

## SHORT BIOGRAPHY FOR Terrence McDonough

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Dr. Terrence McDonough's undergraduate degree is from Goddard College, Plainfield, Vermont and his Ph.D. is from the University of Massachusetts at Amherst. Before joining NUI, Galway in 1995, other appointments were at the Institute for Industry Studies, New York State School of Industrial and Labor Relations at Cornell University, at Canisius College, Buffalo, and at Dublin City University. He has been a visiting scholar at the Curtin University of Technology and the University of Newcastle, both in Australia. His current research interests include globalization, American and Irish economic history, political economy, the history of economic thought and economics education for labour and community groups. He is working on a short book on contemporary economics and the Great Irish Famine and a collection of essays on the history of Irish economic thought. He is the director of the CentreSTAGE project funded by the Irish Research Council on the Humanities and Social Sciences which is analyzing globalization as a new stage of capitalism. He has just finished terms as Vice-Dean of Research in the Faculty of Commerce, Chair of the Social Science

Research Centre and Director of the MA in Culture and Colonialism. He is about to take up the academic directorship of a new MA in Public Advocacy and Activism.

### **Selected Publications**

*Was Ireland A Colony?: Economics, Politics, Ideology and Culture in the Irish Nineteenth Century*, edited. Dublin: Irish Academic Press, 2005.

“Of Rats and Economists,” *Journal of the History of Economic Thought*, Vol. 25, No.4, December, 2003.

*Minding Your Own Business: Business Education for Labour Activists*. Dublin: Oak Tree Press, 2001, with David Jacobson and Keith Warnock.

“Gordon’s Accumulation Theory: The Highest Stage of Stadial Theory,” *Review of Radical Political Economics*, Vol.31, No.4, Fall 1999.

*Social Structures of Accumulation: The Political Economy of Growth and Crisis*, edited with Michael Reich and David Kotz. Cambridge University Press, 1994.

## **The Marxian Theory of Capitalist Stages**

**Terrence McDonough**

There exists a fundamentally continuous tradition of Marxian stage theory from the beginning of the twentieth century until the present day. This history begins with the first crisis of Marxism. This crisis was precipitated by the recovery of the capitalist economy from the first Great Depression at the end of the nineteenth century. Seeing capitalism recover from what was thought to be its final crisis, Marxist activists searched for a way of explaining this recovery without abandoning the revolutionary implications of Marx's analysis of the contradictory character of capitalist social relations. This explanation was to be found in the pioneering work of Rudolf Hilferding on finance capital, Nicolai Bukharin on the world economy and V.I. Lenin on imperialism. All three argued that the capitalist economy had, with the advent of monopoly capitalism, entered into a new and higher stage of capitalism. This new stage underlay the recovery but it had not transcended the basic Marxian dynamics of capital accumulation.

Hilferding's, Bukarin's and Lenin's (HBL) analysis would be carried into the post World War II era through the work of Paul Sweezy and Ernest Mandel. In their influential expositions of Marxian economics the HBL analysis of monopoly capitalism was treated by each as essentially a fourth volume of capital. Their descriptions of the transition to monopoly capital consolidated stage theory as an accepted component of Marxian theoretical practice. Both would be influential in forming the basis for the second wave of Marxian stage theory.

The second wave of Marxian stage theorizing emerged with the end of the post World War II expansion. The Regulation Approach (RA), the Social Structure of Accumulation Framework (SSAF), and Ernest Mandel's Long Wave Theory (LWT), analyzed the stagflationary crises of most of the advanced capitalist countries as the end of a long wave of growth following the end of the war. This long wave of

accumulation was underpinned by the emergence of a new stage of capitalism which was analogous to the reorganization brought about by monopoly capital at the turn of the century. Since this new stage was the resolution of the crisis of the monopoly stage, these new schools were reluctant to predict the non-resolution of the current crisis, thus opening up the possibility of further stages of capitalism in the future. This identification of a new stage following on from HBL's monopoly stage and the possibility of subsequent stages in the future elevated Lenin's theory of the highest stage to a general theory of stages of capitalism.

