

# edition suhrkamp

## Walter Euchner: Egoismus und Gemeinwohl

*Studien zur Geschichte der bürgerlichen Philosophie, es 614. DM 7,—*

Die Aufsätze haben ein zentrales Thema gemeinsam: den Widerspruch zwischen sozioökonomischen Verhältnissen und politischen Strukturen sowie den Ideologien, die diese als gerecht legitimieren. Sie versuchen nicht nur, diese Zusammenhänge an signifikanten bürgerlichen Theorien zu exemplifizieren, sondern auch die methodischen Probleme einer Ideologiekritik bürgerlicher politischer Philosophie zu diskutieren.

## Braunmühl, Funken, Cogoy, Hirsch: Probleme einer materialistischen Staatstheorie

*Herausgegeben von Joachim Hirsch, es 617. DM 8,—*

In diesem Band geht es vor allem um eine kritische Weiterentwicklung der staats-theoretischen Ansätze von Marx und Engels im Kontext der Theorie des kapitalistischen Akkumulationsprozesses und um eine Kritik vorliegender Interpretationsansätze, nicht zuletzt der in der Sowjetunion und in der DDR entwickelten Theorie des »staatsmonopolistischen Kapitalismus«.

## Jürgen Habermas: Legitimationsprobleme im Spätkapitalismus

*es 623. DM 6,—*

Die neue Arbeit von Jürgen Habermas versteht sich als Beitrag zur gegenwärtigen Diskussion über den Spätkapitalismus. Ihre Ausgangspunkte sind die Marx'sche Krisentheorie und die in ihrem Gefolge entstandenen sozialwissenschaftlichen Theoreme. Der Band enthält eine Argumentations-skizze, die verschiedene Interpretationen der ökonomischen Krise, der Rationalitätskrise, der Legitimationskrise und der Motivationskrise darstellt und kritisch abwägt.

## Ulrich K. Preuß: Legalität und Pluralismus

*Beiträge zum Verfassungsrecht der BRD, es 626. DM 6,—*

Der Band enthält zwei Abhandlungen, in denen der Autor den allmählichen Verfallsprozeß rechtsstaatlicher Legalität untersucht. Die erste Abhandlung rekonstruiert den Zusammenhang zwischen Bürokratie und Legalität. Der zweite Beitrag beschäftigt sich mit dem Thema »Wissenschaftspluralismus und Verfassungsschutz«.

## Bassam Tibi: Militär und Sozialismus in der Dritten Welt

*es 631. DM 9,—*

Das Buch enthält Regionalstudien über Marokko, Algerien und Ägypten sowie über ein arabisches Land unter nicht-militärischem Regime: Tunesien. Dabei wird die Entstehung der militärischen Organisation in den arabischen Ländern detailliert dargestellt.

## Aspekte der Marx'schen Theorie 1

*Zur methodischen Bedeutung des 3. Bandes des »Kapital«*

*Herausgegeben von Friedrich Eberle, es 632. DM 10,—*

Beiträge von Eugen v. Böhm-Bawerk, Rudolf Hilferding, Henryk Grossmann, Peter Dobias, Ronald L. Meek, Alfredo Medio, Geoffrey Pilling, Paul Mattick, Friedrich Eberle.

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Demos

2/1973

# WORKING PAPERS ON THE KAPITALISTSTATE

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US Budget and Administrative Reform

The State in Dependent Societies

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This journal is published by its coordinating editors in: San José (Calif., USA); Tokyo (Japan); Coventry (Great Britain); Valby (Denmark); Barcelona (Spain); Paris (France); Milan (Italy); Nijmegen (Netherlands); Berlin-West & FRG - December 1973/January 1974.

Responsible: Jim O'Connor; Tasuku Noguchi; Simon Clarke; Peter Dencik; Lluís Argemí/Rafael Ribo; Kurt Tudyka; Jeanne Pierre Berlan; Axel Zerdick/Stephan Leibfried.

## Editorial

The first issue of KAPITALISTATE was well received in all countries involved. To give you a rough impression of this bulletin's international distribution the following data pertaining to the 3 500 copies of issue 1/73 of KAPITALISTATE are useful to know: USA (1 000); Japan (180); Great Britain (200); Italy (250); Spain (ca. 17); Netherlands (ca. 75); Scandinavia (ca. 190); FRG (ca. 500 subscriptions; about 1 100 distributed by Politladen. In addition to established groups in Germany, Italy, and the USA, groups have been organized in England, Japan, Spain, Sweden (see progress reports on the Bulletin Board) and work is starting in France and the Netherlands. This demonstrates that there is a general interest in studying the modern capitalist state and in establishing cooperative efforts in several countries.

Thus it seems that the diagnosis in the Introduction to the first issue of KAPITALISTATE was not formulated in vain: there is a small but growing number of Marxian theoreticians and researchers who are studying the advanced capitalist and imperialist state and they regard the development of systematic theoretical insights as an important contribution to the political struggle. Among them there seems to be a readiness to work on the analysis of the advanced capitalist state by mutual exchange of work within this bulletin - if we do not misread the signs.

The first issue of KAPITALISTATE still leaves much to be desired. So does Issue 2. Some things are too short or too casual to be very helpful. The subject area of the issue could have been more coherent. Contributions could have been integrated much better than they were. Issues could and should, therefore, be better integrated internationally, better edited, and lose much of their additive flavor - in the middle and long run.

For these reasons the German group proposed experimenting with "focus issues", issue 3/74 of KAPITALISTATE being a trial balloon. The US group rejected focus issues, if they were to be the one and only publishing principle of KAPITALISTATE or if they were to drive out all other relevant, non-focussed work and discussions. Thus, judged by the state of present discussions between KAPITALISTATE groups, it may be assumed that focus issues leaving room for non-focussed contributions (say, up to 40 % of one issue) will appear on an *irregular* basis in the future. Whether in fact focus issues will become a *regular* publishing principle of KAPITALISTATE will therefore depend on the development of international discussions and also on the experience with the first focus issue. Naturally, focussed discussion should not be limited to one issue: on the contrary, if a focus makes sense, it will stimulate all sorts of follow up contributions (cf. Sabine Sardei-Biermann's et al. work on Offe in this issue as a first step in that direction).

It is agreed upon that issue 3/74 should concentrate on the problems of decentral state authorities in capitalism, of local, regional, and state government (vs. the central state). Thus, the analysis of problems like those touched upon in Feshbach/Shipnuck's "Corporate Regionalism in the United States" (see KAPITALISTATE 1/73, pp. 14-23) should be developed further. For further information on what is planned and on offers of cooperation please contact the two contributing editors who have agreed to devote special efforts to the production of this issue:

Walter Siebel  
D-6 Frankfurt a. M.  
Leerbachstr. 90  
F. R. of Germany  
Tel.: 0611-59 66 35 (home)  
06151-25 640 (office)

Dan Feshbach  
Pacific Studies Center  
1963, University Avenue  
East Palo Alto, Calif. 94 303

Or contact any other contributing editor responsible for this problem area in your region (cf. Bulletin Board: The Warwick Group in England; John Mollenkopf in the US etc.).

Also we would like to pinpoint the problem areas future issues might be focussed

on, without, though, prejudging yet which issue will have any focus, and what the particular focus will be. These decisions will depend on the international exchange of materials and on the importance of alternatives.

A future issue could concentrate on state functions as they become apparent in the relationship between the educational system and the labor market. One of the main problems in this field is to reveal the causes of expansion of the schooling system, its impact on the labor market and the mutually conditioned relations of domination inside and outside of the factories. A tentative focus paper on this subject area may be obtained from:

Gero Lenhardt  
D-1 Berlin 12  
Grolmannstr. 23  
F. R. of Germany  
Tel.: 030-312 42 52

Also cooperating as  
contributing editor in  
this focus area is:

Herbert Gintis  
357 Western Ave.  
Cambridge, Mass. 021 38  
USA  
Tel.: 547 51 01

In addition to these foci there is concrete work being done in the preparation of three further foci. We are only listing the tentative definition of the problem area and the addresses of those people who have taken the initiative and whom you should contact for *focus papers* and offers of *cooperation*:

Foci	Contacts	
<i>The State and the Labor Market and Labor Conflicts</i>	Marino Regini Via Negroli 30 I-20133 Milano Italy Tel.: (02) 741 367	Massimo Paci Facolta di Economia e Commercio Università di Urbino I-60100 Ancona Italy
<i>Multinational Corporations and the State</i>	Alberto Martinelli Via Fontana 28 I-20122 Milano Italy Tel.: (02) 782 373	Hugo Radice 4, Roundhill Road Brighton BN 2 3 RF Great Britain
<i>Theory of State Monopoly Capitalism</i>	Joseph Esser D-775 Konstanz Alter Wall 11 F. R. of Germany Tel.: 07531-55810	Margaret Wirth D-28 Bremen Goethestr. 36 F. R. of Germany Tel.: 0421-73799  contact also: Günter Schmieg D-28 Bremen Benquestr. 32 Tel.: 0421-344588

Since focus work should be transparent to all, we hope to publish outlines – reporting which main problems are being or should be worked on and what the state of the art is – well ahead of the focus issues themselves. In this way a careful discussion of the questions involved can take place with full democratic participation in decision-making and in careful and intensive discussion of the specific questions involved over a period of time with interested participants from all countries.

The focus idea will not and should not do away with the “contributing editor” principle. Rather it should make the work of contributing editors more precise and allow for international cooperation from the very beginning – the production of a focus issue – and not merely at the end – in taking note of finished proposals, which have no

chance of being *directly* integrated with similar work going on elsewhere.

A remark on Issue 2: we have changed the formal structure of some sections of the bulletin: the section “Theoretical Notes” has been consolidated with the one on “Working Material” (which contained reprints). The “Bulletin Board” now contains reviews, progress reports, annotations, bibliographic information and other similar material.

Future issues should have an introductory editorial “road map” to their contributions, especially if they contain a special focus; we have already moved in this direction in this issue (cf. the following contribution by Jim O'Connor).

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## MARXISMUS- FORSCHUNG.

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Jürgen Ritsert

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Jim O'Connor\*

Last February, the Nixon Administration began to eliminate certain Federal programs and reduce certain Federal expenditures. Although the proposed budget for fiscal 1974 is \$19 billion greater than the 1973 budget, \$16 billion is destined for so-called uncontrollable outlays (e.g. social security). Hence there is little fiscal space for any new government programs or budgetary initiatives. Quite the contrary, the Nixon government is trying to reduce or eliminate altogether funds that underwrite various kinds of "poverty programs" developed under the Johnson government in the 1960's (1). The government froze housing subsidies to the poor and cut off aid to community mental health centers. The OEO's community action program was drastically reduced. The Neighbourhood Youth Corps is scheduled for extinction and cuts are expected in the Job Corps. "Human investment" and other kinds of outlays supposedly benefiting the poor in the long run have been reduced. Most tragic, the Department of Agriculture held back over \$400 million in food-assistance funds in June, 1972, and the school-milk program was denied to nearly 90 000 schools this fall. All in all, early in the year the government wanted to level off the total rate of spending "for the poor" at about \$30 billion. By mid-year, however, thanks to political bargaining and struggle, but chiefly owing to the loss of Nixon's credibility during Watergate, the Congress had extended some programs that Nixon wanted to end, making actual 1974 budgetary priorities even more problematic than they were early in the year.

Four broad strata of society have been affected by the various freezes of Federal government programs and will be affected even more if and when Nixon closes the Watergate and once again dominates the budgetary process. First, there is the small army of government bureaucrats and poverty workers whose future has become problematic, and many of whom have already lost their jobs. Examples are the public housing bureaucrats of the National Association of Housing and Redevelopment Officers. Second, there are the businesses dependent upon the Federal government for contracts, together with the workers employed by these businesses. Examples are the construction firms dependent on state contracts. Third, there are the local Democratic Party politicians who have used Federal poverty programs and moneys to build up their own local constituencies and power base. Last and too often least, there are the people who are supposed to be the beneficiaries of the poverty programs - unemployed and underemployed workers, members of oppressed minority groups, women, old people in need, the handicapped, children.

It is uncertain whether or not most of the poverty programs will actually be permanently eliminated or reduced substantially. The final outcome will depend on the kind and scope of the struggle that develops against the Nixon budget and the Nixon

\* Jim O'Connor teaches economics at California State University, San Jose, Cal. His work has been in the economics of imperialism, state theory and the theory of the state budget, and other political-economic fields. He is currently working on value theory, in particular, Volumes I-III of *Capital* and is especially interested in the relation between value theory and state theory. Jim is also working with the San Francisco Bay Area KAPITALISTATE collective around various individual and group projects concerning the capitalist state. Cf. US progress report on the Bulletin Board of this issue.

1) Nixon's new government also cut back subsidies to universities, health and scientific research, aid to various small business and farm strata, etc. Full analysis of the budget would require specific analysis of each of these areas. This is beyond the scope of this comment, which is concerned with the so-called poverty budget alone. It is further beyond the present scope to take up the connection between various welfare reform proposals made by the first Nixon government and the budget proposals for fiscal 1974. A summary of the proposed budget and program changes can be found in: William Steif, "Budget Cuts: The Cause and Effects", *Race Relations Reporter*, 4, 5, March, 1973, pp. 8-12.

government. The first sign that the Nixon forces could succeed was Congress' failure to override Nixon's veto of the \$ 2.6 billion Vocational Rehabilitation Bill in April. But this occurred before Watergate began to discredit the Nixon government and also before the groups affected by the proposed budget and freezes had time to mobilize their forces against Nixon. By the end of last summer, the government was forced to approve new spending on public works, planning, community assistance, health, airport development, and veterans' benefits that the government previously had rejected altogether.

I. Like all politicians in bourgeois democracies, the Nixon government has had to try to win public opinion over to its position on the poverty programs and the proposed budget. In particular, the government has had to try to engineer some kind of consensus in support of its programs. In fact, the main purpose of most of the government's public pronouncements on the subject has been to legitimate the dismantling of the poverty programs to as large a constituency as possible. This is to a large degree what has been behind the rhetoric of the "New Federalism" (2). Specifically, the government has tried to legitimate the budget cutbacks using two different lines of analysis, which on close inspection are not reasons for freezing or cutting the poverty budget but rather for freezing or reducing the budget in general. First, Nixon has said that inflation is the number one domestic problem, and that the Federal budget and budget deficits must be reduced to fight inflation (3). Of course, inflation may be a reason for cutting the budget as a whole, but not for confining the cuts mainly to the poverty budget. The government might just as well propose cutting the military budget or other kinds of Federal spending across the board. Second, Nixon also has argued that the poverty programs have not worked, pointing out that while billions have been spent to "combat poverty", there remains as much poverty as ever. But he might just as well have said that tens of billions have been spent by the military to combat revolution and national liberation struggles, but that there has not been a significant reduction in revolutionary activity, either. And therefore that the military establishment should be cut back.

The argument put forward in this brief review of current events is that the government's attempt to legitimate the proposed poverty budget for 1974 is in large part a smokescreen and that the whole truth of the matter lies buried under the government's rhetoric. Specifically, I want to suggest that the budget freeze is anti-inflationary, but not only for the reason that the government has given (i. e. reduction in spending). In addition, I want to argue that the poverty programs *have* worked (although Nixon claims they haven't) and it is precisely because they have done their job that it is safe to freeze or dismantle them.

II. Let us take up the inflation argument first. It is obvious that taxes can be raised to cover all or part of the government deficits. Corporation prices can be frozen without seriously affecting profits, which in the first half of 1973 were at an all-time high. Interest rates can be forced down (e. g. to reduce building costs), rather than being pushed up, as was the case in mid-year. The budget can be reduced across the board, etc. What does the government mean, then, when it announces that poverty programs must be cut to reduce inflation? Why this particular anti-inflationary measure?

One reason is that Nixon considers (or considered) his proposed actions to be the line of least resistance, politically-speaking and given his own constituency. In terms of the conjuncture of political forces that put him in office, it seems more feasible to try to cut the poverty budget, compared with the military budget, for example. Certainly there is some truth in this argument, which has been heard in the liberal press. But his proposed

2) The other aspect of the New Federalism which we cannot take up in this article is the attempt to further centralize state functions and the state bureaucracy while giving the impression of doing just the opposite, i. e. decentralizing state power. Cf. for material: *Journal of the American Institute of Planners*, Vol. 39, No. 4 (July 1973).

3) "Nixon, in vetoing the (Vocational Rehabilitation Bill), had made spending the key issue, saying that the \$ 6 billion authorization for three years . . . would pump up spending by \$ 1 billion over his own proposals and help contribute to inflation" (*Honolulu Advertiser*, April 4, 1973).

actions may also be the line of maximum advantage from the standpoint of some of the constituencies within the Republican Party and also from the standpoint of the workings of American capitalism. To see why this might be true, it is necessary to grasp the essential features of the U. S. economy as a whole. In the U. S., the labor force is distributed more or less evenly between three major sectors of society. Two of these sectors are organized by private capital, the first the large-scale monopoly sector, the second the small-scale competitive sector. The third sector is the so-called public sector, or state sector.

The monopoly sector is heavily capitalized and increases in production are based on technical progress and high productivity, rather than on the growth of employment. Thus, although only one third of the work force is employed in monopoly industries, this sector accounts for roughly two thirds of total production. While this is not the place for detailed analysis of how and why the monopoly sector works, and what its main relationships with the other sectors are, one feature of the accumulation process in the monopoly sector is crucial for any understanding of the poverty budget (4). This feature concerns the availability of laborpower to monopoly capital. While the growth of production in the long run does not depend heavily on the growth of employment in the monopoly industries, when monopoly capital needs more workers temporarily or in the short or middle run, an abundance of laborpower is available at the prevailing wage in these industries. Laborpower is plentiful in the competitive sector of the economy, where the wage rate is roughly half the level in the monopoly industries, and where a large part of the population of oppressed minorities, women, youth, etc. are employed in small-scale factories, trade, and services. While monopoly capital is able to draw on the competitive sector for labor reserves, the expansion of employment (and hence production) in the competitive industries in boom periods when laborpower is short depends on drawing people off the land and out of petty crafts and trades and from the home and shoos. (Although during recessions and in the long-run large numbers of workers that become redundant in the monopoly sector become available to competitive capital.)

In the U. S. since World War II traditional sources of cheap labor drawn from subsistence agriculture, rural towns, etc. have been drying up. Even more, the unemployed and underemployed and underpaid workers in the competitive sector have fought for and won various political rights and claims on the Federal budget. Especially during the 1960's, as a result of the urban rebellions of the blacks and the level of militancy of the surplus population in general, poverty programs have proliferated. The effect has been the reduction in the number of people willing and able to seek and accept full-time, low-paid work in small-scale industry and trade. Thanks to the underwriting of poverty by the Federal government during the last half of the 1960's in particular, there is something of a shortage of laborpower disciplined and available to competitive capital. Poverty and related programs and expenditures have tended to drive up wages in competitive industries and undermine labor discipline (so dear to the heart of the Nixon government). In turn, prices have been pushed up, foreign competitions has begun to replace domestic production (e. g. in the garment industry), large-scale capital is moving its more competitive, labor-intensive activities abroad (e. g. electronics), and tendencies toward the concentration and centralization of capital in the competitive sector have been accelerated (e. g. agriculture and construction).

Bearing these tendencies and trends in mind, the Nixon position can be restated roughly as follows: "We have to cut the poverty budget because it meant that many people didn't have to look for the worst and lowest-paying jobs in society. The jobs that must be filled. Those that did take these jobs, worked badly. Or they tried to form an honest union, which would put the average small businessman out of business. Cutting the poverty budget and especially reducing training programs and community involvement in other programs will mean that the supply of laborpower available to one of our Republican Party's main constituencies (small business) will expand. It will also mean

4) For detailed analysis, see: James O'Connor, *The Fiscal Crisis of the State*, New York, 1973, Chapters 1 and 2.

that we can keep wages and prices from rising so much and thus make a contribution to reducing the general rate of inflation. — I want to make myself absolutely clear. We have to undercut the whole complex of social forces — poverty workers, welfare clients, workers organized into government employee unions, and all the rest who have tried to keep their living standard and power.” And although the Nixon position may backfire politically, as its effect may be to undercut wages in the economy as a whole (including the monopoly sector where key labor unions supported Nixon), from an economic standpoint freezes and cuts in poverty spending tend to be anti-inflationary not only because total spending is reduced, but also owing to the effects of these cuts on wages, costs, and prices.

III. What about the second way that Nixon has attempted to legitimate the reduction and elimination of poverty programs? Namely, that these programs have failed to reduce poverty. Like every other process in capitalist society, the poverty programs have had a two-fold and contradictory meaning. On the one hand, these programs and the growth of the welfare state in the 1960's raised money wages and income of the poorest one third of the work force and undoubtedly contributed to a certain degree of income equalization within the working class as a whole. If the War on Poverty failed to abolish poverty (and necessarily so), it certainly kept the level of poverty and depth of poverty from rising and worsening. On the other hand, the poverty programs meant that poor people established certain political rights and claims that they did not have previously, especially in cities where community action programs developed. In fact, from the government's standpoint, the basic purpose of community involvement in poverty programs was to channel energy and outrage at the system in “constructive” (i. e. non-radical) ways. Simply put, the poverty programs were instruments of political control, having been designed in large part to cool off the surplus population and reduce its general level of militancy (5).

The social control function of the War on Poverty was especially important from 1965–1972, because of the U. S. war of aggression in Southeast Asia. If the government did not require the open political support of the poor (especially the blacks) for the war, it badly needed their neutrality. Put crudely, attempting to prevent the surplus population from opposing the war, the government of LBJ with some measure of success tried to legitimate a racist war of genocide against Asians by giving in to, and coopting large sections of the movement for social change at home. In terms of mass action and militancy and power, the civil rights and black struggles and the anti-war movement never really came together. These movements were by and large separate (with the exception of some local integration and certain public statements on the part of their respective leaderships). And when they did come together, it was much too little and way too late (i. e. in the McGovern campaign).

Next, let us recall how the economy as a whole has been functioning with the aim of putting the above analysis into a wider context. Since World War II, the monopoly sector of the U. S. economy has been expanding quite rapidly. Production has grown primarily as a result of increases in labor productivity (technical progress, increases in fixed capital per worker, and speed-up), not rises in employment. In some industries (e. g. mining) employment has fallen in absolute terms even though production has expanded, and in the monopoly sector as a whole employment has increases much slower than productivity and production. This has meant that many workers have lost their jobs in monopoly industries, or have been retired early and involuntarily. Probably of more importance, it has meant that other workers displaced from agriculture and other sectors with relatively declining labor demand, together with young people and women entering the laborpower market for the first time, have been pushed into other or first-time low-paid competitive jobs.

5) The political and social control functions of welfare spending are well-documented and analyzed in Frances Fox Piven and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare*, New York, 1971.

The result of the increase in the supply of laborpower relative to the demand for laborpower in the monopoly sector has been to flood the competitive sector with laborpower (as well as to increase unemployment) (6). As noted above, even though competitive capital had more and more difficulty recruiting workers from agriculture, petty trades, etc., there was more laborpower available than there would have been if the monopoly sector had grown less rapidly. Whatever the precise relationship between the demand and supply of laborpower in the two sectors (and the state sector as well) (and detailed empirical investigation is required to determine this), the poverty budget in the 1960's was clearly important in the determination of the standard of life of the surplus population. It's important to stress that education, health, social security, and welfare spending as a whole grew from 21.7 per cent of total Federal spending in 1960 to 25.1 per cent in 1965, and then jumped to 32.6 per cent in 1970 and 39.5 per cent in 1972. Clearly, if the political struggles of the surplus population had not materialized in new budgetary priorities, wages and incomes in the competitive industries and among the unemployed would have fallen well below the exchange value of laborpower. In brief, not thanks to the functioning of capitalist markets, but owing to political struggle and new and expanded government programs, the relative condition of the surplus population in 1973 is considerably better than in 1965.

Turning to the situation of workers in monopoly industries where unions have succeeded in getting higher money wages and fringes, what has happened is that inflation and taxes have taken a larger bite of real wages and real incomes. In the context of high inflation and taxation, normal collective bargaining strategies and tactics are ineffective in raising real wages and income. Political struggle becomes increasingly necessary to maintain and improve real income. But in the political sphere, in particular, when the issue concerns budgetary priorities, government contracts, and, in general, who will get the new jobs created by increased government spending, union leaders perceive that the interests of organized labor clash with those of the surplus population. In a general sense, they are right, since government economic policy, so long as it is capitalist government policy, cannot work to the advantage of one stratum of the working class without working against another stratum. Only a working class government can use state power in the interests of the working class as a whole. And between 1965–1972, in particular, between 1965–1969, the government favored the surplus population, precisely because the level of militancy of the surplus population was great, while that of organized labor was relatively low, together with the fact that the government needed to legitimate the war.

During the first Nixon government, however, the balance gradually shifted away from the concerns and needs of the surplus population and toward the grievances of organized labor. The philosophy of “benign neglect”, the support of local racism (anti-busing), Nixon's increasing concern with inflation, productivity, and the balance of payments, and other shifts in government priorities and interests were unmistakable signs that the “movement of the poor” was in for a period of forced retrenchment and concern with organization and issues at the local community level. These were also signs that organized labor was once again going to come into its own (at least in comparison with 1965–1969) on the national political scene. Then with the temporary take over of the Democratic Party by the surplus population and government personnel servicing the surplus population (together with anti-war elements, etc.) in 1972, much of the leadership and an unknown but large number of union rank-and-file abandoned ship for Nixon.

IV. It will be recalled that the second “reason” why the poverty programs had to be frozen or junked was that they have failed. Certainly there is no argument at this level; but the point is that these programs were never intended to solve the problem of poverty.

6) Monopoly sector wages are not determined mainly by market forces, but by the bargain between organized labor and big companies. Wages in monopoly industries are thus relatively insensitive to general laborpower market conditions (i. e. the function of the reserve army in earlier capitalism was to regulate the wage rate, but in the monopoly stage of capitalism this function weakens or disappears entirely) — see, *The Fiscal Crisis of the State*, op. cit., Chapter 1.

Only a working class government could even begin to solve the problem of poverty. The purpose of these programs was to prevent poverty from becoming worse and to prevent black and minority movements from collaborating with and strengthening the anti-war movement. Their chief purpose was to politically control the reserve army. In the absence of the urban uprisings of the 1960's and the escalation of U. S. aggression in Asia there would have been no war on poverty as we knew it.

Nixon is thus quite disingenuous when he argues that poverty programs and spending must be cut back because they were a failure. They largely succeeded at their purpose and now are no longer needed. This is why Nixon tried to end U. S. involvement in the war and freeze or reduce poverty spending at the same time. It was always a sad liberal myth that ending the war would free funds for welfare spending, since war and welfare spending have grown hand in hand, and when the former levelled off the latter could be safely cut, as well. With no U. S. ground war, at least for the time being, there is no fear of an anti-war movement, and, even more important, no even greater fear of an alliance of oppressed minorities and anti-war students, unionists, and other activists which would have the potential of becoming a mass anti-imperialist, anti-racist movement. Nixon must believe that if the level of militancy of the black movement increased significantly today, he could deal with the situation by isolating the movement. This may be one of the most important lessons of the 1972 elections.

The question then arises, what happened to organized labor's support for the "movement of the poor"? The answer, I believe, lies in the ways that Johnson and Nixon have financed the expansion of Federal spending. Real wages of workers after 1965 stagnated or rose slowly owing to inflationary-financed expanded Federal spending and higher taxes at the local and State levels. Support for Nixon by many union chieftains and the rebellion against McGovern were based not only on white racism and a habitual passion for cold war and imperialist policies, but also on perceived reactions against higher taxes, inflation, and stagnant real wages. The system of U. S. monopoly capitalism as a whole drives a wedge between the two sectors of the working class employed by private capital, and Nixon did his best to exploit this division and deepen it. It is important to note that the Nixon government is not trying to cut back programs that directly benefit organized labor — programs that are needed to maintain a degree of harmony in the production relations in the monopoly sector, as well as socialize variable capital costs in this sector. Social security spending will continue to grow. Transportation programs and outlays needed to move workers from the suburbs to the city are increasing. Loans underwriting suburban housing will not be cut back, and probably will expand. In other words, Nixon is not attempting to interfere with or slow down the accumulation process. His proposed budget is not an attack on the working class, but only on the surplus population. With one hand, he is trying to enlarge social capital outlays expenditures indirectly productive of surplus value. With the other hand, he is trying to reduce social expenses, expenditures which have essentially a political function of social control.

V. Looking into the future, it is clear that the developing struggle around Nixon's proposed budget probably will not be conducted along class lines. As mentioned at the outset, a great many people have their fingers in the "poverty pie". Struggle by and large is being developed along interest group lines. One of the most important battles, in terms of the number of different interests that are involved, is around the issue of public housing. For example, a new California lobby called Californians Against the Housing Moratorium brings together representatives from the National Welfare Rights Organization, builders, construction unions (the lobby is led by a member of the State Council of Carpenters), government officials in the public housing business (the National Association of Housing and Redevelopment Officers), and even mortgage bankers (!).

It will thus be perhaps more difficult than the Nixon government believes to unhinge the surplus population from the budget. The Nixon strategy that seemed to be developing before the Watergate drama was to continue his predecessors' attempts to reorganize the entire budgetary process (including the Federal executive agencies), with

the aim of reducing the *general* influence and power of interest groups in Federal policy-making and budgeting (7). This seems to be the significance of the current attempts to consolidate the Federal Departments and "modernize" Congressional procedures. Thus, to put the surplus population back on its own resources, the government must try to reduce the power of (or get rid of altogether) that part of the Federal bureaucracy that has developed important clienteles. Also, Nixon must try to push local government in line with his government's national plans, since local government by and large has been insulated against Federal policy changes. This has led to the Nixon government's attempt at various revenue-sharing schemes, not to speak of attempts to develop regional authorities of one kind or another, regional budgetary priorities, and, ultimately, regional government organized from the top-down (8).

However, thanks to Nixon's isolation in the post-Watergate period, even the attempt to consolidate the Federal Departments, streamline Congressional budgetary and other legislative procedures, and deepen regional planning and government will have to be delayed or modified. Nixon will be compelled to make a series of compromises with the Congress and with the "special interests" inside and outside of the Federal executive. For example, he has already cut down the staff of his super-government, the Domestic Council, from 75 to 30 (although an attempt by some Congressmen to reduce the Council's staff even further to 10 people failed). Less attention will be paid to budgetary planning and policy will focus more on the problem of energy supplies and distribution, food production and prices, and other specific crisis areas that are less the result of internal contradictions than they are the product of the development of world economy as a whole. Nixon is enmeshed in a tapestry of economic, social, and political contradictions, only one of which is Watergate. But owing to Watergate alone, Nixon must cease running the government as a kind of informal dictatorship and repair or restore his working relationships with the Republican Party. Since a large part of the constituency of the Republican Party consists of petty bourgeois elements that have a finger or a whole hand in the budget pie, another major attempt to develop a "monopoly capital class budget" will no doubt have to await a new Democratic administration in 1976. Meanwhile, Nixon will have to swim in the maelstrom of pluralistic currents and cross-currents like Kennedy and Johnson before him.

Even with a Democratic President, however, the development of a monopoly capital class policy and budget will remain highly problematic (9). The history of previous Democratic administrations suggests that the Democratic Party is no serious foe to pluralism. If Teddy Kennedy stays alive and wins the Democratic nomination in 1976, he will be beholden to organized labor, the construction industry, organized sections of the surplus population, a host of specific business and industry interests, the farmers (who might tip the scales in certain farm states), etc., etc. In short, so long as the representative branch is permitted by the ruling class to function in the traditional ways, regional, industry, labor, small business, professional, farm, and other specific interests will have influence and power not only in the Senate and House, but also in the clientele agencies of the Executive branch. It seems more likely than ever that a true monopoly class domestic policy and budget will hinge on the consolidation of monopoly capital's political rule, which is an academic way of saying, the introduction of American fascism.

7) See, Stephan Leibfried, "Reform of the U. S. Central Government's Administrative Structure During the Ash Period (1968-1971)", KAPITALISTATE 2/1973.

8) See, Dan Feshbach and Les Shipnuck, "Corporate Regionalism in the United States", KAPITALISTATE 1/1973, pp. 14-23. Cf. also the regionalization tendencies during the Ash period as taken up by Leibfried, op. cit.

9) For a general analysis of the problem of defining and formulating a ruling class policy, see Claus Offe, "The Abolition of Market Control and the Problem of Legitimacy", KAPITALISTATE 1/1973, pp. 109-116; and, Sabine Sardei-Biermann, et. al., "Class Domination and the Political System: A Critical Interpretation of Recent Contributions of Claus Offe", KAPITALISTATE 2/1973

The Nixon government's budgetary intentions are spelled out in: *The United States Budget in Brief, Fiscal Year 1974*, Executive Office of the President, Office of Management and Budget, U. S. Government Printing Office, Washington, D. C., 1973, pp. 71. Alternative "budgetary strategies" developed from a ruling class point of view can be found in: Edward R. Fried, et. al., *Setting National Priorities: The 1974 Budget*, The Brookings Institution, Washington, D. C., 1973, pp. 446. A summary of proposed budget and program changes is made in: William Steif, "Budget Cuts: The Cause and Effects", *Race Relations Reporter*, 4, 5, March, 1973, pp. 8-12.

## Recent Japanese Speculation

Tasuku Noguchi\*

### I. The Main Causes of the Current Speculation

Since 1971 there has been a great deal of speculation in real estate, stocks, and various commodities, including consumer goods, in Japan. Many economists have argued that the main causes for this are to be found in the excess liquidity of the Japanese economy. In fact, however, the fundamental cause is the excess capital arising from Japan's favorable balance of payments and the resulting increasing volume of foreign currency since 1970. In particular, the continuation of the monetary crisis has stimulated the export of Japanese goods not only to America but also to Europe. In spite of import regulations by America and the demand for "orderly marketing" by the EEC, an increasing volume of foreign currency has accumulated inside Japan and takes on the form of excess capital.

The internal basis for Japan's volume of exports is the government's policy of high economic growth. Proclaimed in 1959 with the promise of doubling incomes, this policy of high economic growth has increasingly come under fire by both its obvious victims and supposed beneficiaries. Environmental pollution, overcrowding in inadequate housing, poisoned fish and people have given rise to a number of movements and a sense of dissatisfaction. This has forced Prime Minister Tanaka to publicly proclaim a "new phase", the policy of the "welfare state", intending to use Japan's increasing reserves to raise living standards and the quality of life. This "new phase", however, is at most a public relations gimmick, borrowing the phraseology but not the substance of policies current in other advanced capitalist countries. With the exception of a belated increase in Japan's amazingly inadequate old age pensions, Tanaka has continued the policy of high economic growth.

Since there has been little change in government policy, Japan's excess capital has taken two main directions. On one hand, it is slowly but increasingly being invested overseas, in the form of capital export or direct investment.

The other direction is domestic investment. The effects of this domestic investment can be summed up in one word - speculation. After the mild recession of 1965, investment in plant and equipment continued at a brisk pace in Japan until about 1970. At that point two forces came into operation which have resulted in a decline of the total profit rate on domestic investment. On the one hand, investment in fixed capital reached a point of relative saturation. On the other hand, the efforts to restrict Japan's exports resulted in a decline of the increase in sales volume. Thus the profit rate on "productive" domestic investment went down, and Japan's excess capital has sought instead high returns in a bullish stock market and in highly speculative purchases of certain key consumer goods (ranging from wool and lumber to fish and soybeans).

\* Tasuku Noguchi is the Japanese coordinating editor of KAPITALISTATE. You will find more information on the Japanese group on the bulletin board.

Furthermore, Tanaka's own plan for the "remodeling of the Japanese Archipelago" and its decentralization of industry into rural districts, while little more than a plan, has set off a fantastic splurge of speculative purchases of large amounts of land by big companies. They hope, thereby, to cash in on the general crisis fever towards the availability of land created by both Tanaka's relocation plan and their own purchase policies. Essentially, state policy under Tanaka is qualitatively no different from the old policy of high growth with its emphasis on GNP. It is mainly a continuation adapted to the exigencies of the monetary crisis and excess capital reserves. For Tanaka, however, it has the immediate disadvantage of linking spiraling land prices directly to his redevelopment schemes.

