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THE BRITISH ECONOMY: MAY 1975 - JANUARY 1976

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This is the second analysis of current economic events in the British economy that we have undertaken. Here, as in our earlier work, we stress the potential that the present slump creates for the restructuring of British capital. Further, this restructuring involves state intervention and it is directed towards internationalisation of capital. With these as our central themes, we also analyse other aspects of the recession, in particular, the creation of unemployment, distributional struggle, and the determination of state expenditure. But these must be situated relative to the fundamental reorganisational needs of capital. It is the failure to recognise this that has led the majority of Marxist commentators on the current period to confine themselves to traditional Keynesian analysis couched in radical rhetoric whatever their commitment to Marx's laws of development.[1]

What is at stake, however, is not simply an academic issue. Our work is primarily directed toward those actively seeking to struggle against the impact of the recession (although in the course of it we have given much consideration to theoretical issues). These struggles take on a political character precisely because of economic intervention by the state. This is obvious in the case of wage restraint, the demand for reflation, or more specifically the level of state expenditure on social services, since these have become commonplace tools of economic policy. However, in the case of liquidations and redundancies, there is raised the possibility of state subsidy to capital or import controls. The struggle with the state representatives of the bourgeoisie cannot be conducted on their own terms. These imply the division of issues and consequently the division of the working class, and conflict takes on its own bourgeois logic of the sanctity of the fight against inflation, balance of payments deficits, budget deficits, inefficiency and low labour productivity.

How can the working class be reunited in its fight against the severe attacks and defeats that it is suffering? The development of the struggle requires at least the identification of those class interests that the bourgeoisie present as diverse, but which are fundamentally linked by the theme that underlies state economic intervention, the reorganisation of capital. As an example, if working class ideology continues to see unemployment in Keynesian terms (and separate from the reorganistion of capital) its response is easily limited to the demand for a 'workers' solution' in the form merely of an early reflation of the economy.

We would argue that without these perspectives, the ability of the labour movement to defend its interests, let alone advance its organisation and consciousness, will be undermined. Rather, it will be led into opportunistic struggles. At one extreme, this will take the form of appealing to the government for import controls or subsidy. This is the height of irony for the precondition of success in such schemes will be redundancy and rationalisation implemented through the state. The state simply functions as the boss once removed. At the other extreme, factory occupations will be isolated and suffer financial starvation. Their importance depends upon their impact within the labour movement as a whole and not upon their survival or failure as such. At a national level, the working class will be led into a confused and divided economistic struggle against the political power of the bourgeoisie. Just as at the level of the factory, the demand to the state to save jobs (through reflation) is a pathetic failure to comprehend the realities of capitalist crisis and recession and the part that deflationary policies play in it. By the same token, the struggle for wages and social services will flounder on the ideology of social contract and national objectives.

Finally we observe that the Tory Government's intervention into economic struggle led to their political and economic defeat at the hands of the miners. This proved a considerable victory for the working class and led to a six-month period of concessions by the newly-elected Labour Government that was necessary to restore social stability. The Labour Government's subsequent economic intervention and success in conducting economic struggle at the level of politics has resulted in minimal class struggle, and the weakening of the social crisis despite the current slump. The Labour Government holds for ransom its claims as the party of the working class. This, as always, has given it a political strength far exceeding that of the defeated Tory Government. The question for the working class is whether it is to continue to identify the Labour Party as the party of the working class, thereby permitting the bourgeois state to repress the political contradictions of its intervention in the economy.

In this article we begin with a general assessment of developments (Section 1) which concentrates on the reorganisation of capital and surveys the unemployment and distribution phenomena associated with this. In Section 2 we examine a particular sector of capital where state intervention has been highly important in the current period. In Section 3 we examine another aspect of state intervention which has dominated the current period -- state expenditure cuts.

SECTION 1 - GENERAL ASSESSMENT

We are concerned here with developments in the British economy from the time we wrote our last analysis (May 1975) to the present time of writing (January 1976). In accordance with the method we have outlined elsewhere we centre our analysis on the actions taken by the state in its economic intervention.

In the terms employed by Marx we consider the current phase to be a phase of depression following the crisis and we locate the last crisis as such as beginning in the last quarter of 1973 and continuing (with an interruption occasioned by the political balance of forces) until the beginning of 1975.[2] This chronological periodisation of the cycle and the characterisation of the current phase as a depression preceding a gradual upturn of economic activity can be supported in several ways. In terms of our analysis of the role of crises, it is clear from the facts enumerated below that the pre-conditions for renewed accumulation have already been met. The breaking of the circuit of capital in the crisis phase has been followed by far reaching plans for the restructuring of capital so that the conditions have been laid for raising the rate of exploitation in value terms.

To understand the development of this restructuring and the significant role of the state in it, it is necessary to begin with a consideration of the political balance of forces since the state is always primarily a political institution. The position over the current period has been very clear: the strengthening of the political hegemony of the bourgeoisie has continued uninterrupted and has succeeded to a degree which would have been difficult to predict when the Tory administration fell at the beginning of 1974. This has been accompanied by bourgeois victory at the ideological level and all this reflects and is reflected in purely economic struggle with bourgeois victory in distributional and other economic struggles. This last phenomenon confirms our view that the bourgeoisie has good reason to support that partial removal of economic struggle to the level of politics -- that phenomenon which is characteristic of the modern era.[3]

We first enumerate the instances of state intervention in the operation of productive capital in the current period:

(a) Re-structuring Aid to Private Capital. The state has embarked on a new programme of aid to private capital, the specific purpose of which is to assist in the restructuring which is stimulated by the break in the circuits of capital. In 1975 the state announced schemes of financial aid for the restructuring of productive capital in clothing, ferrous foundries and machine tools in addition to the scheme for the wool textile industry which had been running for two and a half years. These schemes involve grants to finance fixed investment and rationalisation and the sums involved range from £15m for wool textiles to £25m for ferrous foundries. The schemes are related to proposals announced by the

Chancellor in April and September 1975 to provide £180m state financing for the restructuring of industries, and the promotion or bringing forward of investment programmes. Another specific example of aid within this framework is the state loan, at concessionary interest rates, of £49m to Ransome Hoffman Pollard (RHP) manufacturers of ball-bearings. At the time of announcing this load (9 Dec. 1975) the Department of Industry stated that 'quite a lot' of similar state aid to investment programmes was in the pipeline. The loan to RHP is interesting, for it highlights the fact that state aid is not to be seen as a lame duck rescue policy. RHP was created by mergers financed by the state's Industrial Reorganisation Corporation in 1970. It has since then embarked on a large investment programme (£14m 1970-75) and has benefited by a fast expansion of profits (the mass of profit increasing by 108% between 1974 and 1975). It has large cash reserves and is in no sense a lame duck, but the state is to inject £49m as a stimulus to the further restructuring of productive capital in the bearings industry.[4]

Financial aid to private industry is part of an attempt to restructure productive capital in an organised way under the leadership of the state. This policy has been publicised through the National Economic Development Council. The November 1975 meeting of NEDC at Chequers saw the announcement of the government's 'industrial strategy' with its emphasis on encouraging the modernisation of key growth industries. By January 1976, the Department of Industry had produced for NEDC a list of 30 key sectors, - comprising mostly engineering industries but also including oil refining, clothing, textiles, chemicals etc. - which were to be studied in detail with a view to giving financial assistance toward modernising their productive capital. These industries accounted for 60% of manufacturing net output in 1971-3 and the emphasis on engineering and intermediate products indicates the state's increasing concern for the whole structure of industry. What we mean by this is that when the state takes control of a company like British Leyland it is forced to plan not only the reorganisation of vehicle production, but also to consider the reorganisation of support industries. Specific instances of this have been the nationalisation of Alfred Herbert machine tool manufacturers (see below) and financial assistance to the privately owned vehicle components company Lucas Industries (September 1975). Here the government is contributing £3.7m toward a £25m investment programme.

This aid to private industry has, in the current period, not taken the form of bailing out companies in difficulties, nor has it taken the form of featherbedding employment. Indeed, it is taking place against a background of continued rationalisation by private capital, quite apart from rationalisations encouraged by state aid. The form taken by these rationalisations has involved factory closures and redundancies in attempts to cut labour costs. Since July 1975 actual or intended factory closures have been announced in the glass industry (Pilkington), motorcycle industry (in each case after the state refused to finance ongoing production) paper-making (Reed), synthetics (Courtauld), engineering (Whessoe), telecommunications (GEC), television tubes (Thorn). These and the many other redundancies which have taken place in the current period are a continuation of the trend which has been taking place since the end of 1973 so that, for example, Thorn's closure is to be seen in the light of the loss of 35,000 jobs in the electronic consumer goods sector since that time.[5] Such redundancies are widely understood as being the effects simply of a lack of demand whereas according to our analysis they reflect the restructuring of capital which demand deflation has precipitated. That is an economic upturn would not involve simply the refilling of these jobs; the loss of these jobs will make it possible to increase output by higher productivity.

(b) Nationalisation of Private Industry. Elsewhere we have argued that the state's responsibility for encouraging the restructuring of capital partly takes the form of extension of state ownership. In the current period there has been one major example of this extension: the nationalisation of Alfred Herbert, the machine tool monopoly and the injection of a further £26m. This move, announced in July, was hardly surprising. It was the logical outcome of two factors: the fact that large amounts of aid had been given to the company in the preceding months and the fact that nationalisation of British Leyland with a huge prospective modernisation programme caused it to consider the restructuring of the support industries such as machine tools. The state's plans for Alfred Herbert are not yet fully complete. The £26m injected is only sufficient to overcome the immediate liquidity problem and the company made clear in November that it will need further state finance to embark on its restructuring programme. In the meantime it is to restructure its operations with the given stock of means of production by the expulsion of 1500 (23%) of its employees. In the light of the state's support for the new management team which is planning a 'rationalisation and reorganisation programme and -- a programme of capital investment' there is no doubt that further finance will be forthcoming.

