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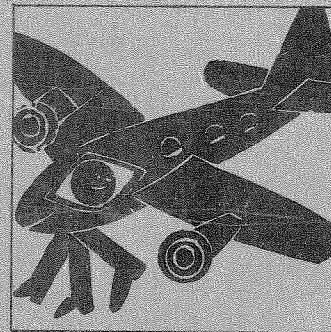
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This journal is published by the redaction; San Jose (Cal.), Tokyo, Milano, West-Berlin May 1973. Responsible: O'Connor, Leibfried, Martinelli, Noguchi.

Printed in the F.R.G. by POLITLADEN ERLANGEN, Gaiganz/Ofr.

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I. Introduction

There is a small but growing number of theorists and researchers who are studying the modern capitalist and imperialist state with the method of political economy developed by Marx and Engels. Most if not all of these investigators would agree that one of the main reasons why it has proven difficult for struggles at both the economic-trade union and the cultural levels to become political struggles in the advanced capitalist countries is the absence of sufficient knowledge of a systematic kind (i.e. the absence of theory) of what political power in these societies is and how it works. The revisionist faith in parliamentary change, the vulgar-Leninist view of an overnight seizure of the state by a vanguard party, the spread of urban guerilla warfare — these and related views and practice have dominated left movements because the formula of revolution as a process of taking political power has remained abstract and empty. There is as yet no deep analysis that indicates who, in advanced capitalist societies, must take what.

More, although a few studies of class structure and imperialism have been undertaken in the last few years, the role of the state has not been taken into account in either type of analysis in a systematic way. Yet the incredible growth of the state apparatus and state functions and the new and changing relationships between different apparatuses within the state and between the state and the "private sector" have a decisive influence on both class structures and imperialism, not to speak of the revolutionary process of taking political power.

State "intervention" in the economy has become more and more crucial while taking different forms in different countries: the function of various public institutions in maintaining ideological hegemony has been modified and has determined various consequences in the development of class consciousness; the increasing internationalisation of capital has modified the framework in which state economic and social policy is performed; the structure of the labor force and the relationships among the classes has been changed by the enormous growth of the public service sector; the social category of bureaucracy has become a social force, sometimes pursuing interests of its own; and the interplay of interests of different sectors of capital and of various social classes in determining both domestic and foreign policies has increasingly been reinterpreted by the state, whose "autonomy" has become essential in maintaining the system as a whole.

These and other consequences of the development of the modern capitalist state have been acknowledged by many people on the left, but there have been few Marxist analyses that have advanced our understanding of the basic problems and issues. On the one hand, some recent analyses have tried to build a theory of the state abstractly derived from the Marxist classics, instead of taking into account in a systematic way the vast historical evidence that has changed the terms of the problem since Marx's and even Lenin's and Gramsci's times. On the other hand, other studies that have tried to account for some of these historical changes have abandoned the Marxist theoretical framework (in which the state is deeply embedded in the class structure and contradictions of capitalist society) and have dealt with the issue of state power as a separate issue — in a Weberian way. We believe that Marxist analyses of capitalist states must be integrated into analyses of social classes, and in turn that analyses of classes and class relationships must take into account the role and apparatus of the state.

Until now, social theorists and researchers (including ourselves) have been trying to develop a theory of the capitalist state under two handicaps — one which perhaps is really an advantage, the other which definitely is not. The handicap-advantage is the

absence of a worked-out theory of the state in the writings of Marx and Engels, which is now widely recognized by Marxists. We think that the lack of a developed theory in Marx-Engels thought perhaps is an advantage because in our present work we must break fresh ground and apply Marxist theory in a truly creative way, since there are no useful "time-tested truths" to fall back on.

The real handicap which we labor under is the lack of formal communication between researchers engaged in studies of the state apparatus, the state and social classes, the state and capital accumulation, and other crucial problem areas. We have been partly aware of one another's work in the form of finished journal articles and books and letters and other informal personal contacts. But in such basic areas as international comparisons of social class-state relationships, we have had little or no basis for collective or coordinated work. Work-in-progress, potentially important studies buried in obscure journals, studies in languages that are inaccessible to many of us, books that do not get translated or are not known but which have one or a few ideas of potentially great interest to us — these and other materials have been beyond the reach of all but a few.

We envisage KAPITALISTATE as a way to rectify this situation and permit us to advance our work in the most productive and useful way possible. We believe that an international bulletin will provide a particular form of communication that is needed to develop and deepen and further apply our work. So, after a long phase of organizational work, these ideas have materialized in the first issue of KAPITALISTATE.

KAPITALISTATE is not meant to be another journal with a small, more or less permanent editorial board, on the one hand, and a large number of subscriber-readers, on the other. KAPITALISTATE is a bulletin which will specialize in publishing working papers, studies-in-progress, book and article notes, and other semi-finished materials.

It has been conceived as a means of communication among people who are both editors and readers. Each country involved has or will have one or two editors responsible for coordinating the Bulletin work in their respective countries and a certain number of contributing editors who will help gather and edit materials and make regular or occasional contributions as the case may be. We envision that the functions of the coordinating editors be rotated every two years in order to maximize participation by as many researchers and theorists as possible, as well as to nip any tendency toward control going to the center in the bud. On the other hand, we propose that the Bulletin have subscriber-readers as well in order to make our materials accessible to as many interested readers as possible.

We have worked up the following provisional structure for the bulletin:

II. Practice

REVIEW OF CURRENT EVENTS

Information and commentary on current problems and issues in different countries; review of current government programs, documents, reports, etc; surveys of current political practice.

CURRENT PROJECTS/COOPERATIVE COMMUNICATIONS

Surveys and reviews of current individual and collective theoretical and empirical research; reports of work-in-progress; summaries of newly completed works; etc. We see this section as the heart of the bulletin.

THEORETICAL NOTES

Short and medium length theoretical pieces; old and new leading hypotheses; brief critiques of bourgeois theory. In this section, we want to publish communications

that convey the kernel of a good hypothesis or idea, old or new, present fresh lines of analysis, etc.

REPRINTS OF WORKING MATERIALS/BIBLIOGRAPHIC INFORMATION

Excerpted or complete reprints of articles, monographs, and other materials on the theory of the state that have been published previously, but which are not widely or readily available, bibliographies and bibliographic information about new publications, dissertations, government reports, etc.

BOOK REVIEWS AND DISCUSSION/SURVEY OF JOURNALS

Critical book reviews and book notes of old and new works that contain significant or relevant ideas or information; full-scale reviews of works that are in the middle of our subject; brief critical annotations of articles appearing in left and other journals and periodicals; indexes of problem-areas and problem-categories.

Coordinating Editors are responsible for working up and coordinating these reviews and other cooperative projects organized by the bulletin. We also want to organize visits between us, set-up seminars and speaking engagements, and otherwise help with financing interregional and international travel that will increase communication between us and advance our work.

Past work has led us to conclude that some of the problems of the capitalist state that seem to us to be important and require more investigation are:

III. Problems

A glance at the contents of this first issue of KAPITALISTATE will disclose that our bulletin does not have an explicit and coherent "red line" connecting all the different themes and lines of analysis that appear in the Current Projects, Theoretical Notes, and other sections. As we progress, however, we want to develop solid general hypotheses that define not only what we are interested in, but also what method we use to study the capitalist and imperialist state. We wish to establish these general hypotheses (and ultimately the foundations of a theory of the state) via working relationships between people associated with our bulletin in the course of discussions taking place within its pages. We believe that it would be a bad mistake to try to "purify" the many biases arising from the fact that different contributors are investigating different regions and countries, since we believe that these biases relate in whole or in part to different practical and theoretical problems as they are perceived by each of us living and working in different parts of the world, rather than to some sort of prejudice. We also believe that it would be a mistake to try to insist on the use of one particular method or the adoption of one particular perspective on the capitalist state and state theory. On the contrary, because of the undeveloped character of the theory of the capitalist state, we want to insist on an openness of method and general approach.

On the other hand, we have advanced to the stage where we can define a number of specific hypotheses and identify problem areas that we believe to be essential in the development of state theory. Perhaps the central problem area concerns the relation between the growth of state functions, capital accumulation, and the development of social classes. In general, we believe that the expanded reproduction of capital and the reproduction of social classes are to an increasing degree "publicly reproduced", that the state increasingly modifies, stabilizes, etc. the general reproduction of capitalist life. In specific, state intervention in the economy and society has become more and more crucial while taking different forms in different countries. The function of various public institutions in maintaining ideological hegemony has produced different consequences in the development of class consciousness. The interpenetration of the base and superstructure in the modern epoch has changed the ideological function of the state —

for example, there has been an interpenetration of norms that govern activity at the base and norms that inform activity in the superstructure. The structure of the labor force and the relationship among the classes has been changed by the enormous growth of the "service sector", particularly, service employments in the state sector. The state bureaucracy has become a social force with interests of its own. The interplay of different sectors of capital and the various social classes in the determination of domestic and foreign policies increasingly has been reinterpreted by the state, whose "autonomy" has become essential in maintaining the system as a whole. We wish to elaborate and empirically test these and related theses, paying particular attention to the role of the state in reproducing and modifying class structures and class relations, and studying concrete historical or present-day aspects of this basic function. This requires that we help each other to coordinate empirical studies and develop international comparisons that will go beyond both available abstract models of the state and mere descriptions.

More specifically, we need to know more about how class conflict is reproduced within the state administration, the forms that it takes, and the barriers that it creates for the "rationalization" of the economy and social control mechanism. For example, the British system of "welfare state" is comparatively advanced and increasingly is being contested as a system of social control. The contestation of "welfare" is carried out both by its "clients" (in Claimants Unions) and by its officials (social workers at the bottom of the hierarchy). Another example is the regionalization of government in most of the advanced capitalist countries. Big capital seems to be planning more on a regional basis, requiring regional transport and other systems, regional land use patterns, etc. This seems to make necessary the reduction or elimination of the power of local government and authorities of all kinds, and the development of supergovernment organized along regional lines and heavily influenced by large-scale capital, which are contending for power at the local level. Regionalization seems to be especially significant in the USA, where a large part of the left is now engaged in struggles for influence and power in local governments and local authorities.

The state not only participates in many and varied ways in the reproduction of the class structure, but also (and this is the other side of the same process) in the accumulation of capital. In general, we need to know more about the relationship between capital accumulation and the state budget. We need more knowledge of the effects of the socialization of the costs of constant and variable capital on the rate of profit, the rate of accumulation, and the ability of the state to continue to finance expanded economic activities. More analysis of the contradictions between the "legitimization" and "accumulation" functions of the state is essential. Whether and under what conditions the state can harmonize policies dealing with the surplus population, the realization problem, and the maintenance of the rate of profit also requires much more study. Political economic investigation of the tax systems also is in its infancy, and a number of problems come to mind. To what degree do taxes come from constant and variable capital? To what degree from surplus value? In an epoch when the state seems to be able to legislate increases in corporate profits by tax credits, accelerated depreciation, and so on, what are the differential effects on profit rates in capital-intensive versus labor-intensive industries of tax laws that nominally treat both kinds of industries equally? More, there are hardly any investigations of the effect of tax laws on the proportions between industries of departments, or of the further problem of whether the way taxes are mobilized compensates for any disproportions that the tax structure may create.

More generally, we need to understand the relationship between the growth of the state and the limits of capitalist economic expansion and the growth of capitalist institutions. Some Marxists believe that the limits of the system still are determined in whole or in part by the basic contradictions of the system-cycles, depressions, unemployment, underdevelopment, poverty, etc. Others believe that the limits of the system are the limits of the equilibrating mechanism within the state, a set of apparatuses that was established to keep the contradictions from fully developing and getting

out of hand and that has grown into the modern state during the past few decades (regulatory agencies, regional planning, incomes policies, fiscal and monetary policies, etc.). We need to know what the relationship is between the basic contradictions of the system (which are still present) and the contradictions of the equilibrating mechanisms (which exist and grow every year). In other words, we need to work on the theory of the transformation of economic crisis into political crisis (and any reverse movements, if present).

Last but not least, we need to understand more fully the world-wide system of capitalist states. Particular states are bound up in a world network of capitalist institutions and each state functions differently within these institutions. For example, the neo-colonialist state (e.g. So. Vietnam) operates differently and performs different functions than the subordinated metropolitan state (e.g. Holland). To cite another example, we need to find out more about how the British state relates to the USA-IMF-NATO nexus as well as to EEC, the multinational corporations, etc.

Finally, we need to know from present and potential Contributing Editors and others what other areas of inquiry are important, as well as what contributions people who are interested in becoming associated with our bulletin are able and willing to make.

We did not think advisable to suggest a definite list of problems, while we have just indicated some general lines of inquiry. Neither did we intend to write a political manifesto, but only to specify some broad guidelines in order to provide a common ground for students and activists from different countries. We believe in fact that from the exchange of ideas and experiences from various contributors a red line more systematically linking the most important topics and issues will emerge, more in accordance with the concrete situations of political struggles in various countries.

To share our work, we suggest that we coordinate our work on the bulletin in the following ways.

IV. Organization

1. Coordinating Editors are responsible for gathering, working up, and editing materials from their respective countries, exchanging these materials with Coordinating Editors in other countries, as well as Contributing Editors in their own country, when requested.

2. Contributing Editors are responsible for gathering and working up materials (as well as exchanging them) in their particular area of interest and/or particular geographic area, and funneling them through the Coordinating Editor in their respective countries. They are also responsible (together with Coordinating Editors) for making regular or occasional contributions of their own.

3. The functions of the Coordinating Editors will rotate every year. New Coordinating Editors will be elected by all Contributing and Coordinating Editors on a basis to be decided by all active participants (coordinators) in late 1973. Translating, printing, and mailing functions will also be rotated. For the time being, translations that cannot be made in the country from which a particular contribution is made will be done in the USA (People's Translation Service, 2490 Channing, Apt. 501, Berkeley, Cal., 94704, USA).

4. KAPITALISTATE will appear three or four times a year. Coordinating Editors for 1973 are as follows:

Great Britain — Tom Wengraf, Enfield College of Technology, Queensway, Enfield, Middlesex.

Germany — Stephan Leibfried, D1 Berlin 15, Bregenerstr. 10, FRG.

Italy — Marino Regini, Scuola di Formazione in Sociologia, Via Daverio 7, Milano 20122

Alberto Martinelli, Istituto di Sociologia, Universita Statale, Via
Daverio 7, Milano 20122

J a p a n — Tasuku Noguchi, Keio University, Mita, Minatoku, Tokyo, Japan

U S A — Jim O'Connor, Dept. of Economics, Cal. State Univ. at San Jose, San
Jose, Calif.

V. A Semifinal Word

We want to emphasize that the success of KAPITALISTATE will depend on the active participation of many people, and we hope that readers will let us know what problem-areas they consider to be important to deal with, what old and new materials are available for publication, what projects and studies are in progress, and the names of people presently engaged in studies of the capitalist state. If we need a slogan, it should be — NOT PASSIVE CONSENT, BUT ACTIVE PARTICIPATION.

VI. A Final Technical Remark

Please *type* all manuscripts, including additions, revisions, etc.
Please type *triple spaced* and leave, say 7 cm/2 inches of *space* on both sides of each page.
Please correct *all* spelling mistakes — and others — yourself; otherwise the printer will be the final arbiter on what he guesses you really meant: and the printer is not fluent at all in English. "Semi-finished" should mean neither *incomplete* grammar, nor 'switchy' spelling (e. g. "albro" = labor!). Please use standardized proofreader's marks (*cf. Webster, Duden* etc.) in correcting your manuscript. Use only pencil for correction — no ink, no ball-point.

Please use a clean-typing typewriter (otherwise the printer has difficulties telling the difference between what is an or or an e . . .)

Please add a footnote (*) to your name consisting of:
your *address* and your *place of work*; your *past* and especially your *future field of theoretical work*; also, the *practical context* in which your work could be of interest. Since other people are supposed to get in touch with you, if they are interested in your work, you should also give information on the *time-framework* of the work which you have presented in the Bulletin. It will make a difference whether your work being published is just an occasional by product or part of a project which you intend to finish in two years. In the first case reactions would probably be sparse.

Please *number* all footnotes (1-x) in the whole text continuously except the one mentioned above (*).

Do *not* number individually for each page!
It does not matter whether the footnotes are under each page or are bundled at the end of the paper (even though the latter is preferable for the printer!).

Please use *always complete* footnotes or sources in a *uniform* manner. This will help people to locate sources you have relied on or to pinpoint relevant analyses that you thought worthwhile. People in foreign countries and small towns have a hard time to find or order a book, if you just write: "As Jim O'Connor has shown in his recent book on the Fiscal Crisis of the State . . . ". If you cite *articles* also give the first and last page of that publication in your reference.

Examples:

Books: Kenneth D. Barkin, *The Controversy over German Industrialization, 1890-1902*, Chicago usf. 1970 (The University of Chicago Press), 307 pp., p. 28-85

Articles: Mason Gaffney, *In Praise of the Property Tax*, in: *The Washington Monthly*, February 1973 (Vol. 4, No. 12) pp. 2-6, 3

In general: try to stay as close as possible to the established patterns of arrangement

which you find in KAPITALISTATE. This saves editing work and gives us more time to work on substance! *The editing people don't think, after all, of KAPITALISTATE as a full time editing job!* The production of no. 1 of KAPITALISTATE in and of itself has absorbed about 400 man-hours (= 50 man-days) of the Berlin "technical" crew. If everything were to conform to the standards mentioned above our overload could be reduced to a normal of 80 man-hours (= 10 man-days) per issue of KAPITALISTATE.

CONFERENCE OF SOCIALIST ECONOMISTS

Bulletin of the C.S.E. — Winter 1972

| | |
|--|-----------------------|
| The Marxian Theory of Crisis, Capital and the State | David Yaffe |
| Post-Keynesian Economic Theory and the Theory of Capitalist Crisis | Jan Kregel |
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The C.S.E. was formed to bring together socialist economists in developing political economy within the socialist movement. Within a broadly Marxist perspective, we embrace all left political tendencies; include any interested trade unionists and students, not just 'professionals'; and, though based in Britain, regard the development of international links as essential in this area of struggle as in any other. The basis of the organization is as follows:

- We hold an annual conference in December each year, on a topic of general interest (1972 — Capitalist Crisis).
- This meeting also is the CSE's decision-making body.
- We publish the Bulletin, three times a year.
- We organize smaller seminars/workshops (1972 — on capital theory and on international firms).
- Administration is through an elected Committee and Secretary; the Bulletin has an elected Editorial Board.
- Local groups.

Membership of the C.S.E. runs from December 1st for one year; covers participation in, and information on, all activities; includes the year's issues of the Bulletin; and costs £3, or £1 for those on limited incomes (students, unemployed, retired).

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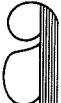
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Current Events

Current Currency Crises

Rolf Knieper*

Monetary problems have been in the center of international economic relations and discussions especially in recent months. They have been dramatized by a series of measures to re-arrange the parities of different national currencies, installed by often spectacular and burlesque government actions, the actors mostly being silence, concentration, and self-control. The following remarks concentrate on the fate of the dollar and the DM for obvious reasons: The dollar was forced to play the role of the dying swan, the DM the attacked but unthreatened hero.

The Smithsonian-Agreement of Dec. 18, 1971, which was to restore the balance of the distorted monetary situation by bringing the parities of the most important capitalist nations à jour with 'fundamentally changed economic conditions' did not survive much longer than one year. In fact, even the relative calm in 1972 was disturbed by temporary eruptions, only laboriously smoothed over by reserve bank and government action. In late January 1973 the monetary crisis developed from latency to acuteness again. The speculative pressure on the Japanese and European currencies, especially on the Yen and DM became unmanageable under the agreement. The result was two consecutive, more "basic" solutions: As a first move the U.S.A. devalued the \$ again and when this reaction proved to be insufficient, some European countries decided to maintain fixed exchange-rates among each other while floating simultaneously against the U.S.-\$. The group is not identical with the EC where the centrifugal national forces were stronger than the "European interest" once again.

The variety of steps, solutions, devices which were developed after 1971 on the national and international level mirrors the re-emerging difficulties of capitalist processes of production and realization, that seemed to be dormant in the reconstruction phase after World-War II. The specter of competitive devaluations of currencies — main means of interna-

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tional trade wars between the two World-Wars — which had inspired Art. IV of the International Monetary Fund (IMF)-Agreement seemed to belong to the past, the Bretton-Woods-System seemed to work satisfactorily. But the picture was one of treacherous harmony. The contradictions within a mode of production which strives for profitmaximation were not solved nor was the violent character of (world-)competition overcome. Their manifestations were merely postponed by the abundant existence of needs in the wake of the immense destructions caused by World-War II: the results of violence had delayed the need for violence.

With the phase of reconstruction consolidated competitive pressures grew more intensive again, channelled and manipulated by international economic policy of nation states. The changed composition of capital, its higher degree of concentration and the growing importance of capital export instead of export of goods, as well as the different institutional setting (General Agreement for Tariffs and Trade, IMF-Agreement) prevent an exact copy of previous trade wars. Only on the surface, however, the conflicts are centered around monetary problems instead of import- and export-restrictions, though these are still important enough.

To be sure, focussing on the most recent manifestations of the currency crisis does not prove its recent emergence. In fact it is rooted in exactly the Bretton-Woods-System of 1944 which was to guarantee a harmonious development of world trade and capital transfer. The necessity of a world money on the one hand, the veto of the U.S.A. as the main creditor nation after the war against the Keynes-Plan and the insufficient world gold reserves led to the gold exchange standard which founded the double role of the \$ as national and international money. The economic basis of the system was the gold treasure of the U.S.A. and its obligation to exchange \$ into gold at request. After 1958 it became apparent that the U.S.A. were experiencing continuous balance of payments deficits and that the gold reserves did not cover the accumulated debt.

Kindleberger and others (1) have

1) Kindleberger, Depres, Salant — The Dollar and World Liquidity, The Economist, Febr. 5. 1966, pp. 526.

argued that these deficits were normal and not threatening at all, emphasizing the function of the \$ as reserve and liquidity currency. This opinion was rejected as too blatantly nationalistic, Kindleberger's self-defense (2) being poor predominantly for a reason which is embedded in the state of monetary theory in general. The nominalistic theory in its various forms is unable to solve or even to describe economic problems which are connected with monetary problems. In international economic relations it is especially obvious that an approach to monetary problems which reduces the level of reasoning to exchange functions cannot even problematize the fact that only values are acceptable and a necessary characteristic of world money in addition to its exchange function.

The continuous balance of payments deficits of the U.S.A. did not have their reasons in an unfavorable trade situation, but in the enormous capital outflow caused by foreign aid and foreign direct investment by private U.S. firms. It is often claimed that the vast direct investment helped rebuild a destroyed Europe which was in urgent need of capital after World-War II. While this is true for the Marshall-Aid, any statistical survey proves that the same is false for direct investment. Its main flow did not start before 1958 (3), at a time when, for instance, the German capital supply started to be sufficient again, in fact when the West-German export drive was already in full swing.

The overvaluation of the \$, and the corresponding undervaluation of the DM, caused enterprises in both countries to develop two different strategies dictated by different profit evaluations. German enterprises concentrated on exported goods, the undervaluation and low wages enabling them to keep prices internationally low. Capital export into the U.S.A. played but a marginal role. One consequence of this one-sided strategy was the relative unanimity as far as the maintenance of a strong export position is concerned. All adjustments were agreed upon only with great hesitation, undervaluation be-

- 2) Kindleberger – The Politics of International Money and World Language, 1967.
- 3) Polk, Meister, Veit – U.S. Production Abroad and the Balance of Payments, A Survey of Corporate Investment Experience, 1966.

ing the most favored state of parities. Slowly things start to change, however: After several revaluations and after official encouragement via tax incentives the interest in capital export begins to be more visible with a possible change of perspective.

In the U.S.A. the situation is different and more complex. Posited in the manner of ideal types two capital factions may be differentiated: The "classical" one of exporters of goods and the "modern" one of capital exporters. Accordingly, the interests in the solution of currency problems differ. The export-of-goods-faction is traditionally interested in undervalued currencies, while the capital-export-faction prefers the state of overvaluation. Both the flow of goods from the FRG into the U.S.A. with its slackening market and the capital flow from the U.S.A. into the FRG with its consistent positive balance of payments are anomalies in the opinion of Keynes (4) who hoped to establish a controlled balance of international economic relations. Normality for the capitalist entrepreneur, however, is defined by profitability regardless of "macroeconomic" harmony and efficiency. The fundamental disequilibrium of currencies opened the way to profit realization, the analysis of anomaly or even aggravation of the balance of payments situations in both countries had to remain unconsidered. (5)

All measures from 1971 until today seem to follow the pattern of classical trade war. Devaluation or at least as little revaluation as possible were the general goals of national governments who apparently fought for favorable export conditions. The Smithsonian-Agreement was the last multinational action of the leading Bretton Woods partner nations. The devaluation and revaluation of all currencies was agreed upon in a compromise. It was hailed by President Nixon as a victory for "the whole free world" and every nation's exporters seemed to have gained a little indeed. The lion's share went to the export trade of the U.S.A. favored both by the devaluation of the \$ and the revaluation of

- 4) J. M. Keynes – The Balance of Payments of the United States 56 The Economic Journal 172(1946).
- 5) Wolfgang Pohle, Germany Copes with Foreign Investment, 5 Vol. I World Business, Sept-Oct 1970, p. 33.

major competitors' currencies (Yen, DM). The U.S.A. in turn conceded to lift a 10 percent import surcharge, which had been installed just a couple of weeks before, as a tactical move for building up a strong position in the negotiations consciously breaking the GATT-obligations. This "concession" together with differential revaluations of other currencies favored many and though the international reaction was not as enthusiastic as President Nixon's, most officials and experts were relieved due not so much to the concrete outcome but to the seeming possibility of a negotiated settlement, the economic and political blackmail preceding it notwithstanding.

The cynicism behind President Nixon's claim becomes apparent when the losers are considered. The huge amount of accumulated \$ in the world – result of the process of "borrowing long" (Kindleberger) – on the part of the U.S.A. had turned into kind of a "mixed donation", the burden of the creditor nations being spread by inflationary monetary policy which mainly lowers the real wages of workers. (6) Secondly, since one of the two channels which had caused the balance of payments deficits of the U.S.A. was "foreign aid", i.e. among other expenditures the costs of the war in Vietnam, and since by accepting the devaluation the creditor nations retrospectively had helped to finance that war, the Vietnamese and workers are not part of Nixon's free world.

One should hope though that trade unions would take a firm stand and develop a long-range, i.e. necessarily international strategy to defend their members' interests – in vain, there is no such strategy.

The goal simply is to get as big a share as possible of the "pie", which is produced within the capitalist mode of production and defined nationally. The consequence of this "strategy" is a close connection with capitalist interests on a national level in trying to exploit the imbalance of development and to defend the national capital from world competition. The short-sightedness of such policy is now by the U.S. AFL-CIO. The parallelism of interests is partly, a thing

- 6) In defense of such policy: J. M. Keynes – The General Theory of Employment Interest and Money, New York (Harcourt, Brace & World) 1965, Book 1, pp. 3.

of the past and the "partnership" swiftly terminated as soon as capital grows into international dimensions. The more this is so the more the AFL-CIO seeks more and more reactionary solutions: high tariff walls, import quotas from low-income countries and vain efforts to stop the outflow of capital.

The German trade unions, on the other hand, are forced to keep national capital, i.e. "its" pie, well and alive. Therefore they ask meekly for modest pay-raises in their wage-negotiations in order not to threaten the profitability of capital that depends heavily on export and is already emburdened by the various revaluations.

The unilateral devaluation of the \$ in February 1973 was to have the same favorable effect for the U.S. export trade. The fact that a national U.S. action was taken to solve the international monetary problems shows how confused the situation is (The same is true for the difficulties in Europe: to find out against whom and at what level the parities of currencies of the group of six should be fixed). Like the headless chicken's nerves, the \$ continues to serve on as a key currency, not only after the U.S. gold-reserve became insufficient, but also after the U.S. government unilaterally denounced its obligation to exchange \$ into gold, as it was done in August 1971. It was this step that really terminated the existence of the Bretton Woods-Agreement and not – as it is said now – the decision of European countries to float its currencies as a group. The gold-dollar-standard had been the basis of the system. It was taken away by the U.S. government but for a while the old system continued an existence on false premises.

The initial pressure for all adjustments had been developed in the U.S.A., the FRG naturally not being interested in alterations which had to disfavor the important German export trade (7). So it seems that the capital-export faction in the U.S.A. was unable to defend its interests.

This is not the case, however, in fact all capital factions applauded the Smithsonian Agreement as well as the new devaluation.

- 7) Wadbrook – West German Balance of Payments Policy: The Prelude to European Monetary Integration, 1972.

Two reasons seem to be decisive for the unanimously positive reaction. The AFL-CIO has changed its position with regard to liberal capital export, now favoring legislation which would severely curtail the investment possibilities of multinational firms in order to revive the U.S. export of goods (Hartke-Burke-Bill). Some kind of appeasement policy is necessary and the devaluation is a means without serious consequences. Secondly, in the past years the fact has been proven that capital export has lost its decisive function for direct investment abroad. When the Foreign Direct Investment Regulations were initiated in 1965 and reinforced in 1968, the motivation behind these measures was to improve the balance of payments position of the U.S.A. Objectively, however, the regulations paved the way for other sources of financing foreign investment, predominantly the Eurodollar-, Eurobond-, and local capital markets. (8)

When the Regulations became mandatory in 1968 not even the permissible margins were fully utilized. So the availability of capital outside the U.S.A. was good on the one hand, the necessity of national appeasement policy, on the other, seems to have caused the reaction of the capital export faction's agreeing to the devaluation of the \$. It was the consequent absence of conflicting interests which made government action easy — more than that: the responsibility for the last waves of speculative pressure on the Japanese and European currencies rests partly with the multinational corporations which are able to manipulate currencies through their enormous intra-corporate trade, accounting now for more than 30 percent of all the international trade of the U.S.A.

The decision finally to let currencies find their exchange rates freely opens another aspect in the context of economic policy. The controversy between fixed and free exchange rates generally does not transcend the isolation of monetary policy and theory and thus neglects the connection

8) Tavrow — Current Developments in the Foreign Direct Investment Program, in: Symposium — Private Investors Abroad, Problems and Solutions in International Business in 1969, The Southwestern Legal Foundation, 1969, pp. 263.

with the general economic theory and policy. Again, this is partly due to the nominalistic theory of money which does not take the question of value into account (9). M. Friedman has stated that his first choice among monetary systems would be the gold-standard with its automatism and only if its resurrection is impossible does he favor free exchange rates (10). The close connection between both systems comes into focus if the role of gold as a means of international exchange based on its inherent value is laid open. The effect of free exchange rates on gold is simply to take away from it its exchange function thus pushing it back into the mass of goods. It is not a single, outstanding good any more which organizes the exchange relations of all the others — the exchange relations of all goods develop in a non-mediated manner. From this basis it becomes intelligible that the system of free exchange rates has an inherent automatism which corresponds in principle with the one typical for the gold standard. The automatic reaction to different developments of national economies which is implied in it frustrates the efforts of Keynesian economic policy. It is basically for this reason that Keynes insisted on fixed exchange rates after his Bancor-Plan had failed in 1944 and his disciples still cling to the principle. It is for the same reason that M. Friedman favors free exchange rates which have the welcomed effect of sabotaging fiscal policy.

When the German government, after having installed fiscal policy constitutionally (Art. 109 of the Constitution of the FRG Stabilitätsgesetz), sought help in measures which must frustrate any of its national devices, it demonstrated the impossibility of state interventionism to escape the

9) For more details see: Hilferding, Das Finanzkapital, Eine Studie über die jüngste Entwicklung des Kapitalismus, 1909, reprint 1968; Altvater, Die Weltwährungskrise, 2. ed. 1972.
10) Milton Friedmann, in: M. Friedmann, R. V. Roosa: The Balance of Payments = Free versus Fixed Exchange Rates, 1967, pp. 1.

contradictions of capitalist production and signalled its necessary inefficiency (11).

11) For a general theoretical marxist evaluation of the current currency crises cf. Christel Neusüss, Bernhard Blanke, Elmar Altvater, Kapitalistischer Weltmarkt und Weltwährungskrise (Capitalist World Market and World Currency Crises), in: Probleme des Klassenkampfes (Problems of Class Struggle) 1' 1971, pp. 5-116.

Symposium "Multinational Corporations and Labour Unions"

The social consequences of the concentration of capital in the form of multinational corporations and the activities of the Labour Unions against it, are the themes of an international symposium, which will take place on *May 17, 18 and 19, 1973* at the University of Nijmegen, the Netherlands.

This symposium is organized by the Peace Research Centre of the University of Nijmegen, in cooperation with the Dutch Trade Unions, NVV, NKV and CNV and will be held in the psychological laboratory.

The programme schedule consists of four sessions of working committees, in which the expansion of corporations, the experiences of the Trade Unions in selected corporations and the conditions, contents and perspectives of a counter-strategy of the employees will be discussed.

In the first part of the symposium the changing relationship between corporations and national states and their influence on the social structures will be discussed.

Experts on this subject, as there are Mr. D. Benedict of the International Metalworkers' Federation in Geneva, Mr. J. Galloway of Lake Forest College in Illinois, G. Brundenius of Lund University in Sweden, H. Rebhan of the Union of Automobile Workers of America in Washington, D. Gallin of the International Union of Food and Allied Workers' Associations in Geneva and A. Martinelli of the University of Milan and others are invited to take part in these working committees.

Representatives of the Food and Allied Products and Metal-Industry and of the 3 Labour Unions' Service Industry as well as representatives of TUC and DGB will participate in the discussions.

In addition to a number of plenary meetings, in which the results of the working committees are talked over, there will be three lectures in which E. Altvater (Freie Universität, Berlin), N. Weinberg (Union of Automobile Workers of America in Detroit) and H. Kuby (European Parliament, Strassbourg) will deal with the historical development, the relationship between labour unions and corporations and the problems of a counter-strategy of the employees.

Admission to the symposium is limited because of the division of the contributors in working committees. These three lectures, however, can also be attended by non-participants.

Registration-forms can be obtained from the symposium secretariat: Peace Research Centre, c/o Piet Buytels, University of Nijmegen, Verlengde Groenestraat 43, Nijmegen, the Netherlands.

Nijmegen, March 26, 1973
(3 - 16)

Corporate Regionalism in the United States

Dan Feshbach
Les Shipnuck*

"A neighborhood has the right . . . to express to the decision-makers its reaction to the action proposed to be taken. But 'participation' does *not* mean that a little local area has the right to obstruct all actions of which it disapproved."

National Commission on Urban Problems -- 1967

During the sixties a corporate opposition reemerged in the United States. This opposition movement has grown and now aims at nearly every oppressive aspect of capitalist society--ranging from racism, the Vietnam war, and imperialism, and sexism, to the lack of jobs, poor working conditions, the unrestrained power of the monopoly corporations, and the corporate state itself.

Still too weak and dispersed to fundamentally change corporate America or vie for power at the national level, this opposition movement has begun to deal with the question of power by translating political issues into struggles over local control. In the central cities, blacks and other minority groups are creating local political machines to take over city governments, school boards, and congressional districts. Local movements all across the country are pressuring local governmental institutions. Community control, whether it be of housing, child care, the police, or a drug prevention program has become a major political slogan.

The monopoly corporations on the other hand have become increasingly dissatisfied with the organization and distribution of power within their capitalist state, particularly at the local level. In the last century, but particularly since WWII, the number of governmental activities have multiplied and their importance and impact have grown. With the expansion of state functions corporate planners need to closely coordinate and plan state programs.

Metropolitan areas are the key geo-economic building blocks within the framework of the national economy. Each urban region functions as a highly interdependent economic and social unit. The smooth and coordinated planning of governmental functions over the entire metropolitan area has become crucial to the long term stability of America's urban regions and in turn to the continuation of corporate America.

In addition, with the growth of the importance of activities of the federal government it has become increasingly important to synchronize national policy closely with urban regional activity.

Yet state planning has become impossible. Narrow economic interests have split state power into thousands of tiny pieces and have captured key government agencies and programs, using them for their own immediate economic interests.

At the local level this is particularly apparent where the ease of incorporation has led to the proliferation of governmental units each tied to a set of narrow economic interests. The United States has over 90 000 separate local units of government. Metropolitan areas average 100 jurisdictions each.

While monopoly capital dominates America's urban region economically, politically they do not control local government. Instead small business which is mainly concerned with economic survival rather than long range planning has power at the local level.

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These so-called "parochial" interests often block or undermine the programs put forward by the corporate leadership.

Furthermore the structure of local government, with its duplicative authority and small, overlapping jurisdictions, presents a rapidly growing obstacle to long-range regional planning.

Finally since there are no direct lines of authority running from the heights of key state policy and decision making institutions directly down to the basic administrative units at the local level, national planning has become impossible. Just at a time when the state's role has become pivotal, the class conscious businessmen find it increasingly difficult to use the state to implement corporate policy.

It is within this context that America's monopoly corporations are working to consolidate their power and undercut their growing grass roots opposition as well as "parochial small business". A key tool is regional government. The corporate elite has advanced regional planning as a solution to the nation's urban and rural problems and as a "rational" alternative to fractionalized local government dominated by self interested small businessmen. In reality regional government would replace these smaller "special" interests by the *class* interests of monopoly capital. The elite hopes to use regional government to centralize authority and impose its own design on the increasingly disordered nation.

The left must move beyond its community control strategy. It must not only translate issues of daily life into local power struggles: it must also function in the regional political arena as well. Unless it does, the struggle to win power locally may be worthless. Just as opposition movements gain important power they may find themselves proud possessors of an empty shell.

Regional government when first used in urban areas was basically an extension of the city manager form of government. As the urban economy grew beyond the central city, businessmen agitated for the consolidation of local governments into a metropolitan unit. Business required government agencies which could plan and organize the services it needed most--transportation, water, sewage, and the police.

But while business leaders and planners advocated various forms of regional planning since the early 1900's, regional government didn't really come into existence until the post WWII period. Following the war the metropolitan region replaced the city as the key geo-economic unit within the national economy. During the 50's urban problems began to make their appearance on the scale we know them today.

Decaying inner city neighborhoods surrounded vital economic centers. Sprawling suburban residential zones were connected to employment centers by overcrowded highways. Pollution made metropolitan living uncomfortable even for the rich. As whites fled the inner cities for the suburbs, non-whites threatened to seize control of big city governments. Small businessmen, who still controlled the surrounding suburbs, developed their areas helter-skelter, answering only to their thirst for short-range profits.

Business recognized that urban governments were ill equipped to serve the needs of its growing manufacturing and financial complexes. Corporate policy making groups such as the Committee for Economic Development (CED), the Ford Foundation, the Rockefellers Brothers Fund swung into action and began to lay the ground work for the regionalization of local government.

America's need for a national urban strategy was highlighted by the unrest and civil disturbances of the mid-Sixties, when social pressures that had been building since World War II came to a head and ghettos across the nation, from Washington to Watts, exploded.

For businessmen with enormous economic stakes wrapped up in the fortunes of the cities, something had to be done about local government. The Committee for Economic Development led the intensified attack. CED called for the elimination of 80 % of all local governmental units, urging the formation of highly centralized metropolitan regional government.

In the years between World War II and the late sixties, major corporate interests had formed regional "lobbies" to promote regional government in thirty-four metro-

politan areas. The regional lobbies pursued regional government locally and at the state level. In each metropolitan area, however, big business ran into stiff opposition from smaller suburban interests. Some suburban governments even banded together into voluntary regional associations to forestall what they termed "metropolitan supergovernment." In the face of such local resistance, the big corporations, who held more power at the Federal level, turned to the Federal Government.

As early as 1961 the Kennedy administration promoted regional government. Upon Kennedy's recommendation, Congress required that metropolitan areas undertake regional transportation planning to receive funds under the Highway Act of 1962. The Johnson Administration used the pressures created by the urban riots to push through the Housing and Urban Development Act of 1966, and set up the cabinet-level Department of Housing and Urban Development (HUD). This legislation required that Federal funds for airports, sewage treatment, housing, and health facilities construction be reviewed by regional bodies, known as Councils of Government.

Federal Regionalism

With the administration of Richard Nixon, the Federal Government moved to the forefront of the fight for regionalism. Nixon talks of a "New Federalism". Standing outside Independence Hall on October 20, 1972, he proudly proclaimed, "We are giving power back to the people". In reality, the New Federalism, as put forward by Nixon's urban planners, will use the national government to transfer local purse-strings and powers to regional agencies and governments dominated by the corporate elite.

The New Federalism is not just an attempt to overcome the irrationality of local governments. It is also a plan to make the national government more efficient. Between World War II and 1971, the number of Cabinet departments had increased from nine to twelve, the number of independent federal agencies from twenty-seven to forty-one. "The executive branch," claimed Senator John McClellan, "is now the largest and most complicated enterprise in the world, with more than 1400 domestic programs distributed among 150 separate departments, agencies, bureaus, and boards." The Washington bureaucracy has become an inefficient tangle of functions, mandates, and jurisdictions.

Lyndon Johnson's advisers had suggested that he increase the efficiency of the executive branch by placing departmental operations under the authority of appointed regional functionaries.

Nixon is the one who took federal regionalism seriously. In 1969 the Nixon administration quietly divided the fifty states into ten regions. In each region it designated "home cities", such as San Francisco, Denver, and Dallas. Each of the five Federal "human resource" departments--HUD, Labor, Commerce, Agriculture, and Health-Education and Welfare (HEW) -- as well as the Poverty Program, formed regional offices in each home city. Each agency re-aligned its administrative boundaries to conform with the Federal regions. The regional heads of these departments formed regional councils in each home city.

When Nixon's Advisory Council on Executive Organization, headed by Roy Ash of Litton Industries, made its 1971 recommendation, it became perfectly clear that the regional councils would serve as key tools to implement national policy. The Ash Council recommended that Federal-grant decision making be delegated to the regional level "subject to policy direction and performance review from the Washington office." Nixon supported this recommendation, but the Democratic Congress opposed it. In the face of Congressional hostility, Nixon has asked the Office of Management and the Budget to accomplish, if legally possible, the necessary re-organization without Congressional approval.

The multi-state federal regions are closely tied to the growth of metropolitan regional administration. The decentralization of the federal government and the consolidation of metropolitan government are two different forms of regionalism. They complement each other by shifting power to a level more responsive to the needs of big business.

Revenue Sharing

Revenue Sharing, the other half of the New Federalism, will probably play a significant role in the regionalization of metropolitan government. Current revenue sharing legislation -- the State and Local Government Fiscal Assistance Trust Fund Act of 1972 -- replaces a complicated system of Federal grants to local governments with lump sum appropriations to be used in any of a wide range of priority areas.

As the Federal share of local budgets increases, the corporation-dominated federal government may attach more restrictions to expenditures, including requirements for regional planning and administration. Corporate policy-making groups, such as the influential CED and the National Industrial Conference Board, have already suggested that Federal funds be awarded to regional agencies, not local governments. The regional agencies would divide the money up according to regional development plans. Congressman Henry Reuss (D-Wisconsin) proposed that revenue sharing "be restricted to general purpose government of over 50,000 (people) and large urban countries."

Victor Jones, academic regionalist at the University of California's Berkeley campus, told a Congressional committee what would be left of local government:

"The ideal is neighborhood government with an elected council, with no power of taxation or managing anything, but full power to get together and complain or request or do anything like that."

The New Federalism may decentralize power from Washington, D. C. to the regions of the nation, but if the large corporations have their way, it will consolidate power in the hands of big business. Local government, as we know it, may disappear within the decade.

