

Book Review

***The Rise and Fall of Neoliberal Capitalism.* By David M. Kotz (Cambridge, MA and London: Harvard University Press, 2015)**

Neoliberalism has many facets, and so there is no lack of books on the subject. David Kotz, Professor of Economics at Amherst, states right at the outset that his perspective is on neoliberal *capitalism*, that is, on the political economy of the beast, leaving its culture and ideology — its Foucauldian, as distinguished from its Marxian aspect — to others to deal with.¹ This is fair enough, and indeed Kotz has done an outstanding job within the confines of his remit. His book is well-written, accessible far beyond the economics profession without sacrificing empirical and theoretical precision, and in its first five chapters full of the right kind of data, summarized in well-designed descriptive diagrams of which there are not too many and not too few — excellent material for graduate teaching as well as for the political-economic debate at large.

As one would expect from someone proudly hailing from the social structure of accumulation school, Kotz places his subject in historical context, more specifically that of the history of capitalist development, and the narrative he offers reads just right, written true to the spirit of Einstein's famous recipe for good theory, "Make it simple but not too simple." Kotz begins with the early liberalism of the post-Civil War nineteenth century, to move on to the organized capitalism of the Progressive Era and the early neoliberalism of the Roaring Twenties, the state-administered and unionized "Keynesian" economy of the New Deal and the "Golden Age" and the subsequent rise of neoliberalism, with its fall in the crash of 2008. History is central to the economics of David Kotz, as it should be but is not in economics in general, and it is framed as a succession of (what else?) social structures of — capitalist — accumulation. Each structure, according to the theory, "works" for a while but then breaks down from internal conflicts and contradictions, giving way to a new structure bound ultimately to collapse as well.

Kotz's story is not necessarily new, but it is certainly well-told, with many interesting details. It cannot in any case be told often enough, given the disinformation showered on the public by mainstream economics departments. Kotz adds to received critical wisdom by emphasizing the contribution of trade unions and collective bargaining to postwar democratic capitalism, and generally the significance of the capital-labor

relationship during the Golden Age. Kotz also, and justifiably so, spends time and space on the question of why and how the postwar social compromise fell apart in the 1970s. Here he offers useful material for what one could call the defection-of-capital explanation, in particular evidence of the important contribution of organized business in the United States, first to the domestication and then the liberation of capital and capitalism. Kotz associates that shift with a transition from the Committee for Economic Development to a new organizational form, the Business Roundtable (50–84), reconstituting capital as an active political agent after decades of having to serve as an inanimate wealth creation machine. The role of business interest associations in the American political economy has long been underestimated in comparative politics, and Kotz joins political scientists such as Paul Pierson and Jacob Hacker who have recently begun to remedy this.

The Rise and Fall of Neoliberal Capitalism is about the United States of America. No other country appears, except for a short reference to New Labour and how it continued Thatcher's British transition to neoliberalism, following the example of Clinton and the New Democrats, who continued the work of Reagan. There are reasons for this that should not be taken lightly. The U.S. was and still is the center of the capitalist world, and the revolt of capital against social democracy began here, making the United States the birthplace of the neoliberal capitalism that culminated in the global crisis of 2008. Without a sufficient understanding of the United States as the engine of contemporary capitalist development, neoliberalism cannot properly be appreciated. At the same time, being the center implies a relationship of dominance vis-à-vis a periphery, in the present case with other capitalist or pre-capitalist countries and regions, from Europe to China, not to forget the raw-material-supplying regions of Africa and the Middle East. Just as political-economic development in the United States and its politics of change and reform will have repercussions on the wider world system, it will be and is affected by that system in turn. Without detracting from Kotz's achievement, the task of widening the scope of social structure of accumulation theory from American to global capitalism seems urgent. This would involve figuring in the constraints and opportunities for American capitalism in a global context, including the role of the American military. For example, the financialization of the American economy, detrimental as it has turned out to be for the stability of American capitalism, cannot easily be reversed as long as it is needed to

compensate for low competitiveness in other sectors by extracting resources from the rest of the world, including credit to pay for American consumption.²

Kotz begins with a summary of what is neoliberalism (Chapter 2), invoking the usual suspects of globalization, deregulation, welfare cuts, lower minimum wages, reduced marginal tax rates, de-unionization, financialization and fiscal consolidation. Nicely synthesizing two theoretical traditions, Kotz ends up defining neoliberalism as both the domination of capital over labor and the expansion of market relations into social relations (44). Chapter 3 recounts the shift from postwar regulated capitalism to post-1980s neoliberal capitalism, paying special attention to the profit squeeze of the 1970s and the subsequent re-orientation of business vis-à-vis organized labor from cooperation to conflict and suppression (67ff.). Chapter 4 investigates how the neoliberal social structure of accumulation worked, economically and socially. In short, while for the economy as a whole it worked less well than regulated capitalism, it worked much better for the rich, at the expense of the poor. Accounting for the economic expansion of the 1990s, Kotz points to an “interaction among growing inequality, large asset bubbles, and speculatively oriented financial institutions, which together propelled consumption-led growth financed by consumer borrowing,” accompanied by low inflation due to de-unionization (114).

