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CRISIS THEORY AND SOCIAL STRUCTURES OF ACCUMULATION

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Economic crisis has two different types, one that takes a secular form which occurs as a result of the secular decline in aggregate output and employment and the other that takes a cyclical form which arises out of cyclical fluctuations of aggregate output and employment. Its cause and dynamic mechanism are different between the two kinds of crisis, which need to be analyzed from different angles. The traditional crisis theory explains economic crisis through a behavior of profit rate whereas the theory of social structures of accumulation (SSA) emphasizes the role of political-economic institutions in accumulation and economic performance. The behavior of profit rate is relevant to the analysis of a crisis of short-run type while political-economic institutions are pertinent to that of long-term type. This paper argues that the relevancy of crisis theory could be improved in grasping the logic of macrodynamics of capitalist economy in both secular and cyclical terms if it synthesizes the traditional theory and the SSA theory.

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I. INTRODUCTION

As Duncan Foley (1986, p. 145) wrote, 'there is no systematic, synthetic discussion of the theory of capitalist crisis in Marx's available works'. According to Foley, Marx discusses this in a wide variety of contexts without putting

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forward a positive theory of the sources of capitalist crisis. As a result, various crisis theories have been proposed and developed by subsequent scholars in Marxian tradition, emphasizing one or another aspect of Marx's unsystematic discussion. In his paper titled as 'Marxian crisis theory and the rate of profit in the postwar US economy', Thomas Weisskopf(1978) classified various types of Marxian crisis theory into three basic variants and evaluated the contemporary relevance of those variants by examining the behavior of profit rate in the U.S. economy during the period of about twenty five years following World War II. Three years after Weisskopf's paper, F. Munley(1981) criticized Weisskopf's analysis, especially its identification of the average rate of profit as the source of economic crisis. In fact Munley shed light on the main problem of Marxian crisis theory, the tendency of mechanical reasoning of the causal relationship from profit rate decline to an economic crisis, which can be named as "institutional vacancy of economic crisis". This debate between Weisskopf and Munley provides a clue to appraise the relevancy of the crisis theory in grasping the logic of macrodynamics of capitalist economy.

Several years after the debate, Samuel Bowles, David Gordon, and Weisskopf proposed their own theory of crisis, the theory of the "social structures of accumulation (which will be abbreviated as SSA hereafter)". The theory of the SSA approaches to the long-run macrodynamics of the postwar U.S. economy through its 'complex analysis of class structure and institutionally-based power in the U.S.' (see Weisskopf, 1988). In fact, it is a very ambitious theoretical approach to the capitalist economy, attempting to build a bridge between "Marx's abstract concepts such as class and mode of production on the one hand and concrete historical analysis on the other" as put by Bowles, Gordon, and Weisskopf (1986, p. 160). The theory encompasses broad aspects of the process of capital accumulation by integrating critical and complex connections among macrodynamics, institutional structures, production relations, and class structure. As a result, it would illuminate the traditional Marxian crisis theory from a different point of view (from the traditional mechanical interpretation) that emphasizes the role of institution in the macrodynamics of capitalist economy.

The SSA theory, however, is in essence the theory of a long-term crisis in a secular sense. There is no discussion in the SSA theory about a short-term crisis. Capitalist crisis has two different kinds, one that takes a secular form which occurs as a result of the secular decline in the levels and the growth rates of aggregate output and employment and the other that takes a cyclical form which takes place as a consequence of cyclical fluctuations of aggregate of the traditional crisis theory and at the same time by correcting the lack of analysis of a short-run cyclical crisis in the SSA theory. Section Ⅱ raises the main issue of the paper by examining how the traditional Marxian crisis theory relates the behavior of the average rate of profit to economic crisis. Sections Ⅲ looks at the main theoretical position of the Marxian crisis theory, the identification of falling rate of profit as the source of crisis in a cyclical context and then Section Ⅳ examines the same issue in a secular context. Section Ⅴ will discuss the issue in terms of the theoretical position of a particular variant (the so-called RSL variant) of Marxian crisis theory, followed by brief concluding remarks.