### II. The General Character of International and Domestic Speculation

Today there are many forms of speculation, the most typical of which is international gold speculation. This gold speculation has been caused by the dollar crisis, reflected in the general monetary crisis among the capitalist countries. To begin with, overvalued dollars are being transferred to the undervalued mark and yen, but since the beginning of this year both West Germany and Japan have experienced sharp inflation caused by a superboom and excess liquidity. In addition to this, increased foreign exchange controls have mitigated the flood of dollars. Thus many international speculators have changed from speculation in the mark or yen to speculation in gold as a commodity. Many Japanese investors participated in this international gold speculation, hoping to improve their profits. Furthermore, excess capital took the domestic direction of speculation in real estate, stocks and consumer goods as a special variety of commodities. The first two areas of speculation have been realized in all principal capitalist countries, while the third one seems to be peculiar to Japan.

### III. Real Estate Speculation

Japan's monopolies have acquired 363 570 hectares or 0.96 % of the total land of Japan. (One must realize that this has taken place in a country which due to its geographical features has traditionally been able to live on only some 16 % of its total area.) In this group, the ten largest buyers account for 17.6 % of the total land purchased, while the remainder of the land transactions is spread among tens of thousands of small operators. These top ten consist of three main groups: private railways (Seibu, Tokyu, Meitetsu, and Kintetsu), general trading firms (in the form of their affiliated real estate companies: Mitsubishi real estate, Mitsui real estate, Itochu real estate, and Marubeni real estate), and the main construction companies (Daiwa and Fujita). These groups have purchased land in every corner of Japan, from the northern district of Hokkaido to Okinawa in the south. Seibu heads the list by having acquired 11 949 hectares of land.

In this process these companies were aided not only by the central government and its much-publicized proposal for the "remodeling of the Japanese archipelago", but also by local and city governments. These companies have contributed with their massive purchases to a general crisis feeling of land scarcity and are now able to cash in on a large increase in land prices which has resulted from an increase in demand and a lack of government regulation. Government announcements of vague plans for industrial relocation and regional development, without any attempt to curb the attendant speculative scramble for land, have greatly added to the land buying splurge. In this way the general scarcity of land for the average citizen has spread from the present urban sprawls to the undeveloped regions of Japan. The result: Japan's land prices shot up 30.9 %; the major beneficiaries have been those major monopolies who had been the first buying land with the support of government officials.

In addition to those private railways, real estate and construction companies men-



tioned before, many industrial monopolies entered the real estate field in 1971 and 1972. The main reason for this has been the rapid decline in the profit rate of some industrial sectors and the resulting attraction of real estate. Land prices have accelerated as a result of this additional boost of inflated purchases in the expectation of even more inflated sales. All this has generated a great deal of public concern, and on the basis of official and private data it is now even believed that the total acreage purchased and the rise in land prices may well be much larger than the figures quoted above.

The profit rate for total sales of land-related businesses reached a peak of 46.5 % in the beginning of 1970. Thereafter, there has been a slow decline. For Mitsubishi Development Corporation it fell to 36.5 % at the end of 1972. The reason for this decline of Mitsubishi's profit rate is found in the increasing burden of its interest payments, and this tendency is found among all the developers and construction firms.

At the same time, the land-buying monopolies have also experienced a limitation in their land sales, since astronomical land prices have made it increasingly difficult for all but the affluent to purchase land. Thus, there is another tendency reducing profits, some small and medium-sized firms in real estate and development are going bankrupt, and business concentration in this field is proceeding rapidly.

#### IV. Stock Speculation

Research by MITI (Japan's Ministry of International Trade and Industry) indicates that the stock holdings of the 17 general trading firms increased by a total of 489.6 billion yen in the first half of 1972 alone. That amounts to an increase of about 14 times the level of two years earlier. Profits from stock sales increased 10 times for the same period. The growth rate of stock held by companies for the first half of 1971 was reported to be 66 % for all industry; for the general trading corporations it was 601 %. The big corporations thus turned to massive stock purchases to improve their profit potential as well as to hedge against the uncertainties of monetary instability.

Rising stock prices as a result of stock speculation did have another favorable effect for the six biggest trading corporations. With the exception of Mitsubishi Trading Corporation, these firms issued a current price issue of their stocks in order to acquire the premium (capital gains). For June 1973 the publicly issued stock for Marubeni amounted to 9 billion yen; for Sumitomo Shoji, 5 billion; for Nisshoiwai, 6.2 billion; for Itochu, 9.8 billion; for Mitsui Bussan, 23.5 billion. Mitsubishi Trading Corporation issued a transferred bond issue for its stocks instead of a current price issue, and the resulting premium amounted to about 63.5 billion yen.

#### V. Commodity Speculation

Speculation in commodities and consumer goods has recently expanded to such items as lumber, silk, wool, soybeans, fish, etc. Nisshoiwai General Trading Corporation, for example, in 1971 acquired a sales profit of 73 billion yen, which was about 25 times larger than previous year's profit. Naturally, the company's gross had increased correspondingly, reflecting its increased share in the sale of the major commodities of speculation. But the other general trading corporations also experienced similarly high rates of profit on such commodities. As for the net profit from the sale of wool, wood, cotton, cotton yarn, silk, soybeans, and timber, Mitsubishi Shoji acquired a net profit of 20.5 billion yen in 1971 and 30.9 billion in 1972. The corresponding figures for Mitsui Bussan were 1971: 7.3 billion and 1972: 26.3 billion; for Marubeni, 1971: 10.8 billion and 1972: 56.4 billion; for Itochu, 1971: 51.6 billion and 1972: 71.5 billion; and for Nisshoiwai, 1971: 19.5 billion and 1972: 82.3 billion yen. Itochu Trading Corporation acquired the top-ranking total sales of 426 billion yen.

#### VI. Conclusion

When Prime Minister Tanaka took office in July 1972, he was praised as a man of action — in contrast to Eisaku Sato, his do-little predecessor. After more than a year of rising prices and economic disruption, he is now criticized for acting without thinking. In particular, the much bally-hooed plan to "remodel Japan" has turned out to threaten the livelihood of farmers and fishermen in areas to be "developed" (and polluted) while fueling the nation-wide land-buying spree. Although the price of land has risen most dramatically, consumer goods have also steadily become more expensive as market cornering has created shortages and allowed price rigging. Meanwhile, the inflationary effect on land prices of announced plans for development of industrial centers and super-express railroad lines continues. As the prospects of buying property recede and inflation intensifies, many Japanese are spending their savings now on consumer goods (e. g. cars) — pushing the inflation still further. Demands for government action to control speculation have increased, but in this area Tanaka has shown himself to be a man of no-action at all. . . Control measures have yet to go beyond manipulation of interest rates, while Tanaka's government is pushing increases in National Railroad fares and national insurance premiums.

For the average Japanese living in a major metropolitan area, the long range security of property ownership is becoming an almost impossible dream, while rising prices make his present daily life more and more difficult. In response to this situation, the labor movement is developing a militancy unknown since the postwar years, while citizens' movements and fishermen attack the pollution spawned by profit-hungry industries unchecked by government. Pollution and high prices have come to be integrally linked in the public mind, and by failing to deal effectively with them, the Tanaka government is increasingly blamed for them.

Capital has responded by propounding a new ideology, that of "the social responsibilities of the enterprise", in the hope that slogans can replace the logic of capitalism, at least as far as popular understanding is concerned. At the same time, measures are being taken to reduce the impact of inflation and pollution on the Japanese population: as we have mentioned before, there are other ways to handle excess capital than to use it for speculation or for domestic investment. The long-range plans of government as well as those of big business show a tendency towards direct overseas investment, which has been hailed as a way to find a profitable outlet for excess capital as well as to reduce pollution in Japan. In Southeast Asia, a main target of Japanese investment, however, anti-Japanese feelings are growing and specific resistance to pollution by Japanese industries there is developing. Although the Thai students have been at the forefront of this movement, it is taking form in other Southeast Asian countries as well. Even in South Korea, where the dictatorship makes resistance almost impossible, expressions of hostility to Japanese economic domination are growing.

Up till now, the Tanaka government has not found a way to pacify domestic dissatisfaction, and its policies abroad threaten to isolate it internationally. Tanaka's latest attempts to divert public attention from domestic problems by summit negotiations with European and Soviet leaders have also ended in failure. Instead of bringing home recognition of Japan's high standing in the European community and the four islands held by the Soviet Union, he came back with the Mona Lisa only.

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## US Central Government Reform of the Administrative Structure During the Ash Period (1968–1971)

Project  
Reports

Stephan Leibfried\*

"The spirit has usually been willing.  
It is the structure that has been weak."  
Richard M. Nixon

This particular subject is significant because it typifies one general trend in administrative reform within the developed capitalist sphere; i. e. of reform that attempts to provide for *potential* administrative measures not previously *specified*. I consider this trend in US administrative reforms to be typical of the "solutions" to planning problems of the state in US capitalism. The necessity for coherent long range state action and the impossibility of its straight-forward implementation gives rise to a new type of administrative structure and rationality.

The following theses are my interpretation of the Ash Council proposals pertaining to the reform of the bureaucratic mechanism of the US-central government. The Ash proposals are a "supplement" to and a further development of the now defunct PPBS (Planning-Programming-Budgeting System). I suggest reading the Appendix (VI) first, as it contains descriptive material on the Ash reform proposals; points I–V develop theoretical propositions on the nature of these administrative reforms.

### I. Tradition and Basis of US Administrative Reform

1. The Ash Council proposals for the Reorganization of the central administration are part of the tradition of "corporate liberal" administrative reform. This type of reform is biased for centralism. This reform movement is also characterized by opposition to 'political processes' – i. e. "process politics" of a pluralist nature. It aims at a formally de-politicized type of administration ("manager-government") and is thus an early and practical example of the technocratic involution of social thought on the public domain.

In its initial form this type of corporate liberal reform evolved in the "municipal reform movement". This administrative reform movement arose with the development of industrial capitalism around the turn of the century. The reforms of the city government realized are characterized by the attempt to change the class basis of local administrations by suppressing the "lower pluralistic" forms of capitalism. These "corrupt" political power structures were intimately tied to the competitive sector, to its working class and capitalist elements. These power structures were attacked to achieve a specific "systemic" autonomy of local, and later of centralized administrative structures. In this way previous linkages were destroyed or exposed to systematic (structural) administrative disadvantages such that ties to the more generalized needs and interests of an ever more developing monopolistic sector could be developed.

\* Stephan Leibfried teaches at the Law Faculty of Berlin's Free University. His area of work is public law and administrative theory of present-day capitalism. He may be reached at the following address:

D-1 Berlin 15, Bregenzer Str. 10, Federal Republic of Germany.

This essay is part of a larger project, centered on the analysis of state financial structures conceived of as a central part of the capitalist system. The exploration of US institutional reforms focusses on tendencies toward restructuring the *administrative* superstructure of the state finance system.

Stephan Leibfried is cooperating in this project with Klaus Groth and Gudrun Narr, both in Berlin West. The project was started in April 1973 and is financed by Stiftung Volkswagenwerk, Hanover. The theses presented here are based on a longer, unpublished manuscript: "Zur Verwaltungsreform der Ash Periode," Berlin, Juni 1973, 68 pp. (to be published in Leviathan).

2. Today as well as in earlier stages of reform (although Hofstädter claims otherwise), administrative reforms may not, however, be attributed to an independent, class-neutral reform interest on the part of a middle level of social classes. The "professionals", supposedly driven to restructure the administration of the "spoils" in their own image of neutrality and expertise, are at best the "energy" within a social framework transforming purpose into function. The basis of these earliest reforms is, moreover, both the starting of the development of industrial capitalism in its monopolistic form after the Civil War and the consequent development of "Corporate Liberalism" (cf. Eakins, Weinstein, Hays). In view of these developments functional imperatives acting on and constituting the political system changed. Thereby also the 'new science', public administration, was established and structured according to such tasks (cf. Waldo). Only such an understanding reveals how today's "professionalization of reform", which did originate then, not with Moynihan, is related to the earlier reforms.

The extension and intensification of monopolistic, industrial capitalism (and of its planning needs, which changed in accordance with increasing socialization of the conditions of (monopolistic) production) is to a great extent responsible for the *change in form* of the reform efforts (from operational-administrative, economizing rationalization to social planning and control). I see the continuous development of the self-image of the reform of public bureaucracy from formal to material rationality as primarily linked to this in- and extensive 'growth' of state functions: the development of bureaucratic rationality types (cf. table, p. 29) is thus an inherent part of the development of capitalism.

In a phenomenological sense changes in the bureaucratic self-image of rationality may be attributed to "growth", "complexity" etc. problems of the administration itself. It must appear so to the reformers. But if public administration is grasped as one moment of societal reproduction these factors are seen to be *intermediate* only to the functional level of state activity.

Also, arguments which show the "technically" overproportionate rise of 'complexity' if "planning" is substituted for "incrementalism" (be it in socialism, capitalism or wherever) are not very helpful in explaining tendencies of administrative reforms; these arguments ignore the fact that "technical" events have a social constitution (and not the other way around).

Naturally, a plain base-superstructure argument is not a sufficient explanation for state action. The functions whose fulfillment are incorporated into the public sphere do not exist as self sufficient entities. To strike a balance in a publicly reproduced, conflicting class arena and a disparate whole of reproduction requirements, administrative "overhead" capacities are also a functional prerequisite of state structure.

## II. Tendencies of Administrative Reform in the Ash Period

1. In this light, the Ash Council proposals for reform of the administrative structure appear to me to belong to a "third generation" of US administrative reform (which also includes the PPBS phase). This third stage is distinguished from others (cf. table p.29) by its control and programming rationale ("outcomes"-orientation). It is thus symptomatic of the altered conditions of (monopolistic) production, characterized by an increased level of socialization of production. The plain instrumental and traditional formal bureaucratic rationality ("chain of command") has been slowly transformed into a material bureaucratic rationality (bureaucracy as a producer and controller of societal processes). This statement is true for social science thinking on public administration as well as for the ideology of reform.

2. At the same time the Ash proposals illustrate the *planning dilemma* of the public bureaucratic mechanism of the developed capitalist social formation in the US: having to plan (i. e. having to make conscious and systematic allowances for the consolidation and 'socialization' of the conditions of the processes of production, circulation, and distribution) without being able to plan (i. e. without really being able to find the corresponding "requisite variety" of public modes of action and organization).

The result of this dilemma seems to be the attempt to bring about an *abstract* increase in administrative *flexibility* as opposed to more inflexible *program planning* with a specified content. In this way *material* bureaucratic rationality is not being rejected. Rather its promises are "contained" by formalization: program is still necessary; but strictly internal, non-political, and non-binding. Outcomes should be continuously known — but they should not prescribe administrative (re)action. Thus, also this latest reform effort no longer approaches the administration in the classical sense of a hierarchical, specialized operation. Rather it is conceived of as a flexible, generalized resource for action that has no specified content, i. e. as a collection of "adaptable, rapidly changing temporary systems" (Bennis).

This reformation of material bureaucratic rationality (of which PPBS had been more typical) I would like to label as the attempt to achieve a "statist reserve". The central state builds up a non-specified layer of action potentials reserved for use primarily in the internal arena of class struggle and reproduction crises (the "external" arena has for a long time been structured by similar mechanisms). Thus, rationality reserves for handling 'emergencies' (which are seen as exceptional cases from the viewpoint of intact bourgeois democratic theory) are construed here as *normal structural elements* of the public bureaucratic organization. The various ways of achieving the "statist reserve" of the developed monopolistic sector have been well and ideologically summarized by Seidman: "To produce results and restore citizen confidence in their public institutions our governmental system should be made flexible so that it may respond to the diverse needs of different localities and different groups within our population. This can be accomplished only by reducing the number of programs and broadening the program categories to allow maximum local choice; broadening the constituencies so as to prevent domination by any single group; increasing administrative discretion in the use of financial resources so that they may be pooled to attack multi-jurisdictional problems; centralizing authority as a necessary precedent to delegation and decentralized decision making. The forces of particularism are pushing us in directly opposite directions."

The attempts by Lowi to reconstruct today the legal state on the ruins of liberalism have their more realistic counterpart here. The "etatistische Reservestaat" ("statist reserve state") of which these reforms are examples is in fact preconditioned by the dismantling of the constitutional-legal state (still in constitutional forms).

3. The Ash Council proposals are not only substantively an expression of a more extensively and intensively consolidated "corporate liberal" perspective, which could only surface because of the inclusion of parts of the working class in the monopolistic sector after the Second World War (cf. O'Connor). Moreover, the form as well as the "place" of the institutionalization of this reform council or of the reform initiative is typical of the solidification of this "top down" administrative reform perspective.

The legislative branch at least shared the initiative for structural reform of the administration in the earlier stages of administrative reform (cf. table p.29, col. i, 2). The public and mixed commissions (mentioned in the table on page 29, col. 1) are "cross-breedings" of congressional initiatives with presidential advisory bodies. Their constitution and members have been codetermined by Congress and the Presidency. In this way also the needs and interests of the capitalists of the non-monopolistic sector (and, to a much lesser extent, of that working class segment) were a constituent element of the earlier reforms of the central government's bureaucracy. In their societal scope these interests were restricted to having a local or regional meaning, and could not express themselves in a national or a world market perspective other than through political

representation at the central state level (Congress). Likewise, the position of the particular interests within the monopoly sector was assured.

In contrast to this situation, the "third generation" of reform is characterized by a legislative branch which is simply placed under the "ceteris paribus" clause and circumvented. The reform is initiated within the presidential bureaucracy itself, e. g. in the form of councils, "task forces" or even less formal. Not only that: it is institutionalized there in its legal form and thus stays clear of legislative "interference" (cf. Mansfield).

4. The proposals of the Ash Council are characterized by the following specific tendencies with regard to their content:

a) In the first place the Ash reforms aimed at the interests of the non-monopolistic sector; the "lower pluralistic" forms were to be further suppressed.

This tendency is manifested in the following:

- aa) the reorganization of all post-classical departments (i. e. not the War, State, Treasury or Justice Departments, but the HEW (= Health, Education, and Welfare), Interior, Labor, and Agriculture Departments) in terms of "systems politics" viewpoints, that is, as more flexible, centralized public control and "production" systems of social policy aimed at their functioning in one consistent "frame of mind". Those departments with a *specific clientele* as their base were to be subjected to the reform. Since these dependencies were mainly relevant to reserving a good share of central state finance for the social expenses and costs of production in the non-monopolist sector, the ties cut are obvious.
- ab) the strict regionalization of the four new federal departments to be established (n. b.: the administration of the central state in the US, in contrast to Germany, has always had its own administrative infrastructure, therefore, not depending on action of the states). It undermines the linking together of the competitive sector, on the one hand with the local and state administration, and, on the other hand, with the central representative mechanism and the central "program allotment bureaucracies".
- ac) the systematic restructuring of the whole central bureaucracy in ways structurally incompatible with the representative mechanism, including the wholesale delegation of organizational and budgetary power to the executive branch.
- b) Also, the attempt was made to eliminate the sphere of influence, or at least *formally restrict* the public forms of expression, which the special interests of the *monopolistic sector* now have.

This tendency is manifested in the following:

- ba) again the above mentioned (as in a-aa) "systems politics" reorganization of the post-classical government authorities. In this respect the treatment of the relationship of the Federal Highway Administration to the administration for Urban Mass Transport is especially relevant. Both departments were removed from the Department of Transportation and were to be organized as Community Transportation Divisions within the Department of Community Development. This gives some indication of the additional restrictions placed upon the monopolistic special interests of the "highway lobby".
- bb) the reform of the independent regulatory commissions (a special American form of economic administration serving the function of publicly organizing certain monopoly branches). This reform has been carried out inadequately and relies more upon organizational concepts of a classical nature than upon a more radicalized "systems politics" orientation (cf. also: Noll). Reform initiative on a third generation level did not exist in this domain and, therefore, does not fall within the focus of these theses.
- bc) the systematic structuring of the reform at cross purposes to the representative mechanism (as in a-ac).

### III. Ash Period and PPBS

1. The decisive leap "forward" from PPBS to the Ash reform proposals lies in the radicalization of their orientation. The level of inquiry has changed: it was no longer just the "nerves" (information and decision processes) of the administrative-political system, but also the "bones" (organizational-structural elements) which were directly and systematically analyzed, categorized, questioned, and restructured from a systems-political point of view. How inadequately this questioning of the bureaucracy of the central state penetrates the structural level ("bones") and touches upon the functional level (the "flesh" of the central state administrative mechanism), underlying it, becomes most clear in the Ash reform proposals on the reorganization of the independent regulatory commissions. Here, self-interest readily conceals what is felt and expressed – though not analyzed – rather straightforwardly by the reformers for the competitive sector (cf. Hearings: House/Senate).

2. In some sense, on the other hand, the scope of these reforms was not as advanced as that of PPBS. This holds true in a two-fold sense:

- a) The reforms no longer related *directly* to a program basis ("who gets what, when, where, and why") of the central state bureaucracy (what the PPBS and an "analytic budget" would formally accomplish within the state bureaucracy). Rather, the attempt was made to attain a program capacity "indirectly" through increased flexibility.
- b) These reforms attempt to circumvent the equation: "systems politics = systems crisis" Schick envisioned for PPBS. This equation was implied in the specific and encompassing, and also formal program-alternatives approach. This was because outlining of program goals, "outcomes", and routes of attainment would have an effect on the level of both program critique and possible public disputes and struggles over programs. To put it briefly: PPBS was more prone to raising the level of class struggle and to exposing the bureaucratic "anarchy" supposedly serving general needs.

3. Both of these approaches to administrative reform may be considered as two different variants of systems political reform: the first more statist reactionary, the second more statist-liberal; the first more in the sense of "active flexibility" ("Nixon"), the second more in the sense of "active society" ("Johnson").

### IV. Success Potential of the Ash Period

In view of all theoretical considerations and empirical data (repeated undermining) of the concept by Nixon; unfriendly reception in the representative mechanism; earlier experience with similar reform; etc.) the Ash reforms were not likely to be implemented in the systematic manner in which they were proposed. It seems that they are not likely to be implemented at all.

Still, they are significant for and expressive of long term tendencies within developed capitalist political systems. Administrative reforms are only one mode of their expression.

In addition to the legitimating side effects that result from the dissemination of a new form of "organizational law and order philosophy", a new, more organized "over-layer" over the otherwise still pluralistically based administration is likely to develop, if such reforms were to be implemented. This corresponds to a tendency of "tertiary centralization" (1). Such centralization has been the primary product of the administra-

1) The category of primary centralization aims at the constitution of agendas for social and public action; secondary centralization aims at the displacement of agendas to a higher level of administrative action (local state federal); tertiary centralization aims at the concentration of action (or inaction) within the top levels of the central government's bureaucracy.

tive reforms in the US central state from the very beginning. The solution to the "entropy" problem of the pluralistically based administration is, in the end, not primarily effected through reforms touching upon the structure and function of the administrative mechanism, but rather through reforms achieving, in compensation, the development and expansion of the top-level structures, above all of the presidential bureaucracy.

The "friction" involved in implementing general administrative reforms at the central level thus results in covert and overt (cf. Bonafede) 'meta-bureaucratic' growth. Contrary to popular imagery this process does not so much gain fresh ground for despotic power. It rather (under)compensates the steadily diminishing control over the central administrative apparatus. The fiction of a legal state is thus only exposed once more — in "executive privileges".

## V. Notes on the "Assumption of 'single' Capital Units" (Einzelkapitalannahme)

One problem closely connected with the entire proceeding argument is the method and manner in which the make-up (constituency) of the bureaucratic mechanism is conceptualized, and thus also the basis of the justification of its forms of expression and modes of operation. More concretely: the problem of the aggregation potentials, capabilities and the aggregation stability of 'single' capital units.

A widespread line of thinking (for example, from Offe et al., to Ronge and Schmiege; cf. also Altwater's article on state interventionism in *KAPITALISTATE* 1/1973, pp. 96–108) sees the connecting points of the argument as follows: Capital units → Necessity of production of anonymous conditions for the system's reproduction → or ↗ (2) State. Or as: Capital units → Competition → Consequences or prerequisites of private production ("Vacuum") → or ↗ (2) the State's reaction in filling the vacuum. Therefore, the argument — economic (cyclic) crisis → interpretation of the crisis through the state → action as predefined reaction — is suggested as a typical and exclusive pattern of the make-up of state activity. Above and beyond "unconscious" competition the state in capitalist society is imagined as the sole "total-systems" institution. The derivation of an "indifferent growth thesis" by Offe is a result of the confrontation between the state and many 'single' capital units: i. e. the state can only carry out a quantitative economic policy, but not a material qualitative economic policy (for example: one favoring the monopoly sector or certain parts of it).

This problem should be taken up where the primary assumption is made: that in principle every capital unit is equal (equally powerless, equally subject to competition, (3), etc.). In other words, within the capitalist mode of production in the USA and West Germany, there are no internal hierarchies in the conditions of production, nor within the capitalist class (nor within the working class), expressed for example as a

- 2) Only the possibility (↗) or impossibility (↘) of the state's perception of problems and of his 'hitting on target' in acting is seen differently in this context.
- 3) The argument here is somewhat "idealized". Such problems are indeed examined as the case arises, for example, as the "significance" of the largest capital units, capital fractions etc. for the "total system", without, however, posing the problem of the correctness of the assumption of 'single' capital units.

Even though Offe, Ronge/Schmiege et al. do not argue with the 'ideal' liberal state of capital, they adhere to the exclusive, dualistic structure of reasoning which corresponds to it: the state is conceived as

- a) an unconsciously acting social organization depending on economic laws out of reach and conscious control.

This result is mainly profiled in critique of state monopoly theories which, in some versions, have conceived the state to be

- b) a fusion of monopoly interests and public action, capable of coherent program planning and its effectuation.

My argument here is for a neither/nor and the likelihood of a mixed constitution of public action. The main difference between the analytical position of Altwater and Offe, Ronge/Schmiege (within the context of this argument) do not come to the fore in the theses outlined above, but rather with respect to the question of whether the state *can* fill the "vacuum".

difference of the monopolistic and competitive sectors and as differences within these sectors.

If there were such a hierarchy within the capitalist class formation, one problem would *partly* disappear. This is the problem as to whether the bureaucratic state mechanism, e. g. because it lacks information for structural reasons, is in a position to determine the proper "place" for the state's infrastructural performance in the accumulation process.

The hierarchical mode of explanation appears more adequate for the USA at least (cf. the works of James O'Connor, Gabriel Kolko, David Eakins et al.). It first of all bears in mind, that as a result of the organization of the working class, the opposing class, itself under the restraints of capitalist competition, is forced into organized forms of activity. Accordingly, the latter must not only produce "systemic" imperatives, but also imperatives in the bureaucratic state mechanism that are based upon the *conscious actions of the formed classes*.

For some sections of social production and circulation, however, those which one may — with James O'Connor — collectively call the "monopolistic sector", the competitive capitalist restraints are no longer (or only in a very limited way) functioning elements. Only in this manner can one explain why, in world economic crises there are no price reductions in some sectors (cf. Hawley, Means, Conkin); why relatively successful organizations of capitalists in a single branch develop, which, working through state agents (for example, the independent regulatory commissions), publicly desire and are able to guarantee "monopoly rents" (cf. for example, the first two works of Kolko, Hawley's exposition of the NRA, and the non-genetic oriented literature on the independent regulatory commissions, as examined by Noll; cf. also the various studies of "the politics of oil"); why there are major structural, wage, and organizational gaps between two sectors of social labor and production, which, with O'Connor, I have called the competitive and monopolistic sectors. Similarly, the tax structure (to say nothing of the positive demands for the expenditure side of the state budget) is biased for a "qualitative growth policy" and therefore also seems to work to the advantage of sections of the monopolistic sector. Only in this sphere are higher expenditures for research and development favored by depreciation and deduction rules. Not only is the competitive sector necessarily and systematically thereby excluded; it is also harmed, since the socially produced surplus value is thus redistributed (if not actively, then passively: through unequal appropriation of taxes, more surplus remains for a new cycle of accumulation, and thus we have a biased process of redistribution by "non-decisions").

The concepts suggested here should not be confused with the well known variations of the theories of state monopoly capitalism (4) because:

- a) A hierarchy of functions, secured and insured within a hierarchy of classes and class sections, both of which are reproduced in the administrative apparatus, does not exclude that *contradictions* still arise within the monopolistic sector. Thus, in the infrastructure, for example, the highway lobby on the one hand (5) and the rest of the monopolistic sector on the other hand have been polarized over the question of whether individual transportation or mass transit should be the focus of public attention and finance. In this context, it is possible to explain the differing conceptions of the independent regulatory commissions concerned, the Ash Council, and so forth, concerning the status of an Urban Mass Transit administration. Another "breaking point" within the monopolistic sector is that between capital and the "producer" (the working class in the monopoly sector) insofar as that contradiction cannot be pushed into other sectors (as has been largely the case since the beginning of the 1950's).
- 4) One often has the impression that those theories which orient themselves to the assumption of 'single' capital units are simply counter-polemical constructions to the well known presentations of state monopoly theory.
- 5) This lobby may be attributed partly to the monopolistic sector (rubber, steel, automobile industries) and partly to the competitive sector (parts of the construction industry, auto-repair services, etc.).

The McGovern option during the elections: the extension of O'Connors "social-industrial complex", also provides a point of discussion in this connection.

In both of the above dimensions ("breaking points" in the monopolistic sector within the capitalist and working class) it is, therefore, not valid to assume an undisturbed harmony between "state and monopolies".

- b) The per se labile cooperative association of the "monopolistic sector and the bureaucratic state mechanism" applies only to the somewhat "larger" domain of the bureaucratic centralized state mechanism (not to mention the other public bureaucracies), since other parts are determined by the non-monopolistic sector and obey different, partly opposing imperatives. Examples of this are the Small Business Administration, sections of the Department of Agriculture and of the Department of the Interior, and the Office of Economic Opportunity. This dichotomy of state policy is a function of the problem of state form on the one hand, and of the conditions of reproduction and the corresponding social class structure on the other hand. (After all, the competitive sector comprises about 1/3 of the working class population.)

Based on the above, it seems to me that the specific direction of the reform proposals of the Ash Council is the attempt to create public-institutional space for a "total-systems" perspective on the most unrestricted possible basis of the average interests of the monopolistic sector. The flexibility is especially directed against the "lower pluralistic" forms. The "etatistische Reserve" ("statist reserve") has as its goal to displace, arrest, or hegemonically supercede the two opposing tendencies indicated above (see V a) and b)).

## VI. APPENDIX:

### Outline of Ash period reforms and schematic illustration of three "generations" of administrative reform

The following section will provide a brief overview on the "Ash period" (VI, A). In this connection, the three "generations" of administrative reform will be schematically illustrated on the basis of their diverging modes of rationalization and the different forms of their institutionalization (VI, B).

#### A. Recommendations of the Ash Council (6)

During Nixon's first term of office a "Presidential Advisory Council on Government Reorganization" (1968-1971) was formed under the chairmanship of Roy C. Ash (President of Litton Industries), then Director of the Office of Management and Budget in Nixon's second term. This council made thirteen recommendations to the President, three of which I shall examine more closely:

- 1) a) "The Establishment of a Department of Natural Resources"
- b) "Organization for Social and Economic Programs"
- 2) "The Independent Regulatory Agencies"

The ten other recommendations of the Council are either concerned with preparatory measures for these three recommendations (the establishment of a "Domestic Council"; etc.) or with isolated problems of a structurally less important nature (e. g. "Traffic in Narcotics Overseas and Federal Organization").

The proposals which I have selected for discussion seem to have succumbed in the representative mechanism in 1973, due to systematic obstruction from

- a) the competitive sector representation and
- b) single monopoly interests, including corresponding sections of the labor class.

- 6) The information on the reform proposals is kept to a minimum here. More details will be found in "Zur Verwaltungsreform der Ash Periode" (Juni 1973), Berlin, unpublished manuscript, pp. 68.

First, a quotation from a Domestic Council pamphlet, in order to illustrate the self evaluation of the reformers:

"While we badly need comprehensive responses to social and economic problems, the present organizational structure encourages a fragmentation of effort . . . Structure controls policy - resulting in a piece-meal approach to solutions by separate departments and agencies . . . (Reorganization) also makes possible an evaluation of programs focussed on results rather than merely on process."

#### A.1 Reorganization of post-classical Departments, etc.

It was suggested that all post-classical authorities on the departmental level be disbanded and reorganized into four new departments from the viewpoint of "management by objectives". To be sure, a number of autonomous non-departmental authorities were not to be eliminated; however, this happened not because of the structural limits of the process of reform, but was legitimized by an exemplary, "economizing" process. The seven post-classical departments and a few other units were to be reassembled and unified according to four perspectives on the production and control of societal policy (the authorities which were to be encompassed by the reorganization are mentioned in parenthesis in order to give an impression of the extent of the reorganization intended):

- Human Resources (integrating parts of Health, Education and Welfare (HEW), the Office for Economic Opportunity (OEO), and the Departments of Labor, Agriculture and Commerce).
- Community Development (integrating parts of Housing and Urban Development (HUD), HEW, the OEO, the Departments of Transportation and Commerce, the Appalachia Regional Commission, the Small Business Administration, and the Office of Emergency Preparedness).
- Natural Resources (integrating parts of the Departments of the Interior, Defense, Agriculture, Transportation and Commerce, the Atomic Energy Commission, and the Water Resources Council).
- Economic Affairs (integrating parts of the Departments of Commerce and Transportation, the Federal Mediation Board, and the National Aeronautics and Space Administration).

The reorganization was to apply also to the *internal structure* of the new departments, insofar as, among other things, attempts would be made to differentiate and reorganize the main divisions on a *functional* rather than a sectoral basis; e. g. the main divisions were to be "Community Transportation" or "Food and Commodities Component" instead of "Railways", etc. Also, the administrative heads (the diverse assortment of secretaries) were to be no longer distributed on the basis of a departmental program-affiliation, but rather on a cross-cutting basis, in which general programmatic questions of the administrative authorities could be taken up without specific identification with the specific parts of the department.

The budgetary structure of the four new Departments was to be "quite simple", "to avoid locking in a large number of relatively inflexible appropriations at inferior levels of the department" (OMB, Office of Management and Budget): ideally the "maximum" number of "appropriations" for each *administration* should usually be held to two" (OMB). In keeping with this there was to be one "appropriation" for money without restriction to the fiscal year (breaking the per annum principle) and one annual "appropriation". In the whole realm of reorganization there were approximately 750 appropriations; according to this ideal, there were to be a maximum of 36. In addition, general - heretofore unusual - transfers of greater scope were foreseen between these categories in a single administration and between the administrations of a (single) department. The organizational power, together with a few peripheral jurisdictions, was to rest completely with the respective secretaries of the new Departments and the abundance of individual authorities originating in the representative mechanism was to be eliminated.

Further, it was recommended that the administrative structure of the four new federal departments be reorganized outside of Washington in large and stream-lined re-

gional units (n. b.: 9/10ths of the US federal administration, estimated at 2.8 million civilian personnel in 1971, resides outside the Washington metropolitan area); also, the administrative structure was to be unified regionally for all four departments (i. e. agreement in areas of planning; unified aptitude tests; unified administration centers; etc.). At the same time a "regional director" was to be created who would have been responsible for all the activities of a department in one region and completely in charge of all decisions involving regional program implementation. The "regional director" would have been directly subordinate to the "policy level" (to the jurisdiction of the secretaries, not the main divisions).

Up till then the federal government had been in part locally organized with direct hierarchical ties to main and sub-divisions in Washington. These ties were frequently interspersed with intermediate administrative levels. Instead of 160 hierarchical ties, sometimes with a six-fold gradation, there were to be four ties (one per department) and a threefold gradation (i. e. policy level and program departments in Washington; regional channels for decision making and action on programs; local channels for program production as necessary). Approximately twelve administrative regions were foreseen (the regional solution was not to be fixed by law and is therefore unknown in detail), and were to be unified by a regional council of the four regional directors.

The reform proposals proceeded from the premise that the committee structure of Congress was not to be changed. So, for example, the committees (the "substantive" and also the budget committees) which theretofore had existed only in a one to one relation to the old Department of Agriculture, would have had to deal in terms of specific functions with all of the four reorganized departments.