In the case of Alfred Herbert, the question of internationalisation arises. Why does the state not allow the death of the British machine tool industry and permit the dependence of British industry on imported machine tools produced more efficiently? This, surely, is what is meant by conforming to the pressures of internationalisation? Part of the answer is that the state's economic interventions are affected to some extent by political considerations.[6] A more important point is that from a purely economic point of view, it is not clear that the British machine tool industry is relatively inefficient (let alone that it has no potential for increasing its efficiency.[7]

In addition, there have been less important instances of nationalisation in the current period. The ironic case of the highly profitable Felixstowe Dock and Railway company, controlled by a self-confessed 'bastion of free enterprise' who accepted a take over offer from the nationalised British Transport Docks Board; and the continuation of negotiations for the British National Oil Corporation to take over Burmah Oi's North Sea interests.

(c) Restructuring of already nationalised industries. At the same time as encouraging the restructuring of privately owned capital, the state has been engaged in restructuring the capital controlled by the nationalized industries. The most prominent example of this has been the policy of the British Steel Corporation.

The formation of the British Steel Corporation in 1967 led to a development plan being drawn up for a long-term programme of modernisation and rationalisation. The implementation of the plan has been held up at various times by political considerations, but since 1973 BSC has formulated its investment decisions in accordance with the plan. The total cost of the investment plan is likely to be around £6000m by the time it is completed. It involves the development of large new multi-product steel plants integrated with iron making plants and the closure or partial closure of several major existing plants (most notably Shotton and Ebbw Vale). It is in the light of this programme that we must assess the current and projected run down of the labour force. In our last article we commented upon last April's proposal by BSC to create 22,000 redundancies and the 'withdrawal' of the plan in the face of political pressure. We pointed out that the redundancies would nevertheless be achieved. In July 1975 BSC opened a new campaign to expel labour with its announcement that although it had been making record profits in the previous financial year, it was now making a loss of £5m per week. This set the ideological framework for a campaign to enforce redundancies 'to save money' (a saving of £170m per year was sought in labour costs), but the ideology of a firm having to save money to prevent a liquidity crisis hides the truth. The truth is the need for investment and redundancies to bring about an increase in productivity - the production of relative surplus value. BSC has stated that it plans to reduce its labour force by over 40,000 in 1976 and 1977. This is explicitly to achieve the objective of raising average productivity from 122 tonnes per man year to 500 making it higher even than current average Japanese productivity (although the productivity of Japan's most efficient plants is 750 tonnes per man - compared with Scunthorpe's productivity of 350, Britain's highest). Thus, BSC's redundancy plans cannot be seen as a response to reduced demand for steel, it is a response to the need for increased relative surplus value and the deficiency of demand is only relevant insofar as the crisis is the stimulus to restructuring.

The situation in the steel industry reflects the general tendency of nationalised industries in recent years. Its current programme of reorganising labour and modernising equipment has been preceded by a successful similar programme in the Central Electricity Generating Board where output per man has doubled since 1967 and the labour force has been cut by 18%. It appears that it is to be followed by the expulsion of labour in another nationalised industry, the railways. The British Railways Board is seeking an investment programme of £1,800m and a cut of 14% in the labour force. Although it is not clear that this investment programme will be supported by the government, the increase in production of surplus value will be achieved by other means if the programme is curtailed. One serious possibility is that the mileage of the system will be drastically reduced from its present 11,000m and the resources released thereby used to finance a programme of rationalisation and modernisation in the retained sector of the system.

Employment and Unemployment

The restructuring of capital in the wake of the crisis, examples of which are enumerated above, has ensured that unemployment has dramatically increased over the current period. It also ensures that (as accepted by bourgeois commentators) the future fall in unemployment will lag considerably behind the upturn in industrial production, for the increase in production will be accompanied by the continued restructuring of capital and its fruits, higher output per man. The increase in the level of unemployment is shown in Tables A-B.

Over the past two years the following pattern of increasing unemployment can be observed. The three day week proved a convenient excuse for laying workers off permanently and the rate of unemployment (seasonally adjusted) jumped from 2.1% to 2.4% between December 1973 and January 1974. However, the Labour Government's six-month period of granting concessions to the working class, following the miners' defeat of the Tory Government in February, led to a delay in the collapse into recession and unemployment. By November 1974, the rate of unemployment was still only at 2.7%. Healey's November Budget heralded a change of direction, with the Government pursuing the necessary deflationary policies. In January 1975, the rate of unemployment had leapt to 3%, and it stood half as high again at 4.7% in November 1975. The table for employment shows that for industry as a whole, 5.9% of jobs have been so far lost in the current recession, but clothing, construction and vehicle production and related sectors have been particularly hard hit.

Table A
Unemployment excluding school leavers etc. (000s)

1975	Nos.	%	% Male
Jan	678.0	3.0	4.1
Feb	704.5	3.1	4.2
Mar	721.5	3.2	4.3
Apr	759.9	3.3	4.5
May	816.7	3.6	4.9
Jun	863.7	3.8	5.1
Jul	937.8	4.1	5.5
Aug	967.1	4.2	5.6
Sep	997.2	4.4	5.8
Oct	1042.8	4.6	6.0
Nov	1079.3	4.7	6.2

Table B
Percentage loss of employment, over previous peak, by October 1975

Textiles	11.2
Clothing etc	10.5
Brick etc	9.6
Timber etc.	9.1
Elect. Eng.	8.6
Construction	8.4
Metal Goods	8.3
Vehicles	6.7
Instrument Eng	6.7
Metal Manuf.	5.9
All Industries	5.9

Distribution

Elsewhere we have argued that in the recession following an economic crisis there is a tendency for the rate of inflation to slacken as the overproduction of capital in the form of commodities leads to a depreciation of prices. To some extent this has been borne out by the movement of prices during the last year, although the situation has been complicated by the measures taken by the labour government in 1974. This led to a phenomenal acceleration of inflation, from already high levels, in the beginning of 1975. However, the logic of the recession has reasserted itself and is reflected in government policy by the £6 rule and price controls and this has resulted in an equally dramatic decline in the rate of inflation. Further, the ability of the Labour Government to diffuse economic struggle over the level of wages by political negotiation of incomes policy has led to a real fall in wages over 1975.

Table 3

Wages and Prices for 1975

Rate of Inflation Quarterly Change as % per annum		Crude Estimate of Index of Post Tax Real Earnings	
Mar	27.8	Jan	100.0
Jun	48.0	Jun	92.9
Sep	10.3	Dec	96.5
Dec	16.6	Average for 1975	96.5

SECTION 2 - STATE INTERVENTION AND RESTRUCTURING OF THE MOTOR INDUSTRY*

The world motor vehicle industry gives an outstanding illustration of the need for the accumulation of capital to be accompanied by centralisation. In every major vehicle producing country four or fewer companies are responsible for 80% or more of vehicle manufacture. On a world scale, little more than ten companies and their subsidiaries account for the same proportion of total production. The vehicle industry has also demonstrated the need for the internationalisation of capital. For commodity-capital this is reflected in the trade figures for car imports and exports - see Jenkins.

The internationalisation of productive capital has been led in the car industry by the three American companies, General Motors (GM), Ford and Chrysler. These differ from their competitors in having subsidiaries abroad which are major national producers in their own right. For GM and Ford, the historical origin of these subsidiaries effectively dates from the inter-war period when heavy tariffs against car imports to Europe led these companies to locate vehicle production internationally. On the other hand, Chrysler, by far the smallest of the three American companies, has created its major European subsidiaries by purchasing failing companies - Simca of France (between 1958 and 1963) and Rootes of the U.K. (1965).

All major companies have established relatively independent international subsidiaries manufacturing complete vehicles. However, for the European companies these tend to be limited to countries without their own major producers. They also have low production runs and are usually directed toward the specialised car or commercial vehicle sectors. Far more pronounced is the creation of subsidiaries that only perform part of vehicle manufacture. This typically involves the assembly of components produced abroad and integrates the international division of labour within the firm without the market. This feature of the internationalisation of car manufacture is not emphasised by Jenkins. It leads him to argue incorrectly that the need for diversification (i.e. a range of models) is the force behind internationalisation rather than that internationalisation is the force behind the production of a range of models at higher levels of productivity.

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*This section was initially produced without reference to R.D. Jenkins "Internationalisation of Capital in the Motor Industry" CSEB, this issue. However, we were asked by the Editorial Board to eliminate comparable data from our article, and also to comment on Jenkins in making our revisions.

Firm	Number of Foreign Subsidiaries Involved in Production	Number Assembling Only
Chrysler	12	5
General Motors	21	16
Renault	23	22
Volkswagen	6	3
British Leyland	43	38
Fiat	23	18
Ford	21	18

The need for centralisation can be explained crudely by reference to the economies of scale in vehicle production. The Expenditure Committee reports that "the optimum size for an assembly plant was about 300,000 units a year while a foundry of optimum size might be one producing 2 million engines a year", whereas the CPRS (Central Policy Review Staff - 'Think-tank') produce the following table:

Economies of scale in car production

Manufacturing Operation	Minimum Efficient Size (Identical units per plant per year)
Casting of Engine Block	100,000
Engine and Transmission Machining and Assembling	500,000
Final Assembly	250,000

Despite the inconsistencies of these figures, they suggest enormous economies of scale. Few plants can boast production runs of these orders for individual models, although certain operations and parts can be pooled across models.[8] For commercial vehicles and specialist cars, economies of scale are as important but do not demand the same levels of output. To some extent, the production of cars and commercial vehicles can be integrated, and this provides a method of reducing average fixed costs. Nevertheless, the dominating pressure remains the need for large scale car output. To achieve this is an inevitable force underlying capitalist accumulation. It is this that explains the centralisation of capital within countries. In the U.K. British Leyland has effectively centralised non-American car production. The same is true of Fiat in Italy (where there is no major American production). Following the merger of Citroen and Peugeot in 1974,[9] the resulting company and Renault are essentially the only remaining car producers in France other than Simca. In West Germany, Volkswagen is the only major non-American producer other than Daimler-Benz and BMW and these are oriented towards the specialist sector.