II. THE AVERAGE RATE OF PROFIT AND ECONOMIC CRISIS

A recent and thorough reinterpretation of the traditional Marixan crisis theory and the evaluation of its relevance to real economic crises were provided by T. Weisskopf(1979) in his paper concerning the crisis theory. According to Weisskopf, the common ground shared by all the different types of Marxian crisis theory consists in that profit rate is considered as a critical determinant of the capitalist macro-economic performance and, thus, a falling rate of profit as the source of crisis. On the basis of this broad characterization of Marxian crisis theory in general, he distinguishes three basic variants of Marxian crisis theory— rising organic composition of capital (ROC), rising strength of labor (RSL), and realization failure (RF) variants, which are discerned on the ground of how they identify the initial source of decline in profit rate. ROC variant focuses attention, respectively as the initial source of decline in profit rate, on technological change and the behavior of the organic composition of capital, that of RSL on class struggle and the distribution of income between labor and capital, and that of RF on the problem of realization of the full value of commodities produced. He proceeded to develop each of the three variants of crisis theory either as a theory of short-run cyclical declines in profit rate or as a theory of longer-run declines in profit rate. He then evaluated the relevance of each of the three variants to real economic crises either in a short-run cyclical or in the longer-run secular context by examining the data available from national income accounts of the U.S. economy (non-financial corporate business sector) during the period of twenty-five years following World War II. After examining the data, he reached a conclusion that the decline in profit rate in the postwar U.S. economy can be best explained by the rising strength of labor (RSL) variant both in cyclical and secular contexts.

This summary of Weisskopf's paper implies that its whole analysis hinges on the characterization of Marxian crisis theory by its identification of a falling rate of profit as the source of economic crisis.[1] A question may be asked about his reasoning from a falling rate of profit to an economic crisis. Is this reasoning of causal relationship from a falling rate of profit to an economic crisis robust enough to explain the macro-economic performance of a capitalist economy in general? In other words, does it have any relevancy in grasping the underlying logic of the macrodynamics of capitalist economy? I will proceed to discuss the question in two separate steps, i.e. in a short-run cyclical context and in a longer-run secular context because I believe that the dynamic mechanisms of economic fluctuations in capitalist economies are distinct in the two contexts. Again, Weisskopf's paper provides us with a good starting point of discussion concerning economic crisis in both cyclical and secular contexts.

III. PROFIT RATE AND CYCLICAL DOWNTURN

For the analysis of short-term business cycle, Weisskopf identified five successive cycles over the whole relevant period in the postwar U.S. economy. He then proceeded to divide each of the five cycles into three distinct phases; the early expansion phase 'A' during which both the average rate of profit and real output rise, the late expansion phase 'B' during which profit rate falls while real output continues to rise, and the contraction phase 'C' during which both profit rate and real output decline. Since Marxian crisis theory was characterized by its identification of a falling rate of profit as the source of economic crisis, it is obviously the late expansion phase 'B', during which the decline in profit rate precedes the actual downturn of real output in phase 'C', that is relevant in evaluating the various types of crisis theory in a cyclical context. It was argued by a careful empirical analysis that the decline in profit rate during phase 'B' of the postwar U.S. economy is attributable mainly to a rise in the strength of labor and consequently the RSL (rising strength of labor) variant can best explain short-term business cycles.