"Home rule" for local governments is a treasured tradition in the United States. Since the "Progressive Era," the expanding power of big business has threatened local control, but never on today's scale. Faced with serious economic problems and social unrest, the American corporate elite is moving to centralize its power.

If the elite has its way, regional government will not merely expand the scale of local government. Just as municipal reform paved the way for the consolidation of large corporate enterprise, regional government may lead to a new form of capitalism, in which all governmental functions are integrally tied to the private economy.

First, the formation of regional governments is designed to open new markets for the larger corporations. Major companies have profited by building regional transportation (freeways and bridges), water, and power systems for many years. But social services -- job training, housing, health care, police technology, and education -- have been too fragmented to be exploited profitably by big business. The operation of these program on a regional level will open new opportunities for what has been called a "social-industrial complex."

Second, these new social programs will indirectly serve the corporations. Regional government will probably increase the contribution that local government makes to economic profitability. For example, technical education geared more closely to the needs of industry will lower industrial training costs and increase productivity.

Third, the social industrial complex will mean that the big corporations have more control over our lines. Regional government under the thumb of big business will mean centralized (regionalized) police forces and perhaps the extension of social psychology from limited use in the schools and factories to widespread use in maintaining order in society at large.

Regionalism and the Bay Area

Perhaps nowhere in the United States is the process of regionalization so advanced as in the San Francisco Bay Area.

The region's business elite is working to impose regional government on the region. The key corporate actor is the Bay Area Council (BAC), a regional policy-making group made up of class-conscious corporate leaders. By forming regional agencies -- and eventu-

ally regional government — they hope to solve regional problems particularly inadequate transportation, and disorganized land development. Here importantly the BAC advocates regional government to stymie local control movements. Last Nov. 30, 1972 William Hewlett, President of Hewlett Packard, a military-industrial firm located in Palo Alto and a BAC trustee, addressed the BAC annual meeting. Hewlett, whose firm is a king pin of the military industry now under attack by local groups in Palo Alto, explained:

“One very important result of regional planning is that hopefully it allows business and industry to make long range plans without the prospect that tomorrow, through some capricious whim of a single community, your plans, and indeed the returns from your investments can be negated.”

A Little History

The San Francisco Bay Area first became a metropolis during the great Gold Rush of 1849. The bay, a natural deep-water port, was the Golden Gateway to the rich mines and gold fields of the Sierra Nevadas. Even after gold fever died down, the Bay Area served as the gateway between California's agriculturally rich Central Valley and the rest of the world. San Francisco businessmen financially dominated the territory west of the Rockies, owning much of the West's mineral and agricultural wealth.

America became a Pacific power at the turn of the century, when the U.S. assumed control of the Philippines, annexed Hawaii, and issued the Open Door notes demanding equal access to China. As America's Pacific interests grew, the nation's largest Pacific port grew as well. The Bay Area is still one of the top two West Coast transportation centers.

The Bay makes the region an area of military importance as well. Shipyards, military terminals, and naval bases dot the Bay. Though the Spaniards built the area's first fort as early as 1776, military installations only began to dominate the region at the time of the First World War.

The Second World War, the first of America's three major Pacific Wars, brought drastic growth to the Bay Area economy. New workers, primarily black farmers from the South, flooded the Bay Area to work in the shipyards. Manufacturers geared up for war production.

Bay Area business did not forget the benefits of military spending. When the threat of Communism in East Asia brought renewed military spending, local corporations were among the first to enlist. The Bay Area—particularly the South Bay, home of high technology industries—developed a permanent war economy.

Overall, the Defense Department spends over \$3 billion annually in the Bay Area. About 450,000 Bay Area residents—11% of the region's workforce—work either in military installation or on Defense contracts.

As a major trading and industrial center far from America's established financial centers, the city of San Francisco developed its own financial complex. A.P. Giannini, formed the Bank of America (originally called the Bank of Italy), in 1904. But San Francisco did not become a significant international financial center until after World War II, when American trade, investment, and military expansion in the Pacific picked up. San Francisco's “Montgomery Street” financial district ranks second in power only to Wall Street.

Geographically centered on the Bay, but culturally, financially, and historically centered in San Francisco, the San Francisco Bay Area has been an economically integrated metropolis for decades.

The Lessons of War

World War II's dramatic but chaotic growth provided the impetus for regional organization. The War brought a severe housing shortage and a serious transportation crisis. To protect the war effort the Federal Government had established Metropolitan Defense Councils (MDC's) in Los Angeles, San Diego, and the San Francisco Bay Area.

But the Bay Area MDC could not effectively coordinate the area's rapid expansion. The local government officials who made up the MDC could not agree on basic issues. Things got so bad that, in 1944, citing the lack of regional planning, the military froze Bay Area war spending for the duration.

Following World War II many businessmen feared that the wartime problems might intensify, and worse, that the war's end and the return of the area's 150,000 men in uniform might bring back the Depression. The Federal Government shared this concern, and it urged the formation of state reconstruction commissions to oversee peacetime recovery. California's State Reconstruction and Re-Employment Commission established the San Francisco Bay Area Council to guide the region's postwar development, and turned to the area's concerned businessmen for leadership.

The State staffed and funded the Bay Area Council in its first year, but in 1945 the BAC incorporated as a private, non-profit organization. Six Bay Area firms—Bank of America, American Trust, Standard Oil of California, Pacific Gas and Electric, U.S. Steel, and Bechtel Corporation (one of the world's two largest builders)—pledged \$10,000 annually.

For twenty-seven years BAC has promoted regional government—a Bay Area-wide super-agency with the power to police, to tax and budget, and to control land use through zoning and the right of eminent domain—to pre-empt local governments. BAC trustee Don Fazackerly explained:

“Business operates on a regional basis because it is more efficient and productive to do it that way . . . It makes greatest common sense . . . to organize the Bay Area on a political basis that corresponds to the economic reality.”

BAC has met opposition, primarily from smaller, suburban interests who wish to retain their local power bases. Suburban governments have banded together to form the Association of Bay Area Governments (ABAG) to provide an alternative to centralized regional government, but in the long run Federal spending restrictions may force ABAG to go along with BAC's regional plans.

Though BAC has not yet established a multi-purpose regional government, it is succeeding piece by piece. BAC has been instrumental in the formation and operation of regional transportation agencies, an air pollution control district, and a bayshore planning commission.

Rapid Transit

The Bay Area Council's first major project was the promotion of an area-wide rapid transit system. In 1950, with the wartime transportation nightmare fresh in mind, the Council set up a subcommittee on rapid transit. After several studies, BAC took its proposal to the state Capitol.

Prompted by BAC lobbying, the state legislature established the Bay Area Rapid Transit Commission in 1951. The legislature asked for BAC's assistance in selecting Commission members. It got it. Thirteen of the twenty-six commissioners were BAC trustees or members of the BAC Board of Governors.

The Commission reported to the legislature in 1957. At the request of the Commission, the legislature established the Bay Area Rapid Transit (BART) District in 1957. After more planning, the legislature scheduled an election for 1962 to approve bonds to finance the proposed system.

The corporate campaign for the BART system began in full force in 1961, when three BAC members—officers of San Francisco's big three banks—formed Citizens for Rapid Transit. The Committee raised \$200,000 from their banks and other major local corporation, including Bechtel and Kaiser Industries. Westinghouse, owner of San Francisco's KPIX television station, donated advertising time.

The bonds passed. Citizens for Rapid Transit successfully sold BART to the voters as an alternative to the automobile, labeling opponents as obstructionists or as purely self-interested businessmen.

But the bankers and builders of BAC and the Citizens for Rapid Transit fit that description best. The builders--Kaiser, Bechtel, Westinghouse, and Parsons Brinckerhoff--got millions of dollars in profitable contracts, while all three big San Francisco banks built giant new corporate headquarters and office buildings adjacent to BART's financial district terminals.

For the bulk of the residents in BART's three-country-plus district, BART does not replace the automobile. The Bay Area Council designed BART as a fancy, 80-mile per hour commuter train to bring executives and white-collar workers from the suburbs to work in downtown San Francisco corporate headquarters. The system will serve neither the ghettos of Oakland and San Francisco nor the region's heavy industrial areas. Poor neighborhoods that are adjacent to BART stations will soon be replaced by "urban renewal" or commercial development.

Air Pollution

Air pollution became a Bay Area problem in the years following World War II. While it would be unfair to say that big business likes pollution, major industries have been unwilling to accept regulation which would cut into profits. In 1949 the Bay Area Council established a "voluntary and cooperative" anti-pollution program to protect industry from "arbitrary and unfair regulation" by government. The polluters "regulated" themselves through BAC's Bay Area Pollution Control Committee.

But the public demanded more action. In 1954 the state legislature began to consider legislation for a Bay Area Air Pollution Control District (BAAPCD). Legislators asked the group with the most experience in Bay Area pollution control to write the legislation. That group was the Bay Area Council.

Since the beginning the board was designed to convince people that they caused pollution through backyard burning and autos. It has yet to go after industrial polluters, the real source of the region's airpollution problems.

A Golden Gate Authority

By the late 1950's the campaign for rapid transit was well under way, but nothing had been done to coordinate the activities of the region's ports, airports, bridges, and highways. In 1959 the Bay Area Council proposed to the state legislature a Golden Gate Authority. The Authority, as proposed by BAC, would have had the power to plan water, air, land and transportation facilities throughout the Bay Area. The State was to appoint seven directors to run the Authority. The governor said a BAC report proposing the authority, "It is modeled after an efficient business corporation rather than a government bureau."

The legislature, still dominated by rural Senators, wasn't ready for any such regional government. Despite heavy lobbying and a BAC-sponsored public relations campaign, the legislature turned down the Golden Gate Transportation Commission.

A Mixed Bag of Governments

In 1961 local governments opposed to regional "supergovernment" banded together to defend "home rule". They formed the voluntary Association of Bay Area Governments (ABAG), with representatives from eventually all Bay Area cities and counties. ABAG had no powers, though it held meetings, conducted research, and published information of value to Bay Area businessmen and planners.

Suburban public officials have traditionally dominated ABAG, so ABAG has been hostile to compulsory regional planning. But even ABAG is a step toward regionalism. In 1966 the Federal Housing and Urban Development Act required local Federal grants be reviewed by regional councils of Government. ABAG preferred to accept the responsibility rather than let a BAC-dominated group step in.

Perhaps accepting the inevitability of regional government, ABAG sought a

form of regionalism that its suburban members could control.

The University of California's Victor Jones observed: "Within six years after ABAG was formed it voted, not unanimously, to ask the legislature to change it from a voluntary Wednesday afternoon tea society into a limited but multipurpose regional agency . . . Now this was done by city and county officials who six years before would have run from anything that looked metropolitan."

Jones said ABAG members' attitudes had changed "because of the experience they had in working through ABAG with regional problems. They, in effect, were taught to be 'regionable', by being given 'responsibilities'."

Regional Transportation Planning

Two years after the demise of the Golden Gate Transportation Commission the Federal Government gave regional planning the push necessary to get a transportation commission through the legislature. In 1963 the Federal Highway Act required that federal highway construction funds be given only to projects which were part of an official regional transportation plan. BAC successfully lobbied for a Bay Area Transportation Study Commission (BATSC) to draw up such a plan.

Besides calling for an incredible 11 billion dollars in freeway construction over the 20 years BATSC went beyond its mandate for transportation planning to recommend that the state create a regional government with the "necessary will and authority" to plan the development of the region. If such a government could not be established, BATSC recommended the formation of an elected, area-wide transportation authority "to plan and manage the metropolitan transportation system that could be used effectively to advance and reinforce the development goals established for the Bay Area."

The legislature rejected the comprehensive transportation administration in 1969, but in 1970 it established the permanent Metropolitan Transportation Commission (MTC), now headed up by two BAC members. MTC's first task is to prepare a regional transportation plan-- to be adopted by June 30, 1973. Once the plan is adopted, MTC will "have the authority to review and approve" most new transbay bridges, any public multi-county rapid transit system, and any state highway construction in the region.

Saving the Bay

Both physically and economically, the Bay has always been the region's outstanding geographical feature. Yet over the past 150 years man has reduced the Bay's size nearly one third by landfill. In the early sixties. The Bay Area Council wanted to save the Bay, too, but it saw the Bay as a vital part of the region's economy, not its ecology. "The San Francisco Bay," explained the Council, "is one of our most priceless economic assets." BAC felt that it could save the Bay for ports, water-related industry, and recreation.

Thus the BAC joined with the "responsible" conservationists such as Mrs. Clark Kerr, head of the Save the Bay Association and wife of the former U.C. President. By lobbying at the State capitol they pushed the BCDC (Bay Conservation and Development Commission) through the state legislature. BAC Trustee Mel Lane of Sunset Magazine has headed BCDC since its formation. William Evers, corporate attorney and formerly a BAC Trustee serves as Vice-Chairman.

BCDC'S first task was to adopt a Bay development plan, which was adopted by the legislature in 1969. On the basis of the plan, BCDC grants permits for shoreline developments. BCDC tripled the amount of land reserved for water-related industry, declaring, "the needs of water-related industry must be given high priority in the plan." BCDC has pre-empted uncoordinated local planning with regional development a la Bay Area Council.

Conservation groups are less than satisfied. Even the Save the Bay Association

wrote in a recent newsletter:

"We have won the fight to have a permanent regional Bay Commission responsible for granting permits to fill the bay. However, the guidelines from the legislature are so general that it is possible to have massive fills with the approval of the Commission."

"Saving the Bay Area"

In the late sixties BAC and its allies in the state legislature continued their campaign for multi-purpose regional government. But it wasn't until 1970 after a string of defeats in the state capitol that Knox applied the lessons of the campaign to save the Bay.

In establishing BCDC, BAC had allied with conservationists to establish a regional institution over the opposition of parochial suburban interests. To take advantage of the growing ecology movement, Knox renamed his proposed regional agency the "Conservation and Development Agency." Knox proposed that representatives to the agency's regional legislature be elected from large districts. This structure would have favored big business, which is best organized and capitalized to operate at a regional level. Suburban and rural legislators killed the Knox "supergovernment" bill.

Knox nearly succeeded in 1971 again proposing a Conservation and Development Agency. While environmentalists supported the plan and Knox made some concessions to small business and suburban interests on the issue of representation, the legislature killed his bill after a long, complex battle.

In 1972 BAC devised a new strategy: get its foot in the door by giving ABAG the power to levy taxes and plan for transportation, land use and conservation, and waste disposal and other environmental problems. Under the legislation, ABAG's Executive Committee could force local government to comply with its plans. As introduced by Assemblyman Knox, the bill would add nine gubernatorial appointees to the ABAG executive committee. At one point a BAC spokesman even suggested eighteen gubernatorial appointees, ostensibly to include blacks and environmentalists.

The 1972 plan is by no means BAC's ideal. It gives power to ABAG and its suburban business friends. But the Council thinks ABAG can be upgraded into a corporatist regional government through successive legislation.

The 1972 bill did not make it through the legislature because of lack of time, not for lack of support.

In fact unless new opposition arises-- regional government seems to have a winning combination of support. Should Knox's 1973 bill make it through the legislature, we should remember where it came from. Said Assemblyman Knox, "The strongest support we have comes from the industrial community, the Bay Area Council, a very high-powered industrial group. The businessmen are now seeing that they simply have to have some regional decision-making machinery, or they can't achieve the corporate objectives."

What Is to Be Done

The growth of regional institutions poses a challenge for the Left. No longer can political activity be restricted to one community. In dealing with regional problems, the Left must carefully select its allies. Local elites normally opposed by the Left may join liberal and radical groups in opposition to regional government. Large corporate interests, epitomized by the Bay Area Council, seek support from the Left in their campaign for "environmental" controls.

Up until now the struggle over regional government has been a debate between two sets of entrenched interests--large and small business. Liberal environmentalists have been involved over specific issues of regional concern, but on the whole the public has not participated. Left-wing forces have not entered the regional arena. Instead, they have

focused either on issues of national and international significance or on local community and work-place issues.

The Left must develop a regional strategy. First, the environmental Left must understand the difference between environmental protection and conservation for planned exploitation. Though the Bay Council campaigned to "save the Bay", it is not an ecology group. In fact, BAC opposed the Coastline Protection Initiative--Proposition Twenty okayed by California voters in November, 1972. Assemblyman John Knox, who won the Bay Area Council's environmental award and is a card-carrying member of the Sierra Club, is also sponsoring legislation to take the Teeth out of the state's Environmental Quality Act and to weaken the effectiveness of the Coastline Initiative. Conservation groups oppose this particular effort by Knox, but will they remember it when his regional Conservation and Development Agency comes up for a vote again?

Second, radicals organizing for community control over housing, jobs, health care, land use, public transportation, and pollution control must recognize that a growing number of decisions in these areas are being made on the regional level. Radicals and liberals may influence, or even win control, over housing authorities, model cities programs, and city councils, but they may find their powers preempted by regional government.

Regional officials, selected either by the governor or by local officials, remain insulated from local community politics. The Left must monitor and challenge local appointments to regional bodies. Suburban governments may seem powerless, but they do select representatives to regional agencies.

The Left can also attend hearings, make demands upon regional agencies, and let it be known who is making decisions affecting the Bay Area. Chicanos have confronted ABAG over housing, and some environmentalists have monitored the Air Pollution District, but on the whole the Left has ignored regional activities.

Various community groups around the Bay Area have been fighting the destruction of neighborhoods near BART stations, but they have not yet allied to demand that land near BART stations be down-zoned to lower property taxes. Such an alliance could, in the long run, oppose the extension of BART and could challenge BART, the MTC, and other transportation agencies to serve the needs of the members of the alliance.

Third, a Bay Area Left-wing regional strategy will of necessity entail opposition to American military and economic expansion abroad. This is so, because on the one hand the same forces dominating U.S. activities in Asia and the Pacific make up the region's corporate elite. On the other hand their plans for the Bay Area are geared to the further development of San Francisco as a metropolis for the entire Pacific Basin. The Bank of America, for instance, could not have built its new World Headquarters in San Francisco if BART had not been approved.

Regional government is not necessarily a bad thing for the Bay Area. Certain problems--air pollution, transportation--can only be solved regionally. But as proposed by the Bay Area Council, regional government will perpetuate and consolidate the wealth and power of the Bay Area's corporate elite.

It is not the form of government which Bay Area citizens must oppose. It is the content: Who will be in power?

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The State and Dependent Development

Malori J. Pompermayer*

1. One of the features of the state in modern dependent societies is that the dependent state itself reflects in its political organization (and reorganizations) not only the economic transformations and the reorganization of the internal social structure and the formation of new classes, but also the linkages and the connections of the economic interests of the local bourgeoisies with the international monopolies.

It has to be emphasized that the specific dynamic of the dependent structure itself is marked by the domination-subordination relations among countries. It is not a case of explaining the internal political processes of a dependent society by a purely external variable. The problem is to grasp the internal political process, which contains a two-fold feature: first, the process of association outside the dependent societies and at the level of the world market of groups of the dependent societies (which groups conduct themselves by the rules, the values, and the interests of the dominant societies); and second, (in the case of more complex economics) when some segments of the dominant societies are present inside the dependent societies, interpenetrating them, and operating into the internal system of domination. In this way, it can be understood how the modern form of dependence is able to substitute informal for formal modes of political control of the countries dependent upon world capitalism. As a matter of fact, the interpenetration of economic interests, political and cultural missions, political-military pacts, joint military training programs, military grants and bribes to local bourgeoisies in the form of economic "aid", substitute for direct colonial rule.

2. Each stage in the process of development in a situation of dependence enforces in each specific country new types of political reorganizations and alliances among the various social forces (internal and external) which give rise to various forms of state. The new form of the state in a concrete social formation depends, on the other hand, upon the specific ideologies and interests of the dominant groups in the economic sphere defining the way they relate to the other groups in the internal society and with foreign economic elites.

3. Even if at the structural level we can talk about a dominant form of economic dependence (a new form of imperialism) it would be a mechanistic interpretation to derive from the economic analysis a directly correlated form of state. This relation exists, of course, but mediated by the cumulative political experiences of each country and social group and by the concrete forms of ideologies prevailing in different societies. Anyway, as history shows, there have been different political ways to arrive at capitalist development.

(In the next pages I will try, although risking not observing the previous "caveat" to summarize very briefly the way I see the state in Latin America (= LA) as it relates to the new pattern of dependent development (at least for some countries . . .). If these remarks have some applicability they will refer, probably, to the countries most industrialized today, and even so, with the risk of undue generalizations.

State and Dependence in Latin America

1. When the process of import-substitute industrialization began in those countries of Latin America most industrialized today, the traditional power equilibrium (oligarchic domination, the state constituting an immediate expression of the hierarchy of economic power) began slowly being replaced by types of states

with the characteristics of Populist States. The first stage of this process required in some way the enlargement of the internal market consumption, some integration of mass population in the benefits of industrialization, income redistribution, etc. It meant also increasing political participation which in each country depended upon the strategic position of the lowest social groups, their organizing capacity and organizing ability, on the one hand, and on the other, the way the state was able to manipulate and co-opt them.

1,a. It was possible to believe at that time in a political process that would consolidate the democratization of the state by the continuous enforcement of the characteristics of liberal democracy (as in the countries of original industrialization). It was even possible to think about an autonomous development led by the "nationalist forces" and mainly by the "national bourgeoisies".

1,b. Until the dynamic of the process could work, the dominant socio-economic groups could compromise with popular participation in the Populist State. But with the decreasing rate of investment in the productive sectors and in order to continue the mechanisms of capitalist accumulation, the state had to contain income redistribution and ask for heavy external finance and association with foreign capital.

This coincides (end of the 50's) with 1) the U.S. support for industrialization of LA, and 2) with the supremacy of multinational corporation which locates subsidiaries in the periphery and, 3) with the acceptance by LA governments of the main U.S. foreign policy issue after World War II, that is, enforcement of the conditions for private foreign investment.

1,c. These new trends meant restrictive industrialization, that is, expended mechanism of capitalization (income concentration), greater rationality and productivity by high technology and, integration of industrialization in the patterns of international dynamic capitalism.

It is important to observe here that the Latin American countries with delayed process of import substitution in relation to the previous ones, began or are likely to begin their industrialization under this new capitalist trend. Could this also signify some more homogeneous trends at the political level and in state framework?

2,a. From the point of view of the dependent industrial bourgeoisies the new trends (restrictive industrialization) imply for them a growing economic conception of the word and the minimization (in their ideologies) of the meaning of internal politics as an instrument to obtain the political reforms which are of their interests. They subordinate the internal transformations of social structures and class alliances to their internationalized economic objectives (abdication of the right to rule for the right to make money . . .). Thus, the social and political bases which insured the Populist State begin not corresponding to the ideologies of the classist sectors who control the productive forces.

(Of course, we are not implying a homogeneous bourgeoisie in developing countries. For one reason, (and depending upon the specific socio-economic structure in specific countries), a more nationalist sector of the bourgeoisie does exist in contrast with the internationalized bourgeoisie which supports some type of alliance with other sectors of the internal society. And, it makes a lot of difference for the political system. Cf., F.H. Cardoso, *Ideologias de la burguesia dependiente* . . .).

2,b. This new situation subverts the way the internal social forces relate to one another. It means that the reorganization of the state around the axle of restrictive development is incompatible with the mass participation of the Populist State. The dependent bourgeoisies understand and accept their historical impossibility (within the framework of a particular form of dependence) of a hegemonic politics or of a plan of political domination and liberal democracy. This understanding is implied in the acceptance by the industrial bourgeoisie of accommodations politics and compromise with any internal political force able to support its objectives of capital

accumulation in a fragmented society, even with the sacrifice of her liberal principles.

2,c. The Armed Forces had proven in various countries of Latin America during the last decade to be this qualified political ally in reorganizing the state bureaucratic apparatus for its new role and in restraining the civil societies from the unrest and threat which would come from their political mobilization.

3,a. Although there are substantial differences in the meaning of the military "coup d'etat" during the 60's in Latin America and in the military regimes at the present time, the consideration of some actual or future possibly common elements at the state level in the new stage of dependent development probably would not be out of place (or, . . . am I being blindly affected by a "parochial" point of view? . . .).

3,b. Authoritarian State: Civil society loses its characteristics as a source of political decision. Political parties, periodical elections, national and regional assemblies, etc., can subsist, but only as a symbolic apparatus for "legitimation" before foreign democracies . . . Political pluralism is severely limited and only the "loyal opposition" is allowed to exist. Military ideology of national security without appeal to the civil society but with the role of maintaining the unity of the Armed Forces and control over society. Political demobilization is encouraged.

3,c. Bureaucratic-corporatism: On the other hand, the principal state activity becomes economic, through improvements in its bureaucratic-technocratic apparatus.

Prevention from using the State apparatus as a weapon in partisan politics and class conflicts.

Hierarchical organized mechanisms which administer technical decisions from the top, down.

An industrial, internationalized society does not need political organizations enforcing its objectives. These objectives are directly linked to the state by means of its technocratic bureaucracies.

Comments on "The State and Dependent Development"

*Immanuel Wallerstein**

Pompermayer's notes are a sort of sociological stream-of-consciousness. He is disturbed about what is going on in Latin America, especially in Brazil, and he seems unsure about what conclusions to draw.

This what I hear him saying. There was a time when in Latin America governments seemed to be moving towards patterns approximating bourgeois liberal regimes. To be sure this took the particular form of "populist states", which was not quite that of "liberal democracy", but did involve "democratization of the state" and some "autonomous (economic) development". Then this process ceased -- in Brazil, and just about everywhere else in Latin America. The army intervened, and with the aid of technocratic bureaucrats, created a more efficient, but still very dependent, state apparatus but with less internal income redistribution since -- and here I am not clear what is being said -- there has been some kind of economic contraction ("decreasing rate of investment in the productive sectors", but why?).

Because of a reorganization of the world-economy there has been a reorganization of the dependent state structures. No doubt. But is this not also true of state-structures in the core capitalist countries of the world-economy? And is not Pompermayer pointing to a far more general phenomenon: that the most technologically-advanced sectors of the capitalist classes tend to favor minimal and liberal government at moments of general political prosperity and full employment of the factors of production (including labor), but that when conditions get tighter, and hence class conflicts take on

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the form of acute struggle to use the state apparatus to minimize loss to one group or another, the powerful economic groups are not adverse to (quite the contrary) using "authoritarian" mechanisms to preserve both short-term gain and long-term privilege?

Is there then any difference in this phenomenon in peripheral areas or in semi-peripheral areas (like Brazil) from what happens in industrialized capitalist countries? Yes, at least one. The recourse to "authoritarian" solutions, the shying away from "liberal reformism" is clearly faster and more frequent in peripheral areas.

Why should this be so? Largely, I would say because, in the core countries, the working classes and the propertiless professionals are more numerous and better organized, and are therefore *de facto* a greater obstacle to authoritarian paths. Their interests in "liberalism" is quite clear. For the working classes, a liberal regime guarantees both more negotiating space for economist demands by the workers and more long-run possibility of organizing a transition to socialism. For the professional classes, a liberal regime offers more possibility of individual enjoyment of the fruits of their economic achievement and more guarantee of their being able to pass on their new-found privileges to their children.

But the "interests" of these groups in liberalism is not so great that there are not many circumstances when larger segments of the working and professional classes, even in the core capitalist countries, may turn against liberalism. The rising of oppressed ethnic groups is just one obvious instance. Thus there is a potential for what is loosely termed "fascism".

To get back to Pompermayer, it is most constructive to look at the changes in state structure as responses to fluctuations in the state of the world-economy. And there are systematic differences between core and "dependent" state structures in this regard, although I myself would distinguish sharply between a peripheral country like Paraguay and a semi-peripheral one like Brazil or India or even perhaps Italy.

Pompermayer's notes also remind us (but only that) of a classical tactical dilemma for the left — the form in which and the degree to which they should seek to defend "liberal" institutions against "authoritarian" incursions.

With the following remarks we shall try to clarify the central assumptions of our project proposal and the modifications of our argument which have been the result of discussions we have had with economists from outside the institute. What we present is a research proposal, not yet a design for an empirical investigation.

(I) Our point of departure is a theoretical controversy about the consequence of ever increasing public interventions into the economic reproduction process of capitalist systems. The argument of authors like J. Habermas, C. Offe, P. Baran, P. Sweezy and the DDR spokesmen of the 'theory of state monopoly capitalism' runs like this: the phenomenon of continuous public interventions into the process of private capital accumulation which is a new characteristic of capitalist systems, implies a structural change in the system — that is, the public authorities are ever more able to manage the cyclical and aggravating crises of overaccumulation and the declining rate of profit. The result is that economic crises of the system and class conflict as a consequence of these crises can either be fully contained by political interventions or that these crises emerge out of certain empirical disproportions that no longer *necessarily* result from the process of capital accumulation. Social conflicts, according to this argument, are now provoked either by social disparities created by public interventions or by a continuous erosion of the legitimacy system of capitalist societies.

This theoretical argument is implicitly or explicitly based on the assumption that somehow technical progress has done away with the problem of a declining rate of profit so that there is an abundance of surplus value out of which to finance the enlarging volume of public interventions without interfering with the process of private capital accumulation.

Regarding the development of US capitalism and the declining rates of accumulation in the European capitalist systems, as well as the emergence of sharpening class conflicts in the European countries and the inefficiency and irrationality of many public interventions into the economic reproduction process it is our guess that the above argument may be based on a false generalization drawn from the observation of certain developments within the capitalist systems during the past twenty years. As a consequence, the implicit or explicit assumption about structural changes in the process of surplus value production may turn out to be false, too.

(II) In order to clarify this controversial theoretical question we start from the Marxian two-sector-model of capital reproduction based on value theory analysis. To analyze the functional relationships of the economic interventions of the public sector within a capitalist system we introduce a third sector into Marx's model of reproduction. The functions of this public sector are (a) to produce the prerequisites of private capital accumulation (i.e. material infrastructure, education, scientific and technological in-

* This research proposal has been prepared by Hartmut Neuendorff and Ulrich Roedel. The two authors have been studying sociology, political science, and economics at Berlin and Frankfurt universities. After finishing their studies and a period of teaching functions they moved as research assistants to the Max-Planck-Institute at Starnberg led by C.F.v. Weizsäcker and J. Habermas. The research group is still understaffed and it is hoped that at least one economist will participate in the work. Copies of the research proposal may be obtained from H. Neuendorff/U. Roedel, D-813 Starnberg, Riemerschmidstr. 7, Max-Planck-Institut.

formations) and (b) to take over the necessary economic and social 'repair costs' of the system (i.e. subsidies, welfare expenses, defense expenditures) (1).

This public sector is distinguished from the other two sectors by the fact that all its activities are financed by channeling increasing parts of the surplus value produced in the private sector into the public sector by the mechanisms of taxation, ever increasing public debt, and inflation. There is only one exemption from this which seems to us compatible with the strict meaning of Marx' concepts. All the public services which must necessarily be delivered to the working class to secure the reproduction of labor power as a use value which is demanded on the present day level of capital accumulation can be conceived of as being financed by taxes which diminish the individual income of the workers which they receive in exchange for their labor power. Moreover, with the exception of state enterprises which are fully integrated into the market system (that is, which have exchange value relations with other capitals) there does not take place any surplus value production within the public sector, because the use values produced in this sector (material goods, services, and information) do not take on the commodity form but are fed into the sector of private capital accumulation, so that individual capitals can appropriate them either for no cost at all or for a nominal charge in order to improve their particular conditions of surplus production. In the same way individual capitals can costlessly get labor power of improved use value in the market place.

(III) This way to conceptualize the functioning of the public sector within the process of capital accumulation allows us to put forward our central hypothesis. The empirical examination of this hypothesis will make possible a somewhat more profound judgement about the merits of the two theoretical positions mentioned above. Of all the goods and services the public sector feeds into the private sector as prerequisites of profitable capital accumulation, scientific and technological information produced in the public sector plays the most decisive role. If this information (when integrated as technological innovations into the process of surplus value production) makes possible a continuous increase of relative surplus value and of the rate of surplus value and at the same time brings about a continuous devaluation of the elements of constant capital, so that the organic composition of capital does not increase, then the rate of profit will not fall. Under these circumstances, the redistribution of increasing amounts of the surplus value produced in the private sector to the public sector may be compatible with the enlarged reproduction of capital in the private sector, because the production of goods, services, and information in the public sector so to speak 'pays for itself' by continuously improving the conditions of surplus value production in the private sector. The case described, if empirically verified, would be a strong argument for the hypothesis that the capitalist system has undergone structural changes by which central causes of

1) Marx himself enlarged his two-sector-model of capital reproduction by adding a sector of luxury goods production whose output is consumed by the capitalist class. The capitalist use part of the surplus value appropriated as personal revenue instead of accumulating it as additional variable and constant capital. The result is a slowing down of the rate of capital accumulation.

Only part of the activities of the public sector in our model has consequences for the accumulation process analogous to Marx' sector of luxury goods production; i.e. the overwhelming part of public expenditures for defense, space and welfare is financed by transforming parts of the surplus value produced into revenue. The public authorities spend this money to induce the production of use values which can be privately (wage goods) or collectively consumed (arms), but do no longer function as exchange values within the process of enlarged reproduction of capital.

Other activities like education, research, and development, and part of the investments for infrastructure on the other hand are also financed by converting surplus value into public revenue. But the result of these activities are use values which can be productively consumed within the capitalist process of production, although these use values do not become exchange values. The characteristic of these expenditures is that it cannot be determined beforehand whether they actually will slow down the rate of accumulation and will lower the rate of profit.

economic crises have been done away with. But even in this case crisis tendencies resulting from disproportions between the different sectors of production would continue to be possible.

(IV) Some first empirical evidence about the output of public science and technology policy in the United States as well as in the European capitalist systems are the base for our hypothesis; that the 'interaction' between the public and the private sector works in a way that aggravates the inherent crises tendencies of the process of capital accumulation. We propose that the technological innovations based on scientific and technological information produced in the public sector do not make possible a continuous increase in the rate of profit and a continuous devaluation of the elements of constant capital.

Put another way, the public sector is increasingly unable to enlarge by its own activities the mass of surplus value produced in the private sector in a way that the public sector (in order to finance these activities) can take away part of the surplus value without interfering with the process of private capital accumulation. The redistribution of surplus value to the public sector is characterized by the tendency to diminish the volume of surplus value which may be accumulated and will promote the tendency of the rate of profit to fall. The result will be that public intervention into the process of private capital accumulation, which aimed at counteracting crisis tendencies, will magnify these same tendencies.

(V) The possible assumption, that the process of scientific and technological development is altogether contingent or follows inherent logical laws cannot be dealt with within the scope of the project proposed. As regards this assumption, any theorizing about the laws of development of capitalist systems would be problematic from the beginning.

In order to allow the systematic analysis of the relationship between the public and private sectors proposed here, we take it for granted that the production of scientific and technological information is determined by private and political decisions. We have to make this pragmatic decision, because in order to identify the causes for the fact that the scientific and technological information produced in the public sector has the qualities we hypothesized, we have to advance some complementary propositions about the functioning of the state apparatus of capitalist systems.

Our central argument runs like this: The established scientific disciplines which deliver information for the design of policy measures base their analyses on the phenomena as they appear in the market place and not on any systematic assumptions concerning the structure of capitalist systems. According to different degrees of the concentration and centralisation of capitals in the different sectors of production particular capitals or aggregates of capitals successfully try to influence policy measures in order to further their particular interests as they perceive them. The result is that political decisions are limited in their efficiency for promoting the process of capital accumulation by the restricted perspective of the information on which decision makers have to rely. Concerning the arena of a national science and technology policy we would argue that policy measures may effectively meet the needs of individual capitals but that this does not necessarily improve the general conditions of surplus value production of a national capitalist system. On the other hand, such measures may be oriented by 'objective' scientific recommendations, based either on international comparisons of technological development and forecasts derived from them or on some well-meaning proposals of technological alternatives. However carrying out these recommendations might interfere with the status-quo capital structure of a national capitalist system so that the conditions of surplus value production would not be improved but deteriorated. Some theorems advanced by political science (for instance, the inherent 'bias' of political institutions which guarantees a whole field of 'non-decisions' and the 'privatization' of large parts of the administrative apparatus by private clientele groups) describe structural characteristics of the state apparatus which also ensure the restrictive-

ness and 'inefficiency' (compared with the necessities of improved surplus value production) of public science and technology policy.

(VI) In order to put forward empirical evidences for our hypothesis we first planned to investigate the proposed relationship between the output of public science and technology policy and the conditions of surplus value production and the development of the rate of profit on the level of macroaggregates for the West German economy as a whole. We soon had to realize that besides being confronted with the usual difficulties of determining the empirical meaning of some key concepts of our model (for instance, how to draw the boundaries of the three sectors and how to determine that part of public expenditures that goes into the production of scientific and technological information) we faced the well known problem of transforming values into prices of production and vice versa. More generally, we had to deal with the problem of identifying what propositions (formulated in value terms) concerning developments on the level of capital in general, were to mean on the level of concrete historical phenomena. The solutions to the 'transformation problem' which have been worked out by the neo-ricardian school (2) are of no use for empirical work because of the restrictive assumptions which must be made. Moreover, neo-ricardian analyses within the frame work of an input-output model — the variables of which are defined not in terms of values but of dated-labor inputs — showed that in an economy without public interventions, technical progress (a change in the technical coefficients of production) does not necessarily cause an increase in the organic composition of capital but may, by devaluating constant capital, even bring about a decrease (3). We are not yet very clear about what this result (which challenges one of the central assumptions of Marx about the process of capital accumulation) means for our hypothesis.

Concerning our empirical work, we now plan to analyze the effects of the different public programs of science and technology promotion in particular industries which benefit most from these programs. To determine the qualities of the technological innovations which the public programs have made possible, we will have to investigate the following variables: are the effects of such innovations restricted to the public sector (innovations in the defense and space sector)? Do the innovations save variable and constant capital, that is, do they improve the conditions of surplus value production? Or are they rather apt to solve realization problems (innovations in consumer durables)? What is the development of profit rates, growth rates, rates of productivity increase and capital-output-ratios in the industries which are benefiting from the science and technology programs? What are secondary or tertiary effects of such innovations? Are there discernible changes in the export position of the industries concerned? Are there typical time-lags for the transposition of technological informations into innovations? Is there any connection between technological backwardness of industries (as measured by the just mentioned variables) and intensifying social conflict?

We fully realize that this kind of empirical analyses, (and it is very doubtful whether they really can be done in view of the statistical data and informations at hand) have a relationship to the hypothesis we formulated which is not at all theoretically clear. That is, we doubt whether the identification of economic crisis tendencies and intensifying social conflicts in particular industries are sufficient empirical evidence for propositions formulated in value terms and concerning the contradictory development of a capitalist system. Empirical results of this kind will not allow strictly to decide the theoretical controversy which was our point of departure, namely whether the crisis tendencies of capitalist systems are permanently manageable by public interventions. Nevertheless we cannot see at present any other research strategy to begin with in order to allow even small scale judgements in this controversy.

2) Cf. M. Morishima, F. Seton, Aggregation in Leontief Matrices and the Labour Theory of Value, *Econometrica* 1961.

3) Cf. B. Schefold, Wert und Preis in der marxistischen und neokynesianischen Akkumulationstheorie. Unpublished Manuscript. Soon to be published in: *Mehrwert*.

(VII) A pilot study of the administrative procedures of the German Department of Science and Education in promoting a particular technological program (the promotion of new technologies all over a broad spectrum of industries) has shown that it is very difficult to evaluate the results in view of our hypothesis as long as we do not have information about the economic effects of the different programs analyzed. Such information is necessary in order to determine whether the administrative decision-makers are inadequately informed about the conditions and effects of their policy measures, whether the administrative structures inhibit the realization of policy alternatives, whether the administrative system is able to 'free' itself from the particular demands of individual capitals and can develop a more general strategy to promote the process of capital accumulation.

Nevertheless we think that one tentative conclusion can be drawn from the result of our pilot study. It seems that the administrative system can work effectively if the task is to realize great technological projects (power reactors, great computer systems, space projects) the characteristic of which is that they are developed outside the market system (that is, within the public sector). Here criteria of technical efficiency dominate, the economic effects of such projects are of secondary importance although they may be abundantly cited in order to justify these programs. If, on the other hand, the administrative system has to design policy measures which aim to improve the conditions of the reproduction of a given capital structure, policy makers turn out to be very doubtful about what concretely to do, about what the effects of their programs will be, and about how to judge the merits of policy alternatives. The result is that public science and technology policy in this case amounts to subsidizing the R and D projects different firms would have done anyway. The 'anarchism' of the market seems to be reproduced within the administrative system and this seems to be a structural barrier for the administrative system to effectively improve the conditions of surplus value production within a national capitalist system.

We hope that our empirical work will produce enough information so that we can avoid doubtful generalizations as the one just formulated.

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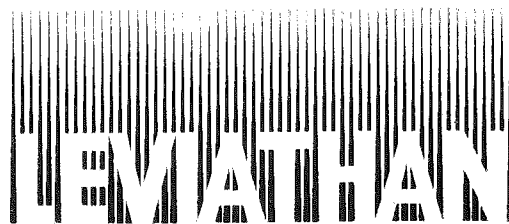
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Zeitschrift für Sozialwissenschaft

Herausgeber: Klaus Horn
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Claus Offe
Dieter Senghaas
Winfried Vogt

Redaktion: Claus Koch

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Contradictions of US State Economic Policy

Research on Surplus Labor Army, Ten-
dential Fall of the Profit Rate, and
Realization Crisis- and State Activity in
these Areas.

Stephen Rose*

The main function of the surplus labor army (SLA) is to keep worker's wages down. Poverty must be visible and a clear statement to workers what will happen to them if they don't follow orders and work hard. The contradiction involved is that capitalists would like to exploit as many workers as possible. However, when employment is rising and unemployment is decreasing, the working class as a whole is able to decrease the rate of exploitation, resulting sooner or later in a decrease in the total pool of surplus value. Capitalists respond by replacing machines for labor or go on a capital strike - both actions resulting in the re-creation of the SLA.

However it should be clear that if the work force can be disciplined without a reserve army, it is in the capitalists' interest to have very little or no unemployment. This can occur only under specific historical circumstances; it is not the normal case, nor can it persist indefinitely. Clear examples of this phenomenon are: fascist regimes, and West Germany and Japan in the post-world war II period. The conclusion then is that the need for a SLA is a historical question not a natural consequence of capitalist production.

Governmental actions concerning the size and location of the SLA are:
1) influencing immigration and internal migration patterns. US immigration laws throughout the 19th and 20th centuries show clearly the concern to move to a certain sized labor force. (The influx of Puerto Rican workers to the East Coast in the post-World War II period is another example.) Internally, differential housing, welfare and unemployment benefits cause marginal

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workers to migrate to certain areas of the country -- e.g. Blacks from the South and Whites from Appalachia to Northern and Mid-Western cities.
2) training workers to ensure that all labor categories will not have too few workers. As the material requirements of production have changed, educating a white collar trained labor force has become a major State activity.
3) allowing crime to exist at a certain level. Marginal worker's revolutionary consciousness can be dulled if crime is an alternative occupation to unemployment. (This points to the main contradiction of involuntary unemployment - it potentially increases revolutionary activity.)
4) ensuring the existence of foreign enclaves in which production can occur with cheap labor - e.g. runaway shops.
5) controlling population size by encouraging or discouraging having children.

