market and the disquilibrating tendencies brought about by the need for regulation and carried out by a politicised and bureaucratic state.

A questioning of the efficiency of the market system and of endogenous trends that naturally generate equilibria are the starting points for the Keynesian approach to crisis. By criticising the Neo-classical law of outcomes, the quantitative theory of neutral money, and the Neo-classical analysis of the labour market Keynesians arrive at a quite different conception of macro-economic processes. According to their approach a crisis may occur as a result of several factors including: limited returns to capital; counter-developmental policies; a failure of regulation mechanisms; high social costs of development and high functioning costs of capital, through augmented collective consumption; and, even de-investment processes, and so on. However, in the framework of the Keynesian approaches, a crisis does not assume any specific social function. It represents an absolute loss that can be avoided by astute state intervention.

It is also worth mentioning that there is an interesting division among Keynesians in the explanation of the contemporary crisis of the OICs. One group attributes crisis to added value distribution between wages and profits, while another to differentiation of productive structure. The former point out that as wages reached extraordinary levels — especially after the 1960s — they hindered high rates of accumulation, investment and development. In the latter explanation, crisis is the direct product of de-investment characterising a long-term devaluation of capital caused by its use. This devaluation cost is integrated into prices, thus lowering returns to investment, public revenues and effective demand.

Finally, for Marxists crisis is not only possible but even necessary. Focusing on crisis conceptions in *Capital*, we may distinguish four complementary views: A crisis may be (a) a result of a growing imbalance between production and consumption, as production surpasses a level of consumption limited by exploitation; (b) a result of imbalance between sector I (producing the means of production) and sector II (producing goods of consumption), caused either by the

anarchy of production or by the inherent trends of capitalism towards production of the means of production and fixed capital accumulation; (c) an outcome of a decline in the return to capital caused by the class struggle and reserve army reduction; and (d) an outcome of lower profitability due to the high organic composition of capital. In all cases the origins of crisis are the social contradictions of capitalism, and crisis is an endogenous mechanism of their regulation. Marx believed that crisis forced capital to restructure, if it could, until the eventual ultimate crisis of revolution. In the years since he worked it is apparent that the restructuring capabilities of capitalism as a consequence of crisis have yet to reach their limits.

The more contemporary Marxian approaches try to combine the above partial views derived from Marx's writings and have fashioned them into several coherent theoretical perspectives on the nature of crisis in capitalism. Two major attempts of this kind are represented by the theory of 'overaccumulation' and by the theory of regulation. Both deal with the manifestations, immediate causes, mechanisms and necessities of crisis. What is also important in these approaches is that they deal with modern capitalism and they introduce an historical differentiation of capitalist forms of development and crisis in their respective explanations. Therefore, they are capable of explaining the present crisis and its historical antecedents, rather than constituting some general theory of all capitalist crises in the past.

The discussions below are driven by a concern for the development of contemporary crisis theory, although the perspective most often adopted by the authors is some variant of the Neo-Marxian approach. The latter is the consequence of a general recognition that the current theories of crisis derived from the main traditions of political economy are presently inadequate. Overarching this collection and integrating its contributions is the requirement that individual authors address the current state of developmental theories. These papers seek to evaluate theoretically the relation between crisis and restructuring through a re-examination of some of the most central topics of modern social organisation, such as Keynesianism, welfare statism, and corporate capitalism. Theories of national growth, accumulation on a world scale, and industrial change are all examined and assessed. The inadequacies of old perspectives are exposed and some more recent approaches, such as the regulationist school, the theory of uneven development and 'modification' theory are introduced and deployed in several case studies.

In short, the following collection does something unique. It brings the reader up-to-date regarding the current aspects of global capitalist development and it revises our theoretical understanding of that process. Interdisciplinary in both its scope and analysis, this book assembles papers from a range of social scientists coming from *eight* different countries who assess the relationship between crisis and restructuring through empirical case studies and theoretical investigations. In the end, it moves towards the forging of a new perspective on the nature of political, social and economic forces in the development of modern, industrial society. The collection has a unifying theme, namely, the desire to move away from one dimensional, deterministic explanations of crisis, especially economic reductionism, in order to forge approaches that consider political and cultural as well as economic dimensions. A genuine attempt is made in the following papers to move away from some one-dimensional approaches that have appeared recently to explain fundamental restructuring in the OICs, including technological reductionism, neo-Ricardian reductionism, World System Theory, the theory of the 'new international division of labour', and so on. Instead it is the theme of contingency and the interplay of various factors pushing capitalist development that unifies the following papers.

