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Understanding the Competition-Crisis Nexus: Revisiting U.S. Capitalist Crises

Angela Wigger

The role of competition is a frequently overlooked yet important feature for understanding the crisis-ridden nature of capitalism. One of the approaches that has consistently highlighted the nature and impact of capitalist competition in different historical periods is that of the social structure of accumulation (or SSA). Building on the understanding that intensified capitalist competition can indeed co-constitute capitalist crises, this essay further theorizes the competition-crisis nexus by linking capitalist competition to the structural problem of overaccumulation. It then reconstructs the role of intensified capitalist competition during the decline of the monopoly and post–World War II SSAs and in the current phase of neoliberal capitalism in the United States while focusing on antitrust and financial-market rules as part of the wider institutional settings that inhibit or facilitate the process of capital accumulation in each period.

Key Words: Capitalism, Competition, Crisis, Monopoly, Overaccumulation

Mainstream economists tend to portray capitalist competition as a force that elevates society to ever-higher levels of economic growth and wealth. The usual argument is that competition compels capitalists to generate innovative and better quality products at prices that converge with marginal production costs, ultimately benefitting consumers. Marxist accounts, in contrast, point to the resulting antagonistic social relations and to hierarchies in wealth and power. Accordingly, capitalist competition for profits, resources, and markets disunites more than it unites: it pits capitalists not only against each other but also against labor and, in the presence of a reserve army of un- or underemployed, labor against labor as well. However, the nature and impact of capitalist competition seldom surfaces as a central feature in understanding capitalism's crisis-ridden nature—despite invaluable Marxist contributions on the inherent contradictions of capital accumulation and recurring capitalist crises (see Clarke 1994; Dunn 2011; Norton 2013). One strand of literature that has consistently analyzed the role of competition in relation to capitalist crises is the approach taken by those analyzing the social structure of accumulation (or SSA; see Kotz, McDonough, and Reich 1994; Kotz 2002; Lippit 2005; McDonough and Nardone 2006; McDonough, Reich, and Kotz 2010).

The SSA approach emerged in the aftermath of the economic crisis in the 1970s, when a new cohort of Marxist and Marxist-inspired scholars in the United States sought to explain why the rapid and steady economic expansion of the postwar era had come to a halt (Gordon 1978; Gordon, Edwards, and Reich 1982). Drawing on historical materialism, Keynesianism, and institutionalist perspectives in the tradition of Veblen and Commons, as well as Kondratieff's long-wave theory and Schumpeter's work, SSA scholars attributed much explanatory power to the role of capitalist institutions in economic expansion and stagnation. Similar to their European counterpart, the French Regulation School, SSA scholars broke with narrow economic theories that consistently ignored the interplay between capital accumulation and social-power relations, political struggles, and ideology. Although sharing a Marxist pedigree, they loosened up some of the determinate logics of capital accumulation central to more traditional Marxist frameworks. Instead, they gave ontological primacy to the institutional prerequisites for capitalist renewal after a crisis. Crises were understood as periods of heightened political contestation in which capitalism undergoes structural change. The notion "social structure of accumulation" hence refers to the wide range of political, economic, and cultural institutions that stabilize a lengthy period of continued capital accumulation and economic growth after a crisis (Gordon, Edwards, and Reich 1982, 22–6). In contrast to most institutionalist theories—for example, the varieties of capitalism perspective, in which references to capitalism are merely a rhetorical assertion—the SSA approach understands institutions as embedded in rather than separate or insulated from capitalism (see also Bruff 2011, 486). By focusing on both structural capitalist developments and institutions that enable capital accumulation over time, the SSA approach offers an intermediate level of analysis that is "more general and abstract than a detailed historical account of capitalist development" but at the same time also "more specific and concrete than the usual abstract theory of capitalism-in-general" (Kotz 1994b, 87).

SSA scholars have paid much attention to the nature and impact of capitalist competition in their analyses of different SSAs and have found that muted competition constitutes phases of economic growth and expansion whereas excessive competition constitutes reduced profitability and ultimately systemic crises. This essay corroborates that intense capitalist competition can indeed spur crises, yet it also seeks to go beyond SSA scholarship by further advancing the competition-crisis nexus, notably by linking intensified competition both to the structural problem of overaccumulation and also to the possibility for finance-led accumulation to be a temporary outlet. It argues moreover that SSA scholars have not fully unfolded the role of competition in the current crisis, or else they mention competition in passing only (e.g., Kotz 2009; 2013). In addition, as Kotz and McDonough (2010, 95) themselves admit, only superficial attention has been paid to antitrust rules and their enforcement as central institutions regulating the intensity of competition. This essay seeks to remedy those shortcomings. At the same time, the aim is not to propagate a single crisis theory revolving around capitalist competition but rather to reveal the importance of the crisis as engendering tensions that arise from it—in conjunction with state institutions that seek to contain or unleash capitalist competition. Arguably, antitrust and financial regulations are but two institutions in a wider institutional setting; yet, as will be shown, they can serve as a proxy for prevailing views at a particular historical juncture on how to organize the economic realm.

