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## Abstract

This paper presents  
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- 1.
1. Research assistance was provided by Ann Werboff.
- 2.
2. It is not possible to precisely date the start of the global financial crisis, which began in the United States. U.S. mortgage delinquencies began to rise in early 2007, producing bankruptcies among subprime mortgage lenders. In the summer of 2007 the world’s major central banks undertook coordinated injections of liquidity into the world financial system. In March 2008 the investment bank Bear Stearns faced failure and was acquired by JP Morgan Chase with Fed backing, followed by an FDIC takeover of Indymac Bank in July. However, it was in early September 2008 that the term “financial crisis” came into regular use as problems in the financial system accelerated sharply, with the government takeover of Fannie Mae and Freddie Mac on Sept. 7, the forced sale of Merrill Lynch to Bank of America on Sept. 14, the failure of Lehman Brothers on Sept. 15, and the Fed’s rescue of AIG on Sept. 17.
- 3.
3. The term “neoliberal capitalism” is explained in section 2 below. While this paper focuses on the systemic crisis of neoliberal capitalism in the United States, this systemic crisis appears to apply to global neoliberalism as well. However, the global dimension of this crisis is considered only tangentially in this paper.
- 4.
4. This analysis is based on the social structure of accumulation (SSA) theory (see Kotz, McDonough, and Reich 1994). However, the analysis presented here differs in some ways from the usual interpretation of that theory and the usual dating of SSAs in U.S. history. For the traditional view, see Gordon et al. (1982), and for a full explanation of the version of SSA analysis used here, see Wolfson and Kotz (2009).

- 5.
5. The view that regulated capitalism went into a systemic crisis in the 1970s is found in many works of the SSA school, such as Bowles et al. (1990).
- 6.
6. A set of new global level institutions also arose in this period, which are beyond the scope of this paper. See Kotz and McDonough (2009).
- 7.
7. The CEO data cited are for corporations in the Standard and Poors 500.
- 8.
8. The data for 1948-73 are from *Economic Report of the President* (1988: 298, 300). The definition of the real hourly earnings variable available for that period differs slightly from the series shown in figure 1.
- 9.
9. The two variables in figure 3 differ from the related concepts in Marxist theory, in that corporate profit is a narrower variable than surplus value and employee compensation includes the pay of unproductive workers which is excluded from variable capital.
- 10.
10. The comparison to 1948-73 is less straightforward in this case. After 1966 the rate of profit fell rapidly in the United States, as the postwar system of regulated capitalism began to experience serious problems. From 1948-66 the growth rates of real profit and real compensation were 4.5 percent and 4.9 percent respectively. However, from 1966-73 real profit declined by 3.1 percent per year while real compensation continued to rise by 4.4 percent per year. This profit squeeze played a role in the demise of postwar regulated capitalism (Bowles et al., 1990).
- 11.
11. The \$8 trillion estimate of inflated housing value in 2007 is from Baker (2007: 8). The estimate is based on the finding that housing prices moved largely in step with inflation from the end of World War II through 1995, followed by an increase of 70 percent corrected for inflation from 1995-2007. The figure of \$20 billion for the total market value of housing is for real estate owned by households at year-end 2007 (Federal Reserve System 2008: table B.100).
- 12.
12. During 1997-2000, despite the unemployment rate falling under 4.5 percent, the rate of growth of output per hour, at 2.9 percent per year, was nearly double the rate of increase in earnings of nonsupervisory workers of 1.5 percent per year (U.S. Bureau of Labor Statistics 2008). The rate of profit in the nonfinancial corporate business sector did fall in that period, but due to factors other than a wage squeeze on profits (see Kotz 2009).
- 13.
13. See Kotz (2003) for a detailed analysis of the 1990s' expansion in the United States. The stock market bubble also promoted a long expansion by creating optimistic expectations about future profitability, which stimulated investment demand.
- 14.
14. See Kotz (2008) for an analysis of the expansion of the 2000s in the United States.
- 15.
15. In 1995, before housing prices began their rise and when the 1990s' stock market bubble was just beginning, the value of real estate held by the household sector was 54.2 percent greater than the value of its stockholdings. In 1999, the peak year of the stock market bubble, the value of stockholdings

of households rose to 172.8 percent of disposable personal income, but in 2006 the value of real estate was 235.5 percent of disposable personal income (Federal Reserve System 2008: table B.100; U.S. Bureau of Economic Analysis 2008: table 2.1).

16.

16. Real median household income fell from \$50,557 to \$50,233 from 2000-07 in 2007 dollars (U.S. Census Bureau 2008: table H-6).

17.

17. Consumer spending fell at the annual rate of 3.7 percent in the third quarter of 2008 (U.S. Bureau of Economic Analysis: table 1.1.1, revision of November 25). Estimates of the wealth effect on consumption are in the 4-6 percent range, which suggests that a full deflation of the estimated \$8 trillion housing bubble could by itself reduce consumer spending by \$320 billion to \$480 billion, a decline of up to 4.7 percent.

18.

18. Wolfson and Kotz (2009) present a case that liberal and regulated SSAs tend to alternate.

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