This centralisation promotes the internationalisation of commodity-capital and productive capital (by division of labour within the firm), for this spreads the enormous costs of fixed capital involved. In the latter case this implies that the form that centralisation has taken in Europe must soon give way to an international merger movement. This is not necessary to create subsidiaries producing vehicles in their own right and merely pooling research and development costs and access to financial markets with the parent company. This would be to idealise the form that the American multinationals GM and Ford have assumed in the past, rather than emphasising the intra-firm internationalisation of productive capital that is the reorganisational need of the present.

To argue that the motor industry must be internationalised does not create a fait accompli. The implications of such a reorganisation are far-reaching. It will require a massive unemployment and reorientation of the work force. Closely tied, as the major European companies are to 'their' nation-states, it will force these into political and ideological intervention and international co-operation and conflict. This will involve the issues of the form of reorganisation as well as its finance. In this context, the formation of the E.E.C. is an important development for capital. But the crucial element in any such reorganisation must be the crisis of capital itself.[10]

The Current Slump in the Vehicle Industry

Whilst the current slump in the vehicle industry was precipitated by the 'oil crisis' toward the end of 1973, this should not lead analysts to confuse a temporary realisation crisis of a particular sector of capital, serious though it was, with the underlying need for the restructuring of production. The following table indicates the extent of the slump in production particularly when set against the preceding boom in vehicle production.

Output of Motor Cars
(100,000)

Year	UK	FRANCE	ITALY	W. GERMANY	JAPAN	U.S.A.
1950	5.2	2.6	1.0	2.2	0.0	66.7
1955	9.0	5.6	2.3	7.6	.2	79.2
1960	13.5	11.7	6.0	18.2	1.7	66.7
1965	17.7	14.2	11.0	27.3	7.0	93.1
1970	16.4	24.6	17.2	35.3	31.8	65.5
1971	17.4	26.9	17.0	37.0	37.2	85.8
1972	19.2	29.9	17.3	35.2	40.2	88.3
1973	17.5	32.0	18.2	36.5	44.7	96.7
1974	15.3	30.5	16.3	28.4	39.3	73.2
1975	12.7	29.5	13.5	29.1	45.7	67.2

Thus we see that in Europe between 1973 and 1974, for the countries cited, there was a drop in production of 1.37 million units (13%) whilst this was followed in 1975 by a drop of 0.57 million units (6.3%).

In the U.K., however, in contrast to non-American production, there has essentially been a stagnation in production since the middle sixties. This can be explained by the low productivity of British manufacture associated with a low rate of accumulation and centralisation of production. The inability of British companies to reduce labour-time of production is reflected in the import penetration by Japanese models - the 'market-leaders' - in contrast to their success elsewhere in Europe.

Japanese Market Shares

Year	UK	FRANCE	W. GERMANY	ITALY
1973	5.6	.7	1.1	.6
1974	6.7	.8	1.3	.4
1975*	9.4	1.4	1.6	.4

* The 1975 figures are for 9, 7, 8 & 6 months respectively

This situation of low levels of accumulation in the British industry has been described by the Expenditure Committee as the 'use (of) labour to do the job of non-existent capital'[12] who produce the following table on productivity and capital per head. (see opposite)

For the American companies, the failure to renew and expand fixed capital adequately can be understood in terms of a strategy to integrate European production in the next upswing by an increase of intra-firm 'trade' in components by subsidiaries. In the case of British Leyland the international integration of production has been proceeding apace, but this cannot explain the low rate of accumulation in the 'parent plants'. In addition, potential for reorganisation

(1974)	Value added per man (£)	Gross output per man (£)	Fixed assets per man (£)
G.M.C. (US)	8,600	17,495	4,346
Ford (US)	7,966	19,905	5,602
Opel	5,875	14,747	3,612
Daimler-Benz	5,207	12,672	2,694
Volvo	4,886	14,790	4,662
Ford (Germany)	4,883	14,186	3,608
Volkswagen	4,767	11,087	3,632
Saab	4,637	19,972	3,141
Renault	4,133	12,928	2,396
Ford (UK)	3,901	11,397	2,657
Chrysler (UK)	2,765	9,968	1,456
Vauxhall	2,560	7,975	1,356
Fiat	2,259	8,142	3,160
B.L.M.C.	2,129	6,539	920

was increased by the merger of BMH and Leyland as long ago as 1968, but this has not been achieved. A number of reasons can be given for this. They include workers' resistance to changing working conditions and the political sensitivity of unemployment, and the 'imperfections' of the financial markets leading to a starvation of investment funds. These all contain elements of truth, but they abstract from the rhythm of the cycle of capitalist production, in which the potential for reorganisation is intensified during the slump period following economic crisis. Rather than asking why British Leyland has failed to restructure in the past, we ask why the plans for manufacturing are being implemented now. The answer lies in the conditions for reorganisation being created by the economic recession, most notably by increasing unemployment. Unemployed workers cannot resist changes in working conditions, but they do create pressure for those in employment to accept them. In this light it is significant that the level of employment in the vehicle industry had dropped in November 1975 by 56,000 (7.1%) since its peak of 793,000 in December 1973 when the crisis in the UK broke. The current figure for employment is 737,000 below any other trough since 1960, and the full force of the British Leyland and Chrysler reorganisations have yet to be felt.

"No Request for Government Cash, says Lord Stokes" [13]

A year after this declaration, British Leyland's managing director was recommending shareholders to accept 10p per share as part of the scheme by which the company would be nationalised and reorganised by an unprecedented injection of Government finance. Following the Ryder Report there have been a series of Government studies of the motor industry. All have emphasised low productivity, the need to reorganise and expand investment, shed labour and create secure and peaceful industrial relations. Major differences have been confined merely to the estimation of future demand and squabbles over management organisation in the future and responsibility for the past.

The Ryder proposals, which have been accepted in principle, involve capital expenditure as shown in the table overleaf. In addition to the capital expenditure working capital of £260m (£750m in inflated price terms) will be required to finance BL's expansion programme. This is estimated, given the assumed cash flow from sales,[14] to place the following borrowing requirement on the company at inflated prices: Current: £200m to buy equity at 10p. Year ending 30th September 1976: £100m; 1977: £200m; 1978: £200m and between 1978 and 1982: £500m. These are all to be financed by loans from the government, with the exception of the

	Year ended 30th September (£m)									
	1975	1976	1977	1978	Sub-total	1979	1980	1981	1982	Total
Car operations	83	106	167	249	605	249	262	255	204	1575
Truck and Bus	7	37	64	64	172	43	48	43	40	346
Special Products	4	8	6	6	24	8	15	8	7	62
International	8	18	11	12	49	16	20	14	8	107
Total (inflated price terms)	102	169	248	331	850	316	345	320	259	2090
Total (constant price terms)	102	138	181	215	636	182	181	153	112	1264

original £200m, which is to be raised by external finance after the initial government injection of £200m for equity capital. However, after this, all loans will be subject to 'adequate progress' and 'improving productivity' and this has and will be used as a threat against strikes and resistance to speed-ups and reorganisation.

The bulk of the investment programme is directed then toward the car operations in the expectation of producing relative surplus value. This is based on the effort to replace obsolete capital and expel living labour by the expansion and centralisation of fixed capital. Thus, Ryder points to the age structure of BL's capital. Over the past twelve years it is estimated that the original plant costs of £449m have depreciated to a net book value of £131m. Whilst it is considered that machinery should be replaced every 8-12 years, more than half of BL's machinery is over 15 years old. The other feature singled out for 'rationalisation', is the organisation of production. There is continued emphasis on the unnecessary duplication of parts of the production process, and the need for an increased division of labour within the firm. Thus, the 29 car plants and 13 truck and bus plants in particular should each specialise in fewer operations and produce overall fewer models, reducing the variety of body-shells, engines, transmissions etc. The actual details of the proposals for this rationalisation are not surprisingly reserved for reasons of commercial confidentiality. In practice, the outcome will depend less on the rivalry from other manufacturers and more on the ability of the state to divide the resistance of workers to redundancy and impose 'rationalisation' where the resistance is weakest. It is this that is the commercial secret. Ryder does reveal that 'natural wastage' of the labour force at 7%-8% per annum would be inadequate for his rationalisation plans. Estimates suggest that BL is looking for a 25% cut in the labour force. We reproduce the summary of recommendations for BL's production facilities.

(i) BL should reorganise its car manufacturing operations to provide for specialisation in body assembly work, power train and transmission or parts manufacture.
(ii) The existing plants in the body assembly group should be engaged in all operations from receipt of stamped panels to final assembly of complete vehicles.
(iii) Plants in the power train and transmission group should specialise on a functional basis and not be involved in body assembly work.
(iv) The truck and bus operations should be similarly organised so that, as far as is practicable, different plants specialise in particular activities.
(v) BL should rationalise its system of parts manufacture so that similar parts are produced in the same location.
(vi) Among the organisational changes necessary, BL should appoint a senior executive with responsibility for all parts manufacture.
(vii) BL should undertake an urgent programme to improve plant layout.

(viii) BL's expenditure on equipment to improve working practices and automate manufacturing processes should, in most areas, be associated with model changes.

(ix) Except for foundries and possibly certain component manufacture, there seems no need for BL to build any major new plant on a green field site in a new location.

(x) The future of BL's foundries will need to be considered in a wider national context. In the meantime, however, BL should plan for the improvement of its own foundries.

Ryder makes practically no mention of BL's international operations and this can be viewed as silent approval, hardly surprising given the remarkable success that BL has achieved in internationalising productive capital. This offers one reason why the rescue of BL is so important for capital. For it is not the jobs and exports for Britain that are at stake as much as the world-wide operation of an internationalised block of capital, dependent upon the parent company for its production to take place.[15]

This does not, however, explain the necessity for the intervention of the state in restructuring BL, even though it begins to explain the necessity of the rescue. We reject those analyses that see the state intervening to guarantee employment or to ease balance of payments deficits. What is clear is that the state will be instrumental in bringing about redundancies and it is its ability to fight this as a political issue that can ease the creation of redundancies for capital. Elsewhere, we have argued that the balance of payments is neither a constraint for capital nor its representatives, the nation states, although it may reflect the international competition to appropriate and control surplus value. Indeed, it is a strange argument that emphasises the balance of payments as one constraint, but brushes aside the implications of BL's rescue for the budget deficit.[16]

In contrast, we see the state as intervening to exercise a powerful influence on the process of competition that supervises the restructuring of capital. It has become an important executor in the slump, an institution, like the credit mechanism, breathing finance into the chosen few, whilst leaving others to fall by the wayside and be absorbed through centralisation. Its economic intervention is governed primarily by 'economic' needs, and that comprises in the slump period the centralisation and internationalisation of capital. Nevertheless, the state is primarily a political institution and therefore economic interventions have political implications. This can affect the form that economic intervention takes depending upon the advantages to capital of the government merely subsidising capital and leaving it to supervise redundancy itself. In the case of BL it has proved necessary for the political power of the state to be used to combat the workforce with the ideology of socialism and nationalisation. This has proved a powerful weapon in the recent past, but it provides the potential for discrediting the Labour administration. That it does so without yielding political victory to the bourgeoisie is the task of the labour movement.