The collection is divided into four parts. Three essays in Part I, 'Theories of Late Capitalism and Crisis', provide a theoretical overview to the question of contemporary capitalist development and restructuring. James O'Connor presents us with a summary of his latest book, *The Meaning of Crisis* (1987).⁴ He examines theories of crisis subscribed to by mainstream economists, orthodox Marxists, neo- and post-Marxists. These perspectives are termed market theory, value theory, social theory and social psychological theory by O'Connor and each provides some understanding of the problematic nature of system integration. O'Connor argues against strict economic determinism and shows that crisis possesses a subjective as well as a structural dimension. The subjective realm of crisis allows individuals to assert themselves in ways that can alter seemingly deterministic crisis tendencies through politically motivated change.

Ernest Mandel's paper is a revised version and translation of chapters from his recent book, *La Crise*.⁵ He reviews theories of crisis specifically with regard to an understanding of the period between 1974 and 1982. Mandel first provides a critique of conventional Marxist overproduction theories of crisis which are considered limited because they separate valorisation from realisation problems. Mandel

next provides an overview of crisis explanation. Crisis always upsets the functioning of the law of value under capitalism. Hence, restructuring efforts must be aimed at restoring the operation of the law of value. Essential to any true recovery, however, is a massive devaluation of capital and measures of rationalisation which can be installed to boost the rate of exploitation of the working class. Hence crisis always combines overproduction tendencies with under investment tendencies so that the deep level understanding for crisis and recovery, according to Mandel, is a more global approach to capital logic than often subscribed to by Marxists.

The translated paper by Alain Lipietz represents a third approach to crisis theory, namely, the regulationist perspective. Lipietz sees crisis and change as stemming from two different dynamics: the internal transformations of capitalism, which represent a kind of systemic force; and, the labour movement, which is a potentially anti-systemic, but at times also systemic, force. The two are related and Lipietz is quick to assure the reader that disequilibrating tendencies can arise from the actions of both capital and labour. His goal is merely to explain the relation between the two dynamics for the case of capitalist development as illustrated by three crises. Important in Lipietz's discussion is the isolation of types of labour struggle that can actually serve to 'develop' capitalist productive forces, thereby contributing to crisis resolution rather than the overcoming of capitalist hegemony.

Part II, 'Internationalisation of Accumulation: The Crisis of Integration, Trade and Debt', contains several studies of international development. John Bellamy Foster reviews current global crisis theories but from an important perspective, namely, the break up of US hegemony within the global hierarchy that served in the past to co-ordinate the post-war period of prosperity on a world scale for the OICs. Foster examines the mainstream 'Theory of Hegemonic Stability' or the idea that global order requires the dominance of a single nation, thereby justifying efforts at world leadership, if not imperialism. Foster reviews the rise, since World War II, and subsequent crisis of decline in US hegemony. Current foreign policy of the US is discussed in light of the present loss of dominance, thereby providing an interesting analysis of the Reagan administration's international activities and its adventurist relation to the Third World. The second part of Foster's paper provides a review of Marxian theories of global hegemony including: the internationalisation of capital thesis, dependency theory, unequal exchange theory, and the world system approach. Foster faults many of these perspectives for

minimising the role of the Third World countries in the present crisis, treating them as weak and dependent on the OICs, and without autonomous powers of their own to influence the integration of the world order.

Klaus Busch is an exponent of 'modification theory' introduced for the first time in English in his paper. This approach is both a critique of world system theory and the perspective known as the 'new international division of labour'. The latter, also developed in Germany, has been imported earlier into the Anglo-American literature, especially as a label alone without substantive knowledge of its particular theoretical assumptions or limitations. The new international division of labour, like its parent world system perspective, requires as a basic premise that the law of value be assumed to operate at the global level itself. Modification theory challenges this assumption. According to Busch the existence of nation-states with their different currency areas prevents the global operation of the law of value except in a severely modified form. Investment decisions, in particular, are highly sensitive to exchange rates and to nation-state political policies. Busch uses modification theory to discuss attempts at integrating European economies by focusing on the history of the common market or the European Economic Community. By highlighting the problems arising from nation-state policies and differences in exchange rates in an empirical analysis, Busch analyses the contradictory successes and failures of the EEC, especially its long-term failure to achieve economic integration — an outcome Busch believes can never be altered under existing conditions.