#### A.2 Reorganization of the Independent Regulatory Commissions

The Ash Council recommendations also proposed an organizational reform of the Independent Regulatory Commissions (IRC), structured by the following diagnosis: the isolated ("piece-meal") treatment of cases and problems of these agencies; the unsystematic, ad-hoc constitution of these agencies which historically have been a reaction to specific problems of different branches of production or circulation; the unsystematic and all encompassing definition of the function and role of the agencies in the regulatory area; the policy-paralyzing internal non-hierarchic organizational structure of the commissions; etc.

In spite of this extensive "systems political" colored description of the symptoms, the cure is relatively weak when compared with other suggestions for reform in this area and with the other organizational proposals of the Ash Council: the number of commission members was to be limited; each IRC should, if possible, have had only one administrator; the heads of the regulatory agencies were to be limited and simplified and a special administrative court was to be created as a last point of appeal in the regulatory arena; divisions of function and responsibility between the IRCs were to be rationalized and in part consolidated.

A professional observer of the scene from the Brookings Institution describes these attempts at a solution as follows: the Ash Council did not proceed from a function-oriented concept of "error by design", one built into the administrative structure, as does the majority of the investigative literature of a non-institutional, non-judicial kind dealing with the IRCs; rather — from the perspective of the Ash Council — the whole misery of the IRCs arose out of an "error by incompetence". Correspondingly, the premises of reorganization which the Ash Council has presented in its report have to be classified as weak traditional medicine (still biased by specific monopoly interests): "a more effective and objective regulatory process, better integrated with other processes of government, requires a new organizational framework for reorganization" (iii).

#### B. Types of Rationalization/Forms of Institutionalization

The first column of the following table contains the institutional forms of the initiative in administrative reform in the USA since the Civil War. Institutional forms are conceived of as an indicator of the nature of reform (cf. p.29). The second column specifies column 1 and lists the particular institutional applications; these are not primarily ordered historically, but according to type of initiative (cf. column 1). The third column cites the typical time spans of the eras of the *reform initiatives* (cf. column 1). The fourth column coordinates the type of reform rationale (the concept of bureaucratic rationality) with these eras. It will be noted that the distinctions in column 1 and 4 seem very highly interdependent. The dotted arrow shows the only "non-trend" commission, viewed in the perspective of column 4.

For the sake of clarity the use of two concepts deserves brief explanation. "Outputs" refer to achievements of the agencies, defined from the perspective of their *internal work process* (e. g., \$ 6 000/student). "Outcomes" refer to those achievements viewed from the socially defined perspective of the *production process of the administration* (e. g., level of qualification for . . . attained by . . . students). Both concepts refer to the difference between *management rationale* and regulation or *social steering rationale*.

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1	2	3	4
Institutional Form of the Reform Initiative	Examples	Time Span (relates to column 1)	Change in Bureaucratic Rationality Concept and Type of Reform Task
Initiatives organized by Congress	<ul style="list-style-type: none"> <li>- Cockrell Committee 1887</li> <li>- Dockery-Cockrell Commission 1893</li> <li>- Joint Committee on Reorganization 1921-1923</li> <li>- Bird Committee 1937</li> <li>- (Jackson Subcommittee on National Security Policy, in the 60's)</li> </ul>	1887-1937	<p><i>The Rationale of Administrative Control:</i> "Economy and Efficiency" Modernization of office methods and fight against "overlap and duplication" without larger and systematic posing of administrative-structural questions were the main accents of this phase. This had its basis in an extensification, intensification and regularization of bureaucratic work which does not yet "cross-cut" the representative mechanism. The level of action was: unification of bookkeeping, classification of duties, regulating pay levels, systematic regulation of filing and preservation of records; standardization and coordination of the usual administrative modes of acquisition; etc.</p>
Public and Mixed Commissions	<ul style="list-style-type: none"> <li>- Taft Commission 1910-1913</li> <li>- The Brownlow Committee 1936-1939</li> <li>- The First Hoover Commission 1947-1949</li> <li>- The Second Hoover Commission 1953-1955</li> <li>- Commission on Intergovernmental Relations 1953-1955</li> <li>- Keep Commission 1905-1909</li> </ul>	1910-1955	<p><i>The Rationale of Management Control:</i> "The President needs help . . ." Strengthening of the presidential power to organize and intervene (implementation of the hierarchy principle) in the bureaucratic work process and its effective systematization from the "top down" point of view of achieving economized "out-put".</p>
Presidential advisory bodies ("task forces", among others)	<ul style="list-style-type: none"> <li>- Advisory Committee on Governmental Organization 1953-1960</li> <li>- Price Task Force 1964-1965</li> <li>- Heineman Task Force 1966-1968</li> <li>- Ash Council 1969-1971</li> <li>- (Fitzhugh Commission 1970)</li> </ul>	1953	<p><i>The Rationale of Program, i. e. Administrative Regulation- or Steering-Control</i> "We badly need comprehensive responses to social and economic problems . . ." Orientation of the administrative structure, of the informational and decisionmaking process, to a functionally aggregated organization, designed with the production process of the administration, with "outcomes" in mind, disregarding the "natural", historical "method of agglomeration" of the present set of public tasks.</p>



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## The Capitalist State and Underdevelopment in Latin America – The Case of Venezuela\*

Wolfgang Hein  
Konrad Stenzel\*\*

### 1. Introduction

Until recently Marxist analysis of the capitalist state was the exclusive domain of some theorists of state-monopoly capitalism in the European socialist countries. As far as research on state functions in the developed capitalist countries is concerned, the situation has changed since: Stimulated by books and articles by Ralph Miliband (1969) and Robin Murray (1971) in Great Britain, by Nicos Poulantzas (1971) in France and by Claus Offe (1969, 1972) and Joachim Hirsch (1969, 1970) in West Germany, there is a growing number of Marxist theorists and researchers studying the modern capitalist and imperialist state.

With regard to the underdeveloped countries, however, the state of affairs is different: Though there are quite a few interesting details and theoretical remarks about context and determinants of politics in underdeveloped societies, which can be drawn from the Latin American dependencia literature (1) and from the studies by Christian Palloix (1971) and Samir Amin (1971), there is just one article by Hamza Alavi (1972) dealing explicitly with the problem of state functions in "post-colonial societies". But since Alavi's analysis – starting from the development of Pakistan and Bangla Desh – is limited to the newly independent countries (since World War II) (2), his generalizations are only partly applicable to the situation in Latin America.

On the other hand, there is obviously a great need for a theory of the peripheral capitalist state. Nearly all current strategies for capitalist development of the Third World stress the importance of state planning and, therefore, of one form or another of state intervention in economic affairs. Simply in order to assess the consequences of these strategies it is necessary to analyze the 'nature' of those states which are trying to conceptualize and to enact them. A theoretical argument might be added: Recent studies have shown (cf. Poulantzas 1971, Hirsch 1970) that in most metropolitan capitalist countries state action has been fairly important in promoting capitalist development, i. e. in supporting the tendency toward the exclusiveness of the capitalist mode of production.

Does state intervention in today's underdeveloped countries have similar effects? If not, why? What kind of relationship exists between internal class structure, external dependence, and state functions in these countries?

In a first theoretical analysis we will try to outline the socio-economic and political context which sets the conditions of state action in Latin American countries; this will give the framework for further study of distinct state functions and their assessment with regard to overcoming underdevelopment. Considering the lack of theoretical approaches

\* An earlier version of this article was presented to the conference on "The significance of the theory of pre-capitalist economic formations ('Grundformationstheorie') for the analysis of peripheral capitalism" at the Center for Interdisciplinary Research in Bielefeld, Dec. 14-18, 1972.

\*\* The authors may be reached: W. H., K. St., Universität Konstanz, Fachbereich Geschichte, 775 Konstanz, Federal Republic of Germany.

This article is part of the work in a project on Autonomy and Penetration in Venezuela, together with Jürgen Simonis and H. R. Sonntag, described in *Kapitalistate* 1/1973, p. 37.

- 1) The general thesis of Latin American dependencia literature is outlined below in chapter 2.1. This outline as well as the further discussion of this theoretical complex will be based especially on Cardoso (1971, 1972) and A. G. Frank (1969, 1971). Cf. also Córdova's discussion of Frank, *Capitalism and Underdevelopment in Latin America* (Córdova 1973).
- 2) Alavi explicitly confines his analysis to those cases "which experienced direct colonial rule" (p. 60); his example (Pakistan) and some of his propositions (e. g.: "The essential problem about the state in post-colonial societies stems from the fact that it is... established... by a foreign imperialist bourgeoisie", p. 61) also exclude those former colonies which gained independence in the 19th century and earlier.

to this problem we will base our analysis on general studies of underdevelopment on the one hand and on publications on state functions in advanced capitalist societies on the other. In a second step, we will then attempt to exemplify and to illustrate some aspects of this theoretical approach by the example of state action in 20th century Venezuela, focusing on her petroleum-dominated development policy and on the agrarian reform of Acción Democrática.

## 2. Theoretical Approach

### The Socio-Economic and Political Context of the State in Latin America

#### 2.1. Theory of "Underdeveloped Capitalism"

Our basic assumptions about the nature of "underdeveloped capitalism" (3) are those of the Latin American dependencia literature: There exists a typical social formation of underdeveloped capitalism which is different from a pre-developmental stage of today's metropolitan capitalist countries. This social formation is the outcome of a process of continuous adaptation of peripheral societies to their exploitation by the developing capitalist center which has been going on for more than four centuries and was one of the conditions for the industrial revolution in the metropolitan countries. In general, this 'adaptation' consisted in the growth of an export-oriented economy, concentrating on the production and exportation of very few goods (monoculture) according to an international division of labor which evolved and changed corresponding to the given historical stage of socio-economic development of the advanced capitalist nations. Furthermore, this process of adaptation led to a growing economic, political and ideological penetration of the satellites by metropolitan capital, organizations and culture, thus creating an increasing dependence on external events and decisions and inability to act politically according to their own developmental needs.

This dependence is — as A. G. Frank stresses (1971, p. 11) — not only a consequence of purely external relationships, but also an "internal" condition, "an integral part of Latin American society, which determines the dominant bourgeoisie in Latin America". Thus, in our analysis of the socio-economic and political context of the state, we have to consider two levels of dependence:

- 1) dependence as it has consolidated itself in the *social structure of underdeveloped countries*, particularly in the position of a ruling class whose interests coincide in nearly all important aspects with the interest of metropolitan capitalists to appropriate a part of the surplus produced in peripheral societies (4), and who, through the pursuit of their own political and economic interests, guarantee the integration of their society into the existing global division of labor, and
- 2) dependence as manifested in the *current external relations* of underdeveloped countries, which we define in the broadest possible way, including changes in the price of a country's export goods on the international market as well as foreign investment in domestic industrial projects. Besides being itself the most visible level of dependence, external relations are constantly reproducing a social structure in underdeveloped countries that fits into the dynamics of the international division of labor.

#### 2.2. The class basis of the state in Latin America

An analysis of the process of political decision-making in Latin American countries as determined by the internal class basis of the state — abstracting from all effects of direct external dependence — makes it obvious that the interests of the metropolitan

- 3) For a more detailed analysis of theories of underdevelopment cf. Amin (1971), Introduction pp. 9–47, and Hein, Simonis, Sonntag, Stenzel (1972), part 2.
- 4) cf. also Christiane Frelin, 1972, who interprets state structure in underdeveloped countries as an implantation of cultural as well as political and economic dependence. Regrettably she does not analyze the relationship between class structure and state structure.

bourgeoisie constitute themselves already on the level of the internal political process:

This is most manifest in the period of domination of the commercial bourgeoisie. The profits of the coalition ruling from independence to the 1930s — commercial bourgeoisie and export-oriented agricultural oligarchy — were directly dependent upon exports of goods to the capitalist center, i. e. upon the market conditions in the center. Assuming that market conditions express at least partly the developmental needs of an economy, there is, in the periphery, a one-sided orientation toward the economic development of the center and not toward that of their own countries because the internal market was hardly of any importance to the ruling class. The corresponding policies — often carried out by caudillo-governments — were those of trade liberalism and internal liberal reforms (expropriation of church land and of Indian community lands and their sale to private purchasers (cf. Frank, 1971, ch. 5) on the one hand, and of unconditional expansion of the export sector on the other hand. Concerning these policies, there was of course a common interest between the ruling coalition in the peripheral countries and the metropolitan bourgeoisie, consequently the policies internally decided upon seldom transcended the limits set by external conditions. Thus, throughout the liberal period, the state in Latin American countries was conserving the power structure which had already emerged in colonial times, transmitting the economic interest of the ruling coalition into political action and, on the other hand, transmitting occasional external political pressure on the internal political scene, thereby limiting the opportunity of a rising industrial bourgeoisie (in coalition with latifundistas producing for the internal market) to come into power and to implement a protective policy — this process will be analyzed more closely in ch. 2.1.3.

The Great Depression reduced the integration of Latin American countries into the world market and created the necessity for a re-orientation of economic activities in direction of the internal market; the result was a period of relatively autonomous development of import substitution, which strengthened the internal industrial bourgeoisie. The process of import substitution continued after World War II, but changed its character with the re-expansion of world trade and foreign investments. The industrial development of the 1930s and the 1940s was not reversed, but gradually integrated into a new stage of international division of labor. Traditionally, the dividing line was between processed industrial products on the one hand and unprocessed primary products on the other; after World War II the developed capitalist countries have been more and more specializing in the export of capital goods, leaving to a group of underdeveloped countries the production of their own consumer goods — though not without the participation of metropolitan capital.

After 1945 the industrial growth in the substitution of imports slowed down (cf. Frank, p. 92), and the sector of import substitution was more and more penetrated by foreign capital. As a consequence the economic orientation toward the internal market was replaced by an orientation toward the investment interests of metropolitan capitalists (production of luxury consumer goods, automobile industry etc. instead of goods for mass consumption), especially their interest in exporting capital goods (5); import substitution was no longer an autonomous process, but became just another industrial sector dependent on foreign interests.

In spite of this change after World War II, which of course again narrowed the limits of political action set by external conditions, import substitution, resulting in a first industrial sector that produced for the internal market of Latin American countries led to a new relationship between social and political structure, which is typical for most Latin American societies of today. (6)

- 5) Concerning the conformity of interest between the Latin American bourgeoisie linked to the substitution of imports and the metropolitan bourgeoisie, cf. Roberto Decio de las Casas, 1971, particularly pp. 457–461.
- 6) Exceptions are of course Cuba, Chile, but also Argentina, Brazil and Mexico which are already expanding their industries beyond import substitution of consumer goods (cf. below, de las Casas, Cardoso).

The industrial bourgeoisie and the agricultural oligarchy producing for the internal market who substituted the former coalition led by the commercial bourgeoisie are interested

- a) in the expansion of the internal market (7) and
- b) the protection of their products from imports.

Both objectives necessitate an increasing state regulation of the national economy, broader industrial development policies in order to overcome the extreme dependence on trade, and internal social reforms in order to expand the internal market. This and the necessity to deal with a gradually growing working class and a strengthened class of agricultural workers and small farmers led to the formation of populist governments in various Latin American countries (Getulio Vargas in Brazil, Perón in Argentina, Bétancourt in Venezuela), which carried through social reform and industrial development programs on a broad popular basis.

The potential for economic growth through import substitution of luxury consumer goods is very limited because of the relatively small internal markets for such goods. Countries like Argentina, Brazil and Mexico reached these limits in the 1960s; economic growth was stagnating. The only solution of this crisis in harmony with the interest of the dominating industrial bourgeoisie required further change in the international division of labor: exporting consumer goods and entering the production of capital goods. Corresponding to these requirements, a change in the global strategy of some imperialist countries was and is still going on: As Junne and Nour (1972, ch. 6) point out, the export chances for industrial goods from the capitalist center into the Third World are relatively declining while the costs for maintaining the existing state of dependence are increasing; this demands new strategies for securing the necessary supply with raw materials and chances for highly profitable investments. Besides extending economic relations with "socialist" countries, the so-called "key country approach" is one solution to this problem: A small number of underdeveloped countries is "supported" more intensively while the other regions are consciously neglected. These "key countries" are preferably some city states (Hong Kong, Singapore) and some large countries with ample mineral resources, a population large enough to constitute an internal market, and reactionary governments (in Latin America particularly Argentina, Brazil and Mexico). They are supported by the imperialist countries in their attempts at acquiring a sub-imperialist position with respect to the more underdeveloped regions, including the supply of these regions with industrial consumer goods; in addition to that the low wage level of these key countries makes the production of simple industrial products and their exportation to the capitalist center profitable. (8)

Thus, though not without conflicts, a new fraction of the "national bourgeoisie" (consisting of the economically most powerful parts of the old agrarian, commercial, industrial or financial bourgeoisies) gains social dominance. Their interest again corresponds to that of the ruling class in the imperialist countries. Indirect beneficiaries of this process are all those employed by the "internationalized" sector and those belonging to the political "management" of this form of economic development, i. e. part of the "middle class" (intellectuals, state bureaucracies, army) and even part of the working class (Cardoso 1972, p. 93).

The corresponding function of the state apparatus is a predominantly technocratic and repressive one: It is no longer necessary to expand the internal market of consumer goods, but to attract foreign capital and technology and to gain export markets; this

- 7) In this regard, the interests of foreign investors in the consumer good industry coincide with those of the national industrial bourgeoisie. As the former, however, are producing articles different from those most important in the autonomous stage of import substitution (automobiles, TV-sets vs. food, clothes etc.) they are oriented toward other consumer groups as the national industrial bourgeoisie was the 1930s and 1940s: Today the importance of mass consumption for the sector of import substitution is decreasing while that of luxury consumption of the upper and middle class is increasing.
- 8) "Supported" is used in its most general meaning, including the non-application of negotiation sanctions, capital investments, aid etc.

requires first of all a high degree of economic manipulation — incentives for investment, for export etc. (9) On the other hand it also requires a high degree of repression as it is difficult to legitimize this kind of development policy while the situation of large population groups is deteriorating — particularly after a period of populist agitation and policies.

Up to this point, we have only discussed the relationship between the state and the dominant fraction of the national bourgeoisie (necessarily implying the relationship between bourgeoisie and the international division of labor). A full analysis of the internal class basis of the state would require detailed class analyses of Latin American societies; this cannot be done here. Two additions concerning the particular role of the so-called "Patriziat" and the mass basis of politics in Latin America must be sufficient in this context:

- 1) Sonntag (1972, p. 50) characterizes the "Patriziat" "as a group within the ruling class whose political power is not primarily based on the ownership of means of production, but rests on their position in political and social institutions"; he distinguishes three sub-groups, the political-administrative, the clerical and the military "Patriziat". Although in the last instance, all groups of the ruling class are determined by their coincidence of interest with foreign capital, in the short run the Patriziat in particular may support independent developments. Sonntag attributes this fact to the structural heterogeneity of peripheric societies (1972, p. 51). Similar arguments in favor of a "distinct relative autonomy" (Alavi) of the bureaucratic-military oligarchy can be found in other studies on underdeveloped countries (cf. Amin, 1972, pp. 366–372; Varas, 1971; de las Casas, 1971); for Hamza Alavi this particular feature constitutes the central characteristic of the post-colonial state. Whereas, according to Alavi, the state in the capitalist center is the instrument of one class, the national bourgeoisie, and possesses only relative autonomy with respect to the different fractions of this class, the state in post-colonial societies is the instrument of three partly competing dominant classes: the indigenous bourgeoisie, the metropolitan bourgeoisie (which is — as a consequence of their investments — present in post-colonial society) and the land-owning classes:

"... none of the three propertied classes in that post-colonial society, ... exclusively command the state apparatus; the influence and power of each is offset by that of the other two. Their respective interests are not mutually congruent or wholly compatible. They do have certain basic interests in common; above all, that of the preservation of the existing social order, based upon the institution of private property. But they make competing demands on the post-colonial state and on the bureaucratic-military oligarchy which represents the state. The latter mediates and arbitrates between the competing demands of the three propertied classes." (Alavi 1972, p. 71)

Though the cases of Pakistan and of Latin America are not directly comparable, and Alavi's analysis seems a bit too schematic, it can be maintained that there is an unstable balance between the different dominating classes or fractions, i. e. no effective and lasting integration of the 'bloc au pouvoir' in underdeveloped societies, which gives a particular autonomy to the bureaucratic-military oligarchy and represents one explanation for the frequent change of political regimes and of policies in dependent countries. One root of this unstable balance in the 'bloc au pouvoir' is the structural heterogeneity of these societies, another (in the last instance the common root of both) the position of the metropolitan bourgeoisie: On the one hand, it is structurally impossible to integrate them into a Brazilian, Peruvian or Venezuelan 'bloc au pouvoir', on the other hand this "external ruling class" more or less determines which fraction of the internal bourgeoisie dominates in domestic affairs, consequently breaks up any internal 'bloc au pouvoir' and thus effects a continuous adaptation of peripheral societies to the dynamics of the international division of labor.

- 9) cf. the article "The Brazilian Miracle" in Newsweek, March 19th, 1973.

2) The mass basis of politics in Latin America is characterized by two elements:

- a) It is very heterogeneous, being composed of a relatively small industrial working class, a group of agricultural workers (varying substantially in size from country to country), small peasants, and a growing number of 'marginales'. As a consequence of their particular situation all these groups differ in their short-term interests, their political ideology, degree and ability of political organization.
- b) Compared to the working class in the capitalist center, the dominated classes in the underdeveloped countries have never been able to exert any relevant pressure on political institutions in their countries. This is of course due to the different socio-economic structures of both types of capitalist societies: In most underdeveloped countries exists only a small working class, which has a very limited capability of exerting pressure on the state apparatus; in addition to that the bourgeoisie in these countries has no interest in providing for the reproduction of a working force which by far exceeds the needs of today's industrial facilities. Furthermore, there was, until recently, not even a necessity for social policy as an instrument of social pacification, because neither the context of agricultural work, nor that of marginality offer favorable conditions for revolutionary political mobilization and organization.

The Brazilian situation with respect to unemployment benefits plainly illustrates the weakness of the working class in Latin America: The first Brazilian law dealing with unemployment appeared in 1965 (!); unemployment benefits amounting to 50% of the minimum wages are paid if a dismissed worker has been on his last job for at least 120 days and if his company has dismissed more than 50 workers in the last two months. These benefits are paid for a maximum of three months. There exists no protection against dismissal. (Füchtner, 1972, p. 77)

### 2.3. External Dependence

#### 2.3.1. Forms of dependence

The form in which dependence is mediated varies from total colonial, i. e. *overt political dependence* to different forms of *structural dependence* where there is no direct determination of any policies in dependent countries by metropolitan states or companies, but nevertheless an indirect determination through a particular trade structure, through capital movements or communication flows.

In Latin American history two types of dependence and – consequently – of integration into the international division of labor have developed (cf. Cardoso 1971, ch. II: "Les types de dépendance et les idéologies du développement", pp. 77–117).

As long as British domination over Latin America lasted, some Latin American countries could build up an *agrarian export economy* which fulfilled a necessary complementary role with respect to the English industrial economy. This situation changed when the United States took the place of Britain, because the US-American economy was nearly self-sufficient and therefore not dependent on Latin American agricultural exports. While those countries which had developed an active export economy under English domination (Argentina, Uruguay, Brazil) could at least maintain their participation on the world market, the other countries (Caribbean, Central America, Venezuela, Colombia) which had been apart from the main flow of agricultural exports to England, never got a chance to organize their economies in a similar way. The U. S. A. had no interest in traditional agricultural imports from Latin America: their objective was to invest capital in dependent countries in order to make extra profits ('dollar imperialism'). This led to the development of *enclave economies* consisting of a modern, highly productive sector, owned and organized by foreign capitalists mostly in the field of extractive industries, and a backward native agricultural sector. Chile and Peru which had been able to organize extractive industry under local control in the course of the 19th century, fell back into the status of enclave economies when they lost control over their mining sector to

external groups because of their inability to compete with modern capitalist forms of production.

These different economic bases had an important influence on the 20th century politics of the respective Latin American countries: In those belonging to the first type (agrarian export economies) the existence of a national export sector previous to the period of US-domination had permitted the formation of a ruling class which had (and in part still has) some control over the production process.

In the case of the enclave economies the economic base of local power was a poorly differentiated agrarian structure; the ruling groups acquired political power more by their capacity to exert violence and to impose an internal order which ensured the conditions necessary for the negotiations of concessions (to foreign capital) than by their capacity for economic action. In these countries all modern economic production constituted itself as direct prolongation of the economy of the center. The goods produced in the peripheral enclaves under control of the metropolitan bourgeoisie are sold and consumed in the developed capitalist countries.

#### 2.3.2 External relations and the social structure in dependent countries

We showed above that at any point in time the social structure of underdeveloped capitalist countries is a consolidation of their dependence on the capitalist center and thus guarantees by itself the integration of peripheral societies into an international division of labor which enables the metropolitan bourgeoisie to appropriate part of the surplus produced in the periphery. If this is the case, the very nature of a peripheral social structure implies the existence of mechanisms of external dependence and, consequently, is to a much larger extent reproduced through its external relations than that of a developed society. This is demonstrated above by the description of changes in Latin American ruling classes as a function of changes in the international division of labor.

Hence, we must recognize the twofold quality of external relations

- a) at any moment they are part of the structure of the global capitalist system and as such an instrument for the metropolitan bourgeoisie to manipulate to a certain degree directly political decisions in peripheral societies.
- b) diachronically, the most important consequence of external relations for peripheral societies is their determinative influence on the reproduction of the internal class structure: external dependence operates like a filter by determining the chances of success of political strategies; those which fit best into the dynamics of the international division of labor will have the best chances to succeed in the long run.

#### 2.3.3. The limitation of state action through external relations

With respect to the reproduction of the internal social structure of Latin American societies the limitation of state action is the most important effect of external dependence. The different mechanisms by which peripheral countries are kept dependent have been thoroughly studied (10); here we just want to point to some mechanisms which are particularly important in limiting the range of state action in Latin American countries:

- a) *Structural limitation*: We call "structural limitations" all those mechanisms which are based on structural asymmetries, deformations etc. in the production and exchange of goods, capital and informations, but do not include deliberate actions of the dominating bourgeoisie/state or even the anticipation of such actions. Structural dependency is the pre-condition for the two other types of limitations we distinguish (*political limitation*, *ideological limitation*), but it also has consequences of its own which must not be ignored.

For illustrating some of the mechanisms by which the range of state action in underdeveloped societies is limited, we take a consequent reformist strategy as an

10) cf. e. g. Amin (1971), Magdoff (1969), various articles in Senghaas (1972), Junne/Nour (1972); for a summary of different mechanisms see also part 3 in Hein, Simonis, Sonntag, Stenzel (1972).

example of state action, consisting e. g. of a program of industrial diversification, of agricultural reforms, and of several policy programs (11).

Some of the structural limitations to such a strategy will be the following:

- The structure of trade (high partner and product concentration for most Latin American countries, difference of size with respect to the most developed countries) and the asymmetry in the mutual penetration of center and of peripheric economies lead to a high degree of dependence of the Latin American economies upon external economic affairs (business cycles, crises, inflation), the effects of which cannot be controlled by own economic policies. E. g.: a sales crisis of a country's principal export good will create foreign exchange problems as well as internal budgetary problems (decrease of revenues), which will stop most reformist programs. Social reforms can no longer be carried through because there is not enough money, diversification programs (which could decrease the susceptibility to external crises) have to be stopped, because the remaining foreign exchange has to be used for the purchase of food instead of new machinery. In addition to that the crisis often has a delegitimizing effect on the whole reform program.
  - The lack of capital is another structural deficiency of most underdeveloped countries; therefore, any industrialization program in a capitalist context requires foreign investments and/or credits which by themselves give rise to political limitations of State action (cf. below). The penetration by foreign capital itself, however, has some structural aspects, which again confine the range of reformist policies which can be implemented. Foreign investors will exercise some influence on the internal allocation of resources, particularly concerning infrastructure; they often prevent the growth of national industrial enterprises by their competition and thus tend to perpetuate the penetration of peripheric countries; the pro-cyclical behavior of foreign investors tends to increase economic instability; in the long run foreign investors often repatriate high amounts of profits and so even deteriorate the balance of payment-situation of the respective country. On the whole: dependency tends to perpetuate itself.
  - The technological gap, continuously reinforced by the brain drain to the developed countries, prevents peripheric countries from developing machinery which is adequate for their own socio-economic situation. Instead they have to import machinery from the metropolitan countries which is constructed for the needs of the center, i. e. for capital intensive, large scale production (cf. Müller-Plantenberg, 1972). Consequently industrial plants are constructed with a capacity which cannot be fully used, and with a capital intensive machinery, while unemployment is expanding. As long as no adequate technologies are developed all attempts at increasing the productivity of agriculture will only aggravate the existing social problems, as there are no jobs for urban migrants.
  - Finally: there is no possibility of an effective independent state planning in peripheric countries as they do not have any reliable statistical information about their own agriculture or mineral resources - particularly if the international corporations working in the same country do have these informations (cf. Junne/Nour, 1972, p. 156). Another expression of this structural lack of relevant economic information is the fact that nearly all important commercial consulting agencies are located in the capitalist center (cf. Junne/Nour, p. 168 f.).
- b) *Political limitation*: While structural limitations of state action have predominantly the function of re-emphasizing the dependence of peripheric countries (or: influencing the development of peripheric countries by determining the degree of dependence; during the Great Depression at least the Latin American countries won a relative autonomy which was the effect of changed structural conditions), the political limitations are more directly responsible for the integration of the periphery into the international
- 11) For an analysis of the reforms of Venezuelas Acción Democrática cf. part 3 of this paper; in the following the chances of reformist programs are discussed abstracting from the concrete Venezuelan case.

division of labor. Exerting political pressure on a government of an underdeveloped country is a deliberate action aiming at a calculated benefit. In general, these benefits are evaluated with reference to the main field of activity of the respective agent, usually the capitalist center. In this way, the peripheric capitalist states are frequently forced to adapt their development policies to the interests of investors, credit institutions, development agencies etc. in the center, which are above all determined by the socio-economic dynamics of the center (12).

The particular mechanisms of exerting political pressure (conditions of credits, investment, aid, allocation of aid, technological assistance, tying aid, diplomatic pressure, threat of military intervention etc.) have been analyzed in a large number of studies (cf. note 10); considering the importance of these "services" for all capitalist development strategies, the filtering effect on the connected conditions and pressures is obvious: A class or even a fraction of the indigenous bourgeoisie whose interests are not compatible with the 'bloc au pouvoir' in the developed countries have no chance of gaining the necessary external support for their policies.

c) *Ideological limitation*: As the success of any political program depends on a certain mass basis, the political and social structure of the population constitutes another form of limitation of state action, especially if the state in question is a parliamentary democracy. Again, this limitation is to a high degree determined by external relations: The "ideological state apparatuses" (Althusser) are to a large extent controlled by the metropolitan bourgeoisie/state (educational assistance, elites educated in metropolitan universities, supply of news from metropolitan press agencies, radio and TV programs by international corporations, spread of patterns of consumption through advertisement etc.). The extent of ideological control is well demonstrated by a quotation from the U. S. Area Handbook for Venezuela (1964, p. 284):

"To assist in counteracting the communist propaganda campaign, the United States maintain informational services which organize programs, supply material to local groups and organizations and provide films, press releases and radio and television programs to local media. Reaction to these activities both, public and official has been good, especially to those which are indirect and unattributed."

This form of communicative control has been sufficient to uphold a minimum of loyalty to the existing capitalist systems in most Latin American countries up to now in spite of the obviously delegitimizing effect of social reality in these societies.

Trying to summarize the position of the state in Latin America in the context of external dependence, we have to emphasize its linkage function between

- a) The political articulation of the peripheric society, which in itself has been deformed historically in such a way that the interest of its ruling coalition generally coincides with the interest of the metropolitan bourgeoisie and not with developmental needs of their own society,
- b) the structural limitations set by the given conditions of the global capitalist system and
- c) the interest of the metropolitan bourgeoisie as arising from the socio-economic dynamics of the center in particular and of the global capitalist system in general.

The effects of this linkage process are such that the integration of the peripheric societies into the international division of labor, and, in connection with that, the internal social structure of these countries are continuously reproduced according to the dynamics of the global system.

A particular articulation of this linkage process is the function of the peripheric

- 12) The interests of capital with respect to state activity are outlined in Robin Murray (1971); Murray distinguishes six "primary public functions", among others the guaranteeing of property rights, input provision (availability of key inputs at low costs: labor, land, capital, technology, infrastructure etc.), intervention for social consensus (regulation of conditions of work, ideological functions etc.) and the management of external relations. As far as these functions are efficiently performed at all, Latin American states perform them as "agent states" for foreign capital or they are performed by the investing corporations themselves (e. g., in Venezuela some of these state functions are at least partially performed by the petroleum industry).

states vis à vis foreign investors: In the first instance, in the context of a capitalist development strategy, the attraction of foreign capital is seen as a necessary condition for the industrialization of underdeveloped countries, i. e. as in the interest of a peripheric society. The conditions of attracting foreign capital, however, are set by the structure of the global system, primarily the world capital market, and, finally, in performing the functions studied by Murray (cf. note 12), the peripheric states are acting as agents of metropolitan capital.

#### 2.4. *The Feed-back of External Dependence on the Internal Structure: Blocked Expansion of the Capitalist Mode of Production*

The dependent integration of underdeveloped countries into the global reproduction process, as characterized above, prevents the state from supporting a process which was a crucial one in the development of metropolitan societies: the effective integration of proletarianized peasants into the capitalist mode of production. As far as the migration of former peasants and agricultural workers into the cities is concerned there seems to be a similar process going on in today's Latin American countries as that which occurred in 19th century Europe. The industrialization policies, however, which Latin American reformist governments are able to perform do not transform these migrants into an industrial proletariat but into another non-capitalist element, into a rapidly growing group of "marginales" — due to a capital intensive industrial development which does not create sufficient jobs to absorb all migrants (cf. Frank, 1971, p. 107). The basic technological dependence which is at the root of this problem has been discussed above.

Nevertheless it could be argued that the "marginales" constitute an industrial reserve army, the creation of which is a decisive step toward the dissolution of pre-capitalist remnants in Latin America and simultaneously toward the formation of a revolutionary mass basis. Supporting this idea is the argument that most of the marginales could occupy most of the jobs, e. g. in the consumer goods industry (and some authors attribute to them a wage depressing function). We do not agree with this interpretation because the phenomenon of marginality does not have two qualities which are traditionally seen as basic characteristics of an industrial reserve army: they are not integrated into the labor market (13) (cf. Anibal Quijano, 1971) and they do not have a high capability of political organization.

#### Summary

As a summary of the theoretical analysis of state functions in Latin American countries we propose the following theses:

- 1) In the context of internal class structure and external dependence, the state in underdeveloped capitalist societies is primarily an agent of transmitting the global dynamics of the international division of labor to the national level and of reproducing the internal class and political power structure according to these dynamics.
- 2) State action in the context of underdeveloped capitalism does not tend to dissolve pre-capitalist formations, but to transform them into other non-capitalist elements — at this stage of Latin American development into "marginales". This is due to the global capitalist system which limits the range of effective policies which a capitalist state in a dependent country can enact and enforce.
- 13) Even the most simple job at an assembly line requires a training of some days; therefore, a migrant who has never been employed in industry has no chance of competing for a job against those already integrated in the labor market; considering the growing number of jobs in industry, the chances of every single migrant to ever get an industrial job are infinitely small.

### 3. The Case of Venezuela (14)

In the following we are going to exemplify the weakness of the Venezuelan state whose policies during the last fifty years have amply demonstrated its inability to carry through or even to conceptualize its own national interest against the interest of U. S. capital. The most important mechanisms in connection with this failure of dependent capitalism have been outlined above, it is now necessary to substantiate them with some relevant tendencies within Venezuelan society (for a detailed analysis we have set forth a pattern for future research in Heim/Simonis/Sonntag/Stenzel, 1972). The results are especially evident in the fields of industrialization and land reform, whose combined insufficiency accounts for the staggering increase of the number of marginales, i. e. people outside the market economy and the production process.

First, we'll have to analyze the historical conditions for the penetration of Venezuelan society which today is the dominating factor in the country's economic, political and cultural reality.