After a theoretical discussion of the competition-crisis nexus, the essay sketches the nature of competition in the U.S. context of monopoly and post–World War II SSAs. It assesses how intensified competition contributed to the decline of these growth periods, while taking into account the role of antitrust and financial-market regulatory institutions. The essay subsequently looks at how intensified competition has played a part in the current crisis, again accounting for antitrust and financial-market regulation.

Theoretical Elaborations on the Competition-Crisis Nexus

SSA scholarship identified intense capitalist competition as a factor that can exacerbate contradictions in the accumulation of capital. Gordon (1980, 13), for example, proposed that "some moderation of competition is necessary to prevent the kind of economic instability which would undermine accumulation," and Kotz (1994a, 56) argued that institutional structures that "prevent intra-industry rivalry from undermining the realization of surplus value" are indispensable for a sustained, expanded reproduction of capital. As will be argued below, the competition-crisis nexus can be advanced further in relation to the structural problem of overaccumulation, also referred to as the "capital surplus absorption problem," which points to the lack of attractive outlets for capital owners to profitably reinvest past profits in the production sphere (Harvey 2006). Overaccumulation can manifest in the overproduction of commodities, falling prices, unused productive capacity, or in the form of a savings glut or surplus labor (Harvey 2016, 62–3).

Two mutually reinforcing trends are important for understanding the intense link between capitalist competition and overaccumulation. In a first trend, within capitalism, production is primarily undertaken for the sake of exchange value, with use value merely being a byproduct, which is why capitalist competition all too often centers primarily on price competition. The competitive lowering of prices reduces the portion of realized surplus value, and this amplifies class antagonisms in the form of downward pressure on wages. As Marx (1965, 626) noted, "The battle of competition is fought by the cheapening of commodities. The cheapness of commodities depends, all other circumstances remaining the same, on the productivity of labour." Productivity can be increased through so-called efficiency gains in the form of labor-saving technologies or by reducing variable production costs. This reduction may include the costs of labor in the form of increased non-compensation of a portion of labor time (such as unpaid overtime), in the form of (below-)subsistence wages, or more generally through the degradation of working conditions. Staying ahead of rival capitalists thus ultimately deflates labor. In its most intense form, competition can create a self-reinforcing downward spiral of cutting wages and eliminating jobs, thereby also constraining aggregate demand.

In a second trend, once capitalists cannot further devalue labor, the competitive lowering of prices tempers not only profit rates but also future profit expectations and thereby the propensity to invest in new production capacities (Crotty 1993). The coercive nature of competition can precipitate what Harvey (2010, 29) called a peculiar combination of low profits, low wages, and low investments. In moments of overaccumulation, capitalists can consume their revenue, deleverage their debt, or simply hold on to their surplus capital for a while. Profitability will however have to be restored at some point, as without the relentless accumulation of surplus capital, capitalism would cease to exist. Capitalists may overcome overaccumulation through reinvestments of surplus capital beyond the confines of a given market, such as by exporting capital to geographically new areas or deepening capitalist production through the commodification of ever-newer social domains. Other possibilities are outright capital destruction by demolishing productive capacity, selling inventories beyond cost price, or laying off workers. Alternatively, newly profitable reinvestment opportunities may be found outside the production sphere, such as speculative investments in financial markets, land, real estate, or mergers and acquisitions (M&As). Financial markets can offer new outlets for recapitalizing liquid surplus capital and thereby generate high yields by adding ephemeral value through the mere circulation of capital. Speed is crucial here, as "those who can move faster through the various phases of capital circulation accrue higher profits than their competitors" (Harvey 2010, 41). Or as Marx (1975, 134–5) observed almost 170 years ago, there "are even phases in the life of modern nations when everybody is seized with a sort of craze for making profit without producing. This speculation craze, which recurs periodically, lays bare the true character of competition."