John Milios explores modification theory by focusing on its contrast with other approaches. He provides a thorough critique of the 'new international division of labour' perspective which has failed empirically to be borne out by studies on developing countries, especially the NIC in the Third World. As he remarks, 'The whole construction simply exaggerates the improvement, since 1970, of the competitive position, in the world market, of some third world countries'. As modification theory suggests, Milios finds that international investment takes place mainly among the OICs and Japan and it is this relationship that conditions growth everywhere.

Mike Berry provides an extended discussion of the Pacific Rim countries that amplifies the critique of world system theory and global political economy contained in previous papers. Berry documents in considerable detail the industrialisation of the NICs and South East Asian countries, such as Singapore, South Korea, Hong Kong, the

Philippines and Malaysia, as well as discussing the relationship between these countries and Japan, Australia, New Zealand and the US. Berry illustrates the uneven development occurring presently in this region produced by the uneven power relations between the countries. The nature of Pacific Rim development contradicts prevailing theories of growth and crisis held both by neo-classical and neo-Marxist political economists. Berry proposes an alternate explanation based on the internationalisation of capital thesis but modified to account for the nature of regional uneven development. As with the other authors in this volume, Berry tries to explain why the spectacular success of the NICs is a temporary phenomenon related to the absence of a global capitalist system and the decline of American hegemony.

The final paper in this section is a second contribution by Ernest Mandel. This time Mandel provides an account of the heretofore missing dimension of global crisis, namely, the overpowering level of debt. In previous work Mandel has already pointed out that post-war prosperity is by and large a product of debt financing.⁶ Both the permanent war economy and what the regulationist theorists would call the neo-Fordist, consumerist regime of accumulation, have been made possible by immense levels of borrowing and the introduction of the modern system of credit. In his paper, Mandel extends his analysis of this phenomenon to examine the relationship between the OIC, the NIC and the rest of the Third World. Arguing against reductionist economic approaches, Mandel asserts that contemporary developmental theory must understand the complex relation between debt, credit, the phenomenon of capital flight by indigenous bourgeoisies, the combined political and economic activities of finance capital and the separate changes and movements occurring in corporate, industrial capital.

Part III addresses the mode of regulation and the crisis of the welfare state. One aim of this collection is to grasp the multi-dimensional nature of crisis and its relation to societal development. The previous section has been devoted more to an examination of economic theories of crisis. In this part we consider changes currently taking place in the mode of regulation, more specifically, the restructuring of the welfare state in the OICs. In this regard we have chosen to contrast the cases of Great Britain, West Germany and the United States.

Desmond King's lead off paper makes several contributions. First, it provides a general overview of the growth of the modern welfare state among the OICs. King carefully points out the role of political

ideologies, party politics and the class struggle, along with economic factors associated with crisis restructuring in his survey. Second, King provides an informative account of the relation between the welfare state and the economy, especially through a focus on the process of 'decommodification' and the role of the state in the general provision of use values for both capital and labour. Finally, King discusses the present by comparing the rise of conservatism and the retrenchment of the welfare state, or 'recommodification' in the US and Great Britain.

For the case of contemporary political change and the interpretation of the relation between the modern state and the economy, more so than perhaps for the analysis of accumulation processes alone, the regulationist perspective provides the strongest available means for an understanding of current socio-political restructuring. For this reason the remaining two papers in this section have been chosen because of their original contributions to regulationist theory, that is, their analysis of the transition from Fordism to post-Fordism.

Bob Jessop, like Desmond King, also addresses the theme of the rise of conservatism; this time with a comparison between Thatcherism and the Kohl regime in West Germany. Despite the presence of a similar ideology of governance in the two countries, quite different paths have been taken in the restructuring of the welfare state, and Jessop explains this contrast. His paper commences with a general discussion of regulationist theory. This is more detailed and current than the remarks of Lipietz above. He provides an historical overview of the rise of Fordism in both Britain and West Germany illustrating many of the theoretical concepts deployed in his discussion of this perspective. Jessop explains crisis restructuring in terms of the transition from Fordism to post-Fordism and discusses the factors leading to the contrasting records of Thatcher and Kohl. He concludes with an analysis of the nature of post-Fordism that is applicable to other countries as well.