#### 3.1. *The Emergence of Venezuela's Petroleum-Dominated Economy*

In the 19th and early 20th century Venezuela quite clearly belonged to that second group of Latin American countries which had no export sector worth mentioning, and consequently but a negligible share in world trade. In the case of Venezuela, this was due to an almost complete lack of natural resources and a considerable shortage of manpower. The entire population did not reach 2 million before 1900. Compared with countries like Argentina or Brazil, Venezuela was just too small to have a sizeable internal market. Thus neither the export-oriented commercial bourgeoisie nor the representatives of the protection-minded industrial bourgeoisie had the same relative strength and importance they had in the countries with a large agrarian export sector. Being left out of the main flow of the beginning and rapidly intensifying system of world trade had the consequence that sufficient amounts of capital for the development and exploitation of internal resources were not accumulated. Secondly, what could be called bourgeoisie had only a feeble and precarious economic foundation in the few and discontinuous exports.

This small group and that part of the agrarian oligarchy who produced export goods, insignificant as they were on a Latin American continental scale, nevertheless had a decisive influence on Venezuelan politics after their victory in the Federal War (1858–63) together with the prevailing fraction of the military remnants from the War of Independence under the caudillo Antonio Guzmán Blanco. This influence resulted in a laissez-faire economic policy that neglected those economic sectors not directly connected with agrarian export activities. Therefore, when in the late 19th century copper and gold mines were discovered and had to be made accessible by railroads to be exploited, these development activities were completely left to foreign (German, English) capitalists.

The traditional export products were coffee and cacao and to a limited extent for the decade between 1880 and 1890, gold. The 12.500 tons of cacao that were exported in 1903, still comprised 10 % of the world production. 1923 export reached 23.700 tons, then only 5 % of the world production. Frequent ups and downs in output from one year to the next as well as tremendous fluctuation in world market prices prevented cacao from becoming a reliable export staple. Coffee exports, on the other hand, never reached more than 1.5 to 3 % of world production (fluctuation between 30.000 and 70.000 tons per year). Gold production in its heyday reached 6 tons p. a. (1884), then still 3 % of the total world production. But in the years after the new big finds in South Africa and

14) Since this part of our paper is largely descriptive and an exemplification of some of the points that were made in the theoretical chapters, a general footnote on the material and sources may suffice here (full titles see bibliography): Amin 1971a, Araujo 1971, Banco Central 1970, Córdova 1971, now also in Córdova 1973, Córdova/Michelena 1969, Deutsche Überseeische Bank, Domínguez 1966, Hein/Simonis/Sonntag/Stenzel 1972, Mieres 1971, Orta 1970, Statistisches Jahrbuch für das Deutsche Reich 1880–1940.

Russia tripled and quadrupled world output, whereas the Venezuelan figures went down.

It is not surprising that in the whole period between 1885 and 1923 the value of exports never exceeded 10 to 25 million dollars, that of imports 15. Venezuela's share in the volume of world trade oscillated between a flimsy 0.1 % and 0.0 %. This figure is even smaller than it appears to be, because then the share of countries outside the US and Western Europe in world trade was much bigger than it is nowadays when the distinctive feature of world trade is the ever more increasing concentration of trade within the industrial center.

The big break for this almost non-existing economy was the discovery of oil in the Maracaibo Lake and on the Llanos. Production soared from a tiny 70,000 tons in 1920 to 15.8 million tons in 1928, during that time overtaking producers like Persia, Mexico, Russia, Rumania. In 1928, Venezuela had become the second largest producing country (behind the U. S.) and the leading petroleum exporting nation. During the Thirties about 1/10 of the world output was produced here. Venezuela, under the dictatorship of yet another of the caudillos Tachirenses, Juan Vicente Gómez, who administered the country according to the principles of a family hacienda with a strict spoils system for his followers, with no capital at hand, left the business to foreign, mainly U. S. capital just as long as they would pay (ridiculously low) taxes and royalties to the state and indemnities to the latifundistas whose land they took over. Whatever new Bourgeois elements appeared on top of this tidal wave of foreign exchange (partly traditional export bourgeoisie switching to the new sector, partly latifundistas turned financial capitalists via the oil money they got for their lands) would again be strictly export-oriented and furthermore absolutely dependent for their profits on the investment decisions of foreign corporations who operated the by now dominating external sector of the Venezuelan economy. The value of exports, now originating almost exclusively (95 % and more) in this sector, went up to 150 million dollars in 1929, that of imports bought from the foreign exchange to 85 million dollars. Venezuela's share in world trade was ten times the amount realized in the traditional small scale export era before 1923 and reached 1 % by the end of the Thirties.

This distorted development, almost entirely founded on the expansion of one sector, was not only causing a growing dependence of Venezuela on the U. S. in all aspects of society, but also led to the stagnation and eventually regression of the traditional sector (mainly agriculture). We have already noted that agricultural exports dropped from 1920 on. Beyond that, the growth of a modern, highly productive export industry creates foreign exchange for the import of consumer goods, including agricultural products; the internal small-scale manufacturers and agricultural producers, working at a low productivity, cannot compete against the imported goods and will gradually be forced to close down and to lay off their working force. Now, as oil production is 100 times as productive as agricultural production in Venezuela, every additional worker in the oil industry will produce enough foreign exchange to import the equivalent of what 100 agricultural workers would have produced in the same time. Though this is an extreme example, it illustrates the fact that a growing export industry obliterates much more jobs in the traditional sectors than it can create.

This tendency is still intensified by the enormous population growth that set in after World War II. It is this tendency, resulting in an ever larger group of people out of work or underemployed, that has forced the state in Venezuela to attempt reforms to alleviate these consequences. Not surprisingly, then, it is only recently that the state in Venezuela has taken up any social-economic development policies. During the years of caudillismo which did not end until 1958 and were only interrupted by three years of *Acción Democrática* populism 1945-48, the few attempts to curb the power of the central factor in the country's economic life, the foreign corporations, were generally not supported by the dictatorial governments. Popular uprising in the Twenties and the trade union movement in the Thirties were crushed with repressive measures.

### 3.2. *A New Stage in the International Division of Labor*

It is useful to put these populist reform measures of the Venezuelan state in a historical perspective and in the context of the continuous process of capital accumulation on global scale, which through the mechanism of dependence and penetration sets the structural limits for state action in underdeveloped countries, as we have explained above.

In the stage of export-oriented economy the complementary function of Venezuela consists in furnishing to the advanced industrializing nations of the West European-North American capitalist center raw materials from its primary sector, exclusively agricultural products first, and minerals from the new extractive industry in a second phase. The dividing line between developed and underdeveloped countries ran between processed goods and raw materials, the first being restricted to the industrialized center. Imports from the imperialist countries consisted chiefly of luxury and other consumer goods.

For Venezuela, the starting point for industrialization was World War II and to some extent also the Thirties, when first the Great Depression and afterwards the necessities of war economy led to a breakdown of the world trade structures, since the industrialized capitalist countries were unable to provide the Third World with most of the basic finished goods, which Venezuela before could purchase abroad from the oil royalties and taxes. When they were no longer obtainable on the world market, autonomous industrialization followed slowly in a process of import substitution. Although Venezuela's exports consistently exceeded the dwindling imports throughout the 1930s, finally, in 1939, by the enormous sum of 120 million dollars in one year, the country apparently did not use its favorable balance of trade to invest into productive sectors for the internal market, but rather spent it on spectacular construction programs to Gómez' liking or transferred it on number accounts in Switzerland or the U. S. in the case of the commercial bourgeoisie. One example is the attempt at establishing a petrochemical industry which was not subsidized by the government and obviously seemed no object for investment to the bourgeoisie either, because its production came to a halt when the oil companies who'd run it on a small scale for their own purposes could not maintain it in the crisis after 1935. In the war, however, there were some attempts to build up national industries based on a labor intensive technology, since by then, capital had become scarce and expensive, plus the fact that increasing numbers of migrants to the urban areas required new jobs in the industrial sector.

After the war, when the capitalist metropolises recovered their former positions and soon expended them, the conflict between the developmental needs of the Venezuelan economy and the interests of metropolitan capital became manifest. No doubt supported by foreign capital the export-oriented commercial and financial bourgeoisie (automatically depending on maximal profits of foreign capital) overthrew the populist government in 1948 that had put national priorities (industrialization, jobs) first, thereby threatening to close one profitable export area for the consumer goods producing industries in the center. This setback was not going to last long. Not only became the necessity of creating new jobs more urgent every year, but also did the process of concentration of large diversified capital conglomerates diminish the vulnerability of certain branches of the industrial sector in the central countries. Therefore a gradual adaptation and transition set in which redefined the complementary functions of the international division of labor in such a way that the central economies specialized on the export of capital goods, i. e. machinery, plant equipment and the like, to the underdeveloped countries to help establish their own consumer good industries. In Venezuela, the capital engaged so far in the extractive industries was looking for new profitable outlets for its profits and now could gradually enter another modern sector.

On the internal political level this worldwide rearrangement led to the final success of Venezuelan populism in 1958 whose policies were endorsed for all of Latin America in the program of Punta del Este ('Alliance for Progress') with active consent of the U. S. Similar developments can be traced all over the continent, some considerably earlier

(Perón, Vargas), some later.

### 3.3. *Industrialization, the State and Foreign Capital*

Now that we have established a fairly abstract perspective for the analysis of populist policies in the framework of the international division of labor we can look at the structural implications of this externally dominated modernization and at the single policies enacted by the Venezuelan governments in the last decade.

We have already seen that the post-war-period and the recovery of the capitalist countries changed the nature of industrialization in Venezuela. It no longer was a means toward the purpose of an autonomous internal growth connected with the establishment of a modern industrial sector *within* the country's economy (the oil sector definitely is not), taking care of internal demands, on the labor market as well as in production. In an economy dominated by a foreign-owned extractive sector like Venezuela's this objectives obviously could not be achieved. One reason is that foreign capital long ago has entered this sector. Although it is by far not as foreign-dominated as the oil sector (total existing fixed capital in the manufacturing industry: 6.716 billion bolivares, net foreign investment 2.363 billion, both 1969), it is so imbedded in a structure of dependence on metropolitan capital that it cannot afford to disregard the profit interests of the center. Thus, a transition to a stage where capital goods industries could be part of the Venezuelan economy is effectively blocked by internal capital interests. As far as the capital is directly American or American-controlled, it will as a matter of course buy machinery and equipment from the U. S. parent companies. The trade agreement between the U. S. and Venezuela, which owes its existence and continuation to pressure from the American government, gives these goods a partly tax-exempt status and thus makes it even profitable to buy at higher prices in the U. S. As far as the Venezuelan capital is concerned, it is certainly out to maximize its profit and will therefore buy from the most profitable source, in this case, by way of some tariff manipulations, still the U. S., as we have seen.

A second reason is the problem of technological dependence. Because of the huge and continuously increasing reserves of foreign exchange, capital is relatively cheaper than qualified labor in Venezuela. This results in the import of capital intensive production technology that has been developed in the center. At this point of the American-dictated international division of labor, Venezuela is not only excluded from the whole sector of heavy industries (mediated in the internal economic structure by the very mechanisms we are considering) but also generally from development and production of new products, new production processes, machinery and accessories involved in this, advertisement and creation of new markets. As a matter of fact, large-scale industrial production in the Venezuelan manufacturing sector is restricted to the technologically negligible stage of final assembly. There are two implications to this import of technology from the metropolitan countries.

One is concerned with the type of production. Since capital intensive metropolitan technology entails more or less automatically metropolitan machinery, metropolitan equipment, metropolitan accessories, these on their part entail orientation toward demand in the metropolitan countries. What really results is a faithful imitation of the U. S. consumption pattern, which of course is more sophisticated and based on a much wider distribution of purchasing power: thus the inadequate product structure of the Venezuelan consumer goods industry, concentration on automobiles and TV sets that are within reach of the uppermost 10% of the income structure, but out of the question for anybody else. Thus the majority of industrial capacities are utilized under 60%.

The second is concerned with the structure of the labor market. Stagnation in the agrarian sector and the population growth which is more than 4% p. a. by now push roughly 150.000 people out of the rural sector into the urban-industrial every year. Capital intensive production technology which is the obvious choice from the point of view of the capital realization interest is squarely opposed to the national development priority of creating jobs for the unemployed urban migrants. In the decade 1960-70 the

number of those occupied in the manufacturing industry has almost doubled (from 260.000 to 496.000); that, however, doesn't take care of more than 20.000 out of the 150.000 mentioned above. We'll discuss the consequences further in the part on the land reform.

So the consumer goods industrial sector is characterized by two main shortcomings from the point of view of effective state action to further industrialization and modernization of the country:

- 1) internally its growth is inadequate and crippled, distorted in both the field of production, demand satisfaction and capital utilization and also in the field of the labor market, the absorption of newly emerging labor force.
- 2) with respect to the necessary second step of industrialization, the establishment of a capital goods industry, its direct and indirect dependence on foreign capital prevents exactly this objective.

Concerning the second point, some more details on state action seem appropriate: It cannot be denied that the state did take some cautious steps in the direction during the decade of populist reforms in the 1960s. The most important ones were the foundation of the C. V. P. (Corporación Venezolana de Petróleo) which was to get part of the oil and petrochemical production under national control and the Siderúrgica S. A. as a sub-corporation of the C. V. G. (Corporación Venezolana de Guyana).

We have shown how the domination of foreign capital prevents and sidetracks these state policies. Now it could be said that the state itself did not consequently use its political instruments to achieve success of its own modernization policies. E. g., how about the loopholes in the trade agreement, how about nationalizing petroleum or at least preventing repatriation of profits to the U. S. or restricting foreign investments to top priority sectors (heavy industries)? There have been, now and then nationalist tendencies that tried to realize all or some of these policies, but every time there has been quick and effective retaliation in form of diplomatic pressure, direct insurgency instigated by the U. S., withdrawal of production facilities and decrease of production on the oil fields (thereby lowering state revenues), increased transfer of profits, trouble with the public debt, forced devaluation of the bolivar (1964) and the like.

One essential aspect, concerning the state directly, is the fact that almost two thirds of the entire state income, e. g. in 1968 over 6 billion bolivares out of a total budget of just over 9 billion, is derived from the external capitalist sector – the oil companies and their Venezuelan holdings in other sectors (taxes, royalties). Therefore the outcome of populist industrialization policies in Venezuela has been a reduction of imports in some parts of the consumer goods area, but a triplication of the imports of capital goods instead, a feature of industrialization in dependent capitalism which makes it both profitable for the metropolitan countries and acceptable as a pseudo-progressive reform of the international division of labor that existed before. It represents, basically, another expansion of American exports and counteracts all the aims of national development.

It is very much the question whether any government within the structural limits of dependent capitalism could enforce the measures necessary to reverse this tendency, since its very existence is founded on the class alliance between the dependent national bourgeoisie and the international bourgeoisie of the central nations. At least it becomes obvious from our example that there is a fundamental contradiction between the interests of multinational capital and the requirements for an integrated national growth and development.

### 3.4. *Agrarian Reform and the Marginales*

Industrialization policy and land reform in the context of populism in underdeveloped countries are part of the same stabilization and social integration program that tries to fence off the consequences of the disequilibrated integration of the peripheral countries into the global capitalist system without changing the principal contradiction between autonomous development of these societies and profitability of capital realization



on a global scale. In the case of Venezuela and many more underdeveloped countries these consequences are accumulated in the phenomenon of marginalization.

In the field of industrial policy state action proves to be deficient, i. e. weak and ineffective — compared to that in central capitalist states — chiefly vis à vis the links and mechanisms of external dependence. In Venezuela the 'weak' state is a functional corollary of external dependence and economic penetration. This accounts for the fact that it has not overcome the barrier on the transition to developed capitalism which is constituted by the international division of labor. In the field of land reform state action proves deficient on account of the fact that the state does not successfully integrate the still relatively powerful pre-capitalist fractions into a capitalist development policy thereby giving unproportionate emphasis to the interests of the fraction of landowning oligarchy.

In both aspects state action proves equally deficient because of the lacking political organization of the class of marginales whose economic and social interests are at stake.

The central fact in the agrarian sector of Venezuela is its more or less stagnating productivity since colonial times that now even turns regressive. Its latifundia-property structure occupies relatively less and less of the economically active population (presently still 27 %); in the last decade even the absolute numbers have been going down to a mere 706.000. Its share of the national income is around 7 % and has been going down recently, too.

The estimated number of those who are thus forced to move off the land into the urban agglomerations has risen to 150.000 p. a. In this situation the Acción Democrática started a land reform in 1960. 10 million acres were redistributed, 165.000 families settled. But a more differentiated look at the facts reveals interesting details: In reality, only 95.300 families were finally settling on their own land, the rest gave up their allotments on the way, partly they went bankrupt because state aid was missing; even of those now settled, 80 % don't have a final title of possession, a fact that increases the instability and uncertainty for the whole settlement. Of the 3 billion bolívares spent on the program almost 900 million went to the landowning class in indemnities, the rest was to be technical and financial aid. But the credit conditions for small owners soon became intolerable, and most of the financial assistance went into the hands of the agrarian oligarchy and the new agrarian capitalists who collected abandoned land reform allotments and soon enjoyed a high degree of concentration. In 1970, more money was invested in agriculture (1.4 billion bolívares) than in the entire manufacturing industry (1.16 billion), a reliable sign that if nothing else profits had gone up in this sector. The effect on creation of new jobs is negligible (slightly over 8.000 a year).

So the efforts of failed land reform and failed industrialization together still leave 120.000 people every year to underemployment, frequent change of intermittent jobs, and to plain unemployment (now 20 %), together to marginalization. One consequence is the inflation of the underproductive tertiary sector which already comprises half of Venezuela's economically active population in parttime or otherwise underproductive jobs. Not included in this number is frictional unemployment, i. e. of persons who are seeking employment for the first time in areas where there is still demand for labor or of those who switch from one secure job to the next. But their number is very small, and without them roughly 1/3 of Venezuela's population (dependent family members included) are marginales.

One can identify three different types (Córdova, 1971):

- 1) those working in the agrarian sector without being paid wages of some kind, including those living on subsistence,
- 2) migrants to the cities who were not able to incorporate themselves in the production process resp. can utilize their working capacity only temporarily and/or in underproductive occupations,
- 3) workers who cannot maintain a status of permanent employment and fall back into the conditions of group 2.

Here now we can start illustrating our contention that the marginales, the result of failure or insufficiency of state action aiming at the capitalist transformation of the underdevel-

oped societies, are a non-capitalist element.

Group 3 is virtually non-existing in Venezuela. On the one hand there is a relatively continuous expansion of industry in Venezuela, on the other hand there is little fluctuation between the industrial proletariat and the marginales. The reason for that is that even simple jobs in the industrial sector require some time of on-the-job training. This investment makes it highly unlikely that a firm will exchange its skilled workers against the unqualified labor force of the marginales. Qualification is an important barrier between marginality and the industrial proletariat. Consequently there can be hardly any wage depressing function of unqualified labor vis à vis the proletariat. The only chance to enter wage labor status is expansion and creation of new jobs.

In connection with the agrarian capitalist concentration that is a byproduct of the land reform, group 1 is also rapidly decreasing in number. We therefore have a tendency toward a uniform group of urban marginales, distinct from the industrial proletariat.

Neither against the inherent tendency to capital intensive industries nor against the partly still latifundista-, partly agrarian capitalist-based rural power structure is state action likely. The tendency points toward an aggravation of this crisis of a frustrated transition to developed capitalism through an increasing number of economically disintegrated marginales.

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## "The State in Post-Colonial Societies - Pakistan and Bangladesh"

Comments on Hamza Alavi (New Left Review No. 74, July/August 1972, pp. 59-81)

Sherry Girling\*

Hamza Alavi's article, "The State in Post-Colonial Societies - Pakistan and Bangladesh" presents us with a provocative claim: a new theory of the state's relative autonomy in post-colonial societies. As will be discussed later, Alavi's theory is not so novel as it claims to be, however, it has the virtue of being a concrete historical study that presents us with an excellent opportunity to reconsider the role of the state in dependent societies. Alavi's analysis is flawed by an apparent theoretical confusion about the concept of social class as applied to the analysis of concrete situations.

According to Alavi, the post-colonial state (pcs) is not the instrument of a single ruling class, as formulated by classical Marxist theory. The pcs is distinctive from the early bourgeois state (analyzed in Marx's 18th Brumaire) because

- 1) it mediates among three propertied classes in contrast to the classical bourgeois state which mediates among fractions of a single hegemonic class.
- 2) The pcs has an economic role unparalleled by the classical bourgeois state.

As a result the pcs develops a type of relative autonomy which is different from that ascribed to the state by classical Marxists.

Historically, the pcs is viewed as having a unique process of formation. Basically, the state, in the form of its military and bureaucratic apparatus, is created by the colonial power prior to the struggle for independence. The struggle for independence itself is characterised by an absence of either an anti-imperialist or a national democratic thrust on the part of the indigenous bourgeoisie. Moreover, the antagonistic contradictions which existed between the national bourgeoisie and feudal landowners in European countries are non-existent in the emerging post-colonial state, for the state was created by the imperialist power independent of either the national bourgeoisie or the feudal landed class.

In post-colonial society, Alavi identifies three propertied classes - feudal landowners, indigenous bourgeoisie and the metropolitan bourgeoisie - as competing for control of the state's military-bureaucratic apparatus. Competition among the three classes is not antagonistic, but instead an unequal and hierarchical collaboration.

"The concept of collaboration implies and describes the fact of their separateness and hierarchy implies a degree of conflict between their interests and a tension which underlies their relationship." (p. 75)

The absence of antagonistic contradictions between landowners and the national bourgeoisie and between the metropolitan and national bourgeoisie is explained as follows:

1. The feudal landowner class is integrated into the capitalist economy. Alavi describes the growth of capitalist farming within the context of the Green Revolution. Large scale farming yielding an agricultural surplus needed to sustain industrialization and urbanization as well as to expand the domestic market for manufactures goods (p. 74). He also notes that many large landowning families are engaged in the process of diversifying their assets by investing in the industrial sector. Finally, because of their control of political parties which are based predominantly on rural support, the land-

\* Sherry Girling works at SIDEAC, School of Education, Stanford University, Stanford, Calif. 94305, U. S. A. At present her principal area of work is education in the dependent capitalist state. This work, however, falls within a more general area of interest in the role of the state in dependent societies in maintaining, managing and transforming class relations. To date, her work has been focused on the West Indies.

owners are needed by the military-bureaucratic state for local control and legitimization.

2. The relationship between the metropolitan bourgeoisie and the indigenous bourgeoisie expands its activities from industries of relatively low technology to those requiring high technology for which they must turn to the metropolitan bourgeoisie in a process of collaboration (pp. 74-75).

Within this collaborative context of three propertied classes in post-colonial society, the state develops a distinctive mediatory role. Thus, Alavi's reformulation of the classical Marxist theory of the state's relative autonomy hinges upon his class analysis of the post-colonial society. To evaluate this reformulation it is necessary to examine the class analysis he presents and a sub-set of issues which arise within this analysis.

Essentially, the question is, "are there really three distinct propertied classes competing within the pcs?" Paradoxically, Alavi seems to present us with the historical facts for the case against his three class analysis of pcs. First, consider his analysis of the relationship between the indigenous bourgeoisie and the "feudal landowning class" in these two "classes" by reference to the Green Revolution and the colonial development of the bourgeois state. Although both these historical phenomena play an important and distinctive role in the post-colonial situation the reason that there is no antagonism between the landowners and the bourgeoisie is that the landowning class was never feudal. Here we see Alavi's confusion between the concrete historical formation of a particular society and a higher theoretical level of abstraction.

Theoretically, the antagonisms which exist between social classes *within* a given mode of production are not reversible. They are derived from the structural opposition of groups within the relations of production. Until those relations of production are changed, the antagonistic contradictions between social classes will not be eliminated. In other words, a social class is defined theoretically and practically by its opposition to another social class - the negation of this opposition - or antagonistic contradiction - implies the negation of the classes opposed. The same concept applies to the relationship between classes of two historically and structurally different modes of production, capitalism and feudalism for example. The negation of the theoretical and historical opposition between the nascent European bourgeoisie and feudal landowners was actualized by the defeat of feudalism and the establishment of the bourgeois capitalist state.

Alavi tries to convince us that the pcs case is different from the European case. His assumption is correct, but he gives the wrong reasons. Landowners in colonial and post-colonial societies did not constitute a feudal class as in the European case. Colonial and post-colonial landlords were not part of a feudal mode of production and were long involved in the extraction of surplus value; even slavery falls well within the realm of an earlier phase of capitalist production. Alavi explains quite clearly that they are deriving their incomes from profits both in agriculture and industry in the pcs, not from rents. Hence the theoretical ground for a class opposition between landowners and a nascent bourgeoisie is clearly absent in the pcs and we have good reason to interpret Alavi's facts as the case of colonial landlords being transformed into the post-colonial segment of the national bourgeoisie: landed capital which diversifies itself in industry.

The lack of antagonism between the national bourgeoisie and the metropolitan bourgeoisie which is supposed to contradict classical Marxist theory also contradicts Alavi's "new" concept of the state's relative autonomy in pcs. His analysis misses the fact that the indigenous bourgeoisie in most colonial and post-colonial societies began originally as an arm of the metropolitan bourgeoisie and developed a limited local class autonomy only during the brief inter-war period of import substitution. Following World War II, local capital was and continues to be increasingly absorbed or displaced by the multinational corporation. Those brief populist interclass alliances of the late 40's and 50's which dominated colonial and post-colonial politics not only gave way to the emergent military-bureaucratic state as local and foreign capital were re-integrated in a new

productive system, but they were instrumental in sponsoring, strengthening and legitimating a new military-bureaucratic state dependent on the international capitalist class in the post-colonial society.

This brings us to another question with respect to Alavi's analysis: Even if the military-bureaucratic state of the post-colonial society were mediating among three propertied classes - how is the concrete nature of the mediation different from its mediatory role among fractions of a single propertied class in the metropole so as to fundamentally alter its relative autonomy?

What seems to be at stake for Alavi and other analysts whose specific focus is the state in the dependent capitalist world is not a new concept of the state's relative autonomy, but the need to analyze the historical specificity of contemporary situations at a level of theoretical abstraction which is both understandable and politically useful. This does not preclude theoretical revisions when history departs from accepted theory. However, Alavi's analysis of the state in post-colonial societies does not appear to warrant such a revision.

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Gerd Junne\*

The internationalization of production and of financial capital leads to an increased number of issues where the coalescence of interest between industrial capital, financial capital, and the state apparatus is weakened.

The state in capitalist society, provided it is not totally dominated by one fraction of the ruling class, functions as an agent to enforce the collective interest of the different fractions of the dominant members of society. Since it has always been in the interest of any individual capitalist to break the law (tax laws, laws limiting the number of hours a worker may work every day etc.), the state has been entrusted with law enforcing power not only to oppress the dominated classes but to secure a certain behavior of the members of the ruling class as well.

The internationalization of economic processes weakens this mechanism in two ways:

- a) It may become more difficult to define the common interest of the ruling class because internationally active parts of the national capital and those fractions working almost only within the national economy may have rather different interests regarding state action. These interests may paralyze one another, and force national governments to follow a rather undecided stop and go policy. (The crisis which often results may weaken one of the fractions of the ruling class in such a manner that the other can have its way, or it may result in a wider margin of action for the ruled class, if the deadlock is not overcome.)
- b) It becomes more difficult to enforce the common interest, because the internationally organized corporations and banks relatively easily escape most of the consequences of state interventions intended to steer the economy as a whole.

Economic orchestration, however, has become one of the most important functions of the state apparatus. How smoothly the state can fulfil this function determines to a large degree its ability to fulfil most of its other functions, e. g. guaranty of social order and cohesion, input provision (input of educated labor, technology and infrastructure), backing of the national economy against outside competitors etc.

The ability of multinational corporations to escape the consequences of state actions makes state interventions less effective, and may provoke a compensating intensification of state interventions. These, however, tend to widen the gap in competitiveness between national and international corporations, insofar as the latter are able to evade government regulations, thus forcing the hitherto national corporations to internationalize their operations, too. More intense government regulations, therefore, may lead only to a higher degree of internationalization of economic processes and to a reduced effectiveness of state interventions.

The obvious answer in the political sphere seems to be international integration that reduces the territorial non-coincidence between political and economic organization. On the international level, however, it is even more difficult to define and enforce the common interest of the ruling class(es). And, as a consequence of these manifest international contradictions, even the mechanisms used to reconcile the dominant interests within the national framework may work less well, thus making it still less probable that international agreements will come about.

My current work will specify the hypothesis above for part of the internationalization process. Concentrating on international monetary flows, I am trying to explore their consequences for economic orchestration on the level of the nation state, for international political integration, and for the further internationalization of economic organization.

\* Gerd Junne is working at the Political Science Department, Free University of Berlin. His home address is: D 1 Berlin 45, Geibelstrasse 14, Germany. His work is part of a thesis on "Political Implications of the Euromoney Market" which shall be finished in 1974.

Bertell Ollman\*

*This chapter from my book, Alienation: Marx's Conception of Man in Capitalist Society (Cambridge, Cambridge University Press, 1971), is meant to describe how the state appears and functions as part of Marx's theory of alienation. Though very helpful in shedding light on such problems as legitimacy, patriotism, participation and the relation between economic and political forms, the conception of the state as an "illusory community" is partial and the analysis derived from it one-sided. Aspects of the state which are necessarily underplayed and distorted (though not falsified) by my treatment include the dominant role of the ruling economic class, the structures which maintain the cohesion and equilibrium of the social system, the state's function in the reproduction of value, the actual institutions of government and the hegemonic ideology. Each of these aspects (and there are others) provides a focal point for study as well as a perspective from which to unravel the entire state relationship. Though my own concern is with alienation, I do not - unlike many Marxists - consider the research done with other perspectives unimportant or irrelevant.*

*To clarify this point, I should like to make more explicit than I have in the ensuing piece the sense in which Marx conceives of the state as a social relation. For him, it is not only that the various institutions and practises of the state (like those in the economy) express the relations between real people. At a still more fundamental level, the state is grasped as a relation between fully overlapping sets of relations; for the ties between alienated social powers, domination by the ruling economic class, objective political structures, etc. will have one appearance and importance when examined from the vantage point of these alienated powers (as part of an extended analysis of alienation) and a somewhat different appearance and importance when the focus of attention is the political domination of the ruling economic class (as part of an extended analysis of this class). In each case, substantially the same information is covered but as parts of different hierarchies. What I have called "perspectives", therefore, are really complementary approaches to the study of the varied dimensions of the state, conceived of as a social relation. As regards my own focus on the state as an illusory community, it is not so much one-sided as one-dimensional; other aspects of the state relation are not left out but appear (somewhat altered) as necessary conditions and results of the aspect I have chosen to emphasize. Each perspective offers privileged access to a certain range of information, so that a fully adequate analysis of the state - which my piece has no pretense of being - requires approaching political life (as Marx does) from various perspectives.*

*It is not possible at this time to bring out all the implications of this view, but there are three whose importance requires that they be mentioned:*

1. *The relation between the state, conceived as a social relation, and capitalist society is not that of a part to a whole, but of one version of the whole to itself. Just as aspects of the state serve as overlapping perspectives, the study of the state, the state is one major perspective co-extensive with others such as the mode of production, culture and science in the Marxist study of society. It follows that economic, cultural and scientific events and processes are subsumed under the state relation, which means as necessary conditions and results within its various perspectives, and are open to study as such.*
2. *The dimensions of the state, conceived as a social relation, have a relative rather than an absolute existence, depending on a combination of what actually exists or comes to exist in real states and the purpose of the person conducting the examination. As a social relation, the state can be carved up (in Marx's terms - "abstracted") in a variety*

\* Bertell Ollman may be contacted via the Department of Politics, New York University, Washington Square, N.Y., N.Y.. His present fields of interest are best documented by the piece of work presented here.

of ways, producing as many different dimensions of the state. Even the particular dimensions discussed above can be broken up, each new unit developing into a full scale dimension. The dimension of government institutions, for example, is easily abstracted into Congress, Administration and Judiciary, so that where there was one there are now three prisms in which to view and examine the capitalist state. Dividing and re-dividing political life in this way is necessary in order to investigate the different facets of complex contradictions and to deal with them most effectively.

3. In conceiving of the state as a social relation, the concepts used to refer to political matters, including the concept "state", undergo a subtle shift in meaning depending on the dimension in which they appear. What is meant by "government", for example, in a study based on a view of the state as illusory community is not quite the same as what "government" means in a study that takes place within the perspective of the state as a set of objective structures. Moreover, the range of relations within any dimension that is actually conveyed by a concept depends in part on the intentions of the person using the concept. That is, given a particular perspective, say the state as illusory community, Marx can use the concept "government" to convey as much of the analysis of the state made from this perspective as suits his immediate purpose. Rooted – like the notions of totality and abstraction described above – in his philosophy of internal relations, it is these two practices which make it impossible for Marx to offer any definitions.

#### I

If 'class' expresses the relations of each atomized individual to all others who share his socio-economic conditions of life, and the relations between him as a member of this group to other similarly constituted groups, then 'state' expresses the relations of each such individual to society as a whole. Since the interaction of atomized individuals of the same and opposed classes subsumes their relations to society, state is really a facet of the class relation; nevertheless, the distinction drawn above will prove practically useful. Whenever people relate to one another as members of the general community, that is as citizens – no matter what they do or want – they can be said to be engaging in politics.

For Marx, man's life as a citizen in capitalism is severely cramping. His private life offers an inadequate outlet for qualities whose full exercise demands a public stage. For example, though it is in his nature to legislate for himself what he will do, he is reduced to deciding narrow personal matters and having everything which has a bearing on his standing in the community decided by others. And though it is in his nature to administer whatever touches him, he is reduced to administering his own personal affairs and being wholly administered by others publicly. Also, though it is in his nature to judge himself and those people with whom he comes into contact directly, he is reduced to judging none but himself and having all matters involving his interpersonal relations judged by others. In his life as a citizen, all peculiarities of ability and need are disregarded, and the individual both acts and is acted upon with all the equality of a statistic. To appreciate this degradation for what it is, we must compare this situation with the one Marx foresees in

communism, where the very division between caring for oneself and for others has disappeared with the return of the individual from the state to 'his human, that is, social mode of existence'.<sup>1</sup>

In capitalism, the state is an abstraction in political life on the same plane that value is in economic life; the one is the abstract product of alienated political activity, just as the other is the abstract product of alienated productive activity. And just as value becomes a power over man when realized in the concrete forms of commodity, capital, money and so on, the state exercises power over him when expressed in the real institutions of government – in legislatures, executive agencies, courts, political parties, constitutions and laws. As creations of men intended to serve them in their communal relations, all forms of the state, like other intermediaries we have examined, take on the very powers they were meant to mediate. Marx claims that the state is the intermediary to which man confides 'all his human freedom'.<sup>2</sup> It is both man's activity in disposing of his freedom and its necessary results which allow Marx to refer to the state as a 'mode of production' that falls under the law of private property, and as a power 'which has won an existence independent of the individuals'.<sup>3</sup>

Like value, the state expresses the alienated relations of capitalist society. It has a use-value expressing the aims its various forms are meant to serve, and an exchange-value evidenced by the role money plays in influencing these forms. Like value, too, the state is based on a spurious equality of man, in this instance, his common citizenship. The workers' treatment of their material products as foreign entities also has a parallel here, where people do not recognize the concrete products of their political activity as their own. As with commodities, man's political products, through their appropriation under conditions of alienation, have acquired a life and movement of their own, a metamorphosis which carries them into and out of various forms independent of man's will. In this way, simple voting, for example, contributes to the maintenance of a parliament. Meanwhile, parliaments, laws and the rest have assumed the guise of quasi-supreme beings to which their own creators are asked to pay obeisance. The same fetishism we observed in economics is as widespread and at least as successful in politics. Regard how constitutions manipulate the very people who drafted them, to say nothing of those who looked on, because they treat these rules as holy writ.

The comparison between value and state can be carried further: as with the products of capitalist industry, the power of any objects over man resides primarily in the relationship of control over these objects by persons who are alien and hostile to him. The tie between workers and their capitalist boss in the factory is duplicated with citizens and the men who run the machinery of government. Both

are value and class relations, and, in each case, alienation occurs through the transfer of use-values. Just as workers give up the use-value of their labor-power, labor, and with it all its products, people, as citizens, give up the use-value of their political activity – of legislating, administering and judging for all – and with it the use-value of the products created by the ensuing political interaction. Such means enable the capitalists to dispose of the use-value of capital, landed property, etc., and rulers to dispose of the use-value of legislatures, courts, etc. For Marx, despite the facade of democratic processes, those who dominate capitalist political institutions and through them the public life of all citizens are beyond popular control. No matter what the vagaries of voting, government is for as well as by the bourgeoisie, a change of parties being invariably a change of bourgeois parties.