Whether or not profits can be restored through investments in the circulation sphere depends on how the financial sector is regulated. A crisis of overaccumulation surfaces more quickly in systems with a curtailed financial sector than in systems with an unregulated (more or less) financial sector in which frenzied circulation creates bubble markets and the illusion of a surrogate for real profitability. As long as bubbles are inflating and the bonanza can be maintained, competition for surplus extraction in the financial realm tends to be significantly less intense than in the productive realm. Whereas the real-production-oriented sphere is always constrained by scarcity at some point, fictitious financial capital is almost limitless.[1]

Credit, for example, lays a claim on the appropriation of a portion of future surplus value, and hence future labor, and such claims can be made infinitely—

1. On real versus fictitious capital, see Bair (2010).

at least in theory. In unregulated financial markets allowing for the creation of fiat money through credit, scarcity is offset. Only once it becomes evident—through defaults or bankruptcies—that debtors can no longer repay creditors do speculative bubbles burst. A crisis arises when the accumulation of capital and the accumulation of debt grow too much out of sync (Harvey 2011). Capitalist crises may thus surface first in the financial realm and even appear disassociated from the real economy; ultimately, however, they are deeply anchored in the real economy and are importantly, intimately related to intensified capitalist competition and this competition's effects in the forms of deflating labor and the reduction of investment in the sphere of production.

Antitrust rules and their enforcement determine how the intensity of competition is regulated. Arguably, a whole set of other institutions such as tariff/nontariff barriers to trade, corporate governance, and industrial policy also mediate the intensity of competition, yet antitrust rules typically set the conditions for accessing new markets, for the scope of the economic freedom to conclude cooperative ventures, and for the degree of economic concentration, and thus these rules indicate whether or not M&As provide an outlet for surplus capital. Antitrust rules are historically contingent and always the result of political struggles among socioeconomic groups taking different positions within competitive structures. Such rules can be more or less protectionist or free competition, and thus oriented toward free-market access. These rules seek to resolve what Wood (2003, 22) nicely captured: "Capitalism is driven by competition, yet capital must always seek to thwart competition." While the imperative to compete forms the gist of the continued accumulation of capital, it drives out of business those accumulating at a slower rate and "strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives" (Schumpeter 1947, 84). Collusive arrangements or economic concentration through M&As provide avenues to circumvent exposure to competition and the concomitant reduction of prices and profits. Oligopolistic market structures are not, however, necessarily devoid of competition. Depending on the scope of these markets, competition can be as harsh or even harsher than in markets with multiple equally matched players, particularly as economic concentration allows for exploiting economies of scale and scope, which can intensify competition even further.

To recapitulate, intense competition can affect the overall pace of capital accumulation and lead to wage pressures and concomitantly lower aggregate demand as well as decreased profitability, amounting to a situation in which reinvestment of past profits into the production sphere appear unattractive. Capitalist competition can thus be one of the several underpinning factors that push capitalism into a crisis. How recurring capitalist crises of overaccumulation are overcome depends on various sets of national and international institutions that open up new markets and create new investment opportunities—either in the production or circulation sphere. The next section offers a digest of the competition-crisis nexus in the monopoly and post–World War II SSAs.

Intensified Competition in the Decline of the Monopoly and Post–World War II SSAs

The monopoly SSA emerged around the turn of the twentieth century, following an overaccumulation crisis rooted in the rapid U.S. industrialization of the nineteenth century. Industrial overproduction and stagnating demand led to increased competitive pressures, culminating in a depression in 1883. To supersede competition and cope with rapid technological change, capitalists formed giant trusts and established other collusive ties to pool resources while also holding close ties to the government and financiers (Wigger 2008). When trusts suffocated smaller businesses, a broad-based antitrust movement emerged, which led to the adoption of the Sherman Act in 1890. Also referred to as the Magna Carta of Free Enterprise, this legislation sought to reenable capitalist competition by prohibiting trusts. However, corporations started to merge instead, culminating in the first great merger wave in U.S. history, lasting from 1895 to the stock market crash of 1904 (Kotz 2002). From 1897 to 1904, more than 4,200 companies coalesced into 257 companies, leading to a situation in which 318 U.S. companies owned 40 percent of U.S. manufacturing assets (Panitch and Gindin 2012, 30). Monopolistic or oligopolistic structures thrived in industries such as metal, food products, petroleum, chemicals, transportation equipment, machinery, and bituminous coal (Gaughan 2002, 23). The concentration and centralization of ownership led to corporate giants such as AT&T, American Tobacco, and U.S. Steel. At the height of the monopoly SSA, the U.S. economy accounted for more than a third of world production (Panitch and Gindin 2012, 42).

The U.S. monopoly SSA entailed a capital-labor balance in favor of capital, a collaborative state-business relationship, a new electoral system, and a corporatist ideology (McDonough 1994, 105). Competition was muted by the state but also by industries themselves: through interlocking directorates between investment banks and corporations, entire industries fell under the supervision of a new class of finance capitalists located in financial centers such as New York, Boston, Philadelphia, and Baltimore—J.P. Morgan's investment bank being one example (Wells 2002, 28). Finance capitalists were keen to avoid "ruinous competition" by investing in new technologies and Taylorized assembly-line clusters to achieve economy-of-scale production (McDonough 1994, 109; Bruner and Carr 2007, 9, 11). Muted competition ensured the survival of the corporate giants in the old economy of textiles, steel, coal, railroads, and the shipping industry and boosted the new economy of the automobile, radio, and other consumer durables, creating high overall growth and profit rates.