The theme of party politics and its role in the restructuring of the mode of regulation was touched on in King's paper. This subject is the central focus of the final paper in this section. Juergen Haestler and Joachim Hirsch examine the transition to Post-Fordism in West Germany specifically through a study of political party changes. The authors provide their own overview of the regulationist approach which contrasts somewhat with that of Jessop. They quickly get to their main theme, however, namely the role of political parties as regulatory institutions. This is a significant contribution to the theory of the modern state. This analysis is more complex than approaches

that merely focus on the role of the class struggle in conditioning the relation between the state and the economy. Finally, they discuss the present party crisis in West Germany and the potential trend of organisational fragmentation which is accompanying the transition to Post-Fordism.

Part IV concerns the impact of current societal changes on local areas and the relation between capitalist development and space. Hartmut Hausermann and Thomas Krämer-Badoni discuss the highly significant changes taking place in West Germany without which support for Kohl and the transition to post-Fordism cannot be attained. Simply put, West Germany is experiencing a shift in productive vitality similar to the 'sunbelt-frostbelt' change in the US. More specifically, the older industrialised and highly populated manufacturing cities of the north are experiencing a depression, while the modern, reindustrialised cities of the south are booming. Although high technology oriented business is one factor in the national pattern of uneven development, the authors point out other causes as well, thereby avoiding the current plague of high-tech determinism (see Gottidiener below), including global changes in competition, domestic political policy, and contrasting labour organisation. In particular, the authors document the explicit role of state regulation in the new spatial transfer of value leading to the reversal of fortunes between the north and the south. They conclude with a discussion of the social and political consequences of the north's decline and reflect on the patterns of change accompanying the transition to post-Fordism that will rule West Germany in the future.

Nicos Komninos examines the new patterns of capital accumulation and their relation to new spatialities that have appeared in Western Europe. Komninos provides a detailed discussion of the elements comprising restructuring forces including political aspects of regulation as well as new forms of accumulation that have arisen as a consequence of crisis adjustment. He then discusses restructuring's impact on spatiality, especially the new forms of uneven development and social inequality. Komninos characterises contemporary changes in terms of four associated processes: de-industrialisation, re-industrialisation, high-tech clustering and decentralisation. Finally, Komninos illustrates the way these processes have combined with new forms of regulation to alter local space.

M. Gottidiener examines the relation between crisis theory and socio-spatial restructuring with regard specifically to the US case. Gottidiener is critical of current approaches which assert that some new

phase of capitalism is responsible for the restructuring of space in cities and suburbs. He suggests, instead, that such changes have a long history in the US. In contrast to approaches that are technologically deterministic, that stress production at the expense of other contingently related factors and that advocate the world system perspective, Gottdiener proposes a separate theory which contingently relates six social forces that have transformed space since World War II including: racism, the transformation of the corporate/bureaucratic form, the action of knowledge and technology as a force of production, the interventionist activities of the state mode of regulation, the operation of a relatively independent second circuit of capital involving real estate and labour sourcing.

In a final paper Hyman Minsky, an economist, discusses the significance of the stock market crash of October 1987 for crisis theory. He suggests that a major source of volatility in American capitalism is the chaotic financial market. Consequently, theories such as the neo-classical synthesis, monetarism, and supply-side economics, that assert the equilibrating powers of decentralised markets, have been proven false by current events. Minsky points out that money market volatility does not conform to standard business cycle or crisis theory views of capitalism. Between 1980 and 1987, for example, the Federal Reserve has had to intervene five times to bring stability back to financial markets. This changes the nature of economic regulation because policies are directed more towards controlling chaotic sources of instability rather than pursuing longer term strategies through the regulation of growth.

At present money markets and alternative channels of investment have become a new force in American capitalism. Pension funds, mutual funds, insurance companies and bank administered trusts all have a powerful and potentially destabilising role. Minsky calls this new stage of growth 'Money Managed Capitalism'. Due to microelectronics and so-called programme trading, managed money is active money. Managers now pursue active, short-term asset appreciation by fine tuning portfolios. The presence of managed money, which represents almost wholly a speculative enterprise, complicates the crisis base of capitalism and calls into question existing theories that stress the equilibrating nature of markets.

CRISIS THEORY AND THE RESTRUCTURING OF CAPITAL

Since the 1960s industrialised capitalist countries have been subjected to wave after wave of changes in the economy, politics and culture.