"Chrysler Has the Answer"[17]

At the beginning of December 1975, after much speculation Chrysler threatened to liquidate its British subsidiary because of £80m cumulative losses. Within eight days a rescue operation had been agreed between Chrysler and the UK. This involved the following financial agreement

Government Commitment

Loss Subsidy	1976	£40m plus ½ of any further losses up to a maximum £10m
	1977	½ of any loss up to a maximum payment of £10m
	1978	½ of any loss up to a maximum payment of £7.5m
	1979	½ of any loss up to a maximum payment of £5m

This involves a subsidy of 72.5m (That the full subsidy will be paid follows from Chrysler's ability to exploit transfer pricing in its international operations to declare whatever profits it likes. See "Chrysler Cooks the Books" by Danny McIntosh, Socialist Press, Wednesday December 10th, 1975.)

Loans £55m at government lending rate to finance capital expenditure
£35m medium term loan at approximately 14%

This involves loans of £90m and a total government commitment of £162.5m.

Chrysler's Moral Obligation

Guarantee of £28m on £55m loan
Guarantee of £35m on £35m loan
Investment of £10m - £12m plus an additional £23m conditional upon performance.

This involves guaranteeing £63m of a £90m in loans and undertaking an investment of £10 - £12m that will set up assembly of the French (Simca) C6 Alpine at the Ryton plant. Should this prove a successful operation, Chrysler will finance a £23m investment to create full production at Ryton.

The implementation of the scheme involves approximately 8000 redundancies out of a work-force of 25,000. Chrysler UK has three main plants. At Ryton, currently building Avengers, there is to be the assembly of the Chrysler Alpine based on imported components from Chrysler France. This will mean the loss of 2,500 jobs. To Linwood is to be transferred the task of building the Avenger range, by phasing out the Imp and Arrow range (job loss 3000). Finally, at Stoke, Chrysler's engine plant, the reorganisation of production at the other plants is to result in a further 3000 redundancies. Whilst the new schemes for production will begin in August 1976, 2500 redundancies in the Midlands (Ryton and Stoke) are being declared immediately.

Chrysler's rescue clearly conforms to the internationalisation of (productive) capital. Despite the centralisation of production within the UK company, the scale of output is small (never more than 300,000) and not compensated by a high proportion of commercial vehicle manufacture as in the case of Vauxhall.[18]

Production in Peak Year (1971)

Chrysler UK	1. Cars:	265,280	2. CVs:	26,027	1/2:	10.2
Vauxhall (GM		199,092		126,394		1.2

It is also important that Chrysler International is not, within the vehicle sector, a large multi-national corporation, particularly in Europe. This implies that the spreading of overhead costs to independent plants is less economic than for GM and Ford, with which Chrysler might be too easily identified.

Approximate European Motor Vehicle Production 1973* (000s)

Chrysler	889	Renault	2713	Fiat	2048
GM	1114	VW	1888	Citroen/	
Ford	1046	BL	1056	Peugeot	1590

This makes urgent an integration of its European operations, in an internationalisation comparable more to the European than to the American forms of organisation. Chrysler is therefore to set up its foster parent in France. It cannot support two major production units in Europe in contrast to Ford and GM.

The government intervention to rescue Chrysler still remains unexplained, particularly in the light of the competition that will be generated for BL and the offer by Chrysler to leave the UK plant to the government together with £30m as a part payment towards redundancy compensation. As early as February 1975, Benn for the Government was reported to be considering 'Leyland Merger Plan if Chrysler Quits' (Sunday Express) and 'British Leyland officials are considering how the American-owned Chrysler UK operation could be integrated into its own organisation in the event of a state take-over of both companies' (Financial Times). These plans had to be rejected because the rescue of Chrysler depended upon not simply centralisation, but also internationalisation, as is apparent

* Taking account of subsequent mergers etc.

from the form that Chrysler's restructuring has taken.

But why did the state intervene at all, rather than allowing Chrysler UK to shut down, either under the auspices of the parent company itself or under its own supervision partially funded by the £30m that Chrysler offered? First, it must be observed that Chrysler did not necessarily have every intention to close down. What it did need was redundancies and lay-offs to curtail production in the present slump and to provide the potential for the internationalisation that is now proceeding. Whether Chrysler was serious or not about permanent closure, the government could not allow 25,000 carworkers to be laid off at this time because of the severe political implications that this would have created for the mammoth BL rescue. The political sensitivity of increasing unemployment in Scotland at this time is another factor, because of the 'crisis' in the Labour Party over devolution. Indeed, the sacrifice of £162.5m (of which £90m is loans) was a small price to pay for maintaining 17,000 in employment. As it has turned out, the Government has achieved a minor coup by aiding the restructure of Chrysler, laying off 8,000 workers and minimising dissent in the Chrysler plants without any significant lessons being drawn by the workforce of BL.

This view might suggest that Chrysler, an American multi-national has held the British State to economic ransom by threatening political kidnap. This would conform to an analytical framework of struggle between nation state and multinational corporation. We reject this framework and locate as significant the cooperation between the state and Chrysler in internationalising capital. That the state was compelled by the need for political stability and Chrysler by profit are crucial in understanding the contradictions that arise in the restructuring of capital. But it does not negate the fact that this compulsion, for state and Chrysler alike, is itself produced by the need for capital to be internationalised. The constraints of politics and profit both arise out of the economic laws of motion and are mechanisms by which those laws become coercive.

SECTION 3: STATE EXPENDITURE CUTS

An important part of the state's economic policy in recent months has concerned cutbacks in plans for state expenditure. The TUC's agreement to an incomes policy in July 1975 was linked to an understanding that those components of public expenditure which are commonly known as the 'social wage' would be maintained. The fact that planned expenditure is being severely cut while adherence to the incomes policy is maintained demonstrates the weakness of the labour movement in political struggle. Nevertheless, some opposition to 'The Cuts' is manifest. Despite agitation against 'The Cuts' in all the literature of the labour movement, despite some weak criticisms by trade union leaders, and despite some demonstrations, the opposition to 'The Cuts' remains weak. Our task here is the following. First we summarize as far as possible the quantitative nature of the measures planned to cut back expenditure and we categorize the different effects. Second, we consider the function and role of the cuts in the present stage of British capitalism.

What are 'The Cuts'? As we noted in our last analysis of the British economy, the Labour administration on taking office in February 1974 found it politically necessary to restore much of the planned public expenditure for 1974-5 (April to March) which had been cut in the Tory emergency budget of 17 December 1973. By halfway through the fiscal year, however, with the political offensive of the labour movement defused, the Labour administration stated that it was reconsidering the public expenditure plans. In his Budget statement of 12 November 1974 the Chancellor said: "We have therefore been reassessing all our public expenditure programmes...so as to make sure that the programmes do not increase in demand terms by more than 2¾ per cent a year on average over the next four years." He was referring to a cut in the rate of growth of public expenditure for the four years beginning April 1975. The fact that his plans involved a severe cut in the rate of growth can be gauged by comparison with the three years from April 1972 to March 1975 when public expenditure in real terms grew by an average of more than 6 per cent per year. The details of these plans were published in January 1975 in the White Paper Public Expenditure to 1978-79 (Cmnd.5879). As was seen shortly afterwards, worse was yet to come.

In his April 1975 Budget, the Chancellor announced further cutbacks in planned public expenditure for the 1976-77 year in particular. Between April 1975 and the time of writing (January 1976) no major general changes in planned expenditure have been announced. Instead, there have been many detailed announcements and negotiations concerning the implementation of the cuts in planned expenditure in different sectors (education, health etc.). We turn to these details below. The next round of general changes in planned expenditure will be published in the White Paper on public expenditure which is now expected to be published in February 1976 (its late publication being ascribed to particularly bitter inter-departmental struggle). Nevertheless, from the leaks published by the press we do know that the planned rate of growth of public expenditure in 1977-78 is to be substantially cut.[19]

Tables D and E summarize all these changes in plans since the plans published at the beginning of 1974.[20] Table D shows the planned annual growth of public expenditure at constant prices as the plans stood after each change in policy. It is clear that, in general, the planned rate of growth of public expenditure for future years has been cut at each policy change (the major exception being Healey's budget of March 1974).

Table D

Planned Rate of Change of Public Expenditure*
at each Policy Review Dec. 1973-Apr.1975

% change over previous fiscal year in	1974/5	1975/6	1976/7	1977/8
Policy Review Dec.73 White paper (Cmnd 5519)	Approx 0	+1.44	+0.67	+1.74
Dec.73 Budget (Barber's cuts)	-4.76	-	unspecified	-
March 74 Budget	-1.95	+5.24	+0.52	+1.57
Jan.75 White Paper Cmnd 5879)	+7.40	+1.43	+1.02	+1.18
Apr.75 Budget	°7.40	+1.71	-1.42	Unspecified

*The data in this table refers to the growth in total 'public expenditure' and therefore includes current and capital expenditure, plus debt interest and allowances for contingency reserve and shortfall.
It is concerned with the real value of public expenditure measured at 1974 survey prices. In general, therefore, it cannot be compared directly with the figures published by the government at each policy review since those figures are not always calculated at 1974 survey prices.