Despite large-scale immigration, growth in population, and increased export of surplus production, the vast production capacities of oligopolistic market structures could not be matched by demand however. Against the backdrop of overinvestment, excess capacity, and declining profits, competitive pressures increased again throughout the 1920s (Panitch and Gindin 2012, 52). Alongside a subsequent downturn of prices, labor costs were reduced "wherever possible": wages were lowered for unskilled workers and increased only modestly for skilled labor, while elementary safety precautions were suspended (Kaufman 1993, 7; Gordon, Edwards, and Reich 1982, 150). The ensuing overaccumulation crisis could nonetheless be postponed: the largely unregulated financial market provided an outlet for reinvesting surplus capital that could not be profitably reinvested in the real economy. The combined value of industrial bond and stock markets rose from USD 500 million in 1893 to USD 7 billion in 1903 (Panitch and Gindin 2012, 29). Increasingly, surplus capital also found outlets in the form of cheap credits abroad, rendering the United States the world's major net creditor, with vast gold reserves in the 1920s (Schwartz 2010, 168). Rising global protectionism (well before 1929), an increasingly skewed balance between trade and capital flows, excessive borrowing by Germany, and a dysfunctional gold standard set the stage for the bursting of the Wall Street stock market bubble. When debtor countries defaulted on their foreign debt and imposed import restrictions, U.S. exports declined to 4 percent of U.S. GDP, as a result of which domestic production collapsed and U.S. direct investment outflows stopped (Panitch and Gindin 2012, 53–4). Although high tariff walls blocked foreign competition in the time of the Great Depression, "The increasingly large firms remained highly competitive with one another within the giant domestic market" (28). Thus, the monopoly SSA resulted in a crisis of overaccumulation, which became manifest through overinvestment, overproduction, overcapacity, and ultimately in lower profitability and depressed wages. Against the backdrop of intensified competition among oligopolistic players, investment in credit markets and increased merger activity orchestrated by financial capital offered a temporary outlet for surplus capital prior to the Great Crash.

Institutionally, U.S. state authorities responded to the crisis by effectively shelving antitrust law enforcement and giving their blessing to the formation of "depression" cartels, which allowed industries to set prices and wages, production quotas, and market-entry restrictions (Baker 2003, 26). Roosevelt's New Deal economic recovery programs, most notably the National Recovery Act of 1933, spelled out mandatory codes of "fair" competition consisting of government-sponsored cartels fixing prices, minimum wages, and maximum workweek hours for the textile, shipbuilding, electrical manufacturing, steel, petroleum, lumber, and automobile industries (Wells 2002, 35–6). Competition was also curtailed in the financial sector. The Glass-Steagall Act of 1933 imposed a Chinese Great Wall between commercial and investment banking and set interest rate ceilings for deposit accounts, thereby limiting competition among banks and creating a protective environment with high entry barriers for newcomers. Financial institutions could no longer conduct nonfinancial economic activities and were thereby disentangled from corporate ownership and control. During World War II, cartels continued to be considered uncontroversial, and large companies involved in the production of war machinery like Ford, DuPont, General Motors, and General Electric held tight relationships with the federal government's War Resources Board (Wells 2002, 53).

The regulatory responses of the early New Deal program also informed the post–World War II SSA, which was characterized by a long period of high growth from the late 1940s to the 1970s (Gordon, Edwards, and Reich 1982; McDonough 1994). Postwar institutions "sought to limit the chaos that excess competition and a laissez-faire government policy had produced" (Wolfson 1994, 135). Central institutions consisted of unionized labor fighting for improved working conditions and a share in prosperity through rising real wages, the state's expansion of welfare provisions, and U.S. leadership in the international realm (McIntyre and Hillard 2011; Resnick and Wolff 2010).

Capitalist competition remained relatively muted throughout the 1950s and 1960s. At the time, the Harvard-school ideal of a decentralized economy operating with relative autonomy from financial-market control was influential. Harvard logic informed various corporate governance regulations, and in the field of antitrust, section 7 of the Clayton Act was amended with the 1950 Cellar-Kefauver Merger Act, which sought to protect smaller from bigger firms. However, as Brinkley (1995, 63) noted, "No antitrust strategy could create a small-scale, decentralized economy free from the influence of large corporations." Despite a general hostility toward "bigness" (see Pitofsky 2005, 209–10), the actual enforcement practices in the postwar period did not reflect the Harvard ideal of diluted market power. While concentrations among competitors of the same industry were generally prohibited, the formation of vertically integrated multidivisional conglomerates through "friendly" takeovers was not problematized (Kaufman and Englander 1993, 54; Shleifer and Vishny 1991). Vertically integrated oligopolies (often implicitly) agreed not to compete on prices, which constrained competition further (Bowles, Gordon, and Weisskopf 1990, 75–6; Lippit 2005; Crotty 2008, 170).