Changes in the realized rate of profit play an important role in determining the movements of capital. (cf. Ch. XV Vol III. Capital) The profit rate is determined by the amount of surplus value over the capital advanced. Involved factors include the rate of exploitation, the number of workers exploited, and the composition of capital. It is important to analyze this more as a short run problem than as a long run secular trend. During a capitalist upswing, wages are bid up. This adds to the pressures to increase the production of machines (now to replace labor) and hence increase the organic composition. But the using of materialized labor in place of living labor has its own contradictions and can only be a stopgap measure in keeping the profit rate high. There ensues a constant shifting of strategies until a crisis attempts to lead to a slaughtering of existing values and to a reorganization of production.

Governmental action in this area includes:
1) Changes in taxes. I argue that the wage bargain between capital and labor is made within the context of the given level of taxes. So if the government changes taxes to have a greater share be paid for by the working class, they have effectively increased the rate of surplus value. (This implies that the working class must carry on struggles at the point of production and over

the distribution of taxes.)

2) Imperialism - by decreasing the cost of variable capital (the worker's reproduction costs) and constant capital (the costs of raw materials).

3) Socializing infrastructure costs - this is another attempt to increase the rate of surplus value; this time the governments are to take money from the working class to reproduce and expand constant capital outlays.

4) Nationalizing low profit industries - this usually occurs after the industry has been milked dry by capitalists and is an attempt to socialize constant capital costs as in point three.

The realization problem is usually compared to the Keynesian lack of effective demand or what Marx calls "a general glut of commodities." Marx's most pointed remark on this subject is the following: "It is sheer tautology to say that crises are caused by the scarcity of effective consumption, or of effective consumers. The capitalist system does not know any other modes of consumption than effective ones." (Capital Vol II. p. 410) So the realization problem is just the external manifestation of a crisis, not its cause. Hence to understand the realization crisis, one must first understand the nature of capitalist crises.

There are two major types of crises. The first type concerns the struggle between capital and labor over the division of the working day between the paid and unpaid portions. It may become necessary for the most powerful elements of the capitalist class to go on a capital strike in order to discipline labor. The State can only partially counteract this sort of crisis. It can do this only by attempting to discipline labor itself:

1) by its direct employment policy - once the State employs a large portion of the labor force itself, its wage policies are very crucial.

2) by an incomes policy - consciously regulating the division between capital and labor and attempting to control production itself. The major contradiction of this strategy is that it clearly puts the State on the side of the bourgeoisie and not as working for society's general interest. It makes economic struggles clear political struggles and unifies the working class vis-a-vis the capitalist class.

The other major type of crisis attempts to show that the very nature

of capital leads to crisis. Due to the anarchical production patterns of capitalism, the three peculiar characteristics of the commodity form (which Marx discusses in Ch. 1. of Vol I. Capital) come to the fore - the separations of use and exchange value, concrete and abstract labor, and social and individual. This type of crisis is most clearly discussed in Ch. 17 of Part II of Theories of Surplus Value - "The difficulty of transforming the commodity - the particular product of individual labor - into its opposite, money, i.e., abstract general social labor, lies in the fact that money is not the particular product of individual labor, and that the person who has effected a sale, who therefore has commodities in the money, is not compelled to buy again at once, to transform the money again into a particular product of individual labor . . . Crisis is nothing but the forcible assertion of the unity of phases of the production process which have become independent of each other. The factors which turn this possibility of crisis into (an actual) crisis are not contained in this form itself; it only implies that the framework for a crisis exists." (Theories of Surplus Value II. p. 509) There are many ways in which the crisis can come about. Perhaps, the major potential contradiction concerns the fact that technology may cause differing movements of use and exchange value.

Once the State has a large role in the economy, it can play a major role in counteracting these movements. Marx says the crises assert a forcible unity; the State can do the same thing by direct or indirect subsidy, ensuring and creating world markets. Another thing that the State can do is to avoid the proliferation of unemployment and contraction of production. It does this by unemployment payments, welfare and the other social insurance programs. The contradiction of this strategy is that it impedes national capital from shedding outmoded production techniques. Hence in the world market, the US has been losing to other capitalist countries in terms of growth of relative productivity. Of course, crises may now be politically too dangerous to allow to occur, and hence a trade-off is forced.

The above little description is my general methodological approach. My task is to develop these preliminary remarks fully, both analytically and historically in the near future. Comments and criticism are welcome.

*Current
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Autonomy and Penetration in Venezuela - A Project Report

Wolfgang Hein Heinz-Rudolf Sonntag
Georg Simonis Konrad Stenzel*

This project, which is being carried out in conjunction with a larger project dealing with "CONFLICTS AND DEPENDENCY STRUCTURES IN INTERNATIONAL SOCIETY" under the auspices of the International Policy Section of the German Society of Political Science (Deutsche Vereinigung für Politikwissenschaft), concerns itself with a model-case of developed underdevelopment in which the structures and processes of dependent reproduction are examined in detail. Two central research themes predominate:

1. The attempt is made to accurately define the societal formation of underdeveloped capitalism based on Amin's postulate of "blocked transition phase".

2. Using Venezuela as a case in point, theorems with respect to the functions of the state apparatus and the political formation of dependent and deformed societies are developed.

Tentative research results:

Hein, Simonis, Sonntag, Stenzel: Autonomie und Penetration Venezuelas. Diskussionspapier der Sektion internationale Politik der DVfPW, Juni 1972 (Autonomy and Penetration in Venezuela. Paper presented to the International Policy Section of the German Society of Political Science in June, 1972).

Hein, Simonis: Theoretische und methodologische Probleme einer kritischen Theorie internationaler Politik. Diskussionspapier der Sektion Internationale Politik, September 1972 (Theoretical and methodological problems of a critical theory of international policy. Paper presented to the International Policy Section in September, 1972).

Hein, Stenzel: Zur Bestimmung der Funktion des Staatsapparates im unterentwickelten Kapitalismus. Diskussionspapier zur Tagung des Zentrums für interdisziplinäre Forschung, Bielefeld, Dezember 1972 (On Defining the Function of the State Appa-

* Interested persons are asked to contact the authors at the following address: Universität Konstanz, Fachbereich Politische Wissenschaft, 775 Konstanz, Jacob-Burckhardt-Str., Postfach 733, Federal Republic of Germany.

ratus in Underdeveloped Capitalism. Paper presented to the Conference of the Center for Interdisciplinary Research in Bielefeld, December, 1972).

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The Formation of Interstate Functions in Capitalist Social Formations

Georg Simonis*

Currently my efforts are centered around creating a synthesis between structuralist theory and theory of action aimed at providing an explanation of the process of formation of foreign policy in differing social formations.

Any analysis of foreign policy processes presupposes a clarification of the structural conditions of the foreign policy functions of state apparatuses and/or political systems. As a result of the accelerated process of socialization of the world (for example the extension of the division of labor and dependency relationships, the development of underdevelopment, the transformation of norm systems) based on a world economy dominated by the capitalist metropolises with the simultaneous transformation processes within societies (with respect to national states) (for example, the growing degree of monopolization and stagnatory trends in developed capitalism) control and regulatory functions are being increasingly demanded of the foreign policy systems of national states in order not only to maintain and/or promote an environment conducive to the functionality of the national state, but also to enforce the necessary processes of adaptation to new environmental conditions within the given society. The actual formulation and definition of foreign policy functions is dependent on the respective interrelationships between global structural conditions and the structural conditions within the given society.

The structural theory is supplemented by a theory of action of foreign policy aimed at determining the manner in which structural factors and conditions result in concrete action as well as at examining structural transformations on the basis of actions. At this level of analysis, differing situations with specific situational definitions of the actors are correlated with the varying forms

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and contents of foreign policy formation processes. The foreign policy formation process is conceived of as a problem-solving process, whereby the problems and the methods of dealing with them are either structurally predetermined or limited by the prevailing structures.

I would be glad to come into contact with other persons working in this field. I shall attempt to report on certain aspects of my research in coming issues of KAPITALISTATE.

Radical Criminology

Herman Schwendinger

The types of research conducted by left-oriented criminologists include, among others, historical studies of the convict lease system, the effect of organized labor on the utilization of convict labor, the origins of the police system in advanced capitalist countries, the changes in the juvenile justice system, and the extremely rapid expansion of the state institutions of criminal justice and their supportive infrastructures in the United States. (These infrastructures include, for example, the numerous police science and general criminology programs being established in institutions of higher learning throughout the country.)

Research is also being conducted regarding such subjects as abortion laws, sexism and the present institutional practices for dealing with victims of rape, the technocratic character of the office of the public defender, the export of police technology to governments in underdeveloped countries, and the new technologies for control over large populations (e.g., drug control of prisoners and the control of parolees via telemetering systems and cortical implantation of electronic devices).

In addition, our work includes polemical and analytic writings which counter the ideological foundations of bourgeois criminology. Thus, for example, some of us have been writing about the ideological definitions of crime and the state which justify the role of the technocratic criminologist and the technocratic domain of the field. There is a great need for analyses which incorporate the study of crime, the law, and the technologies of legal coercion, into a general theory of the modern state.

Finally, I would like to report that the Union of Radical Criminologists (to which I referred previously) has been formed in Berkeley. The Union will promote radical alternatives to the oppressive and technocratic ideology and practice that dominate criminology today. Although it will especially encourage socialist formulations, the Union welcomes any radical contribution that exposes the fundamental political and economic causes of crime and delinquency; that constructs definitions of crime which are in the interests of oppressed peoples and exploited classes; that criti-

cally analyzes the legal and extra-legal technologies of coercion employed by the state and its supportive institutions; and that delineates the insurgent domain of a people's criminology.

Various collectives, grass roots movements, civic organizations, scholars, state employees, and prisoners have become interested in changing the theories and practices of criminology. Some of these individuals and groups are generating important radical insights and programs which should be widely disseminated. Upon that premise, the Union, in its newsletter, Peoples' Criminology, will engage in collecting and distributing these ideas, materials, and other information for research, education and political activities. The Union will welcome any written material and subscriptions from those who are in broad agreement with its goals.

Persons seeking subscription, publication, or further information regarding membership in the Union of Radical Criminologists can temporarily address communications to:

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A Point of Focus Regional Studies and Local Movements

A group of social scientists from 15 German universities and research institutions met in Heidelberg from the 6th to the 8th of April 1973 to discuss working papers on political problems in the Federal Republic, concentrating on the analysis of local institutions and local political movements.

The group agreed to concentrate on four interrelated fields of research: 1. By placing special emphasis on the study of urban agglomeration in developed capitalist societies it is hoped that the perspectives and horizons of local research groups may be extended beyond the parochiality of the problem-oriented local political/administrative system. The parochiality of present "local studies" is itself an example of affirmative social science which derives its major topics from the immediate needs of the local public bureaucracies. An attempt is made to explain urban agglomeration as local concentrations of production, circulation, and consumption based on a theory of the societal process of capitalistic reproduction. It is asserted that the international disparity of 'metropolitan' and 'peripheral' societies is reproduced within the metropolitan societies themselves through the linkage of the processes of agglomeration and deglomeration. Urban agglomeration would appear to be the key manifestation of the problems of metropolitan societies at the local level. (Papers delivered by Evers and Fester from Aachen and Vaih from Constance. 2. Research is suggested into the class-character of the on-going reproduction process by studying the cumulation of the burdens of the modes and costs of production and consumption as well as the various sectoral policies which coincide to determine the living conditions of the dependent classes of the urban population. The following approaches were proposed: a) combined studies of manifest conflicts within metropolitan units of production, housing areas, and between protest groups and local political elites; b) matching of attained levels of consumption (transportation, health services, housing, urban environmental problems, etc. and working conditions with historically possible levels, and c) reconstruction of the theory of the value of labor. (Papers delivered by Bauer, Bil-

lerbeck, and Grauhan from Bremen, and Evers and Fester from Aachen.

3. Investigation of the conflict structure of the political/administrative system at the local-state-federal level and the level of conflicting sectoral policies, proceeding from their various impacts on the agglomeration process and its respective local manifestations — under the general framework of a political crisis theory and metropolitan conflict-and-protest strategies. The local political/administrative institutions in developed capitalist societies are conceptualized both as institutional devices to break down the conflict potential of the on-going urbanization process and — within the agglomerations — as possible bridgeheads for social counter-strategies. (Papers delivered by Emenlauer, Grymer, Krämer-Badoni, and Rodenstein from Munich, Hilterschied and Lenke from Berlin, Offe from Starnberg.)

4. As the crucial academic problem imposed on the universities by their social function as recruiting agencies: Analysis of the fields of professional action within administrative bodies in coping with the phenomena of agglomeration and deglomeration (agencies for city and regional planning and re-development, social aid, economic development, etc.); the ambiguity of qualification requirements stemming from the conflict structure within and between organizations and programs and of their exploitability for the construction of academic teaching programs based on analyses in fields 1-4. (Papers delivered by Häussermann and Will from Berlin, Linder from Constance, and Siebel from Darmstadt.)

The next meeting will be organized during the Congress of the German Political Science Association, October 1973 in Hamburg. Joint publication of papers in a finalized version is scheduled for spring 1974.

To get in contact with the group in the interim between meetings contact:

Rolf-Richard Grauhan
28 Bremen 33
Universität Achterstr.
Studienbereich III
FRG

The group is interested in cooperation with US, English, etc. counterparts. Some of the work discussed will be written up for future issues of Kapitalistate. Some work will be drawn up in short or longer form as project reports (Rodenstein et. al.), other material may appear in more developed form as a theoretical note (Evers). Additional work in this subject area suggested for

MERVE

Internationale Marxistische Diskussion

1. Charles Bettelheim
Über das Fortbestehen
von Warenverhältnissen in
den „sozialistischen Ländern“
DM 2,—
2. Lucio Colletti/Lucio Libertini
Über Lenin's „Staat und Re-
volution“ — heute
DM 5,—
3. Martin Nicolaus
Konkurrenz und Mehrwert.
Zur Klassentheorie bei Marx
DM 4,—
4. Edoardo Masi
Der Marxismus von Mao und
die europäische Linke
DM 2,—
5. Partei und Klasse. Eine Dis-
kussion zwischen Jean-Paul
Sartre und „il Manifesto“.
Einleitung: R. Rossanda
DM 3,—
6. Jean Laplanche
Marcuse und die Psycho-
analyse
DM 2,—
9. Ernest Mandel/Martin
Nicolaus
Kontroverse über die Mög-
lichkeit einer Revolution
USA
DM 4,—
10. Louis Althusser
Freud und Lacan
DM 2,—
11. Notwendigkeit des Kommu-
nismus. Die Plattform von
„il Manifesto“
DM 5,—
12. Mario Tronti
Extremismus und Reformismus
DM 4,—
13. Martin Nicolaus
Die Objektivität des Imperia-
lismus. Anti-Mandel
Ernest Mandel
Die Widersprüche des Imperia-
lismus
DM 8,—
14. Lucio Colletti
Marxismus als Soziologie
DM 4,—
17. Rossana Rossanda
Der Marxismus von Mao Tse-
tung
DM 2,—
18. Adriano Sofri/Luciano Della
Mea
Zur Organisation und Strategie
von Lotta Continua
DM 5,—
19. Alfred Sohn-Reibel
Materialistische Erkenntnis-
kritik und Vergesellschaftung
der Arbeit, 2 Aufsätze
DM 4,—
20. „Classe e Stato“
Frederico Stame, Nicoletta
Stame, Luca Meldolesi
Die Dialektik von Partei und
Massen in der chinesischen
Theorie / Bericht eines FIAT-
Arbeiters über die Arbeits-
organisation in der
chinesi-
schen Fabrik
DM 2,—
21. Massimo L. Salvadori/Vittorio
Rieser
Ratesystem und Maoismus
DM 5,—
22. „Base Ouvrière“
Revolutionäre Betriebsarbeit
bei Renault-Flins
DM 6,—
23. „il manifesto“
Für eine organisierte politi-
sche Bewegung
DM 4,—
24. „Que faire“
Klassenkämpfe in Frankreich
seit dem Mai 1968
DM 5,—
25. „il manifesto“
Thesen zur Schul- und Hoch-
schulpolitik
DM 5,—
26. Toni Negri
Zyklus und Krise bei Marx
DM 5,—
27. S. Bologna P. Bolzani
Techniker als Produzenten und
als Produkt
DM 3,—
28. Jacques Ranciere
Der Begriff der Kritik und die
Kritik der politischen Ökono-
mie. Die „Manuskripte“ von
1843 und das „Kapital“
DM 7,—
29. Lucio Magri
Probleme der marxistischen
Theorie der revolutionären
Partei
DM 4,—
- Die Plattform von „Potere
Operaio“
DM 5,—
- Andre Gorz (Hrsg.)
Schule und Fabrik
ca. DM 8,—
- F. Ciattoni
M. Salvati B. Beccalliti/C. Donolo/
Arbeitssteigerung — Kapitalismus.
Sozialismus, Utopie
ca. DM 5,—
3. Revolutionärer Kampf (ehem.
BPG Frankfurt)
a) Untersuchung-Aktion-Organi-
sation
b) Zur politischen Einschätzung
von Lohnkämpfen
DM 1,50
4. Woher kommen die richtigen
Ideen der Menschen?
Eine Kontroverse zwischen
Manifesto und Lotta
DM 2,30
5. Kongreß gegen politische Un-
terdrückung. FU Berlin vom
24. bis 26. 4. 1972
DM 5,—
6. Jean-Claude Guérin
Die französische Lehrgewerk-
schaft (FEN) — Analyse und
Kritik
DM 2,—
7. „Potere Operaio“
Was ist Arbeitermacht? Mate-
rialien zur Kaderbildung
DM 1,50
8. Pischel/Rossanda u. a.
Zur chinesischen Außenpolitik
DM 3,50
9. Proletariat und Subproletariat —
der Fall des Bankräubers Santa
Notarnicola
ca. DM 3,—

ARBEITSPAPIERE

Merve-Verlag
1 Berlin 15
Postfach 327

publication in KAPITALISTATE may
also be found in the FRG Progress Re-
port (for example: under Current Events:
Bahl et al.; under Reviews: Grymer et al.;
under Theoretical Notes: Erdmann).

Current
Projects/
Cooperative
Communi-
cations

A Point of Focus

Re: StaMoCap v. Marx & Lenin
et al.

Ernst Theodor Mohl

Ginheimer Str. 189
D 6 Frankfurt am Main 50.
April 1st, 1973

Dear Stephan,

from your letter of December 19th,
I take it that contributions from authors
in these parts are, beginning with the se-
cond issue of "Kapitalistate", expected to
concentrate among other things on the
extension of the "construction of state-
monopolistic theory".

Having come of age beyond the
frontiers of "High German", new phrases
of this sort never cease to bewilder me,
and I was relieved to recognize in the
"construction of state-monopolistic the-
ory" that "shrivelled fruit-hag" who, mu-
tated by Hegel to a mere hawker-woman,
responded to complaints of having sold
rotten eggs by providing an "abstract"
description of the three relationships of
the idea to objectivity (Cf. Sämtliche
Werke. Jubiläumsausgabe (1). Vol. XX.
pp 449.).

Just as I was about to respond to
your repeated request to take a stand on
this plan, a former SDS comrade, who is
now working at the grass roots of one of
our governing parties, destroyed my good
intentions with a rush order for as quick
and severe a critique as possible of two
pamphlets being circulated here: 1) the
so-called "Hamburg Strategy Paper"
adopted by the JUSO (Young Socialist)
State Conference on November 27, 1971
and which is now in its third printing of
February, 1973 and being passed around
within the party, and 2) an anti-critique
entitled "Contributions to the Strategy
Debate in the Young Socialist Organi-
zation Hamburg" January, 1973 (2nd print-
ing). I was just addressing myself to these
amply esoteric documents — whose central
phrase is "system of state-interventionist
monopoly capitalism" or somewhat mur-
kier "stamocap" — when the local press
here, inspired by the machinations of one
Dr. Eckert, stepped in. Thanks to the
"Abendpost" and the "Frankfurter All-
gemeine Zeitung" (FAZ) every intelligent
reader now knows: there's no such thing

as the "construction of state-monopolistic
theory" not to speak of the non-existence
of any "stamocap" related to reality:
originally it was nothing more than a
"catchword", but one of those catchwords
which, because they refer to nothing of a
manifest nature, hop from person to person
like fleas. And suddenly the vermin came
together, undermining whole formerly
respectable local chapters, generating like
schizophytes and producing plans for tax
increases. What follows is the topic of
almost daily editorials in the business
pages of the world-renowned paper (FAZ):
the exodus of capital sets in; as a result
the commercial banks, those pillars of our
free, democratic order of life, are national-
ized, and then things really start to roll:
within the year Swiss cantons proclaim
Capitalism in one country and throughout
the European Community and what's left
of EFTA, with the help of a new totalita-
rian one-party monopoly, a new power
elite rules . . .

April 2nd, 1973

. . . And that, which, as I attempted
to illustrate last night, is now setting forth
to make history — "when one myth colli-
des with another, there is a very real event"
(Lec) (2) — can of course be called back
into the herbarium of the history of theory.
Whoever does this will find important in-
spiration in newer issues of "Sozialistische
Politik" (SoPo).

I learned from Ilan Reisin's essay in
SoPo 19, pp. 52, for example, that the
producers of the theory in question claim
to provide "stringent derivational conti-
nuity", fusing (one) a correct interpreta-
tion of Marx with (two) Lenin's critique
of imperialism to provide (three) a
genuine Marxist-Leninist continuation of
the latter: the theory of state-monopolis-
tic capitalism. Any thorough discussion
of this question would, it seems to me,
have to attempt to reconstruct this
genetic complex inherent in the theory.
The first theme would, for example,
have to be approached by examining
the role played by the Marxian critique
of political economy in the construction
of the theory of stamocap. No simple
task to be sure, for I feel that an inter-
pretation of Marx which could in any
manner prove relevant to the construct-

2) Stanislav Lec, Unfrisierte Gedanken,
München (Hanser) 1972; Unkept
Thoughts, New York (Funk & Wan-
gall's) 1967.

1) Complete Works. Anniversary edition.

ion of a theory in the tradition of Marx and Engels is only to be found among a few specialists in an environment patterned after Soviet Marxism. I'd have to go way back; I'd have to point out that there are examples of excellent text philology in the Soviet Union and the GDR (MEW (3) and the preparation of the new MEGA (4)), yet no organized Marx research in any emphatic sense, which is to say: there's a lack of any "systematic study governed by materialistic considerations" which also applies the principles of historical materialism to the writings of Marx and Engels.

Thus only a few individual fighters at the philosophy academies are reflecting on the logical status of the Marxian critique as a theory of capital in general; their insights, however, rarely reach the producers of stamocap-theory; they have uncontestedly labelled Marx as a theoretician of competitive capitalism, and thus do not use his great work as a systematic approach, but rather as a rockpile from which they glean fragmented quotes and at best partial theorems taken out of context, such as the law of the tendential fall of the rate of profit.

I maintain: this part of the study will show that in all of the voluminous compendia of the theory of state-monopolistic capitalism compiled by zealous party comrades, beginning with "Imperialismus der BRD" (6) on to the latest Soviet-Russian and CPF products (Politische Ökonomie des heutigen Monopolkapitalismus (7), edited by the Institut für Internationale Beziehungen der Akademie der Wissenschaften der UdSSR. Berlin 1972; S.L. Wygodski: Der gegenwärtige Kapitalismus (8). Moscow 1969, published in German in Berlin/GDR and Cologne, 1972; Traite marxiste d'economic politique: le capitalisme monopoliste d'etat (9). Paris, 1971, 2 vols.; published in German as: Der Staatsmonopolistische Kapitalismus (10), Berlin/GDR and Frankfurt am

- 3) Marx-Engels Werke = Marx-Engels Works
- 4) Marx-Engels Gesamt Ausgabe = Marx-Engels Complete Edition
- 5) Imperialism Today.
- 6) The Imperialism of the GFR.
- 7) The Political Economy of Present-day Capitalism.
- 8) Current Capitalism.
- 9) A Marxist Treatise on Political Economy: State-Monopoly Capitalism.
- 10) State-Monopoly Capitalism

Main, 1972) any and all references to Marx remain both coincidental and superficial.

The second stage of the examination will be even more difficult. The specific relationship between Lenin's theory of imperialism and the Marxian critique of bourgeois economics has, for my taste, never been thoroughly researched to this day. Soviet-Marxist authors assure us: "V.I. Lenin's theory of imperialism has as its point of departure the laws of the capitalistic method of production as researched by Karl Marx . . . Lenin's study is a direct continuation and extension of 'Kapital'." (International authors' collective: Geschichte der ökonomischen Lehrmeinungen (11). Moscow 1963, published in German, Berlin/GDR, 1965, pp. 313. This thesis deserves scrutiny.

If it proves to be correct then Marx would, as it were, actually be preserved in Lenin's analysis and thus mediated to the theories of stamocap via their systematic reference to Lenin, and only then is the ancestry they claim really correct. This means that everything centers around how Lenin's theory of imperialism is constituent to the construction of theory today under the sign of "stamocap". In a study by Peter Hess and Horst Heininger on "Die Aktualität der Leninschen Imperialismuskritik" (12) (Berlin/GDR and Frankfurt am Main, 1970) the basic thesis is as follows: Lenin's theory of imperialism contains all of the essential elements for current analysis. As is well known, Lenin's writings from the years 1916/1917 already contain the term "state-monopolistic capitalism, but as far as I can see, he was aiming his remarks, and how could it have been otherwise with respect to historical developments at the time, at the "strengthening of state machinery" due to the war (State and Revolution) and not at the development of latter-day capitalist production methods into an encompassing system of "state-interventionist" crisis-management which didn't become programmatic until the Depression and a reality until the post-fascist reconstruction period. The "link" to Lenin consists for me in the extension of his nomenclature. I

- 11) History of Economic Theories.
- 12) The Actuality of the Leninist Critique of Imperialism.

would suggest a more manifest utilization of Lenin's theory: "The facts and not the dogmas are the basis of political economy" (this is doubly underlined in his conspectus of the correspondence between Marx and Engels).

And precisely here we have arrived at the point where we, even prior to any substantive critique of stamocap theories, must discuss a completely different genealogical complex: As is well known, the leaders of the Communist International at the Seventh World Congress in 1935 developed a momentous strategic theory of stages; they declared that the socialist revolution in the metropolises would have to first pass through an anti-imperialist phase — the popular front politics and other coalitions between all anti-monopolistic strata. The resolutions of the Moscow Consultations of the Communist Workers' Parties of 1957 and 1960 have taken up this model and have transposed it to the "epoch of the collapse of imperialism and the liquidation of the colonial system, the epoch of the transition of ever new peoples to the path to socialism, the epoch of the triumph of socialism and communism at the world level", decreed with such emphasis. A year later the 22nd Party Congress of the CPSU adopts a new party program which, under the subtitle "The Crisis of World Capitalism", expands the vernacular: "In the imperialist stage there is extended development of state-monopolistic capitalism. The structure and the growth of the monopolies lead to direct state intervention into the capitalist reproduction process in behalf of the financial oligarchy . . . The state has become an administrative council of the monopoly bourgeoisie . . . State-monopolistic capitalism unites the power of the monopolies with the power of the state into a unified apparatus which attends to the enrichment of the monopolies (and) the suppression of the labor movement and which is supposed to save the capitalist order . . . The dialectic of state-monopolistic capitalism is such that it intensifies the contradictions of capitalism, causing it to tremble at its very roots. State-monopolistic capitalism represents the most complete material preparation for socialism."

Heinz Jung, who gathered representatives of a Soviet, a French, and a GDR authors' collective of stamocap theory-producers in Frankfurt towards the end of the past year, subsumes this

context under the "points of departure" of the 'desk' for "collective documents of the Communist Workers' Parties"; he points with pride to the high level "of agreement in the most important basic questions and assertions achieved by these collectives working so geographically separated from each other" (Der Staatsmonopolistische Kapitalismus. Einführungen in marxistische Analysen aus der DDR, Frankreich und der Sowjetunion (13) published by the IMSF (14), Frankfurt am Main, 1972, p. 11)

I insist that precisely this kind of "agreement" signals the central evil of party-Marxist research: It is both performed and deformed by the fact that the results, even before the researchers can set to work, have been codified by party resolutions. I needn't emphasize that the studies of Peter Heß, Paul Boccara and other party-affiliated authors provide scientific results which we have every cause to take seriously; and I don't deny that the party-semi-official tracts on the topic of stamocap contain many useful insights into the current base-problems of latter-day capitalist societies — nevertheless I am convinced that all of the perplexities of these theories result from the subjugation of the formulation of theory under the strategy concepts of the switchboard in Moscow. Only if and when the proposed substantive debate on "stamocapism" also reflects on this particular "derivational continuity" will it do justice to the theories in question, for: "The leges transform the logos!" (Lec)

with the warmest greetings,
yours

Mohl

- 13) State-Monopoly Capitalism. An Introduction to Marxist Analyses from the GDR, France, and the Soviet Union.
- 14) Institut für Marxistische Studien und Forschungen = Institute for Marxist Studies and Research (6 Frankfurt/Main, Liebigstr. 6).

PROGRESS REPORT – USA –
MARCH 10, 1973

Contributing Editors

Regional Development and Planning;
Economic Alternatives.

Political Parties.

Economic and Legitimization Functions.

Political Socialization.

History of State Capitalism.

Theory of the State.

Municipal Reform. Budgetary
Planning.

Regional Government and Planning.
Community Control.
Education.

Economic Policy and Planning.

Class Structure and State Power; Budge-
tary Planning.

Economic Policy and Planning.

Legal System and Repressive Functions.

State in Dependent Capitalist Societies.

Theory of the State.

Gar Alperovitz, Cambridge
Policy Studies Institute, 123 Mt.
Auburn St., Cambridge, Mass. 02138.

Anatole Anton, Dept. of Philo-
sophy, University of Colorado, Boul-
der, Colorado 80302.

Ike Balbus, Dept. of Political
Science, Princeton University, Prince-
ton, N. J. 08540.

Amy Bridges, 167 West 85th Street,
New York, N.Y. 10024.

Paul Buhle, Radical Ameri-
ca, 5 Upland Rd., Cambridge, Mass.
02140.*

Douglas Dowd, 1145 Filbert St.,
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Martin Davis, Dept. of Economics,
Cal. State University, San Jose, San
Jose, Cal. 95114.

David Eakins, Dept. of History, Cal.
State University, San Jose, San Jose,
Cal. 95114.

Dan Feshbach, Pacific Studies Cen-
ter, 1963 University Ave., Palo Alto, Cal.
Herb Gintis, Graduate School of
Education, Education and Social Policy,
Gutman Library, 6 Appian Way, Cam-
bridge, Mass. 02138.

David Gold, Dept. of Economics,
Columbia University, New York, N.Y.
10027.

Martin Murray, Dept. of Sociology,
University of Texas, Austin, Texas
78712.

Bertell O'Hanlon, Dept. of Politics,
New York University, Washington
Square, New York, N.Y. 1003.

Steve Rose, 789 West End Ave.,
New York, N.Y. 10025.

Hy Schwendinger, School of
Criminology, University of California,
Berkeley, Cal.

Paul Sweezy, Monthly
Review, 116 West 14th St., New
York, N.Y. 10011.*

Immanuel Wallerstein, McGill
University, Dept. of Sociology, Mon-
treal, Canada.

Robert Wicke, 2322 Scotton,
Detroit, Mich. 48209.

* Buhle and Sweezy are listed here solely in alphabetical order. They do not take care of the specific subject area mentioned on the left side of the page.

Repressive Functions.

History of the State in the U.S.

Work in Progress

(including possible U.S. contributions
for issue 2)

Current Events

Nixon's 1973-74 Budget (Feshbach,
O'Connor).

New Trends in Regional Health Policy
(Medical Committee for Human Rights).

Research in Progress

Municipal Reform and Budget Planning,
1900-1920 (Eakins).

Theoretical Approaches to the Develop-
ment of Cities and City Planning (Sardei-
Biermann).

Repression and the State (Wolfe)
Corporate Liberal Literature and State
Theory (Hoffman)

Theoretical Notes

Contradictions Between Economic and
Legitimization Functions of the State
(Balbus).

Notes on the Relationship between the
Fiscal Crisis and Legitimization Crisis
(Offe, O'Connor).

Critique of Offe's "End of Market Con-
trol and the Crisis of Legitimization"
(Palo Alto Kapitalistate group)

Reviews

Alavi's "Theory of the Post-Colonial
State" (New Left Review, 74) (Palo
Alto Kapitalistate group).
Poulantzas' Pouvoir Politique et Classes
Sociales (Bridges; Cardose). New Books
on the Military Establishment and Mili-
tarism (Dowd). Stein's Fiscal Revolution
in America (O'Connor). Moore's Critique
of Capitalist Democracy (New York Ka-
pitalistate group). James' State Capitalism
and World Revolution (Buhle; Wicke).
Cardoso's Estado y Sociedad (Pomper-
mayer)

Note: Reviews or discussions of the
following books would be worthwhile
(any volunteers? any other books that
should be added to the list?): Avineri's
Hegel's Theory of the Modern State;
Harvey and Hook's, The British State;

Alan Wolfe, 210 West 89th St.,
New York, N.Y. 10024.

Rick Wolff, 65 East Pearl St., New
Haven, Conn. 06513.

Michael Zweig, Dept. of Economics,
State University of New York, Stony
Brook, N.Y. 11790.

Mattick's Marx and Keynes; Redford's
Administrative State; Lowi's End of
Liberalism

New York Group Activities

Steve Rose writes: "We are studying
political socialization literature. For our
next meeting we are reading Eleanor
Leacock's book on Schools in the City
and Althusser's article on Ideology in
Lenin and Philosophy." A Conference
on the Marxist Theory of the State was
held at CUNY Graduate Center, Febru-
ary 17-18. The program included Alan
Wolfe on Facism; Amy Bridges on
Poulantzas' works; Herb Gintis on Edu-
cation and the State; David Gold on Eva-
luating Macro-Policy; Michael Reich on
Macro-Policy; Steve Rose on The State
and Reproduction of Capital; Michael
Zweig on the History of the US State;
Milton Mankoff on American Militarism;
Larry Sawers and Ray Boddy on Wealth
Distribution. Steve continues: "The
conference went reasonably well. About
50-60 showed and we discussed our work."
Prospects for something written coming
from the conference seem dim.

Palo Alto Group Activities

During the past two months we have
discussed Alavi's article in NLR on the
Post-Colonial State; current popular li-
terature on Nixon's new budget propo-
sals; Sardei-Biermann's mss. on Cities
and City Planning. The group decided
to participate in a regional URPE con-
ference on state theory to be held in
Palo Alto in May. One spin-off of the
group is a course on the capitalist state
given at the Liberation School by Fesh-
bach and O'Connor. Students are reading
the classics; the first issue of Ka-pi-ta-
l-i-s-t-a-t-e will be the main text. Three
members of the group from Latin Ame-
rica are going home next month, where
they will develop contacts for our
bulletin.

Annotations for Future Issues

I am trying to work up a complete and current list of who is keeping track of what journals and papers and doing annotations. All annotations for issue two should be in the mail by the first week in May. Since we are just starting this section of the bulletin, people should annotate important articles even if they appeared one or a few years ago. Please write as soon as possible with corrections, additions, etc. to list below.

Bob Wicke – Internationalism; Troubled Times (formerly The Radical Therapist); Southern Patriot; The Public Interest; Social Policy.

Ike Balbus – Telos; American Political Science Review.

Jim O'Connor – Washington Monthly; Industrial and Labor Relations Review; Socialist Revol.

New York Group – (who is responsible for what?) Monthly Review; Review of Radical Political Economics; Science and Society; Radical America; Politics and Society; Critical Anthropology; CCAS Bulletin; PL Magazine; American Economic Review; National Tax Journal; Dissent; New Politics; Labor History; Liberation; Journal of Political Economy; Quarterly Journal of Economics.

Sherry and Bob Girling – Insurgent Sociologist; Social and Economic Studies; New World.

PROGRESS REPORT – ITALY – MARCH 1973

Coordinating Editors

Marino REGINI

Alberto MARTINELLI

Contributing Editors

We think an effort should be made to group people in main geographical areas and have them work together as a sort of regional editorial board, with one person keeping contacts with the other groups. We have so far the following groups:

Milano

Isavra B. Schmidt – Sociedad y Desarrollo (Chile)

Bill Smith – Sociedad y Politica (Peru).

Frank Cassidy (Dept. of PSA, Simon Fraser) – All Canadian journals.

Mick Counihan (Victoria, Australia) – All Australian journals.

Finances (March 1, 1973)

Income

Subs and Contributions etc. \$ 1720

Spending

Printing No. 1 (provisional USA share)

– \$ 400

People's Translation Service – \$ 80

Total – \$ 480

Balance – \$1240.

Note: Future expenses will include:

1.) Possible extra contribution for printing No. 1. 2.) Air freight for shipping No. 1 from Berlin to USA. 3.) Expenses for a sample mailing of No. 1 to libraries and individuals. 4.) Translation costs for No. 2 and future issues. 5.) Last but not least, future printing and mailing costs.

Fraternally,

Jim O'Connor
645 Congo Street
San Francisco, California, U.S.A.

– Scuola di Formazione in Sociologia,
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– Via Cernuschi 1, 20129 Milano
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– Istituto di Sociologia, Università
Statale, Via Daverio 7, 20122 Milano
– Via Negrolì 30, 20133 Milano
(Tel. (02) 741 367)

Marino Regini and Alberto
Martinelli, Michele Salvati
(Università di Modena) c/o Regini
(s. above)
Bianca Baccalli (Università di
Salerno) c/o Regini (s. above)

Firenze

Padova

Central Italy

Southern Italy

Work in Progress

(including possible Italian contributions for issue 2)

Research Projects

Salvati, Incomes Policies in Europe
Balbo/Chiaretti, Education Policies of the Post World War-II Italian Government

Donolo, State Interventions in Southern Italy

Theoretical Notes

Donolo, The Interventionist State
Paci, Role of the State in the Labor Market

X, Discussion on Salvati's Analysis of Italian Government Economic Policies

Book Reviews

X, Stuart Holland's State as Entrepreneur.

Also: Annotations, Reprints, and bibliographic material.

Giuliana Chiaretti c/o Regini
(s. above)

Guido Marinotti c/o Martinelli
(s. above)

Furio Cerutti, Via Paisiello 166,
50144 Firenze

Antonio Negri, Istituto di Scienze Politiche, Università di Padova, Via del Santo 16, 35100 Padova (coordinating group of people)

Massimo Paci, Istituto di studi storici e sociologici, Favolta di Economia e Commercio, Università di Urbino, 60100 Ancona

Giordano Sivini, Università di Cosenza, Cosenza

Carlo Donolo, Facoltà di Sociologia, Università di Salerno, Salerno, Viale Fornelli 2, 80134 Napoli

Emilio Reyneri, Facoltà di Scienze Politiche, Università di Catania, Catania

Additional Observation

We think we should gradually make an effort to concentrate on the role of capitalist states, in reproducing or modifying given class structures, studying concrete historical or current aspects of this central function. Coordination of such empirical studies, plus international comparisons (to be formally synthesized, say, every 4 issues) should allow to go beyond abstract models like Poulantzas's, as well as beyond mere descriptions. We hope that at least Paci's, Donolo's, and Balbo/Chiaretti's contributions will go in this direction.

A Point of Focus

Here, one subject area, dealing with the relationship of 'multinational corporations and the state' (cf. Martinelli's theoretical note in this issue), could be developed into a focus. People interested in cooperation should write to Alberto Martinelli.

Fraternally,
Marino Regini
Alberto Martinelli

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JAPANESE PROGRESS REPORT WRITTEN BY TASUKU NOGUCHI WILL FOLLOW IN ISSUE 2 OF KAPITALISTATE.

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**PROGRESS REPORT – FEDERAL REPUBLIC OF GERMANY –
APRIL 1973**

- This progress report will give you a survey of
- names (and addresses) of people writing and working for KAPITALISTATE
 - work in progress in view of the second issue of KAPITALISTATE and contributions we would think relevant for further issues
 - the financial state of affairs

There is now a team of four people working as Coordinating Editors in Berlin:

| | | |
|--------------------|-------------------------------|-------------------|
| Stephan Leibfried | 1 Berlin 15, Bregenzerstr. 10 | Tel. 0311/8812457 |
| Wolfgang Heine | 1 Berlin 33, Clayallee 182 | Tel. 0311/8313252 |
| Stefan Kirchberger | 1 Berlin 31, Rheingastr. 1 | Tel. 0311/8217544 |
| Gero Lenhardt* | 1 Berlin 12, Grolmanstr. 23 | Tel. 0311/3124252 |

The people listed in the following table according to subject areas are Contributing Editors (responsible for coordinating the subject area and also writing articles themselves):

Contributing Editors

List of Problem Areas and Names and Adresses of People Who Will Take Care of Them

| | | |
|--|-------------------------------------|---|
| | Stefan Kirchberger | (see above) |
| Problems of the non-central public bureaucracies (problem of regionalization and structural/functional disparities of administrative organizations; fiscal crisis at the local level etc.) | Walter Siebel (beginning June 1973) | D-6 Frankfurt Leerbachstr.90 Tel.: 0611/596635 |
| The science sector (problems of institutional complementarity to the development of problems in the monopoly sector; "productivity" status; etc.) | Ulrich Rödel | D-831 Starnberg Riemerschmidstr. 7 Max-Planck-Institut Tel. : 08151/7164 |
| The qualification and socialization sector (problems of the relationship of the 'instrumental' to the 'loyalty' aspects of this sector; problems in the area of how the instrumental aspect is publicly constituted; etc.) | Rudolph Hickel | D-28 Bremen Achterstraße Universität Tel.: 0421/218398 |
| 'Socialized' labor market, the organizational combination of labor-power as a commodity in labor unions and the public elements of reproduction of the work force | Walter Mueller-Jentsch | D-6 Frankfurt/M. Senckenberganlage 26 Institut für Sozialforschung Tel.: 0611/774069 |
| Forms of and development of the repressive elements of the state (usually complementary to problem areas already outlined above) | Heide Gerstenberger | D-34 Göttingen Angerstraße 1 c Tel.: 0551/5242213 |
| Steering and planning mechanisms of the (central) state bureaucracy (incl. administrative reform of | Günter Schmieg | D-28 Bremen Benque Str. 32 Tel.: 0421/241960 |

* Gero is responsible for subscriptions and inquiries about subscriptions.

the structural type; changes in the budgetary and information process (in toto: "corporate liberal" renovation of federal governments))

Imperialism (relationship of the metropolitan powers to the "third" world as an agenda of functional necessity for the metropolitan public spheres)

Bassam Tibi
(in the near future)

D-6 Frankfurt/M.
Eppsteiner Str. 25
Tel.: 0611/72 47 38
(soon: Göttingen)

The system of public appropriation of social surplus (i.e. the tax system)

Wolf Dieter Narr
D-1 Berlin 31
Landhausstr. 9, IV
Tel.: 0311/873289
Büro: 0311/738162

The theory of state-monopoly capitalism (work in the GDR on FRG etc. development)

Josef Esser,
D-775 Konstanz
Alter Wall 11
Tel.: 07531/55810

Critique of bourgeois economics as far as it is pertinent to the development of a materialist theory of the state

Rudolph Hickel
D-28 Bremen
Achterstraße
Universität
Tel.: 0421/218398

The following subject-areas seem to be quite important to all contributing editors but no working-groups have focused on them yet:

The publicly absorbed work force and the changing class structure of capitalism

The relationships between the metropolitan capitalist nations as a whole

The functions of primary political organizations (i.e. like parties, "lobbys" etc.) within or outside of the bureaucratic mechanisms

The agglomeration of metropolitan capitalist states (especially: the EEC)

Work in Progress
(including possible FRG contributions for issue 2)

the Early Period of Suppression of the CP in the FRG

Current Events

Bahl/Brüning/Lange

Hirsch, Joachim
et. al.