Another aspect of political alienation in capitalism is that the centralization of governmental institutions together with burgeoning population has gone so far as to rule out all meaningful face to face contact between governed and governors. As a result, the rulers remain vague insubstantial beings, barely possible to believe in, let alone order. Also as a result, people can no longer identify themselves with their rulers even to the degree that this was possible in feudalism where, beside the proprietary nature of the political bond, the units of government were smaller and hence closer to their subjects. The interaction between the state and its citizens then, because it was more personal, was altogether more human, even when on occasion the actual results were more harsh.<sup>4</sup>

The absolute inhumanity of political relations in capitalism is aptly summed up in the notion of patriotism. Though Marx never says so explicitly, what we ordinarily understand by 'patriotism' best expresses the detached impersonal kind of belonging that is associated with the state. To be patriotic is to recognize one's duties not to real living people, but to the abstract community, to the very links of alienation which bind the social whole after the human ties have been cut. It is to reify all the products of such political activity from the uncomfortable hat it puts on someone's head to the piece of colored cloth it runs up a flag pole. Other human beings are recognizable only as fellow patriots, only as beings which share the same degrading relations to scraps of paper, a hat, a piece of cloth, a song, a mace. These relations are degrading because they do not exist for the satisfaction of human needs but for the satisfaction of the community which arises out of the destruction of such needs.

Whence the state? For Marx, the state has its origins in the same segmentation of human relations which gave birth to classes.<sup>5</sup> This, in turn, as we saw, arose as part of the early interaction between the division of labor and private property. All individuals who service one another through the division of labor share a communal interest by virtue of their interdependence. This is reflected in the conditions of their cooperation, and finds expression in the maxim that each continue to do what he is doing for the good of all.

However, the same division of labor which establishes the communal interest also creates a host of particular interests in the specialized tasks which fall to different parties. The two exist alongside one another; they arise as facets of the same situation. Now, it happens that in pursuing their particular interests individuals lose sight of the communal one. They cannot look over their shoulders at the effect their activity has on others when its uncertain effect on their own life and happiness requires full concentration. The result is, though the community is a creature of their cooperation, individuals are only conscious of it when they come into conflict with it, when they are restricted in their attempt to satisfy personal interests. Or in Marx's words, people have always belonged to the community 'only as average individuals, only in so far as they lived within the conditions of their class'.<sup>6</sup>

With the communal interest lost behind a host of competing particular interests, society becomes a battleground. People experience others only by struggling against them. In this situation, the conditions of cooperation which were established by the division of labor win 'an independent existence over against the separate individuals' and become a 'bond alien to them'.<sup>7</sup> People who do not know that they are cooperating cannot have a proper estimate of the means by which they are cooperating, nor can they control them. These means will seem something apart, but yet – because they cannot escape their mutual dependence – something to which they owe a strange, compelling allegiance. Just as social relations take on an independent existence in class, political relations (defined as the interaction between individuals and the community as such – as one facet of their social relations) take on an independent existence in the state.

According to Marx:

The Social power, i.e., the multiplied productive force, which arises through the cooperation of different individuals as it is determined within the division of labor, appears to these individuals, since their cooperation is not voluntary but natural, not as their own united power but as an alien force existing outside them, of the origin and end of which they are ignorant, which they thus cannot control, which on the contrary passes

through a peculiar series of phases and stages independent of the will and the action of man, nay even being the prime governor of these.<sup>8</sup>

In this manner, the state is born as the expression of a situation where interdependence is universal but nowhere fully appreciated, as the version of the community appropriate to class ridden societies. The state Relation is a facet of the broader class Relation; the two emerge together, are dependent on one another, and in communism are destined to disappear together.<sup>9</sup>

The actual institutions of the state exercise a hostile domination over the individual, as we have said, because they are themselves dominated by a class of men who are alien and hostile to him. Again, it is simply because the communal interest is not recognized for what it is that one class is able to disguise its special interest as the 'general good' and to promote it through the organs of the state. Marx maintains that

Just because individuals seek only their particular interest, i.e., that not coinciding with their communal interest (for the 'general good' is the illusory form of communal life), the latter will be imposed on them as an interest 'alien' to them, and 'independent' of them, as in its turn a particular, peculiar 'general interest'; or they must meet face to face in this antagonism in democracy.<sup>10</sup>

All classes, including the proletariat, strive for political power in order to represent their special interests as the 'general good'. Democracy allows this competition, as with competition in other fields, to come to the surface only to muffle it, for every manifestation of the class struggle is damaging to the interests that have come out on top. In Marx's words, 'the practical struggle of these particular interests, which constantly really run counter to the communal and illusory communal interests, make practical intervention and control necessary through the illusory "general interest" in the form of the state'.<sup>11</sup> The state is an illusory community because it represents the domination of one class over another, in which all political forms are fetters (some well, some badly disguised) on the subjugated peoples.<sup>12</sup> It represents an 'illusory "general interest"' because it invariably resolves threats to the real communal interest by acting in accord with the particular interest of its ruling class. Both its composition and the specific ends it serves lead Marx to assert, 'The executive committee of the modern state is but a committee for managing the common affairs of the whole bourgeoisie'.<sup>13</sup>

It is not inconsistent with this general conclusion to hold that unusual circumstances may bring a government into power for a short period which does not *directly* represent the ruling economic class. This is how Marx viewed the reign of Napoleon III in France. While continuing to protect basic capitalist interests, he actually ruled over all classes.<sup>14</sup> As with individual character and the prices of commodities, Marx was always willing to make room

for exceptions due to unusual circumstances, simply because the real world contained such exceptions. I do not consider that this admission requires any important modifications in what was said concerning the place of the state in the theory of alienation.

Marx was more interested in the character of the forms he was examining than in who controlled them, though an understanding of the one generally allows him to make conclusions in regard to the other – just as the evidence of who actually controls the institutions of the state entered into any decision about their character. The state is an illusory community as well as the instrument of rule in class ridden societies; this best expresses its essential character.<sup>15</sup> As such, the state is almost invariably in the hands of the strongest economic class. When class relations are replaced by human ones, as occurs in communism, the state must of necessity disappear.

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## Class Domination and the Political System: A Critical Interpretation of Recent Contribution by Claus Offe\*

Sabine Sardei-Biermann/Jens Christiansen/Knuth Dohse\*\*  
(Palo Alto/San Francisco KAPITALISTATE-Group)

The present paper tries to present a critical description and appraisal of recent contributions by Claus Offe to the general problematic of the relationship between the economy and the state in advanced capitalist societies (1).

Offe's concept of advanced capitalism is based on the Marxian notion of capitalism as a development pattern of a historical socio-economic formation. This pattern, generated by the laws of motion of capital, is governed by the basic contradiction between increasing socialization of production and continual private appropriation (or between the forces of production and the relations of production). Offe's interpretation of this contradiction focuses on the symmetry between the unlimited dysfunctional consequences (2) of the processes of surplus value creation and the limited capacity of means compatible with the system as a whole to direct and overcome these consequences.

Periodical crises which threaten the structure of the system are a manifestation of the asymmetry described. They give rise to the development of adaptive mechanisms (or crisis management mechanisms), which in turn can defuse crisis situations and thus temporarily "deproblemize" the underlying contradiction. Besides market-internal mechanisms such as oligopolization and monopolization the expansion of the scope and functions of the state is the most important of the adaptive mechanisms.

This leads to two basic questions in the analysis of the relationship state — economy as dealt with by Offe:

- 1) The problematic of the class nature of the state.

The following part of this paper takes up the question: what guarantees that the state realizes the interest of surplus value creation, i. e. that the state can be described as a capitalist state rather than a neutral institution that could be used for any interest

\* An earlier version of this paper was presented at an URPE conference at Stanford University, Calif., USA, May 12, 1973.

The authors thank all discussants for their valuable comments.

\*\* Jens Christiansen may be reached at the Department of Economics, Stanford University, Stanford, Calif. He is currently working on problems of the expansionary dynamics of Capitalist Development and problems of "transition" (capitalism to socialism).

Sabine Sardei-Biermann may now be reached at: D-8 München 40, Hiltenspergerstr. 35/V, Tel. 089-374381.

Knuth Dohse may now be reached at: D-1 Berlin 41, Wielandstr. 42b; Tel. 030-8517900. His current field of work is: State policy toward migrant labor in the FRG.

- 1) C. Offe, Spätkapitalismus — Versuch einer Begriffsbestimmung; C. Offe, Klassenherrschaft und politisches System. Die Selektivität politischer Institutionen; both in: C. Offe, Strukturprobleme des kapitalistischen Staates, Frankfurt (Suhrkamp) 1972; and C. Offe, "Krisen des Krisenmanagement": Elemente einer politischen Krisentheorie, in: M. Jaenicke (ed.), Herrschaft und Krise, Opladen (Westdeutscher Verlag) 1973.

The purpose of this paper is to introduce English speaking readers to Offe's contributions (cf. also the bibliographical postscript listing additional works of Offe and pinpointing the sources of the FRG discussion of Offe's theses). We chose the three articles for our summary in order to provide a wider framework for the discussion, that will undoubtedly be generated by Offe's article "The Abolition of Market Control and the Problem of Legitimacy", in: KAPITALISTATE No. 1/1973, pp. 109–116 (continued in this issue of KAPITALISTATE). Yet, we do not attempt any discussion of this article here. This will be done in a forthcoming criticism by the Palo Alto-San Francisco KAPITALISTATE group.

The ideas presented in this paper should not be considered as final results, but rather as contributions to an ongoing discussion on the subject.

- 2) This should not be interpreted in terms of a break-down theory of capitalism, but rather in terms of increasing appearances of crises.

(capitalist state vs. state in capitalist society) (3).

- 2) The problematic of the inherent limits to crisis management by the state.

The second part of this paper shows the inadequacy of economic crisis theories and focuses on the structural limits and deficiencies of the state to overcome the self-destructive forces generated by the capitalist economy.

## The Class Nature of the State

### *Insufficiencies of Influence- and Constraint-Theories*

Offe distinguishes two kinds of theories concerning the class nature of the state: 'influence theories' and 'constraint theories' (4).

The influence theories regard the state as the instrument of the capitalist ruling class. This is based on a number of empirical observations documenting the transformation of economic into political power:

- a) numerous examples illustrate the influence of economically strong and important capitalist sectors on public policy;
- b) groups and organisations of capital can and do undermine politically motivated efforts of regulating business activities;
- c) actual as well as possible withdrawal of investment generates indirect influence;
- d) capitalist controlled media prevent the articulation of anti-capitalist interests and consciousness;
- e) campaign financing, personal contacts etc. establish influence on the recruitment of political personnel.

Constraint theories on the other hand imply the notion of the limited sovereignty of the state. The action space of the capitalist state is structurally limited, so as to effectively prevent any anti-capitalist policy. Both theories can be regarded as complementary and both, according to Offe, assume that the state with respect to its internal structure can be used not only for capitalist interest, i. e. the state apparatus is regarded as a neutral instrument, which could potentially be used by any social class.

In general Offe criticizes that both theories confine their analysis to the external determination, which gives public policy its capitalist content. They stay within the pluralist framework and are unable to demonstrate the structural necessity of the class character of the political system.

More specifically he advances two points of criticism:

- 1) Both theories confuse interest of interest groups and those of the capitalist class as a whole. In order to prove the class nature of the state both theories would have to demonstrate that those interests, which succeed in getting transformed into public policy, do in fact have the quality of class interest rather than of particular special interests. The very fact of competition among capitals, however, renders it almost impossible that a general capitalist class interest can actually come into existence. Thus, what gets transformed is almost certainly a particular interest (as opposed to the class interest as a whole).

Finally on the level of empirical analysis, public policy, which can be shown to be functionally important for the conditions of surplus value creation, very often cannot genetically be derived from instances of direct capitalist influence. On the

- 3) On this controversy see the discussion between R. Miliband and N. Poulantzas in *New Left Review*, 1969 and 1970.
- 4) Grant McConnell, *Private Power and American Democracy* New York (Knopf) 1966; G. William Domhoff, *Who Rules America?*, Englewood Cliffs, N. J. (Prentice Hall) 1967; G. William Domhoff, *Fat Cats and Democrats*, New York 1973; G. William Domhoff, *Some Friendly Answers to Radical Critics*, in: *The Insurgent Sociologist*, Spring 1972; Ralph Miliband, *The State in Capitalist Society*, New York (Basic Books) 1969; see also Jim O'Connor, *The Fiscal Crisis of the State*, New York (St. Martin's Press) 1973.



other hand we very often encounter phenomena in the political process, which have been instigated by capitalist interest groups, but cannot be characterized as constituting the capitalist class interest.

Contrary to all this Offe proposes the thesis that the common interest of the ruling class is best expressed in those strategies of the state apparatus, which are not initiated by outside interests but by the very routines and formal structures of the state organization itself. Vice versa actual influence by interest groups is more likely to violate the capitalist class interest as a whole.

- 2) Both theories imply a mechanical concept of political power. Power of A over B - except for direct physical coercion - presupposes the acceptance of this relationship by B. This is overlooked by both theories. Thus they develop a kind of impact model, which cannot demonstrate the structural necessity of the power relationship.

From this concept of power Offe derives the thesis that two systems, e. g. the state and the economy, can only constitute a power relationship if they structurally correspond; i. e., there has to exist a complementarity, such that one system has to be structured in a way as to accept the requirements and demands of the other. Thus the class character of the state can only be proved by showing the existence of a correspondence between the structures of the state and the capitalist economy. The central question is: what are the internal structures of the political system, which guarantee the transformation of the interests of the process of surplus value creation into public policy?

#### *State Domination through Selective Processes*

In order to overcome the distortions and limitations of the influence and constraint theories, Offe conceptualizes state domination as a regulating system with specific selective mechanisms. These can be visualized as a 'filter system' that systematically selects specific outcomes out of an infinite number of possibilities; other potential outcomes can be regarded as 'non-events' (5). To prove the class nature of the state, it must then be possible to show that the internal structures of the political system imply a class-specific selectivity.

The structures of the state would generally have to contain two kinds of selective mechanisms:

One selective mechanism has to extract a general class interest from particular interests of specific capitals, which themselves may be rather limited, competing, and short-sighted. This formulation of a general class interest for the whole society may be directed in part against some particular capital interests.

The second selective mechanism has to oppress anti-capitalist interests and conflicts. It also has to provide possibilities for the concrete realisation of the general class interest. It functions complementarily with respect to the first mechanism.

Offe regards the class nature of the state as being proved, if the state domination is able to effectively apply those two selective mechanisms, i. e. the formulation and the realisation of the general class interest. This approach, however, which uses the concept of selectivity of political institutions, would only be preferable to the other two approaches, if it is possible to identify the class-bound selectivity of the state apparatus.

After a long discussion of liberal and critical methods of analysis, which we will not present here, Offe finds that they all are not able to prove the class nature of the political system. He concludes, that their inability to prove the class nature of the state must be explained in terms of the legitimizing functions of the state: the democratic state, which generally corresponds to the capitalist organisation of society, does have to fulfill not only the specific instrumental, but also legitimizing functions. A further functional pre-

5) See Bachrach/Baratz, *Power and Poverty*, New York (Oxford University Press) 1970 and E. E. Schattschneider, *The Semi-Sovereign People*, New York etc. (Holt, Rinehart and Winston) 1960.

requisite of the democratic state consists therefore in the realisation of the general class interest under the name of the benefit to society as a whole. This is to avoid the danger that an openly practiced class nature of the state might lead to a polarisation of classes and to a politicisation of class conflicts. Therefore the problem of the capitalist state lies in the realisation of the class interest and at the same time its concealment. The coordinative and repressive selective mechanisms of the state have to be concealed by means of yet a third kind of selective mechanisms. These concealing mechanisms are expressed by a 'false consciousness', an ideology, of the political system, which denies its class nature.

#### *Outline of an Empirical Analysis and Indicators*

The three mentioned selective mechanisms, the formulation and realisation of the general class interest and the legitimizing ideology of the political system, yield the basis for Offe's program of empirical analysis. Such an analysis would investigate the concealing functions of the state as outlined above that give rise to the suggestion that societal life is shaped by means of democratic and participatory procedures. The discrepancy between such an ideology and the fact that these procedures are in substance without effect is taken as an indicator for the class nature of the political system. Offe suggests that this discrepancy between the 'false consciousness' created by the state and the actual instrumental functions of the state, which run counter to that consciousness, could be analysed in the following way:

- 1) One could examine, whether those concealing mechanisms (i. e. the legitimizing functions) expand in the same way as the range of the instrumental state functions, which guarantee the preconditions of processes of surplus value creation. The hypothesis is that there exists a parallel development of the administrative regulations of these processes by the state and of the expansion of strategies for the creation of consensus within society (6).
- 2) Still more important is the second hypothesis: The functional requirements of the capitalist economy, which lead to specific policies, and the motives mobilized for the realisation of those policies are non-identical. The motives, which get mobilized for justification and formation of general consensus in society, and the functional context of state activities do not coincide (7). This provides a second indicator for the class nature of the political system.
- 3) A third hypothesis can be formed out of the two mentioned above: if the range of the instrumental state functions expands as much as the legitimizing functions (hypothesis 1), and the non-coincidence of both continues (hypothesis 2), then political crisis phenomena will occur. These crisis phenomena describe a situation, in which the state is no more able to legitimize its actual functions under the existing relations of production. These functions then become evident.

The analysis of political crises and conflicts, which correspond to Offe's interpretation, can be used as empirical means for the verification of the class nature of the state. Crisis situations and manifest class conflicts provide particularly good possibilities for the analysis, because they invalidate the legitimizing mechanisms. Therefore their ideological character can be revealed especially well. Because of the special importance of crisis situations in Offe's analysis of the class nature of the state, this will be taken up again in the next part of this paper.

Finally one can analyse preventive state strategies, which limit the manifestations of

- 6) An example for this hypothesis would be the simultaneous occurrence of the New Deal policies (which meant an expansion of administrative regulations by the state) and the Wagner Labor Relations Act (which provided new means of consensus creation through guarantees for collective bargaining).
- 7) This should become obvious through the following example: the long-term expansion of capital and commodity markets into Third World countries is legitimized by humanitarian motives supposedly underlying "development aid" etc.

conflicts and crises. Those strategies try to reduce the probability of the occurrence of conflicts or the violence of their manifestation. The hypothesis is, that the state has to develop a combination of these kinds of strategies to manage problems, which arise from the discrepancy between the instrumental and legitimizing functions of the state. Those strategies try to relieve the state of rising expectations and responsibilities, which could create crisis phenomena.

### Inherent Limits to Crisis Management by the State

As already mentioned crisis situations are of special importance in Offe's analysis of the class nature of the state as treated above. The following part deals with the question of the relation state – economy within the context of a general crisis theory of advanced capitalist societies. Within this framework we shall show the structural limits and deficiencies of crisis management by the state.

### *The Dominance of the Exchange Principle in Capitalism*

According to Offe, capitalist societies are dominated by the organisational principle of exchange (of equivalents). This basic principle has to be supported by normative and power principles (non-exchange principles). A general theory of crises in capitalist societies would have to be based on the relations between these three organisational principles of society as a whole and not be limited to the development of crises in the sphere of exchange. The criterion for processes to be called crises would then be the fact that the alternative organisational principle would interfere with and question the dominance of the exchange principle and tend on their part to become dominant.

In the relationship of the three principles to each other we can distinguish two cases: a *positive subordination*, if the two non-exchange principles are substantively (not just formally) coordinated with the exchange principle in such a way that they positively contribute to or create the conditions for a functioning of the dominating exchange principle; a *negative subordination*, if the normative and the power principles are isolated against the exchange principle without contributing at all to its functioning (i. e. successful prevention of interferences between exchange and non-exchange principles). The crucial point in the first case is the creation of complementary functions, in the second case the successful creation of borderlines between the normative, power and exchange principle, so that the former two do not interfere with or question the dominance of the latter.

### *The Four-Sector Model*

To show that the dominance of the exchange principle is questioned in advanced capitalist societies Offe develops a model of the absorption of the total social labor force into four sectors: the monopoly sector (M), the competitive sector (C), the public sector (P), and a sector of residual labor power (R). These sectors are ranked in the given order by a decreasing degree of commodification. That means in the monopoly sector labor power in all its aspects is a commodity, all relations within the sector are determined by the exchange principle. Price competition is more important in the competitive sector, yet this sector as a whole is quite dependent in its activities on the one hand on "big business", on the other hand on the state and its guarantees and subsidies. Thus relations within this sector are only to a lesser degree actually determined by the principle of exchange, but rather to an increasing degree by economic and political power relations. It is obvious that relations in the public sector are even more dominated by organisation principles based on power rather than exchange. In the sector of residual labor power we

finally reach the extreme pole of total decommodification. The material existence does not even formally depend on any remuneration for performance, but rather on direct authoritarian distribution of the means of existence.

Within this framework Offe develops four hypotheses that postulate secular trends:

- 1) The sectoral growth rates (measured in shares of the total social labor force absorbed) are smallest for the monopoly sector (M) and increase towards the sector of residual labor power (R). The monopoly sector absorbs increasingly less of the labor force because of increased mechanisation and productivity. The increasing service and distributive sector that plays an important role in the competitive sphere (C) lead to a relative rise here. Even greater is this rise in the state sector (P) and the sector of residual labor power (R).
- 2) The functional relevance of the different sectors decreases from the monopoly sector (M) towards the sector of residual labor power (R). That is to say that the system as a whole depends crucially on the monopoly sector and its growth, while at the other extreme dysfunctioning or even revolutionary changes, e. g. in schools and universities, do not create long term impasses for the system.
- 3) The degree of organisation of class and interest group organisations (measured as the ratio of actual to potential membership) decreases from (M) toward (R).
- 4) The manifestation of militant conflicts (measured in terms of non-institutionalised struggles and/or the proclamation of goals that cannot be integrated into the system) is obviously highest in (R) and decreases towards (M).

From this analysis Offe concludes that in advanced capitalist societies processes of accumulation and growth based on exchange relations are at the same time dominant and recessive, i. e. crucial for the stability of the whole but simultaneously diminishing in their capability of organising social life; this capability is only maintained in the decreasing monopoly sector. Thus the problem arises that the monopoly sector needs for its own existence the increase of processes based on the principle of administrative power, but at the same time these processes have to be prevented from becoming independent and finally dominating private exchange relationships. In other words, the monopoly sector requires simultaneously a positive and a negative subordination of the exchange principle with power principles. This contradictory tendency manifests itself in crises. Clearly the analysis of such crisis phenomena cannot be dealt with adequately by economic crisis theories. Thus Offe concludes that a political crisis theory is the appropriate one to examine crises in advanced capitalist societies.

### *The Crisis of Crisis Management*

Offe's political crisis theory concentrates on the three resources used by the state to carry out its functions: (1) fiscal means, (2) administrative rationality, and (3) mass loyalty. He maintains the hypothesis that the use of all three resources is subject to cumulative self-impediment.

- 1) The deficiency of fiscal means or rather the total fiscal mechanism has been clearly demonstrated by James O'Connor (8) (and is therefore not discussed here).
- 2) Administrative rationality describes the internal coherence of the politico-administrative system necessary to carry out policies. The following requirements are enumerated by Offe:
  - a) the politico-administrative system has to maintain a certain distance towards the economic as well as the political system as such, i. e. it has to be relatively independent from individual economic interests and specific political demands;
  - b) there has to be a certain internal differentiation that prevents interference between the legitimacy and the instrumental functions of the politico-administrative

8) Jim O'Connor, op. cit.

system:

- c) simultaneously, however, the coordination of the system has to prevent that its different agencies and departments work against each other;
  - d) the system has to be in the possession of sufficient information, and finally
  - e) it has to have a forecasting capacity that coincides with its own planning horizon.
- Offe then goes on to show how all five of these conditions are constantly threatened by the very increase of the functions of the state which are a functional necessity of the system as a whole (9).

The necessary distance between the administration and its clientele cannot be maintained in the implementation of certain policies (e. g. in the relationship between welfare workers and recipients or between the price control board and the monopolies). The internal differentiation between the executive and legislative branches of government becomes increasingly difficult with the expansion of the functions of the state. With this expansion also the problems of coordination within the political system multiply. Even though the technical capacity of processing data and information can be expanded without limits, their reliability clearly decreases because of increasing difficulties to predict the reactions of the economic agents. These reactions also increase the discrepancy between the planning horizon and the actual forecasting capacity.

- 3) The third resource, i. e. mass loyalty, describes the capability of the state to effect the general acceptance of its structures as such, as well as of its factual policy outcomes. This will over time demand the creation of norms and expectations that lead to an increased pretention level of social policy which in turn leads to an increasing gap between pretention and actual performance. The system is thus bound to lose its credibility on an increasing scale.

### Critique

We have presented what we perceive as the major points of Offe's recent contributions to the relationship state – economy. The following part takes up some of these points in a critical analysis. We start by discussing Offe's analysis of the class nature of the state. Then we shall evaluate the role of the organisational principles and the four-sector model in Offe's analytical scheme, and finally we shall derive the necessity for a crisis theory that includes both economic and political aspects.

#### *Particular Capitalist Interests vs. General Class Interest*

Offe's categorization of different approaches, that deal with the problematic state – economy, into 'influence' and 'constraint' theories is of heuristic value. It points to some of their implicit assumptions and thus shows the limits of these approaches. Offe demonstrates that these theories cannot prove that the content of state policies constitutes the general interest of the capitalist class.

Acknowledging the empirical findings that particular capitalist interests do get transformed into public policy, a valid theory of the class nature of the state would have to show, how despite of this the general class interest prevails. Offe tries to solve this problem by suggesting the concept of selective mechanisms. His first selective mechanism is supposed to extract a general class interest from particular interests of specific capitals. The introduction of this mechanism does not solve, but only restates the problem. The proof, however, that this mechanism actually exists and functions remains outstanding.

- 9) Cf. the project report on "Reform of the US Central Government's Administrative Structure During the Ash Period (1968–1971)" in this issue of KAPITALISTATE for empirical material on the problems of establishing "administrative rationality".

Offe claims that this proof can be given through empirical analysis as outlined above. It seems doubtful, however, whether such a sketchy empirical program (even though its hypotheses as such are reasonable) can solve a problem which is not yet clearly formulated on the theoretical level.

In general, it remains questionable, whether Offe's concepts of selective mechanisms, which seem to be derived from a combination of an evolutionary theory and a systems theory (10), improve the analysis. As long as the context of selective mechanisms, the mechanisms themselves, and especially the unit (object) of selection remain unspecified, the concept of selective mechanisms is so general and broad, that it rather seems to be an empty concept. It remains to be seen, whether a clear specification of the concept according to these points, and the conceptualization of selectivity as a choice from an infinite number of possibilities, can be reconciled with a dialectical approach. Thus the selective mechanisms would have to be conceptualized as contradictory mechanisms, avoiding the potential danger of reification.

One could hypothesize that the general class interest tends to prevail – through crisis mechanisms – in the long run, even if particular capitalist interests can achieve the transformation of their goals into public policy in the short run. In that case the concept of selective mechanisms would also have to explain these crisis mechanisms.

#### *The Three Organisational Principles and the Four-Sector Model*

Offe bases his analysis of capitalist societies on the distinction between the three organisational principles of exchange, norms and power. These principles are clearly important for such an analysis. Whether, however, the exchange principle can be regarded as the dominant one has to be questioned. A closer analysis reveals that the principle of exchange of equivalents only operates on the level of the market, i. e. on the level of appearances. Going behind the level of appearances we realise that on the underlying structural level, i. e. in the production relations, the power principle and the normative principle both become as important as the exchange principle. The fact that workers are dependent on wages manifests itself on the level of the labor-market by making laborpower a commodity. It is correct to say that this dependency on wages per se is a sufficient condition for workers to accept power relations in factories or enterprises. This very dependency is a consequence of the unequal distribution of the means of production (acknowledging this *dependency* means to acknowledge a power relationship between capital and wage-labor). The unequal distribution of the means of production is based on the institution of private property, itself constituting a norm. The institution of private property is a basic precondition for and a consequence of power relations in capitalist societies. These close links between all three principles within the capitalist mode of production clearly establishes their crucial importance under capitalism. Thus Offe's claim of the dominance of the exchange principle can not be maintained.

This leads to the conclusion that the problem, conceived by Offe in terms of positive and negative subordination of the exchange and non-exchange principles, has to be conceptualized in a different way. The crucial problem does not consist in the dominance of the exchange principle and its being questioned. Rather the focus should be on the maintenance and further development of the conditions of surplus value creation, which imply the continuation of capitalist relations of production. This maintenance and further development of the capitalist organisation of production on the one hand requires

- 10) Such a combined theory has been formulated in Germany by N. Luhmann and is widely discussed there; see for instance Habermas, J., Luhmann, N., *Theorie der Gesellschaft oder Sozialtechnologie*, Frankfurt (Suhrkamp) 1971; for similar approaches in English language see for instance Parsons, T., *The System of Modern Societies*, Englewood Cliffs, N. J. (Prentice Hall) 1971; Lenski, G., *Human Societies: A Macrolevel Introduction to Sociology*, New York (McGraw Hill) 1970; Duncan, O. D., *Social organization and the Ecosystem*, in: Faris, R. L., ed., *Handbook of Modern Sociology*, New York (Rand McNally) 1964.

state intervention, which on the other hand tends to threaten the very existence of the capitalist mode of production. For instance, such an expansion of work processes organised through the state uses up an increasing amount of revenue, which endangers the necessary process of accumulation and growth.

The above criticism of Offe's thesis of the dominance of the exchange principle does not per se invalidate the four-sector model. The division of the total social labor force into four sectors still provides a useful framework of analysis for the problem as reformulated above. Offe correctly ranks the four sectors by a decreasing degree of commodification, limiting his analysis however to only one aspect of social relations in advanced capitalism, i. e. labor relations. If one includes other social relations, one arrives at a broader concept of commodification that reflects the increasing commercialization of all aspects of social life. This is all the more important, if one includes dynamical aspects in the analysis as Offe does in his first hypothesis on the sectoral growth rates. It is correct that the monopoly sector declines with respect to its absorption of labor power. Thus Offe would have to conclude that the degree of commodification of labor power declines in its importance for all sectors. Such a conclusion would be incompatible with the dominating functional relevance of the necessary growth of the monopoly sector (Offe's hypothesis 2). This very growth of the monopoly sector necessitates that the increased output finds a market. Thus capitalist development depends crucially on the incorporation of more and more societal spheres into the sphere of the market, i. e. the exchange of commodities. Such an increase in relations influenced by commodity exchange means an increasing degree of commodification of social life. Thus one observes a simultaneous decrease in the degree of commodification of labor power and an increase in the degree of commodification in social relations in general. Exactly this dialectical relationship might provide a basis for an explanation of the development of political consciousness within different spheres of society.

#### *Insufficiencies of a Purely Political Crisis Theory*

Offe's claim that the relationship between the state and the economy under advanced capitalism can best be examined within the framework of a crisis theory seems to be a valuable contribution. Furthermore he correctly criticizes purely economic crisis theories by pointing to their inadequacy in analysing advanced capitalist societies. His conclusion, however, that therefore crisis theory has to be a political one, must be questioned.

Offe's interpretation of the basic contradiction under advanced capitalism (i. e. the asymmetry between the unlimited dysfunctional consequences of the processes of surplus value creation and the limited capacity of means compatible with the system as a whole to direct and overcome these consequences) clearly points to the necessity of analysing not only the state sector as such, but rather the state sector in its relationship to the economy. Offe's reasons for focussing on the state alone are based on the assumption that the relationship state – economy is reflected in the internal structures of the political system. While there is no doubt that the analysis of the structures of the state is important and a widely neglected field, their genetical development has to be examined in a socio-historical context. A priori a full correspondance between the structures of the relationship state – economy and the internal structures of the state cannot be assumed. Even if such a correspondance does exist at one stage of the development, this very fact might impede the development of such a correspondance at a later stage. The transformation of the interests of surplus value creation into public policy at this later stage might be prevented by the structure of the state that reflects the earlier correspondance. Even if this impediment of the economy through the state leads to an economic crisis, so that the crisis is in a certain sense generated by the political system, the analysis of such a situation would still have to focus on the relationship between the state and the economy and not only on the state. A theory of crises in advanced capitalist society thus has to be based on an integrated approach dealing with the economic as well as political aspects.

#### **Bibliographical Postscript**

The following articles written by Claus Offe are available in English:

- (1) Political Authority and Class Structures – an Analysis of Late Capitalist Societies, in: *Internat. Journ. of Soc.*, Vol. II, No. 1 (Spring 1972).
- (2) Advanced Capitalism and the Welfare State, in: *Politics and Society*, Vol. II, No. 4 (Summer 1972), pp. 479–488.
- (3) The Abolition of Market Control and the Problem of Legitimacy I & II, in: *KAPITALISTATE* 1/1973, pp. 109–116, *KAPITALISTATE* 2/1973, pp.

In addition to the references in footnote one of the article above and discussed therein Offe's main works on politico-sociological problems in German language are:

- (1) J. Bergmann, G. Brandt, K. Körber, E. Th. Mohl, C. Offe, Herrschaft, Klassenverhältnis, Schichtung (Political Authority, Class Relations, Social Structure), in: *Spätkapitalismus oder Industriegesellschaft* (16. deutscher Soziologentag – Frankfurt 1968), Stuttgart 1969, pp. 67 et seq.
- (2) Politische Herrschaft und Klassenstrukturen. Zur Analyse spätkapitalistischer Gesellschaftssysteme, in: Kress, Senghaas (eds.), *Politikwissenschaft*, Frankfurt (EVA) 1969, pp. 155–189 (this article has been translated – cf. Political Authority and Class Structures).
- (3) Sachzwang und Entscheidungsspielraum (Constraints and Contingencies of Political Decisions), in: *Stadtbauwelt* No. 28/29, Berlin 1969, pp. 187 et seq.
- (4) Leistungsprinzip und industrielle Arbeit (Achievement Principle and Industrial Labour), Frankfurt 1970, pp. 183.
- (5) Das politische Dilemma der Technokratie (The Political Dilemma of Technocracy), in: Koch/Senghaas (eds.), *Texte zur Technokratiediskussion*, Frankfurt (EVA) 1970, pp. 156–171.
- (6) with Volker Ronge, Fiskalische Krise, Bauindustrie und die Grenzen staatlicher Aufgabenrationalisierung (Fiscal Crisis, Building Industries and the Limits to the Rationalization of State Functions), in: *Leviathan* 1973, pp. 189–220.

Since there has been an intensive and extensive debate on Offe's theoretical propositions in the Federal Republic of Germany and since there is sufficient continuity in Offe's work in the field of political sociology as taken up by Sardei-Biermann et al., we would like to pinpoint the sources of that debate so that the discussion is available to anyone interested in additional readings (the discussion is listed in chronological order with no valuation whatever attached to the listings):

- (1) Jürgen Habermas, Technik und Wissenschaft als 'Ideologie' (Technics and Science as 'Ideology'), in: *Technik und Wissenschaft als 'Ideologie'*, Frankfurt (Suhrkamp) 1968, pp. 48–103.
- (2) Autorenkollektiv im INFI, Kampagne "Ruhrgebiet", Revolutionäre Aktionsstrategie und revisionistische Staatstheorie (Campaign "Ruhrgebiet", Strategy of Revolutionary Action and the Revisionist Theory of the State), in: *Gegen den Strom* 1/1969, pp. 3–30 (especially pp. 11 et seq.).
- (3) FU-Projektgruppe DKP & Bernd Rabehl, DKP – eine neue sozialdemokratische Partei (The Westgerman CP – a New Social Democratic Party), Berlin (Oberbaumpresse) 1969, pp. 95 et seq.
- (4) Wolfgang Müller & Christel Neusüß, Die Sozialstaatsillusion und der Widerspruch von Lohnarbeit und Kapital (The Illusion of the Welfare State and the Contradiction between Wage Labour and Capital), in: *Sozialistische Politik* 6/7/1970, pp. 4–67. (Reprinted in: *Probleme des Klassenkampfes*, Sonderheft 1 (June 1971), pp. 7–70).
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The Abolition of Market Control and the Problem of Legitimacy (II)

Claus Offe

III

The processes described so far:

(1) The emergence of forms of social life which do not include "labor"; (2) the quantitative growth in forms of labor which are separated from the process of capital accumulation; and (3) the increment in parts of surplus-value which, as far as their social utilization is concerned, do not constitute capital, but are absorbed by the state budget in the form of income ("revenue");

have a number of common characteristics:

(1) All of them represent specific *deviations* from the capitalist modes of social life forms which "abstracts" labor power into "commodity" with a view to the production and expansion of surplus-value;

(2) they cannot be conceptualized as residues of pre-capitalist forms of social life, but constitute elements of a social structure the formation of which is accelerated in particular in advanced capitalist societies; (1)

(3) their emergence can in terms of specific accumulation problems be generically and functionally interpreted as *necessary*;

(4) These phenomena represent vis-à-vis the abstractions of the capital accumulation process concrete life and production forms attached to determinate purposes and results and are in this sense *alien elements* in the context of the dominant forms of abstraction generated by the accumulation process.