Chapter 5, the longest of the book, reviews the crisis of neoliberalism in 2008 and beyond. Kotz shows how inequality, asset bubbles and speculative finance had given rise to “three unsustainable trends over the course of the neoliberal era: growing household and financial sector debt ratios, the spread of new toxic financial instruments throughout the financial sector, and increasing excess productive capacity in the real sector of the economy” — trends that ultimately brought the neoliberal accumulation structure to its knees (128; see also Figure 5.4 on p. 142). On the response to the crisis (154–160), Kotz argues that while there was initially some fiscal stimulus, it was not enough, which he believes accounts for the sluggishness of the recovery (161–166). The “Keynesian moment” having passed, “austerity” became the fashion of the day (166–175), with unjustified fear of government debt driving a return to pre-Great Depression “sound money” policies. Kotz blames this for the continuing stagnation — something on which the last word may not yet have been spoken. Important, in any case, is his account of the high price an entire generation has already paid and is still paying for the failed neoliberal experiment (161–6).

Chapters 6 and 7 are exercises in lesson drawing, putting the rise and fall of neoliberalism in the context

of history while organizing history in the framework of social structure of accumulation theory. As mentioned, capitalism is held to have gone through five stages, each of which ended in a “structural crisis . . . followed by major institutional restructuring” (181). In the process liberal and regulated accumulation regimes alternated: the first two liberal regimes, the Gilded Age and the Roaring Twenties, were each succeeded by a regulated regime, raising the prospect that this will now repeat itself. Here we note the functionalist character of the theory, its tendency to dwell more on systemic needs than on the political actors required for satisfying them. It is from this vantage point that Kotz’s final chapter explores “possible future paths”; this chapter is easily the book’s weakest.

Predictions, as Keynes is said to have said (some say it was Yogi Berra), are always difficult, especially if they are about the future. Kotz is not unaware of this: change, or non-change, he points out, “will be the outcome of struggles among various groups and classes” (219) which, however, he abstains from specifying. Nevertheless, Kotz sketches out four “future courses” (197–219): “continuation of neoliberal capitalism,” “transition to a business-regulated form of capitalism,” “transition to social democratic capitalism,” and “transition to democratic-participatory planned socialism” — the final three being versions of regulated capitalism, their difference consists in who will do the regulating: capital (especially finance capital à la Hilferding), capital and labor, or labor. This menu looks a little too neat to be true, perhaps because social structure of accumulation theory posits more or less explicitly that whenever a social structure of accumulation becomes obsolescent; it must and therefore will soon be replaced with a more up-to-date successor. In this it is similar to French *régulation* theory, for which an unregulated world is inconceivable (although Kotz’s “continuation of neoliberal capitalism” comes close to such a world). That the next phase in the history of modern capitalism may be a long period of chaotic interregnum — an age of indeterminacy — is precluded by both. Unfortunately, however, this is what may most likely be coming, due not least to the absence of historical agency strong enough to re-order a now profoundly disorderly capitalist world, a condition that Kotz seems implicitly to recognize when he speaks in all-too-general terms of “groups and classes.”

Seen from outside the always optimistic American center, the most probable scenario is one in which the United States, the historical host of twentieth century capitalism, will be too weak to enforce its own order while remaining strong enough to prevent others from enforcing theirs. Assuming this to be our future, Kotz’s somewhat pedantic list of the pros and cons

of “democratic-participatory planned socialism” (213–218) appears more than a little anachronistic. A brief look at global capitalism’s periphery may make it clear what this might mean. In more and more countries — from Central America to North Africa, the Middle East, Afghanistan, and Pakistan, not to forget the Russian periphery and Russia itself — the Western model of “development” has failed, and so have most local states, typically with the active contribution of their neoliberal American friends. Millions of people have given up hope for a better life in their home countries and are on the move to the United States, *pace* Donald Trump, and Western Europe, thanks to Angela Merkel. “Democratic-participatory planned socialism” sounds good, but will there be a *demos* ready to participate in the planning? Will there be stable states maintaining stable institutions for the purpose, and for the implementation of the plan once it has been made? And what is it in the first place that would be planned in Pakistan and Palestine, in Algeria and Afghanistan, in Mali, Mexico, and Mississippi, to name just a few?

NOTES

1. See, for example, Wendy Brown, *Undoing the Demos: Neoliberalism’s Stealth Revolution* (Cambridge: MIT Press, 2015) and Gérard Duménil and Dominique Lévy, *Capital Resurgent: Roots of the Neoliberal Revolution* (Cambridge: Harvard University Press, 2004).

2. On how American debt provides for external funding of American internal consumption see Guido Giacomo Preparata and Domenico D’Amico, “The Political Economy of Hyper-Modernity: A Tale of America’s Hegemonic Exigencies Recounted through the Undulations of the U.S. Balance of Payments (1946–2015),” in *New Directions for Catholic Social and Political Research: Humanity vs. Hyper-Modernity*, ed. Guido Giacomo Preparata (New York: Palgrave Macmillan, 2016).

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