Three years after Weisskopf's paper, Munley(1987) criticized this short-run part of analysis. Although most of the points made in Munley's criticism are not relevant to the subject of this paper, there is a paragraph in his paper that arouses a controversy by raising a doubt about the validity of Marxian crisis theory. He wrote:

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[1] The reasoning for this characterization can be expressed succinctly by the following paragraph in the paper.
"The behavior of the average rate of profit in a capitalist economy is seen as critical to the explanation of economic crises because it is a major determinant of capitalists' profit expectations. Production is organized and investment is undertaken by capitalists in order to make profits; a fall in the average rate of profit is bound sooner or later to discourage such investment. But the rate of investment is a major determinant of both the level and the rate of growth of aggregate output and employment. Thus, it is quite reasonable on theoretical grounds to argue that a falling rate of profit will ultimately lead via profit expectations and the rate of investment to an economic crisis in which the levels and rates of growth of output and employment are depressed." (quoted from Weisskopf, 1979, p. 341)

> It is undoubtedly true that a decline of the profit rate to lower and lower levels will eventually reduce investment. But the long and variable lag between the decline in the profit rate and the initial decline of investment, which accom- panies the onset of a recession, indicates that investment is strongly influenced by other factors, which buoy up investment in the face of a profit rate decline. Since crisis may be precipitated more by a weakening of these other factors than by a decline of the profit rate, the relevance of the Marxian crisis theories to actual crisis is somewhat doubtful. (quoted from Munley, 1981, p. 160)

In other words, Munley argues that it is not the average rate of profit that determines primarily capitalists' profit expectations and the rate of investment, thereby creating business fluctuations. Rather, it is 'other factors' specified in his following remarks that mainly influence the rate of investment.

> ... The ability of the economy to continue expanding with a high level of invest- ment even though there are declines in the profit rate, profit share, and often in capacity utilization, may be the result of a long-range growth perspective on the part of the investing class, i.e. a perspective which can see beyond temporary difficulties in profitability to the longer-range benefits of growth. A hoarding of labor and capital in phase B, together with the willingness of business to keep investment at a high level, would be natural consequences of an optimistic belief in prospects for continued growth. (quoted from Ibid. p. 169)

Therefore, to the contrary of the traditional Marxian crisis theory, Munley argued that a primary determinant of the rate of investment in phase 'B', which is most critical to the onset of an economic crisis, is not the average rate of profit but a long-range growth perspective of capitalists.

Which one provides a more relevant explanation to the mechanism of periodic economic crises in the capitalist economies—the average rate of profit or a long-range growth perspective? It is the central question to be discussed in the present paper. In order to answer this question, however, we need at first to clarify a few other questions out of Munley's critique of the traditional crisis theory, which are also important and relevant to the subject of economic crisis. First of all, how is the long-range perspective of capitalists formed? In other words, what leads capitalists to have a specific perspective that affects their investment? Secondly, why and how does the 'long-range growth perspective change suddenly in a short period of time to generate short-run business fluctuations? That is, why and how do optimistic prospects for continued growth in phase 'B' tumble down into a pessimistic belief in phase 'C' in such a short time period? There is no answer to these questions in Munley's argument. Here the theory of SSA, especially its hypothesis about the interaction between long swings and SSA in capitalist economy, seems to provide an apt clue to these questions, filling in the institutional vacuum of the traditional Marxian crisis theory.[2] The kernel of the SSA theory is that each long swing in capitalist economies is associated with a set of distinct SSA.[3] A long-wave upturn is characterized by sustained high rate of accumulation with a cohesive set of institutions favorable for capitalist accumulation. A long-wave downturn is associated with the erosion of the existing set of institutions that can no longer accommodate changing social and material conditions of production developed in the process of rapid accumulation in the preceding period of long-wave upturn. Based on this sweeping hypothesis concerning the stages of capitalist development, the SSA school views the postwar U.S. economy as the last long swing consisted of a period of boom lasted during the two decades following World War II and a period of spreading and deepening crisis since the late 1960s. And this postwar long swing of the U.S. economy is associated with specific SSA comprised by four institutional axes the capital-labor accord, the capital-citizen accord, the Pax Americana, and the attenuated inter-capitalist competition (see Gordon, Weisskopf, and Bowles, 1988).