The Contemporary Crises of Traditional Heavy Industry and the Forms of Public Reaction and Compensation: the Hoesch-Case

Contradictions in Public Science Policy Management in the FRG

Leibfried, Stephan

Groenewold, Kurt

The Events of Munich and State Repressive Policy Towards Arab Minorities

Administrative Reforms of the US Central Government
Some Theses on the Relevance of the Ash Council's Proposals on Administrative Reform

Project Reports

Brünneck, Alexander

Narr, Gudrun

Disloyal Opposition and the Repressive Functions of the State:

The "Recession" of 1966/67 in the FRG –

A Case Study of Constraints and Contingencies of public Crisis Management

Offe, Claus
et. al.

Constraints and Contingencies of Public Crisis Management

Rodenstein, Marianne
Krämer-Badoni, Thomas

Notes on the Structure of Conflicts between Central and Local Public Agencies

Sinz, Rudolf
et. al.

The present State of Studies in Regional Administration in the FRG

Theoretical Notes

Erdmann, Kurt

Constraints of Communal Politics in the FRG

Evers, Adalbert

Remarks on Changing Local Social Structures and Corresponding City Planning within the Context of State Interventionism

Gerstenberger, Heide

Neocolonialism and Its Relevance for the Reproduction of the Metropolitan Capitalist Regions

Gerstenberger, Heide

Towards a Historical Theory of the Constituting Processes of the Bourgeois State

Hickel, Rudolph

Some Theses on a Materialist Critique of the "New Political Economy"

Hirsch, Joachim

Elements of a Materialist Theory of the State

Holländer, Heinz

The Relevance of State Expenditures for Infrastructure for the Law of the Tendential Fall of the Profit Rate

Müller-Jentsch, Walter

Marxist Theories of Inflation

Müller-Jentsch, Walter

Some Notes on The Category of "Cooperative Labor-Unions" and their Function in "Latter-Day-Capitalism"

Riehle, Eckart
Passero, Ulla

Specificity of Form of the Public Bureaucratic Process of Work within the Political Economy of Developed Capitalism

Rohloff, Jürgen

Towards a Critique of Bourgeois Theory of the Economic Functions of the State

Ronge, Volker
Schmiege, Günther

Restrictions of the Administrative Planning Process in the Area of Economic Policy

Schlotter, Peter
Schmidt, Manfred

Notes on the Function of the State in Capitalism-Exemplified in the Case of the Military Sector

Straumann, Peter

The Theory of State Monopoly Capitalism and its Thesis on the Con-

tingency of State Planning in the Qualification Sector

Voigt, Winfried

Problems of Long-term Economic Development of a Capitalist System and the Public Sphere

Reprints

Selected Writings on the "Theory of "State-Monopoly Capitalism" in the GDR and the FRG (introduced and selected by Joseph Esser and E. Th. Mohl)

Book Reviews

Altwater, Elmar

A Double or a Single Rate of Profits? Remarks on: Ernest Mandel, *Theorie des Spätkapitalismus*, Frankfurt (Suhrkamp), 1972, pp. 542 – and Jim O'Connor, *The Fiscal Crisis of the State*, New York (St. Martin's Press), 1973, pp. 500

Ebert, Hans

Arkadij Gurland, *Marxismus und Diktatur Leipzig 1930* (Reprint 1971) pp. 109

Gerstenberger, Heide
et. al.

Review of Recent German Literature on Dependent Reproduction and the Metropolitan States

Grymer, Herbert
Emennauer, Rainer

Adalbert Evers/Michael Lehmann: *Politisch-ökonomische Determinanten für Planung und Politik in den Kommunen der Bundesrepublik*, Offenbach (Verlag Sozialistisches Büro) 1972, pp. 272

Hickel, Rudolph

Review of Recent German Literature on the Marxist Debate on the Qualification Problem in the FRG

Hickel, Rudolph

Notes on the Public Science System of the FRG and its Recent Analysis in the Left

Hickel, Rudolph

Christel Neusüß, *Imperialismus und Weltmarktbeziehung des Kapitalismus*, Erlangen (Politladen) 1972, pp. 254

Huffschnid, Jörg

Authors Collective, *Der staatsmonopolistische Kapitalismus*, Berlin GDR (Dietz Verlag) 1972, pp. 664

Lenhardt, Gero

Janossy, *Das Ende der Wirtschaftswunder*, Frankfurt (Verlag Neue Kritik) 1966

Mohl, Ernst Theodor

Margaret Wirth, *Kapitalismustheorie in der DDR*, Frankfurt (Suhrkamp) 1971

Narr, Gudrun

Claus Offe: *Strukturprobleme des kapitalistischen Staates*, Frankfurt (Suhrkamp) 1972, pp. 189

Ströhle, Ulrich

S. L. Wygodski, *Der gegenwärtige Kapitalismus*, Berlin GDR 1972

Wirth, Margaret

Authors Collective, *Der Imperialismus der BRD*, Berlin GDR (Dietz Verlag) 1971, pp. 687

* Not all contributions listed here are "work in progress"; some are still suggestions which need to be fixed by the corresponding Contributing Editor.

Annotations

Annotation work has been developing here and according to promises received we may be in full bloom in No. 2 of KAPITALISTATE.

We think that annotations should conform to certain standards if they are to make sense for the readers of the bulletin:

- they should center on empirical/theoretical work on the nature and development of the capitalist state;
- they should cover Marxian as well as sensible and/or useful traditional analysis;
- they should be systematic in the sense that the journals annotated are annotated completely in as far as they contain essays of relevance for us;
- they should be current.

We think that the form of the annotation should be the following:

- the main theses of the author should be sketched, putting special accents
- on new or especially pertinent ones;
- the character of the work annotated should be developed (i.e. primary conceptual or analytical; historical/empirical orientation; etc.) and
- some (short) judgement on the context of the work should be developed such that the frame of reference of this work becomes clearer; footnotes pinpointing

You will find annotations in Kapitalistate covering the following journals; they will be written by the people as listed.

F.R. of Germany

Probleme des Klassenkampfes

Mehrwert

Das Argument

Sozialistische Politik
Leviathan

Marxistische Blätter
Kritische Justiz

contextual works etc. are rather useful; e) a short critique may be added in the sense of a final summarizing remark.

We also think that annotations should not be centered on critique, and should not be longer than 2 type written pages in any case. The regular length should be 1/2 to 1 page. Anything above this page size is probably of a nature that should rather be published (after being developed) as a theoretical note.

To get some regularity into annotation work we thought it best to have a clear cut division of labor (see the list below). We would also think it best if annotations are mailed to the coordinating editor responsible for annotations three weeks after the appearance of the journal at the latest. If there is nothing worthwhile in the issue to be annotated a short statement indicating this should be mailed to Berlin.

Naturally the annotators do not have to do all the work themselves; if they know someone who can deal more expertly with some essay they should ask him to write; but the annotators are responsible for seeing to it that things get done and get to Berlin in time.

The coordinating editor for annotations in Germany is
Klaus Groth D 1 Berlin 36,
Waldemarstr. 32
Tel. 0311/618 5862

He would be glad for a) additional suggestions for journals to annotate and b) especially for suggestions about who wants to do it.

R. H i c k e l, 28 Bremen, Achterstr.
Universität
U. R ö d e l, 831 Starnberg, Riemerschmidstr. 7, MPI
G. L e n h a r d t, 1 Berlin 12, Grolmanstr. 23
J. E s s e r, 775 Konstanz, Alter Wall II
C. O f f e, 8 München 60, Mainauerstr. 40
J. E s s e r, see above
S. L e i b f r i e d, 1 Berlin 15, Bregenzstr. 10

Vierteljahresheft für Zeitgeschichte

G.D.R.

IPW-Berichte

Deutsche Zeitschrift für Philosophie

Sowjet-Wissenschaft-Gesellschaftswissenschaftliche Beiträge

Jahrbuch für Wirtschaftsgeschichte

DWI-Hefte

Wirtschaftswissenschaft

Points of Focus

According to the development of organizational and research activity here, we thought it most sensible to put special accent on two foci in future issues of KAPITALISTATE, as far as contributions from the FRG are concerned:

- "regional studies" and local movements
- presentation and critique of state monopolistic approaches to state theory.

These "points of focus" should by no means exclude presentation of other subjects. Both "points of focus" have been presented in more detail on the preceding pages of KAPITALISTATE. We would hope that in future issues of KAPITALISTATE discussions about sense and structure of focus issues may be initiated by publishing a design of such issues in an early stage of work.

For state monopoly theory Esser (in conjunction with Mohl) proposed another review of M. Wirth's work (in addition to Mohl's piece) by someone who is heavily and positively involved in that frame of analysis. M. Wirth will review a central document or recent political analysis ("Imperialism of the FRG"). Proposals for reprints are being developed by Esser and Mohl. The following works are proposed for review: Wygodski, Present-day Capitalism (by Ströhle), Author's Collective, Political Economy of Present-day Capitalism, Frankfurt (FRG), 1972. Also, special annotations on this subject have been proposed. For additional suggestions cf. Mohl's letter on this "point of focus". We are grateful for comments,

Wolfgang Heine, CH 8280 Kreuzlingen,
Seetalstr. 66

Jürgen Simonis, 775 Konstanz,
Jakob Burckard Str. 25, Tel. 55931
Eike Hennig, 6231 Schwalbach,
Thüringer Str. 2, Tel. 06196/3418
Dr. E. Hödl, 61 Darmstadt, Institut
für Makro- und Strukturplanung, Schloß
(06151-162095)
Eike Hennig, see above
(no annotator yet)
(no annotator yet)

critiques, and additional suggestions, especially for offers to co-operate in working!

Pertaining to regional studies special remarks are not necessary. We refer to the "point of focus" notice on this subject area.

Finances

We have sold close to 173 subscriptions to date, mainly to individual subscribers. In addition to the money deriving from this we received about 1000.- DM in donations. About the same amount came in for advertisements in No. 1. Quite some money had to be spent for the translation here.

Taking into account the money left over and present US and Italian payments roughly one half of the printing bill (about 9400.- DM; or: about 3150 \$) is payable.

Therefore, already the coverage of costs for issue No. 1 of KAPITALISTATE will only be possible with your help, i.e. especially in helping a) to enlarge subscriptions (also institutional ones. Your university library!) b) to get additional donations c) to get further advertisements.

We need not stress the fact that issue 2 of KAPITALISTATE which is well on its way, depends on additional finance of about the same amount. Help, therefore, is very much appreciated.

We would like to thank those friends here who have given us donations already, thus having added relevantly to the possibility of producing No. 1 of KAPITALISTATE.

Not passive consent, but active participation.

Wolfgang Heine Stephan Leibfried
Stefan Kirchberger Gero Lenhardt

Sol Picciotto
Hugo Radice**

Section I outlines and criticizes the analysis of Bukharin in 'Imperialism and World Economy' (1). Although this work will be familiar to comrades in Europe, it has only very recently been reprinted in Britain; in any case, as the only systematic analysis available, it demands careful consideration. Section II deals with the contradictions created for the role of the state by the internationalization of economic life; section III looks more specifically at the EEC; section IV suggests some implications for the socialist movement.

Marx's analysis of the capitalist mode of production and its laws of development is to be taken as the essential background for any approach to the internationalization of capital and the state. While that provides an analysis of capital in general which is relevant to the problem, we should set out in summary form how we view some aspects of the 'state in general', recognizing that neither Marx's extant writings, nor Marxian work since, provides as adequate a guide on the latter question.

The role of the state throughout the development of the capitalist mode of production is to act as more-or-less conscious coordinator over and above the apparently free market, and thereby to ensure the continued reproduction of the relations of production. The 'high profile' of the state in early capitalism is due to the struggle surrounding the establishment of the new class hegemony, which necessarily entails the capture and transformation of the state structure. While (if) competitive capitalism is truly viable, the state plays a more 'background' role, particularly in maintaining input flows (infrastructure, labour, materials) into capitalist production. As the socialization of production increasingly conflicts with capitalist private appropriation, state intervention increases, becomes more generalized over the whole of social existence, and at the same time more specific into the spheres of production and circulation themselves: mediating between ever more powerful capitals in the general capitalist class interest, coping with an increasingly resistant organized labour force, controlling rather than just coordinating the 'free market'. This intervention, by any specific state, takes place on behalf of a particular group of capitals which for historical, cultural, geographic, economic reasons find a more stable basis for coalition in defense of common interests at that level than at any other.

This being so, state boundaries form the firmest lines of fragmentation of 'world capital in general', and imply a qualitative distinction between the 'foreign' and

* This is a somewhat revised version of a paper published in the Bulletin of the Conference of Socialist Economists, Winter 1971, entitled 'European Integration: Capital and the State'. Like the earlier version, it is more a series of notes and ideas than a properly argued essay on the subject, and it by no means covers all aspects of the subject. We hope later to contribute some empirical work illustrating some of the arguments that follow. Hugo Radice was responsible for sections I and III, and Sol Picciotto for sections II and IV; the work arose out of discussions in the Warwick group of the C.S. E.

** Sol Picciotto lectures in international law at Warwick University Coventry, Britain and is active in the Conference of Socialist Economists. He is working on problems of law and the state in relation to international capital, and is engaged in political activity exploring means of defense and counter-attack against the state and the legal system. Hugo Radice lectures at Brighton Polytechnic, is a member of the International Socialism group and helps to organize the C. S. E. He is writing a paper on international firms and economic theory, and plans to do a case study on the heavy electrical engineering industry in Europe and to edit a book of readings on international firms. (Hugo Radice, 4, Roundhill Rd., Brighton BN2 3 RF.)

1) N. Bukharin, "Imperialism and World Economy" (London, Merlin, 1972).

'domestic' horizons of any 'national' capital-group. However, the 'state' basis for coalition, if the most stable at any point of time, is inevitably far from stable in the contradictory process of capitalist development, caught between the value-creating aspect of the mode of production and its tendency to develop absolutely the forces of production. Clearly, the more the world economy becomes a unified capitalist world economy, the more contradictory becomes the role of the state, since capital requires on the one hand no obstacles to its free movement in search of surplus-value, and on the other a definite fragmentation of the field of action in realizing that surplus-value. (2)

I. Bukharin: Nationalization vs. Internationalization

Bukharin begins by stating the need for a definition of the world economy, and supplies one:

"a system of production relations and, correspondingly, of exchange relations on a world scale" (p.26)

The international division of labour is based first on *natural* differences and prerequisites, but also, and increasingly, on *social* differences, inherent in the uneven development of world productive forces. Thus the town/country division is reproduced on a world scale; and similarly, international exchange, like that within nations, is a social process governed by laws, reflected in *world markets* and *world prices* — including a world money market; furthermore the world market is anarchic. He concludes

"by and large, the whole process of world economic life in modern times reduces itself to the production of surplus value and its distribution among the various groups and sub-groups of the bourgeoisie on the basis of an ever widening reproduction of the relations between two classes — the class of the world proletariat on the one hand and the world bourgeoisie on the other." (p.27).

He goes on to describe the growth and organization of the world economy, transposing the Marxian analysis of capitalist development onto a world scale. Thus the world economy grows both *extensively* — including more and more geographical and social areas — and *intensively* — involving a "thicker network" of international economic relations. *Both* are part of the development of the forces of production — in output, in transportation and industrial technology; they involve the internationalization of the division of labour and its integration through exchange. Thus,

"there grows an extremely flexible economic structure of world capitalism, all parts of which are mutually interdependent. The slightest change in one part is immediately reflected in all." (p. 36)

There is increasing exchange of commodities, labour and capital: a tendency to international equalization of prices, wages, and the rate of profit. The internationalization of *capital* is in part a process of international monopolization, of capital centralization on a world scale. The *anarchic* structure of the world economy becomes more and more highlighted, especially since at the national level capitalism is more and more organized. As a consequence, there is a huge growth in international cartels and trusts, often involving banking interests too. This, however, is only a tendency: many agreements are highly unstable, and

"... the growth of international commodity exchange is by no means connected with the growth of 'solidarity' between the exchanging groups. On the contrary, it can be accompanied by the growth of the most desperate competition... the same is true of the export of capital." (p. 61-2).

And although he notes:

"there is only one case in which we can say with assurance that solidarity of interests is created. This is the case of growing 'participation' and finan-

2) Cf. C. Palloix, "L'économie mondiale capitaliste" (Paris, Maspero, 1971), Vol. 1, pp. 31-42, passim.

cing, i. e., when, due to the common ownership of securities, the class of capitalists of various countries possess collective property in one and the same object. Here we have actually before us the formation of a golden international . . . " (p. 62)

he goes on to say:

" . . . there is actual unity here; but the course of economic development creates, parallel to this process, a reverse tendency towards the nationalization of capitalist interests" (ibid.)

Having described the internationalization of economic life, the growth of the world economy, he goes on in Part 2 to discuss this "reverse tendency". He begins by observing that connexions between economic units are much more numerous at the national level — a fact explained by the development of the modern nation state on specifically capitalist economic foundations. The structure of national capitalisms has profoundly changed with the appearance of monopolies and trusts — the concentration and centralization of capital in which the former forms the natural basis for the latter. (3)

Vertical contralation

" . . . signifies on the one hand, a diminution of the social division of labour, since it combines in one enterprise the labour that was previously divided among several enterprises: on the other hand, it stimulates the division of labour inside of the new production unit." (p. 70)

He concludes:

"The entire process, taken on a social scale, tends to turn the entire 'national' economy into a single combined enterprise with an organic connection between all the branches of production." (ibid.)

At the same time, banking capital becomes more concentrated and fuses with industrial enterprises grow in importanco (utilities, transport). All three tendencies together add up to a tendency towards the uniting of all capitals in a *single state capitalist trust*.

In this context, the *world* economy is viewed in terms of a few organized capitalist states and a periphery of more or less agrarian countries. Although the "organization" of capitalism tends to overstep national boundaries, it faces obstacles: competition is more easily overcome on a national scale; differences in economic structure and production costs make agreements disadvantageous for the more advanced groups; and the ties of unity with the state as a source of monopoly profits are inherently lacking. (4) Instead, the policy urged by national capital is one of *tariffs* and *annexation*. Tariffs are a source of monopoly profits, which permit 'dumping' overseas, leading to higher overall profits because the increased scale of production leads to lower production costs (the familiar orthodox 'discriminating monopoly' case). Naturally there is retaliation: hence the 'tariff mania' that starts in the 1870's, spreading even to England, the home of so-called free trade (imperial preference starts in 1898). The need to incorporate larger 'internal' markets, as source of extra monopoly profits on the basis of which dumping can be further extended, leads to annexation.

In fact, he continues, 'nationalization' and annexation are encouraged by changes in three spheres — world sales markets, world raw materials markets and capital export. (p. 104). The first of these is outlined above. The second involves the failure of 'periphery' agriculture to supply the necessary volumes of raw materials, leading to a competitive struggle to secure sources (for the future as well as for immediate use) and expand production. (5) The third is due to the relatively higher profit rate in the

- 3) Bukharin makes this point precisely against those who saw trusts etc. as 'artificial' — created by tariffs, noneconomic coercion, etc.
4) He does not at this point consider a 'superstate' to carry out this function.
5) I.e., just as capitalism had to dominate agriculture at home, both in securing supplies of labour, and in improving productivity to ensure the survival and reproduction of labour, so it now has to do this on an international scale too.

periphery compared to the centre, where entry to profitable monopoly sectors is blocked and profitability in competitive sectors is continually drained into the monopoly sectors, and due also to the growth of tariff barriers, which attract investment behind them to capture otherwise inaccessible markets. The desire to monopolize profitable investment outlets, and to 'protect' investments, obviously further sharpens the struggle between the centre powers and encourages competitive annexation.

Bukharin concludes this part of his argument by saying that the three roots of the imperialist policy of finance capital are all aspects of the same thing:

" . . . the conflict between the growth of the productive forces on the one hand, and the 'national limits of the production organization on the other." (p. 104)

Thus the relative underproduction of raw materials is a cause of the overproduction of industrial goods *relative* to the amount which can be *profitably* produced given the limits that exist at any time to the rate of exploitation: and over-production of capital is "nothing but another formulation for over-production of commodities" (p. 105) (6). And whereas *social production* takes place on a *global* scale, private *appropriation* is by competing *national* groups of the world bourgeoisie, leading to annexations and war. The consolidation of the 'national trusts' also entails the development of the ideology of nationalism to bind the working classes to 'their' nations.

Having traced the two contradictory tendencies, of nationalization and internationalization, Bukharin brings them together. Imperialism is one form of the competitive struggle that arises out of the anarchic character of the social economy under capitalism — but it is the form that is *inextricably* linked to the development of finance capital. Thus concentration has come to be by trusts of ever-larger size and scope, feeding and being fed by centralization, which involves huge battles between trusts, even between state capitalist trusts in the world market. Indeed,

"Imperialist annexation is only a case of the general capitalist tendency towards centralization of capital, a case of its centralization on that maximum scale which corresponds to the competition of state capitalist trusts." (p. 120)

At this level, horizontal centralization involves annexation of weaker advanced countries (e. g. Belgium by Germany); vertical, that of agrarian by industrial countries (colonialism). As the struggle develops:

" . . . the competitive struggle between state capitalist trusts first expresses itself in a struggle for free lands . . . then it stages a redivision of colonies, and finally, when the struggle becomes more intense, even the territory of the home country is drawn into the process of redivision." (p. 121)

We see that the *means* of competitive struggle has evolved too, from market prices, to all manner of monopolization tactics on a national level, to the increasing use of *state power* on the international level: tariffs, 'national' state procurement, commercial sanctions, war. *Militarism* becomes rampant — as the outcome of competition, not the wishes of armaments manufacturers. Further, the state apparatus

" . . . not only embodies the interests of the ruling classes, but also their collectively expressed will . . . the government is *de facto* transformed into a committee elected by the representatives of entrepreneurs organizations" (p. 128).

i.e., the state *fuses* with the ruling class.

What of the future of this system? At this point, Bukharin turns the logic of his analysis on Kautsky. From the Marxist view of imperialism as the policy of finance capital, as an inherent consequence of capitalist development, there are two possible deviations: the 'objectivist' one, which sees imperialism as 'necessary' and therefore does nothing about it — an absurd position, since this extreme heightening of capitalist

- 6) See K. Marx, "Capital", Vol. 3. pp. 250-9 (Moscow ed.), especially p. 255: "Over-production of capital is never anything more than over-production of the means of production . . . which may serve as capital, i. e. may serve to exploit labour at a given degree of exploitation." The whole section repays very careful reading on the question of capital export.

contradictions makes crystal clear the necessity of a new social order, and demands action; and the 'subjectivist' one, that imperialism is simply one policy wilfully adopted by finance capital, which can be abandoned in favour of a 'peaceful' form of imperialism is simply one when the costs become too great. The latter position, that of Kautsky's 'ultra-imperialism, is in reality out of the question, Bukharin says. Why? Because

"Comparative equality of positions in the world market is the first condition for the formation of a more or less stable compact. Where there is no such equality, the group occupying a more favourable position in the world market has no reason for joining such a compact" (p. 136).

This involves not only "purely economic equality", i. e. of cost of production, which implies a relatively equal development of productive forces (labour values), at least in 'organized' industry; in addition, there must be "equality of economic policies", i. e. of state (including military) power. Further, these equalities must be expected to hold good in the future too. In other words, uneven development must disappear as a law. Although the internationalization of capitalist interest favours this, it is as yet counteracted itself by the tendency towards nationalization. What is more, the costs of the struggle, increasingly military expenditures, are being successfully pushed onto the working class and small capitalists, by raising the rate of exploitation and driving out weak competitors whose presence erodes profitability. (7) Even if fusions did take place, they would only lead to a yet more colossal struggle between the remaining super-powers. Thus peaceful rivalry is inconceivable between state capitalist trusts, and any agreement would inevitably be unstable due to uneven development. Of course the formation of a single world trust is abstractly possible:

"In reality, however, the wars that will follow each other on an ever larger scale must inevitably result in a shifting of the social forces. The centralization process, looked at from the capitalist angle, will inevitably clash with a socio-political tendency that is antagonistic to the former. Therefore it can by no means reach its logical end; it suffers collapse and achieves completion only in a new, purified, non-capitalist form." (p. 142)

The war is seen as accelerating all the 'nationalizing' trends, and cementing still further the state capitalist trusts. These must, he warns, be seen as "State Capitalism", not as "State Socialism", because of the continued (and interrelated) existence of antagonistic class relations and the anarchic world market. Continued uneven development is epitomized by the rise of the U.S.A. as a major power, in which trustification has gone to particularly great lengths. All the contradictions of the system, he concludes, will become more and more acute; the role of the state becomes apparent to all ("property relations . . . now appear in their pristine nakedness" — p. 160). The highest form of temporary class solidarity, nationalism based on the exploitation of the periphery, breaks down under the pressure of the most acute imperial rivalries, allowing the idea of a "social revolution of the world proletariat" to surface in the consciousness of that proletariat.

Bukharin's argument can briefly be summarized thus: the tendency towards nationalization dominates that towards internationalization; the latter is *incorporated into* the former in the form of imperialist annexations; and that such annexations or fusions only reproduce the struggle between state capitalist trusts on a higher level, and cannot lead to a world trust *before* the system's contradictions explode it.

Such a view of the world economy of capitalism must have appeared utterly consistent with the situation of 1915. However, the relative importance of the two trends in any particular country or period is a matter for concrete investigation. If the analysis holds good still today, then we can say that devastation, reconstruction,

7) Military expenditures were specifically cited by Kautsky as one of the two major factors leading to the renunciation of imperialism by the ruling classes. The other one was the development of the periphery, involving both competition in world markets and social revolution against the colonial powers. See K. Kautsky, "Ultra-Imperialism", New Left Review no. 59 (extract from "Der Imperialismus", Die Neue Zeit, Sept. 11th 1914).

technological revolution, etc., have simply delayed the developments predicted, and we are still in a world of rival state capitalist trusts. Yet it seems to me that the situation is not as simple, that the E.E.C., to come to our real concern, is not simply a partial fusion of a group of state capitalist trusts.

To begin with, there is one element in Bukharin's analysis which, it seems to me, is particularly weak; the idea of the state capitalist trust, the lengths to which he carries the 'nationalization' tendency. One could be forgiven for suggesting that the notion of a single state capitalist trust is almost as abstract as that of a world alliance of finance capital. The development of the structure of the mode of production is reduced in his analysis to a pattern in which the three elements — centralization, fusion of industrial and banking capital, and 'statification' — develop together in a continuous, unidirectional way. Yet surely it is precisely the contradiction raised for *private* appropriation by *social* state intervention — not least in the ideological sphere — that encourages the reconstitution of the accumulation process in times of crisis by raising the rate of exploitation *directly*, through attacking the working class, through 'rationalization' and technical advances, *rather than* through a further extension of state activities. If Bukharin overstated the degree of nationalization in 1915, I feel that history has not yet caught up with his overstatement, so to speak, because the tendency is far from continuous, and because despite the obviously massive increase in state activities of all kinds, the contradictions between capitals in the exchange process on the national level have not yet been organized out of existence.

What about the 'internationalization' tendency? How far has it advanced, and has this happened in such a way as to internationalize capitalist *interests*? Although Bukharin mentions 'joint ventures' as creating a solidarity of interests, these are (by the examples he gives, as well as the logic of his argument) with regard to investments in the periphery; and the point is not linked to his mention of market interpenetration by capital export to get behind tariff barriers, a point which he conspicuously fails to consolidate into his analysis, presumably because he sees it as relatively unimportant. But the crucial point is that the internalization, or "organization", of the international exchange process, as a direct response to the increasing contradictions involved in the free international market, is seen as being conducted through the mediation of the 'organizer's' state power — and this, given the lengths to which state power is seen as having developed, can only mean by imperialist annexation. Thus interpenetration of capitals to avoid tariff barriers, als a phenomenon of international "organization", is implicitly ruled out as a significant form because it implies a degree of cooperation between a capital and an 'alien' state, i. e. between two states. In fact, international organization by the firm *rather than* by the state is meaningless, because *the firm is the state* in the last analysis; the question of the international firm, cutting across state boundaries in such a way as to stretch beyond the direct and unique reach of its own state power, cannot be raised within Bukharin's analysis. (8)

Yet the socialization of economic life, and its "organization", breaks through the boundaries of the nation state, and does so increasingly. In so far as international exchange takes place at all between the imperial powers, it involves the abdication of absolute state power, in the sense that it is *in the interests of* the 'national capitals' to establish, if to a limited and unstable extent, an agreement of non-discrimination by the states against foreign capitals. Could not this internationalization become so necessary (economic autarchy so impossible) that such ground rules safeguarding international exchange become more and more permanent and vital for the survival of the system? Thus, international agreements which to some extent *denationalize* state power reflect the growing world nature of the capitalist mode of production, but they provide a minimal framework in which imperial rivalries continue to exist. Given Bukharin's correct emphasis on the impossibility of real equality, such agreements

8) As Robin Murray notes in "The Internationalization of Capital and the British Economy", The Spokesman no. 11, April 1971.

are inevitably the subject of continuous negotiation, but the more necessary they become, the less will the negotiators risk their complete breakdown in outright commercial or military war. Such a pattern would clearly be reinforced by the temporary (necessarily so) hegemony of one power, or by external threats.

Within such a system, the internationalization of economic life can continue to be extended, if in a halting, crab-wise fashion; but so can the *organization* of that internationalization *through the firm*, able to rely sufficiently on more than one state power, rather than simply through imperialist annexation. In effect, the contradiction between nationalization and internationalization comes to be expressed *within the state itself*, as much as the state reflects not only the interests of its 'national' capital, but also the interests of the *world* capitalist class.

This organization of internationalization takes a number of forms. It implies the extension of the division of labour within the firm, replacing that division of labour integrated through the exchange process. The simplest form of internationalization of industrial capital would be the establishment of an entirely separate system of production, linked by financial and technological centralization. This escapes the uncertainties of the international exchange element involved in selling in foreign markets; it implies that, given the ability to translate market superiority on a national plane to the world market, the uncertainties avoided by foreign production, including the possible use of state powers at the behest of capitals so invaded, outweigh the *technical* factors militating in favour of concentration of production, i. e. the gain from scale economies in production, less the cost of transport. If economies of scale in production continue to increase, *integration* of production internationally (e. g. within a region) permits continued escape from the uncertainties of international markets, since product-range rationalization, or the production of different components in different countries, means that international exchange takes the form of intra-firm transfers. (10)

To sum up: although Bukharin's analysis permits of the fusion of states in response to the growing need to extend and to organize international flows of commodities and labour, his one-sided emphasis on the 'nationalization' tendency means that this can only come about by the annexation of one state capitalist trust by another. Thus a European state would be the horizontal centralization of a group of state capitalist trusts. If, however, the process of internationalization is such as to demand increasingly a minimal *denationalization* of state power, with firms as distinct from states being the vector of internationalization and its organization, then we have a much more complex situation, in which states represent both national capital and all national capitals operating internationally. Whether this requires a superstate of some sort depends on the extent to which this obviously contradictory role makes the states, separately or in spasmodic cooperation, no longer capable of maintaining the general conditions for the reproduction of capitalist relations of production on a world scale. Such a framework clearly permits such cooperation or fusion on a regional basis, within an overarching minimal cooperation on a global scale.

II. The Effects on the State of the Internationalization of Production

As a result of the "double movement" of on the one hand centralization of production on an international scale, and on the other increased reliance by capital on the state due to concentration, centralization and socialization of capital, contradictions have become apparent between the structures of capital and the state. What is the nature of these contradictions?

9) Cf. C. Palloix, *op. cit.*, Vol 2, ch. III, p. 159.

10) See Murray, *Spokesman op. cit.*; G. Adam, "World Corporations: 'Dual Power' in the International Economy?", *New Hungarian Quarterly* no. 39, 1970, pp. 210-212.

1. *Strengthening of Control over the State by International Capital*

The international firm increases its dominance over national class forces (small capital, petite bourgeoisie, 'organized labour') by the manipulation of different state structures. This is clearest in the case of foreign 'puppet' states, for instance in a most extreme form in 'flags of convenience or in tax haven arrangements, which are in fact tolerated or even facilitated by large companies to arrange their internal financial flows without the tax liability that would normally apply to inter-company payments.

2. *The Diminishing Power of the State in Defence of National Capital*

To the extent that foreign capital has penetrated the national economic space the state loses its power to defend its own capital. This is in a sense the corollary of our previous point, but applies not only to "puppet" states but to any state where any significant degree of penetration has taken place. Their territorial definition is a basic element of state institutions and mechanisms; it is consequently very difficult to defend national capital against foreign capital that actually controls production facilities within the national territory. The very functions of the state can be summed up as the definition and regulation of the national market economy on behalf of the capital operating within it. The attempt to distort the operation of the internal market in favour of national capital cannot succeed if, as is generally the case, national capital is weaker than "foreign" capital in those sectors which the latter has penetrated. Thus government procurement policies, which are virtually the only form of discrimination by European states against U.S.-owned firms, have been far from successful. For these reasons we have some reservations in regard to Rowthorn's statement:

"With sales in Europe of over \$ 60,000 million a year, American subsidiaries would be extremely vulnerable to retaliatory action by the combined European powers in the event of a conflict with the United States, and at the present time the loss of a substantial proportion of these sales would far outweigh the benefits to American firms of vigorous state intervention on their behalf." (11)

The important U.S.-owned sector in Europe does not constitute a hostage. It does not lose from the U.S. defensive measures (only some 2% of sales of U.S. manufacturing subsidiaries in Europe go to the U.S.A.) and is likely to gain from European counter-measures. Indeed, most of the measures taken by European states to improve the position of their own capital, including the integration of European state structures, have benefited U.S. firms not only as much but often more. On the other hand, Rowthorn is correct in seeing the weakness of U.S. capital in its need to depend on the European and other foreign fast-growing markets.

3. *The Need for New State Structures*

(a) Apart from the problem of defence of national capital, the rapid concentration, centralization and socialization of capital requires increasingly large state units to perform essential functions. The primary limits to the scope for centralization and concentration are set by the size of the home state, in terms of the home market's limits not only on sales but on capital's power to socialize costs through the state. This is clearly the main impetus for the integration of state structures in Europe, particularly as the scope for concentration and centralization within the European nation-states has been further reduced by the American penetration.

The only alternative to European integration might have been to stimulate concentration and centralization of capital within the existing nation-states, (12)

11) Bob Rowthorn, "Imperialism in the Seventies - Unity or Rivalry?", *New Left Review* no. 69, p. 48.

12) S. Hymer & R. Rowthorn, "Multinational Corporations and International Oligopoly: the Non-American Challenge", in C. P. Kindleberger, ed., "The International Corporation" (Cambridge, M. I. T. Press, 1970).

thus producing the "nationalization of capital as capital". There are clearly strong currents of policy in European states still favouring national centralization. In particular government military and other procurement policies, and purchasing in the nationalized sectors are strongly resistant to moves to centralize on a European scale. This is part of the jockeying between European states for advantageous positions before the integration process becomes irreversible. But for the reasons we give above in discussing Bukharin's view of the 'nationalization' tendency, there are limits to how far this can be carried.

Whatever may be the policy of European capital towards national concentration and centralization, it clearly does not provide the revolutionary alternative. In general terms, the nationalist alternative can only be revolutionary for a state on the periphery of the capital system, but with a broad enough economic base to permit autochthonous development. That nationalism is not revolutionary in the capitalist centre, and can in addition ultimately not be tolerated by capital, is shown by the history of European fascism. Clearly Britain today is in a rather different position, but all the signs are that neither national-imperialism nor national-socialism are any longer viable.

(b) The new stage of capitalist development does however throw up contradictory demands of the state; or put another way, the contradictions in the mode of production are reflected at the level of the state. In contrast to the need for larger state units to serve capital, the trend towards socialization of production clearly tends in social terms to *decentralization*. Centralization and the massive use of state power to preserve the control of a decreasing capitalist class runs fundamentally counter to the tendency to socialization, not only in production but also in the utilisation of new productive forces. For instance, modern means of communication have been distorted and manipulated to continue working-class fragmentation and isolation while facilitating ruling-class cohesion. (13) Note that this distortion of the development of the forces of production puts great strains on capitalist development, which is continually driven to accept the socialization required by new forces of production.

As regards the state, this contradiction seems to lead to an increasing diversification of its mechanisms and differentiation between them, for it is partly through the differential response of diverse institutions, officials etc. that the state attempts to contain social conflict. This process however is in contradiction with the state's role as a factor of social cohesion, which is increasingly called into question. It would seem that the development of integrated European capital will come into conflict with the need to maintain adequate state institutions at national and local level to fulfill the varied social functions summed up by Murray as "intervention for social consensus". In fact these 'economic' and 'social' state functions are not separable, and the attempt to carry out state functions through different mechanisms and at different levels of international integration will impose great strains on the state, not least in the viability of its role as a factor of social cohesion.

4. *The Need for a New International Framework*

A rationalization of state structures is needed in order to provide a framework to contain the conflicts between big international capital blocs. In this respect even European integration might be a necessity from the point of view of capitalism as a whole, even though it might be in the short run interests of U.S. capital to retard integration at an early stage for as long as possible. Certainly some new international co-ordination of state functions is necessary, as state powers to orchestrate the national economy have been eroded by the internalization by international firms of a major

13) R. Murray & R. Wengraf, "The Political Economy of Communications", *The Spokesman* no. 5, 1970; H. M. Enzensberger, "Constituents of a Theory of the Media", *New Left Review* no. 64, Nov-Dec. 1970.

part of the international flows, especially of capital. (14)

Thus, some kind of state-coordinated regulation of international capital markets is now being formulated. If control of these markets were left to international firms, finance capital regulation would take the form of some kind of cartel arrangement, with all the instabilities that this entails, especially in a period of heightened inter-imperialist competition. Further, only interstate regulation would provide the co-ordination with other state functions still being carried out at the national level.

III. Internationalization in the E.E.C.: Pressure for a 'Superstate' (15)

If Bukharin rightly saw great inter-imperialist wars as a consequence of the continual drive of capital beyond national boundaries, and the need to monopolize the international exchange process, then the EEC, historically, is an attempt to contain those drives within a peaceful framework. The need to reconstitute the European economy (and especially the German economy) on a capitalist basis implied, given the development of the material forces of production, a degree of economic internationalization and organization which in turn necessitated a certain 'denationalization' of state powers. The slowness with which this developed can be attributed firstly to the exceptionally rapid pace of accumulation, based on postwar reconstruction and a sharp rise in the rate of exploitation, which allowed largely 'intensive' development; and secondly to the fact that cooperation was enforced in any case by the exigencies of the Cold War and by U.S. economic, diplomatic and military hegemony.

It is not insignificant that the years around 1960 saw not only the formal establishment of the EEC, but also the beginning of a decline in the rate of accumulation, and an increase in international competition, to which the response was the "merger boom" in Britain and in the EEC countries. If concentration and centralization were increasingly necessary, they could involve, as Mandel notes, either national mergers, or mergers between firms in different European states, or takeover (i. e. defeat) by U.S. capital. If individual national markets were becoming too small to ensure the continued competitive strength of 'national' firms in industries where R and D costs were becoming much heavier, gestation periods much longer, and fixed costs a much larger proportion of total costs, then the first alternative was increasingly ruled out. In the '60s, this appeared to be true of computers, aerospace, and nuclear energy in particular; and the formation, well before the EEC, of the European Coal and Steel Community implied the same for those industries. European mergers and cooperation have undoubtedly developed much more slowly, both in the case of state-supported industries and that of private industry, than was expected in the mid-1960s (17), yet the trend is undoubtedly there. One reason for the slowness has certainly been the remaining possibilities for 'national solutions', but these would appear to be exhausting themselves over a very wide range of industries. It is notable that where 'trans-national' mergers have taken place they have not only involved countries within the EEC: indeed it has been widely noted that a European firm has far greater legal and tax problems in taking over another European firm of different nationality than does a U.S. bidder. (18)

14) Murray, *Spokesman* op. cit.

15) The argument in this section is based on Ernest Mandel, "International Capitalism and 'Supranationality'", *Socialist Register*, 1967. For empirical material, see E. Mandel, "Europe versus America?" (London, N. L. B., 1971); C. Tugendhat, "The Multinationals" (London, 1971); C. Layton, "Industry and Europe" (London, P. E. P., 1971); U. S. Senate Committee on the Judiciary, Subcommittee on Antitrust and Monopoly, "Economic Concentration: Part 7, Concentration Outside the United States" (Washington, 1968); and other references below. There remains a pressing need for analyses of the structure of capital in Europe carried out within a Marxian framework.

16) Mandel (1967) op. cit.

17) See e. g. Tugendhat, op. cit., ch. 5, "Trans-European Doubts".

18) See J. Trevor-Brown, "Practical Legal and Tax Problems of International Company Link-ups", in Federal Trust, "Industry and the Common Market" (London, 1971).

Banking capital has followed and supported this internationalization of industrial capital (and its national concentration too). There has been a growing number of joint ventures and agreements between banks of all kinds, and the Euro-currency markets have provided funds both long and short to international business. These markets have been largely operated by and for U. S. and British capital, but they have also enabled the largest internationally-operating European firms to escape the limitations of their own relatively underdeveloped domestic capital markets. These limitations have certainly been greatly exaggerated (19), since the closer reliance on banks in the absence of a well-developed institutionally-funded securities market has clear advantages as well as disadvantages; yet there have been specific instances where financial difficulties have prevented consolidation of growth, and we should expect considerable development of international funding mechanisms to avoid such problems.

It is impossible to devise any adequate measure of internationalization which would permit one to draw conclusions on qualitative changes. We know that trade has risen much faster than output among the advanced countries, and especially so within the EEC. On the internationalization of capital figures are much harder to come by. 'International' production is certainly growing faster than international trade, just as internalized (intra-company) trade is growing faster than trade in general. Given the effects that this internationalization, especially that of capital, can increasingly have on the efficacy of state economic policies (20), pressure will undoubtedly grow for the transference of certain state functions to the EEC. Can we say if, and at what point, this pressure will lead to irreversible changes in the direction of a European 'super-state'?

This is not a question which can be decided by giving endless examples of international mergers, or by presenting figures on the matter, interesting though these may be. The test, Mandel wrote in 1967, will be a general recession in Europe. Such a situation would lead either to a retreat to nationalism, with capital in Europe, in need of a greater use of state power, turning back to the existing nation states; or to a qualitative shift towards a European state, with the EEC taking on major state functions. Given the developments since 1967, and especially those of August 1971, the sharpening of imperial rivalries is clearly a closely interrelated factor, as Mandel indeed implies. Pressure from the U.S. has pushed the European powers towards a joint position on the reorganization of the international monetary system, but agreement has not yet been reached. The grandiose proposals announced in November 1972 for the enlarged EEC ring hollow against the fact of the extremely slow progress, and even retreat, in so many areas (agricultural policy, exchange parities, company law, to name but a few). This shift in trend is undoubtedly linked to the generally slower rate of growth and rising unemployment throughout Europe. Yet just as we cannot expect a return to depression on the scale of the 30's, we also cannot expect a return to protectionism on that scale — largely because internationalization is now irreversible. The prospect in the medium term will be one of continued reliance on existing state powers, and jockeying for position within the existing limited degree of EEC integration. In the long run, the pressure for EEC state functions must increase, simply because the underlying economic pressures will continue to grow. The pressure will in particular be stronger if there is no possibility, via *severe* working-class defeats, of raising the rate of exploitation sufficiently to permit accumulation rapid enough to slow down the drive for centralization. (21)

- 19) As in O. E. C. D., "Capital Markets Study" (1967). Vol. 1 gives a wealth of figures on European capital markets. The study insists that the U. S./U. K. capital market pattern must be developed in European countries, and that complete freedom of international capital movements is vital, thereby clearly expressing the desires of the big U. S. industrial and banking firms.
- 20) See above, part II, and Murray, Spokesman op. cit.; also J. Behrman, "National Interests and the Multinational Enterprise" (1971). For a summary of the debates between bourgeois economists and their critics, see G. Adam, "The World Corporation Problematics: Apologetics and Critique" (Budapest, Hungarian Scientific Council for World Economy, 1971).
- 21) In a more recent paper Ernest Mandel suggests that a long period of stagnation is now likely:

IV. Implications for the Revolutionary Movement

Discussions of the nature of the relationship of the changing capitalist mode of production to the state raise fundamental questions of revolutionary strategy. In particular they highlight the issue of the relationship of revolutionary processes to state power. This question must be squarely faced, but it must be considered in the light of a comprehensive analysis of the social and political implications of changes in the capitalist mode of production. As such analysis has not proceeded very far, particularly in Britain, we are unable to do more than throw out a few suggestions at this point.