(5) Thus structural discrepancy causes social and political *conflict*, which designate the respective limits to accommodation between the antagonistic form elements of abstract-value production and concrete use-value production and distribution.

(6) The analytical criterion for any assessment as to how far this limit can be pushed further is the degree of "*social integration*" that is the effectiveness of the symbolic and legitimacy beliefs generating mechanisms destined to win social acceptance for the subordination of concrete life aspirations and concepts to the abstract criteria of capital accumulation, and this despite the circumstance that the former are in fact dependent on concrete political decision.

Elements of conscious social control are thus required by the anarchy produced by the forces of the market place and thus by the accumulation process, yet at the same time blocked in their development by this anarchy. Taking this *structural* discrepancy as the point of departure with respect to a theory of classes and class conflicts, the basic concept of class would have to be widened in two respects as against the classical concept of the proletariat as the surplus-value production, wage-earning class.

The types of conflict discussed above have one common distinctive feature in that their bearers are social groups which in general, or with regard to specific causes of conflict, are divested of the commodity form. While the industrial worker's activity is characterized by the conjunction of the dual function of producing use-values as well as commodities, the relationship of these conflict groups to both the production and the consumption of use-values, that is to the concrete results of work-activity, is no longer mediated by the abstract form of surplus-value. Hence, although these groups can be classified as not belonging to the class of wage-earners which exchanges its labor power for variable capital, they nevertheless do not, as if they were "marginal groups", stand outside the impact of material reproduction of the society. Their status is rather determined by the circumstance that the material reproduction of the social system evolves on an increasing scale outside the market sphere, as the accumulation process itself can no longer be channelled exclusively into mere exchange categories and must, therefore, take

recourse to labor which does not produce surplus-value and is hence non-exploited labor. In this view — that is in the perspective of accumulation organized increasingly by way of *administrative* steering performance and forms social arrangements excluded from commodity production — to define the concept of revolutionary class in connection with that of the criteria of the dual nature of labor and of exploitation would lose plausibility. (2) The fact that the accumulation process is formally politicized changes its class structure. (3) Herein resides one of the two necessary amplifications of the traditional class concept.

The class concept would, however, become amorphous and meaningless if one were to *include in it* any type of social activity, whether bound to the commodity form or not, whether productive or not. In the same way as the concept of proletariat encompasses two moments: that the reproduction of the social system is based on its surplus labor and that the *refusal* of labor power is the source of strategic power, from which practical criticism and *negation* of the system can evolve, a modified class concept must also designate the critical point at which the politicized relation of production can be called into question. If the premise holds true that the structural discrepancy between abstract, surplus-value-related *functions* and the concrete, use-value-related *forms*, used in the implementation of the said functions, can be maintained latent only by a system of legitimacy beliefs which insures at least a minimum of manifest assent and loyalties, then this integrative capacity, respectively its failure, constitutes the critical variable for the maintenance of capitalist domination. To the extent that bourgeois society sees itself compelled to discard the legend of the exchange of equivalents as the yardstick for social equity and thereby, piece by piece, to dismantle its own basis of ideological beliefs, its maintenance becomes dependent on the effective plausibility and acceptability of its self-justifications. These can win acceptability only by way of the manipulative organization and production of political symbols on the one side and by means of state repression of any potential sources that would question the legitimacy of the system on the other. This, by the way, can serve to explain in structural terms the expansion in the jurisdictions of the governmental agencies or departments responsible for education and for the police. (4) The relationship can be accounted for by a conceptualization of the class concept which comprises the criterion of "consciousness" in the *politically organized attack* on the normative and symbolic foundations of the politicized capitalist economy.

That the interaction between the growing "reflexivity" of the control mechanisms (Luhmann) and the so-induced reflexion of the normative foundations on which they must rely tends potentially to undermine the system, is something that has found confirmation even in the analyses of the more cautious apologists. Thus, the thesis on the "end of ideology" seems to have lost some of the triumphant undertones with which it was presented. This thesis has instead become central to endeavour stated programmatically in the title of essays such as "Top Priority: Renovating our Ideology". Bell in the meantime speaks of a "cultural crisis of capitalism". In contradistinction to the in principle controllable social and political economy problems, according to Bell, "the deeper and more lasting crisis is the cultural one. Changes in the moral temper and culture . . . are not amenable to 'social engineering' or political control. They derive from the value and moral traditions of the society, and these cannot be 'designed by precept'. The ultimate sources are the religious conceptions which undergird a society, the proximate sources are the 'reward systems' and 'motivations' (and their legitimacy) which derive from the arena of work. . . American capitalism has lost its traditional legitimacy which was based on a moral system of reward, rooted in a protestant sanctification of work. It has substituted in its place a hedonism which promises a material ease and luxury, yet shies away from all the historic implications which a 'voluntary system' and all its social permissiveness and libertinism implies. This is joined to a more pervasive problem derived from the nature of industrial society. The characteristic style of an industrial society is based on the principles of economics and economizing, on efficiency, least costs, maximization, optimiza-

tion, and functional rationality. Yet it is at this point that it comes into sharpest conflict with the cultural trends of the day, for the culture emphasizes anti-cognitive and anti-intellectual currents which are rooted in a return to instinctual modes. . . It is this disjunction which is the historic crisis of Western society. This cultural contradiction, in the long run, is the deepest challenge to the society." (5)

The full significance of the legitimacy problems only becomes apparent when account is given, not only to the growing "requirements" for normatively mediated justifications, but also to the destruction of the traditional supply of norms providing legitimacy beliefs, which serves to insure compliance with the content and conditions of the labor process as well as with the distribution of its results. According to Marcuse this supply becomes obsolete not so much under the impact of "deviant" cultural developments, but due to the very way the system operates: "The contradictions manifest themselves in the increasing loosening of the moral fiber and cohesion of the society, the weakening of work discipline, responsibility and efficiency, the complete denial of that spirit of inner-worldly asceticism which was, until recently, the mainspring of capitalism. . . In short, in this so-called consumer society we see a largely unpolitical, diffused, non-directed and yet profound non-identification with the system . . . this rebellion against the behavior patterns and values required by the capitalist system is not only generated by the system, but is constantly promoted and aggravated by it." (6)

The self-propelled disintegration of the resources in legitimacy beliefs, on whose availability the capitalist system of domination is to a maximum degree dependent, seems to have made headway mostly in those sectors and with respect to those groups whose labor power is no longer directly subject to the capital accumulation process and which in its form is organized *exclusively* as use-value producing labor. The less convincing, therefore, are the attempts to hold fast both in theory and practice to the thesis that in class conflicts a structurally privileged function must be held by those who on account of their economic function simultaneously produce use-value and surplus-value and in this sense epitomize the "inherent contradiction": that is industrial workers. That the *contradiction* between wage-labor and capital need not primarily or exclusively manifest itself as a social *conflict* between wage-earners and capitalists, is no doubt a trivial observation. The novel element in this context is, however, the degree to which the genuine class struggles of our time deviate from this — even in its initial version — naive conflict scenario. The contrast between functional subsystems in society which are organized by means of strategies serving the accumulation of capital and such functional subsystems as are formally organized within non-capitalist structures provides the dominant issues of social conflicts. With the expansion in functions of the "ideal (collective) capitalist" striving to integrate the antagonistic elements of the social system, its dependency on the "ideal" or normative integration grows, which alone would enable it to overcome this contradiction.

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Elmar Altvater

## 4. State Regulation of Crises

We will now attempt to analyze the functions of the state on the basis of the economic contradictions of society, contradictions which repeatedly and cyclicly intensify into crises. We will also attempt to reveal the fundamental constraints placed upon the state by these contradictions. We will thus examine an area of state functions whose special characteristics have yet not been touched upon. At least since the "Keynesian revolution" however, this set of functions has acquired growing significance and has thereby contributed to erroneous evaluations of the effectiveness of state intervention. In order to assess the possible modes of state intervention however, it is necessary to reveal the reasons for the crises in the societal structure and to investigate the functions of such crises.

## 4.1 The Functions of Crises in Capitalist Society

On the most abstract level the function of crises can be defined in two ways: 1. "In the crises of the world market, the contradictions and contrasts of the capitalist mode of production are brought to a head . . ." (1). Crises are therefore nothing else than the contradictions of the capitalist mode of production that have *been exacerbated to the limit*. 2. "It is exactly through a crisis that the unity (of the mutually autonomous moments of capital development and of exchange – E. A.) is confirmed, the unity of different elements." (2) Crises therefore always imply the *temporary resolutions of the contradictions*, the unification of the autonomous moments and thus repeatedly create the conditions for a new period of capitalist accumulation. As the climatic form of contradictions, the crisis is exactly that which bourgeois economics labels the "purification crisis". Therefore, there are no "absolutely unsolvable situations for the capitalist economy. Even in the Marxist accumulation and crisis theory, capitalism does not collapse on its own, but finds its possible end in the political actions arising from the crisis . . ." (3). From this double function of crises it follows that capitalist accumulation *must* occur cyclically: its inherent contradictions drive it periodically to a crisis, this crisis purges the autonomous moments which account for the situation underlying the crisis, and initiates a new expansionary phase – until a new crisis occurs. In contrast to bourgeois economics, Marx and the Marxists conceive of the industrial cycle not as a *business cycle* (Konjunkturzyklus) consisting of a series of fundamentally equivalent phases, but rather as a *cycle of crises* in which the crisis is the focal point which concentrates the contradictions of capitalism. The crisis – its severity, duration and specific solution – to a large extent determines the nature of the other phases of the industrial cycle. This has another implication for our analysis: an analysis of a crisis should not deal with the outward or apparent form of the crisis; on the contrary, it must, if it is to grasp the essential character and function of the crisis, demonstrate the fundamental contradictions of capitalism and prove why and under what circumstances it leads to crises. (4)

It is of course impossible to deal with all the manifestations of the presentday crisis of capitalism and with the forms of state intervention and their consequences. We will

\* Cf. for part I of this article: KAPITALISTATE 1/1973, pp. 96–108. The article was published first as "Zu einigen Problemen des Staatsinterventionismus" in: Probleme des Klassenkampfes No. 3, May 1972. Translation: Peoples Translation Service, Berkeley, California.

- 1) Marx, *Theorien über den Mehrwert* (Theories of Surplus Value), MEW, 26.2, p. 500
- 2) *Ibid.*, p. 501
- 3) Paul Mattick, *op. cit.*, p. 53
- 4) Cf. Introduction to: Fred Oelssner, *Die Wirtschaftskrisen*, reprinted Frankfurt, 1971

therefore restrict ourselves to one aspect, often described by the newly arisen concept "stagflation". We choose this problem because it shows very clearly how the state as "crisis manager" has not only completely failed, but has, because of the fundamental nature of the capitalist mode of production (and entrapped in the contradictions of the capitalist system), produced *stagflation as the specific manifestation of the crisis, because the state engages in Keynesian crisis management.*

## 4.2 Keynesian State Functions and Stagflation

The concept of stagflation expresses the positive correlation of two tendencies which in the "classical" conjunctural cycle were correlated in a negative manner: "The rise in prices during boom periods is as old as the business cycle; the failure of prices to return to their previous level in a recession is a specific feature of the recent past." (5) What are the reasons giving rise to such a combination?

The rise in prices during the general growth in the capitalist world market which has taken place over the past 20 years, a growth which has only been interrupted by mild and short recessions, had a number of causes. First there is the rapid expansion of capital with consequent credit expansion in all nations involved in the world market; the second cause is the additional profits for developed capital (whether this be individual capital units within a nation or total national capital on the world market) which can be made during an expansionary phase. The existence of extra profits is shown by the fact that reductions in prices do not correspond to increasing productivity. There is thus always a moment of "relative inflation" as Hofmann calls it. (6) A third cause for the rise in prices during an expansionary phase is the disproportion of certain commodities due to the length of the production process. Since during the production period raw materials must be purchased and labor power paid, commodities are removed from the market without any new commodities being supplied in compensation, while on the other hand money enters into circulation. Finally, price rises result from the constantly growing state debt in the most important capitalist nations, above all in the USA. Since the capitalist nations are closely related in the world market, these above mentioned factors do not have to be present in every nation in order to have an effect on the process of national price inflation. As long as the world market is expanding, stagnation or recession which is restricted to one nation, as long as this nation is integrated into the world market community – and what capitalist nation today is not so integrated – will not lead to compensatory reductions in prices if a "disciplined" economic policy is carried out. The most that can be expected is a temporary decline in prices, as in West Germany after 1966. The limits for a successful national economic policy depend upon the world market community. (7) Thus, the Council of Economic Experts writes: "The system of Bretton Woods . . . has created an alliance with an inflationary trend. A large number of nations have goal conflicts in which they are driven, through increasing demands for the social product, to make decisions which work primarily against monetary stability. Since these nations predominate, they can transform the neglect of monetary stability into a norm for the system, and . . . also force the stability-conscious nations to follow the trend of creeping inflation in the world economy . . . The inner imbalance of the system also has

- 5) Gottfried Bombach, *Trend, Zyklus und Entwicklung des Preisniveaus*, in: Weltwirtschaftsarchiv, 1970, p. 274. See also Helmut Arndt, *Stagflation: Was man bisher nicht wußte*, in: Wirtschaftswoche, Nr. 1/1972, p. 20 ff.
- 6) Werner Hoffmann (*Die Säkulare Inflation*, Berlin, 1962) uses the concept of "relative inflation" to characterize a process in the course of which "the price level does not follow the long term rise in productivity – regardless of whether or not prices rise" (p. 10).
- 7) Cf. Neusüss, Blanke, Altvater, *op. cit.*, PROKLA 1. Helmut Arndt writes, *op. cit.*, p. 20: "Whoever today in the western world reverts to the methods of a national economic policy like those used during the international economic crises of the past, is overlooking the fact that national 'deficit spending' cannot have the same effects in an international economic system as it can in an economy more or less *self-contained* by the regulation of foreign exchange."



another characteristic: while inflationary impulses were always able to expand unhindered, the disciplinary effects which should have proceeded from the stability-conscious nations — and which were completely indispensable for the functioning of the system — were increasingly intercepted and counteracted by the foreign exchange reserves of a world satiated with liquidity.” (8) It is not our opinion that the world market inflation is directly the fault of the system of Bretton Woods. It is rather the result of the relationships of the world market of the capitalist nations in a general expansionary phase, regardless of the technical form of the monetary system. We feel that it is false to blame the “lack of discipline” of national economic policies on wandering foreign exchanges, above all that of the dollar, because this “lack of discipline” is the necessary consequence of the fundamental contradictions in developed capitalism. These contradictions have manifested themselves in new forms of state activity since the Second World War, and thus in the particular historical conditions under which the state guarantees conditions of production and therefore the reproduction conditions of the social system. Before this can be discussed further, it is necessary to briefly examine the other side of stagflation: stagnation.

*Stagnation is a particular historical manifestation of a crisis*, one in which the crisis is not followed by a business expansion. It is reflected by a state of the economy characterized by the fact that the purging function of the crisis has not yet had its effect. From a simplified point of view, that is in terms of the results, the crisis has purged the situation when the average rate of profit of an individual capital unit begins to climb after the fall which led to the crisis. In the crisis, forces must thus be in effect which, on the one hand reduce the capital advanced by the capitalists. This could occur, for example, by the reduction of the price of elements of constant capital (raw materials and machinery) or through the reduction of the advanced variable capital (reductions in real wages and in the number of workers employed). On the other hand there must be forces which increase the rate of exploitation, primarily through the intensification of work and the lengthening of the work day. In other words, in order for a new expansion to take place, capital must be devalued, and the capital outlays which have not been devaluated must yield a higher rate of profit, and ultimately a higher rate of surplus value in order that a new expansionary phase can take place. (9) There must also be a reduction in the interest rate and in ground-rents in order for the industrial profit to be able to increase. This is because the cycle's high points depend on industrial profits and not on interest bearing capital. (10) Finally, the possibility of sales must arise in order to be able to dispose of the newly produced value, for example, through the opening up of new outlets in the world market. If these conditions are absent, or only partially present, then a new expansion is doubtful, and a condition of “balance with underemployment” exists. This is *stagnation*, which is characterized by “the lack of investment opportunities” for private capital. (11)

8) JG 71, Nr. 253; JG is an abbreviation for “Jahresgutachten” — the yearly statements of the FRG economic advisory council.

9) This is the basis of the theory of “Overaccumulation-devaluation”, as represented by Boccara above all (cf. the annotation by Esser in: KAPITALISTATE 1/1973, pp. 127–128). For him, of course, this has less to do with a cyclical phenomenon than with a structural solution to the problem of stagnation in state-monopoly capitalism. We agree with Boccara in so far as the bourgeois state is actually in the position of devaluating capital and thus stopping the tendency of the profit rate to drop. However (and Boccara hardly considers this point), this devaluation does first of all involve conflicts itself, since devaluation means nothing else than elimination of capital that could be profitably invested (and which individual capitalist will accept this fact without qualms). Secondly, this devaluation must be viewed in the total context of the problem of unproductive work (cf. in this connection Altvater/Huisken, in SOPO 8). Thirdly, the problem of devaluation is by no means eliminated in the cyclical course of capital accumulation: the problem of overaccumulation-devaluation is therefore more complicated than the model presented by Boccara.

10) See in this regard an interesting bourgeois voice: Felix Somary, *Krisenwende?*, Berlin, 1932, especially pp. 32 ff.

11) This is where the stagnation theory of Keynes and Hansen fits in. In this connection see Sydney H. Coontz, *Productive Labour and Effective Demand — Including a Critique of Keynesian Eco-*

The lack of investment opportunities applies naturally only to private capital accumulation. In the section in the first part of this essay on the conditions of production, we proceeded from the fact that the underutilization of capital can be stabilized in specific production processes in specific historical phases. Because of their special conditions such processes cannot, or can only with difficulty, be subsumed under capital as individual capital units, while in other areas of capitalist society there is an adequate utilization of capital for rapid accumulation. The state comes into play here, so to speak, for “structural” reasons. The situation is different, however, in the case of stagnation, which is characterized by inadequate utilization in the private sector. Now the function of the state is not to create general conditions of production in order to allow the social work process to act as a means for the utilization process of the many capital units. Its function is rather to assist in the creation of conditions which make the crisis superfluous, but which, nevertheless, in terms of its effect, fulfill its purging function. The state comes into play here, so to speak, because of the business cycle. At this point the state and its fiscal capacities are relevant: the stagnating capital accumulation is counteracted by state expenditures. For Keynes, the type of state expenditure was irrelevant (12), at least as far as the income and employment multiplier effects were concerned. We are thus in a position where Keynesian economics does not in any case wish to be, namely “in the world of Say's Law of Markets; only Government is the *deus ex machina* that insures effective demand. . . .” (13)

In relation to the problem of the creation of general conditions of production, we have here an example of how the state actually takes on a function corresponding to the conditions of the utilization of private capital. Thus it is not “by its nature” that the state has taken the responsibility for providing certain conditions of production and not others. What constitutes general conditions of production depends upon which functions capital itself cannot provide in a specific historical situation. In other words, if the conditions for the utilization of capital permit only a part of the working population of a country to be employed as productive workers (i.e., as capital producing workers), the only alternatives are either “underemployment” or their unproductive (i.e., non capital producing) employment by the state. The reason that the state does not compete with capital for labor power, or at least not to a greater extent, is that the state does not want to compete as a capitalist with other capital formations, because this would result in a further deterioration of the already insufficient utilization conditions for full employment.

Insofar as the state in this sense enacts measures to avert a general stagnation of the capitalist economy, it is producing, in its economic activity, certain effects that vary according to the types of outlay. The effects of the types of outlay should be briefly discussed.

1. If the state expenditures are favorable to the working class and do not restrict individual consumption (e.g., improved health and educational systems), then the distribution of the products of value improves in favor of the working class. This would, however, result in a reduced rate of surplus value and ultimately also in a reduced rate of profit. Any steps taken that would have such an effect would therefore not achieve the elimination of stagnation by stimulating capital accumulation.
2. If the state expenditures are used to re-distribute the profit among the capitalist class (subsidies), then a positive effect on the accumulation process is conceivable only if the subsidized capital formations accumulate the received amounts, while those capital formations who paid for the subsidies through taxation, would have either consumed the corresponding amounts or held them in suspension — which would be very unrealistic in any case.
3. If the state expenditures are used for public projects, then one must distinguish what happens with the commodities purchased by the state — i.e., first from which part of

*nomics*, London, 1965, p. 125 ff.

12) Cf. W. Semmler and J. Hoffmann, op. cit., p. 60 ff., esp. p. 64

13) Sydney H. Coontz, op. cit., p. 157

the national revenue (either from income derived from wages or from profit) are they financed; and second, which of the two classes do they primarily benefit? For, ultimately, the effects of the state expenditures depend upon these differences. In this connection the following problem must be investigated: *to what extent do the state expenditures return as money to the producers of the commodities, without the commodities purchased by the state remaining in the form of commodity capital or productive capital, in the circulation process of the many capital units.* Such commodities thus drop out of the capital circulation entirely; they are "end-products" of consumption.

In this latter category fall, above all, armaments and military expenditures, which represent that form of state expenditures most popular for surmounting a phase of stagnation. Armament contracts and the concomitant contracts for other kinds of "waste production" make possible the realization of produced capital value precisely in those branches of industry which suffer the most during stagnation or a depression, namely the industries which produce the means of production (such an assertion is of course dependent upon the armament technology). Armaments neither raise the real wages of the working class, and therefore signify no redistribution of new values to the advantage of the working class; nor do they compete as productive capital with other private capitals. From the viewpoint of *total capital*, armament expenditures are financed from state revenue, which the state takes either from taxes — which are *at least* partially skimmed from surplus value — or from loans. But state loans are themselves borrowed from capitalists at a determined rate of interest on the capital market. (14) If, on the other hand, armament expenditures are "self-financed" by capital and return to this capital in the form of contracts, then the only possible conclusion is that the surplus value of the capitalist class is being re-allocated, through the mediation of the state, from that part of surplus value susceptible to accumulation and serving individual capitalist's consumption to that part which is applied, once again through state mediation, to destruction. This re-allocation, as far as the various branches of industry are concerned, means a greater emphasis on accumulation in the armament economy and the relative deceleration of accumulation in other sectors. If however, that portion of surplus value which is susceptible to accumulation is reduced, it is permanently used to reduce the amount of commodities on the market, to pump money into capital circulation, and to pay the salaries of workers and, above all, of non-workers (soldiers), — then it is clear that *first*, a permanent inflation of prices must result and that *secondly*, on the assumption that every accumulation cycle increases the organic composition of capital, a deceleration of the rate of accumulation will offset the tendency for the organic composition of capital to rise and thus also for the rate of profit to fall. (15) Connected with this is a protracted increase of the state debt, as we have already indicated in our discussion of inflationary factors.

The state thus comes into play in the case of stagnation. But can it also thereby fight stagnation on a long-term basis and create a situation of "equilibrium through full employment"? It cannot, or can only temporarily, as certain considerations will demonstrate. *On the one hand*, the extension of the armament sector and of similar sectors (space travel, etc.) is itself the most important factor for the growth of the state debt, which in fact within the social circulation process, requires an increasing amount of money, which tends to cause an *inflation of the monetary expression of value*. For, as a result of the state-created demand, it is possible for individual capitalists to raise their prices. Why shouldn't they, given the improved chances for selling their goods on the market? Other capitalists, who are not themselves direct contractors with the state, are drawn into this

14) See Mattick, op. cit., p. 47 and Mattick, *Marx und Keynes*, Frankfurt and Vienna, 1969, especially p. 140 ff.

15) In this sense it is an error when Mattick writes: "It is an error to assume, as do Altvater and Huisken (Mattick is referring to the essay on productive and unproductive labor, in SOPO 8 — E. A.) that unproductive labor geared to waste production weakens the tendency of the rate of profit to fall, although in their opinion the portion of surplus value *susceptible to accumulation* is thereby diminished . . ." Paul Mattick, *Arbeitsteilung und Klassenbewußtsein*, in: *Soziale Revolution*, No. 2/1971, p. 124

process, resulting in creeping or even galloping inflation.

*On the other hand*, however, the tendency toward stagnation in a highly developed capitalist society cannot be overcome in this way. For even those capitals which do not produce for the market, where capitals are exchanged, but which produce for the state, are forced by competition to function *as capitals*. They must therefore *accumulate* and that means that they must extend not only their production of surplus value but their output of commodities as well. Thus the state must buy more and more from these capitals. This means that there must be an *increase in the state debt in favor of an tendencial hypertrophy of the entire economy due to the armaments industry*. The state now faces two alternatives. It can either permit this hypertrophy, and thus favor the accumulation in the armaments industry and thereby finally hinder other capital units. (16) Or else it can put an end to the hypertrophy and thereby condemn the armaments industry to stagnation at a certain point in its development.

In this consequence the particular function of the state in capitalist society manifests itself, insofar as an increasing number of production processes, due to the historical tendency of the profit rate to fall, can be maintained only through state measures re-allocating produced values. *In the stabilization of general material conditions of production ("infrastructure"), there is a saturation point for state activity* which results from the nature of the labor process. To be sure, this saturation point never needs to be reached in terms of conditions of "public poverty"; but it lies in the nature of that activity itself, just as a saturation point of individual or social needs is given for each commodity from the standpoint of use value. Beyond this saturation point the production of the commodity, as well as the creation and management of the conditions of production, becomes superfluous. To use the words of Keynes: "Two pyramids, two masses for the dead, are twice as good as one; but not so two railways from London to York." (17)

The situation is quite different with those state functions which do not involve the creation of conditions of the labor process for all capitals, but only the utilization of capital units themselves through the re-allocation of values. In this case the state creates production processes which are precisely not non-capitalist, as is the case in the infrastructure; the state rather *supports accumulating capitals through its expenditures*. Here there is no *saturation limit*, because the utilization drive of capital knows no limit; here the state is supporting a realm of production whose maintenance is possible only through its *permanent expansion*. Insofar as state expenditures become a moment in the circulation process of capital units, to which they are allocated, they must expand, in accordance with the accumulation process of the capital units. Two pyramids, two masses for the dead are thus in fact better than one, and three are better than two, etc. — better for those capitals accumulating in these sectors.

Only the analysis of the character of the "Keynesian" function of the state makes it possible to deduce *theoretically* from the mode of crises management the necessity of stagflation, and thereby to establish the historical tendency toward stagflation. For this now has the following consequence: If the armaments expenditures and the economically corresponding state expenditures are permanently increased, then not only a high rate of inflation, but also a structural change in the economy and society are the consequences, with accompanying negative results for the conditions of reproduction of the capital

16) This would have enormous consequences for the reproduction of capital and the social milieu. The necessary consequences would be inflationary process with the elimination of sections of capital, the impoverishment of the working class, the destruction of the social milieu of capitalism, the dismantling of the legal relations regulating capitalist production, etc., not to mention other probable military conflicts. Such consequences, only alluded to here, are always a tendency in capitalism, one which can be effectively opposed by sections of capital only in periods of general capital expansion. Cf. the presentation of the interests of West German industry in rearmament, in Gerhard Brandt, *Rüstung und Wirtschaft in der Bundesrepublik*, Witten and Berlin, 1966

17) John M. Keynes, *The General Theory of Employment, Interest, and Money* (repr.), London, 1964, p. 131

relationship. This results above all because the armament and military expenditures must progressively increase if they are really to heed the necessities of capital accumulation. That such a progression can find its violent solution only in war has been proven many times in the history of capitalist states. Yet a stagnation or even a reduction in the armament expenditures increases the *national debt absolutely with every expended unit of money*. The inflationary tendencies continue, therefore, even further, if the military and armament expenditures stagnate or even fall. *But stagnating armament and military expenditures, if stagnating at a still high level, mean stagnation of the conditions of realization* for those producing capitals in this sector, *and therefore also stagnation of production*, with the consequence of unused capital, decreasing contracts for those capitals that produce for capital expansion (producers of the means of production), deficient demands on capacity, and increasing unemployment.

State intervention in the Keynesian sense must therefore fail because, contrary to the Keynesian assumption, *the mode of state expenditures is not unimportant to the development of capital*. If the function of the state consists of making possible for the accumulating capitals the utilization and thereby the accumulation of capital, then the state expenditures must not be to the benefit of the working class nor result in the establishment of competition to the capitals. State expenditures must be concentrated in a sphere where they are manifested neither in productive capital nor in the means of consumption for the working class. The primacy of armament expenditures has therefore a deeper economic meaning in capitalism. Yet contained therein is the contradiction that the armaments and military sphere mediated by the state tends to displace all other societal spheres and all other capital units. If the armament and military expenditures verge on these limits, then the consequence can only be a war resulting in the destruction of the capital which is burdening the profit rate, or the curtailing or stagnation of the armament and military expenditures. The latter alternative is, however, the cause of stagnation: the national debt continues to grow, as long as armament and military expenditures are undertaken; and thereby the inflationary pressure continues. But with stagnation or a stagnating rate of growth of state expenditures, the sphere of private capital, which so to speak lives from these expenditures, is condemned to stagnation: this is stagflation.

We see, then, how renewed stagnation and crisis are tied into the Keynesian attempts to overcome stagnation. The original impulses of the state expenditures can positively affect the condition of the realization of capital and help stimulate production. This is especially the case when a war follows the armament expenditures and its result is not only the destruction of people, but also the destruction of capital ("devaluation") both physically and in terms of value, and thereby allows capital a new phase of accumulation with a high rate of profit ("reconstruction periods"). (18) As long as this period lasts, the contradiction in the form of state crisis-avoidance strategy is covered up and the "antagonistic forces" are not developed to their fullest extent. In a general expansionary phase of the world market, as after the Second World War, stagflation cannot appear, or if it does, only in a limited way. Exactly the fact that indeed the military expenditures in all capitalist states have increased permanently — with, of course, a time delay: West Germany has developed an arms industry only since the end of the 50's, and Japan did much later — and that at the same time the conditions of the utilization of capital were so good that the state activity, as already mentioned, was *per saldo* relatively declining, shows that *in the past 20 years the accumulation of capital has resulted mainly from forces immanent in capital itself*. But as soon as the phase of rapid accumulation comes to an end and the profit rate falls due to the increasing organic composition of capital ("the tendency

18) Cf. Franz Janossy, *Das Ende der Wirtschaftswunder*, Frankfurt, 1969. Angus Maddison, in *Economic Growth in the West*, New York and London, 1964, p. 53, makes an interesting comparison of the relationships of gross profits and net value of fixed capital stocks and inventories. This of course does not include the profit rate. Yet both a temporal as well as a national comparison shows how much war has positively affected the profit rate, as defined by Maddison.

towards decelerated increases in profit") (19), the contradiction mentioned here will come to bear. Mediated through the cohesion of the world market of the national total capitals, it becomes the manifest form in the entire capitalist world (20), whereas up to now its expression as stagflation has been limited to a national basis (USA 1958).

That which is today characterized with the new concept of stagflation is therefore nothing new, only the naming of the contradiction inherent in the Keynesian strategy of crisis-avoidance, which at the end of a protracted world market expansion has historically climaxed in a visible form.

#### Bibliographical Postscript

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- (1) S. von Flatow/F. Huisken, „Zum Problem der Ableitung des bürgerlichen Staates“ (On the Problem of Analytical Reconstruction of the Bourgeois State), in: PROBLEME DES KLASSENKAMPFS 7 (May 1973), pp. 83–153;
- (2) Margaret Wirth, „Zur Kritik der Theorie des staatsmonopolistischen Kapitalismus“ (Notes on a Critique of the Theory of State Monopoly Capitalism), in: PROBLEME DES KLASSENKAMPFS 8/9 (Fall 1973), pp. 17–44.

In a more general context of state theory debate in the FRG consult also: Projekt Klassenanalyse (Project Class Analysis), „Zur Taktik der proletarischen Partei. Marxsche Klassenanalyse Frankreichs von 1848–1871“ (On the Tactics of the Proletarian Party. Marxian Class Analysis of France 1848–1871), Westberlin (Verlag für das Studium der Arbeiterbewegung) 1972, pp. 201; Dieter Läßle, „Staat und allgemeine Produktionsbedingungen. Grundlagen zur Kritik der Infrastrukturtheorien“ (The State and the General Conditions of Production. Material for the Critique of Theories of Infrastructure), Westberlin (Verlag für das Studium der Arbeiterbewegung) 1973, pp. 188; Braunnühl/Funken/Cogoy/Hirsch, „Probleme einer materialistischen Staatstheorie“ (Problems of a Materialist Theory of the State), Frankfurt (Suhrkamp) 1973, pp. 266; Projekt Klassenanalyse (Project Class Analysis), Materialien zur Klassenstruktur der BRD, I. Teil: Theoretische Grundlagen und Kritiken (Materials on the Class Structure of the FRG, Part I: Theoretical Foundations and Critiques), Westberlin (Verlag für das Studium der Arbeiterbewegung) 1973, pp. 494 (pp. 69–175).

- 19) The IFO Institut für Wirtschaftsforschung came to this conclusion in the economic section of its investigation in the framework of the RKW Study about economic and social aspects of the technological changes in West Germany, Frankfurt, 1970, p. 116
- 20) I will not deal with this mediation here, since a fully developed position has already been developed in the essay by Neusüss, Blanke, and Altwater, in PROKLA, No. 1. Cf. also Busch, Schöller, and Seelow, *Weltmarkt und Weltwährungskrise* Bremen, 1971 (Arbeiterpolitik)

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Hugo Radice\*

## Origins and Formation

The origins of the CSE lay in the redevelopment of the revolutionary left in Britain in the mid-1960's. This redevelopment involved not only the growth of a 'new left' intelligentsia (borne of the disintegration of Stalinism, the nuclear disarmament campaign, the end of the cold war, the return of a Labour government, the disillusion that followed, and of course the rapid growth of higher education), but also a new militancy of the working class (the shop steward's movement, new forms of struggle, rising unemployment, etc.). Those of us who were studying economics while engaging in socialist politics were thus turning to socialist economics, to Marxism, not only because of an intellectual rejection of bourgeois economics but also because of the need to understand the nature of British and world capitalism in order to help develop the correct strategy and methods for the class struggle. While some were working within the Communist Party or other organized parties and groups, others participated in the work of the May Day Manifesto (MDM) group, formed in 1966, and of the Institute for Worker's Control (IWC) — both of which cut across the traditional structures of the left and its fragmentation, bringing together trade union militants and the new left.

In the spring of 1969, MDM and others called a Convention of the Left, a courageous but hopeless attempt to forge some practical unity between the many left parties and tendencies; one of its 'commissions' drew together a number of economists in developing some perspectives on the economic situation. At around the same time, the IWC's annual Workers' Control Conference met; there took place some informal discussion about calling a conference of socialist economists. It was felt that while overtly political meetings like the Convention could not unite the left, a more narrowly-focused meeting, removed somewhat from immediate political issues to concentrate on problems of political economy, might be more successful.

If such was the political background, the state of political economy in Britain was also ready for the redevelopment of Marxism. The Marxist tradition in British academic economics had been maintained by Maurice Dobb, Ronald Meek and a handful of others right through the Cold War period: they provided a vital link to 'classical' Marxism. Out of the new political developments came a number of important works dealing less with theory and more with the pressing need for an analysis of post-war capitalism — notably Michael Barratt Brown's "After Imperialism" and Michael Kidron's "Western Capitalism Since the War" (1963 and 1968 respectively). The Monthly Review school was very influential too, especially Baran and Sweezy's "Monopoly Capital" (1965) and Magdoff's "The Age of Imperialism" (1968); also Ernest Mandel, whose "Marxist Economic Theory" appeared in English in 1968. Apart from Mandel, we knew very little then of the work of continental Marxists in political economy.