Now, viewed in the theoretical context of the SSA, Munley's long-range growth perspective can be plausibly explained as capitalists' profit expectations based on the SSA established in a particular period. At first, as is well known, Munley's long-range growth perspective is the same as the Keynesian capitalists' expectations of long-term profit. According to the Keynesians, the profitability is determined mainly by the realization conditions for commodities produced, i.e. the rate of capacity utilization, which in turn rests on the growth rate of the economy. In other words, if capitalists are optimistic in their long-range growth perspective, they should expect high rate of profit on their investments and expand their investments. On the other hand, if their growth perspective is pessimistic, they should expect low rate of profit and slash down their investments. And, according to Munley, the existing set of institutions significantly affects long-term profit expectations of capitalists. The legal and political system of the state is an important determinant of their profit expectations. The profitability is contingent upon whether the system ensures the political dominance of the capitalists and their property right, and also upon whether the state intervenes in the economy in the way that the capitalists' dominance over labor

[2] The hypothesis of the SSA theory can be best explained by a following citation.
" ... long swings and SSA are interdependent and mutually determining in capitalist economies. A long period of prosperity is generated by a set of institutions that provides a stable and favorable context for capitalists. This context must provide capitalists with both profitable investment opportunities and a stable societal environment in which to realize them. The boom begins to fade when the profitable opportunities inherent within the existing SSA begin to dry up. Although such problems may arise for any of a variety of causes, we shall emphasize the limits posed by the existing institutional structure and the breakup of its cohesion. Long swings are in large part a product of the success or failure of SSA in facilitating capitalist accumulation." (quoted from Gordon, Edwards, and Reich, 1982, p. 9-10)

[3] According to the SSA school (Gordon, Edwards, and Reich, 1982), the most important institutions in SSA are the system ensuring money and credit, the pattern of state involvement in the economy, and the structure of class struggle.

is ensured. In addition, the international political setting and the institutional arrangements in the international economy are also momentous determinants of the capitalists' long-term expected profitability. For they determine who controls the international flow of capital and commodities, which in effect resolve the profitability of overseas investment, the terms of exchange between natural resources and manufactured goods, the degree of import penetration, etc. A stable financial system for easy and smooth financing for the investment is also an important factor for the expected profitability. After all, the capitalists' long-range growth perspective must be optimistic if the existing SSA become consolidated and provide profitable investment opportunities, while it should be pessimistic if the SSA become eroded with dried-up opportunities for investment.

An important implication of the previous discussion is that the institutional environments are not relevant to short-term cyclical fluctuations of the economy. The institutional structures are slow to change and also remain relatively unaffected by cyclical fluctuations of the economy. They are rather relevant to long swing as a primary determinant of the long term expected profit. The institutional environments can buoy up the capitalists' long-run growth perspective even if the economy undergoes a cyclical downturn. Accordingly, the long-range growth perspective cannot be a phenomenon of short-term business cycle in capitalist economies, which Munley implied, but that of long swing via SSA. Now it becomes rather apparent why a puzzle arises in Munley's argument, which is why and how a 'long-range' growth perspective undergoes a sharp reversal from an optimistic to a pessimistic one in a short period of time between phase 'B' and phase 'C' within a short-term business cycle. It is because Munley applies wrongly a concept of long swing, a long-range growth perspective, to the explanation of cyclical phenomenon, i.e. phase 'B' of short-term business cycle.

A short-term business cycle takes place within a context of established institutions (SSA). Within a single short-term business cycle and, thus, without institutional transformation, such an economic variable as the average rate of profit constitutes a major determinant of capitalists' profit expectations that is endogenous to the capitalist economy itself. Hence, it is fairly reasonable that the average rate of profit, for an analysis of short-term business cycle, is to be identified as the source of economic crisis via short run profit expectations and investment rate.