Changes in the mode of production based on new scientific and technical forces under capitalist production relations and ruling class control can be seen to create and sharper contradictions between the characteristics and potential of these new productive forces: e.d. notably the division of mental and manual labour. What are the effects on production relations and the structure and consciousness of the working class of the developing *international* character of production which we have discussed?

(a) The internationalization of production creates new possibilities for the manipulation and exploitation of labour. Most important here is the creation of new forms of migrant labour and the "internal colony", which clearly demonstrates the changed structure of modern imperialism. Further, the internationalization of production gives the firm a new flexibility to develop production in countries and regions where the social conjuncture is more favourable to higher rates of exploitation, and to use this flexibility to intensify exploitation in established areas. (22) However, both these factors involve the weakening, which we have already mentioned, of the nation-state as a factor of social cohesion.

(b) The intensification on an international scale of the process of concentration and centralization intensifies interimperialist competition and uneven development. The consequent creation of, and rapid changes in, the levels of privilege in different national workforces can have an important impact on class consciousness. This is a point made much of by Mandel (23), with which we do not necessarily fully agree.

(c) The international centralization of control of productive forces leads to new contradictions between forces and relations of production. The clearest example of this is the analysis by Arrighi of the effects on the structure of the working class of control by the international firm of the growing manufacturing sector in the underdeveloped periphery. (24) The capital-intensity of the technology of these firms creates a relatively smaller and more skilled industrial section of the working class, and a resultant large semi-urbanized lumpen-proletariat. These developments at the periphery are parallel to the growth of the internal colony at the centre, and there can be increasingly close social and political connections between the ghettos of San Juan and New York, Lagos and London. At the same time, it is those sections of the working class at the heart of the system that most sharply feel the contradictions between the potential of the modern forces of production and the distortions produced by their class-control. (25)

"... the most likely variant is one of a declining rate of growth in the seventies as compared to the fifties and sixties, of sharply increased inter-imperialist competition, and of exacerbation of class contradictions...": "History of Capitalism and Laws of Motion of Capitalism", paper to Tilburg Congress, Sept. 1970. At the end of 1972, it is not yet clear that this forecast is correct.

- 22) See G. Adam, "New Trends in International Business: Worldwide Sourcing and Dedomiciling", Acta Oeconomica 1972.
- 23) E. g. the Mandel-Nicolaus debate, New Left Review nos. 54, 59.
- 24) G. Arrighi, "International Corporations, Labour Aristocracies and Economic Development in Tropical Africa", in R. I. Rhodes, ed., "Imperialism and Underdevelopment, A Reader" (New York, M. R. Press, 1970).
- 25) See A. Sohn-Rethel, "The Dual Economics of Transition", Bulletin of the Conference of Socialist Economists, Autumn 1972; and Palloix, op. cit., vol. 2 ch. III.

It is in the light of these changes in the working-class that we must see the changes in the state. As we have tried to indicate, state structures are likely to be put under great strain, becoming more fragmented at the same time as capital becomes increasingly reliant on them. The revolutionary perspective that this indicates in broad outline must lay less importance on the seizure of existing state structures, and emphasize rather the building up of alternative forms based on revolutionary working class activity. Such activity will take on an increasingly variegated and diffuse character 'internally', and also will increasingly transcend national boundaries.

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Kapitalistate. 1/1973

The aim of this paper is to contribute to the analysis of the interplay between multinational corporations and nation states, mainly in the field of economic relations.

The choice of these two institutions is made on purpose (1). On the one hand, the multinational corporation embodies the processes of concentration and centralization of capital, the development of finance capital and the socialization of productive forces at their highest levels, and represents one of the most dynamic and fundamental components of contemporary capitalism.

On the other hand, the nation state did not only follow step by step the historical development of the capitalist mode of production but progressively and systematically extended its intervention in the economy and its functions of integration and coercion in the society until it reached a degree of rigidity and consistence which has made it an element of the structure itself. This interpenetration between the political and the economic realm adds new dimensions the traditional functions of the state, — i. e. integration and repression, control and institutionalization of class conflict etc. — and modifies to a certain extent the determination of class interests.

The very definition of the nature of the two elements of the relation we intend to examine — nation states and multinational corporations — implies more than we will be able to demonstrate. An explanation of the nature and inner contradictions of 'national interests' can be provided only after a discussion of the relationships between class and state and between class and imperialism.

This is outside the scope of our paper: here we assume national interests as they manifested themselves, both in the praxis and ideology of bourgeois government, without analyzing their real class dimension. A second conscious limit of our contribution lies in the fact that we consider almost exclusively the relations between multinational corporations and developed capitalist states. The weakness and dependence of underdeveloped countries upon international capital make impossible any extension of our reasoning to these countries.

We intend to take into account certain contradictions inherent to the process of integration of the capitalist system. We can start with the remark that the state apparatus, under the hegemony of the bourgeoisie, apparently operates in order to assure the

* This is a revised version of a paper presented at the VIII^e Colloque of the AISLF (Association Internationale des Sociologues de Langue française) in Hammamet, september 1971, and published in A. Abdel — Malek ed. *Theories de le specificite*, Anthropos; Paris 1972.

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1) We put these institutions at the center of our analysis because of a need of concreteness. Actually structural contradictions always manifest themselves in conflicts among concrete social forces and their institutional expressions. Our analysis however implies a certain level of abstraction. As far as the nation state is concerned, we do not consider a definite historical case, but a kind of "ideal type", which can be drawn from current textbook definitions of what the goals and instruments of "Keynesian" economic policy are. This concept, although rooted in social reality, gives a limited and ideologically distorted image of the real functions of the state. These very models of economic policy, we mainly deal with, are to be considered as means used by the bourgeois state to control contradictions and class conflicts.

integration of the national capitalist system and that the multinational corporations are one of the main factors of interdependence and integration of the international capitalist system. In this respect, states and corporations play a complementary function. Actually this entails some basic contradictions and conflicts; the multinational corporations, on the one hand, cannot renounce to the traditional bourgeois state functions, which are necessary to create favourable conditions for the viable functioning of the capitalist economy — i. e. fostering consensus and “social peace”, warranting the free circulation of factors of production, defending property rights, etc., on the other hand, these very corporations pose a serious threat to the performance of those functions, and make ineffective several economic policy instruments.

This contradiction is very important since state economic policy has become a determining factor for any capitalist economy. We can even say that state economic policy has played an important role in integrating the subordinated classes by achieving — although for limited periods — certain goals such as full employment and wage increases. (2) And vice versa we can remark that today much more than in the past the social and political equilibria of bourgeois society depend on the achievement of some standard economic goals.

In the following pages we deal with the problem of the relationship between state economic policy and multinational corporations, moving in two directions. On the one hand, as we have already clarified, we consider the multinational corporations as a factor which tends to bypass the bourgeois nation state in its present form and sets objective limits to the performance of its functions. On the other hand, the same corporations foster a potential of international conflicts of interest which imply the stressing of the “nationalistic” character of the state.

As far as the latter phenomenon is concerned, we will focus our attention on the macroeconomic dimension of conflicts of interests among nations in which a fundamental role is played by the effects of international economic relations on effective demand. This dimension was certainly not ignored by the “classical” theorists of imperialism, from Hobson to Hilferding, Luxemburg and Lenin, but, later on, it was rather neglected in comparison with the almost exclusive importance given to concentration and centralization of capital and to oligopolistic competition. Lenin’s analysis of imperialism for instance sees the political and military conflict among imperialist nations — i. e. their struggle to divide the world — as the reflection and the consequence of economic conflicts among monopoly groups, i. e. the struggle to divide markets and areas of investment. Although we recognize the importance of these phenomena, we consider them to be only one aspect of the problem.

For this reason we think it important to analyse the economic policies of nation states in order to show new elements of conflict among nations, aside from interoligopolistic competition. In the last analysis these new elements of conflict can be drawn from the fact that demand, revenues and financial flows can go toward a given country only insofar as they are taken away from some other. This statement is not altogether valid for all the variables taken into account. As far as demand is concerned, it is clear that, because of the multiplier, the effects of demand expansion in a given country pour to a certain extent beyond the borders, although this outflow will be equal to a fraction only of the income increase of that country.

Other economic policy goals have a more antagonistic character: the achievement of a balance of trade surplus for instance can take place only insofar as there is a deficit of equal amount for all other countries taken as a whole. A similar example is provided by an expansion of the international monetary reserves of a given country’s banking system, although here too the total amount of international reserves cannot be considered wholly independent of the way in which they are

2) This integration can be maintained only for limited periods both because structural contradictions of the capitalist economy do not allow the maintenance of full employment and rising wages for long periods, and because the goals of subordinated classes develop dialectically in relation with continuous growth.

divided. This happens because the deficit of certain countries tends to bring about an increase in the total amount of reserves (i. e. in an increase of the pie to be divided) not only in the case of the U.S. — because of the status of the dollar as standard currency for international transactions — but also in the case of all those countries which can face at least in part their deficit by borrowing from the International Monetary Fund, which in doing so creates additional international money.

We think that multinational corporations, by increasing the centers of international control of demand, revenues and financial flows and by multiplying the elements of arbitrary choice, contribute to increase conflicts of interests among nations and to strengthen the nationalistic — or better mercantilistic — (3) character of state economic policies.

However, the appearance of these features, which is related to the growing instability of developed capitalist economies, has not weakened the strong links of interdependence among these countries, and particularly has not changed the conditioning role that the American economy plays for the whole capitalist system. (4)

The shifting of the main centers of power within the system of financial capital from the great banks to the multinational corporations means a lower degree of unification of the capitalist interests within a country and a certain loosening of the ties between these interests and the nation states.

The multinational corporation acts in fact according to an overall strategy aiming at the highest long-term profits of the whole business and not of its single parts.

Within each foreign subsidiary the fact of belonging to a single giant enterprise weighs more than the fact of being located in a given country.

These rather obvious considerations mean that the nation states can exercise only a “limited sovereignty” on the local branches of multinational corporations. Here the nation States are confronted with a series of obstacles and constraints to the implementation of their economic policy. This is all the more significant since the scope of state intervention in the economic sphere has been steadily increasing; this intervention has been oriented according to some “standard goals”, progressively embodied into more or less formalized indexes and rules which are widely recognized.

The most important and well known among these standard goals (at least in the industrialized countries) are: the attainment of a high degree of utilization of productive capacity and of a relatively low rate of unemployment, the attainment of a high rate of growth of the national economy, the maintenance of the equilibrium in the balance of payments over a certain span of time, the maintenance of a high rate of public expenditure as a function both of the first two goals indicated above and of some more directly political goals stemming from the typical integrative, repressive, defensive and internationally expansive functions of the state.

Each of these goals has an immediate political relevance in so far as a failure in its attainment — or its attainment below a certain degree — would endanger the

3) For an analysis of this phenomenon, see J. Robinson, *The New Mercantilism*, Cambridge Univ. Press, 1966.

4) “In the last resort the expansion of foreign demand depends on three basic factors ... The most important, I think has been the growth of the American economy: had not this taken place, western and Japanese foreign trade would not have grown so rapidly. If this is true, one of the main factors explaining the development of those countries in the postwar years has been the growth of the American economy: this growth — it is sad to say — was mainly stimulated by the increase of public expenditure especially for military purposes. “See Paolo Sylos-Labini, “Forme di mercato, salari e inflazione” in *Sindacati, inflazione e produttività*, Laterza, Bari, 1972, p. 88.

survival of the capitalist system and uproot the existing type of state when protracted for a certain time. This immediate political relevance should probably be ascribed both to the development of important organized mass movements of the lower classes which, in spite of their being often fairly integrated in the existing social and political system, still represent a potential danger for it; this relevance should also be ascribed to the development of a number of socialist societies representing an alternative to the social system of the capitalist countries.

In the light of what has been said, the relationships between the nation states and the multinational corporations could be seen under the following aspects:

- 1) How far, and in which fields, are the nation states performing functions of vital importance for the survival and expansion of the multinational corporations and in what measure these functions either can be performed by a single nation state, or can be distributed among many nation states or need to be concentrated in a single supranational state? These problems can at least partially be summed up in the single problem of defining the "nationality of multinational corporations".
- 2) How much is the attainment of some standard goals of the nation states (practically embodied in their present scope and structure) conditioned by the exercise of a discretionary power by multinational corporations in many important fields?
- 3) What influence does the existence of multinational corporations have on the relationships among nation states and on conflicts of interests among them?

A – The Nationality of Multinational Corporations

As a general rule we think that the nationality of a firm can be defined as a function of the following elements:

- a) "The nationality of a firm may be seen as a function of the location of the centers of power, that is of the control of the factors playing a strategic role in the development of the firm: financial means (both internal and external to the firm), technological know-how, organization and information relevant for the activity of the firm. Usually the control of these variables tends to be located in a single place for the very simple reason that, given the unity of the hierarchical structure of the firm, the same people exercise these different controls. Moreover, the location of the centers of control tends broadly to coincide with the location of the main sources of supply of those factors, that is with the location of the main financial centers and of the structures producing technological know-how.
- b) Also nationality may be judged in accordance with the nature, size and value of the plants existing in different countries.
- c) The geographical distribution of the labor-force employed by the multinational corporation, and especially of the most highly qualified labor-force is an important consideration in specifying nationality.
- d) Finally, the location of the markets both for outputs and for inputs – especially for those inputs having a strategic value and high technological content – is of importance in defining the nationality of a firm.

The number and vagueness of these factors might lead someone to think that defining the nationality of a multinational corporation is a very difficult problem to solve and eventually an indeterminate one. In practice this is not the case, because almost all the factors coming into the definition of the nationality of a firm tend to coincide and because in the relatively few cases in which they do not coincide (when, for instance, the location of the producing units is totally independent of the location of the financial centers and of the markets, as in the case of mines and of many primary products) the determining factor is the location of the financial centers. (5)

5) "The nationality of capital is not that of the nation in which it happens to be located, but rather that of the people who control it" (H. Magdoff, P. M. Sweezy "Notes on the multinational corporation" Monthly Review, October 1969).

Among the reasons explaining the frequent coincidence of the factors enumerated above, one should remember:

First, the historical fact that most multinational corporations were not the product of the centralization of a number of autonomous firms randomly distributed among different countries, but of the concentration of capital (6), i. e. the process by which firms which were born and shaped in a national context achieved international dimension (usually maintaining, therefore, a well localized center from a financial, as well as from a production and market viewpoint).

Second, the fact that the centers in which new technology is produced have an articulate industrial structure which makes for relevant external economics, favorable for attracting new industries and productive units. These same centers are those in which productivity, incomes and therefore markets especially those for "new products" (7) tend to develop faster.

Third, another important element explaining the coincidence for a whole series of commodities of the country in which they are produced with the country in which they are consumed or employed as means of production is the fact that public expenditure, whose share in the national income is by now quite everywhere, is heavily oriented toward domestic products. (8)

Clearly the different elements defining the nationality of a firm correspond to different aspects of public intervention in the economic sphere: the creation of financial means, the encouragement of technological development, the control of effective demand, public expenditure etc. Between the nation states and the multinational corporations there tends to develop a whole series of relationships of giving and taking, this is due to the fact that, on the one side profitability and growth of the firm is dependent on an efficacious and articulated cooperation by the state. while on the other, as we shall see, the degree of effectiveness with which the state performs its functions depends on the behavior of multinational corporations.

The weight of the various elements defining the nationality of a firm and the degree of their coincidence may be very different, and, as a consequence of that, even the degree of integration and complementarity between the multinational corporations and their metropolitan states may also be very different.

It is also clear from what has been said that the nationality of a multinational corporation cannot be but that of a highly developed country having enough economical, technological, financial, political and military resources. A politically and militarily strong state will not only implement the strictly national interests of the firm; but also their international interests. (9) The power of a strong state will often substitute that of other states or influence the way in which they are exercised: this does not mean that the multinational corporation does not need a certain amount of cooperation from the peripheral states in which they operate, but rather that the cooperation they receive from the metropolitan state is qualitatively different.

The foremost importance of the cooperation with one state does not mean in anyway that multinational corporations consider the states goals as their own or that they are interested in an indefinite extension of its powers. Within this frame of cooperation the multinational corporations aim at strengthening their

- 6) As is well known, this distinction between "centralization" and "concentration" was introduced by Marx.
- 7) For an analysis of these factors see R. Vernon "International investment and international trade in the product cycle". *Quarterly Journal of Economics*, May, 1966.
- 8) Along with other better known factors (such as transportation costs, import duties, qualitative differentiation along national lines of similar products) this factor must certainly be counted among the obstacles to the full development of international specialization.
- 9) R. Murray has rightly remarked that "... the outcome for anyone extending capital will depend on the power of its domestic government, both economic and political, to 'follow' its own capital, on the territory of extension, and on the particular form taken by the extension." Cf. Robin Murray, *The Internationalization of Capital and the Nation State*, *The Spokesman*, no. 10 (1971). p. 30.

bargaining power, and this power is certainly greater when there is a certain amount of competition among nation states.

In this sense we think that the drive towards supranational states or towards a supranational growth of the powers of one or more existing nation states, is doubly limited: in the first place, because multinational corporations do not cluster around a single metropolitan focus (although, the pre-eminence of the United States in this field will certainly not be challenged for a long time to come): secondly, because the multinational corporations themselves are probably not inclined to support beyond a certain limit the hegemony of their own metropolitan state.

To this we have to add some historical, social, and political factors still operating in the sense of a national characterization of the state's functions. The possibility that, in spite of many elements of crisis, the nation state might be superseded by something else in the performance of those repressive and integrative functions which have a vital importance for the survival of the capitalist system, seems to us rather remote. The same consideration holds, after all, for the peripheral states many of whose functions could only hardly be taken over by any metropolitan or supranational state. The national specificity of those states does not contradict the condition of imperialist dependence in which they find themselves. (10)

B – Nation States' Economic Policy and Multinational Corporations

Practically each of the standard goals of the nation states' economic policies has to do with variables which are subject, to a certain degree, to some form of control by the multinational corporations.

We will now look in more detail at the four goals, we have mentioned before, namely: 1) full employment; 2) sustained rate of growth; 3) balance of payments equilibrium; 4) maintenance of a certain level of public expenditure (11) to see how far their attainment can be conditioned by the behavior of multinational corporations.

Such conditioning is exercised, first, in so far as these firms control a large quota of effective demand, affecting both the level of internal demand for investment goods and labor force and the level of imports and exports. Assuming as given the level of total intended investment of a multinational corporation, there are many alternative possibilities as to their international distribution, and, once this has been decided, as to the choice of the markets on which to buy means of production.

It is then clear that the choices of multinational corporations may often exercise a relevant influence on the level of investments and on the balance of trade (and through them on the level of income) of the countries concerned. They affect the balance of payments as well, either directly (through the balance of trade) or indirectly (through the level of income). The distribution of investments among different countries and the choice of the sources of supply have therefore an important influence on the path of economic development, on the nature of the labor-market and finally on the whole social structure of the countries concerned. Finally, in so far as the level of public expenditure is given independently of the level of income, the determination of this last variable decides how far this expenditure is going to weigh on the money market or on fiscal revenue given a certain rigidity of fiscal systems due to both technical and political reasons.

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- 10) It is this ambiguity between nationalism and dependence which gives rise to the recurrent upheavals and frustrations of economic nationalism in many underdeveloped countries. For an analysis of these phenomena especially in the case of Latin America cf. J. F. Petras and R. La Porte jr. "La respuesta de los Estados Unidos al nacionalismo economico de Chile". *Cuadernos de la Realidad Nacional*, July 1972, Santiago de Chile.
 - 11) More precisely the problem is that of allowing a more or less steady increase of public expenditure. While it is true that the control of government expenditure is one of the instruments of state intervention in the economic sphere, one has also to remember that a given level of public expenditure, once reached, cannot be easily reduced, and that many of its items have an inbuilt tendency to grow with a rhythm more or less independent of the will of the governments and of what anticyclical policy should demand. Unless these growing levels of public expenditure receive an adequate fiscal financing, their financing through state deficits can loosen the government's control of the money market.

Furthermore, such conditioning is exercised, in a second relevant perspective, in so far as these firms have a direct (12) control of the terms of trade of different countries in many fields. Such control cannot be reduced to the control that oligopolistic firms have on the price of their finished products (degree of monopoly). Insofar as there are within the multinational corporation vertically integrated productive units, located in different countries, the prices at which semi-finished products are transferred from one local unit to the next are only accounting items for the firm, but represent imports and exports for the countries concerned. These prices can be changed regardless of the fundamental limit that the market puts to the maneuvering of prices, that is, they can be changed without affecting in the slightest way the quantities which are bought and sold. (13) The changes in these accounting prices (14) affect therefore both the balance of payments and the level of income (with its fiscal and monetary repercussions once the level of public expenditure is given) and consequently the path of growth of the economy.

Also, such conditioning is exercised – a third relevant aspect – in so far as these firms control important international financial flows. One can look at multinational corporations as organizations which realize profits, control sources of financial supply and decide investments over an area including many countries. The proportioning of these variables i. e. self-financing through undistributed profits, external financing and investment expenditure need be undertaken only for the firm as a whole (and even there not in a rigid way) and not for each national unit. For each country, though, the difference between financing (both from internal and external sources) located in the country, and investment expenditure in the local plant represents import or export of capital. These flows affect not only the balance of payments, but also the money market and probably the structure of the financial system.

Seen in a fourth perspective, such conditioning is exercised in so far as these firms control flows of technological information and of highly qualified labor-force. These factors have an important impact on many structural aspects of economic development, on the labor market and on the social and political equilibria of the countries concerned.

The multinational corporations determine the development of productive forces and, consequently, the transformation of labor organization at the factory level and the increase in the structural disequilibria between advanced and backward sectors. As far as the transformation of the organization of labor is concerned, one should probably find a greater homogeneity of labor conditions at the factory level, and, for that reason, a greater unity and solidarity of the working class among different countries: On the other side, the dual character of the labor market within each country probably deepens alongside with the better organized and paid working class of some sectors, on finds in the weaker sectors transitional workers having precarious jobs, semiproletarian workers and lumpenproletarian workers. These conditions generate a series of elements which accentuate the differentiation within the working class.

As for structural disequilibria one should remark that on the one hand multinational corporations represent a factor requiring and fostering rationalization within the capitalist system and that for this reason they endanger some vested interests of backward capitalist and parasitical sectors (landlords, urban real estate owners, spe-

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- 12) An indirect influence on the terms of trade is exercised by the multinational corporations through their investment decisions and by determining the direction of some financial flows (capital exports and imports, income transfers). Real investments have an influence on productivity and on the overall competitive capacity of the national economies, financial flows affect the balances of payments and the exchange rates.
 - 13) The changes in prices within the firm does not affect its external prices, that is its overall profitability. The variations of the first type of prices represent therefore a transfer of profits among different branches of the same firm. But, these transfers internal to the firm are external to the countries, for which any change in the terms of trade means, *ceteris paribus*, a change in income.
 - 14) One can guess the scope of this capacity of maneuvering prices from the fact that nearly 25% of American exports consist of sales of American corporations to their foreign subsidiaries.

culators etc.): while on the other hand these latter groups maintain a strong political representation and can influence and paralyse any attempt at far-reaching rationalization und modernization under the aegis of the state whether they are supported or not by multinational corporations. One should not forget that this opposition of advanced and backward sectors, is very often rather abstract and schematic because of the existence of a number of deep and organic ties between the parasitical sectors mentioned above, international capital and state monopoly capital. (15)

Finally, such conditioning is exercised — in a fifth perspective — in so far as these firms take over powers traditionally located within the countries in which they operate. This can be done, for instance, by absorbing members of the local elites into the hierarchical structure of the firm in a locally preeminent, but globally subordinate position, contributing in that way, to a “denationalization” of important sectors of the local bourgeoisie.

As we previously remarked, many of the flows controlled by multinational corporations can be addressed to one country only in so far as they are substracted from other countries. This aspect of the impact of multinational corporations is very often ignored while stress is often laid on the diffusing aspect of these flows (for technology, capital, etc.) which would justify the attribution of a thoroughly rationalizing, modernizing and industrializing function to multinational corporations. (16) This implies an underestimation of the potential national interest conflicts generated by the activity of multinational corporations.

C — Multinational Corporations and Conflicts of Interest among Nations

We have remarked that a potential source of conflicts among nations lies in the fact that multinational corporations control flows which can be directed toward one given country only insofar as they are taken away from another. In this way we identify some economic roots of conflicts of interests among nations without ascribing more or less conscious national interests to the corporations themselves. (17):

Actually these conflicts of interests appear precisely because the corporations do not care about the national destination of a portion of the flows they control. We have said of a portion, only because the “national” character — i. e. tied to certain countries — of the interests of the multinational corporations restricts their freedom of choice. These ties concern not only the interests linking the multinationals to the metropolitan country, but also the interests linking them to certain periphery countries — which either produce raw materials or are isolated and well protected markets — and which cannot be easily substituted by other countries in the firm’s global strategy. (18)

Put simply, the geographical distribution and the qualitative division of these flows is a function of: a) the structure of the corporation and b) the active intervention of nation states, which try to orient toward themselves those flows not yet engaged by

- 15) One should be cautious in generalizing these considerations which stem directly from Italian experience, where, by the way, the presence and impact of foreign multinational corporations is not yet one of the most relevant factors.
- 16) Even when this function is effectively performed it often entails a number of distortions in the structure and development process of the countries affected by it.
- 17) In the discussions about imperialism such ascription happens rather often, by attributing to the corporation not only the pursuit of profit maximization and the enhancement of power, but also the pursuit of national interests. By strictly distinguishing between institutional corporate purposes and nation state purposes however, we do not want to exclude the possibility that the corporation itself or more precisely their managers — are imbued with nationalist ideology and that the tight relations and sometimes the interpenetration among managerial and political cliques can imply a common “Weltanschauung”.
- 18) In this case of course there is no interplay whatsoever between multinational corporations and nation states, but only subordination of the latter.

the corporate structure. We could thus say that the range of competition among states is proportional to the degree of discretionary choice of the multinational corporation.

It is clear that these two elements interplay, since state intervention is both conditioned by and contributes to the determination of the structure of multinational corporations. This is due not only to the fact that certain flows controlled by the corporations cannot always be reoriented once they have taken a given direction, but also to the fact that the multinational corporations tend to acquire a structure which minimizes their vulnerability by the various nation states. The threats posed by the latter will be the enhancement of a protectionist policy or even a nationalization of foreign capital. The multinational corporations face the first type of danger by setting up their branches in different national markets and by making the local productive units rather autonomous.

As far as the second type of danger is concerned, strategy of the multinational corporations aims to make the functioning of the local units which are outside the integrated corporate system as precarious as possible. The needs posed by these two types of defense against potential threats by state policies are actually in part contradictory; however, the latter can be performed without hindering the former too much, by making the local branches dependent on the outside — and especially on the center — as far as certain strategic inputs are concerned, such as advanced technologies and spare parts supply. (19)

We can distinguish two types of structure of multinational corporations, neither of which is fully accomplished in reality: a) a structure made up of sectors vertically integrated and distributed among different countries and b) a structure made up of homogeneous sectors horizontally distributed with relation to different national markets. The former type is particularly vulnerable against protectionist policies, since any passage of products within the firm but across the borders of a given country represents an item of foreign trade which is subject to the country custom laws. The latter type, on the other hand, can contribute to create the conditions favorable to a nationalization of local units. (20)

Moreover, the former type of structure generally requires, some particular political conditions in order to operate; i. e. either some form of economic integration among the countries in which the production process is divided — such as the Common Market — or a tight control of the peripheral countries by the metropolitan state through overt forms of imperialism — as in the case of many Latin American countries.

Generally speaking, the structure of multinational corporations is the result of contrasting tendencies and is strongly conditioned by political considerations. (21) If this is true, it is impossible to hold, as several apologues of multinational corporations do, that these firms tend to substitute a world outlook of economic interests for a national outlook and that the nationalist and imperialist character of contemporary states is heritage of the past — a reflection of the economic structure of a past age, which is in contrast with the developing, ‘modern’ tendencies of the present. We think on the contrary that with the widening of the area controlled by the multina-

- 19) The multinational corporations will also try to face strikes and other trade union protests in a given country through increasing production in other countries. This attempt too pushes toward the creation of relatively homogeneous and interchangeable productive units in different countries, i. e. toward a horizontal type of division of labor within the firm.
- 20) Any kind of international expansion, as Stephan Hymer remarks, implies some form of centralization and decentralization. We can take the example of Fiat, which implants relatively autonomous and sometimes already nationalized productive units in different countries and exports technical projects, industrial equipment — in the last resort whole factories — made in Italy.
- 21) This impression is confirmed by Raymond Vernon, “Future of the Multinational Enterprise”, in C. P. Kindleberger ed., *International Corporations*, MIT Press, Cambridge, Mass. 1970. As Vernon states, the location of international investment is influenced or even dominated by factors other than those considered by current economic theory; among these new factors the need for acquiring technological know-how of different countries and the fear of protective tariffs may be mentioned.

tionals and of the range of their discretionary choice new conflicts of interest manifest themselves and new occasions of state intervention in economic relations take place.

It is worth remembering that the different nation states can dispute these flows with each other without trying to take their control away from the multinational corporations. Instead of fighting the power of the latter they may try to achieve a situation in which the power could be used in a way which is favorable to them, favorable according to what is probably the goal of a "pure nationalist" policy, i. e. of a policy which does not aim to change the economic structure but to increase the amount of resources controlled by the country. In this situation the conflict of interests takes place directly among the states and only indirectly among the multinational firms, which are relatively indifferent to these conflicts. (22)

These conflicts among states cannot be confused with the conflicts and competition among multinational corporations, which actually exist and concern multinational firms with a different "nationality" and a different international distribution of their activities. Since the firm's "nationality" determines the direction of a significant portion of the flows it controls, it is clear that any kind of expansion of a firm implies a re-distribution of flows in favor of its metropolitan locus. It follows that the conflict on interest among the corporations also has a tendency to take on a national character. (23) This type of conflict concerns *only* the metropolitan states, whereas the other one concerns *all* the states involved in the operations of the multinational firms. This type of conflict can contribute to foster a correspondance between capitalist expansion and nationalism.

To summarize, we have tried to show how the development of multinational corporations, on the one hand, gives a new dimension to the old conflict of national interests which goes together with oligopolistic competition, and, on the other, fosters new kinds of conflict which either take place between the multinationals and the nation states or are mediated via the multinationals and play out one state against the others.



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- 22) Recent debates on the price of crude oil provide an example of conflicts of interests among states. Apparently oil companies have succeeded in transferring to consumer countries the price increase and the higher royalties they have to pay to the producing countries. This will take place both by increasing consumer prices — which is possible as far as the increase of production prices concerns all the firms working in a given market, i. e. the Western European market — and by reducing taxes raised by the consumer countries; this means that only a portion of the revenue increase of producing countries is taken away from oil companies profits. These disputes provide an example of nationalist policy, which does not aim to challenge multinational corporations interests, but tries to obtain some advantages at the expenses of other countries.
- 23) We do not think it possible to consider the American state neutral with regard to the interests of various multinational corporations, as Christian Palloix does: "L'Etat-Nation des USA reflet les interets de la bourgeoisie oligopoliste et financiere non seulement americaine, mais britannique, allemande . . ." "Neither do we agree with him when he reduces the political and economic dimension of the states to that of the corporations: ". . . Il n'y a pas de puissance economique, politique des Etats Unis *en soi*, mais une puissance qui est celle des firmes multinationales USA". Cfr. See Christian Palloix, *Firmes multinationales et analyse du capitalisme contemporain*, Grenoble, 1971 (mimeo).

Jim O'Connor**

In this work, we attempt to develop a theory of economic growth that is rooted in the basic economic and political facts of late capitalist society. We try to elucidate the relationship between the private and state sectors of the economy and private spending and state spending. Although we think that many of the ideas presented in this study can be adapted to the experience of other advanced capitalist countries, the focus of this book is post — World War II United States. This study is at root an interpretation of the economic development and crises tendencies of this period. It should not be read as a comprehensive study of state budgetary planning and policy, nor as a source or reference book in the field of state finance. Many of the data are impressionistic and have been chosen more to illustrate a line of theoretical argument than to verify in any systematic way a set of hypotheses.

The categories that make up the theoretical framework of this study are drawn from Marxist Economics and adapted to the problem of budgetary analysis or the problem of the determinants of the volume and composition of state expenditures and the structure of tax exploitation.

Our first premise is that the state in capitalist societies must try to fulfill two basic functions which we can call the "accumulation" and "legitimation" functions. This means that the state must involve itself passively or actively in the process of capital accumulation (or economic growth). The state must try to maintain or create the conditions in which profitable accumulation is possible. On the other hand the state also must try to maintain or create the conditions for social harmony. It must try to win the loyalty of economically exploited and socially oppressed classes and strata of the population to its programs and policies, and to the imperatives of accumulation; it must attempt to legitimize the social order. What makes state theory interesting and important is that these two functions often are mutually contradictory. A capitalist state that openly uses its coercive forces to help one class (the capitalist class) accumulate capital at the expense of other classes loses its legitimacy and hence threatens the basis of its loyalty and support. But a state that ignores the many and varied problems involving accumulation and profits is self-destructive in the sense that it threatens its own material foundations — it risks drying up the source of its own power, the surplus production capacity of the economic system and the taxes that are drawn from this surplus (as well as from other forms of capital). This contradiction explains why President Nixon was forced to call a legislated increase in profit rates a "job development credit", why the government announces new fiscal policy is to keep profits high and growing, why the tax system is nominally progressive and theoretically based on the "ability to pay" when in fact the system is regressive. In short, the state must involve itself in the accumulation process, but it must either mystify its policies by calling them something that they are not, or it must try to conceal them (for example, by making them into administrative issues, rather than political issues).

* This article summarizes a theory developed in more detail in: *The Fiscal Crisis of the State*, New York (St. Martin's Press) 1973.

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Our second premise is that the basic Marxist economic categories (adapted to the problems taken up in this study) are indispensable to any real understanding of the fiscal crisis. Let us review these categories. State expenditures fall into two categories (or, more accurately, have a two-fold character) that correspond to the two basic functions of the capitalist state. The first category is *social capital*, the second is *social expenses*. Social capital are expenditures that are required for profitable private accumulation and that are indirectly productive (in Marxist terms, social capital indirectly expands surplus value). There are two general kinds of social capital, *social investment* and *social consumption* (in Marxian terms, social constant capital and social variable capital). Social investment consists of projects and services that increase the productivity of a given amount of laborpower. Everything else being equal, social investment outlays increase the rate of profit. A good example are state-financed industrial development parks. By contrast, social consumption consists of projects and services that lower the reproduction costs of labor from the standpoint of private capital. Social consumption outlays also increase the rate of profit (all other things being equal). A good example is social insurance, which expands the reproductive powers of the work force and simultaneously lowers labor costs from the point of view of private business. Finally, social expenses consist of projects and services which are not even indirectly productive, but rather which are required to maintain social harmony, to fulfil the "legitimization" function of the state. The best example is the welfare system, which is designed chiefly to keep social peace among unemployed workers. The costs of politically repressing populations in revolt also make a part of social expenses.

Owing to the dual and contradictory character of the capitalist state outlined above, nearly every state agency is involved in both the accumulation and legitimization functions and nearly every state expenditure has a two-fold character. For example, some education spending constitutes social capital (e.g. teachers and equipment needed to reproduce and expand the technical and skill levels of the work force), while other education outlays are in the nature of social expenses (e.g. salaries of campus policemen). To take another example, the main purpose of some transfer payments (e.g. income subsidies to the poor) is to pacify and politically control the surplus population. In practise, the national income accounts lump the various categories of state spending together, because the state administration does not employ a class description and analysis of the budget. Clearly, it is difficult or impossible to separate these different categories without detailed empirical investigation of each specific item in the budget.

More, precisely because of the *social* character of social capital and social expenses, nearly every state expenditure serves two or more purposes simultaneously. The significance of this is that few state outlays can be classified unambiguously as social investment, social consumption, or social expenses. For example, freeways are needed to move workers to and from work and in this sense consist of social consumption. They are also required for the transport of commercial freight and in this sense are a form of social investment. When they are used for either of these two purposes, freeways may be considered to be forms of social capital. However, in the United States, the Pentagon needs freeways for its own purposes (the Defense Department was a prime force pushing for the development of the inter-State highway system in the 1950s and 1960s). Freeways thus in part constitute social expenses. Yet despite the social character of state outlays (and thus the limitations on the use of available data), it is possible to assess the specific political-economic forces that are predominant in any particular budgetary decision, and hence the main purpose (or purposes) of each budgetary item.

The first basic thesis presented in this work is that the growth of the state sector and state spending is increasingly the basis for the growth of the monopoly sector of the economy and total production. In addition, we argue that the growth of state spending and state programs also are the result of the growth of the monopoly industries. In other words, we assert that the growth of the state is both a cause and effect of the expansion of monopoly capital.

More specifically, our view is that the socialization of the costs of constant and variable capital increases over time and increasingly is needed for profitable accumulation by monopoly capital. The general reason is that the increase in the social character of production (specialization, division of labor, interdependency, the growth of new social forms of capital such as education, etc.) either prohibits or renders unprofitable the private accumulation of constant and variable capital. In turn, the growth of the monopoly sector is irrational (in terms of human needs) in the sense that it is accompanied by unemployment, poverty, economic stagnation, the despoiling of the environment, and so on. To insure mass loyalty and maintain its legitimacy the state is forced to meet various demands and claims made on it by those who suffer the "costs" of economic growth.

It might help to understand the framework of our analysis to compare our approach briefly with traditional bourgeois economic theory. Bourgeois economists working with traditional economic models have shown that increases in private consumption beget increases in private investment via the accelerator effect. In turn, increases in private investment beget increases in private consumption via the multiplier effect. The model sketched in above is similar in broad outline. We argue that social investment and social consumption spending generates greater private investment and private consumption spending, which in turn generate surplus capital (surplus productive capacity and a surplus population) and a larger volume of social expenses made necessary by the enlargement of surplus capital and the social and political threats this produces to the system. Put briefly, the supply of social capital creates the demand for social expenses. In effect, we work with a model of expanded reproduction (or a model of the economy as a whole) that is generalized to take into account the socialization of constant and variable capital costs and the costs of social expenses. (1) The impact of the budget on the economy as a whole depends on the volume and (indirect) productivity of social capital and the volume of social expenses. On the one hand, social capital outlays increase productive capacity indirectly and simultaneously increase aggregate demand. On the other hand, social expense outlays do not increase productive capacity, although they do expand aggregate demand. Whether or not the growth of productive capacity runs ahead or behind the growth of demand thus depends on the composition of the state budget. In this way, we can easily see that the theory of economic growth depends on *class and political* analyses of the determinants of the budget.

The above view contrasts sharply with modern conservative thought, which asserts that the state sector grows *at the expense of* private industry. As we have argued, the growth of the state sector is indispensable for the expansion of private

1) We have *not* presented a theory of the relationship between private investment and private consumption in either the short or long-run. Such a theory would be beyond the scope of this work. Nor have we worked out in detail the dialectical movements between the different kinds of state expenditures. To suggest what such a task would involve, let us consider briefly education expenditures. Education spending clearly does double-duty as both constant and variable capital. The education system also has the effect of temporarily taking the surplus population off the labor market. In other words, the growth of education simultaneously absorbs surplus labor and expands productivity (and thus creates more surplus labor). In short, education spending creates and eliminates surplus capital simultaneously. Any detailed study of the education system (which again is beyond the scope of this work) would have to take this basic contradiction of the education system into account. A further complication arises to the degree that the growth of the education establishment and militarism are inseparable processes (as they seem to have been in the U.S.): It is probably true that one of the reasons that state-financed higher education in Europe is relatively underdeveloped is that military and related spending is comparatively small. Finally, it might be added that it is clear from the model presented above that both Marx's notion of realization crises and Keynesian notions of crises of effective demand require emendation. The reason is that as we will try to show "supply creates its own demand" in ways that neo-classical economics never dreamed of.

industry, in particular, monopoly industries. Our thesis also contrasts sharply with a basic tenet of modern liberal thought, namely, that the expansion of the monopoly industries *inhibits the growth of* the state sector. (2) The fact of the matter is that the growth of monopoly capital generates increased expansion of social expenses. In sum, the greater the growth of social capital, the greater the growth of the monopoly sector. And the greater the growth of the monopoly sector, the greater the state's expenditures on social expenses of production.

The second basic thesis put forth in this study is that the accumulation of social capital and social expenses is a contradictory process which creates tendencies toward economic, social, and political crises. Two separate but related lines of analysis are explored. First, we argue that although the state has socialized more and more capital costs, the social surplus (including profits) continues to be appropriated privately. Private ownership and control of the means of production permits private businessmen to appropriate a large part of the social surplus themselves. The socialization of costs and the private appropriation of profits creates a fiscal crisis or "structural gap" between state expenditures and state revenues. In other words, there is a tendency for state expenditures to increase more rapidly than the means of financing these expenditures. (3) To be sure, the accumulation of social capital indirectly increases total production and society's surplus and thus in principle appears to underwrite the expansion of social expenses. However, increases in the surplus tend to be monopolized by capital and labor in the monopoly industries, where prices are controlled by big capital and wages are determined by the political power of large-scale unions, in this way keeping productivity gains from being passed on in the form of lower prices to workers in unorganized and/or more competitive sectors where wages and prices remain more or less market-determined. (4) Large corporations and unions in these industries strongly resist the appropriation of this surplus for new social capital or social expense outlays.