Meanwhile, bourgeois economics was in turmoil in its higher theoretical reaches as a result of the work of the "Cambridge School" (Cambridge, England) — Piero Sraffa, Joan Robinson, Pasinetti, etc. — who were reviving the tradition of classical political economy (especially Ricardo) in demolishing the pretensions of neo-classical economic theory, and at the same time following Kalecki in maintaining a leftist sort of Keynesianism against the orthodox pragmatic interpretation. This work made it possible for students to develop a coherent 'critical' approach, and provided a vital bridge between bourgeois economics and Marxism.

\* Hugo Radice is working as a coordinating editor of KAPITALISTATE in Britain. It should be noted that this report on CSE expresses a personal view; it is not a collective report from the committee.

However, with the exception of two or three faculties, most socialist economists were very isolated in their work situations, which provided another important reason for trying to bring them together. A conference was therefore called for January 1970. It was specifically organized on a non-sectarian basis, and we hoped to attract trade unionists as well as academics and students. There was no intention then of setting up a permanent organization.

## Development

The January 1970 conference attracted about 75 people. Papers were presented on the capital theory controversy (Sraffa etc.), on the state of development economics, and on the internationalization of capital and the nation state — a range of topics reflecting the complex background outlined above. Probably the most intensive discussion took place around the third paper, which was presented by Robin Murray and commented on by Bob Rowthorn (the paper later appeared in *New Left Review* No. 67), and consequently when it was agreed to hold another conference, the topic chosen was *the economic role of the state in modern capitalism*. This took place in October 1970, and attracted 125 participants, including 20 from overseas, and 18 papers.

The papers covered a wide range of subjects. After a brief session discussing papers on the Marxist theory of the state and on the state in bourgeois economic theory, the main session centred on three very different general papers on the subject. One, by Ron Bellamy, outlined the State Monopoly Capitalism theses; a second, by Michael Barratt Brown, argued that the state was not so monolithic, and that elements of its activities could be subjected to popular control through political struggle; the third, by Bill Warren (later published in *New Left Review* No. 72) stressed the inevitable further development of 'capitalist planning' and its accompanying authoritarianism. Background papers included ones on the state in early capitalism, the formation of the German state, the colonial state, the state in southern Africa, state intervention in industrial structure, regional policy, technology policy, labour policy, the effects on economic policy in Britain of the internationalization of capital, and on the military-industrial complex.

Again, probably the fiercest debate was over international firms and their relation to the state, especially whether or not the international moment of capital was sufficiently significant to indicate a change in the relation between capital and the state as seen in the usual 'national' view of that relation. Not surprisingly, this was (and is) of great importance in approaching the problem of the 'British crisis' and the renewed possibility after the 1970 general election of entry into the European Economic Community. But the state of the debate indicated that the CSE needed a lot of theoretical development before these questions could be settled.

At this conference it was clear that a permanent organization of socialist economists was feasible, and a committee was elected to establish this, to organize further conferences, and to consider launching a journal. Despite the wide range of political opinion, we had avoided sectarianism and begun our original tasks — to redevelop socialist political economy, and break down our isolation through collective work.

Although we ran into some organizational problems in early 1971, these were resolved at a meeting in May to plan the next conference. Here we decided that the topic should be 'Britain and the EEC', and also that the papers for the conference should make up the first issue of our journal. At the conference, yet again the capital/state issue was important, and one of the workshops was given over to a paper on the subject (revised version in KAPITALISTATE No. 1, pp. 56–68 by Picciotto & Radice). Other workshops discussed the EEC and European imperialism in the periphery, the EEC and the British economic crisis, and labour problems (especially immigrant workers): in the plenary sessions at the end, the capital/state question, on which little headway was made, was replaced in debate by discussion of the nature of the outward impulse of European imperialism today, and hence unresolved issues in the theory of imperialism and of capitalist crisis.

In discussing the future development of the CSE, it was decided to extend our activities by holding shorter conferences, or 'dayschools', on more specific issues: the aim being to provide an intensive introduction to the main arguments and difficulties in the area in question; and also to encourage the formation of local groups to provide a solid basis of continuing collective work which could feed into CSE activities — groups had already been working in Sussex and Warwick universities, and there were a growing number of seminars running elsewhere, usually on Marxist theory. The first dayschool took place in May 1972 on the capital theory controversy and the Marxist critique of Ricardianism. To our surprise and pleasure, about 80 people came along to hear a concise exposition of the Cambridge school/neoclassicals debate from Ian Steedman and a Marxist critique of both 'vulgar economy' and 'political economy' from Bob Rowthorn (both later published in the Bulletin of the CSE), and to take part in 4 hours of sustained discussion. The second issue of the Bulletin appeared, carrying material on the world economy — underdevelopment, unequal exchange and European integration; the third carried the capital theory discussion. In October, we held an intensive three-day seminar on international firms, involving about 20 comrades working actively in this area. This was very much a 'work-in-progress' seminar, and a very wide range of topics were discussed — general theory; international firms and underdevelopment; the world car industry; western technology in Soviet industrialization; U. S. control over Canada; and the electronics industry in Europe. We noted the failure of much of our work (and others) to concentrate enough on the sphere of production rather than (or as well as) circulation, and the necessity of locating discussion firmly in the theory of imperialism.

Our last major conference (these are now established as annual, during the Christmas vacation) discussed the nature of capitalist crisis. In the conference issue of the Bulletin, at the conference itself, and in discussions since — both in the Bulletin and at the dayschool on the law of value held in June 1973 — a major debate has emerged, which although clearly implying differences in analysis of the concrete situation of capitalism today has in fact been located at a more theoretical level. The debate surrounds the fundamental question of Marx's basic analysis of the dynamics of the capitalist mode of production. Central is the law of the falling rate of profit: is this something which is *inherent* in the nature of capital as self-expanding value, as David Yaffe has maintained (cf. Mario Cogoy, "Les Theories Marxistes . . .", *Les Temps Modernes*, Sept.—Oct. 1972), supported by Robin Murray, Geoff Pilling & others — and thus the one essential logical foundation for Marx's theory of crisis; or is the falling rate of profit something which may or may not occur, to be empirically verified, and to be treated in the same way as other elements in Marx's model? Against the Yaffe ('dogmatist') position stand Ian Steedman, Andrew Glyn, and now Paul Sweezy — all labelled 'neo-Ricardian' or 'under-consumptionist' by those advancing the Yaffe/Cogoy sort of position. Needless to say, the argument has developed further around the law of value, the transformation problem, the question of productive and unproductive labour, and methodological issues. While many of us find that the debate is over our heads at times, it appears — despite the slogans — to be a serious and sustained debate, based on the deeper study of Marxism that has been going on here in Britain over the last few years, and certainly holds the centre of the stage in CSE work at present.

### Perspectives

The CSE has clearly now become firmly established. Not only do our conferences and dayschools attract large and participant audiences, while the Bulletin receives a steady flow of papers, but more important there is a general agreement that these will continue to flourish — CSE is no longer holding together by the sheer willpower of a few individuals. In terms of membership we are flourishing: 1970—1, 135; 1971—2, 205; 1972—3, 423 so far. Of these, about 50% are students, and 25% overseas. The Bulletin is being taken by libraries (though not enough). CSE activities have been organized in London, Cambridge and elsewhere — usually informally — while continuing collective

work is under way on the political economy of women and on housing. We have members in most universities and polytechnics in Britain, together with a small (too small) number of trade unionists, union research officers, adult education teachers, etc.; and we have contact with other new groups such as Radical Philosophy and Radical Scientist journals. Abroad, we have members in every 'west European' country except Greece & Turkey, but including Spain and Portugal; and in USA, Canada, Argentina, Chile, Peru, Brazil, Australia, Japan, S. Africa, Tanzania and Hungary. We are building close links with the Union of Radical Political Economists in the USA and with the Association pour la Critique des Sciences Economiques et Sociales in France.

Our perspectives remain essentially the same in the broadest terms. In more detail, two main directions for our future work in Britain are likely. First, we must provide the framework for an increasing amount of local and specialized activities — local groups, dayschools, regular seminars and so on. We can coordinate and publicize these through our Newsletter, help organize if necessary, and provide publishing channels with the Bulletin and/or pamphlets. This sort of growth has to be organic — it can't be dictated from above; but more and more of us are realizing the benefits of collective as against isolated work. Second, we must move outwards. There is absolutely no point in the CSE seeking to develop a socialist-marxist analysis of capitalism if this work is not disseminated far beyond a 'house journal' like the CSE Bulletin. But rather than starting a large-circulation journal, the way we see this developing is much more *direct*, by organizing programmes of lectures and seminars, by putting out material for political groups and unionists on current economic questions, and by joining with others on the left in collective work. This would also include 'agitprop' work in colleges and universities against bourgeois ideology and 'economic science'. Again, this sort of work has to develop naturally out of the requirements of the political work of CSE members: what CSE as such can do is make for an enormous economy of time and effort by coordinating such work.

What about problems? The first is that at the moment people seem to be mostly interested in 'theoretical work'. There is not nearly enough going on by way of concrete analysis. Actually, there probably *is* plenty of work going on, but it is not being fed into CSE activities. This may be because many of us — e. g. Ph. D. students — are forced to use essentially bourgeois frameworks for such work: certainly there is often a gap between 'official' work and 'unofficial' work. But while Capital reading groups are obviously of great importance, the unity of theory and practice must remain the goal of any socialist. This weakness is important as regards the interests of KAPITALISTATE: in the CSE discussions on crisis theory, etc., everyone recognizes that on a more concrete level the debate would turn on issues like the nature of state intervention in the economy, the limits of capitalist 'planning', etc.; while the debate remains very abstract, there won't be much about such questions.

Secondly, CSE will have to maintain some coherence, some sense of collectivity, as it expands towards 1000 members and as the activities increase in number. The secretary will no longer be able to handle all mail personally, know most of the members, and channel a lot of information informally. We don't, however, want a large and expensive bureaucratic machine, and we don't want an elite group to emerge detached from the membership. Basically, this will mean getting more people involved in administrative work, taking on some paid secretarial help, and decentralizing. There is no such thing as an organizational problem really — if we're doing good work, there is no shortage of people and ideas for administering it.

### Membership

Membership of the CSE costs £ 4.00 per year, or £ 1.50 for students and others on limited incomes. Members automatically receive the Bulletin and the Newsletter, and can attend any CSE meetings. But please note:

- 1) All subscriptions run from Dec. 1st for one year, and are thus back-dated to the previous Dec. 1st, unless the subscriber wants to delay his subscription. Thus anyone subscribing in November 1973

- will receive all Bulletins/Newsletters published since December 1972, and will be asked to renew his subscription for December 1973. This makes administration very much easier.
- 2) Overseas subscribers **please** send sterling cheques. If you think a cheque for \$ 3.50 is a student subscription, just remember that we pay about \$ 1.00 commission for changing it. If you can't send a £ cheque or money order, add \$ 1.00 to your subscription.
  - 3) Libraries can subscribe, to the Bulletin only, for £ 6.00 per year. This helps subsidize the student rate.
  - 4) Subscriptions for 1972-3 are still available, for £ 3.00 (full rate) or £ 1.00 (reduced rate), covering the issues of the Bulletin dealing with capitalist crisis, the law of value and productive and unproductive labour (also pieces on vulgar economy and on the theory of permanent arms economy). The first volume of the Bulletin, covering the three issues of 1971-2, on Britain and the EEC, the world economy and the capital theory debate, is only available to libraries - at the library rate. For 1973-4, the annual conference, on Jan. 4th-5th 1974, will be on imperialism, with major papers from Tom Kemp on theories of imperialism and Michael Barratt Brown on the current state of imperialism. Workshops will discuss a wide range of papers: offers are still very welcome. The conference is open to members only.

### Contacts

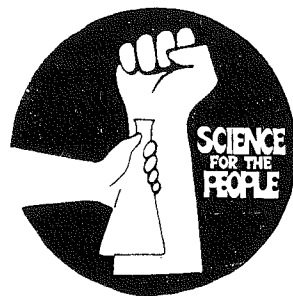
Anyone who wants more information about the CSE, who wants to contact CSE members (e.g. working on a particular topic), who knows of groups or individuals who might be interested, or who is visiting England and wants some addresses, should write to:

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## PROGRESS REPORT - SPAIN SEPTEMBER 1973

### Coordinating Editors

Lluís Argemí, Biscaia 340, Ap. 155, Barcelona; Tel. 3407228  
Rafael Ribó, Dos de Mayo 327, Barcelona (13); Tel. 2554531  
We are in the process of setting regional boards through Spain.

### Work in Progress

(possible spanish contributions for issue 3)

### Research Projects

Area: Political Economy of Agrarian Development

Lluís Argemí:

Agrarian Reform and Primitive Accumulation (Integration of the agricultural sector of underdeveloped countries to the state-monopoly-capitalist structure: the role of technology and the role of property redistribution).

Area: Theory of the State

Ignacio de Otto, Ronda de San Pedro 72, Barcelona:

Evolution of the juridical elements of the liberal democratic theory of the State and the shift of the forms and levels of juridical abstraction in relation to the transformation of the liberal society. Persistence and/or transformation of the basic ideal and conceptual elements of the State's juridical order.

Area: Political Sociology

Rafael Ribó:

Conceptual relation between "class" and "nation" solidarity. Special focus on the super-structural factors of national feelings, their roots in History. Political consequences of their manipulation by a dominant class and/or by revolutionary movements.

Carlos Viver Pi-Sunyer, Secretario Coloma 92-94, Barcelona:

The political elite in Spain 1936-1945 (Reelaboration of an analytically operative concept of 'political elite' through an empirical study of the post civil war spanish authoritarian state).

### Book Reviews

Ros Hombravella, J. ed.:

"Capitalismo Español: de la Autarquía a la Estabilización 1939-1959", EDICUSA

### Additional Observation

One of the KAPITALISTATE fields that should draw more attention to all of us is the nature of the different regimes in the capitalist world.

## PROGRESS REPORT - USA NOVEMBER 1973

### Contributing Editors

#### San Francisco Bay Area Group

Jens Christiansen, Dept. of Economics, Stanford University, Stanford, Cal.

Fields of Interest: Theory of the State, Imperialism and Dependency. Transition from Capitalism to Socialism.

Current Research: The Expansionary Dynamics of Capitalist Development. Transition toward Socialism: The Case of Chile.

Dan Feshbach, 249 Lexington Ave., San Francisco, Cal.

Fields of Interest: Regional Government and Planning. Community Control.

Current Research: U. S. Federal Revenue-Sharing.

Robert and Sherry *Girling*, SIDEC, School of Education, Stanford University, Stanford, Cal.

Fields of Interest: Technological Dependence. Education and the State.  
Current Research: Technological Dependence and the State. Notes on Class Analysis of Advanced Capitalist States.

David *Gold*, 1032 Colusa St., Berkeley, Cal.

Fields of Interest: Economic Policy. Political and Occupational Socialization. Sports.  
Current Research: Political and Occupational Socialization and Class Reproduction. Distribution of Wealth Ownership.

Clarence Y. H. *Lo*, 22 Tunnel Road, Berkeley, Cal.

Fields of Interest: U. S. Foreign Policy. The Permanent Arms Economy. Businessmen, Ideology, and State Policy. Political Ideology and Legitimization.  
Current Research: A Study of the Attitudes of Businessmen about Defense Spending, 1948--1958.

John H. *Mollenkopf*, 425 College Avenue, Palo Alto, Calif. 94306

Fields of Interest: Urban Politics and Policy, Urban and Regional Planning, and Historical Evolution of the U. S. State.  
Current Research: Community Political Mobilization, Urban Regime Structures, and the Distributive Impact of Local Government Activities.

Jim *O'Connor*, Dept. of Economics, California State University, San Jose, Cal.

Fields of Interest: Theory of Value, Productive and Unproductive Labor. Dialectics of Labor, Early and Late Capitalism.  
Current Research: Labor in the Transition from Feudalism to Capitalism. The Transition from Original Accumulation to Monopoly Capitalism.

Jim *Russell*, 160 Caselli St., San Francisco, Cal.

Fields of Interest: Marxist Theory and Methodology.  
Current Research: Marx and Weber on the Theory of the State.

Kay *Trimberger*, 539 Corbett St., San Francisco, Cal.

Fields of Interest: The Role of the State Apparatus (especially civil and military bureaucrats) in Different Types of Revolutions (historical and third world).  
Current Research: Bureaucratic Revolutions from Above.

Erik *Wright*, 5863 a Birch Court, Oakland, Cal.

Fields of Interest: General Theory of the Capitalist State. Concrete Mechanisms Regulating State Activity. Theory of the Repressive Apparatuses of the State (how controlled, how function, how contribute to management of labor market, class conflict, etc.).  
Current Research: Comparative Study of Prisons in U. S. and Europe (central hypothesis: extent and use of prisons will vary with the existence of a substantial marginal segment of the working class rather than merely with the manifest level of criminal activity, i. e. repression as rooted in structural conditions).

Comparison of "Discrimination" Based on Sex and Race among Different Classes.

#### New York Group

Ike *Balbus*, 118 Sullivan St., New York, N. Y.

Fields of Interest: Economic and Legitimization Functions of the State.  
Current Research: Politics and Sports.

Bertell *Ollman*, Department of Politics, New York University, Washington Sq., New York, N. Y.

Fields of Interest: Theory of Alienation. State as a Value Relation.

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

Fields of Interest: Repressive Functions of the State.

#### All Around the USA

Anatole *Anton*, Department of Philosophy, University of Colorado, Boulder, Colo.

Fields of Interest and  
Current Research: Political Parties in the USA. Marxist Theories of the State.

Paul *Buhle*, Sarah Lawrence College, Bronxville, N. Y.

Fields of Interest: American History and Radicalism.

Current Research: State capitalist Theory and American Marxism. 20th Century American Culture and the State.

Martin *Murray*, Department of Sociology, University of Missouri, Kansas City, Mo.

Fields of Interest: Class Structure; State Budgetary Planning. Role of the State in Development.

Steve *Rose*, 637 Harvey St., Baltimore, Md.

Fields of Interest and  
Current Research: State Interventionism. Limits of the Mixed Economy.

J. Warren *Salmon*, Dept. of Family Medicine and Community Health, Hahnemann Medical College, 230 no. Broad St., Philadelphia, Penn. 19102.

Fields of Interest: Health Policy. Epidemiology. Social Control and Socialization.  
Current Research: Reorganization of Health Services around Health Maintenance Organization Activity. Changes in H. E. W. Health Funding.

Herman Hy *Schwendinger*, School of Criminology, University of Cal., Berkeley, Cal.

Fields of Interest: The Development of a Marxist Criminology.  
Current Research: Theoretical Writings on Marxist Criminology. Marxist Theory of Delinquency in Advanced Capitalist Countries.

Al *Szymanski*, Department of Sociology, University of Oregon, Eugene, Oregon.

Fields of Interest: Control of the State. U. S. Working Class.  
Current Research: Trends in the U. S. Working Force (sex, race, skill, etc.)

#### Canada

Frank *Cassidy*, Department of PSA, Simon Fraser University, Burnaby 2, British Col.

Fields of Interest: Theory of the State.  
Current Research: A Working Note on the Theory of the State by Way of a Comment on Althusser's "Ideology and State".

Immanuel *Wallerstein*, Department of Sociology, McGill University, P. O. Box 6070, Montreal 101, Quebec.

Fields of Interest: Development of Capitalist World Economy Since the 16th Century. Contemporary Transformation of the World System (in core countries and African periphery).  
Current Research: National Liberation Movements in South Africa. Mercantilism and Consolidation of European World Economy, 1640--1815.

#### PROGRESS REPORT -- BRITAIN OCTOBER 1973

At a meeting on October 13 the British section of KAPITALISTATE was (re-)organized. Issue 1 of KAPITALISTATE was well received. Problems raised concerned the need for more editing, the problem of carrying intra-sect debates without being sectarian, the importance of stimulating international debate.

#### Organization:

The job of Coordinating Editor has been taken over by a Coventry team itself coordinated by:

Simon *Clarke*, School of Sociology, University of Warwick, Coventry CV4 7AL, England; Tel.: 0203-24011 (ext. 2497)

Hugo *Radice* will continue to handle finance and subscriptions for the time being.

#### Contributing Editors:

Ronaldo *Munck*, 6 Gray's Cottages, East Street, Colchester: Latin America. State in Underdeveloped Countries.

Ian *Gough*, Department of Social Administration, University of Manchester, Manchester M13 9PL:

State and Standard of Living, Taxation and Income Distribution, Economics of Social Services (temporarily inactive).

Andrew *Gamble*, 104 Bishopthorpe Rd, York (Tel. 21773):  
Tory Party, State Economic/Political Management.

Hugo *Radice*, 4 Roundhill Road, Brighton BN2 3RF (Tel. 0273-64263):  
Internationalization of Capital, Finance Capital, Banking/Monetary System, Capital and State.

Robin *Jenkins*, 57 Barking Road, London E 16 (Tel. 01-802-7323):  
Relation Between Private and Public Sector in Local Area.

Bob *Miles*, SSRC Research Unit, 9 Priory Road, Bristol BS8 1SZ (Tel. 0272-311296):  
Marxist and Bourgeois Theory of the State, Legal Aspects of Race Relations, State and Law.

Simon *Clarke*, (address above):  
Theory of the State in General, Social Bases of Political Power in Third World.

Simon *Frith*, School of Sociology, Univ. of Warwick, Coventry CV4 7AL:  
History of State and Education, Working Class Responses to the State.

Paul *Corrigan*, (same address as Frith):  
Politics of Social Services; State in the Locality.

Sol *Picciotto*, School of Law, Univ. of Warwick, Coventry CV4 7AL:  
International Law, Internationalization of Capital and Imperialism, Local Political/Legal Activity, Politicising Response to State Repression.

Tim *Putnam*, 55 Oldhill Street, London N16 6LU:  
State Involvement in Industrialization in India. Local Politics.

Anne *Phillips*, 55 Oldhill Street, London N 16 6LU:  
State Generally, Relation Between Political and Economic. Colonial Development Policy in W. Africa. Role of Colonial and Colonising States.

John *Tate*, 31a Rochester Square, London NW 1 (Tel. 01-267-3348):  
Critique of Sociology of Development, Frank etc. Vietnam and Indonesia.

#### Work in Progress (Additional to above):

Robin *Jenkins*:  
Studying activities of private capital in West Ham, working on community development projects.

*Warwick Group* (*Clarke, Corrigan, Frith, Picciotto et al.*):  
Research into Coventry Community Development Project. Having completed a year's theoretical discussion on the capitalist state, we will be carrying out research on the activities and ideologies of the state in Coventry over the next two years. We shall analyse the class nature of political decisions affecting the lives of the people of a 'ghetto' area in the centre of the city, the direct way in which international capital affects the decisions of the local state apparatus, as well as the ideological components of this process. The other, dialectically related, focus of the research is trying to develop a new understanding of working class political reactions and consciousness in relations to the apparatus of the state. We feel that Marxists have failed to understand the class nature of these reactions and, as such, political interventions have failed to have much impact (write to P. Corrigan).

#### Monitoring Journals/Other Publications:

*Coventry*:  
State in the Locality, Working Class Responses to the State.

Hugo *Radice*:  
Capital and the State, Finance Capital, Internationalization of Capital.

Bob *Miles*:  
Theory of the State.

John *Tate*:  
Colonial/Underdeveloped State.

The main sectarian theoretical journals will be monitored also.

#### Finance:

Sales are proceeding slowly — 30 subscribers so far — but should improve now that we are organized. The price is a little high for this 'market'. Books of Leeds will distribute KS in Britain.

#### Organization in Britain:

It was decided that a newsletter should be produced which would be inserted in each issue and circulated separately when necessary. It was felt that the KAPITALISTATE group could be an important stimulus to work on the state, and particularly that it should encourage work in areas which seemed neglected, and should encourage collective work in combatting academic privatization.

#### PROGRESS REPORT — JAPAN NOVEMBER 1973

We have organized a board of contributing editors as follows:

#### Contributing Editors:

Setsu *Furukawa*  
Association Membership: Association of Historical Land Systems; Association of Economic Theory

Home Address: 4-8-12, Inokashira, Mitaka-shi, Tokyo Japan; Tel. 0422-44-1927

Main Themes: Economic Theory, especially the theoretical analysis of contemporary capitalism, and the analysis of Japanese capitalism today

Publications: "Structural Changes and Trade Cycles under the General Crisis of Capitalism" (Japanese), Tokyo, 1970

Mitsuo *Fujii*  
Association Membership: Association of Business Management, Association of Business History

Home Address: 1-11-17, Yuigahama, Kamakura-shi, Japan; Tel. 0467-22-2358

Main Themes: The staple goods industry in the development of Japanese capitalism, especially the silk-spooling and cotton spinning industries, and business history of the Japanese staple goods industry after World War II

Publications: "A Business History of Japanese Capitalism" (Japanese), Tokyo, 1971

Kazuyoshi *Hotta*  
Association Membership: The Association of Commercial Economics

Home Address: 1-18-303, Hanamigawa, Chiba-shi, Japan

Main Themes: Historical analysis of the structure and development of the market structure under Japanese capitalism

Publications: Various articles dealing with the Japanese market structure

Yasushi *Sakaguchi*  
Association Membership: Association of Accounting; Kanto Association of Accounting Research

Home Address: 5-2-26, Sakae, Niiza-shi, Saitama-ken, Japan

Main Themes: Monopoly analysis

Publications: Various articles dealing with analysis of monopolies within Japanese capitalism

Miyoko *Kuroda*  
Association Membership: Association of Modern Mid-eastern Studies

Home Address: 1277, Iwato, Komae-shi, Tokyo, Japan

Main Themes: Contemporary political developments and policies in the Mid-East



Publications: Articles on Mid East Affairs; currently translating C. Bettelheim's "Calcul Economique et Formes de Propriété"

Further, we have formed other research groups in the various districts of Japan, (Kanto, Kansai, Kyushu, and Hokkaido).

### Work in Progress for Later Issues:

#### Research Projects:

Criticism of "The Economic Theory of Pollution", by Mizuho *Nakamura*

#### Theoretical Notes:

On the Structure of Economic Growth in Japan, by Setsu *Furukawa*

### Planning and Points of Focus for Coming Issues:

1. The theory of relation between monopoly capitalism and the state.
  2. Trade cycles and monetary crisis.
  3. Class structure and the state.
  4. Political and economic relations between South East Asia and Japan.
  5. Political economy of pollution.
  6. A critical analysis of government and business relations.
  7. The analysis of monopoly business.
  8. The analysis of contemporary Japanese monopoly capitalism.
- This year we will concentrate chiefly on 1-5.

## PROGRESS REPORT – SCANDINAVIA NOVEMBER 1973

### Coordinating Editor

Peter *Dencik*, Kjeldsgaardsvej 8III, DK-2500 Valby, Denmark

### Subscriptions and Other Financial Affairs:

Morgan *Åberg*, Paternostergatan 3, S-414 67 Göteborg, Sweden

Both editors are also working with the newly founded nordic journal of political economy. Both journals intend to cooperate intensively by exchange of articles etc.

### Contributing Editors

Peter *Dencik*, (address as above):  
Wage and Incomes Policy, Trade-Unions and the State.

Hilmar *Heitsch*, Vidblicksgatan 11, S-412 57 Göteborg, Sweden:  
Organization of Production Processes and System of Wages.

Johan *Lönnroth*, Dr. Sydows gata 50, S-413 24 Göteborg, Sweden:  
Indicative Planning in Capitalist Societies.

Gunnar *Persson*, Måsvägen 4B, S-222 30 Lund, Sweden:  
Migration and Reproduction of Classes.

Morgan *Åberg*, (address as above):  
Productive and Unproductive Labor.

## PROGRESS REPORT – ITALY NOVEMBER 1973

Since changes of address and the composition of editors have taken place please note the following:

### Coordinating Editor

Alberto *Martinelly*, Via Fontana 28, I-20122 Milano, Tel. 02-782373

### Contributing Editors

Bianca *Beccalli*, Giuliana *Chiaretti*, Guido *Martinotti*, Marino *Regini*, Michele *Salvati*; all these may be reached c/o Scuola di Formazione in Sociologia, Via Daverio 7, I-20122 Milano.

Antonio *Negri*, Scienze Politiche, Università di Padova, Via del Santo 16, I-35100 Padova.

Furio *Cerutti*, Via Paisiello 166, I-50144 Firenze.

*Centro di Documentazione*, Casella Postale 53, I-51100 Pistoia.

Massimo *Paci*, Facoltà di Economia e Commercio, Università di Urbino, I-60100 Ancona.

Carlo *Donolo*, Via della Pelliccia 5, Roma.

Giordano *Sivini*, Università di Cosenza, Cosenza.

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

## PROGRESS REPORT – FRANCE NOVEMBER 1973

### Coordinating Editor

Jean Pierre *Berlan*, Tour Mexico, 65, Rue de Javelot, F-75013 Paris XIII, France

In France there is a special interest to contribute on the relationship of state agricultural politics and imperialism. Also, an association similar to the English C. S. E., named A. C. E. S., is being founded which intends to cooperate with KAPITALISTATE

A more detailed progress report will be forthcoming in KAPITALISTATE 3/1974.

## PROGRESS REPORT – NETHERLANDS NOVEMBER 1973

The group around Kurt *Tudyka*, coordinating editor in the Netherlands, would especially like to contribute to an issue on Multinational Corporations. The group consisting of Dirk *Belau*, Tom *Etty* and Werner *Olle* (and Kurt *Tudyka*) may be reached at: Instituut voor Politicologie, Katholieke Universiteit, Faculteit der Sociale Wetenschappen, Peace Research Center, Nijmegen, Van Schaek Mathonsingel 4.

Also the group could contribute to an issue on labour conflicts and state functions.

In the Netherlands KAPITALISTATE may be obtained at the two main bookshops having leftish publications: Oude Mol (Nijmegen) and Van Genneep (Amsterdam).

The group expects to expand soon, such as to develop stable working relationships in the framework of KAPITALISTATE with people in other cities and institutions in the Netherlands.

### Coordinating Editor

Kurt P. *Tudyka*, Nijmegen, Reestr. 9, Tel. 80-559 501

Please consult KAPITALISTATE 1/1973, pp. 50–55.

Because of overload of work the Berlin group has decided to consolidate and divide its efforts. We have split into two – well cooperating – sections: one dealing with the “content side” of problems; the other with more “infrastructural” problems (finance, distribution etc.). Please consult the following listings for addresses etc.

We do not mean to discontinue the contributing editor principle (cf. KAPITALISTATE 1/73, pp. 50–51 for names and addresses). But there is so much work above and beyond what the contributing editors do or could do that no other way seemed feasible to us. The coordinating editor's work here would not function if it was not shared more widely.

**The FRG “coordinating editor” function on the content side is being shared by the following people:**

Heide Gerstenberger, D-34 Göttingen, Angerstr. 1c, Tel. 0551-43229

Jerry Hodges, D-1 Berlin 61, Grimmstr. 18, Tel. 030-6911015

Klaus Groth, D-1 Berlin Steglitz, Cranachstr. 49, Tel. 030-8557187

Wolfgang Nitsch, D-1 Berlin 31, Johann-Sigismund-Str. 15, Tel. 030-3058220

Axel Zerdick, D-1 Berlin 19, Neue Kantstr. 6, Tel. 030-3068110

**Central address to which all contentual problems could be addressed in the future:**

Axel Zerdick, Institut für Wirtschaftspolitik, Fachrichtung Konzentrationsforschung, D-1 Berlin 31, Babelsbergerstr. 14/16, Tel. 030-8537051 – ext. 251 (for leaving messages use ext. 259/260 or private phone)

**The FRG “coordinating editor” function on the “infrastructural” side is being shared by the following people:**

Volker Bahl, D-1 Berlin 62, Helmstr. 9, Tel. 030-7826266

Knuth Dohse, D-1 Berlin 41, Wielandstr. 42b, Tel. 030-8519700

Stephan Leibfried, D-1 Berlin 15, Bregenzerstr. 10, Tel. 030-8812457

Gero Lenhardt, D-1 Berlin 12, Grolmanstr. 23, Tel. 030-3124252

**Central address to which all non-content mail (ads, finance, distribution etc.) should be addressed:**

Working Papers on the KAPITALISTATE  
D-1 Berlin 15  
Bregenzerstr. 10  
Federal Republic of Germany

Together we are all sharing the old “coordinating editor” function and will meet regularly to discuss main problems of both areas.

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**Latin American Review of Books**,  
Edited by Colin Harding and  
Christopher Roper. Available from  
Books, 84 Woodhouse Lane, Leeds.

No. 1, Spring 1973

£ 1.25

This first number of the "Latin American Review of Books" provides a useful overview of current work on the area from a "radical" perspective which questions accepted knowledge on the subject usually elaborated by U.S. academic hacks. The format of book reviews is a good one and allows the reviewer to assess the various contributions to a given area of knowledge and at the same time develop his own thoughts on the matter.

The first section on International Relations (i.e. U.S. - Latin America) has a first article by J. Collins which criticises the ideological elaborations of official U.S. policy but unfortunately he allows it to provide the framework for the very answers he provides (radical though they may be). Next is a piece on International Aid by Teresa Hayter (author of "Aid as Imperialism") which gives a brief account of some of the illusions surrounding the subject of aid to "developing countries" especially in the left wing of the Labour Party. Then there is an interesting review of the best new material on "dependency" - which aims at discovering the concrete mechanisms of imperialism in the oppressed nation. This article shows one of the drawbacks of the review form because the author (P. O'Brien) ends with the plea to renew analysis in terms of Paul Baran's "Political Economy of Growth" which may or may not be correct, but needs much more space to carry out a rigorous analysis of the question.

We then have two solid, if not particularly new reviews on land reform by A. Domike and on Guerillas by E. Hobsbawn. The first goes through the history and the books that have come out of the C.I.D.A. reports begun in 1962 on the land tenure systems of Latin America which is followed by an assesment of the difficulties faced by peasant revolutions. Hobsbawn gives a sympathetic and wide review of assesments and descriptions of guerilla experiences, which is critical

without being dogmatic. There are two short but informative pieces on the "radical church" and education, this last reviewing the work of Paulo Freire ("Pedagogy of the Oppressed", London 1972).

The section on Brazil is far more controversial. H. Alves writes on the perspectives facing the Brazilian dictatorship and concludes that it may become a "garrison state" or "civil authority" will be re-established. This begs the question of the class nature of "civil authority" and more important does not consider which class is hegemonic under the present dictatorship. T. Skidmore goes through some of the current views in American Political science on Brazil since 1964, which extends the analysis of his useful book ("Politics in Brazil" Oxford University Press) which is famous for an appendix which strives to absolve the U.S. and the C.I.A. from involvement in the 1964 coup. J. Wells attempts to question the Marxist explanations relating to the structural constraints on the present Brazilian expansion such as massive foreign debt, restricted nature of the home market, etc. He concludes that "it would seem silly to turn a blind eye to the diffusion of this style of consumption amongst the Brazilian working class". These positions are clearly disproved by recent more rigorous analysis such as that of J. Serra "El Milagro Brazileño - realidad o mito?".

This is followed by E. Laclau on "Peronism and Revolution" which is a Marxist analysis of the class nature of Peronism which clears away the old myths of Peronism: Fascism. It is more controversial in seeing Revolutionary Peronism as the vanguard of a mass movement, a position which would be disputed by the E.R.P. (Peoples Revolutionary Army) which considers that the working class must be weaned from Peronism to be truly revolutionary. The one weak spot of the article is the characterization of the Argentine landed interests as an "oligarchy" which to some extent begs the question of its "feudal" or "capitalist" (i. e. an agrarian bourgeoisie) nature.

This is followed by a series of papers on Central America and the Caribbean. B. Carr gives an adequate analysis of the official ideology of the Mexican revolu-

tion and shows its distance from reality. Martinez Alier goes in for Cubanology, a strange academic perspective on the Cuban revolution which refers uncritically to some old bogeys such as "the charismatic Fidel Castro" and "Fidel Castro's personal lust for power and his unscrupulous exaggeration of American threats to serve his ends". G. Lewis provides a well informed study of the attempts by Puerto Rican intellectuals to overcome the dominant U.S. definition of their own reality, which is an interesting case study on the subject of "cultural dependency". This section ends with G. Chamberlain going through some aspects of the Black Power Revolt and its setbacks in the Caribbean.