U.S. authorities were keen, however, to fight cartelized structures abroad and to remove private in addition to public barriers to U.S. exports and investment. For example, the 1948 Havana Charter, meant to establish the International Trade Organization, sought to prohibit "business practices affecting international trade which restrain competition, limit access to markets, or foster monopolistic control" (United Nations 1948, art. 46, sec. 1). Moreover, with monopoly capitalism and the atrocities of fascist Europe fresh in memory, U.S. antitrust experts were sent to advise Germany, one of Europe's most cartelized countries, on the adoption of antitrust rules (Wigger 2008). Worried about high steel prices, particularly against the backdrop of increased demand for raw materials during the Korean War (Berghahn 1986, 136), the same experts also ensured the inclusion of antitrust rules in the 1951 European Coal and Steel Community. The right to compete and to access European markets was considered pivotal for establishing the same Fordist production and consumer structures elsewhere as in the United States and for allowing U.S. produce and surplus capital to be invested profitably across the Atlantic. Indeed, U.S. companies were quick to gain a foothold in the newly created

European Common Market, which provided the structural conditions for growth and profitable returns on investment. With 9,000 U.S. subsidiaries settling in Europe in the 1960s, international trade grew by 40 percent, and U.S. foreign direct investment grew twice as fast as U.S. GDP while manufacturing foreign direct investment—as opposed to resource extraction and utilities—tripled between 1955 and 1965 (Panitch and Gindin 2012, 114). Until the 1960s, U.S. industries faced no noteworthy competition from abroad. The United States hosted the world's largest corporations and the largest home market. As Lippit (2005, 49) puts it, "With overseas markets spurred by reconstruction, and with little competition from abroad, the market opportunities for American business were considerable."

Competitive pressures in the United States increased considerably once the reconstruction process in the industrialized countries was completed (Resnick and Wolff 2010, 178). European and Japanese companies successfully mimicked U.S. corporate management styles and production technologies, thereby narrowing the gap in competitiveness and productivity. When cheaper products and services penetrated the United States (and other markets), the leading position of U.S. companies in the world economy vanished. Particularly, the rise of export-oriented low-cost Asian competitors intensified competition in manufacturing industries (Crotty 1993, 1; Lippit 2005, 52; Bowles, Gordon, and Weisskopf 1990; McDonough 2011). Profitability in manufacturing gradually declined, in 1970 reaching only 40 percent of the level of the mid-1960s even though companies had increased their rate of investment to a historically high 4.3 percent annually from 1967 to 1973 (Panitch and Gindin 2012, 135). Still, technological and managerial innovations proved insufficient for overcoming external competitive pressures. Moreover, the initial strategy of buying labor peace through higher wages was abandoned, which depressed wages and led to an explosion in the number of strikes and eventually to wholesale firings, culminating in declining aggregate demand (Crotty 1993, 2005). Overaccumulation became manifest in the form of chronic excess capacity in core industries, intensified competition, and a decline in profitability, leaving vertically integrated oligopolies with many underperforming divisions. The period of continued accumulation and economic growth of the U.S. post–World War II SSA ended with the Great Stagflation crisis of the 1970s. Markets were saturated, profit rates plunged, growth stagnated, and a period of contraction began.

Recapitulating, the relatively long periods of economic growth during the monopoly and post–World War II SSAs came with muted competition enabled by, among other things, permissive antitrust institutions. When production grew faster than demand and profits could no longer be sustained, competition intensified and investments plunged, after which capitalist crises erupted. However, whereas in the absence of constraining financial regulation a financial bubble postponed the breakdown of the monopoly SSA, the regulated financial system of the post–World War II SSA prevented the emergence of such a bubble at first.

The Competition-Crisis Nexus of Neoliberal Capitalism

The ascendancy of neoliberal capitalism in the United States (and elsewhere) went along with reduced corporate tax rates, a deregulated financial sector, and the removal of global trade and investment barriers, leading not only to increased trade and investment flows but also to transnational production patterns. Ever since the mid-1970s, the U.S. economy had been affected by increased imports from low-wage countries (Bowles, Gordon, and Weisskopf 1990; Glyn 2006, 97). The total value of imported goods and services exceeded that of exports (measured as a percentage of GDP), leading to the infamous U.S. trade deficit, with large increases in the export-import gap opening in the early 1980s, the late 1990s, and again throughout the early years of the twenty-first century (see fig. 1). In particular, the U.S. steel, car, and machinery industries were deeply affected by import competition (McNally 2009, 37, 47).