Second, we argue that the fiscal crisis is exacerbated by the private appropriation of state power for particularistic ends. A host of "special interests" make a multitude of claims on the state budget. Corporations, industries, and regional and other business interests make claims on the budget for various kinds of social investment (claims which are politically processed in ways that must be legitimated or obscured from public view). Organized labor and workers generally make various claims for different kinds of social consumption. And the unemployed and poor (together with businessmen in financial trouble) stake their claims for expanded social expenses. Few if any of these claims are coordinated by the market. Most

- 2) The standard conservative work is Milton Friedman's *Capitalism and Freedom*, Chicago, 1962. The standard liberal work is John Kenneth Galbraith's *The Affluent Society*, Boston, 1958.
- 3) The socialization of profits consists of the redistribution of productive wealth from capital to labor, or the confiscation of the owning classes by the working class. Although wealth and profits as a whole have not been socialized, a portion of surplus value is appropriated by the state and used to finance expanded social capital and social expense outlays. Instead of private capital "plowing back" a portion of surplus value into expanded reproduction (net capital formation) in a particular corporation or industry, the state "plows back" that part of the pool of surplus value that it appropriates into expanded social reproduction (new social capital formation) in industry as a whole. However, the state also appropriates part of constant and variable capital. Because capital and labor's claims on budgetary resources are processed by the political mechanism, there is rarely a one-to-one correspondence between sources of financing and the uses of tax monies. On the one hand, taxes must appear to conform to bourgeois democratic norms of "equity" and "ability to pay". On the other hand, the mixed character of social capital and social expense outlays makes it difficult to develop clearly defined criteria for identifying state expenditures empirically. Perhaps the closest correspondence between private and social forms of capital is the tax on payrolls (which is levied on private variable capital or wages) which is used to finance social insurance (which is a form of social variable capital).
- 4) This sector theory of capitalism and its relevance for the "state sector" will be developed in more detail by Jim O'Connor in one of the forthcoming numbers of KAPITALISTATE.

claims are processed by the political system and are won or lost as a result of political struggle. Precisely because the accumulation of social capital and social expenses occurs within a political frame work (rather than being determined in the marketplace), there is a great deal of waste: duplication, and over lapping of state projects and services. Some claims conflict with one another and "cancel one another out." Other claims are mutually contradictory in a variety of ways. In brief, the accumulation of social capital and social expenses is a highly irrational process from the standpoint of administrative coherence, fiscal stability and rationality, and potentially profitable private capital accumulation. We will discuss the ways in which struggles around the control of the budget have developed in recent years and the ways in which these struggles impair the fiscal capacity of the system, and potentially threaten the surplus-producing capacity of the system.

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Theoretical Japanese Monopoly Capitalism and the State Notes

by Tasuku Noguchi*

Prior to World War II Japanese capitalism was characterized by three basic weaknesses. To begin with, it seems most fitting to refer to it as second-rate imperialism due to the prevalence of many institutions of a militaristic and semi-feudalistic nature. During this period and due to these forces, the accumulation of capital and production stagnated. Certain interest groups (*zaibatsu*) succeeded in achieving a high concentration of capital in the fields of finance, marketing, and mining. (1) Secondly, a dualistic system of semi-feudalistic peasant property ownership and parasitic landlords existed which caused ground rents to remain relatively high. This, in turn, forced many peasants to migrate to industrial areas, thus forcing the level of Japanese wages beneath those of India. (2) Thirdly, this dualistic system of high ground rents and low industrial wages, often termed „double control“, led to many other contradictions. This basic complex was supplemented by Japanese bureaucracy, semi-feudalist militarism, and absolutist imperialism. These three weaknesses formed the basic pattern of Japanese imperialism prior to the Second World War.

The Industrial Trade Structure of Pre-war Japan

Prior to World War II, Japan's industrial trade structure (3) revealed the following characteristics. First, the peasant population constituted more than 50% of the total population. In addition, domestic agricultural production was not sufficient to meet Japan's own needs. In the second place, however, Japan's cotton-spinning industry was among the best in the world and large amounts of spun-cotton were exported. In contrast, heavy industrial goods had to be imported. It is significant that Japan was the only imperialist country in the world to import capital. Basically, the structure of reproduction in Japan was dependent on agricultural and light industrial production. On the other hand, Japan's heavy industry was dependent on government arms spending. This meant that heavy industry was a heavy burden on the Japanese economy (4) and was largely responsible for the disproportionalities which arose.

The Structure of the State in Pre-war Japan

It is possible to characterize Japan as a capitalist state in the following terms. Essentially it was an absolutist, imperialist state with a parasitic landlord class, an absolutist emperor and a financial oligarchy. A close alliance existed between the parasitic class of landlords and the absolutist emperor based on their common semi-feudal outlook. On the other hand, the financial oligarchy was both modern in its views and capitalist in nature. What is commonly referred to as the *zaibatsu* system actually consisted of the *zaibatsu honsha* (the top holding corporations) and affiliated companies comprised of direct subsidiaries, related companies, and collateral companies. The *zaibatsu* enforced its centralized control over the economy through financial, personal, and investment controls. In the World War II economy, as the funds directly available to the state increased, *zaibatsu* decision-making became a joint process involving the government and the *zaibatsu honsha*; this, in turn, led to the establishment of warfare-state, monopolistic capitalism.

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- 1) Eitaro Noro, „Japanese Capitalistic Development“ 1947 his first works, Tokyo Iwanami publisher p. 311.
- 2) Shiro Morita, „Economic Function of Parasitic Landlord“ 1971, Economic Review Vol. Tokyo Nihon Hyoron-sha.
- 3) Retrenchment Committee of Holding Corporation, „Japanese Zaibatsu and its Disintegration“, Tokyo Retrenchment Committee of Holding Corporation 1951, p. 111.
- 4) Usame Inoue, „The Structure of Japanese Capitalism in the Crisis“, Tokyo 1951, p.117.

The Particular Quality of Pre-war Expansion

Pre-war expansion was not based on the export of goods and capital, but was always the result of direct military intervention through the invasion of colonial and semi-colonial areas. This fact led to major disproportionalities in the structure of industry. Capital power was not very great and the standard of living was relatively low. Basically, it was internal conflicts (and weaknesses) which led to expansionism — i. e. the military was used as a means of transferring internal conflicts beyond the country's borders. This strategy of course met with considerable opposition in the areas of occupation. This, in turn, led to further deterioration of the structure of reproduction in Japan. Ultimately, it meant that Japan was not in a position to endure protracted war. Thus, the military defeat of Japan was a foregone conclusion inherent in the multifold internal and external weaknesses of the country.

The Consequences of the Defeat after World War II

The outcome of the war brought defeat both to Japanese militarism and the elements of semi-feudalism which still existed within the society. Ultimately, it meant the dissolution of the old power structure as well as of the structure of reproduction in Japanese capitalism. The military defeat seriously weakened the influence of militarism and semi-feudalism among the Japanese people. Prior to World War II, both of these non-economic forces had enjoyed considerable influence among the Japanese people. It also led to the destruction of high ground rents, thus removing one of the prime generators of a cheap labor force. In addition, the occupying army destroyed the semi-feudal nature of the relations of production. The destruction of Japanese militarism also meant the loss of a market for Japan's heavy industry. At the same time it also led to the dissolution of Japan's military security perimeters (i. e. the Malakka Straits were no longer controlled by Japan.) One of the immediate effects was a tremendous food shortage, both for Japan's workers and its citizenry in general. The rate of unemployment rose drastically; and both of these factors created considerable political unrest. The situation culminated in the general strike of February 1, 1947. Although this strike was outlawed by Mac Arthur's occupation command, it was nevertheless highly influential. In addition there was considerable and successful resistance in the colonial areas.

Domestic Economic Growth in Japan After World War II

After the unsuccessful strike, Japan's economy set out the path toward economic recovery. The forced restructuralization of the original accumulation of capital was carried out a second time. Inflation, agrarian reform, the dissolution of the old *zaibatsu*, and the introduction of property taxation all led to a reorganization of Japanese monopoly capital. All of these measures led to the initiation of the reform movement. At the same time, the labor movement became legally sanctioned. Prior to the war, only factory laws and the social security law had been enacted. After the war, both collective bargaining and the right to strike were legalized.

Japanese economic recovery took place in stages. In the period between 1945 and 1955, agriculture and light industry recovered. Between 1955 and 1965 heavy industry recovered. Indeed, the structure of Japanese industry underwent major changes — almost a second industrial revolution. This was mainly due to the birth of many new sectors of industry such as atomic energy, electronics, oil, and the opening up of new heavy industrial areas, etc. Between 1966 and the present, however, economic growth has stagnated. The real economic growth rate has slowed down. Nominally, of course, Japan has continued to grow through its exports; but these in turn have negatively and indirectly influenced internal economic growth. It is important to recognize the significance of the inter-relationships between these internal and external factors. During the post war reconstruction period a technology gap existed. American technology reigned supreme throughout the world. Embedded within this technology gap lie three basic contradictions: (a) capitalism vs. socialism; (b) capitalism vs. the labor force and popular domestic movements;

and (c) capitalism vs. the national liberation movements in the colonies. In addition contradictions exist between the socialist countries (e.g. the Peoples' Republic of China vs. the Soviet Union).

All of these factors have had an influence on the situation of Japanese capital in the world market. And this world market is deeply influenced by the policies and economy of the United States. Thus, any analysis of the present state of Japanese capitalism precludes taking these inter-relationships into consideration. Subsequent to World War II, Japan underwent a fundamental transformation. The material and market base of its economy were completely re-oriented (e. g. one third of all Japanese exports were absorbed by the U.S. market; the Chinese market closed down to Japanese industry). There was rapid growth in such sectors as automobiles, shipbuilding, synthetics, and electrical household goods. Heavy industry continues to remain relatively subsidiary in nature due to the lack of an aircraft industry, an aerospace industry, and a rocket industry. Despite these insufficiencies, Japanese heavy industry experienced a tremendous rate of growth, accomplishing in a decade what had taken other countries a century to do. But there is another important factor involved in Japan's economic recovery. Throughout Asia, an economic, political, and military crisis existed. Japan was forced by the other capitalist countries to become a show-case for capitalism in Asia. Thus, capital growth in Japan after the war was, in part enforced economic growth. Had this particular structure broken down at any point, the latent revolutionary potential would have become immediately evident. In addition, it is important to keep in mind that Japan is not only surrounded by the Peoples' Republic of China and the Soviet Union, but also by the national liberation movements in Asia. If this particular cold war strategy had fallen apart, the problem of relative overpopulation in Japan would have become an acute one.

Japan's Cheap Labor Force

After World War II, the relative overpopulation in Japan amounted to about four million people. Unemployment was very high, inflation was growing rapidly, and the internal political contradictions were measurably strengthened by the general strike of 1947. Existing subsistence wages were forced to go even lower because of the overpopulation.

The agrarian reform, like Napoleon's agricultural reform, strengthened and entrenched the private property system of land. However, this led to a rapid increase in the agricultural output and a lowering of the price of rice. Namely, the drop in rice prices necessitated a reorganization of the cheap labor system. The labor force changed in form, but not in nature. Prior to the war, the structure of the labor force had been extremely rigid. In addition to seniority wages, factory-apprenticeship systems, etc., the semi-feudal nature of the economy in general produced many special labor forces such as temporary migrant laborers (the so-called *dekasegi* or *kisetsurodosha*) occasional laborers (the so-called *kakehoju*); both of which were quite rigid in structure. After the war the labor force became more flexible, because the stratum of relatively unemployed chose to remain in the cities and did not return to the rural villages as had the *dekasegi* in the pre-war period; and because many odd-job laborers (the so-called *rinjiko*) and auxiliary, non-production factory workers (the so-called *shagaiko*) became a flexible labor force in the factories. (6) This basic structure continued to exist until about 1965, when a shortage of labor arose.

The second important factor relevant to the structure of the labor force was the dramatic fall in the price of rice. After the war, the government measures and intervention forced the price of rice downward and established a base price of 1,800 Yen per *koku*. By 1955, agricultural production had risen to the point where Japan could meet

5) Shohei Shinoda, "Japanese Labour Movement", 1965 Tokyo Rodoginpo-sha chap.2.

6) Tetsu Furukawa, „The Structure and Trade Cycle of Capitalism in the Crisis“, Tokyo 1970, p. 281 - 284.

its own needs and the standard rice price reached 10,000 Yen per *koku* (which was relatively cheap). Thus, by 1955 both cheap rice and low incomes for small farmers and agricultural laborers had been achieved.

The third important factor is the fact that the structure of the labor force was based on the high accumulation of Japanese capital. After the war, the *dekasegi* labor force was replaced by a better-educated and healthier labor force, which was necessary for the reorganization of Japanese industry. This came about due to the permanent migration of many second and third sons from the agricultural areas. The post war agricultural reforms led to an increase of the number of small and independent agricultural enterprise. The relatively low price of rice made it difficult to introduce machinery into agricultural production, and increasing numbers of second and third sons left the farms to study at agricultural and normal schools in order to find places to work outside the farms. This meant a general rise in the educational level of the new labor force migrating from agricultural areas compared to that of the labor forces which had migrated from these areas before the war. Besides, the government introduced numerous measures after the war to exert even greater control over the agricultural sector. It passed laws regulating the sale and acquisition of agricultural land, agricultural borrowing and lending, and ground rents. All of this legislation restricted agricultural management to small enterprises and coerced in this manner the labor force into migration from the agricultural districts into the cities, thus providing the latter with a new and thus cheap labor force.

Changes in the Japanese Capitalist State After World War II

By doing away with the absolutist emperor and the parasitic landlord system, the financial oligarchy strengthened its direct control over state authority and achieved the capitalistic disintegration of agriculture. On the other hand, under post-war occupation, the Japanese monopoly capitalist state was controlled by U.S. imperialism in much the same manner as was German monopoly capitalism. The absolutist emperor became a bourgeois monarch and the powers of the state came under the control of the financial oligarchy. The pre-war *zaibatsu honsha* controlled by the feudalistic *zaibatsu* families was dissolved, and a modernized form of the *zaibatsu* was established — what we call the Interest Groups. The general tendency toward joint stock-holding, loans for reconstruction, and the introduction of bank representatives as directors of industrial corporations led to a new unity between the banking and industrial monopolies.

Government Measures With Respect to the Organization of Monopolies

Government measures strengthened not only the cartels and industrial and banking trusts but also the Interest Groups. The following offers a general picture of this development:

The Cartel System

A. Formal cartels (*koshikiteki* cartels). A special system was recognized and permitted by the Ministry of International Trade and Industry (MITI) (*ninka* cartel) and by the government and was endowed with the following tasks: (a) rationalization (*gorika* cartel) which encompassed the so-called 'scrape-and-build' reconstruction policy for fertilizers, coal, textiles, and steel. It also attempted to reduce redundancy and encouraged mergers and further specialization. It recommended avoiding over-production, i. e. a reduction of production in those cases where it saw fit. In the textile industry, for example, self-regulation had been previously enforced jointly by the government and the textile manufacturers' association, where the two bodies worked hand in hand. A government recommendation to cut production by 80% was presented to the textile manufacturers' association. The association, in turn, issued quotas to the largest firms who then allocated the work among the smaller firms. However, as government support to the textile industry came to an end in 1965, the cooperation exhibited by the industry diminished. The recent textile negotiations between the U.S. government and the Japanese government clearly reflect this lack

of communication. In 1965, a turning point came, when MITI policies reflected the fact that heavy industry had become more important than light industry. The *fukyo* cartel was established to deal with recessionary measures for the textile, foodstuffs, and light industries. The steel syndicate (*gyosei* cartel) (7) which was recognized and sanctioned by the government established an open sales system (*kokai hanbai seido*) and regulated or semi-regulated the marketing system to reduce production in the aluminum and chemicals industries. One of the basic purposes of this syndicate was to establish a dual price system consisting of (1) high domestic prices — aimed at stabilizing medium-sized and small firms unable to compete with the major corporations and (2) low export prices for the major corporations which were supported by the profits extracted from the domestic market.

B. Informal or illegal cartels (*chika* cartels). During the immediate post-war period these cartels arose at a time when the 'tatene' system of manufacturer-dictated price regulation still existed. This system was prohibited by the government but continued to exist in the steel sector for example. In 1955 these cartels became legally sanctioned and are now supported by the government, so that for all purposes they may be treated as formal or legal cartels. The *kanri kakaku* system of administered pricing, which was similar to the 'tatene' system has also become semi-official in nature.

C. General reform of the cartel system after 1955

1955 saw over-production in the textile and steel industries before they began to compete on the international market. This created a need for rationalization and anti-recessionary policies. The reforms undertaken in this connection also extended to the fertilizer and coals industries. The 'scrape-and-build' reconstruction policy led to a reform of previous anti-trust legislation and a reorganization of industrial groups. Once again, the holding company became legalized in the form of trusts. The Hitachi, Toyota, and Nissan trust groups were set up as a result of these reforms, but the Mitsubishi, Mitsui, and Sumitomo holding companies were still prohibited. There was also a general easing of the strict prohibition of common stock holding between corporations. Finance corporations were now allowed to hold 10% of a company's stock as against 5% previously. There was also a general liberalization of the restrictions against interlocking directorates (*juyaku kennin seido*).

What is the distinction between the before and after of the reorganization of the industrial groups? Prior to the reorganization there were relatively low rates of concentration in 92 industries. Thus, in 73 industries 50% of the market was controlled by the top ten companies, and in 29 industries 80% of the market was controlled by the top ten companies. With respect to the role of big business groups, out of a total of 535 companies capitalized at more than 100 million Yen, 125 or 23,4% were affiliated with chain bank groups. After the reorganization the big city banks begin to assume a new role. The following table presents an overview of big bank stockholding in 1955 (*ka-bushiki mochiai seido*):

| | | |
|-----------------------|-----------------|-------|
| a. mining | 10 corporations | 29,5% |
| b. cement | 10 " | 43,6% |
| c. paper | 10 " | 25,2% |
| d. electric equipment | 10 " | 20,2% |
| e. public utilities | 15 " | 27,7% |
| f. chemicals | 7 " | 19,5% |
| g. metals | ? " | 19,7% |

Under this system of interlocking directorates, city banks sent directors to the 450 largest corporations; for example in 1956 bank representatives 21 presidents, 24 vice-presidents, and 160 other persons in high positions. After 1955 further concentration was achieved through intercompany financing with loans from the big banks to

7) Soichiro Giga, "Cartel and its Contradiction in Modern Japan", Osaka Keiei Kenkyu Commercial Faculty, Osaka City University.

member companies. The following table gives an overview of the percentages of city banks' loans as against total capital in each group. (8)

| Group | 1953 | 1959 |
|----------------------------------|--------------------|--------------------|
| Mitsubishi | 18,7 | 37,5 |
| Mitsui | 17,8 | 30,2 |
| Sumitomo | 25,1 | 36,4 |
| Fuji | 19,6 | 34,2 |
| Daiichi | 23,9 | 36,2 |
| Sanwa | 33,5 | 37,5 |
| <i>Intercompany stockholding</i> | | |
| Mitsubishi | 9,3 | 20,2 |
| Mitsui | 6,2 | 12,2 |
| Sumitomo | 7,0 | 19,8 |
| <i>Interlocking directorated</i> | | |
| Group | 1952 | 1958 |
| Mitsubishi Bank | 12 10 corporations | 47 48 corporations |
| Mitsui | 7 7 " | 37 29 " |
| Sumitomo | 6 4 " | 54 52 " |
| Sanwa | 1 1 " | 54 49 " |
| Fuji | 7 5 " | 56 45 " |
| Daiichi | 5 4 " | 32 32 " |

The Present Zaibatsu System

Once a month the Congress of Presidents of each groups meets. This body is similar in nature to an informal holding company. Although this body holds no stock per se, the members of the group are fused together by interlocking stockholdings, loan agreements, and directorate exchanges. The activities center around chain banks, trading companies, and the major industrial manufactures. In addition there are also affiliated companies which comprise the *tanitsu shihai kigyo* in which every major stockholder participates in a monthly meeting; usually the minimum controlling stockholding amounts to 7-8%. The *kyodo shihai kigyo* in which major stockholders participate in large monthly meetings are characterized by the fact that major stockholdings are sometimes held by companies outside of the group. In this particular body it is extremely difficult to calculate which company has the strongest interest at any given moment. Finally, there is the *yushi keiretsu kigyo* in which no stock is actually held. Basically lending agreements are negotiated with funds being provided by banks, fire insurance companies, trusts, life insurance companies, and securities corporations. Debts are sometimes held by companies outside of this body.

Several measures have been enacted to strengthen the power of the *zaibatsu* groups. In addition to new investment planning (joint planning), both cooperative financing to meet investment needs and joint decision-making involving all of the groups have been initiated. Were one to rank these enterprise groups in terms of solidarity, it would probably be as follows: Sumitomo, Mitsubishi, Daiichi, Fuji, Mitsui, and Sanwa.

There has also been considerable competition among the interest groups for the control of independent companies, as is witnessed in the merger of Daiichi with Nihon Kangyo Ginko and the merger of Fuji Steel and Yahata Steel with Shin Nihon Seitetsu. At the other extreme is the Hitachi corporation which includes: Hitachi Mining, Hitachi Electric Manufacturing, and Hitachi Kasei. At present the Hitachi group is not committed to any one of the interest groups, but continues to borrow equally from Sanwa, Fuji, and Daiichi. Prior to the war, the Hitachi group was a similar to a *zaibatsu* and obtained its financing from Nihon Kangyo Ginko, a government bank at that time. However, this relationship was broken up after the war. Most likely, whichever group the Hitachi cor-

8)* Toyokeizaishinpo, „Reorganization of Zaibatsu and Controlling power of finance“ 1955, Tokushugo. *Keizaichosakyokai nenpo, „Research for Interest Groups“ 1960, p. 55. Soichiro Giga, „Monopoly Enterprise of Modern Japan“, Mineruba.

poration chooses to associate with, if it does indeed do so at all, will become the most powerful corporate group in Japan.

In addition, other forms of aid to the chain banks exist such as the financial institutions of the government. First, the Japanese Development Bank continued to take out collateral loans from Aid To Japan Funds, which, in addition to supplementing the commercial banks, were also government guaranteed. Furthermore, this bank became the guarantor for loans from the World Bank to Japanese monopoly corporations. Secondly, the Japanese Industrial Bank and the Japanese Long-term Credit Bank financed equipment funds through the issuance of bonds. In addition, the sale of discount financial bonds fused the funds from these two special government banks with the funds of the Deposit Bureau of the Finance Ministry for purposes of investment.

It has already been mentioned that the structure of Japanese reproduction was comprised of three strata: heavy industry/big business; medium-sized and small business; and small farmers. This stratification was largely due to differentials in capital equipment, productivity, and incomes. These differentials both promoted and restricted the accumulation of capital in Japan. Essentially, economic growth in Japan was influenced (a) by the fact that these differentials were very large in absolute terms; (b) by the fact that the development of these differentials took place very rapidly; and (c) by the poor social and economic conditions of workers and farmers. This development put an end to the dissolution of small farm holdings.

Even before World War II Japan's internal economic structure was highly differentiated; but these differences both complimented and supplemented each other. After World War II, however, in the process of rapid growth, the economic differentials expanded greatly and each strata became relatively dependent on the others. Thus, heavy industry was dependent on the banks, the rest of the economy was dependent on heavy industry, so that if the banks ceased their financing, everything would have come to a standstill. This meant that there were two main contradictions in the reproduction structure, and in the disproportionate nature of the interest groups in relation to each other.

But, the Japanese government back up heavy strategic industries through its sanctioning of cartel prices and trust financing. This particular policy served to deepen the gap between heavy and light industry, with monopolies on the one side and medium-sized and small enterprises on the other. The outcome of this policy was that support for the government (Liberal Democratic Party — LDP) declined rapidly. A similar tendency can also be traced in the agricultural sector, because the agrarian reform policy put an end to medium-sized independent farmers.

The power base of the LDP lies among the finance oligarchy, the medium-sized light industrialists, and the medium-sized farmers. The decline of the latter two power bases reflects one of the paradoxes facing the LDP and government policies in general. To this extent, at least, the contradictions of reproduction in the Japanese economy are also reflected in the superstructure of the state.

The six major interest groups became involved in bitter competitive struggles both inside and outside of the market sphere. In the pre-war period, the Mitsui group occupied the top rung on the ladder, but since the war it has fallen into third place. Both Mitsubishi (No. 1) and Sumitomo (No. 2) developed rapidly in heavy industry and succeeded in overtaking Mitsui. At the same time, these two groups are closely connected to the government and hold seats in the Tanaka Cabinet.

Yet, if the high growth rate of Japan's post-war economy was to continue, the cheap price of rice and the wage structure both had to be changed. For example, subsequent to the period between 1961 and 1965, there was a general trend towards overproduction in the consumer goods and production goods sector. This led to a major crisis not only in the agricultural sector, but also among small and medium-sized business. For political reasons, the Japanese government wanted to alleviate this crisis with its structural reform policy for the agricultural sector and its industrial reorganization policy for small and medium-sized business. As a result of this decision, the price of rice was decided politically (*seiji beika* „political rice price“ became a political catchword of the day). But support for the price of rice only served to increase the tax bur-

Companies of the Zaibatsu Groups by Industrial Areas (9)

| Industry | Group | | | | | |
|--------------------------|---|--|--|--|--|---|
| | Mitsubishi | Mitsui | Sumitomo | Furukawa-Daiichi | Fuyo | Sanwa |
| Finance and Insurance | Mitsubishi Bank Mitsubishi Trust & Banking Tokyo Marine & Fire Meiji Life Insurance Nippon Trust & Bank. Nikko Securities | Mitsui Bank Mitsui Trust & Banking Taisho Marine & Fire Insurance Mitsui Life Insurance | Sumitomo Bank Sumitomo Trust & Banking Sumitomo Marine & Fire Insurance Sumitomo Life Insurance | Daiichi Bank Asahi Life Insurance | Yasuda Trust & Banking Yasuda Fire & Marine Insurance Yasuda Life Insurance Fuji Bank | Sanwa Bank Toyo Trust & Banking Nihon Life Insurance |
| Mining | Mitsubishi Mining Hokkaido Colliery & Steamship Matsushima Colliery | Mitsui Mining Hokkaido Colliery & Steamship Matsushima Colliery | Sumitomo Coal Mining Furukawa Mining | | | |
| Construction | | Sanki Engineering | Sumitomo Construction | | Taisei Construction Toa Koen Nishimatsu Tekken Construction | Ohbayashi-Gumi Toyo Construction |
| Food | Kirin Brewery | Taito Mitsui Sugar Refinery Hohnen Seiyu | | Dai Nippon Sugar Refinery | Sapporo Beer Nisshin Flour Milling Nippon Reizo Toyo Sugar Refinery | |
| Fiber | Mitsubishi Rayon | Toray Sakai Fiber Industry Daito Spinning | Teikoku Sangyo | | Toho Rayon Nisshin Spinning Shoei Spinning Nippon Hemp Spinning Chuo Wool Fukusuke | Teijin Unitika Daewa Spinning Toa Spinning Chuo Wool Fukusuke |
| Pulp & Paper | Mitsubishi Paper Mills Tokai Pulp | | Settsu Itagami Toyo Pulp | | Kokusaku Pulp Nippon Paper Industry Takasaki Paper | |
| Chemical | Mitsubishi Chemical Mitsubishi Edogawa Mitsubishi Plastics Mitsubishi Monsanto Mitsubishi Petrochem. Nippon Gas Chemical Dai Nippon Paint Nippon Kogaku Kogyo Chugoku Paint | Mitsui Toatsu Chemicals Mitsui Petrochemical Ibigawa Denko Diesel Denki Kagaku Kogyo Nakataki Pharm. Ind. Fuji Film Toyo Fiber | Sumitomo Chemical Yamanouchi Pharmaceutical Shiseido | Asahi Denka Kogyo Nippon Geon Toa Paint Rasa Industry | Nippon Oils & Fats Kureha Chemical Showa Denko Nippon Kahritto Nippon Oxygen Fujiisawa Pharmaceutical | Tokuyama Soda Kansai Paint Osaka Soda Kyowa Carbon Tanabe Pharmaceutical Fujiisawa Pharmaceutical |
| Oil | Mitsubishi Oil | | | | Toa Nenryo Kogyo | Maruzen Oil Ube Industries |
| Rubber | | Fujikura Rubber Industry | | Yokohama Rubber | | Toyo Rubber |
| Glass & Clay | Mitsubishi Cement Asahi Glass Nippon Insulator Nippon Ceramics Nippon Special Ceram. | Central Glass Onoda Cement | Nippon Sheet Glass Sumitomo Cement Nippon Asbestos | | Nihon Cement | Osaka Cement Osaka Clay Industry |
| Iron & Steel | Mitsubishi Steel Mfg. | Japan Steel Works | Sumitomo Metal Kanto Special Steel Chuo Electric Industries | Kawasaki Steel Kobe Steel | Kubota Nippon Kokan Kurimoto Iron & Steel Toshin Steel Azuma Steel | Kobe Steel Nakayama Steel Works |
| Non-Ferrous | Mitsubishi Metal Mining | Mitsui Mining & Smelting Fujikure Densen | Sumitomo Metal Mining Sumitomo Electric Industries | Furukawa Electric Industries Nippon Light Metal Nikkei Aluminium | Sumitomo Aluminium | |
| Industrial Machinery | Mitsubishi Kakoki Chiyo-da Chem., Eng. & Const. | Sonoike Seisakusho | Takumo Boiler | | Nippon Seiko Enshu Seisaku | Toyo Bearing Teijin Machine Manufacturing |
| Electric Machinery | Mitsubishi Electric Nippon Battery | Yuasa Battery | Nippon Electric Anritsu Electric | Fuji Electric Fujitsu | Okji Electric Yokogawa Electric Hitachi Sharp Nippon Signal | Hitachi Iwasaki Tsushinki Toyo Electric |
| Precision Machinery | Nippon Kogaku Shimazu Seisakusho | | | | Canon Camera | |
| Transportation Machinery | Mitsubishi Heavy Industries Nippon Yusoki | Mitsui Shipbuilding | Sumitomo Shipbuilding & Machinery | Kawasaki Heavy Industries Kisha Seizo Isuzu Motor | Nissan Motor Kayaba Industry | Hitachi Shipbuilding Daihatsu Kogyo Fuji Rolling Stock |
| Trade | Mitsubishi Shoji Kinsho Mataichi Seika Sangyo Tokyo Sangyo | Mitsui & Co. | Sumitomo Shoji Ataka Sangyo | Nissho-Awai | Marubeni-Ida Okura Shoji | Takashimaya Nissho-Iwai Nichimen Jitsugyo Chori Sogo |
| Real Estate | Mitsubishi Estate | Mitsui Real Estate | Sumitomo Real Estate | | Tokyo Tatemono | |
| Fishery | Nichiro Fishery | | Hoko Fishery | | | |
| Metal | | | Nippon Tool Manufacturing Tokyo Steel | | | |
| Others | | Tosho Insatsu | | | | |
| Transportation Service | Nippon Yusen Odakyu Railway Tonami Unyu | Mitsui OSK Lines Imai Steamship Meiji Marine Transportation Utoku Unyu Mitsui Fuyo | Kansai Steamship Daiichi-chuo Steamship | Kawasaki Steamship Iino Marine Transportation Tobu Railway | Showa Marine Transportation Keihin Express Yamashita Shin Nihon Lines | Toyo Linoleum Keihanshin Express Nippon Isun Yamashita Shin Nihon Lines Keisei Railway Nisshin Transp. & Wareh. |
| Warehouse | Mitsubishi Warehouse Yokkaichi Warehouse | Mitsui Warehouse Inui Warehouse | Sumitomo Warehouse Shibusawa Warehouse | | | |

den, so the agricultural policy of the government shifted from cheap rice to relatively expensive rice.

The government policy contained a fundamental contradiction, because it both prompted the dissolution of light industry-medium-sized and small business and the disintegration of the farmer. On the other hand, government policies toward agriculture and medium-sized and small business were restricted by the necessity of achieving a compromise of sorts (in the form of some sort of protectionism) in order to retain the conservative vote and to respond to the pressure of the respective interest groups.

Summary

The general trend of the conflicts of Japanese capital may be summed up as follows: The government and the monopolies want to use this policy to gain political support. They have a vested interest in raising the price of rice and providing supplementary funds for medium-sized and small businesses. Yet, both of these measures create strong inflationary tendencies and tend to produce relative over-population. Whereas in the past, Japan's triple strata structure had tended to promote the accumulation of capital, since 1961 it has had the effect of restricting accumulation, and the mechanisms of capital accumulation in Japan have ceased to function. For example, after World War II, agricultural self-sufficiency caused the price of rice to fall; and the fall in the price of rice triggered the migration of the sons of farmers away from agriculture. This relative over-population forced the price of labor in the industrial sector downwards. After 1965, however, another pattern arose. This pattern was characterized by a relatively high rice price and relatively low incomes for farmers and low wages for industrial labor. In this situation, the agricultural labor force not only migrated to the cities, but also into the suburbs. This general migration brought about a fall in the level of wages and inflationary increases in commodity prices. Particularly for the medium-sized and small businesses, the lack of a young labor force put a restriction on the accumulation of capital. After 1965 this became an internal contradiction for Japanese capital in general.

Today the Japanese economy is oriented in two directions in an effort to overcome the contradiction between external and internal economic necessities. On the one hand, there is an attempt to promote the export of commodities — not only to the Third World, but also to Europe, China, and the Soviet Union. There are also efforts to promote the export of capital aimed at utilizing cheap labor in the so-called 'backward countries' as well as to secure natural resources. On the other hand, there is a general trend toward the militarization of Japan and the expansion of its defense industry. Certainly there are major differences between 1940 and 1972, and the political and economic situation in the world has changed fundamentally. And finally there are efforts in Japan to increase the country's foreign trade with China.

These

three trends maintain an unstable and insecure relationship to each other and remain basically contradictory. There is little doubt, that the monetary crisis of the capitalist world could lead to the bankruptcy of the world's leading capitalist nations.

As a final note, throughout the past three years a serious conflict has raged between the *zaibatsu*, the LDP, the working class, and the Japanese people in general over the question of environmental pollution. Naturally, this environmental pollution crisis was brought about by Japan's rapid economic growth; and on the surface, the government would appear to be shifting from a general policy of high economic growth rates to a policy of social crisis management. But the 'islands reform policy' of the Japanese government made it clear that the government has not given up its policy of high economic growth rates, and has only adopted its anti-pollution measures and welfare for the

9) The data and the classifications used in this table were excerpted from the following works by Tasuku Noguchi: "Mitsubishi Concern" 1968, Tokyo Shinhyoron; "Mitsui Concern" 1968, Tokyo Shinhyoron. "Sumitomo Concern" 1968, Tokyo Shinhyoron. "Fuji, Daiichi and Sanwa Concern" 1968, Tokyo Shinhyoron.

aged as a sort of subsidiary exercise in crisis management engineering. The 'islands reform policy' directly supports the financial oligarchy and is projecting several major industrial centers in under-populated areas. In the short run, this will certainly alleviate the pollution problem, but in the long run it will only serve to spread pollution throughout Japan and to further intensify this conflict.

NEW GERMAN CRITIQUE

An Interdisciplinary Journal of German Studies

Statement of Purpose

New German Critique is an independent Marxist journal of German studies. Its main purpose is to develop a critical school in America which would introduce and participate in discussions and debates already begun by Marxist groups in Central Europe. A number of themes and directions will be developed which will define the politics and theoretical intent of the journal. Some of these will be: theories of fascism, alienation under capitalism and socialism, labor history, the Brecht-Lukács debate, the political economy of the DDR and the BRD, problems of children's literature, education, technology, mass media, theater, etc. The journal is interdisciplinary, although its ultimate goal will be to develop a theoretical basis through which the often artificial distinctions between disciplines might be eliminated. We see the journal devoted to establishing an enclave for Marxist studies within and around the universities. In this respect it will challenge the ideological precepts of traditional theory and pedagogical practice in German studies, and the theory/praxis dialectic will be reflected as a major concern of the articles themselves.

Our treatment of German themes should be understood in the broadest sense, i.e. the journal will deal with the BRD, DDR, Austria, and Switzerland. Although we are not opposed to translating particularly important articles written in other foreign languages, we will essentially be publishing original contributions in English which will look at German themes and issues from a critical perspective. We will accept any article that conforms to the theme of a particular issue and is written from a Marxist viewpoint if it is of serious intent and quality. Some articles and reviews may not be in agreement with the political and theoretical views of the journal. On occasion we will reply to them as well as encourage debate with their content. In addition to articles, there will be three types of reviews in the journal: long comprehensive essays about several books on a related topic, smaller substantial reviews of single books, and short commentaries on single books. We hope to establish strong working relationships with other Marxist journals and exchange ideas and information in an effort to redirect energies and open new directions in German studies. Eventually we hope to sponsor annual conferences on German studies and take an active role in making material for new teaching available for all those interested in developing a Marxist critique. We plan to establish a new series of Marxist publications, and our first book will be a special translation of Marx and Engels on Art and Literature.

The themes for the first four issues of New German Critique are:

culture and ideology
East Germany
labor history and working class culture
universities in crisis

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West German researchers interested in the 'reconstruction' of the critique of political economy of present day capitalism have been discussing two main problem areas in the recent past. The following article by Elmar Altvater (1) has to be seen in this contextual setting.

The first problem area is characterized by its focus on analysis of the Marxist method of research. This discussion, consequently, attempts to ascertain the status of the scientific validity of Marxian work; in other words, the research addresses itself to the logical status and interrelationship of the various parts of Marx's non-completed Critique of Political Economy.

This discussion is so difficult, since comprehending Marx's method presupposes an understanding of Hegelian logic as well as Marx's critique of it. The central problems of this discussion are:

1. The difference between the process of research and the analytically determined mode of presentation ("Darstellungsform") of the research results.
2. The relationship between the historical and the logical method of research and
3. the meaning of the concept of "capital in general" in contrast to those concrete, apparent forms derived from it. The latter include forms of 'self-presentation' of capitalism ("Erscheinungsformen"), such as: competition (2), credit, capital in the form of stock companies etc.

The main points of orientation for this discussion are the following works:

- Jindrich Zeleny: Die Wissenschaftslogik bei Marx und "Das Kapital", Ost-Berlin 1968
- Roman Rosdolsky: Zur Entstehungsgeschichte des Marxschen "Kapital", 2 Bände, Frankfurt, Wien 1968
- Helmut Reichelt: Zur logischen Struktur des Kapitalbegriffs bei Karl Marx, Frankfurt, Wien 1970

The second problem area pertains to an on-going (3) discussion of the role of the state in 'late capitalism'. On the one hand this discussion is concerned with 'revisionist theories' about the welfare state; on the other hand with importing, developing (and criticizing) the 'theory of state monopoly capitalism' (4) as it has been elaborated especially by marxists from France and the German Democratic Republic.

The most important writings in this context are:

- Wolfgang Müller, Christel Neusüss: Die Sozialstaatsillusion und der Widerspruch von Lohnarbeit und Kapital, in: Sozialistische Politik, Heft 6/7 (Juni 1970), S. 4 ff.
- R. Gündel, H. Heininger, P. Hess, K. Zieschang: Zur Theorie des staatsmonopolistischen Kapitalismus, Schriften des Instituts für Wirtschaftswissenschaften der Deutschen Akademie der Wissenschaften, Nr. 22, Ost-Berlin 1967
- S. L. Wygodski, Der gegenwärtige Kapitalismus, Berlin, DDR 1972 (auch: Köln

* The preface was written by: Rudolf Sinz, Ana Delgado, Stephan Leibfried

- 1) The article was published first as: "Zu einigen Problemen des Staatsinterventionismus", in: Probleme des Klassenkampfes no. 3, May 1972. The original version is somewhat more elaborated than the one reprinted here.
- 2) Cf. Marx, Marx-Engels Werke, Berlin 1954 pp., p. 335, "Scientific work on the process of competition rests on the condition that the inner nature of capital has been grasped."
- 3) The discussion dates from about 1969 on. It is connected with the 'self-appraisal' phase of the West German student movement.
- 4) KAPITALISTATE will focus one or two issues on this subject in the near future. People interested should contact: Josef Esser, 775 Konstanz, Alter Wall 11, F.R. of Germany; or: Ernst-Theodor Mohl, 6 Frankfurt Main 50, Ginheimer Str. 189, F.R. of Germany.

- 1972) (5)
- Paul Boccara: Zum staatsmonopolistischen Kapitalismus, in: Sozialistische Politik, Heft 11, Juni 1971
- Paul Boccara: Übersicht über die Theorie der Überakkumulationsentwertung des Kapitals und die Perspektiven der fortschrittlichen Demokratie, in: Sozialistische Politik, Heft 16, 18, 19.
- Margaret Wirth: Kapitalismus in der DDR, Frankfurt 1972 (5)

Elmar Altvater is presently teaching at the political science department of West-Berlin's Free University. In future numbers of KAPITALISTATE contributions by Altvater and others may be expected, as they are involved in continuous seminar-work on the "problems of the empirical analysis of the accumulation cycle in West Germany" (6). Special focus of that work is the empirical investigation of the influence of state actions on, for example, the process of concentration and centralization of capital, the rate of surplus extraction, capital intensity, productivity, etc. All presently limited to the West German capitalist region.

Notes on Some Problems of State Interventionism*

1. Introduction

This essay is an attempt to analyze the possibilities and limitations of state interventionism (1) which are present in bourgeois-capitalist society. However, in order to determine these possibilities and limitations, we must first discuss the functions of the state in capitalist society in a more general sense. Restricting this analysis to the economic function of state interventionism would obscure from the outset the functional conditions of a capitalist society and state, and the recognition of their possibilities and limitations. (2)

In the following sections we will first attempt to work out roughly the essential characteristics of the bourgeois state (I). We will examine in particular the creation of the general, material conditions for production by the bourgeois state (II) and then turn to the attempts at governmental crisis management (III). In this regard the problem of stagnation will especially interest us (IV). In the concluding section, we will take as an example the question of whether and to what extent the advance of bourgeois science can effect state actions in a capitalist society (V). This set of problems is less the result of a developed, systematic effort to present the problem of the state, than a selection of issues according to their present political importance. The first part of this article in KAPITALISTATE will deal with problems I and II. The next part will deal with problems III to V.

- 5) Will soon be reviewed in KAPITALISTATE
- 6) Cf. the prospectus of a "Seminar: Probleme der empirischen Analyse der Akkumulationszyklen in Westdeutschland", Wintersemester 1972/73, Berlin 1972, Otto Suhr Institut, 72-p. with 16 p. bibliography:
The prospectus may be obtained from: Elmar Altvater, D 1 Berlin 12, Knesebeckstr. 16 (it is in German though).

- * The main participants in the discussion of this essay were Karlheinz Maldaner, Wolfgang Müller, and Christel Neusüss. This essay is based on work which has evolved from seminars at the Otto Suhr Institute.
- 1) Even the category "state interventionism" is problematic. In its popular conception it implies a disjointed relationship between society, its economic structure, and the state. This essay is an attempt to criticize this notion. But since other concepts, such as "state regulation", "planned Capitalism", "crisis management", and similar ones, are not real alternatives, we shall retain the problematic concept of state interventionism.
- 2) We would agree, in this sense, with Paul Boccara, in "Towards State-Monopoly Capitalism", *Sozialistische Politik*, 11, p. 11, when he writes that within state-monopoly capitalism, the state can be viewed as one component of a "unified mechanism which combines the power of the state and of monopoly."

2. The "Autonomization" of the State in Bourgeois Society

Under capitalism the state is the instrument of capital's domination over the class of wage laborers. This assertion is a fact of political experience, which has been, and is still being demonstrated again and again in the hitherto existing history of the various capitalist nations. In this essay, we are concerned with only one aspect of the state's actions, namely, its actions upon the various capital units ("Einzelkapitale"). The decisive questions in this respect for our investigation are: In what way is the actual coordination of a society brought about which is constituted by many capital units, and what is the role of the state in this context?

On the level of "capital in general" (3), as analyzed by Marx, the actual existence of capital is by presupposition a total social capital. Total social capital is the unified organization in the sense of being the real and general existence of the various capital units, whose subjective actions, determined by the given conditions, cause, as a result, "behind their backs", these general conditions to be the conditions of total capital ("Gesamtkapital"). The "laws of motion" of the capitalist mode of production thus relate always to the total social capital, never to the various single capital units, which nevertheless, through their actions are the unconscious means by which capitalist regularity is achieved. For it is not the "total capital" which transacts ("handelt"), but rather the capital units.