The SSAF built on Sweezy's contribution and that of the American Monopoly Capital School. Mandel's LWT, not surprisingly, was founded on his earlier analysis of monopoly capital. The RA claimed no precursors apart from Althusser, though Althusser's admiration for Lenin and specifically his *Imperialism* is well known. Each of these perspectives differed in some concepts and emphasis and initially formed three separate schools. However, the last decade or so has seen a substantial convergence in their perspectives. In general, this convergence has reaffirmed the importance of HBL's initial contributions to the stage theoretic tradition.

The main strands of Marxian long wave are no longer conceptually distinct. As this is the case, they no longer constitute distinct schools, though they continue to be self-referential in identifying intellectual pedigrees. None of the three main traditions is dominant within the specifically Marxian discussion and thus able to simply absorb the others. The theoretical convergence of the schools within an overall Marxian framework allows and to a certain extent demands recovery of the concept of stage theories of capitalist history pioneered early in the twentieth century by HBL.

The relationship between the Regulation Approach and the Social Structure of Accumulation Framework was recognized early. In *Social Structures of Accumulation: the Political Economy of Growth and Crisis*, Kotz identifies substantial similarities between the two approaches but also major differences in 1994. The RA had maintained a closer fidelity to the Marxian approach through an emphasis on production relations and the class distribution of income within the regime of

accumulation while the SSAF had emphasized a more Keynesian concern with the determinants of the capitalist investment decision. The RA located the origin of long-term crises within the regime of accumulation whereas the SSAF located the origin of the crisis in the breakdown of the institutions of the SSA (closer to the mode of regulation in the RA). Consistent with its Althusserian roots, the RA emphasized structure while the SSAF placed more emphasis on agency and class struggle. Finally, the RA emphasized the qualitative character of change from one period to another while the SSAF lay emphasis on changes in the rate of accumulation. We will consider the fate of each of these differences in turn in light of developments within both schools over the past ten years.

A concern with class relations rooted in the production process has never been alien to the SSAF. *Segmented Work, Divided Workers* concerned itself primarily with the historical development of capitalist strategies of controlling workers within the labour process. This emphasis has been carried forward in more recent work on the emergence of “spatialization” as a new form of labour control which it is argued is one of the important underlying institutional factors conditioning the construction of a new SSA in the United States. Working from Gordon et al’s identification of three historical periods in the structure of work and the organization of labour markets as proletarianization, homogenization and segmentation, Grant and Wallace identify a fourth period as spatialization. This process of spatialization centers on employers’ use of threats of relocation and actual relocations as a key form of labour control strategy from the 1970s. This observation immediately links the mobility of capital to the question of labour control in a restructured capitalism.

Kotz et al in 1994 identified several related theories evolving in parallel and exercising an influence on SSA theory. These included a number of developments within broadly orthodox microeconomic theory. These tendencies would have supported Kotz’s thesis that the SSAF had strayed farther from its Marxian roots. By 1997, Reich was arguing that the wing of the theory most concerned with these issues had departed from the original intent of the theory. Reich sought to reemphasize the qualitative and institutional nature of SSA theory. Subsequent work

within SSA theory has generally taken this position as its starting point. In his 1997 retrospective and prospective on the SSAF, Reich identifies the early theoretical perspective as rooted in “Marxian insights concerning class conflict over production and distribution at the workplace and in the political arena, and by Marxian and Keynesian macroeconomic analyses.” Inquiries into the historical background to the SSA approach have given it a much more specific and explicit Marxian pedigree.

While the SSAF has been re-emphasizing its roots within Marxism, something of the opposite movement has taken place in some wings of the RA. This is most pronounced in the founding Parisian school. Olivier Favereau draws a straightforward and helpful distinction between Regulation Theory 1 (RT1) as “similar to the Marxist analysis of the capitalist mode of production” and RT2 as “separate from this analysis and based on dynamic aspects of institutional forms.” Among the Parisians, Lipietz is the only major adherent of RT1 while on the other hand this Marxian strand still dominates Anglophone adherents working within radical sociology and geography.

Interestingly, the movement towards institutionalism has, at the same time, lessened some of the other differences identified by Kotz. A greater emphasis has been placed on the role of institutions (found predominantly within the mode of regulation) both in constituting the period of successful regulation and in the emergence of crisis. Aglietta summarizes these developments:

... the various mediation mechanisms are dovetailed to form the framework of a mode of regulation. This dovetailing does not happen automatically, because each of these organizations has its own rationale, the integrity of its own structures that makes it persevere in its perceived social role. That is why the coherence of a mode of regulation does not conform to any pre-established general law. It is a historically unique entity that may be called a growth regime. By contrast, the symptoms of exhaustion of a growth regime, heralding a period of uncertainty, crisis and change, must be sought in malfunctions of the interaction between mediation mechanisms.