IV. PROFIT RATE AND SECULAR DEPRESSION

After discussing the causal relationship between profit rate and cyclical downturn, Weisskopf proceeded to evaluate the long-run version of the three basic variants by analyzing of the secular trends of the average rate of profit in the postwar U.S. economy on the premise that a falling rate of profit is the source of economic crisis. He then arrived at the same conclusion that the rising strength of labor (RSL) variant is most relevant in explaining the long-run secular trends of the postwar U.S. economy as in the analysis of the short-run cyclical fluctuations of the economy. Is this hypothesis of regarding a falling rate of profit as the source of a long-run secular economic decline equally plausible as in the analysis of short-term business cycle? The theory of SSA also provides a clue to this question. The following statement represents the typical theoretical position of the SSA school on the cause of the long-run secular downturn.

> The accumulation of capital through capitalist production cannot take place either in a vacuum or in chaos. Capitalists cannot and will not invest in production unless they are able to make reasonably determinate calculations about their expected rates of return. Both the Marxian and mainstream traditions of economics have recognized this relation between investment and expectations. Unfortunately, however, both traditions have tended either elide the importance of the external environment in the formation of expectations about the rate of profit or to fail to provide a substantive account of that environment. .... Macro- dynamic analyses should begin with the political-economic environment affecting individual capitalists' possibilities for capital accumulation. Without a stable and favorable external environment, capitalist investment in production will not proceed. (quoted from Gordon, Edwards, and Bowles, 1982, p. 23).

According to the SSA school, as asserted above, the traditional Marxian crisis theory, which identifies a falling rate of profit as the source of an economic crisis, would lead to a limited and misleading understanding of the dynamics of capitalist economies if it is applied to the analysis of long swings. For the theory ignores the importance of political-economic environment in the formation of the capitalists' profit expectation and, thus, in determining the rate of capital accumulation. This critique of the traditional crisis theory by the SSA school catches the main weak point of the theory, its institutional vacancy. I will proceed to discuss the plausibility of the traditional theory as the one to explain the long-term crisis of the capitalist economy along with this line of argument of the SSA school. I argued earlier that the average rate of profit is a major determinant of capitalists' profit expectations and consequently the rate of investment in a cyclical context. The average rate of profit is a primary endogenous variable to the economy within a short-term business cycle and any change in external environment will be exogenous to the economy itself within the context of the established SSA, like changes in natural environment. From the perspective of long swings of capitalist economies, however, SSA become endogenous to the economy, being a major determinant of the capitalists' profit expectations and, thus, of the rate of capital accumulation. For, in the extended time period of a long swing, SSA themselves may well be transformed in line with the corresponding longer-term economic cycle. As the SSA school put it, a rapid rate of capital accumulation generated by consolidating SSA is sooner or later bound to run down due to the limitations imposed by the existing institutional setting, and begins to destabilize the existing SSA. The existing SSA can no longer accommodate the changes in the social and material conditions of production developed in the process of rapid accumulation during the previous period of long-wave upturn. Further accumulation becomes more difficult within the existing SSA and the economy begins to stagnate. A restoration of rapid capital accumulation is contingent upon the consolidation of new SSA that can accommodate new developments in social and material conditions and promote a smooth operation of productive power and of accumulation process. In this way, as mentioned earlier, 'long swings and SSA are interdependent and mutually determining in capitalist economy'.