In their transactions, however, the capital units produce the conditions for the existence of total capital: the average conditions for exploitation, the same surplus rate, average profit rates. On the conceptual level of "capital in general", the average conditions and their regular movements are analyzed; that is, the transactions of capital units are not of interest as such, but only in terms of their results. To be sure, on the conceptual level of capital in general, the form is developed in which the general laws (as tendencies) of the capitalist mode of production come to fruition out of and in reaction to the transactions of the capital units. This form is competition, in which the immanent, inexorable laws of capitalist production prove themselves. Competition, however, is not mere form, which carries out contents indifferent to itself, but rather the form of the accomplishment of the immanent laws of capital.

In a competitive market capital can be produced as total capital only to the extent that the capital units actually relate to one another. They can only do this, however, insofar as they are surplus-producing units. Not all social functions, though, can be performed in this sense by a capitalist society. Either the production of certain material conditions for production yields no profit, or the degree of generality of many regulations under given conditions is too great for them to be performed by capital units with their given special interests. It thus happens that in the capitalist form of production, the capital units constitute themselves as total social capital by competition and that this constitution can in no way be ascribed solely to competition. The reason for this hindrance has to do with capital itself; the specific form of social relations — (commodity exchange and the production of capital) — does not permit the development of certain social relations. If their production is not profitable or if their production occurs to a degree and under conditions which endanger the existence of the entire society (e.g., the destruction of the natural resources of a society, as an current example). Accordingly, capital cannot produce solely through the actions of the many capital units the necessary social nature of its existence. At its base it requires a special institution, one which is not subject to its limitations as capital, one whose dealings are thus not determined by the necessity of surplus production, one which in this sense is a special institution "outside and above bourgeois

We will not go into the meaning of this category here, but refer to what is still the best treatment of this matter, Roman Rosdolsky's *Zur Entstehungsgeschichte des Marx'schen "Kapital"*, Frankfurt and Vienna, 1968, pp. 24-124, especially p. 61 ff.

society" (4), and one which at the same time provides within the undisputed framework of capital the immanent necessities which capital ignores. As a result of this, bourgeois society develops, in the state, a specific form expressing the general interests of capital. (5) The state can thus be conceived neither as a mere political instrument nor as an institution set up by capital, but rather as a special form of the accomplishment of the social existence of capital along with and besides competition, as an essential moment in the social reproduction process of capital. (6)

If the state expresses the general interest of capital, it does not do so in a manner free of contradictions. This is because the concept of the average existence of capital does not do away with (aufheben) the actions and interests of the myriad of capital units, which, as such, stand in contrast to one another. These contrasts are neither abolished by the competitive market, nor can they be attributed to this competition or to the "anarchy of the market", where they appear, nor can the state eliminate these contrasts. In this sense the state is therefore never an actual, material, total capitalist, but rather always simply an idealized or fictitious total capitalist. (7) This is the content of the category of the "autonomization of the state", of the "double nature" of bourgeois society as society and as state. At this point an important conclusion can be drawn; the state does not substitute for the competitive arena, but rather is aligned next to it. In relation to the *law of value* which conceptually encompasses the immanent laws of its own execution, this does not imply its substitution or its abolition, but its corresponding *modification*. Thus the state makes the establishment of a society of disparate, individual interests historically possible by ensuring the foundations for the existence of this society. The state guarantees the existence of the class of wage laborers as the object of exploitation, creates the general conditions for production including legal relations. Capital itself, by contrast, is not able to produce these foundations. Under the pressure of competition capital is forced to utilize all resources maximally, regardless of the social and material consequences; in consequence capital tends to destroy its own social foundations. Moreover, the establishment of

- 4) Marx and Engels (in the *German Ideology*), MEW = Marx-Engels-Works, 3, p. 62; Berlin 1954 pp.
- 5) The state "is however nothing more than the form of organization which the bourgeoisie necessarily establish both internally and externally to guarantee their property and interests, the form in which the ruling classes assert their common interests, and the form in which the entire bourgeois society of an era constitutes itself." MEW, 3, p. 62.
- 6) This is a criticism of those ideas (as they appear in certain variations of the theory of state-monopoly capitalism) which claim that the state is the tool of the most powerful monopolies, and which, as they are presented in most bourgeois theories, claim that the state is the autonomous subject of this regulation. It can be seen that the theories of state-monopoly capitalism are very divided on this question. On the one hand they maintain that there is a unified mechanism, which encompasses the power of the monopolies and of the state, or the intermingling of monopolistic power with that of the state. On the other hand, the state is conceived to be simply "the instrument of the monopolistic bourgeoisie". Take as an example *Der Imperialismus der BRD*, Frankfurt, 1971. It cannot be denied that state and capital have merged into a unified mechanism; it is only a matter of carefully investigating the functional conditions of this "mechanism". The theoreticians of state-monopoly capitalism have not answered this question. Compare, for example, the most advanced variation of this theory: Paul Boccara, "Übersicht über die Theorie der Überakkumulation-Entwertung des Kapitals und die Perspektiven der fortschrittlichen Demokratie", *Sozialistische Politik*, 16, p. 1 ff. For a development of the theory of state-monopoly capitalism, cf. Werner Petrowsky in *Probleme des Klassenkampfes* 1, 1971.
- 7) Engels, *Anti-Dühring*, MEW, Vol. 20, p. 260: "And the modern state is again only the organization which bourgeois society creates in order to maintain the general external conditions of the capitalist mode of production against attack, by workers as well as by individual capitalists. The modern state, whatever its form, is an essential capitalist machine, the idealized total capitalist." We cannot agree with Engels' consequent statement: "The more productive powers that the state takes control of, the more it becomes the total capitalist." By taking over the capitalist production process, the state does indeed become an actual capitalist, however not the *total* capitalist. As a capitalist producer, the state is subject to the internal conflicts among the capital units, just as are other large capital units. As will be shown, it is exactly the establishment of the state as an actual capitalist which is problematic for capital.

the social preconditions of capital accumulation is only possible within an organizational framework which is not subjected directly to the limitations and restrictions of the market. The state performs the functions necessary to maintain capitalist society. It can do this precisely because the state, as a special institution, outside and above bourgeois society, is not subservient to the necessities of surplus production, as are capital units, no matter how big. The appropriate form of the state under capitalism is therefore its special existence counterposed to capital units, and not the form as an "instrument of the monopolies". (The state becomes this only in a mediated sense.)

What, then, are the functions which a state in a capitalist society performs, that capital units cannot perform? There are essentially four areas in which the state is primarily active:

- 1) the creation of the general material conditions of production ("infrastructure");
- 2) the determination and safeguarding of the general legal system in which the relationships of the legal subjects in capitalist society occur;
- 3) the regulation of the conflict between wage labor and capital, and if necessary, political oppression of the working class — not only by political and military means;
- 4) assurance and expansion of the total national capital on the capitalist world market.

All these functions are, so to speak, general characteristics of the bourgeois state; yet they develop on the *historical* foundation of the accumulation of capital.

(1) Let us deal first with the material conditions of production. The general conditions of production to be produced by the state depend upon the historical stage of capital development. Viewed in terms of its material function for the social labor process, the functions of the railroad, for example, are the same today as they were a hundred years ago. Yet the railroad was privately operated in the nineteenth century and was a profitable form of capital investment, whereas today the railroad is definitely an unprofitable business for capital and thus represents an appropriate sphere of action for the bourgeois state. This is one example of the concrete historical determination of state activities in the creation of the general conditions of production. All that can be said on a general level is that the necessary productive processes taken over or at least regulated by the state must increase because of the *historical tendency of the rate of profit to fall*. The effect of this tendency is that more and more processes of production become unprofitable to capital units and will thus be abandoned or cut back, thereby disappearing from the sphere of competing capital.

A full understanding of this process requires comprehension of the dual nature of the capitalist production process, as both a labor process and one producing value (on the level of society as a whole). Capital units can provide a part of the material conditions of production demanded by any given unit.

Some capital units produce the prerequisites for production for others. This relationship is produced by market competition as a process of the social division of labor of various capital units. But another part of the material conditions of production cannot be produced by these capital units, because their production is unprofitable. The result is that demands are made by the social labor process which cannot be fulfilled under capitalist conditions, which unite the labor and value-forming processes. What appears from the perspective of capital units as a prerequisite for production of this kind, appears from the viewpoint of the labor process as a sphere ignored by capital; it represents a kind of "vacuum" which the state must necessarily fill because in contrast to the capital units, the state is not subject to the necessity of creating value: Those parts of the social production of value which are taken in and allocated by the state are, in its hands, *not capital*. For this reason, state functions of this kind always come out of a given social fund of capital, thereby limiting the capital accumulation of private capital units. This is an effective limit to state intervention: it cannot become so extensive that through it, private capital accumulation is exhausted. This limit is a direct result of the fact that the state is a non-capitalist in a capitalist society; were it, on the other hand, a capitalist in its own right, were the expenditures for production of a capitalist character, then it would be impossible to understand how the contradictions of capitalist society are sharpened by the increasing activity of the state.

The historical tendency of the rate of profit to fall constitutes *one* aspect of the reasons why capital is less and less capable of satisfying the demands of the labor process as a means of the process of the creation of value. The *other* aspect results from the growing level of productive forces, which — generally speaking — explode, the limited side of capitalist production, the production of future surplus-value.

Dealing with "tendencies" of capitalist development we must take into consideration their *cyclical* form. Along with the cyclical course of production, the current share of the state in the social product — which can be taken as a very crude indicator of the amount of state intervention — also fluctuates in quasi natural fashion. In the treatment of the problem of "stagnation" in the fourth part of this essay this relationship will become clearer.

After this sketch of one of the spheres of state activity, in providing the general material conditions of production, let us turn briefly to the other spheres mentioned above.

(2) While economic relationships in precapitalist modes of production and during the transition to capitalism are still constituted partly as unmediated relations of political force, with the development of industrial capital the direct intervention of the state is less and less an essential expression of unmediated force. The function of the state is now essentially the creation of the general prerequisites for free competition, including the elimination of frictions through the creation of *general legal relationships and the enforcement of their observance*. (7) It is for the first time through the regulation of the sphere of competition, exchange and capitalist *property* that capital is freed in competition *to be able to continually fulfill the capitalist process of appropriation*. (8) But never in bourgeois society did legislation limit itself exclusively to the sphere of competition. "The other essential part of the law of bourgeois society directly organizes relationships of domination, such as in penal law, labor law and so on." (9) Thus the bourgeois state codifies in law not only the general conditions of commerce between owners of commodities, but also the general conditions of labor, production and so on. (10) This activity of the state has its origins directly in competition, which forces different capital formations, as *private* capital relationships. The state, as the institution which is not subject to this competition, is alone capable of this regulatory activity. Its necessity and the specific functions indicated here result directly from the fact that the state, as an organ of the ruling class, and unlike *private* capital units, is not subject to the compulsion to create value, and can thus orient itself to the general interest of

- 7a) "The interest in the functioning of the flow of commodities and the use of labor products on the market leads to a legal system and the creation of political or state power. Coercion has to emerge . . . as a coercion emanating from an abstract, collective person which is not exercised in the interest of the individual who actually enforces it . . . but in the interest of all who participate in the system of laws. The power of one man over another is transformed in reality into the power of law, that is the power of an objective, non-partisan norm." From Wolf Rosenbaum, "Zum Rechtsbegriff bei Stucka und Pasukanis", in *Kritische Justiz*, February 1971, p. 156. The primary quote in the text comes from Pasukanis, *Allgemeine Rechtslehre und Marxismus*, Frankfurt, 1966, p. 123, f. 8-Cf. *Grundrisse*, p. 542 ff. Here it is expressed as ". . . the production founded on capital finds its adequate forms to the extent that free competition develops, for it is the free development of its conditions and its constantly reproducing processes which are this condition. It is not individuals who are emancipated in free competition, but capital . . ." p. 543, f.
- 9) Wolf Rosenbaum, *op. cit.* p. 159. While it is basically correct to assert that not only the sphere of exchange, but also the process of production is defined as a realm of the rule of capital, reservations must be expressed about the equation of penal, inheritance and labor law. For it is surely no accident that labor law as such arose only very late, and actually for the first time under Italian fascism, and thereby in conjunction with a state defined as "corporate". In the German civil code, the regulation of the labor contract plays only the most minimal role. That there is no labor code to go with the civil and commercial codes is directly related to the fact that capital is in the labor process "the master of the factors of production", and allows itself to be tread upon only in exceptional cases.
- 10) See *Capital*, Vol. I, Ch. 8, in which Marx describes the establishment of the ten-hour day. Wolfgang Müller and Christel Neusüss address themselves in exemplary fashion to this problem in "The Illusion of the Social State and the Labor-Capital Conflict", in *PROKLA*, Special Issue No. 1, and *SOPO* 6/7.

all particular capital units. This characteristic of the state enables it to create and oversee the observance of the laws, rules of competition expressed in such phenomena as state offices of weights and measures, testing laboratories or patent offices, and so forth. It also oversees the observance of the labor contract, which is no longer simply a question of commercial exchange among possessors of commodities, but one of the process of production as a process of exploitation of wage-labor by capital.

(3) We now move to a brief sketch of the function of the state in the regulation of the conflict between wage labor and capital. The general problem lies most directly in that the capital relation appears on the level of the market to be, in fact, a relationship among basically equal subjects, but is essentially a relation of domination and exploitation. Since capitalist society is a class society, because of constant class conflict and the necessity of its containment for the preservation of the basis of that society, the state also takes on functions involving the creation of the general conditions of exploitation, the regulation of wage rates and the suppression of class struggles. This functional domain of state actions is likewise the result of historical developments, namely the direct result of the counter-strategies of the ruling class which arose with the development of the working-class movements and their conscious struggles. Since in the case of class struggles the bourgeois class is always affected or even threatened as a whole, capital units cannot individually take over the functions of appeasement and repression; (11) this becomes more and more a realm of action for the "committee which handles the general interests of the ruling class."

(4) As the nation state, the state also encompasses all capital units within any given country in opposition to other nation-states on the world market. In this realm state functions can be most clearly seen as such: from the maintenance of domestic currency, and political relations with foreign countries extending to military support of private capital accumulation and expansion in the era of imperialism. (12) *The evolution of the realms of activity which the state must assume* is even determined in regular fashion by its character as a nation-state, that is, *by competition and struggle among nation-states*. (13) If we have discussed the functions of the state in successive isolation, it was of course, not with the idea that they could really be separated from each other in this fashion. *On the contrary, the character of the state as a bourgeois state permeates all its functions*; they serve in the final analysis to preserve and consolidate the capital relationship as a relationship of domination and exploitation against the working class. No abstraction can be made of that function. The problem which interests us here is the question of the extent to which the very maintenance of these functions produces contradictions, to what limitations the state is thus subject, what problems thus con-

- 11) Here an important modification must be kept in mind. For large capital units also regularly maintain repressive apparatuses in the form of company guards, whose function is obviously the repression of class struggles at the factory level. The examples of the attacks of such company police on demonstrating or protesting workers is an unequivocal proof of their character as a private army of capital. Cf. for example the presentation of Maurice Dobb, "Der Kapitalismus zwischen den Kriegen" in his *Organisierter Kapitalismus*, Frankfurt, 1966, pp. 116-124, on the actions of the big American corporations against striking workers, working-class functionaries and trade unions, which unmasked the idyllic appearance of the New Deal, of left-wing Keynesianism and the "welfare state" as the impoverished window dressing that it was. Cf. in addition the murder of Comrade Auerney by the company guard at the Parisian Renault works in February, 1972, and the multiple "emergency" maneuvers of West-German private guards which came to light up 1968, especially during the movement against the national emergency laws, but which were able to continue thereafter in the obscurity of a tolerated illegality. This furthermore shows how the sphere of the state and of private capital cannot be simply and sharply differentiated, but on the contrary overlap in many domains.
- 12) "Military investments can be seen as long-range complimentary investments, that is as investments which first of all make possible the expansion of the domestic (private) economy without any external threat. Of course this spectacle (!) presupposes an international "homo homini lupus" . . . "Wilhelm Weber, "Wachstumeffekte der Staatsausgaben", in *Finanztheorie*, Horst C. Recktenwald, ed. Köln-Berlin 1969, p. 311.
- 13) Cf. as well Neusüss/Blanke/Altwater, "Kapitalistischer Weltmarkt und Weltwährungskrise", in *Probleme des Klassenkampfes*, 1, 1971, particularly p. 112 ff.

stantly result for capital, and what tactical consequences are to be drawn by the working-class movement.

The state as a form capitalist social relations which exists outside civil society must appear to capital units as the *negative limit of value-formation*: it employs labor power to create the general material conditions of production, for the maintenance of the legal system, for police and military repression, realms which therefore are no longer at the disposal of capital as objects of exploitation (though from the viewpoint of the worker his work situation is the same as that of the workers employed by private capital) (14). The state also sets external barriers to capital's drive to create value through the limitation of the working day or legal restrictions, etc. On the surface the negative barriers to the creation of value set up by the state appear to capital units as taxes, social burdens, etc. providing for "community services" which limit the *individual consumption and/or production of surplus-value*. Just as the *natural* boundary of the working day was, prior to labor legislation, the limit of capital in its drive for surplus-value, so after such legislation the limit was established universally by the *state*.

When the state is thus defined as an institution of capitalist society standing over and outside it, appearing *simultaneously* as grounded within that society *and* as a negative restraint on value-formation, then it becomes clear that the historical functions of the state are not originally inherent within it, but *must* be the results of crises of social production, mediated by class struggles and conflicts between fractions of the ruling class. No capital can *voluntarily* submit to specific, objectively perceived necessities; the pressure of competition will restrain it. Thus, no capital formation will agree to the growth of external, state-imposed limits on the realization of capital without external cause; it becomes disposed to such measures only when faced with catastrophes, conflicts and struggles. But this also means that class struggles have an important function in the maintenance of capitalist society, in that they aid in the emergence of objective historical necessities through the agency of the state.

Thus the growth of the state's share of the social product (as a crude indication of the state's functions in society), in the wake of the class struggle as in the wake of the First World War, and prior to and during the preparations for the great catastrophes of world history, the world wars can be taken as an empirical confirmation of this thesis. Even if Adolph Wagner speaks quite generally and with little basis of the "law of increasing state activity", and thereby expresses what is more a supposition than a well-grounded tendential observation (15) the fact cannot be denied that the German state's share of the social product has grown in this century from around fifteen to forty percent. It is also noteworthy that the expenditures of the state "in a phase of sustained economic growth expand less than in periods of more meager growth, except when there is a depression and a negative growth rate of the social product. In the latter case, there is a sharp increase in the proportion of state expenditures." (16) This means that the activity of the state, insofar as it is tied to costs, is subject to the conditions of capit-

- 14) This does not mean that labor conditions and salaries are identical in state and private sectors. It is on the contrary more often the case that workers and functionaries in the public sector are the most poorly paid or work under the worst conditions. This is the case in England and France, but also in the Federal Republic. Cf. Detlev Albers, Werner Goldschmidt, Paul Oehlke, *Klassenkämpfe in Westeuropa*, rororo-aktuell, Reinbek, 1971. This is a confirmation of the Marxist thesis, that unproductive laborers (civil servants, state functionaries and workers employed by the state) maintained as a rule by the value product of productive workers, are thus financed for the most part from surplus-value and find the limits of their salaries in the amount of existing surplus-value. The limits of state activity thus express themselves for individual state employees in lower salaries and inferior working conditions.
- 15) Cf. Adolph Wagner, "Das Gesetz der zunehmenden Staatsätigkeit", an excerpt from "Staat in nationalökonomische Hinsicht", in *Handwörterbuch der Staatswissenschaften*, Vol. 7, 1911, reprinted in *Finanztheorie*, *op. cit.* pp. 241. Interpreted in terms of national economy, this law means absolutely and even relatively the growing extension of public and more particularly of state-run forms of collective organization a long side and in place of private forms in the economy."
- 16) Horst Claus Recktenwald, *Finanztheorie*, *op. cit.* "Ergänzung zur Wirksamkeit des Wagnerschen Gesetzes" p. 246.

alist production.

Thus the state is to some extent complimentary to capital units within the framework of capitalist society, where by the "complimentary" nature of the state is always defined historically. This is clearly expressed even in the theories of "state interventionism" developed in different eras and countrys. If Adam Smith, and in modified form Ricardo, limited the functions of the state more or less to the maintenance of military, police, educational and judicial institutions and left everything else to the "natural" economic development of private capital itself, then the nineteenth-century German theoreticians of finance (A. Schaeffle, L. von Stein, A. Wagner) ascribed an active role to the state in the development and the accumulation of capital. This theoretical differentiation expresses exactly the different situations of England and Germany in the accumulation of capital and world-market competition during the nineteenth century. It also demonstrates that social functions always first arise as state functions when they are not or cannot be provided by private capital. *The autonomization of the state is thus grounded in the "nature" of capital relations, but the evolution of the real state constantly progresses in the particular historical conditions of a country in a given period;* the decision as to what general conditions of production are "general" in the sense that they must be dealt with by the state and which "general" conditions can still be handled by private capital is first and foremost a question of the existing historical situation. We will deal with this problem more thoroughly in the following section in developing the example of the general material conditions of production.

3. The Creation of the General Material Conditions of Production by the State

We have seen that the reason for the autonomization of the state lies above all in the creation of the general conditions of production. It is now necessary to look into the prerequisites of material production and to ask why they are provided by the state and not by private capital. If we start from a *general relationship of interdependence* within a society, then the criteria dwindle for differentiating between general and particular conditions of production, and between general conditions of production produced by the state and those produced by capital. (17) Those functions which have ceased to be or are not yet performed by capital include, (at least as far as the *material* side is concerned): the establishment of a communication system (streets, canals, telegraph and postal services); the development of an adequate qualification structure for the productive forces (the educational system); maintaining the capacities of the work force (public health service); the water supply; the disposal of sewage and garbage; etc. There are a number of different reasons why it is not profitable to operate these processes on a capitalist basis.

But these reasons have nothing to do with their material characteristics. But it could, though, have to do with the fact that the capital investment is too large for a capital unit, and that the elapsed profit time ("Umschlagzeit") (labor time, production time, or circulation time) is too long. Another possible reason is that the results of these

17) The question of the relationship of interdependence plays a large role in the bourgeois growth theory. The most advanced direction of this theory is that of "balanced growth", whose major representative, P. N. Rosenstein-Rodan, writes: "Complementarity makes to some extent all industries 'basic'" (Problem of Industrialization of Eastern and South-Eastern Europe, in A.N. Agarwala and S.P. Singh, *The Economics of Underdevelopment*, New York, 1963, p. 252). In regard to our problem, this thesis implies the assumption that first, every production creates the general conditions of production, and second, that due to the general interdependence, no further differentiation need be made between state and private capital. Walter Wittmann presents a different, less naive argument based on this thesis of interdependence in *Staatliche Aktivität, wirtschaftliche Entwicklung, und Preisniveau*, Zurich, 1965, p. 22: "It is first of all clear that private investments, which create additional production capacities, are by themselves insufficient to assure long-term development . . . In order to avoid bottlenecks in the economic development, it is necessary that investments into the social capital (i.e., the general material conditions of production) keep pace with the total development . . ."

production processes *do not have a direct commodity character* (qualifications, research results (18)). Or it could be that the market (the socialized demand) is too small, in *absolute* terms, for profitable production, i.e., for the realization of the invested capital value plus the surplus value. It could also be that capital is not satisfied with a less than average rate of profit, even if it is still a positive one, when more profitable investment spheres exist, e.g., in foreign countries.

The longer the labor time and the more long-term the capital returns, and the larger the actual capital outlay, the more uncertain is the achievement of an average rate of profit. Further it happens that the result of the productive process for such capital is another type of commodities; since the use of a street, for example, can be or must be free to everyone, such investments cannot be operated on a capitalist basis. When the necessity for extending the "infrastructure" becomes pressing enough to demand special expenditures, then capital throws this upon the shoulders of the state. Or, if the state still has a traditionally superior position, it still has the privilege and the will to force the the totality of capital units to put a part of their revenue, not their capital, into such generally useful work. These expenditures appear at the same time to be the general conditions of production and thus not the particular condition for any single capitalist. As long as capital does not take the form of a corporation, it seeks only the particular conditions of its own utilization and pushes the more general conditions onto the country as national necessities. Capital undertakes only what it considers lucrative ventures." (19)

In order to avoid misunderstandings, we have to speak of the *production and operation* of infrastructural institutions. It is clear that the production of a bridge is just as "productive", i.e., profitable, as the production of a machine or a suit. All three of these products are produced as commodities and exchanged on the market, though the form of each is, of course, different. The clothing manufacturer produces for a mass market; and when a buyer has bought a suit, the capitalist has recovered his investment plus made a profit, and the buyer has purchased a consumer item by spending revenue. The suit is of no interest to us in terms of value from this point on, but only as use value for the buyer. The use value is unimportant in economic analysis, as long as it is itself *not form-determining* — and this is the case after the exchange is completed. The machine producer, on the other hand, produces for an order by the machine buyer. But this is no way changes the fact that he still produces for exchange, for a market that is relatively unknown to him, and that with the transformation of the machine into money he completes an act of the circulation of his capital. In this sense he is in no way different from the producer of clothes. Of course, the case of the *buyer* of clothes is quite different from that of the buyer of machines. He buys the machines not with his income but with the money-capital he advances in order to start or continue a production process. The machine is therefore transformed into a part of productive capital; it is a means of production in the form of capital and will continue to circulate as capital. Let us now turn to the producer of bridges (for example, a construction firm). Here as well a commodity of a specific character is produced (by commission, prepaid, etc.) and in its sale, the producer realizes his invested value and surplus value, without which he would have foregone production. But he does not exchange that production for capital put forth in the form of money as was the case in the purchase of machinery, or for the income of an individual buyer for his consumption, but against *revenue spent by the state*. The state receives this revenue through taxes, tolls, and so forth in order to spend them for the creation of general conditions of production. *The building of the bridge is thus thorough-*

18) Research results acquire the character of a commodity: only when they are monopolized by the commodity owner in the form of a patent, and when only that person who has bought them as a commodity can use them. If the possibility of obtaining a patent exists, then research results will also be produced on a capitalist basis. Let it just be mentioned that this problem plays an important role in Schumpeter's theory of business cycles, because the motivated entrepreneur begins to produce precisely because of the technological advantage assured by patents.

19) *Grundrisse*, p. 430.

ly profitable for capital, but not its use. (No capitalist would advance his capital for the building of a bridge.) Thus it is decisive, in determining whether or not specific conditions of production are to be assumed by the state, if, first of all, an advance of capital is going to pay off in capitalist terms, and, secondly, if the actual conditions of production are really necessary from the viewpoint of the social labor process. (It has already been mentioned that this necessity is recognized not only from insight but also governed by struggles, conflicts, catastrophes and crises.) *General material conditions of production can thus be created quite easily, but cannot be profitably managed by individual capital units.*

In the educational sector, one finds a different situation. What holds true for the above-mentioned bridge also holds true, in its material aspects, for this domain: school buildings, teaching materials, etc. can be produced by capitalist means. But the production of qualifications, to a greater extent, is a far different matter. They are already produced in state institutions, whereas they are put to use as a material element of variable capital by individual capital units. As an integral element in the formation of labor power, qualifications are exchanged on the labor market generally to the detriment of capital. (20) This difference between the transportation system (as well as school construction) etc., on one hand, and the educational system, on the other, raises serious questions. The state takes all infrastructural expenditures from the income of the country, which are thus at least partially subtracted from that part of the surplus-value capable of stimulating new accumulation. But expenditures for bridges or school construction flow to other capital units, which are thus put in a position to use their capital, insofar as the circulation of capital value is successful. Expenditures for the production of qualifications, and thus especially for teachers, do not however flow to individual capital units; they moreover make possible the existence of a stratum which removes a given amount of social labor time from exploitation by capital. This is particularly true for students in secondary and university education, who perform no productive labor during the time of their studies and who are thus temporarily removed from the direct rule of capital, but who, after their studies, with the higher educational costs related to them, can only confront capital with a higher value of labor power, without the decisive emergence of any elevated value-forming labor potential. (21) Expenditures for the educational sector thus not only subtract from the surplus value of capital, but in the case of their increase also raise the value of labor power, thereby diminishing the rate of surplus value in otherwise stable conditions. But, on the other hand, the teacher produces through his labor general qualifications as a condition making possible the general labor process as a means in the process of value formation, as well as capitalist production and the reproduction of the capital relationship. Only because of this aspect of the teacher's activity is capital willing to maintain the educational sector. The economic functions of the individual "infrastructural realms" are thus to be sharply distinguished from each other not merely in their material aspect, but also by virtue of their position in the process of capitalist reproduction. (22)

Since capital, for the reasons described, thus involves itself either not at all or inadequately in this sphere, the state has to take over the production of infrastructural institutions, since it is not forced to produce by capitalist methods (its funds come

- 20) We will not go into the problematic of productive and unproductive labor. Cf. the discussion in *Sozialistische Politik* 6/7 and 8. 1970.
- 21) The problem of the value-forming potential of labor will not be pursued any further here. Cf. the contribution to the "reduction problem" in Altwater and Huisken, *Materialien zur politischen Oekonomie des Ausbildungssektors, Erlangen 1971*.
- 22) In bourgeois economics all infrastructural realms are ranged indifferently under the concept of "social capital". Expenditures for "transportation systems, energy sources, water systems, education, justice, police and administration" are in our conception . . . complimentary investments . . ." Wilhelm Weber, *op. cit.* p. 306, Jacques Stohler, "On the Rational Planning of the Infrastructure" in *Konjunkturpolitik*, 1965, and most other authors. A completely meaningless concept of capital complements an even more meaningless concept of investment, which subsumes all expenditures without the slightest conceptual distinction and moreover without reflecting their varied economic character.

directly from the income of the country). On the other hand, capital will be put on its guard if the state takes over production processes which do in fact appear profitable to capital from its momentary and *particular* perspectives. For this would first of all mean an increase in labor that is unproductive from a capitalist viewpoint, and secondly the creation of a competitor who does not need to strive for maximum value formation from a capital investment.

That this is also expressed in regulations is no longer surprising. The West German municipal laws state that 1) the economic activity of the municipalities must be justified by a public purpose; 2) that the municipal financial economy must not be endangered; 3) that the expenditures must be in direct relation to the anticipated need and 4) that municipal activity presupposes that the economic objective cannot be achieved *as well or as economically* by private enterprise.

The annual statement of the Council of Economic Experts in 1971, states similarly: "The cardinal point of almost all economic-political considerations concerning the medium-range development of the economy as a whole is the demand of the state for a greater portion of the production potential. This demand is widely accepted, even though the problem of the quantity of such an expansion of its portion is viewed differently, since each expansion must only be made on the condition that the state *extends its scope meaningfully and in any case does not merely* deprive private business of its activities, but supplements and aids them . . ." (23)

Of course we should not view all the processes as if they were detached from historical development. What in some cases seems profitable to capital in a certain historical situation does not seem so in another situation. When certain sectors of industry become unprofitable, there are first always state subsidies (24); and then — when these do not help — these sectors are taken over by the state (coal mining in England after 1945). Conversely, the opposite tendency also exists to once again make an industry private when the work can be productively exploited, (e.g. the Volkswagen company).

In other words it becomes more apparent and simultaneously more concrete than stated in the previous section that the state's function in the capitalist production process is not only regulatory; as a consequence of its function based on its particular form of existence; it in fact helps capital to achieve its average existence as total capital. The state ensures the general conditions of production by taking over all those *material* processes which cannot be operated on a capitalist basis. Its function as a capitalist state which ensures the basis of the exploitation of wage-labor consists of taking over non-capitalist production processes, and regulating the conditions which actually effect the entire capital class and beyond that the entire society (legal relations, etc.), and of maintaining a power apparatus directed both internally and externally. Only in this manner can the state do justice to its function within the framework of a capitalist society. To express it more clearly: when we speak of the unified mechanism which encompasses state and monopoly, then we can only describe its mode of functioning by saying that the state, because of the demands of the productive forces of the labor process, has to create the conditions of production, which, because of the narrowness

- 23) *Jahresgutachten*, 1971, Fig. 327: "All in all the natural conclusion is that growing investment by state capital can weaken the willingness of private investors." Even Wilhelm Weber differentiates "between branches which have been abandoned by private investors due to their unprofitable nature, and those in which the state competes with private investors." In the latter case, "state economic activities might at least inhibit the inclinations of private investors . . ." (*op. cit.* p. 315) It here becomes apparent that the state cannot become a real total capitalist in the course of a quasi-unrestrained development. Because in these branches, in which capital can be used profitably, it is precisely private capital units which move in. If the state were to become active in this realm, it would be setting itself in opposition to the total interests of capitalist society, by reason of the fact that it would be acting as a capital unit.
- 24) As a rule subsidies have the character of being surplus distributed by the state and no longer by competition. They ensure the maintenance of an average rate of profit by every capital unit. Naturally, subsidies can come from the revenue created by wage-laborers, in which case they lower the living conditions of the working class to the benefit of capital units.

of capitalist relations of production, cannot be created by private capital. The state ensures the capital relation in that it acts in a non-capitalist manner; that is, by the general conditions of production created by the state, "capital" does not even enter into the picture. It is therefore inexact to speak of "state capital" without differentiating between infrastructural outlay and "profitable capital" (25) and false to claim: "The imperialist state confronts not only workers and employees in the immediate sphere of the state as a capitalist . . ." (26) If the state acts as a capitalist, then this can be explained only through the particular history and particular conditions of a country. This activity as a capitalist may occur in exceptional situations, such as the First World War in Germany (the term "state capitalism" has its origins in this period), in partial form in German fascism and in Italy and France after the Second World War. The capitalist mode of production is in no way abolished or surpassed ("aufgehoben"), even if the increase in production processes operated directly by the state is an unequivocal indication of the disintegration of advanced capitalism, of its stagnation and the lacking "private" investment opportunities. (27)

The state acts indeed – aside from the above mentioned historical exceptions – as a non-capitalist and as such limits the realm of private capital accumulation and reproduction. If the state were itself capitalist, then it would expand the sphere of capital production and express everything but the disintegration of bourgeois society. The theory of state monopoly capitalism is itself contradictory in that, on one hand, it asserts that the state itself functions as a capitalist, but, on the other side, speaks of the general manifestations of the downfall of imperialism. (We deny the first assertion, not the latter.) –(to be continued)–



VOLUME 24

**TERRORISM AND
MARXISM**

THE EDITORS

6

POVERTY OF THE STATE

THOMAS BODENHEIMER

**LANGUAGE AND
IMAGERY OF CAPITAL**

ADELE GERAS

Hayter, Tanzer, De Beauvoir Reviewed

- 25) Cf., Paul Boccard, Übersicht, op. cit. p. 3
 26) *The Imperialism of West Germany*, 1971, p. 366. It must be emphasized that this thesis does not run uniformly through this book; this is characteristic in general of the definite lack of precision which one usually finds in the "reference works".
 27) Paul Mattick, "Gemischte Oekonomie und ihre Grenzen", *Soziale Revolution*, No. 2, 1971, f 6/6ff.

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The Abolition of Market Control and the Problem of Legitimacy (I)

Claus Offe*

Kapitalistate 1/73

The prerequisite for the conversion of ever larger quantities of labor power into the commodity form inherent to the wage-labor relation was, from the emergence of capitalist society, the organization of a part of labor power within a non-commodity form, that is, the existence of the "bureaucratic worker". (1)

Two questions thus arise: (1) Why is it justified to exclude labor power organized in the state apparatus from the category of wage-labor? (2) What justifies the argument that the process of capital expansion depends on the contribution of labor power which is not directly "productive" in capitalist terms, that is, which does not assume the commodity form?

As to the first question: any attempt which would focus attention solely on the technical quality of labor activity as the distinctive attribute tends to be misleading. The distinction between productive and unproductive labor is applicable only with reference to the relations of production and domination within which labor is incorporated and to which it is subordinated. Productive labor is that portion of total labor power which is hired for the purpose of surplus-value production and that will be fired either as soon as it stops to produce surplus-value or when the surplus-value cannot be realized. Only this type of labor is a commodity in the sense that the specific individuality of the worker as well as the specific quality of the labor process and its product are subordinated to the criterion of surplus-value production. (2)

On the other side, the form of the social utilization of the work of civil servants is considered "unproductive", because it is work unconnected with the commodity form, i.e., surplus-value production. The same is true of much work in the service sector. (3) The works of officials and employees in the civil service "manifests itself as the social utilization of labor in the form of use-value, for consumption having a determinate purpose and thereby as the social utilization of value-absorbing labor . . . The services performed by the bureaucratic worker are based in a social relation in which value expansion through surplus-value production does not take place . . . and are directly absorbed by social consumption. They have no market". (4) This means that the conditions under which such labor power is socially put to use are not determined by the criterion of the production and realization of surplus-value. Such labor is concrete, not "abstract", it is not a commodity and produces no commodities. The social utilization of this kind of labor is determined by its concrete result; it is deployed with regard to its use-value and to the use-value of its performance and not, as is the case of abstract labor, with regard to its exchange-value, where use-value is not the primary factor, but only a necessary by-product.

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The essay reprinted here is a shortened version of "Tauschverhältnis und politische Steuerung. Zur Aktualität des Legitimationsproblems", in: Strukturprobleme des Kapitalistischen Staates. Aufsätze zur Politischen Soziologie, Frankfurt (Suhrkamp) 1972, pp. 189, pp. 27 - 63. This collection of essays will be reviewed in one of the future issues of KAPITALISTATE.

- 1) The possible objection that a large potential in "residual" labor power existed in all phases of the development of capitalism is per se justified, but in the present context it misses the point; for while such "residual" labor power functioned socially either via the family system or as "reserve army" (and thus as the commodity "labor power", temporarily not functioning on the labor market), the organizational modes are no longer available in advanced capitalist industrial societies, inter alia in view of the structural changes and loss of function the family system has undergone.
 2) For similar conclusions, see M. Mauke: Die Klassentheorie von Marx und Engels. Frankfurt a. M. 1970, p. 103.
 3) Cf. A. Touraine: The Post Industrial Society. New York 1971, p. 17 f.
 4) In this respect the way in which the educational bureaucracy is, as a matter of course, expected to handle the problem of the rising quota in objectors to military service, is a case in point.

Of course, such concrete labor can and does enhance the productivity (i.e. the surplus-value yield) of other kinds of labor eventuating in exchange value. (5) Thus, for instance, the teacher expends a kind of labor power which, without itself being a commodity, may have the purpose of educating labor power which is a commodity.

The second of the above questions seeks to establish the reasons for the *necessity* of the coexistence of non-capitalist and capitalist elements. A functional explanation is that individual capitals exclusively obey the imperative of surplus-value production and are basically incapable of integrating the social system, although this is the precondition for the existence and maintenance of the capitalist order. "Not all social functions can be organized in a capitalistic way, either because the production of material infrastructure does not promise any profit or because the required conditions are so general and comprehensive that they cannot profitably be realized by individual units of capital. (6) Capital cannot of itself, through its own actions, produce the social preconditions of its existence." (7)

The assumption that there exists a *necessary dualism* of capitalist and non-capitalist forms presumably is not controversial (though it has frequently been ignored). More interesting and more controversial is the answer to the next question: *How does this relationship of complementarity, the functional "fit" among contrasting form elements become real, i.e. how is it at all possible?*

This question poses a puzzle. Although capitalist development *requires* a "separate" state sector (organized by form elements other than the commodity form), exactly what mechanisms will bridge the two and maintain a functional connection or relationship of complementarity, and thus ensure the "fit" of form elements tending reciprocally to exclude one another is problematic. (8) This puzzle concerning the actual *possibility* of complementarity is only too often ignored. A case in point is the theory of "state monopolistic capitalism". (9) There the problem is escaped by circumlocutions or by unsupported assertions, such as, for example, "... there exists a coherent mechanism by which the power of the monopolies merges with the power of the state". (10) In this type of formulation either the thesis of "separateness" or the actual result of the "merger" is not taken seriously. Nor is the theoretical inconsistency eliminated by pointing out that "... the necessity (of the complementarity of state functions, respectively of their expansion, C.O.) does not come to be recognized by way of insight alone, but is enforced in struggles, conflicts, catastrophes and crises". (11)

This kind of formulation lacks adequate foundations. For the capitalist firm, the emergence and expansion of "concrete" labor (i.e. labor that is not commodity-producing) and the fact that a part of value goes to state revenue rather than to variable capital and thereby to value-absorbing rather than value-producing labor is a source of constant annoyance. It appears as parasitic wastefulness and as an unjustified intervention.

On the other hand, in terms of the functional prerequisites and stability of capital as a whole, increases in concrete (as contrasted with surplus-value producing) labor are highly important. The requirements of system-maintenance multiply in the process in which production becomes more social and is no longer manageable by the market alone. The increasing complexity and interdependence of a more and more "social" production system can only be controlled by concrete labor.

Thus the perspective of single capital blocs and that of capital as a whole (which is never reflected in the actual practice of any single capital) oppose each other. What

- 5) D. Bell: *The End of Ideology*. New York 1960.
- 6) E. Altvater: *Zu einigen Problemen des Staatsinterventionismus*. Mimeographed paper, 1972, p. 5 (a part of a different version of this paper is printed in this issue of KAPITALISTATE).
- 7) *Op.cit.*, p. 6.
- 8) An assumption made by Altvater without providing any theoretical foundations, *op.cit.*
- 9) For discussion of this point and critique, see M. Wirth: *Kapitalismustheorie in der DDR*. Frankfurt a.M. 1972.
- 10) P. Boccara: "Zum staatsmonopolistischen Kapitalismus". In: *Sozialistische Politik*, vol. 3, no. 11, June 1972. Cf. the annotation by Joseph Esser in this issue of KAPITALISTATE.
- 11) E. Altvater, *op.cit.*, p. 21.

presents itself on the one side as parasitic absorption of value and value-producing labor power and thereby as a *threat* to the process of capital accumulation, appears on the other as a precondition thereto.

Stabilization of the accumulation process is thus dependent on the power of social forces which articulate and enforce the objective interests in the maintenance of the capitalist social order *against* the narrow and empirically divergent interests of individual capitalists. The liberation of the class interest from the narrow and short-sighted interests of the necessities of the capitalist class happens — if it happens at all — through the institutionalization of political "counter-power". Not counter-power to capital as a whole, but to the fragmented, stubborn and shortsighted empirical interests of single capital units. (12) This functionally requisite counter-power or coercion whose emergence is traceable throughout the history of bourgeois political systems — from the liberal constitutional state via the freedom of association and general suffrage up to the claims granted and policies implemented by the welfare state grows throughout the history of capitalist development. Whatever the equilibrium which exists between the interests of the *capitalists* and the *political* enforcement of a capitalist *class interest*, it is always a highly fragile one and certainly not achieved according to any plan.

As soon as "counter-power" is institutionalized as the regulative designed to guarantee relative autonomy to the national government and thereby to give leeway for concrete, goal-directed use-value, rather than profit-oriented activities by agencies of the state, the question becomes how the possible contradiction between the objective and general interest of capital and the potential use which can be made of bourgeois-democratic rights and claims on the part of the citizens can be reconciled.

The answer to this question will make evident that the adaptive mechanisms resulting from goal-directed activities of the state in the organization of capitalist industrialization would not have come into being *in the absence* of the corrective counter-action of pluralist and democratic forms of political power. On the other hand, this in no way rules out the possibility that the inherent dynamic engendered by the political process of party competition and rivalries may move in a direction which again may have a de-stabilizing effect.