This formulation shifts the dynamics of the formation of the ‘growth regime’ into the realm of the dynamic interaction of the institutions. The ‘general laws’ of

accumulation no longer dominate, but each growth regime is historically unique, constituted by the coherence of the institutions which make it up. Similarly it is the malfunctioning interaction of the institutions or ‘mediation mechanisms’ which inaugurate the crisis of the growth regime. In this way the description of the constitution and decay of capitalist social structures and the resulting alternating periods of expansion and crisis converges to the contingent description developed within the SSAF.

The RA has become much more concerned with the question of the relationship of agency to structure. The Parisian school has recognized that in the transition from one mode of regulation to another “conflicts, strategic behaviour and political intervention play a crucial role.” For Lipietz, a recognition of the importance of social actors represented an early break from an excessive structuralism in the legacy of Althusser. In the Anglophone RA tradition, this trend is represented by Jessop’s advocacy of a “strategic-relational approach” which includes the capacity of actors to engage in struggles which “overflow” structural forms.

The remaining area of difference identified by Kotz involves an overemphasis by the SSAF (as compared to the RA) on differential rates of accumulation as opposed to more qualitative differences between capitalist stages. This gap has been partially closed, this time from the SSAF side. In a pair of articles Kotz and Wolfson argue that the key problem with neoliberalism is that it is unlikely to lead to a period of stable growth because of anarchic competition and problems of demand and realization. Nevertheless, according to Kotz neoliberalism is “a new, coherent set of institutions that impinge on the process of capital accumulation.”

On all of the fronts identified by Kotz, the Marxian variant of the RA (what we might call the RA1) has converged with the SSAF (or vice versa). The return to Marx on the part of the RA1 and the SSAF should immediately raise the question of the relationship of these theoretical trends to Ernest Mandel’s LWT. Mandel has never been equivocal about his theoretical commitment to Marxism and his version of long wave theory has always been carefully consistent with a Marxian approach. Has the past openness of the RA1 and the SSAF to influences outside the Marxian tradition

distanced these perspectives from Mandel's LWT?

Mandel grounds his theory in the movements of the rate of profit over time. The long run tendency of the rate of profit is to decline due to the tendency of the organic composition of capital to rise. This conditions the emergence of a period of crisis and stagnation. The tendency of the rate of profit to fall can be counteracted by certain contrary developments as identified by Marx. Long wave expansions are initiated during periods in which the forces counteracting the tendency of the average rate of profit to decline operate in a strong and synchronized way.

The areas of possible difference with the other traditions concern the nature of the turning points which mark the beginning and end of the long wave. Mandel makes much of the lack of an endogenous mechanism which accounts for the inauguration of the upturn. Instead he identifies his explanations as exogenous to the dynamic of the long wave itself. In this way Mandel makes sure that his theory is not one which sees potential capitalist success on into the indefinite future. Upturns depend on a fortuitous (for capital) combination of factors which are not guaranteed and may in fact be unlikely. This distinction was always more definite between Mandel and Schumpeterian versions of the long wave rather than with the RA1 or the SSAF. Initially the RA was strongly functionalist in its vision of capitalist reorganization, hypothesizing that the needed institutional restructurings would somehow emerge. By 1990, Boyer was emphasizing both the role of social conflict and the lack of any agency which ensures that a viable overall restructuring will inevitably ensue. Within the SSAF, McDonough has argued that the principles of organization of SSAs when investigated concretely turn out to be historically contingent, differing in character from one period of SSA construction to another. This is not very far from Mandel's notion of exogeneity.

Mandel's theory of the end of the long wave rests on the negative impact of the expansion on the organic composition of capital and hence on the rate of profit. To critics from the other Marxian traditions this is too monocausal. The other schools are willing to recognize that a rising cost of capital relative to the labour employed may well be a factor in the end of particular long waves. Nevertheless, the complex

character of the institutional conditions of accumulation as well as the multiple ramifications of class struggle and capitalist competition create a range of possibilities for the breakdown of the accumulation process in these models. Went writing in the Mandelian tradition recognizes this in arguing that periods of structural stagnation “occur when previous constellations of processes of accumulation and institutions that once positively reinforced each other become incompatible.” We may conclude that the long wave theoretical tradition instituted by Ernest Mandel has converged with the RA1 and the SSAF.