This hypothesis on the long swings in the capitalist development may take more concrete shape if we examine the postwar development of the capitalist economy in general. In the advanced countries, the economy had operated throughout the 1950s and the 1960s under the institutional setting of the welfare state coupled with a specific relation of production where workers are completely subordinate to the capitalist within the Fordist productive method. This was matched by the international setting of Pax Americana that indicates the hegemonic control over the international flow of merchandise and capital by the U.S. Under this cohesive institutional setting, the accumulation of capital had proceeded smoothly and rapidly with widening profitable domestic and overseas opportunities for investment. These SSA favorable for the capital accumulation began to erode in the late 1960s. The rapid accumulation, which proceeded under the SSA throughout the 1950s and the 1960s, set the condition in turn for their erosion. The sustained rapid accumulation in the industrial world engendered two developments that set new environments for capital accumulation, being in a direct conflict with the exiting set of institutions. One was a change in domestic environments of individual countries and the other was the one in the international environment of the industrial world as a whole. The sustained rapid accumulation of capital led labor market to be tightened for an extended period of time and the resulting persistent labor shortage enhanced the strength of labor considerably, jeopardizing the social stability under existing political and social institutions as well as the profitability of investment under the existing class structures and production relations (see Armstrong et al., 1994). The exclusive control of production process by the capitalists under the existing SSA was seriously threatened. As Michael Kalecki(1972) put it, 'the sack' had ceased to play its role too long as a disciplinary measure in the factories. The social and political changes caused by the persistent high level of employment might even jeopardize the principle of capitalist system, i.e. the social and political control of state by the capitalist class. Under these circumstances, accumulation could not proceed smoothly unless there were some radical changes in the market conditions or in the political-economic environment.

Another change in the international environment had proceeded in two lines. One was a change in the relationship between advanced and less developed countries and the other was a change in that between the U.S. on the one hand and the other advanced countries on the other. At first, the sustained rapid accumulation and consequent expansion of production in the industrial world increased the world demands for raw materials. The tightening supply of raw material in addition to the humiliating defeat of U.S. in Vietnamese War strengthened considerably the political and economic position of resource-producing less-developed countries which had been subservient to the political and military control of U.S. This change in balance of power threatened the exclusive control by industrial countries of merchandise and capital movements across nations as well as of the terms of exchange between raw material and manufactured good. In addition to this new development in the relationship between less developed and developed countries, the decreasing gap in productive capability between the U.S. on the one hand and the other developed countries on the other also threatened the U.S. hegemonic control of international movement of capital and merchandise, intensified the international competition among capitalists in the industrial countries, demanding for new international economic and political arrangement. All these developments did not fit into the above-mentioned existing set of institutions. In other words, the existing set of institutions, which had been favorable to the capital accumulation for the last two decades following World War Two, could no longer accommodate this new development, leading to the erosion of the existing set of institutions and the slowdown in the capital accumulation. In this regard, the long-swing downturn of the U.S. economy, which set off in the late 1960s, cannot be adequately explained merely by the secular trends of the decline in the average rate of profit. It should be rather elucidated by the erosion of the SSA of the U.S., which had previously promoted a smooth and rapid accumulation in the early postwar period as explained by the SSA school (Bowles, Gordon, and Weisskopf, 1988).

V. THE THEORETICAL GROUND OF THE RSL VARIANT

So far we have shown that the traditional Marxian crisis theory, which rests on its theoretical ground that a falling rate of profit is the source of economic crisis, explains properly a short-run cyclical downturn, but has difficulty in explaining a longer-run secular depression. The theory, which focuses on such a narrow economic notion as the average rate of profit, is relevant to the analysis of cyclical fluctuations of the economy whereas it has a limited relevance in accounting for the long-run macrodynamics of capitalist economy by ignoring the role of external environment for the capitalist accumulation. Political-economic environments for the accumulation may well be considered to remain constant in the short period of time within a single business cycle and, under the circumstances, the average rate of profit must be a main determinant of the capitalists' short-run profit expectations. By contrast, however, the institutional structures of accumulation may well be transformed in the long period of time and, thus, are relevant to the analysis of long-term economic performance, affecting both capitalists' long-term profit expectations and the rate of accumulation significantly. This contrasting relevance of the traditional crisis theory between its short-run and longer-run analyses in accounting for capitalist crisis is also found in the RSL (rising strength of labor) variant of the crisis theory between its cyclical and longer-run versions in accounting for the rise in working class power.