Some of these include: rapid innovations in new technologies, intense international competition, fiscal problems of welfare states leading to privatisation, the growth of a new middle class that has forced new social cleavages and styles of consumption, shifts in the structure of production in favour of export and/or defence goods, new forms of money, technopole growth and the decay of traditional urban centres, shifts away from the social engineering agenda of the welfare state, the weakened dollar and the breakup of US hegemony in the West, de-industrialisation, re-industrialisation, the progressive deconcentration of metropolitan areas, and new relations between capital and labour.

There is a logic to social change but it involves less the structural logic of capitalist dynamics and more the institutional logic that accounts for the need to coordinate economic and political processes in advanced industrialised societies. This 'regulationist' logic worked well for the stage of Fordism prior to the 1960s. With new conditions of production and consumption it is much less clear whether the necessary adjustments between the economy and the society will arrive at some clearly focused model of development that can inspire imitation in a number of countries. At present it seems as if different societies have embarked on their own modes of development which stand in subtle contrast despite similarities. Variety in the mode of development has resulted from differences among countries with regard to respective class capacities that guide change according to the conflicting interests of capital and labour. However, this is not the only factor; variation is also the product of differences in the institutional means by which technology is researched, developed and transferred or assimilated. Compare the great extremes of Japan and the USSR, for example. This second axis of differentiation has become a popular subject of study as industrialised societies gear up to compete in new rounds of international trade. Remaining neglected, however, by advocates of a new mode of society such as 'flexible accumulation' or periodised Fordism, is the slumbering potential of the working class as it absorbs each new shock apparently as yet without an organised and sustained collective response that has opposed the declining social wage and the assault on union power itself.

Differences among countries in the present transition are also the product of a third factor, namely, state policies which in turn relate both to the relative position of countries in the global system and to endogenous needs of societal reproduction and social control. Once again structural conditions, such as the operation of the law of value at the international level, are tempered by institutional and contingent factors, such as the operation of exchange rate differences on

investment and product flows. Additionally, it would be hard to explain new forms of development in the US, including the process of capital deepening and the deconcentration of urban space without understanding the state's role in promoting a permanent defence-oriented economy and industrial and housing subsidies to both business and the middle class.

All this means that crisis theory, of the type once used by economists to explain the ebb and flow of country fortunes has lost much of its explanatory ability. More importantly, it can no longer be asserted that societal changes, such as the emergence of new forms of space, new technologies, or new institutional arrangements for the fiscal support of cities and the quality of life, can be attributed solely or even directly to changes in the realisation of profit rates and the operation of the law of value. The great pressure to rationalise investment flows has forced capital to renegotiate its terms with labour, cities, and even nation-states. As this adjustment process plays itself out in country after country, the effects of institutional, historical and contingent factors are deeply felt and the process of adjustment bears witness to the saliency of political, technological and cultural factors in addition to those deriving from the logic of accumulation. Furthermore, there seems no immediate end to these pressures for change. While capital can shift between countries using real time electronics, regulation still relies on the snails' pace of political and state-sanctioned policy initiatives. Policy lags behind and thereby provides a source of future crisis tendencies that are not products of the law of value.

Regulationist theory has attempted to grasp this more sophisticated arrangement of political economy. It does its best when explaining the multi-causal accommodations under Fordism. It is much less impressive in dealing with current changes and their variation among industrialised countries. In the future perhaps some more effective theory of contemporary social organisation, possibly itself an outgrowth of the regulationist effort, will no doubt appear. At present, however, we merely possess the threads of a new understanding. What are clear are the fundamental limitations of all one-sided arguments that have stressed single features of change, such as flexible accumulation or particular, and possibly temporary, changes in the capital-labour relation forced on labour due to the crisis conditions of job loss, that allegedly accounts for the new forms of state policies, business organisations and space. The papers in this collection argue for a more multicausal and contingently related process of change organised, in theory, around the necessity for some working accom-

modation between forms of regulation, modes of accumulation and paths of development within an increasingly structured global system of international competition. Precisely how economic, political and cultural factors lock step together in some yet to be devised post-Fordist mode of development must be left as a project for continuing and future work.

NOTES

1. M. Aglietta, *A Theory of Capitalist Regulation* (London: New Left Books, 1979).
2. Ibid.
3. M. Gottdiener, *The Social Production of Urban Space* (Austin: University of Texas Press, 1985).
4. J. O'Connor, *The Meaning of Crisis* (Oxford: Basil Blackwell, 1987).
5. E. Mandel, *La Crise* (Paris: Flammarion, 1982).
6. See E. Mandel, *Late Capitalism* (New York: Velos Press, 1975).

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