True theoretical convergence rather than a series of parallel similarities demands terminological convergence. What shall we call the Marxian RA1/SSAF/LWT? Ignoring ego considerations, the obvious course is to adopt the designation of the school which is dominant in the literature. According to this criterion the Regulation Approach would at one time have been the hands down choice. However the departure of the majority of the Parisian school from the Marxian tradition leaves the remaining RA1 considerably less robust.

The current period of neoliberal globalization has created a serious problem for the SSAF. As observed earlier Kotz had criticized the framework for being overly focussed specifically on the rate of accumulation. A specifically social structure of *accumulation* does not allow for the possibility of merely secure reproduction of capitalist social relations but demands an extended reproduction which appears from the current period may or may not eventuate. The absence of rapid accumulation poses similar problems for long wave theory as it is rapid accumulation which constitutes the wave-like movement. The use of the term long wave also links Mandel’s theory more closely than is warranted to various neo-Schumpeterian accounts of long wave phenomena.

The upshot of this argument is that we should take the opportunity of this convergence to reevaluate the tradition. What we are dealing with here is the tradition of Marxian stage theories of capitalism. Capitalism in each society can be seen as passing through a series of stages. Each stage consists of an historically unique institutional structure guaranteeing the conditions of the reproduction of

capitalist social relations. The conflictual character of capitalism guarantees each stage will have a finite life. Stages are separated from one another by periods of crisis and stagnation. These periods are irregular in length and there is no guarantee that a period of crisis will be followed by a period of reconstruction and recovery. The RA, the SSAF and LWT are all converging sub-schools of this larger and longer tradition.

Though Marxian stage theory carries no guarantee that a period of crisis will be resolved by the construction of a new stage of capitalism, the key question it inevitably poses for today is whether the current period is one of stage construction. This in turn raises the issue of whether or not globalization can be analyzed in light of stage theory. Stage theory is in fact essential to answering one of the main concerns presented by the globalization thesis.

Critics of the globalization thesis argue that globalization constitutes a dangerous ideology that seeks to demobilize opposition to neoliberal reforms on the grounds that capital has been able to escape the bounds of regulation by nation states. On the contrary

recent internationalization is just the continuation of a longstanding trend emanating from the end of the second World War. The first question that globalization must answer is whether or not a qualitative change rather than a merely quantitative change has occurred.

Stage theories of capitalism can provide criteria for identifying qualitative institutional change from one historical period to the next. The possible resolution of the late twentieth century crisis of the Fordist stage will be the ground upon which we can look for the qualitative change in the capitalist order that might mark the emergence of globalization. According to stage theory the current period is one of either continuing crisis or the consolidation of a new institutional framework seeking to resolve this crisis. If such a new institutional framework is forming then by the standards of long wave theory we are witnessing a qualitative change in the workings

of the capitalist economy.

There are a number of institutional innovations in development. Declining union membership along with the introduction of lean and flexible production characterize capital/labor relations. Increases in both physical and financial capital mobility have led to the interpenetration of the capitalist class in North America, Western Europe and Japan. These developments have contributed to the creation of global norms of profitability. All decisions about economic activities, even those carried out entirely within national boundaries, are increasingly taken in light of international norms and standards.

Political changes involve both a reorientation of domestic state policy and the creation of increasingly powerful international regulatory institutions. The reinforcement of "competitiveness" has become the touchstone of domestic policy. There has been a dramatic geographical extension of market relations of production in Eastern Europe and post-Mao China. There has been a reinstatement and extension of US hegemony. All of the forgoing changes demand ideological legitimation, found in the intensive promotion of neoliberalism.

It is difficult to define precise criteria for identifying when an institutional reorganization constitutes a fundamental change in the environment of accumulation. The extensive range and depth of institutional transformations since the mid-1970's, however, may absolve us of this task. There exists a *prima facie* case for the qualitative transformation of the conditions of capitalist growth and expansion. Thus courtesy of Marxian stage theory the globalization thesis passes muster as a useful theoretical description rather than as an instance of bourgeois propaganda.