As mentioned earlier, Weisskopf found that a rise in working class power was primarily responsible for the decline in profit rate in the postwar U.S. economy both in the short-run cyclical and longer-run secular contexts. He explained that the traditional theory of the RSL variant rests on the notion of a periodic depletion of the reserve army of labor. That is, according to him (Weisskopf, 1979, p. 345), "as a cyclical expansion develops, the demand for labor grows more rapidly than the supply, the reserve army is depleted, and labor markets tighten". And "the growing scarcity of labor is then hypothesized to increase its political-economic power and improve the bargaining position of workers vis-a-vis capitalists". This reasoning of the traditional version of RSL variant (elucidated by Weisskopf) is consistent theoretically with the arguments I made in the previous sections. The short-term business cycles take place within the context of the established SSA, i.e., under the given labor organization, labor process, and labor market structures. Therefore, within a short-term business cycle, the actual labor market conditions play a major role in determining the power of working class and consequently in determining the wage share and

labor productivity. As a result, the actual labor market conditions affect the profit rate and determine the capitalists' expected profitability in a short-run cyclical sense.

By contrast, the actual labor market conditions are not such a major factor in determining the long-term changes in the working class power as in affecting the cyclical changes in labor power. The institutional structures may well be transformed in the long period of time relevant to the analysis of long-term economic cycle, leading to changes in working class power. The working class power in a broad and long run context is conditioned fundamentally by the over government policy.[4] Therefore, as in the case of the traditional Marxian crisis theory in explaining the macrodynamics of capitalist economies, the traditional RSL variant, which was found to explain better the macrodynamics of the postwar U.S. economy than other variants, is theoretically well grounded in a short-run context while poorly grounded in a longer-run context in explaining the rise in working class power due to its ignorance of the institutional structures such as the state of labor organization, labor process, and labor market structures.

VI. CONCLUDING REMARKS

Marxian crisis theory is characterized by its identification of a falling rate of profit as the source of capitalist crises in both cyclical and secular contexts. The behavior of profit rate is indeed a major determinant of capitalists' profit expectations and, thus, of the rate of capital accumulation. But this is the case mainly in a short-run context, that is, within the given capitalists' long-term expectations that are formed primarily in a given set of institutions. Long-term capitalist macroeconomic performance is not determined by such a narrow economic variable as the average rate of profit alone. The existing political-economic environment in a broad and long run context largely conditions the rate of accumulation in the capitalist economy. Capitalists' long-term profit expectations are affected significantly by changes in such a non-economic variable as the social structures of accumulation. A set of institutions such as labor market structures, financial system, production relations, legal system, political and social institutions etc. constitutes a major determinant of the capitalists' long-term expectations and, thus, the long-term rate of accumulation. However, these institutional structures are slow to change and, thus, do not play a significant role in the cyclical fluctuations of the economy. All in all the traditional Marxian crisis theory, which focuses on the behavior of the average rate of profit to explain the capitalist crises in both cyclical and secular contexts, is a relevant theory to account for short-run cyclical crises. The theory, however, is limited and misleading in accounting for the long-term macrody-

[4] Glyn and Sutcliff advanced this version on the basis of their observation of the postwar British labor movement. However, the increasing political power of working class and consequent squeeze of profit share and depressing profit rate may describe properly the British or, more broadly, the European labor movement, but not that of the U.S. According to G. Friedman (1988), the labor movement in the U.S., which has been dominated by business unionism, is not comparable to that in Britain or in Europe which has been politically oriented. Friedman actually compared the labor movement of the U.S. to that of France during the period between 1880 and 1914. I believe this contrasting characterization of labor movement of the two countries still applies to the current labor movement of the U.S. and that of European industrial countries. Gordon, Edwards, and Reich(1982) deplored the non-existence of conscious working class movement in the U.S. in their pioneering work that proposed the SSA theory.

namics of capitalist economy owing to the disregard of the effect of the political-economic environments on the capitalists' long-term expected profitability and on the long-term macroeconomic performance. In this sense, Marxian crisis theory should incorporate not only the analysis of the traditional theory to account for the cyclical fluctuations of capitalist economy but that of the SSA theory to grasp the long-term macrodynamics of capitalism to improve the relevancy of the theory to the actual crises of capitalist economy.

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