Table E summarizes the breakdown of the changes in plans for 1976-77 and 1977-78 which resulted from the April 1975 budget. (see opposite)

'The Cuts' therefore take the following form. They are cuts in the plans for growth in the real value of public expenditure in future years. Since the term 'public expenditure' used here includes the capital and current expenditure of central government and local authorities (including both expenditure on goods and services and transfer payments such as supplementary benefit and pen-

Table E

Planned growth of public expenditure (at constant prices) over previous fiscal year as announced in Cmnd.5879 Jan. 1975 (Public Expenditure to 1978-79) and as announced in Budget April 1975

	Cmnd 5879 Jan.1975	Budget Apr.1975
	Planned Rate of Growth of Public Expenditure between 1975/6 and 1976/7	
Defense	3.11%	0.14%
Overseas services	6.93	6.73
Agriculture, fisheries & forestry	4.41	-14.20
Trade, industry & employment	-27.54	-30.42
Nationalised Industries	3.95	- 0.39
Roads + transport	0.85	- 4.30
Housing	8.02	4.55
Other environmental services	- 1.01	- 6.42
Law, order + protective services	3.49	1.07
Education & Libraries, science & arts	2.79	0.93
Health & personal social services	1.51	- 0.35
Social security	2.57	2.88
Other public services	0.80	- 2.58
Common Services	- 2.76	- 4.84
Northern Ireland	- 2.21	- 3.74
TOTAL EXPENDITURE*	1.02	- 1.42

* including debt interest, contingency reserve and shortfall at 1974 Survey prices.

Source: Hansard 17 April 1975 and Cmnd.5879

sions), and also the capital expenditure of nationalized industries, the cuts involve cutbacks in planned expenditure over a wide range of categories. In some cases (e.g. education) the plans have been cut to nil growth or even negative growth and such cuts involve not merely a cut in planned growth, but a cut to or below the current level of expenditure. In particular the cuts announced in Healey's April 1975 budget refer to public expenditure in 1976-77. They, in general, involve a cut of 1½% in current expenditure and 10% in capital expenditure below previously announced plans. The intended result is that not only will there be a cut in the rate of growth of most types of public expenditure, but their level will actually fall in that year to compensate for over-reaching the previous year's target.[21]

The cuts in plans are seriously going to affect the living standards of workers and this has rightly been emphasized in the agitation against cuts (although we argue below that exclusive concentration on this aspect of the cuts is misleading for a scientific analysis of policy).

As well as the overall level, the distribution of the expenditure cuts which result from the April 1975 budget and subsequent circulars is interesting.

The circular relates mainly to current expenditure but the heaviest burden of cuts is to fall on capital expenditure. In capital expenditure selected areas were exempted from the cuts 'so that it was not a 10% cut across the board. For example in basic need schools, in support for industry...there was no 10% cut at all ...house building...is not cut at all'.[22] Thus, in making the proposed cuts there was exemption for 'capital expenditure in the nationalised industries... We also exempted cuts in capital expenditure for support to industry generally. We look at it in that way, and the type of capital expenditure that we are not going ahead with would be on hospitals, school improvements and those sort of things. Capital expenditure in housebuilding is going on.' Thus, the major areas exempted from the 10 per cent cuts in 1976-77 capital expenditure were the capital expenditure of the nationalised industries and aid to industry including the purchase of shares (as in the British Leyland takeover). The other areas mentioned have to be interpreted with care. The absence of cuts in 'basic need schools', for example, means only that new schools will be provided if the school age population increases, that is, old schools in need of improvement or replacement will not be improved or replaced.

Finally, in analysing the state expenditure cuts it must be remembered that these are cuts in planned totals. They could be dismissed as irrelevant on the grounds that the state machine inevitably overspends and the actual outcome will show continued growth of expenditure. We consider that such a view would be wrong. Although there has until now been a problem of controlling expenditure to meet planned targets (especially in the case of local authority expenditure), the severity of the recent crisis and the political and ideological gains of the bourgeoisie have permitted a tightening of control. This has taken the form of cash limits and new machinery for supervising local authority expenditure and, with the present balance of class forces, will succeed in its purpose.

<u>What is the role and function of public expenditure cuts?</u>

The rationale for the cuts put forward by Treasury officials and the more simplistic bourgeois commentators is easily dismissed. It is the idea that a cut in public expenditure is necessary to reduce inflationary pressure - to cut the 'inflationary gap'. The weakness in this argument is that the inflationary gap only exists if labour and fixed capital are at full employment in some sense. Clearly there is an extraordinary amount of spare capacity at present and there is likely to be spare capacity throughout 1976-77.[23]

The explanation put forward by Gough and many left-wing writers of agitation material approaches somewhat closer to the truth but is, itself, severely limited and inadequate. Gough argues that the cuts in social expenditure are a means of redistribution from workers to capitalists. In Gough's analysis the crisis is primarily a crisis over distribution; crisis measures involve a cut in wages and, since social expenditure is seen as a social wage essentially identical with the wage revenue from employment, it, too, is cut as part of this distributional struggle. We have criticized this analysis elsewhere.[24] The state does intervene in distribution and cuts in public expenditure can have a purely distributional impact (although for reasons different from those advanced by Gough) but this is not their primary function. Their primary function is to release produced surplus value for accumulation and the transformation of production.

A cut in public expenditure on social provision does not raise the rate or mass of surplus value produced. Surplus value is produced only by the operation of productive capital and, in price terms, depends on the value of money wages (<u>not</u> including the 'social wage') given the organic composition, the forces of production, and the rates of turnover of capital. Taxes to finance social public expenditure reduce the amount of this given surplus value which is left for accumulation in the hands of the agents of capital. A cut in social expenditure therefore has as its primary function a reduction in the consumption of surplus value by unproductive expenditure and a proportionate release of surplus value for the accumulation of capital which is essential for the restructuring of capital. The fundamental role of the cuts is only redistributional in the sense that, being a reduction in unproductive expenditure (which is not the same thing as workers' consumption) they permit the accumulation which is necessary to transform the forces of production. They lead to an increase in the rate and mass of surplus value not by <u>redistributing</u> from workers to capitalists (although they do redistribute use values if not value itself) but by facilitating a transformation of <u>production</u>.

In the light of this analysis it is easier to understand the structure of the proposed cuts. The fact that nationalized industries' capital expenditure and state aid to industry is exempted from the cuts is significant. Indeed, the Treasury have stated that they do not even plan for (that is, set planned general limits on) aid to industry and funds for taking over private capital.[25] Part of the surplus value released by the cuts in unproductive expenditure is to be accumulated as capital under the control of the state in accordance with its significant intervention in the restructuring of capital.

We emphasize this analysis of the cuts and we consider it particularly applicable to the cuts proposed for 1976-7. For completeness, however, we note some additional aspects of cuts which become particularly important in different phases of different cycles. First, cuts in public expenditure can have as their most important aspect their demand management role. They can be used to cut aggregate demand, thereby creating or accentuating realization difficulties for capital and precipitating economic crisis. The function of the crises thereby precipitated or postponed is itself to further the restructuring of capital. In this respect, such cuts also reinforce the ideology which is necessary to encourage cuts in private expenditure. This was an important aspect of the Tory government's cuts in the emergency budget of December 1973 and the Labour government's cuts of 1967 both of which came in the crisis, downswing, phase of the cycle, but it is not relevant to the cuts planned for 1976-77 and future years.

Second, the cuts in public expenditure include cuts in 'transfer payments' and therefore in subsidies to transport, housing and nationalised industries. These are qualitatively different from cuts in the level of provision of welfare services. The latter involve cuts in unproductive expenditure on labour and commodities; the former involve merely a rise in the prices of commodities previously subsidised and a corresponding reduction in the taxes which ultimately fall on capital. The main function of such cuts is purely distributional, but, assuming the operation of the Law of Value as a central tendency, such distributional effects can be only temporary. As we have noted in our earlier analysis, such redistribution hurts the working class severely and is no more acceptable because the law of value ensures that it will eventually be corrected - but it remains the case that because economic practice will ensure that gross wages eventually rise to compensate, any change in the tax-subsidy structure cannot permanently benefit capital. A secondary object of such a cut in subsidies is that it gives an impetus to the restructuring of capital. To the extent that it reinforces the nationalized industries' obligations not to make losses, it imposes an additional discipline on this section of capital to ensure that the rate of exploitation is increased by the restructuring of their operation (note the current struggle in the steel industry).

Third, in analysing the state's plans for public expenditure we have looked at their essence and their essential function for capital. This does not carry the implication that there is a capitalist conspiracy tightly controlling the general level and the detailed structure of state expenditure. We have already noted the existence of mistakes and failures of control within the state machine. In addition, and more importantly, the state, being a primarily political institution is affected in its economic intervention by political forces which are relatively autonomous. In the period we are examining, the political and ideological strengths of the bourgeoisie ensures that the general cuts are in accordance with the economic needs of capital. The detailed structure of the cuts is, however, more subject to contradictory political forces and this is reflected in the haggling between departments at Cabinet level and in the PESC machine. As Mr Barnett has stated in the context of the 1976-77 cuts: '...it was not a matter of simply cutting. We did look to see which were in political terms the priority areas, and we exempted those from cuts.'