The less the state apparatus can limit its activities to merely sanctioning the transactions among commodity-owners and the greater the complexity and continuity of the sector of its concrete, goal-directed activities, the more difficult it becomes to maintain the balance between the economic system of capitalist domination and its politically provided preconditions.

In this sense, the politicization of functions designed to maintain the capitalist order, which the market-controlled economy no longer generated by itself, represents an inevitable, yet ambivalent and self-contradictory solution to the problem. It confronts the state apparatus with the task not only of harmonizing and reconciling the empirical interests of *single capitals* with the functional requisites of *capital as a whole*, but also of channeling the *political processes*, the only means available to this end, in a direction in which their inherent dynamic will not impinge upon the limits of the capitalist mode of production. No "higher insight" can a priori guarantee that resource to the state as the steering mechanism will not simultaneously reinforce the state's capacity of acting as a relatively self-autonomous "alien element". The question that remains unanswered, left open solely to contingencies, is whether the intervention of any "separate" sector of the state to counteract the functional gaps arising in the market-controlled capital accumulation process will in the long term serve to stabilize or jeopardize this process. The actual course of events will be determined by the *selectivity* of the political institutional system — by its capability of politically organizing steering and complementary performance

- 12) In Marx's analyses this function is assumed by the small-holding peasants and other petty-bourgeois and intermediate strata (The 18th Brumaire). For treatment and discussion of the corresponding statements of Marx and Engels, see the Essay by A. R. Shonfield: "The Classical Marxist Conception of Liberal Democracy", *the Review of Politics* 33 (1971), p. 360-376.

without politicizing the economy in substance, without infringing upon its "private" character.

An example is the debate about the necessity of "qualitative growth". (13) As long as state policy confined itself to providing the material preconditions and to steering performance designed to insure the stability of economic growth, the degree of concreteness required of such policy could be kept low. If nothing else, the policy of growth has managed to reconcile the interests of single capital units with over-all economic imperatives, and these in turn with institutionalized interests of the electorate. As soon as, however, the degree of concreteness demanded of state policy suddenly becomes more rigorous (something progressive technocrats have come to regard as indispensable in view to the destructive repercussions of economic growth), that is to say, as soon as no longer merely quantitative, but also qualitative criteria must be applied to economic growth, the potential of economic growth to play the role of the social peacemaker fails. Certain industries become the victims of regulations and restrictions, which may serve the abstract interests of capital as a whole, but which can be enforced solely by the powers of administration. This in turn requires a process of political consensus-building, from which an agreed definition of "the quality" serving as the criterion of qualitative growth can be derived. This implies the need for an operable consensus regarding priorities, the distribution of costs, employment effects, incentives, subsidies, price and tax incidence, regional allocation and distribution problems, and so on. *The more concrete a policy, the more acute and multiple the effects of polarization and the conflicts it entails.*

In this sense, the political-administrative system of late capitalist societies, tailored to satisfy in concrete ways the requirements of maintaining the capitalist order, will reveal itself as an alien element. Its feed-back, in terms of its complementarity to the functional requisites of the capitalist order, tends to fall short of reaching the sought adjustments due to a higher incidence of risks and disturbances. On this view, the gradual predominance of steering mechanisms based in state-political power involves the system-disintegration of a social structure whose identity is determined by the volume of abstract labor power expended and by the criterion of equivalent exchange.

In what follows, we will focus on factors supporting the assumption that the capitalist system is incapable of maintaining in harmonious coexistence the structural discrepancy between value-controlled and power-controlled processes. Our concern is to examine the possibility of the *failure* of attempts to design and make operative a feed-back process between administrative strategies and the logic of capital expansion.

Such structural elements of capitalist industrial societies which no longer function within the commodity form are identifiable on three levels. First, on the level of the distribution of the potentially economically active population in terms of whether such labor power is *at all* economically utilized. Second, in terms of the distribution of economically utilized labor between surplus-value-productive labor and administrative and service labor. Third, in terms of the allocation of the value produced according to criteria of profitability versus criteria of political power. It is intended on all three levels to confirm and explicate the thesis that the "decommodified" forms of the social organization of labor power and of the value produced by society are growing quantitatively and that this accretion is the immediate result of the fact that "... capital cannot of itself, through its own actions, produce the social preconditions of its existence". (14).

(1) With respect to the majority of the groups whose life has been organized into "decommodified" life forms, we can observe that the social integration of these "functionless" groups tends increasingly to become a problem of social stability to be dealt with by political means, in as far as such social groups excluded from the social life form of wage-labor, yet nevertheless subject to relations of capitalist domination, represent a potential for rebellion of a special kind. What characterizes the political protest and conflict potential of the 1960's, particularly in the USA, is the mobilization primarily of

13) Cf. E. Eppler: Die Qualität des Lebens. Paper for the 4th Internationale Arbeitstagung der IG Metall, Oberhausen 1972; D. H. Meadows e.a.: The Limits to Growth, London 1972.
14) E. Altvater, op.cit., p. 6.

those groups which did not participate, or participated only temporarily or marginally, in the labor market, that is of students, conscripts for armed forces service, women, recipients of transfer payments, and the like. We can thus discern in the capitalist social structure the emergence of a quantitatively growing and a qualitatively non-integrable potential of a non-capitalist and, even in the light of use-value criteria alone, non-productive system of roles and forms of social life, whose structural exclusion from the processes of labor and of surplus-production instigates the mobilization of these groups.

(2) The second level where the emergence of alien and contradictory elements is discernible is the social organization and distribution of the labor force itself.

The most important categories of concrete labor in capitalist industrial societies is labor in the *service sector*: in circulation (the sale of commodities in particular); and the labor of *the employees* in the industrial enterprises as well as the labor of employees, workers, and civil servants in the state apparatus.

Let us assume, to start with, that this increment in non-productive labor functions is completely determined by the functional requirements of the accumulation process. On this view, we can infer a *functional fit* between the accumulation of material wealth through surplus-value producing labor and those labor functions which are designed to create only the preconditions essential to this process. But this relationship is *contradictory* in that in order to *maintain* this fit in substance, a cumulative violation of the formal element of capitalist social organization, namely productive wage-labor becomes inescapable. The functionally requisite deviation from formal principles has a subversive impact not only through the steady expansion of those intermediate strata who no longer *produce* surplus-value, *but also through the erosion of the basic legitimating scheme of "equal exchange"*. The reason is that as long as labor power is organized in the social relation of surplus-value producing wage-labor, it is compelled to relate to itself in an instrumental way. As long as labor is institutionalized as a commodity, it appears to itself as a commodity and tends to relate to itself as a commodity. On these terms it finds itself in a "state of equilibrium" as long as it is able to obtain its price — that is, the price which according to its self-definition (made up of subjective and objective elements) corresponds to the cost of its own reproduction. Thus the social life forms which the abstracted commodity "labor power" assumes tally with the logic of the compromise engendered by equal exchange. Only when the impossibility of actually realizing its own value or its impotence in face of the concrete relations of domination encountered in the capitalist enterprise becomes evident to labor, will the socially integrative effects of this compromise-pattern break down.

On the other hand, to the degree that labor is subjected to *concrete* uses and subordinated to the process of accumulation, without itself *being* the process of accumulation, *to the same degree does the ideological and pacifying power of the principle of equivalent exchange lose ground*. The social relationship within which labor is expended thus becomes criticizable not only in quantitative terms demanding an "equitable" (value-commensurable) remuneration, *but also in the light of the qualitative criterion: the concrete use that is made of it*. The conflict-free "equilibrium" in the organization of labor power is no longer based exclusively on the "equivalent value" of the *wage-rate*, but also in some sort of *identification* on the part of the laborer with the substance and social conditions of his or her work. (15) Where the work-task is concrete, greater demands are made on the skills of laborers, and primarily on their identification with their tasks and the hierarchies of domination they encounter on the job, as well as their loyalties, etc. *Thus a "legitimizing" equilibrium becomes the condition for the organization of the labor process*.

It is exactly the problem of maintaining the accumulation process which involves the continuous suspension of its social form. As abstract labor is increasingly supplemented by and even replaced by "concrete labor", the channels and, indeed, the logic of social

15) The significance of complementary normative orientations as the functional prerequisite of the industrial labor process is analyzed in: C. Offe: Leistungsprinzip und industrielle Arbeit. Frankfurt a.M. 1970.

control must be changed. The most relevant criterion for a growing section of the labor force is no longer the surplus-value yield or the saleability of the products of their labor, but the actual quality of their "output" (which becomes part of the accumulation process in ways other than exchange). This being so, the institutionalized indifference to categories of use-value is step by step repealed. The decisions and actions which are the output of the labor of the civil service and other categories of employees are no longer deducible, from criteria of their relevance for capital accumulation, but, on the contrary, *themselves determine exchange relations between commodities*. The exchange-regulated natural process of capital expansion loses the quality of being exclusively caused by a natural process.

The survival of the capitalist order thus comes to depend on the resolution of a new problem: how to prevent a system-alien form from becoming the vehicle of system-alien contents? Or, to put it more precisely, how can *concrete* labor be forced to obey the needs of capital accumulation and made to accept these as the premises for decision-making. Where labor power is organized for the purpose of producing use-value directly, how can it be made to produce, among all possible use-values, exactly those that are required by and help to expand *capitalist* production and its built-in emphasis on *exchange value*?

(3) In addition to the spread of social forms of life which transcend "labor" as the means for earning a living as well as of *labor process* no longer organized within *the commodity form*, we can illustrate the process of the self-paralysis of capitalist social life forms through a third phenomenon — the increase in those parts of surplus-value which are not utilized according to private profitability criteria, but by the state.

Assets fixed in the infrastructure are distinguished from capital operative in the accumulation process not so much by their material attributions, but by the way they are utilized. It is not, as in the accumulation process, directly utilized to enhance the surplus-value yield of labor power, and to immediately reconvert part of the surplus-value realized into capital; its utilization is determined, rather, by the production of concrete use-values. This being so, what is expended is not capital, but revenue, and the result is not surplus-value production, but value consumption, which to be sure, may not serve to improve the conditions of surplus-value production; but this would be, in the positive case, a matter of *political* power rather than economic calculation. (16)

In spite of this essential difference which makes the infrastructure operate under criteria outside the accumulation process, the allocation of parts of surplus-value is subject to specific criteria of rationality and profitability, whose calculation criterion is not monetary value as such, but rather, as in cost-benefit analysis, the concrete benefit per unit of monetary value. Here benefit is frequently measured in terms of the contribution which the provision of infrastructure represents for the immediate or mediate increase in productivity of labor.

The hybrid status of the infrastructure or "social capital" production in capitalist societies is thus characterized by the fact that infrastructure investments are non-capitalist in their form, and that the criterion of use-value is here derived from the requirements of capitalist accumulation and "economic growth". *The surplus-value-related function and the use-value-related form of investments into the infrastructure antagonize each other. It is hence by no means self-evident that this structural discrepancy can be conciliated.*

Discrepancies are, on the contrary, conceivable in either of two respects. Either the amount of infrastructure provisions will prove insufficient to eliminate bottlenecks in the accumulation process, or their non-capitalist form will come to be the vehicle for con-

16) According to its institutionalized strategy of utilization infrastructure "capital" in this sense undermines the commodity form. See E. Altvater, op.cit., p. 10, and A. Evers/U. Lehman, Politisch ökonomische Determinanten für Planung und Politik in den Kommunen der BRD, unpublished paper, Aachen 1972, p. 27 f: "A large part of social demand tends temporarily (or perhaps continuously and irreversibly? C. O.) to shut-off the commodity form. . . The problem of infrastructure facilities, to the extent that these are state-financed and therefore are not commodities, resides in their co-existence with capitalist production."

crete kinds of provisions and institutional reforms tending to undermine the inherently different formal "logic" of the accumulation process. It may at the same time be inferred that the risk-incidence of such discrepancies is likely to increase with the extent to which recourse must be taken to non-capitalist forms of utilizing surplus-value to insure the infrastructure required for capital accumulation.

To assume that the state infrastructure will prove capable of effectively discerning and overcoming the functional gaps in the accumulation process in terms of quantity, quality and timing, would mean to over-estimate both the diagnostic and prognostic capacities of infrastructure policy as well as the political and financial leeway it disposes of. (17) More relevant is the very real possibility that in order to retain their capacity of control (derived from political power and legitimacy), the state agencies will feel compelled to block the very purpose of use-value production strictly complementary to capital accumulation by giving in to the claims which emerge merely from party competition and political conflict, but in no way directly result from the actual requirements of accumulation itself. The consequence would be not "symbiotic" complementarity but "parasitic" self-sufficiency and autonomy of state infrastructure production.

There exist three conditions, each of them in different ways highly precarious, under which the complementarity of capitalist accumulation and non-capitalist infrastructure production can be achieved at all. First, parts of the social *surplus product* must be absorbed which will suffice to produce the residual sphere of "infrastructure demand". (18) Second, the production and provision of infrastructure must be made to coincide in terms of quantity, quality and timing to insure maximum information-processing, prognosis, coordination and planning capacity, in short, to achieve *administrative rationality* (19). Third, there must be available a system of *legitimizing* beliefs, that is, an institutionalized procedure for the organization of political symbols and consensus formation warranting not only avoidance of the risk of "under-supply" in the infrastructure sector, but precluding also the constant risk of a dysfunctional "over-load" of state infrastructure production which is no longer subject to determination by the criteria of capital accumulation.

The set of conditions constituting this triad of preconditions interlocked with one another is one of such complexity that it is rather their simultaneous realization than their "disequilibrium" which must be considered the more improbable event and thereby the one requiring explanation. The puzzle, like always in social theory, is why it works if it works. By the same token it may be assumed that as the volume of the requisite infrastructure expended increases, the individual conditions of equilibrium in the sequence outlined will tend to grow more precarious. The discrepancy between *form* and *function* of infrastructure policy, between its non-capitalist operation and its uninterrupted attachment to the criteria for capital accumulation will prove the more difficult to manage, the more infrastructure policy will, parallel to its expanding financial and material radius of action, come to depend on an ever more widely-based consensus. (20)

The social and political conflicts crystallizing from this structural discrepancy and signalling an end to the equilibrium capable of maintaining the acceptance of legitimating beliefs are self-evident. They involve a wide assortment of claims and demands which bear

17) For a by far more convincing counter-thesis, that is that elements of "anarchy" intrude into the relationship between the infrastructure agencies and their planning operations, similarly as problems of achieving consensus intermesh with economic and financial policy, see J. Hirsch, in: Wissenschaftlich-technischer Fortschritt und Wissenschaftliches System. Frankfurt a.M. 1970; as well as V. Ronge: "Politökonomische Planungsforschung". In: Ronge/Schmiege (editors): Politische Planung in Theorie und Praxis, München 1971.

18) The degree to which this problem itself has become critical is derived by J. O'Connor in "The Fiscal Crisis of the State", Socialist Revolution, no. 1 and 2 (1), 1970.

19) Cf. F. Naschold et.al.: Untersuchung zur mehrjährigen Finanzplanung des Bundes usw., Zwischenbericht. Konstanz, Oktober 1970.

20) Cf. F. W. Scharpf: "Reformpolitik im Spätkapitalismus". In: Die Neue Gesellschaft 6, 19. Jg. (1972), p. 471-477; and Ibid.: "Planung als politischer Prozess". In: Die Verwaltung, 1970, H. 1.

on the improvement of the conditions of reproduction and conditions of life which represent a collective need (21), with the goal of separating the *expenditure items* of state infrastructure and distribution policies from growth and capital-accumulation determined criteria not only formally, but also in substance (that is, in terms of their material results). These claims and demands also manifest themselves (with respect to *raising the funds*) in ongoing, although diffuse anti-etatistic initiatives, which in discussions in the United States have been referred to as "the taxpayers' revolt" (22) and in Western Europe are indicative of a thrust against the class character of state taxation, anti-inflation, and above all, income policies.

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by Albert Szymanski (U.S.A.)

China After the Cultural Revolution
by Joseph Needham (England)

21) For a more thorough analysis, see C. Offe: "Politische Herrschaft und Klassenstrukturen". In: Kress/Senghaas (editors): Politikwissenschaft. Frankfurt a.M.: 1969; and Ibid.: "Bürgerinitiativen und Reproduktion der Arbeitskraft im Spätkapitalismus". In: H. Grossmann (editor): Bürgerinitiativen - Schritte zur Veränderung? Frankfurt a.M. 1971.

22) Cf. O'Connor, op.cit.

*Working
Material/
Bibliographic
Information*

**Political Economy of State
Expenditures and Revenues
— A BIBLIOGRAPHY —**

James O'Connor

Below is a selected bibliography of some useful English language studies pertaining to the political economy of state expenditures and revenues. Excluded is the vast literature on state regulation, fiscal and monetary policy, and welfare economics, including the micro-economics of taxing and spending. More or less adequate bibliographies of studies in these areas can be found in most conventional public finance texts. Most of the readings cited below are organized around particular topics in the order in which they appear.

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A general postscript: the "Reading Lists in Radical Political Economics," 2 vols., published by the Union for Radical Political Economics in December 1971 (pp. 280) include further useful bibliographical information on these and other subjects*. These reading lists may be obtained from: URPE, Office of Organizational Services, Michigan Union, Ann Arbor, Michigan 48 104.

Bibliographische Information

Arbeiterbewegung
Marxismus-Sozialismus
Revolutionäre
und Befreiungsbewegung
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Herausgegeben von der International Association of Labour History Institutions
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Book
Reviews/
Survey of
Journals

Italian Analyses of Class Struggle and the State

Gisela Bock*

"Quaderni Rossi", Arbeiteruntersuchung und kapitalistische Organisation der Produktion, Trikont-Verlag, München 1972
Spätkapitalismus und Klassenkampf. Eine Auswahl aus den "Quaderni Rossi", Europäische Verlagsanstalt, Frankfurt am Main 1972

The Italian review "Quaderni Rossi", from which the articles of the two German selections are taken (a French selection was published in 1968 by Maspero, an English one is being prepared) was published between 1961 and 1965: years which saw a revival of class struggles after a time of "social peace". The economic and political situation was characterized by the final consolidation of monopolistic corporations based on a new organization of production and consequently on a new composition of the working class; by the ever increasing tendency toward capitalist planning through state intervention (the program for Southern Italy, the plans of Giolitti and Pierracini (1)); and by the policy of the traditional workers' organizations, to whom the "Italian way to socialism" meant the participation in and eventually the taking-over of the "democratic programming" by the state.

The two volumes of selected articles are centered on two main issues: the relationship between capitalist planning and the working class as an analysis of the new functioning of and the new contradictions within the "social capital" and the militant class inquiry as a method of political work. For both of these issues, the writings of Raniero Panzieri, the initiator and main theorist of this group, are of utmost importance ("The capitalist use of machinery in advanced capitalism", "Surplus value and planning", "Socialist use of the workers questionnaire"); it is very disappointing, that significant articles of Mario Tronti ("The factory and the society", "The plan of capital") were not incorporated in the selections — especially since the German translation of his very important book "Workers and Capital" — long since scheduled to be published by Neue Kritik — will apparently not come out in the near future.

The research of the group around the "Quaderni-Rossi" started from a radical critique of the political line of the traditional workers' organizations, from the critique of a mechanistic conception of the relation between capitalist development, socialization of production and socialism, from the critique of the gap between party and class. One of the most important contributions of the "Quaderni Rossi" is the fact that they recognized and defined a new type of working class; a type which corresponds so little to its "orthodox" concept, that precisely this working class made dubious every type of traditional political organization. Thus the parallel analysis of capital and working class becomes the central issue of the review.

The most important points of this research are concerned with the identity of capitalist development and technological development, the analysis of the modern factory with its interrelation of the technical-organizational element and the political element of power, the increasing integration of factory, society and state as the expansion of "authoritarian planning" beyond the factory to the entire sphere of social production and reproduction. In close relation with the course of cycles and the workers' struggles in

KAPITALISTATE'S Italian group has announced a dissenting opinion on this review. Therefore, we expect that this will be substantiated in the form of a theoretical note or a review of works — positions — supposedly not dealt with in this contribution.

* Gisela Bock works as an assistant professor for America studies at Berlins Free University. She may be reached via: 1 Berlin 30, Treuchtlingerstr. 1, F.R. of Germany (Tel. 24 76 79). Her area of research is mainly the relationship between class struggle and capitalist planning in the United States during the nineteen-thirties. She has worked on similar problems pertaining to the Italian development. Her future contributions to KAPITALISTATE will center on both countries.

1) Cf. especially: Luciano Ferrari Bravo, Alessandro Serafini. Stato e sottosviluppo. Il caso del Mezzogiorno italiano, Milano, Feltrinelli 1972.

the sixties, the "social plan" is generally defined — beyond the specific plans especially of the center-left government, beyond the failure of single plans as for instance in the crisis of 1963/64 — as the historically determined mode of functioning of the production of surplus value on the level of social capital as it has been analyzed by Marx: "Capital — which presupposes such a social mode of production and a social concentration of means of production and workers — directly takes on the form of social capital (2) (capital of directly associated individuals) in contrast to private capital; the actions of social capital are social actions in contrast to private ones. This is the negation of capital as private property within the constraints of the capitalist mode of production" (3).

From this point the critique moves in two directions: against the soviet model as the mere removal of social anarchy, while the subordination of the working class within the relation of production continues as before; on the other hand against the "democratic planning", which is the plan of capitalist groups in the period of developed capitalism.

This approach is of decisive strategic importance: it attacks not only the theoretical basis of the social-democratic and revisionist conception of a "peaceful" transition to socialism, but as well it shows, how the "despotism" of the plan creates its own internal antagonistic contradiction, the working class: from the very beginning, the plan and each of its modifications, in trying to intensify the exploitation of labor, generated the reactions of the working class.

This analysis was confirmed by the class struggles in 1967-70; the socialist strategy became a strategy aiming at the destruction of capitalist socialization as well as of soviet socialism. Against the efforts of capital after 1964 and in the decrease of the struggles since 1970 to promote the availability of labor, the answer had to be a strategy which realized the non-availability of workers, the internal contradiction within the capitalist plan.

The theoretical-political work of the "Quaderni Rossi" became a reference point for large parts of the extra-parliamentary left in Italy; in 1968, at the beginning of the mass movement, the group dissolved. During its history it split twice.

The main issues of these splits were two questions; first, in what measure has the working class in the period of advanced capitalism become the subject of the development and thereby determined the restructuring of capital through its autonomous struggles; the other question was the problem of organizing the working class' spontaneity: while the group of "Quaderni Rossi" continued to accept, as from its beginning, the concept of militant class inquiry as method of revolutionary work, other comrades opted for the return into the traditional organizations (the "new enterism") and still others for the necessity of a new revolutionary party. The common feature of these various groups, however, remains the fact that they undertook in a revolutionary and non-reformist manner the initial analysis of a period of capitalism, in which the critique of political economy meant the critique of "social capital" as well as the critique of "socialism" (4).

2) "Gesellschaftskapital"

3) Das Kapital, Vol. 3, Berlin 1969, p. 452.

4) Cf. in this context: S. Bologna, G. P. Rawick, M. Gobbi, A. Negri, L. Ferrari Bravo, F. Gambino, Operai e stato. Lotte operaie e riforma dello stato capitalistico tra rivoluzione d'Ottobre e New Deal, Milano, Feltrinelli 1972. Parts of this book have been published in the Federal Republic of Germany: A. Negri, Zyklus und Krise bei Marx; (zwei Aufsätze) Berlin, Merve Verlag 1972; S. Bologna, M. Cacciari, Zusammensetzung der Arbeiterklasse und Organisationsfrage, Berlin, Merve-Verlag 1973.

Cf. also: A. Negri, Crisi dello stato-piano, comunismo e organizzazione rivoluzionaria, Firenze, edizioni clusf, 1972 (deutsche Übersetzung: Die Krise des Planstaats, Kommunismus und revolutionäre Organisation, Berlin, Merve-Verlag 1973). These and other Italian works of similar nature will be reviewed by Gisela Bock in forthcoming issues of KAPITALISTATE'

**Industrial and Labor Relations
Review**, School of Labor and Industrial Relations, Cornell University, Ithaca, New York, USA

Vol. 25, No. 1, October, 1971.

Darold T. Barnum, "From Private to Public: Labor Relations in Urban Transit."

Extensive and detailed descriptive study of the municipalization of urban transit systems in the USA. Some highlights: In 1970, all rapid transit lines were publically owned, and 90 per cent of the electric buses and streetcars and 59 per cent of the motor buses were publically owned. Low profit rates and losses are the primary reasons for the shift to public ownership and discontinued services. The larger the city, the fewer systems have been discontinued and the more systems have become public. In small cities, most systems have discontinued service. Black workers caucuses are challenging established union leadership in a number of systems. As more and more systems become public, fewer and fewer contract disputes have been arbitrated and more and more have been settled as a result of a strike (the transit industry is almost completely unionized).

Vol. 25, No. 4, July, 1972.

Thomas P. Gilroy and Anthony V. Sinicropi, "Impasse Resolution in Public Employment: A Current Assessment."

Comprehensive and very uncritical review of mediation, factfinding, arbitration, and other techniques for "impasse resolution" in state employment. Such techniques are being used more and more, especially mediation. Data on the effect of impasse resolution on strikes is mixed. A great many details of the attempt that capital and the state have made to find a mechanism for locking state workers firmly into the system and reducing militancy. Ends with a set of recommendations, not with an eye to meeting the needs of state workers, but rather with the aim of reducing militancy of state employees.

Arena (Box 36, Greensborough, P.O., Vic., 3088, Australia).*

Number 29, 1972.

John Lonie and Doug McEachern, "A Classless Party for a Classless State."

A brief critique of N. Blewett and D. Jaensch, The Politics of Transition, an account of South Australian history in which "the populist notions of establishment and social strata were employed in an attempt to explain the emergence of a new style of politics." The authors of this article use the concepts of class relations to explain developments in the State, especially changes in the political system. They argue that there was a "congruence of the State and the (landed) bourgeoisie" and that "a comprehensive network of railways and ports was established directed and financed by the State as a service adjunct to the bourgeoisie." In the more recent past there was a "significant increase in the scope and importance of the State's service operations. The use of the Housing Trust and other institutions as an inducement to interstate and overseas investment was perfected. As South Australia had lived on the export of rural products . . . it now intended to live by the export of consumer durables . . . The local ruling class, long used to the role of a conduit for overseas investments, adjusted smoothly to its new situation, entering into alliances in every field, preserving its own base while increasing the extent of outside penetration."

* \$2.00 — four issues

The Washington Monthly, 1150 Connecticut Ave., N.W., Washington, D.C. 20036.*

Vol. 4, No. 9, November, 1972.

Philip Schrag and Michael Meltsner, "Class Action: A Way to Beat the Bureaucracies Without Increasing Them."

Class action law suits (in which one person sues for himself and as representative of every member of a large group of injured persons) have long been used in

securities and antitrust law. The 1954 school desegregation decision (*Brown v. Board of Education*) was also a class action. "As long as class actions were brought by small companies, investors, or civil rights groups, the business community grudgingly accepted them. But once the consumer protection movement began to use the device, class actions suddenly became highly controversial."

"The list of those working to prevent expansion of the class-action remedy reads like a "Who's Who of Big Business." Courts in only two States, California and Illinois have been openly receptive to class action suits.

Jack Gonzales and John Rothchild, "The Shriver Prescription: How the Government Can Find Out What It's Doing."

Story of Sargent Shriver's attempt to do away with bureaucratic abuses in the Peace Corps and Office of Economic Opportunity without doing away with bureaucracy. The attempt failed. How Shriver's independent inspection office "helped him learn where his Pakistanis were, so his people could enthusiastically lead reporters away from them." "Shriver's final stab at bureaucracy, but the essential sabotage was that a few lawyers, filing a lots of suits, would change communities in ways that monstrous federal agencies had not . . . Legal services was thought to be Nixon's one stab at a return to self-reliance, individual action, and non-paternalism. But the Administration has taken strong steps to hinder the one program that really fits Nixon's antibureaucratic prescription."

Vol. 4, No. 10, December 1972

Timothy H. Ingram, "Fair Employment: The Machinery Continues to Rust"

Of 225,000 plants that hold Federal government contracts (employing an estimated one-third of the total work force), only three (3) have been black-listed for discriminating against black and other minority group and women workers by the Federal government's Office of Federal Contract Compliance, "heavy artillery of the government's

fair-hiring program." The Department of Health, Education, and Welfare is the only agency that has developed an aggressive "affirmative-action" program, in the universities. Department of Treasury official admits that Treasury doesn't maintain records on banks which are not in compliance with fair employment law because "there just aren't that many."

Marjorie Boyd, "Stealing from the Blind"

True American Gothic. The story of the partially successful attempt by Federal government employees and their organizations to get rid of blind food and drink vendors who had been given concessions in Federal office buildings. The employees wanted vending machines to replace the handicapped vendors, and they wanted to use the income from the machines to finance recreational facilities. Apparently, they were indifferent to the fate of the displaced vendors. They succeeded to the degree that they did by throwing around their political power — a huge block of votes.

* *Subscription to The Washington Monthly costs \$ 12 yearly. This is a monthly magazine. Nearly all of its articles are written by journalists (rather than academics, specialists, etc. At its best, WM puts out insider stories in the tradition of Washington muckraking journalism. It specializes in exposes of abuses of the system, and nearly all articles are written from a reformist standpoint. It is ideological and counterproductive in the sense that the reader rarely if ever gets the message that the system itself is an abuse.*

Our Generation, 3934 rue St. Urbain, Montreal, Quebec, Canada.*

Vol. 8, No. 4, Fall, Oct., 1972.

The entire issue is devoted to the subject "State and Capital." Articles and reviews published include:

Rick Deaton, "The Fiscal Crisis and the Public Employees."

A comprehensive review of the state finances of Canada, with special reference to the growth of the public sector as part of the accumulation pro-

cess, state contracts, subsidies, etc., training function of the education system, role of government corporations, growth of state employment, tax structure, inflation, government planning, and the fiscal crisis. Generally based on the propositions made in J. O'Connor, "The Fiscal Crisis of the State," *Socialist Revolution*, I, 1 and 2, Jan-Feb., 1970 and March-April, 1970 and "Inflation, Fiscal Crisis, and the Working Class," *Socialist Revolution*, 3, 2, March-April, 1972. Deaton's conclusions are broadly similar to O'Connor's in his original articles. "As the fiscal crisis broadens and deepens, affecting the social conditions of the entire working class and the immediate position of public employees, workers in the public sector will be increasingly forced into action, not because they want to but because they will have to. Building political alliances between workers in the public sector and users of public services is a necessary step towards a broader transformation of society. Putting forth qualitative collective bargaining demands which affect both groups — workers and clients — is a necessary prerequisite to building these alliances."

Lorne F. Huston, "The Flowers of Power: A Critique of OFY and LIP Programmes."

Analysis of Opportunities for Youth and Local Initiatives as mechanisms not for dealing with unemployment but for integrating "marginals" into the mainstream of society. Expenditures on OFY and LIP have a small multiplier effect on the economy: "There is very little material bought in relation to the total input into the economy (about 17 per cent) and there is no production as such, thus no value added. The total buying power is not significantly increased since employees receive almost the same as the unemployment insurance benefits." On the contrary, as a government task force also pointed out that the actual value of the project was not important, but rather the enthusiastic and optimistic attitudes of the youth about their summer employment.

B. Roy Lemoine, "The Modern Industrial State: Liberator or Exploiter?"

A study of state intervention in the economic development of Quebec. The main thrust of policies expected to reduce unemployment and regional inequalities "has been the direct subsidization of industries which either expand existing facilities or build new plants." Because of "the shocking failure of the program to achieve its objectives, the role of the state in economic development is very rapidly becoming the most important topic of political debate in Canada." Quite interesting is the finding that "social, health, and educational services have been expanded, but the rationale has been the upgrading of the factors of production, while not fundamentally shifting budget priorities away from providing contracts and services to the private sector."

* \$ 5.00 — four issues.

Socialist Revolution (396 Sanchez St., San Francisco, Cal., USA, 94114).*

Number 10 (Vol. 2, No. 4), July-August, 1972.

Albert Szymanski, "Trends in the American Working Class."

A statistical study of changes in the composition of the U.S. labor force since 1900. Main findings are: 1. The relative size of the blue-collar working class has remained roughly the same for the past 30 years. "But, since many women from this class have left their homes and taken jobs, the social forces acting on the blue-collar family are becoming more uniform." 2. The "new working class" of professionals and technicians (excluding self-employed) have become relatively more numerous and more similar to skilled blue collar workers in terms of pay, educational levels, and work conditions. Concludes with statement that "any successful revolutionary movement in the U.S. would have to be based on an alliance of these two major sectors of the American working class (blue-collar and new working class)." This study contains many interesting details of the shift in composi-

tion of the labor force within major categories (e.g. manual workers as a whole), shifts in pay differentials, etc. Its chief deficiency is that it does not classify workers in terms of specific relations to the means of production (and thus capital). How many "new working class" professional and technical workers sell their laborpower as use values to the state, non-profit foundations, etc. in comparison with the number whose laborpower is purchased for the exchange value of its product is not considered. How many manual workers (c. 35 per cent of the total labor force and c. 47 per cent of the total male labor force in 1970) are employed in the relatively high wage monopoly industries in comparison with the number employed in the low wage competitive industries (and low wage employments within the monopoly industries) is not considered either. Nor are changes in the composition of the work force within small-scale, large-scale, and state capital sectors over time.

* \$ 6.00 — four issues.

Jahrbuch für Wirtschaftsgeschichte

1971, Teil III, S. 35-54.*

Kurt Gossweiler, "Die Rolle der Großbanken im Imperialismus".

This study is a continuation of Gossweiler's earlier research into the role of the big banks (in particular: "Die Vereinigten Stahlwerke und die Großbanken" (The Vereinigte Stahlwerke and the Big Banks), in: *Jahrbuch für Wirtschaftsgeschichte*, 1969, Teil IV, pp. II-53 in which the author attempts to expand upon a central aspect of his concept of a theory of monopoly groups and/or capital factions to an even greater extent than in "Großbanken, Industriemonopole, Staat" (Berlin (VEB Deutscher Verlag der Wissenschaften), 1971, 428 pp. — Cf. *Leviathan*, 1973, No. 1, Monopolgruppen-theorie in der DDR diskutiert an "Großbanken, Industriemonopole, Staat" von Kurt Gossweiler, pp. 135-151**). The essay deals with three basic themes: 1.) "Zur Rolle der Banken im Imperialismus" (The Role of Banks in Imperialism); 2.) "Die Rolle der Großbanken im Gruppenkampf innerhalb der Monopolbourgeoisie" (The Role of Big Banks in the Factional

Struggles within the Monopolistic Bourgeoisie); 3.) "Wer beherrscht die Monopolbanken?" (Who Controls the Monopoly Banks).

The second section is particularly significant for a discussion of the "imperialist state". Here, Gossweiler discusses the problem of the development of mainstreams of a total interest of capitalism in the form of a critique of Jürgen Kuczynski. Gossweiler interprets the function of the banks as resolving the split between the two main monopolistic groups (heavy industry vis-a-vis chemicals, electronics) by appealing to the common imperialist basis of both groups. In contrast to the monopolies, the banks are viewed on the basis of their "universality" as "entities of a higher order". Thus, it is via the banks that the total interest of capitalism is tendentially realized as the common reference point underlying all group conflicts. This tendency is initiated by the banks at which point it is incorporated into the "imperialist state" in the form of policy decision-making.

"Because the struggle between the various monopoly groups carried out in the political ring can ultimately reach — transitory and temporary — resolution only on the basis of the given total capitalist interest, the role of the monopoly banks in the resolution of the struggles between the monopolistic groups becomes ever more significant, because these banks are in a much better position to determine the trend of the total interest than the individual industrial monopoly groups. The apparatus, however, which is used as an implement to enforce this solution along these lines is the imperialist state. Thus, the universality of the banks is one of the causes for their gaining greater influence on the decision-making of the state than the industrial monopolies. . . ."

It is unfortunate that Gossweiler does not enter into a discussion of the final passages of Hilferding's "Finanzkapital" (Finance Capital) in this context. Indeed, one of the major weaknesses of the essay is the fact that his position wants both theoretically and empirically of sounder foundations. Gossweiler contents himself theoretically with references to Lenin.

Eike Hennig

* "The Role of Big Banks in Imperialism", by Kurt Gossweiler, in: Year-

book for Economic History, 1971, Part III, pp. 35-54.
Theory of monopoly groups in the GDR analyzed on the basis of Kurt Gossweiler's "Big Banks, Industrial Monopolies, the State".

Kritische Justiz

Nr. 2, 1972 (S. 125-141)**

Heide Gerstenberger, "Elemente einer historisch-materialistischen Staatstheorie".*

Heide Gerstenberger shows that in the succession of Marx three basic trends in the theory of the state have evolved: (1) the theory of the dispersion of the bourgeois state, (2) the critique of bourgeois ideologies of the state, and (3) the theory of the development of the functions of the state with respect to the socialization of the capitalistic form of production. In her essay, she recommends an attempt to combine these basic lines of Marxist thinking to a greater extent than at present as a basis for future discussion, keeping in mind that the theory of the functions of the capitalist state is still the most important field of research. In this context, she proposes extended research in the following fields:

1.) Analysis of the real dialectic between basis and superstructure, which means analyzing the historical development of central and local bureaucracies, the army, the norms of economic and social intercourse, the particular economic functions of the state, etc. and demonstrating their relative self-dynamics and their interrelationships with specific historical conditions arising out of preceding stages of evolution.

2.) Critical scrutiny of three theoretical assumptions usually found in Marxist analyses of the development of the bourgeois state: first, that a "stage of free competition" did actually exist, in which capitalist production developed without significant support from the "liberal" state; second, that this liberal capitalist state arose solely out of the struggle of the bourgeois class against the absolutist state (she develops the hypothesis that this was accompanied by a shifting of the functions of the state from intra-state to inter-state economic relations); third, that the establishment of an expanding public

sector of production in the past decades on the part of the capitalist state would evidently prove that the transition to socialism is an "economic inevitability" "ökonomische Unabweislichkeit", a category used by Engels in his famous "Anti-Dühring": MEW, Vol. 20, p. 259.) Klaus Groth

* Elements of an historical-materialist Theory of the State.
** "KRITISCHE JUSTIZ", Vierteljahresschrift, Europäische Verlagsanstalt, 6 Frankfurt/Main 70, Metzlerstr. 25, Federal Republic of Germany). "Kritische Justiz" (Critical Justice), a quarterly journal, was founded in 1968. It was at this time that left-wing law students and critically-minded law researchers came to the realization that they needed a journal which could publish interdisciplinary studies on the political system and its laws and courts aimed at establishing more substantive communication between left-wing groups scattered throughout the 45 law faculties of the Federal Republic. Since then the quarterly has come a long way in fulfilling this task and is now a 'sound enterprise' with a regular circulation of 5000 copies.

Sozialistische Politik,

3. J., Nr. II, Juni 1971, S. 7-21, 22-39

Paul Boccara: Zum Staatsmonopolistischen Kapitalismus

- I. Einführung in die Frage des staatsmonopolistischen Kapitalismus.
- II. Der staatsmonopolistische Kapitalismus, die Akkumulation des Kapitals und die öffentliche Finanzierung der Produktion*

Sozialistische Politik,

4. Jg., Nr. 16, 18, 19, Februar, Juni, August 1972, S. 1-16, S. 33-61, S. 1-27

Paul Boccara: Übersicht über die Theorie der Überakkumulation-Entwertung des Kapitals und die Perspektiven der fortschrittlichen Demokratie (Teil I-III)**

Both of the essays are reprints from the magazine "economie et politique" (No. 143/144 and 145/146, 1966: No.

202, 1971), the theoretical organ of the Communist Party of France. They contain some of the results of a larger work contracted by the Section for Economics in the Central Committee of the CPF, entitled: *Le Capitalisme monopoliste d'Etat*, Paris (Editions Sociales), 1971, 2 vols., 894 pp.*** Boccara develops the basic elements of a theory of state-monopolistic capitalism, whose approach differs significantly from the efforts of scientists in the GDR and the Soviet Union; and if they cannot be viewed as the most progressive, they may certainly be taken as an original variation of the theory of state-monopolistic capitalism. Although Boccara adopts the standard formulae of all Communist Parties in terms of the general crisis of capitalism, the monopoly theory, the evolutionistic stage theory (early capitalism, competitive capitalism, monopoly capitalism – state-monopolistic capitalism as the final phase) and the strategy of a popular front in a relatively uncritical manner, his first hypothesis is: To date no real theory of state-monopolistic capitalism exists, at best there have been attempts to define it and some descriptive illustrations of the way it functions. The central and basic topic of Boccara's analysis is the "theory of the over-accumulation and devaluation of the material elements of capital", which he conceives of as the dialectical-materialistic extension of the analysis of the tendential fall in the rate of profit. It is not only a link between the analysis of the expression of value and the price of production (Vol. I and III of "Das Kapital"), and the analysis of the realization and production of the rate of profit (Vol. II and III of "Das Kapital"), but "it allows (us) to go beyond 'Das Kapital' in that Marx limited himself intentionally to the analysis of capital in general and the various forms of capital". (Sozialistische Politik, No. 16, p.9).

In state-monopolistic capitalism the long-term trend toward absolute or relative over-accumulation of capital results in a fall in the rate of profit. The problems related to the realization of capital which arise from this situation may be solved in three ways: 1) through lack of realization (profits = 0);

2) through lower realization (rate

of profit beneath the rate of profit of total capital);

3) through negative realization (the destruction of capital).

At present, the monopolies are attempting to achieve the devaluation of either non-monopolistic or state capital with the help of the state itself. Should they succeed, they will be able to retain an increasing amount of the total social surplus for themselves which would mean that their rate of profit would rise despite the general fall in the rate of profit.

Thus the main task of the state is constant intervention aimed at permanently devaluating capital. The major instruments for the implementation of such intervention are state financing policies and the nationalization of branches of industry. In the long-run the interventionary measures of the state can only intensify over-accumulation by further stimulating the tendency of monopolies to invest. Thus Boccara posits the relatively stable nature of economic difficulties in France since 1967 resulting from the structural blocking of massive capital devaluation and from the necessity of structural devaluations of a new kind. The result of these difficulties have been increasing mass struggles which make the peaceful path of basic structural transformations and the transition to a "progressive democracy" (this concept corresponds to the more common term of anti-monopolistic democracy) possible.

Josef Esser

- * On State-Monopoly Capitalism
I. Introduction to the Question of State-Monopolistic Capitalism
II. State-Monopolistic Capitalism, the Accumulation of Capital and the Public Financing of Production.
- ** Survey of the Theory of Over-Accumulation-Devaluation of Capital and the Perspectives of Progressive Democracy (Parts I - III)
- *** This collection of works has recently been translated into German: *Der staatsmonopolistische Kapitalismus*, Frankfurt/Main (Verlag Marxistische Blätter) 1973, 664 pp. and will soon be reviewed in *KAPITALISTATE*.

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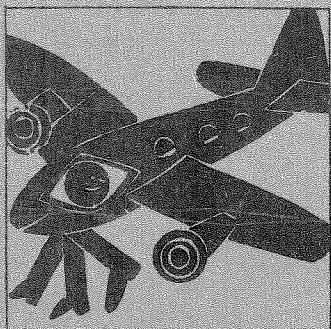
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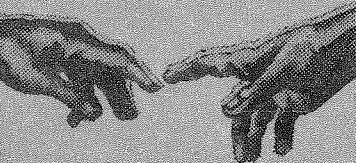


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