While some firms could no longer be operated profitably, which led to bankruptcies, plant closures, and mass layoffs, others regained competitiveness in global markets by reducing costs through lean production logistics and by outsourcing and offshoring to geographically cheaper labor areas. Outsourcing production to low-cost areas shifted the balance of power between capital and labor drastically in favor of capital, with the effect of greater job insecurity, longer working days, downward pressure on U.S. wages and benefits, and smashed union power more generally (Lippit 2010; Resnick and Wolff 2010). Figure 2 shows that wages as a percentage of nominal GDP were lower in the neoliberal era compared to the crisis of the 1970s and that wages as a percentage of GDP have hardly increased since the mid-1970s.

In the United States, where consumption accounts for two-thirds of GDP, debt-led accumulation patterns offered a temporary solution for insufficient aggregate demand. Consumer and mortgage debt increased massively. The ratio of household debt to GDP more than doubled from 45 percent in 1970 to 95 percent in 2007 (Mosely 2013), which triggered relatively high GDP growth rates in the late 1990s through the early 2000s, but without leading to significant job creation (Lippit 2014; see also Kotz 2009). Alongside the deregulation of financial markets and the relaxation of lending rules in the 1970s and 1980s, a whole array of banks, hedge funds, private equity funds, nondepository investment banks, and insurers emerged, eager to provide easy credit to ever more U.S. households. Wall Street, as one of the world's main financial centers, attracted almost 70 percent of global profits, mainly from leading surplus economies such as Germany, Japan, and China (Varoufakis 2011, 23). Through a system of financial arbitrage, exploiting the maturity mismatch between short-term deposits and long-term investments, the U.S. Federal Reserve could finance public deficits and keep interest rates low, leading to concomitantly low mortgage rates (Schwartz 2010, 305). Moreover, the abolishment of the Glass-Steagall Act in 1999 rendered the distinction between banks and nonbank financial institutions arbitrary. New financial instruments, including complex bonds and derivatives such as credit default swaps and structured investment vehicles providing loans without underlying assets, proliferated. With almost every conceivable risk associated with illiquid public, corporate, or consumer debt able to be repackaged into financial assets to be bought and sold on financial markets, profits in financial markets increased. Figure 3, reproduced from the work of Duménil and Levy (2011, 67, fig. 4.6), shows the profitability of nonfinancial vis-à-vis financial corporations (after taxes, interest payments, and inflation corrections and with capital gains smoothed out). Prior to the outbreak of the financial crisis in 2007, profit rates were generally lower in the nonfinancial part of the economy than in the financial part, which indicates an inverted hierarchy compared to the post–World War II SSA, in which nonfinancial profit rates exceeded financial profits and in which financial capital had a subordinate role vis-à-vis industrial capital.

Financial markets grew out of proportion with the real economy through the provision of credit as well as nonproductive forms of capital valorization, producing fictitious paper claims to future wealth that had not yet been realized. Even the most conservative estimates suggest more than a threefold expansion of the ratio of global financial assets to global GDP in the thirty years of neoliberal reign; in the United States, financial assets relative to GDP grew from just under 200 percent in 1980 to 424 percent in 2006 (Farrell et al. 2008, 9–10). Banking itself became more indebted than any other sector by making use of leverage, increasing debt-to-deposit ratios as high as 30 to 1 and lending between financial institutions through complex shadow banking structures (Harvey 2010, 30). This was possible also because the U.S. banking industry is massively concentrated. From the 1980s to 1990s, the total number of banks was reduced by a third through more than 6,300 mergers (Pryor 2001, 315). From 1994 to 2003, another 3,500 mergers in the financial sector were concluded, giving birth to troubled giants such as Bank of America (Rethel and Sinclair 2012, 63). Today, the five largest U.S. banks (JPMorgan Chase, Bank of America, Citibank, Wells Fargo, and U.S. Bank) control almost half of the U.S. banking sector. Compared to the real economy, the competitive accumulation of capital was comparatively less fierce in the financial sector, because financial capital not only extracts and accumulates surplus created in the real economy but also attains value by mere circulation, particularly through leveraging and speculation. Not unimportant, the expansion of the financial sector very much depended on state regulatory institutions creating the conditions for people to absorb ever more debt.