CONCLUSION

In this paper we have continued that concrete analysis of events in the British economy by using the method which takes as fundamental an understanding of the operation of productive capital. While we do not neglect distribution and realisation we consider them to be of a lower order of significance: the distributional and realization aspects of the present situation are to be understood as aspects of the crisis and subsequent depression which are themselves necessary for the restructuring of private capital. For the reasons we have outlined elsewhere we take the actions of the state as a focus for our analysis.[26]

Since our last survey of the UK economy, several bourgeois commentators have published analyses which appear at first sight to resemble our own. This apparent similarity, however, merely results from their partial abandonment of the simple Keynesian explanations of Britain's economic cycles: the explanations which see Britain's performance as resulting from a demand management policy which attempts to achieve irreconcilable goals. The most publicised of these new types of bourgeois analysis is that of Bacon and Eltis (published in the Sunday Times, November 1975). Its superficial similarity to our work stems from their emphasis on the need for 'restructuring' the British economy and the fact that they consider the recent crisis to be a 'structural' crisis. However, the analysis of such non-Marxist writers is fundamentally different from our own. Firstly, by restructuring they do not mean the restructuring of productive capital: they consider that this has proceeded satisfactorily since the mid 1960s and is <u>per se</u> a source of strength. Their view is that the crisis has arisen because the economy's structure has swung too much toward non-marketable goods and services and that a restructuring of the economy requires a cut in expenditure in these sectors (i.e. primarily the public sector). Second, their view is that a cutback in the production of non-marketable services (e.g. health service) would 'solve' the problem by releasing labour power and means of production for marketable services, whereas our view, as explained above, is that public expenditure cuts stimulate and facilitate accumulation through releasing surplus value. Third, Bacon and Eltis' distinction is between market and non-market sectors, whereas for us the important distinction is between productive and unproductive sectors (i.e. productive or unproductive of surplus value). Finally, and most importantly, Bacon and Eltis see the need for their type of restructuring as an accident which arises from a history of faulty policies and, therefore, they are trapped in the Keynesian problematic of the neutral state whose only fault is that it makes mistakes. In contrast, we see crises as endemic to capitalism and their function for capital is to create the potential for the restructuring of productive capital. Accordingly, we view the state as a structure which is not above capitalist relations but is forced to conform to the laws which are endemic to capitalism including the laws of crises.

In this context, we must also note the views of Denis Healey, for he took the extraordinary step of commenting on Bacon and Eltis's views (Sunday Times, 14 December). It can be noted that Healey's comments bear out our own analysis to some extent, for his whole emphasis is on 'the regeneration of our manufacturing industry'. His views (and those expressed by many other politicians, government reports etc.) are evidence that the state's fundamental role in the crisis and depression is to stimulate the restructuring of capital rather than to intervene only in distribution. Moreover, his views, like ours, differ from Bacon and Eltis's in emphasising that productivity increases have not been fast enough for capital and the restructuring of capital is necessary to stimulate productivity gains. But we should make clear that this traitor to the labour movement has not suddenly adopted Marxist theories. From his article it is clear that he does not see crises as endemic to capitalism, but that the recent crisis and current depression are to be understood in terms of the difficulties associated with the balance of payments, inflation and budget deficit.

Further, as any agent of capital must do, he sees the crisis and recession as an opportunity to put Britain (i.e. capitalism) back on its feet again. This is to be achieved by reorganising production and placing the burden of this on the backs of the working class through unemployment, cuts in social expenditure, cuts in wages and the changing work conditions associated with productivity increase. Thus, the truth of the matter is that workers are suffering because of the needs of capital to move through crisis, slump and restructuring. Capitalists and their state employees, as the agents of capital, are the workers' enemies in supervising the cycle of production. It is the height of irony that the way the needs of capitalist production appear in exchange should be the very weapons that are used to fool the workers into believing that their worst enemy is their own greed for imported cars, high wages and decent social services.

POSTSCRIPT: MAY 1976

The text was written in January 1976. Since that time several economic events have occurred and require assessment. In February the White Paper Public Expenditure to 1979-80 (Cmnd. 6393) was published; in April the budget was announced and this second phase of wages policy was settled quickly thereafter. In addition, a widely publicised devaluation of sterling took place during the period although we shall postpone analysis of this until we complete a detailed examination of Britain's Balance of Payments. We begin by considering the budget and the second phase of wages policy and then turn to the White Paper on public expenditure.

The April Budget was of little significance except for its connection with the second phase of the wages policy. Apart from that its role was to make technical adjustments to the tax system and to provide a public relations platform for putting forward the ideology which is a necessary concomitant of the capitalist state's economic interventions. The technical adjustments which were made merely confirmed the strategy to which the state was already committed in its distribution policy. For example, the relief from corporation tax on increases in stocks which was introduced in November 1974 was confirmed as being, in one form or another, a permanent feature of the tax system. This relief has given capital an enormous windfall gain since it was first introduced and this budget, apart from ensuring its permanence, has widened its scope. The effect of this relief and capital allowances is that, as Healey stated 'substantially the whole of any profits which a manufacturing company reinvests in its business, whether in fixed or in working capital, will effectively be relieved from corporation tax'. Policies such as this are concerned with the question of tax distribution alone and, to the extent that analysis can remain at that level, the left is correct to adopt the slogan that the workers are forced to pay for capitalism's crisis. Similarly, the Chancellor announced an increase of £40m in the funds to finance industrial restructuring schemes (see text) but the difference between this and corporation tax relief is that these schemes involve a greater degree of state intervention in economic activity.

The real significance of this budget is as a tool for establishing the wages policy which is to operate from August 1976. It sets out the tax reliefs the government will give if the TUC were to agree to an average limit of 3%. Using the standard example (a married man with two children and earning £60 p.w.) the effect of a 3% limit and the budget's tax reliefs would be a 4½% rise in take home pay in money terms. Its real value would depend on the rate of price inflation and the date of the pay award, but since it is clear that no measure of price inflation will record a fall to 4½% between August 1976 and July 1977 the limit must involve a fall in real take-home pay. On this basis, and without even the pretence of offering a 'social contract' on public expenditure, the government followed the budget by 'negotiating' with the TUC, or more exactly with the leaders of the major trade unions and Len Murray.

They worked out a policy whose effect will be to give an average increase in money wages of about 4½% (as opposed to the 3% outlined in the Budget). The pay scheme limits any increase to 5% p.a., but also is subject to the proviso that no increase shall be greater than £4 per week and no increase less than £2.50 per week. In addition, the conditional increases in tax allowances offered in the Budget are to be implemented and the whole deal is wrapped up with £50m public expenditure from the contingency reserve - £35m to avoid 5p autumn increases in school meal charges and £15m to the Manpower Services Commission for training labour-power.

This pay policy, like the £6 rule that preceded it, is explicitly designed to maintain downward pressure on the value of wages. Its impact clearly depends on the rate of inflation, but this is not in turn determined by the rate of increase of money wages as Healey's (and others') cost push ideology suggests. This simple view takes no account of the cycle of capitalist production and accumulation but merely characterises inflationary pressure as a phenomenon of distributional struggle. We would judge that an upturn will occur shortly in the British economy, but with it the rate of inflation will continue to decline and real wages may even rise although by less than productivity. Until that point of upturn is reached, the acceptance of the current series of incomes policies can only minimise the impact of the distributional struggle accompanying the recession.

This perspective follows from understanding the Labour Government's strategy as one committed to engineering the conditions necessary for a renewal of accumulation, not simply through distributional policy and state expenditure cuts, but more fundamentally through their policies of facilitating and supervising industrial reorganisation to raise the potential for capitalist production of surplus value. An essential feature of this is the government's patient refusal to adopt reflationary policies until the domestic and world conditions for a renewal of accumulation are established. This requires the process of competition to eliminate weak capitals and lay the basis for a reorganisation of those that survive. The state is playing no small part in this process through the deflationary policies and more direct intervention in the provision of finance for investment to selected companies.

The use in the Budget of tax relief conditional on a pay policy agreed by the TUC has been seen in the bourgeois media (according to its particular bias) as a unique departure from standard practice which increases the unions' power and/or responsibility. However, the negotiations with the TUC's representatives following the Budget were clearly little more than a charade, for all but the minor details of the policy finally agreed had already been settled.* We would emphasize the uniqueness of the Budget for the particularly sharp fashion in which it illustrates the role played by the state in economic intervention. The state has successfully led the 'leaders' of the working class to treat an issue of economic struggle as a political issue, whilst consequently weakening the resolution of the working class to undertake economic struggle. Here we have even the limited aim of trade union economism stood on its head, for the economic struggle for wages, that should be transformed into a political struggle for wages, is replaced by political negotiation for wages that transforms economic struggle into docility. Particularly significant is the role played by the elite of the trade union leadership in sealing the deal with the government but for the token necessity of a TUC Congress Resolution. Nor has this leadership been content to limit its activities to diffusing the working class struggle for wages. It has been increasingly undermining those strikes that have been called to resist the reorganisation of the conditions of work (most notably Scanlon's intervention at Leyland) and this has profound implications for working class resistance to the imposition of intensified work during the coming boom when the reorganisation of capital (and labour) is accelerated

*For evidence that Len Murray was aware of almost all that was to be announced, see 'Private Eye', May 12, 1976.

The wage policy, therefore, represents an intensification of the pressure on real wage revenues which this administration first undertook in the guise of the 'social contract'. Elsewhere, we have pointed out that the trade unions' agreement to the 'social contract' involved accepting a false 'promise' of an increase in the social wage in return for limitation of wages from employment and we considered the faults in the tactics of class struggle which permitted this. Now there is no longer even a pretence of a deal. The budget and wages policy occur in the context of explicit cuts in public expenditure. The White Paper of February 1976 broadly confirms the cuts in public expenditure plans for 1976-77 outlined above and looks further into the future. It revises downward the previously published plans for public expenditure in 1977-78, 1978-79 and 1979-80. Whereas the January 1975 White Paper (Cmnd. 5879) planned for growth of public expenditure in the years after 1976-77 (see Table D above), this White Paper has cut expenditure plans so that public expenditure in real terms (at 1975 prices) is planned to remain virtually the same in 1977-78, 1978-79, 1979-80 as in the current year (1976-77). It has done this by cutting £1.6bn from public expenditure planned for 1977-78 and nearly £3 bn. from that planned for 1978-79 (all at constant prices).

The distribution of these new cuts in expenditure plans is significant and fits well with the analysis we have put forward in this and our earlier article. For the White Paper shows increases in planned expenditure on 'Trade, Industry and Employment' and on 'Social Security' and the large cuts in 1977-78 and 1978-79 are accordingly borne to a disproportionately heavy degree by education, health, housing and transport. The increase in expenditure on 'Trade, Industry and Employment' reflects the state's increased intervention in the financing and supervision of capital. The increase in expenditure on 'social security' reflects the fact that high levels of unemployment will continue until the end of the decade (Healey forecasts and aims for 700,000 in 1979), and this is a direct result of the restructuring of capital, facilitated by the crisis and depression, or, in other words, the direct result of rationalisation and the raising of productivity. A further aspect of this White Paper which fits well with the analysis we have put forward is the fact that the proposed cuts do not substantially affect the capital expenditure of the nationalized industries (apart from the electricity generating industry where the cut arises simply from an adjustment of demand forecast) whereas they affect the capital as well as current expenditure of the 'welfare state' services. Moreover, April's White Paper extending cash limits as a form of control (Cmnd. 6440) makes clear that more flexibility is to be permitted in controlling the financing of nationalised industries than in controlling most government expenditure on goods and services and, most significantly, that expenditure on assistance to industry is not to be effectively controlled at all. As noted above, this type of policy in the allocation of public expenditure underlines the importance of distinguishing between sectors producing surplus value and unproductive sectors.