Next is a series on the Andean Group countries, all very good by authors clearly familiar with the countries dwelt on. James Petras pokes fun at R. Debray's ("Conversations with Allende", New Left Books 1972) superficial analysis of the Chilean situation and also questions the Communist Party position which sees the present period as one of consolidation of the "democratic stage". This is followed by a good and undogmatic perspective on the possibilities opened to the Unidad Popular government. C. Harding goes through some good and bad interpretations of the "Peruvian Revolution" and he quite rightly draws attention to the excellent analysis of A. Quijano in "Nationalism and Capitalism in Peru" (Monthly Review). Then there are two

**The Political Economy of the State.** Quebec, Canada, U. S. A., ed. by Dimitrios I. Roussopoulos, Montreal (Black Rose Books No. D 8) 1973, 201 pp. (paperback \$ 2.95; hardcover \$ 9.95)

This volume contains five studies by young Canadian socialists as well as an introductory essay by H. Milner and D. Roussopoulos in which the most significant aspects and findings of the individual studies are summarized:

Rick Deaton, "The Fiscal Crisis of the State in Canada", pp. 18-58;

B. Roy Lemoine, "The Growth of the State in Quebec", pp. 59-87;

Graeme Nicholson, "Authority and the State", pp. 88-98;

Lorne Huston, "The State as Socializer", pp. 99-108;

Mickey Ellinger & John Rowntree, "On Revolution in the Metropolis", pp. 109-195.

The common analytical as well as partisan approach is formulated in the foreword by Roussopoulos as follows: "The gargantuan increase in State power in capitalist societies as well as in 'socialist societies' gives the anti-statist critique of anarchism a renewed relevance . . . What we are suggesting however is that among creative Marxists and anarch-

articles on Bolivia, one by L. Whitehead (author of "The United States and Bolivia") which provides a good review of the literature on Colonel Banzer's Brazilian supported coup of 1971, and the other by H. Vacaflor on the reasons for the defeat of the Torres government. Neither go far enough however in accounting for the failure of the different left wing groups at the time. Various short reviews are spread over the book and there is also a justification by R. Gott of the Penguin Latin American Library, which came in for both right and left wing criticism in England.

This volume cannot be recommended too highly and could provide a good place for Marxist dialogue on Latin America. However one must note that the preponderantly academic perspective (which of course reflects a given class position), must be overcome if genuine Marxist discourse is to take place. This criticism does not prevent it being the best and nearly the only source on recent material on Latin America and by Latin Americans from a generally left wing position.

Ronaldo Munck\*

\* Ronaldo Munck is working with the KAPITALISTATE group in the United Kingdom as a contributing editor on Latin America. He may be reached via: Department of Sociology, University of Essex, Colchester, Essex, United Kingdom, or via: 6 Gray's Cottages, East St., Colchester, Essex, United Kingdom.

ists, common research and discussion would be useful." (p. 8) The central thesis, common to all of the studies, may be summarized in the following formula: The quantitative and qualitative expansion of state functions results in greater integration or even fusion of the base and the superstructure, such that the political economy of the state becomes itself a part of the inherent capitalist crisis. It is thus simultaneously necessary to cope with this fact both theoretically and practically: This means that both a coherent theory of the State as well as a new strategic concept for the socialist movement are wanting. The studies in this volume are intended to lay the groundwork to such an end, approaching the task from different angles.

Rick Deaton's study is of interest for three reasons: first, he substantiates the expansion of the State with empirical material; second, he attempts to demonstrate the class nature of State activity using empirical indicators; and although both attempts are still too partial and illustrative in nature, they will certainly be an aid to an empirically founded theory of the State. His contribution to the discussion of strategy is interesting, if not completely unproblematic: Deaton draws the conclusion, on the one hand, from the functional and personnel expansion of the State and the political fiscal crisis, on the other hand, that the key to an adequate socialist strategy lies in a coalition between the workers in the public sector of the economy and the users of public services: "As a result of the dynamics of the fiscal crisis there may well be, under certain historical conditions, a qualitative shift in the political center of gravity within the working class from the industrial sector to the public sector which maximizes the pressure against the state apparatus; with political leadership as a vehicle, this pressure could break the State." (p. 54)

The articles by B. R. Lemoine and Lorne Huston complement Deaton's study empirically: Lemoine analyzes the infra-structural and structural-policy expansion of state functions and their class nature in Quebec. Huston, using the youth policies of the Canadian government, develops the thesis that the youth programs ("Opportunities for Youth", "Local Initiatives Projects") have less of an economic effect than an effect of social control; it is not unemployment (primarily among youth), but rather the social consequences of unemployment that are so perilous for the State. "Massive unemployment breaks some of the bonds which psychologically and physically bind the workers to the society. The control exercised through various social pressures in the work place is no longer present. This is even more true for youth who are generally more on the margin of society in any case." (p. 100). "The isolation of the marginals produced by capitalist society can no longer be left ignored. They must be integrated in order to eliminate any traces of a possible resistance." (p. 108).

Despite the fact that it is only conceptual in nature, the small study by Graeme Nicholson is particularly interesting. She insists properly that under capitalism class domination does indeed culminate in the apparatus of the State and receives its main backing there, but that the slogan "Smash the capitalist state" is meaningless as long as it does not include a revolution of the relations of production; but this also includes the annihilation of an authoritarian, unspecifically legitimated management prevalent in today's bureaucratic-socialist states.

The lengthy article by Ellinger and Rowntree is an attempt to provide an analytical overview of American capitalism which has, in the estimation of the authors, assumed the function of the imperialist metropolis of all capitalist states. Yet this article is highly essayistic in nature. Empirically, it concentrates on the inner effects and manifestations of dying capitalism "whose final desperate gasps are throwing it into convulsions". (p. 109). Special emphasis is given to the potential of revolutionary resistance to be found in the liberation movements of blacks, women and in the protest movements of youth.

Günther Schmid\*

\* Günther Schmid's field of work is centered on problems of the state budget, planning and planning technique. He may be reached at: D-1 Berlin 39, Hugo-Vogel-Str. 23.

Adalbert Evers/Michael Lehmann: **Politico-economic Determinants for Planning and Policy-making in the Communities of the Federal Republic** (Politisch-ökonomische Determinanten für Planung und Politik in den Kommunen der Bundesrepublik, published by Verlag 2000 GmbH, Offenbach 1972, 272 pages.)

The work under review is a summary and a critical perspective of analyses by a group of graduate students studying housing development at the Technische Hochschule (Technical Academy) in Aachen. It was published as a collection of essays entitled "Toward a Critique of Communal Policies and Municipal Development Planning" (Zur Kritik von Kommunalpolitik und Stadtentwicklungsplanung) (1). The authors attempt to show that the contradictory economic relations at the base of societies operating under the capitalist mode of production are "the real cause of the policy and planning problems which arise at the communal level" (p. 3) (2). They try to demonstrate that the process nature of the inter-relationships between the base and the super-structure indicates a shift in the function of communal policies. The major theme in the first section of the book is the theoretical derivation and discussion of a few of the basic problems of the evolution of capital as well as its change in form and content during the accumulation of capital in the FRG.

The problem areas covered in the book include: the necessarily cyclic accumulation in the capitalist mode of production as well as the "structural antagonisms" contained therein – the relationship of society and nature, the contradiction between city and country, the area of the infrastructure and societal needs – as well as the significance and function of the capitalist state.

It is true that all of these problems cannot be brought into direct relationship with communal planning and its problems. And yet it is clear – and thus it appeared necessary to the authors to devote a great deal of space to this topic – that the structural contradictions for planning and policies at the community level embedded in that mode of production still provide their framework:

- The economic crises cannot be simply regulated "technically", but require expanded intervention on the part of the central state (the federal government), whereas the opportunities for and the effectiveness of the available instruments are diminishing.
- The contradiction between city and country continues to be a topical concern linked to the technical-scientific development and the necessary re-structuring in the urban areas and requires state subsidies.
- Infrastructural under-supply, to which above all the population in the urban areas is subjected, is not the result of any deficiencies of the politicians involved. Rather it is caused by a mode of production in which the type and number of commodities is regulated by solvent demand and not according to social needs.
- Finally, the state, by no means independent of the society and the individual capital units, must not only ultimately finance those things which capital needs, but cannot profitably produce; the state also constantly oscillates between the rising economic demands and the endeavors of the individual capital units to minimize their contributions to the state's budget.

Communal planning and policies thus are caught up in a double dependency: on the one side, the manifestations of crises at the communal level increase; on the other hand the dependency of local policy-makers upon state intervention and agencies increases if they are to avail themselves of the tools of state crisis management necessary to master their problems. Evers and Lehmann illustrate these determinants with respect to the cyclical policies, the development policies and the reorganization of the state administration in the FRG. The results of their research:

- 1) Cf. for the authors of this collection of essays, Evers/Lehmann, p. 2
- 2) The pages listed in parentheses in the following refer to the respective page numbers of the book reviewed

1. State cyclical control requires far-reaching control of state income and expenditure policies in order to achieve an anti-cyclical control mechanism of the process of accumulation.

In the Federal Republic this takes place via the centralization of fiscal funds and control powers at the central state level which creates a greater dependency for those involved in communal investment decision-making due to their primarily cyclical orientation upon the anti-cyclical measures of the federal government (p. 148 ff.).

2. State development policies – conceived of as long-range security for the conditions for the realization of capital – are aimed basically at balancing and allocating total social costs. These policies are aimed at avoiding potential political conflicts, and at accentuating projectible trends of general societal development due to the constitutional limitations placed upon them with respect to infrastructural, structural policy and geo-political planning measures (p. 172). This, of course, means the promotion and support of those monopolized fractions of capital with intensive rates of growth as well as their respective areas of agglomeration.

As manifestations of infrastructural under-supply with all of the difficulties involved in the alleviation of such problems, the communities become more and more the executors of infrastructural policies due to the centralization of state planning powers and are thus forced to compete for state goal-specified funds awarded according to criteria concomitant with the rationality of capital as a whole (p. 218).

3. Against the background of these growing problems at the community level coupled with their increasing loss of financial political autonomy, city development planning fulfils a triple function:

- by clarifying the direction and chances of communal development, it provides important information for superior political agencies and capital units seeking new locations

- it contributed to the coordination and execution of geo-political goals promoted by the federal and the state governments and

- it secures at least the illusion of accessibility to limited funds and powers, thus helping to limit the problems of legitimation to the local political system (p. 271).

The authors provide a wealth of statistical material as well as analytical approaches and theses in their analysis which will both require further study within the framework of an analysis of capitalist state. The decisive theoretical-analytical problem – one that the authors have indeed recognized themselves – lies in bridging the gap between the contradictions derived from the logic of the evolution of capital and the empirically determinable manifestations of capitalist development in the FRG in general and in communal problems in particular. Clarifying this problem which recurs in most politico-economic studies will certainly require further analysis of the regulatory functions and capacities of the capitalist state and of the inter-relationship between the process of accumulation in society as a whole and the social tendencies toward agglomeration and deglomeration.

Rainer Emenlauer, Herbert Grymer\*

\* Rainer Emenlauer and Herbert Grymer are graduate sociologists employed by the "Arbeitsstelle für verkehrssoziologische Forschung" (Office for traffic-sociology research) in Munich. They are presently performing contract research in traffic problems in regional and municipal development planning, in the analysis of intra-state conflicts between the federal government and the cities and of housing construction in the FRG. Currently they are working on an analysis of the economic growth process in the Munich agglomeration area as well as on the communal possibilities for controlling this process.

## MULTINATIONAL CORPORATIONS AND LABOUR UNIONS

Selected Papers from a Symposium in Nijmegen, 17th–19th May 1973.

Kurt P. Tudyka (Ed.)

Price: Guilder 15,00

To be ordered via: Socialistische Uitgeverij Nijmegen, Bijleveldsingel 9, Nijmegen, Netherlands.

Last Post, 430 King Street West, Room 101, Toronto 135, Ontario, Canada. \$ 4.00 – for one year (8 issues).

Vol. 3, No. 2, March 1973.

Project Brazil and Last Post staff, "Brascan, Brazil and the Liberal Party".

This case study provides a good example of the important role which the state plays in the growth and functioning of the increasingly multi-national economy in Canada and the U.S. In particular, the article is a well-researched analysis of the operations of Brascan, a "massive company controlled in Canada (although the majority of its shares are held in the U.S.)". The study is focussed on the multiple relationships between Brascan and the Canadian state. Several examples of these relationships are reviewed and analyzed, including a recent incident which involved the government's Export Development Corporation (EDC) – a Crown Corporation which will be distributing close to half a billion dollars in export credits this year. Recently the EDC made a loan of \$ 26.5 million to Brascan so that one of its Brazilian subsidiaries could buy machines. Intended to be an integral arm of Canadian corporate expansion, the EDC required that \$ 23 million of the loan be used to buy equipment from a group of seven firms, six of which were American and one British. The most interesting aspects of the deal, however, are related to the many links between Brascan and the currently governing Liberal Party, and particularly between Brascan and the highest echelons of the cabinet. For example, Mitchell Sharp, secretary of state for external affairs, was a former vice-president of Brascan (then called Brazilian Traction). Many such interconnections exist and are cited in the article. As the authors comment: "The stage has been set for the Canadian government to clash with Third World countries in their efforts to control their own economies, and for Canadian taxpayers to foot the bill for the speculations of multinational

corporations in diverse parts of the world."

Frank Cassidy

James Laxer, "Tuning Up the Energy Crisis".

More than half of Canadian oil production is now exported to the U.S. The importance of Canada's position in the oil crisis was highlighted in the Shultz Report, *The Oil Import Question*, which was presented to the Nixon cabinet in February 1970. In this report Canada was described as a very safe market and as a viable alternative to current Third World suppliers in the Middle East, North Africa and Venezuela. In this article James Laxer, one of the founders of the "Waffle", the recently purged left-wing of Canada's liberal-socialist New Democratic Party (NDP), dissects the current energy crisis in North America. Laxer argues that: "The Mackenzie Valley pipeline is now being floated on the psychology created by the energy crisis." First conceived in the late sixties, the pipeline would bring natural gas from Alaska and the Canadian Arctic to southern Canada and the American midwest. The Canadian government, joined with a powerful array of multinational corporate power, has "been trying to convince the Americans that a Mackenzie Valley pipeline is preferable to a trans-Alaska and west-coast shipping route for Alaskan oil and gas". But as Laxer concludes: "Opposition to the energy deal and the Mackenzie Valley is forming in Canada. The opposition bears little resemblance to the powerful assemblage of corporations that have gathered to push the project through. Made up of ordinary citizens . . . the opposition is beginning to form into small pockets of resistance across the country. But before the year is out a national coalition dedicated to stop the pipeline may be formed of what is now a disarray of Indians, Eskimos, ecologists, trade unionists and nationalists. The coalition will have to demand a ban on all further resource development in the Canadian north until the

rights of the original peoples have been fully recognized and until the answers to environmental problems become much clearer." Laxer maintains that an opposition movement will also have to consider the demand for public ownership of energy resource industries. "Public ownership", he argues, "is the one way to stop the flow of profits out of Canada and to end the power of the corporations that are now coming together to launch the pipeline".

Frank Cassidy

## Telos

Number 12, Summer 1972

Mihaly Vajda, "Crisis and the Way Out: The Rise of Fascism in Italy and Germany"

Vajda's piece is an important contribution to an understanding of capitalist state forms in general and the fascist state form in particular. Rejecting as manifestly inadequate the Stalinist thesis that fascism is the only political form appropriate to the monopoly stage of capitalism, Vajda emphasizes the peculiar concatenation of economic problems and class alignments which led to the adoption of the fascist form in Italy and Germany. Like Barrington Moore, Vajda cites "the numerous *political* similarities between the two countries such as a powerful proletarian movement, a *politically* feeble bourgeoisie, an unequivocally revolutionary situation after the war, and an aborted revolution" as necessary conditions for the rise of German and Italian fascism. Yet these commalities alone are insufficient explanations. Whereas in Italy the bourgeoisie was economically feeble, and bourgeois democracy was incapable of providing the necessary conditions for the accumulation of capital in a still-backward economy, in Germany the bourgeoisie was already economically dominant

and had already largely solved the tasks of capital accumulation. Thus, interests of the Italian bourgeoisie, in Germany "the fascist alternative was by no means the only possibility for capitalist economic evolution"; the problem was rather the need to eliminate a specific form of bourgeois democracy, i.e., the Weimar Republic, which was manifestly inadequate to the increasingly important tasks which the state would have to carry out on behalf of private capital. For a variety of reasons, the Nazi movement posed the only viable alternative to the Weimar regime, which, together with the Nazi's success in appealing to petty bourgeois strata, accounts for the adoption of the fascist political form in Germany. Thus "the growth of fascism as a mass movement and its seizure of power can be explained in every concrete case only from the totality of the social situation in the given country: from an analysis of the whole economic, social, and political situation".

Ike Balbus

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Albert Szymanski, "Military Spending and Economic Stagnation".

This article examines the argument presented by Paul Baran and Paul Sweezy in their book *Monopoly Capital* concerning the relation between military spending and economic stagnation. Baran-Sweezy argue that military spending is a *necessary* condition for relative economic prosperity in mature monopoly capitalist societies. Although their book is subtitled "an Essay on the American Economic and Social Order" their analysis is clearly meant to apply to monopoly capitalist economies in general. If their argument is correct it is to be expected that among the advanced monopoly capitalist countries there is a negative correlation between the percentage of a country's GNP spent on the military and its unemployment rate, and a positive correlation between the former variable and the rate of growth of GNP. To test whether or not this was the case data from the 18 leading monopoly capitalist countries was examined. It was found that although there is a negative relation between military spending and the rate of unemployment there is also a negative relation with the rate of growth. That is, military spending does in fact absorb unemployment, but only at the cost of slowing down a country's rate of growth. This would appear to support Seymour Melman's argument that military spending by absorbing a large proportion of a country's most sophisticated technology, resources, and highly skilled manpower negatively effects the rest of the economy. Non-military spending as a percentage of the GNP on the other hand was found to be both negatively associated with the rate of unemployment and positively associated with the rate of growth. Further, it is shown that in all advanced capitalist countries except the U.S. and Israel non-military expenditures by the state dwarf military expenditures (in no other country do state military expenditures exceed 20% of state non-military expenditures). These empirical

observations together would seem to fairly conclusively demonstrate that military spending is not a *necessary* condition of economic prosperity in monopoly capitalist society: that conversion to non-military spending to solve the surplus absorption problem is a distinct possibility; and, that socialists should not assume that capitalism need go into crisis if great cut-backs in military spending are made.

Al Szymanski  
Dept. of Sociology  
University of Oregon

The Canadian Forum (56 Esplanade St. East, Toronto 1, Ontario, Canada). \$ 7.50 for 1 year.

Volume LII, No. 626 March 1973

R. Kent Rowley, "The Road to Kitimat"

Andreas G. Papandreou, "The Multinational Corporation"

Today the state proper is in many cases no longer the primary aqueduct of imperial hegemony. Multi-national corporations, trade unions, communication media, and numerous other forms of social intercourse have become the channels of imperial expansion and entrenchment. The state as concept lags behind the state as reality. The American empire may be coordinated and unified through state and government institutions, yet its "private" manifestations are in many cases the actual mechanisms of control employed by the new empire builders. This is particularly so in the more industrially advanced hinterlands of the empire.

In Canada, the invisible fingers of the American empire exercise a tenacious grasp over state and society, the public and private dimensions of everyday life. In the past few years, this situation has become the central issue in Canadian politics at both the provincial and federal levels. Two articles in the March, 1973, edition of *The Canadian Forum*, a socialist journal which has been publishing since 1920, focus on areas of increasing concern: American controlled labour unions and multinational corporations.

In "The Road to Kitimat", Kent Rowley, secretary-treasurer of the Council of Canadian Unions, describes the successful struggle of workers at the ALCAN plant in Kitimat, British Columbia to terminate their affiliation with the American based, AFL-CIO United Steelworkers of America. Chosen as the new bargaining agent was a Canadian based and controlled union - the Canadian Aluminium, Smelter and Allied Workers. Rowley writes, "there is a new feeling in the air. The independence of Canada is very much in question now. Our resources, our industry and our universities are falling under complete control of the American empire.

"It is clear that we cannot count on the Canadian branch-plant managers of American industry, nor can we count on the money men in the banks and trusts of Canada, to fight for our independence.

"Who, then, will do it? Only the working people. The largest mass movement in Canada is the trade union movement, with over 2,000,000 members. If Canada is to free itself, that movement is the essential base. *It must be Canadian.*"

Growing sentiments of Canadian nationalism are to be seen everywhere: Kleenex issues tissue boxes with scenes which recall the sweet fragrance of the Canadian past, beer manufacturers place maple leaves on their labels in declarations of patriotism. The move to break with the AFL-CIO was based on a recognition that "Canadian workers are subsidizing the fat and corrupt leadership of the American trade union movement. In only eight years of reporting (1962-1969), the American unions collected from Canada \$ 249,213,000, and spent \$159,311,000 - leaving them a net profit of \$ 89,902,000."

This feeling of outrage extends to the multi-national corporations. In a revised version of his comments at a joint session of the American Economic Association and the American Finance Association meetings in Toronto on December 28, 1972, Professor Andreas G. Papandreou, of York University in Toronto, pointed to "the intimate and close relationship between the managements of the parent companies and the govern-

mental apparatus of the states where they have their national base. The national-base governments see these corporate systems as devices for the expansion of their political and economic control beyond their shores, as instruments of their foreign policy. In return, the multinationals rely on the power of the state to further their interests globally."

Dismissing proposals that Canada and the U.S. move toward joint maximization of the profits from direct investments in Canada, Papandreou identified the nub of the problem which underlies the similar effects of seeming opposites, the American labour union and the American corporation. "The name of the game", he maintained, " - so far as Canada is concerned - is U.S. *domination* of its economy."

The growth of nationalism in the Canadian trade union movement and the rising scepticism of Canadians in general concerning the power of American interests in Canada point to a political future for Canada which will be entwined with efforts to overcome U.S. domination. Inevitably, these efforts will lead toward a redefinition of the Canadian state and its role in controlling the hidden instruments of the American state, the guts of the New Imperial system.

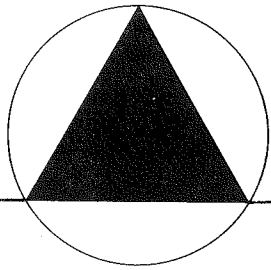
Frank Cassidy  
PSA Department  
Simon Fraser University  
Burnaby 2, B.C. Canada

The Insurgent Sociologist, Dept. of Sociology, University of Oregon, Eugene, Oregon 97403, USA

Vol. III, No. II, Winter 1972

Paul Goodman, "The Organization Caste System and the New Working Class"

An attempt to analyze characteristic differences and similarities of blue collar and new working class in terms of the structure and process of bureaucratic organizations. The author postulates an "or-



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ganizational caste system" which prohib-  
its mobility among three levels: manual/  
clerical, technical/professional/adminis-  
trative; and managerial. This caste system  
is described as internally reinforced by  
differential treatment of working and  
new working class by management; and  
by a complementary caste system in the  
educational system. The article empha-  
sizes the contradictory position of the  
new working class at the same time co-  
opted by their privileged position in the  
"caste system" and faced with the in-  
creasingly proletarianized conditions of  
their work.

The interest of this article is two-  
fold. First, it inadvertently raises a funda-  
mental question in attempting to formu-  
late a class analysis of advanced capitalist  
state: are state and private corporate bu-  
reaucracies essentially similar in their  
class composition and structural organiza-  
tion? Goodman assumes no difference in  
his analysis; an assumption challenged by  
Claus Offe's essay "The Abolition of Mar-  
ket Control and the Problem of Legitima-  
cy" (KAPITALISTATE No. 1/1973,  
pp. 109-116; continued in: KAPITALI-  
STATE No. 2/1973). Second, it illustrates  
some basic weakness in contemporary  
attempts to advance a class analysis of the  
modern capitalist state. Particularly rele-  
vant here are the simplistic notions describ-  
ing a very complex set of interrelations  
between the productive base and super-  
structure with respect to reproducing the  
existing social relations of production and  
the failure to develop adequately and con-  
cretely the emergent class forces in ad-  
vanced capitalist societies.

X.

Southern Exposure, Institute for Southern Studies (I. S. S.), 88 Walton Str.  
N. W., Atlanta, Ga. 30303, USA.

Vol. 1, 1973, Southern Military-Industrial Complex\*

The Institute for Southern Studies of Atlanta recently released a forty-page report detail-  
ing the inordinate dependency of the South's political economy on military spending.  
Entitled "Southern Militarism", the eight month study is the first such major report on  
the so-called military-industrial complex of a region. It shows that the South receives far  
more than his share of Defense Department expenditures and provides a similarly dispro-  
portionate share of military hardware and bases. The recent base cut-backs only exagger-  
ate this situation.

The report points out that the South, with only 26 % of the nation's population,  
received 38 % of the Defense Department's procurement budget for fiscal 1971 and  
housed 40 % of America's shore-side military personnel. One in fourteen southern  
workers were employed by the Pentagon or by a private supplier of military goods and  
services, while the comparable figure for the rest of the nation was one in twenty.  
In 1968, more southerners were supported by defense-related jobs than in the region's  
gigantic textile, apparel, and synthetics industries.

In 1973, the report states, the largest single industrial employers in Virginia, Louisi-  
ana, Tennessee, Georgia, Mississippi, and Kentucky, and among the biggest in Alabama,  
Florida, North Carolina and Texas, were also among those states' largest defense contrac-  
tors. Shipbuilders like Newport News & Drydock, Litton Industries, and Avondale, air-  
craft companies like Lockheed, General Dynamics, United Aircraft, LTV and Hayes  
International, electronics firms like Honeywell, Western Electric and GE, and ammunition  
suppliers like Kodak, Thiokol and Hercules, led the South as job producers and were  
among the leading recipients nationally and regionally of Pentagon contracts.

Julian Bond, the noted Georgia legislator and President of the Institute for South-  
ern Studies, said:

"The report confirms what many of us have long suspected. The South has reached a point of chronic  
addiction to the military dollar. Politically, economically, and socially, our lives are now wrapped up  
with the fate of the war machine. Obviously, a nation that devotes as much of its resources to war  
making as ours does cannot achieve a humane life for all its citizens.

A region, like the South, that depends so greatly for its survival on the flow of money out of  
Washington, is not going to be pushing for an end of the flow of blood in Southeast Asia. Nor will it  
ever be able to concentrate on meeting the needs of its people. Inflation, if nothing else, has proved  
that the policy of "guns and butter" is nothing more than a hollow myth, supported, I'm sorry to say,  
by many liberals who thought we could only have social progress through military expansion."

Mr. Bond pointed out that while nine southern states were among the twenty-one states  
with the highest ratio of their workers in defense-related jobs, seven of the ten states with  
the highest portion of their citizens living in poverty were in the South. Similarly, while  
seven of the 22 states with the highest per capita defense spending were in the South,  
nine of the eleven states with the lowest per capita income were also in the region.

The report emphasizes the significance of military funding to the South's economic  
growth and identifies World War II and the Kennedy "remobilization" as key periods for  
rapid industrialization in the region through the military budget. From 1961 to 1969, in  
almost every southern state, the number of industrial jobs grew at 2 1/2 to 3 times the  
pace of the 1950's; and in almost every case, the defense related electronics and electrical  
equipment industries combined with the state's special military industry (like shipping or  
aircraft) to lead a period of unprecedented growth. Franklin D. Roosevelt had called the  
South "the nation's number one economic problem", and with the help of its political  
clout in Congress, the report states, the South got 40 % of the funds for military base  
construction during World War II and more than its share of public money for new  
manufacturing plants. Today, southerners chair all four important military committees in  
Congress: the Armed Services and Appropriations Committees of the House and Senate.

The bulk of the report is a series of 1200 word profiles of defense spending in each  
of the thirteen southern states for the base year of 1971. The largest defense contractors,

\* For further information contact: Bob Hall, Institute for Southern Studies (I. S. S.), 88 Walton St.  
N. W., Atlanta Ga. 30303, USA, Tel. 404 523-6078.



the military installations and the state's Congressional representation on military related committees, with additional information about the state's political and economic make-up. Each state is ranked according to its portion of workers in defense-related jobs, per capita income and per capita defense spending, number of doctors per 1000 citizens, state expenditures for public education, and portion of families living below poverty.

The report suggests that a policy more consistent with the use of public funds to stimulate the South's private economic development would entail operating the publicly financed plants and military bases under public management rather than private enterprise, and converting their output from warfare use to use for human welfare.

The report is contained in the first issue of the Institute's quarterly journal, **Southern Exposure**. (Subscriptions at \$ 8.00) The theme of conversion is stressed in the articles in the journal, including one which details a plan for establishing public authorities to own and convert military production and training facilities. Other articles treat a number of subjects, ranging from a discussion of weapons procurement with an interview by Robert Sherrill with Congressmen Les Aspin and William Proxmire and the first hand story of a former Lockheed flight line supervisor, to an analysis of racism and the U. S. military in an article by Mr. Bond and Leah Wise and an interview with black anti-war organizer and former prisoner Walter Collins.

# Critique 1

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2. Supporting the liberation of political prisoners
3. Massive material aid to the resistance movement in Chile
4. Massive aid to political refugees from Chile.

*In West-Germany these forms of support may be channeled in the following ways:*

1. Information and contacts for political campaigns:

Komitee "Solidarität mit Chile", 1 Berlin 45, Lorenzstr. 65, Clarita Müller-Plantenberg, Tel. 030/773 12 28

2. Financial support of the organized resistance against the military regime (catch-word: "Chile Solidarität"):

Spendenkonto of the Komitee "Solidarität mit Chile", 1 Berlin 45, Lorenzstr. 65: Postscheckkonto Elfriede Kohut, 1 Berlin, Postscheckamt Berlin-West, Konto-Nr. 380087-108.

Solidaritätsfond für ein sozialistisches Chile des Sozialistischen Büros, 605 Offenbach 4, Postfach 591: Postscheckkonto Dr. Andreas Buro, Sonderkonto Braunschweig, Postscheckamt Hannover, Nr. 239848-309

Chile-Hilfe der AELA (Lateinamerikanische Studentenvereinigung): Sonya Patric-Larthe, Bankkonto Deutsche Bank, 8 München, Kurfürstenplatz, Konto Nr. 35/53062

3. Financial support to political refugees:

Amnesty International - Sonderkonto Chile, Postscheckamt Köln, Postscheckkonto Nr. 221100

Other measures of support to political refugees are coordinated by the local sections of Amnesty International.

*In other European Countries contact the national Chile Committees:*

France: *Comité de Soutien à la Lutte Révolutionnaire du Peuple Chilien*, 94 Rue Notre Dame des Champs, Paris 6<sup>e</sup>

England: *Committee of Solidarity with the Chilean People*, 101 Holloway Road, London N 1, Tel. 01-607-2646

Italy: *Associazione Nazionale Italia-Chile*, I-00186 Rome, Via Torre Argentina 21, Tel. 652211

Netherlands: *Chile-Komitee*, Niemwendijk 101, Amsterdam, Shalom-Movement, Trie Jofferen Gaard 7, Odijk

Sweden: *Svenska Chile Komitee*, c/o UBV Gamla Brogatan 29, Stockholm, Tel. 0-8/118890

FRG Committee on Solidarity with Chile

## To the Readers of KAPITALISTATE

The military putsch of September 11th in Chile and the massive repression of her citizenry, has a special relevance for us. For Chile was one of the few remaining parliamentary democracies in the world, and its destruction reveals, once again, how precarious are the freedoms we take for granted, when their exercise threatens vested interests. Under the military junta, as you know, thousands have been incarcerated and countless persons summarily executed; the universities have been put under the control of military officials and faculties purged of 'dissidents', parties have been indefinitely 'recessed', parliament has been dissolved; senators, deputies, mayors, aldermen, civil servants, trade unionists, students, teachers, cabinet ministers, and vast numbers of workers have been subjected to interrogation, torture, imprisonment, death, and, if fortunate, forced exile. Hundreds crowd the few embassies which have been willing to grant 'shelter' or asylum (the U. S. embassy is not one of them) to individuals requesting it. Few such persons have received the regime's pledge of safe-conduct out of the country, and some who do, are, in fact, arrested, or shot, on emerging from their places of refuge.

The U. S. Committee for a Democratic Chile has been established with the following purposes:

1. To provide assistance to individuals whose lives, liberties, incomes, or property have been endangered by the September 11 putsch and related events. Financial assistance will be provided for legal defense, transportation, relocation, sustenance, rehabilitation, medical care, and aid in obtaining employment.
2. To gather and publicly disseminate reliable and valid information concerning the personal, civil, and political liberties of residents of Chile, and to activate public opinion in order to eliminate any restrictions on such liberties imposed by the military regime.
3. To provide assistance to other organizations and individuals engaged in similar and related humanitarian efforts.

Funds have already been disbursed by the Committee and debts assumed well in excess of the actual resources available, guaranteed from the personal income of Committee officers and associates.

Your cheque, in the largest amount you can afford, should be made out to the U. S. Committee for a Democratic Chile, at P. O. Box 5341, Madison, Wisconsin 53705.

*Professor Maurice Zeitlin  
Department of Sociology  
University of Wisconsin  
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# WIR WOLLEN ALLES

MONATSZEITUNG

Diese Zeitung ist ein Kampfblatt. Ein Blatt für alle, die am dauernden Klassenkampf beteiligt sind. Ein Ausdruck des täglichen Kleinkriegs der Unterdrückten gegen die Unterdrücker. Ein Ausdruck der Diskussionen darüber. Ein Ausdruck unserer Arbeit, unserer Fehler.



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## Die Krise der kommunistischen Parteien

Probleme der gegenwärtigen Revisionismuskritik

- Demokratischer und sozialistischer Kampf der KPD nach 1945
- Bürgerliche und proletarische Revolution in der Theorie Lenins
- Zur Analyse der westdeutschen Studentenbewegung

Die unbedeutende Rolle, die die DKP heute im politischen Leben der BRD spielt, hat zu Illusionen und Nullpunktideologien auf Seiten der linken Revisionismuskritik geführt, gegen die sich diese Schrift wendet. Auch wenn sich revolutionäre Praxis außerhalb der traditionellen kommunistischen Parteien organisiert, so bleiben ihre Inhalte doch in denselben Problemen gefangen, vor denen diese Parteien heute stehen.

Die kommunistischen Parteien, die immer noch an dem traditionellen Konzept des „Umschlagens“ bürgerlich-demokratischer Massenbewegungen in die proletarische Revolution, des Sozialismus als der „konsequenten“ Demokratie festhalten, kommen über ihren radikaldemokratischen Ansatzpunkt nirgends mehr hinaus. Die von Lenin einst aus der Tendenz zur Entdemokratisierung diagnostizierte und mit dem Beginn der Epoche des Imperialismus datierte „allgemeine Krise“, die Niedergangsperiode des Kapitalismus, in deren Verlauf die materiellen Bedingungen des Sozialismus entstehen sollen, scheint diese Bewegung selbst zu zersetzen. Die kommunistische Bewegung wird zu einer zerfallenden radikal-demokratischen Bewegung, deren Hoffnungen nur noch in der heimlichen Konvergenztheorie des „staatsmonopolistischen Kapitalismus“ begründet zu sein scheinen.

Das Problem der „Revisionismuskritik“ wird deswegen hier als Problem des Verhältnisses von bürgerlicher und proletarischer Revolution gestellt. Es wird entwickelt in einer Darstellung der KPD-Politik von 1945–1953 und in dem Versuch einer Rekonstruktion des immanenten Zusammenhangs der politischen Theorien Lenins.

Der Studentenbewegung kommt in dem Zusammenhang der Krise der kommunistischen Parteien eine besondere Bedeutung zu. Als ein letztes Strohfeuer bürgerlicher Rebellion hat sie deren historische Problematik schlaglichtartig deutlich werden lassen.

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## WICHTIGER HINWEIS

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Marc Linder  
(unter Mitarbeit von Julius Sensat und George Caffentzis)

## DER ANTI-SAMUELSON

- siehe Beilage in diesem "KAPITALISMA" -  
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