Intense capitalist competition and decreasing profitability in the real production economy helps to explain why profits accrued predominantly through financial channels rather than through trade and commodity production (Krippner 2011, 27–8). The volatility of business performance patterns can be taken as a proxy for intensified capitalist competition in the neoliberal era. Research shows that from 1973 to 1983, 35 percent of the 1,000 largest American companies (as registered in the Fortune 1000 list) were replaced, and this increased to 45 percent from 1983 to 1993 and to 60 percent from 1993 to 2003 (Lawler and Worley 2006, 1). This increase in volatility in oligopolized industrial sectors is a result of what D'Aveni (1994, 217–8, 183) has labeled "hypercompetition," referring to an environment in which competitors must move quickly to "generate new competitive advantages that destroy, make obsolete, or neutralize the industry leader's advantages." In a hypercompetitive environment, the duration of superior economic performance by industry leaders is shorter, which means that sustaining competitive advantages has become more difficult. The "technology war" between gigantic corporations such as Apple, Microsoft, and Google is but one example of hypercompetition; the automotive, mobile phone, beverage, airline, and biotechnology industries are additional examples (Biedenbach and Söderholm 2008). A range of studies further confirms this. Covering the 1950–2002 period, Thomas and D'Aveni (2009, 415) identified the 1980s (the onset of neoliberal capitalism) as the turning point after which competition became increasingly fierce and dynamic. Wiggins and Ruefli (2005) analyzed 6,772 firms in forty industries during the period from 1972 to 1997 on the basis of their ability to maintain superior performance, concluding that hypercompetition existed in large parts of the U.S. economy. Likewise, Durisin and Lizzola (2009, 23)—who examined 1,319 U.S. companies (as well as 700 European firms) in the period from 1987 to 2007—concluded that periods of superior economic performance became increasingly difficult to sustain and exhibited "more volatile performance patterns than in previous time periods." The situation is different for the U.S. banking sector, in which a higher percentage of firms (15 percent) remained in the "top performance stratum" over a ten-year period than in the other sectors (maximum of 10 percent), suggesting that competition was less intense in this part of the economy (22). In the context of intense competition in the real economy, the need for nonfinancial companies to borrow was modest, and as a result, real-economy investments as a percentage of GDP declined (Mosely 2013).

Following from this, neoliberal capitalism is suffering from a structural crisis of overaccumulation, evoked inter alia by intense competition and modest profit rates in the real economy. The deregulated financial sector allowed for the creation of financial bubbles, which ultimately had to burst. As Harvey (2010, 29) explains, "Heightened competition between producers started to put downward pressure on prices (as seen in the Wal-Mart phenomenon of ever-lower prices for US consumers). Profits began to fall after 1990 in spite of an abundance of low-wage labour," with the result that "more and more money went into speculation on asset values because that was where the profits were to be had."

On the institutional side, U.S. antitrust enforcement fostered rather than contained intense competition under neoliberal capitalism. Inspired by the infamous Chicago School and its phantasm of perfect competition, harsh price competition was considered a self-perpetuating force that would continuously restore inefficient market outcomes toward presumed market equilibria, generating wealth —"wealth" understood in terms of maximized consumer welfare through ever-lower prices. As Chicago scholar Bork (1978, 61) argued, “Competition may be read as a shorthand expression, a term of art, designating any state of affairs in which consumer welfare cannot be further increased.” Chicago scholars deemed economic concentration beneficial for the realization of economies of scale and scope and advocated not intervening in M&As or in matters of economic size more generally. State interventions in market transactions were considered more damaging than anticompetitive conduct, as such interventions would distort the assumed self-correcting mechanisms of markets. There was one exception, though: cartels were declared corporate fraud against consumers and had to be prosecuted stringently.

Chicagoan logic gradually penetrated U.S. antitrust views during the recession of the 1970s. President Nixon appointed to the U.S. Supreme Court antitrust judges who strongly sympathized with the Chicago School (Crane 2012). Chicagoan thinking had its prime time under Reagan’s presidency (1981–9) when Milton Friedman joined the Economic Policy Advisory Board and when nearly all appointees to the Antitrust Division of the Department of Justice had “Chicagoan” roots. The influence of Chicago School views is reflected, among other ways, in the Merger Modernization Act of 1986, amending section 7 of the Clayton Act and reversing the Harvard School inspired Celler-Kefauver Act, which considerably relaxed the statutory prohibitions of potentially anticompetitive mergers. Already in the 1970s, mergers were often permitted without further ado.[2] In the 1980s, antitrust enforcement was radically diminished: the number of cases filed at the courts declined from 1,611 in 1977 to 638 in 1989 (Motta 2004, 9). Public authorities no longer intervened in mergers. From 1981 to 1984, 75 of the 100 hitherto largest U.S. corporations emerged (Baldwin 1990). In contrast, price fixing and market-sharing cartels were prosecuted and were also penalized more harshly (Litan and Shapiro 2001, 18). Thus, U.S. antitrust enforcement facilitated a significant restructuring of U.S. industries, resulting in more and more industries being dominated by two or three players only. The neoliberalization based on Chicagoan rationales aimed at “making America great again” through fostering giant U.S. corporations able to compete on a global scale.