The allocation of the cuts in planned public expenditure is of most significance for our analysis, but it is also necessary to consider the overall level of expenditure. The Public Expenditure White Paper estimates that the cuts will ensure a drop in the proportion of GNP which is accounted for by public expenditure and in its components, so that expenditure on goods and services and on transfer payments would decline as a proportion of GNP by 1979. The realism of this projection has been strongly criticised by the House of Commons Expenditure Committee on the grounds that the underlying assumptions about the rate of growth of GNP, exports and investment are over-optimistic and without foundation. As the Treasury has virtually admitted to the Committee, for the assumptions to be fulfilled the British economy would have to experience an unprecedented so-called 'economic miracle'.

FOOTNOTES

[1]We gratefully acknowledge the invaluable assistance of Viv Brown. In addition, in the section on State Expenditure Cuts we have been assisted by conversations with students, local government officers and civil servants.

[2]The sharp deline in cyclical indicators which began in the last quarter of 1973 was interrupted by a small upturn in the second and third quarters of 1974. This reflected a softening of Barber's deflationary policies by the new Labour government - a course of action forced on it by the need to stabilize political relations. It also reflects to some extent the technical factor of the rebuilding of inventories following the miners' strike.

[3]For presentation of our view on the removal of economic struggle to the level of politics see our paper 'On the Problem of Analysing Current Economic History'. One political indicator of the success, for the bourgeoisie, of the Labour government's policies is the fact that formally the Tories could relatively easily have brought down the Labour government in parliament. Yet it has clearly not tried to do so.

[4]RHP's investment programme since 1970 has succeeded in raising output per man from £2000 to £6050, expelling 33% of the labour force and raising profit on capital employed from 10% to 19%. The bearings industry is an interesting case of the link between restructuring and internationalisation. Of the 5 biggest UK bearings producers, RHP is the only UK owned company. The state's encouragement of its restructuring has also led it to increase its internationalization (of commodity capital and productive capital). At the same time, new foreign owned capitals are entering the field. A Japanese company is building an £8m plant in Britain with 20% financed by the British state.

[5]This estimate has been made by NEDO

[6]The question of the role of politics (and ideology) requires clarification. Some readers have interpreted our work as implying an economic determinism. This is not our intention. Our view is that politics and economics are relatively autonomous but the latter is fundamentally determinant (determinant in the last instance). One implication is that we reject those analyses of economic phenomena which rely primarily on political struggles as explanatory factors. Another is that, whereas we consider that political struggles can affect economic events, they can never be assumed to overcome the economic laws (such as the existence of crises). The state is an institution with an economic and political (and ideological) role and we therefore consider that its economic interventions are to be understood in the same way as economic events in general - as fundamentally determined by the economic laws of capitalism. But political factors have an effect on the state's economic interventions just as politics in general has an effect on economics.

[7]See Financial Times, 11 December 1975, p.4. We intend to publish a detailed study of the UK machine tool industry in a future survey of current economic history.

[8]The Ford Cortina (UK bestseller) has never been produced in Britain at more than 300,000 units per annum. [9]This significantly involved a Fr.1,500m subsidy from the state.

[10]The same obstacles do not exist for the internationalisation of the heavy commercial vehicle sector, where the scale of production and implications of reorganisation are less startling. DAF and Seddon-Atkinson are now respectively partly and completely owned by International Harvester and have entered into an integration of production with Fiat-KHD, Saviem (Renault) and Volvo (Swedish). Fiat-KHD is itself a joint Italian-German company, Unic is a French plant owned

by Fiat, Berliet (formerly of Citroen and now merged with Saviem) makes cabs for Ford's production in Amsterdam etc., etc.

[12]The CPRS report claims that this is false in some cases, equal equipment in Belgium being used to greater effect than in the UK. This has, not surprisingly, been seized upon by the bourgeois media to criticise the British workers. For Marxist analysis, this is not a fruitful object of debate: conditions never are equal and the differences reflect class struggle at the point of production and not the individual propensities of the workers.

[13]Financial Times, April 22nd, 1974.

[14]These flows are omitted from the Report 'for reasons of commercial security'.

[15]Whilst the closure of BL's subsidiaries in Spain (Anthi), Italy (Innocenti) and Australia have received much publicity, it should be recognised that new foreign plants have been planned during the last year for Egypt, Portugal, Singapore, South Korea, Nigeria and Indonesia.

[16]We would emphasise that this is not a constraint on capital either, but again reflects the competitive process as well as the credit mechanism.

[17]1974 advertising jingle (now dropped).

[18]Vauxhall's latest model, the Cavalier, is being produced by Opel in Germany, assembled in Belgium and imported to the UK.

[19]We are forced by the publishing deadline to omit a detailed consideration of the February 1976 White Paper here. Instead, we include a postscript bringing up to date our discussion of the state expenditure cuts.

[20]Public Expenditure to 1977-8, Cmnd. 5519.

[21]This implication is made clear in the minutes of the Ninth Report of the House of Commons Public Expenditure Committee.

[22]See Ninth Report of Public Expenditure Committee Question 105.

[23]The hollowness of the 'inflationary gap' reasoning is shown by this exchange. In answer to the question 'what is your opinion of the connection between public expenditure and inflation?' Mr. Joel Barnett replied 'I say again that if you have an excess both of public expenditure and private consumption it will lead to excessive rates of inflation.' 'And you think that we have an excess of that total at the present time?' 'We certainly have an excessive rate of inflation' (collapse of stout party).

[24]I. Gough, 'State Expenditure in Advanced Capitalism', New Left Review No.92. In our paper 'State Expenditure in Advanced Capitalism: A Critique', New Left Review No.98, we argue in detail for our view that the so-called 'social wage' (such as the health service and education) is unproductive expenditure since the production of these services is not performed under capitalist relations. The form of the cuts in public expenditure planned for 1976-77 illustrate and support this view. The response of capital to the crisis is to expel living labour and plan to increase investment. Indeed, the state's plans for the nationalized industries take that form, since these are state owned sections of capital. But the state's plans for health services etc. involve a 10% cut in capital expenditure and only a 1½% cut in current expenditure.

[25]See Ninth Report of the Public Expenditure Committee, Questions 161,162,186 187,205,206,207.

[26] See our 'On the Problem of Analysing Current Economic History'.

THE CONCEPT OF 'ABSTRACT LABOUR'

C.J. Arthur

It is well known that Marx acknowledged a debt to Hegel in the writing of Capital. What remains unclear is the nature and significance of that influence. Some think that Marx merely flirts with Hegelian expressions.[1] Others think that the influence is very profound.[2] Some critics assert that there is a conflict in Capital between a 'Hegelian' first volume and a 'Ricardian' third volume.[3]

The assumption of many of Marx's critics is that the influence of Hegel must be pernicious, and is likely to produce metaphysical, rather than scientific, modes of argument. However, since Marx himself was a trenchant critic of Idealism and yet aware that his dialectical method was prefigured in Hegel, it is possible that he was capable of utilising Hegel's work to the extent that was compatible with rejection of Hegelian 'mystification'. My argument will show that, while Marx's theory of value does reflect certain themes in Hegel's philosophy, the analysis is firmly grounded in material reality and is not open to the objections that Marx himself propounded against philosophical speculation.

How did Marx characterise his debt to Hegel? While at work on a draft of his economic studies, he reports in a letter to Engels that, by merest accident, he had glanced through Hegel's Logic again, and that this had been very helpful to him 'in the method'.[4] In Capital itself, there is the famous discussion of the dialectic, written for the second edition, in which Marx declares:

> The mystification which dialectic suffers in Hegel's hands, by no means prevents him from being the first to present its general form of working.... With him it is standing on its head. It must be turned right side up again, if you would discover the rational kernel within the mystical shell.[5]

Marx remarks that in the chapter on value especially, he 'coquetted with the modes of expression' peculiar to Hegel. It is, indeed, in this chapter - the first[6] - that the influence of Hegel's Logic is most apparent (and it is this chapter which many critics find the most objectionable).

This paper will focus on one central concept introduced by Marx in chapter One of Capital - that of 'abstract labour'. In Marx's theory of value it is abstract labour that is the substance and measure of value. In elucidating this concept we shall demonstrate that its status is not that of an ordinary abstract universal derived from particular cases by the force of thought, i.e. a merely mental generality. At the same time, in exhibiting the conceptual scheme embedded in Marx's theory of value, we shall defend it against the charge that it is identical with Hegelian speculative constructions.

We introduce our discussion by outlining such a criticism of Marx's concept of 'abstract labour', advanced by Stanley Moore.[7] We go on to show that, in spite of Marx's acknowledged debt to Hegel, Capital is a scientific achievement, not an exercise in metaphysics.

II

Moore claims that, under the influence of Hegel's Logic, Marx attempts a dialectical proof for the labour theory of value, and that this approach 'represents a clear departure from his positivist critique of Hegelian dialectic in The Holy Family and subsequent works'.[8] Moore develops this point through a parallelism he discerns between the positions identified and criticised by Marx as Hegelian in the 1845 work and Marx's own argument in the first chapter of Capital.