Chicagoan doctrines, and in particular its leniency toward economic concentration, have endured in U.S. antitrust enforcement ever since. What has been referred to as the post–Chicago School abandoned some of the previous orthodoxies, created more room for state intervention, and used ever more sophisticated econometric modeling techniques, yet none of the central vestiges of the Chicago School have been fundamentally challenged. Under the presidency of Bush Sr. (1989–93), merger control continued to be relaxed: only a handful of the thousands of mergers concluded each year was prohibited while the vast majority of antitrust cases (about 1,500 on an annual basis) did not prompt further investigation (Lea 1999). Under Clinton’s administration (1993–2001), a moderately more

2. There were 44,200 mergers and acquisitions between 1970 and 1984 in the United States; see Adams and Brock (1986, 813).

interventionist antitrust enforcement was adopted and the budgets of the federal antitrust authorities were increased (Crandal and Winston 2003, 5). A few high-profile mergers between corporate giants were prohibited, but the proportion of litigated mergers stayed rather low (Litan and Shapiro 2001, 12). The reform of the Merger Guidelines in 1997 preserved, moreover, the Chicagoan efficiency notion as the most central yardstick for assessing anticompetitive conduct. Although antitrust enforcement was slightly more activist in the field of mergers and monopolization under Obama's presidency (2009–17), with Obama challenging on average fifty-two mergers per year compared to forty-seven under Bush Jr. (2001–9), to date no successor paradigm has replaced Chicago-style antitrust leniency (Crane 2012; Mufson and Merle 2016).

\In a regulatory environment conducive to economic concentration and hostile to cartels, companies have coalesced into ever-larger units. This has spawned several merger waves in the neoliberal era: the first began in 1981 and peaked in 1988; the second, much larger wave took off in 1992, reaching its peak in 2000; and the third started in 2003 and peaked again in 2007, just prior to the financial meltdown (IMAA 2013). Since the outbreak of the current 2007 crisis, another giant merger wave has rolled over the U.S. economy, with the volume of mergers hitting a new high, surpassing the 2007 peak (Lynch 2016). Only 3 percent of the 15,000 deals concluded between 2014 and 2015 have been scrutinized by U.S. authorities ("Too Much of a Good Thing" 2016, 24). U.S. antitrust enforcement, alongside financial deregulation, has facilitated massive economic concentration in the neoliberal era, while competitive pressures remain exceptionally high.

Conclusion

This essay has sought to highlight the competition-crisis nexus both theoretically and empirically. It has argued that intensified capitalist competition can be seen as coresponsible for structural crises of overaccumulation as this competition slows down the accumulation of capital, reducing profitability, wages, and demand. Moreover, it has posited that whenever financial markets are relatively unregulated, intense competition in the nonfinancial economy is likely to prompt investors to channel surplus capital into the financial sector where anticipated profits are higher. Fictitious capital through debt creation knows no inherent limits, leading to speculative bubbles rooted in the valorization of capital transactions from creditors to debtors. As long as bubbles keep inflating, an actual crisis can be postponed. If the abundance of fictitious capital diverges too much from the actual or anticipated surplus value created in real production, bubbles pop and a crisis erupts. Conversely, if financial markets are regulated and the creation of fictitious capital is constrained, intensified competition in the real economy may accelerate an overaccumulation crisis.

Empirically, this essay has assessed the competition-crisis nexus in three eras in the history of U.S. capitalism: in the monopoly and post–World War II SSAs as well as in neoliberal capitalism. In all three eras, intensified competition has led to the devaluation of labor in the form of wage depression. With the exception of the neoliberal era and its credit-fueled consumption, declining wages has reduced aggregate demand, which ultimately has also affected profitability. In the un- or deregulated financial sectors of both the monopoly SSA and neoliberal capitalism, intense competition in the real economy was accompanied by the creation of financial bubbles. In the regulated financial system of the post–World War II SSA, in contrast, intensified competition translated more directly into a crisis of overaccumulation. In all three eras, intensified competition spurred economic concentration, and in all three eras, oligopolistic market structures were not devoid of competitive pressures.

The nature and impact of intense competition as being coresponsible for capitalist crises are frequently downplayed or ignored, or are mentioned only in passing. The purpose of this essay was not to suggest a single crisis theory but rather to refine the notion that capitalist competition can intensify to an extent that it contributes to recurring structural crises of overaccumulation, or to put it more poignantly, competition is intrinsic not only to capitalism but also to its crises.

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