Marx carries through his polemic against Hegelian 'speculative construction' in terms of the example of the notion of Fruit; and Moore schematises the argument as follows:

1 From the common properties of real apples and pears Hegel forms the abstract idea of fruit.
2 He then imagines that this abstract idea, as an entity existing outside him, is the essence or substance of the pears and apples.
3 Why then, he asks himself, does this substance manifest itself sometimes as an apple, sometimes as a pear? Why this appearance of diversity?
4 Because, he answers, fruit is not static, undifferentiated, dead - but dynamic, self-differentiated, alive. Different fruits are externalisations of the life of the one fruit, fruit itself.[9]

It is worth adding to Moore's account that Marx comments on this procedure by saying that the speculative philosopher presents the activity of thought (his own activity) in passing from the notion of apple to that of pear, as the 'self-activity' of the absolute Subject - in this case 'the Fruit'.[10] (For, as we shall see, it is important when examining Marx's own dialectic to identify the subject of the activity that mediates the abstract universal with the concrete particulars.)

Moore claims that the robust exposure of the dialectical method in 1845 is abandoned by Marx, ten years later, when, after restudying Hegel's Logic, he builds the critique of political economy 'around contrasts derived from Hegel's Doctrine of Essence - between essence, or substance, on the one side, and appearance or accident, on the other.'[11]

Before looking at Moore's detailed presentation of Marx's allegedly 'speculative construction', one should remark that Moore's account of Marx's intellectual biography is somewhat odd. For Marx himself not only did not view Capital as a 'clear departure' from the critique of Hegelianism in The Holy Family, he explicitly repeats this critique and endorses it, in the second edition of Capital. He says that his dialectic is not Hegelian but 'its direct opposite'. Just as in The Holy Family, he charges Hegel with presenting 'the process of thinking', under the name of 'the Idea', as an independent subject, as 'the demiurgos of the real world'. Furthermore, when he boasts (in 1873) that he criticised the mystifying side of the Hegelian dialectic 'nearly thirty years ago', what else would he be endorsing but the arguments of The Holy Family (1845)?[12] We must conclude therefore that Marx was well aware that it was necessary to avoid 'the mystification which dialectic suffers in Hegel's hands'.

Nevertheless, good intentions are not identical with achievement! Is Marx vulnerable to his own critique of philosophical speculation? Moore believes so. He summarises the opening chapter of Capital in four steps - designed on the model we saw earlier:

1 Searching for a common property in terms of which quantities of different commodities can be equated for exchange, Marx forms the idea of abstract labour.
2 He then concludes that this idea of abstract labour, as an entity existing outside him, is the essence or substance of the exchange values of the different commodities.
3 Why then, he asks, does this substance manifest itself sometimes in one kind of commodity, sometimes in another? Why this appearance of diversity?
4 Because, he answers, abstract labour is not static, undifferentiated, dead - but dynamic, self-differentiated, alive. The values of different commodities are externalisations of one labour process, the productive activity of society as a whole.[13]

On Moore's account, then, we might conclude that Marx reads into the facts of commodity exchange the same kind of 'speculative construction' that he earlier rejected.

Let us remind ourselves of the bare bones of Marx's version of the labour theory of value, which is vastly abbreviated in the foregoing first two steps of Moore's presentation. Marx starts his exposition from the opposition between the use-value specific to each commodity and the indefinite number of relationships whereby the exchange-value of a given amount of one commodity is expressed in terms of a certain amount of another. As use-values the labour-products are heterogenous: a paper-weight is valued for its weight, a paper-knife, for its sharpness; yet these properties have nothing in common. In exchange, however, the commodities acquire objectively given relationships to each other in the social process of production.

According to Marx's theory of value the exchange-values a commodity has against various other commodities are derived from a single value-creating substance - labour: the law of value holds that the magnitude of the value of any product is determined by 'the labour-time socially necessary for its production'.[14] From the values of two commodities, determined thus, the requisite exchange-value of one in terms of the other, may be easily derived.

Marx emphasises that, 'when commodities are exchanged, their exchange-value manifests itself as something totally independent of their use-value'[15] (although, of course, a commodity must have a use-value if it is to feature in exchange at all.)

However, the distinction between use-value and value gives rise to a similar opposition in labour itself. For, if products differ, so must the concrete useful labours that shape them. Accordingly, Marx stresses the point that the labour embodied in commodities, that relates them together as values, must be viewed as 'human labour in the abstract'.[16]

> On the one hand all labour is, speaking physiologically, an expenditure of human labour-power, and in its character of identical abstract human labour, it creates and forms the value of commodities. On the other hand, all labour is the expenditure of human labour-power in a special form and with a definite aim, and in this, its character of concrete useful labour, it produces use-values.[17]

Value is a crystallisation of a social substance - abstract labour.[18]

It seems then that steps one and two of Moore's summary are correct except for the fact that Marx says it is value (not exchange-value) that is produced by a 'social substance' - 'abstract labour'.[19]

Now Marx was always most punctilious in Capital about giving credit to such previous political economists who had first formulated certain ideas - no matter how obscurely. It is worth paying attention, therefore, when Marx makes his solitary claim to originality in the opening chapter. The point that labour has a two-fold nature (for, 'in so far as it finds expression in value, it does not possess the same characteristics that belong to it as a creator of use-values'), is, he says, the 'pivot on which a clear comprehension of Political Economy turns'. 'I was the first', he claims, 'to point out and to examine critically this two-fold nature of the labour contained in commodities'.[20] The development of the concept of 'abstract labour' was regarded by Marx as a key scientific achievement then - yet it is just this concept which has been regarded as speculative. A full investigation would be necessary to reveal all the complexities of Marx's theory of value and its relation to Hegelian speculative philosophy. Here we shall concern ourselves primarily with this concept of 'abstract labour' and at the end of the treatment we shall be in a position to offer a view of it different from that propounded by Stanley Moore in the last two steps of the precis above quoted.

Our treatment will follow the distinction made by Marx in his famous 1859 Preface where he says that, at a certain stage of development, there correspond to men's powers of production, or productive forces, certain relations of production, the sum total of which forms the economic structure of society.[21]

In section III we shall analyse labour-power as a force of production, and in the process we shall argue that in a developed industrial economy social labour as a productive force, has a fluidity in its forms of appearance which gives a material basis to the 'Hegelian' schema derided by Moore. In the case of Hegel, abstraction is made from particular kinds with a view to presenting the different particulars as external manifestations of the life of the universal. The logical categories are given ontological status: a genus (such as 'Fruit') is presented by Hegel as 'that universality which is in its own self a concrete'.[22] While this claim is mystical as a general metaphysical doctrine, it may, none the less, be the case that certain specific relationships have the pattern of Hegelian 'Ideas'. We shall suggest that social labour could be considered a genuinely 'concrete' universal.

However, the social productive forces are only operated within certain relations of production. In commodity production labour is not immediately social, but private. In section IV we shall argue that the sociality of labour in the production process is realized and recognised in commodity relations only by the mediation of value. Value, and its substance abstract labour, will be analysed as relations of production. In section V we shall examine the form of value and show thereby the peculiar process of abstraction to which labour is subjected in commodity relations.

Only then shall we be in a position to turn back to the question of the status of Marx's conceptual scheme as it relates to Hegel's (supposedly) 'concrete' universal, and present an alternative interpretation to that outlined in the latter part of Moore's schema.

In our interpretation we shall show that, in Marx's conception, 'abstract labour' is not 'dynamic and self-differentiating'. We shall finish by suggesting that Marx's dialectical analysis of the commodity differs from Hegel's Logic in being immanently critical, and by historicising the dialectic pattern.

III

Consider the analysis offered by Marx in his section on the two-fold character of labour:

> So far as they are values, the coat and the linen are things of a like substance, objective expressions of essentially identical labour. But tailoring and weaving are, qualitatively, different kinds of labour. There are, however, states of society in which one and the same man does tailoring and weaving alternately, in which case these two forms of labour are mere modifications of the labour of the same individual, and no special and fixed functions of different persons, just as the coat which our tailor makes one day, and the trousers which he makes another day, imply only a variation in the labour of one and the same individual. Moreover, we see at a glance that, in our capitalist society, a given portion of human labour is in accordance with the varying demand, at one time supplied in the form of tailoring, at another in the form of weaving. This change may possibly not take place without friction, but take place it must.
>
> Productive activity, if we leave out of sight its special form, viz., the useful character of the labour, is nothing but the expenditure of human labour power. Tailoring and weaving, though qualitatively different productive activities, are each a productive expenditure of human brains, nerves, and muscles, and in this sense are human labour. They are but two different modes of expending human labour-power.[23]

The 'productive expenditure of human brains, nerves, and muscles', naturally takes various forms, but it is a presupposition of any economic analysis that these various manifestations of the expenditure of labour-power may be considered also as distinctions within a unity. More importantly, in bourgeois commodity production, we find that this unity is not merely the result of analysis by thought. The mediator - the 'fluidity' which sustains the 'unity in difference' is not the 'fluidity of the concept', but precisely the adaptability of productive activity which expresses itself now as tailoring and now as weaving, whether considered as the adaptability of an individual's expenditure of his labour-power or as the capacity of the productive system as a whole to move labour from one branch of production to another. The concept 'Fruit' is used by the thinker to range over the particular kinds (apples, pears, etc.). It is not 'Fruit' that generates through its own proper activity the apples and pears. However it is not merely the case that 'labour' is a useful concept for thought to collect together similar, though differentiated, phenomena: productive activity itself is supplied in varying forms according to demand. These forms are not special fixed functions in the way that the species of fruit are biologically determinate. Marx can fairly charge the metaphysician with mistaking his own activity, in moving from apples to pears in thought, as the activity of the concept 'Fruit'. But he himself is not guilty, because he reproduces in conceptual form a reality - the objectively present unity of the branches of labour in one production process. Further light is shed on this point if the matter is examined in the light of historical development. If we may appeal outside Capital for a moment, we find such a discussion in Marx's preliminary work - the so-called Grundrisse.

In the General Introduction - written in 1857 - Marx makes some very instructive remarks about the relevance of economic categories. He traces the development of political economy to Adam Smith, who made an immense advance when he 'rejected all restrictions with regard to the activity that produces wealth - for him it was labour as such', not any particular kind. Marx then shifts from this conceptual advance to give it a material basis in certain, historically developed, material and social preconditions:

> Now, it might seem that all that had been achieved thereby was to discover the abstract expression for the simplest and most ancient relation in which human beings - in whatever form of society - play the role of producers. This is correct in one respect. Not in another. Indifference[24] towards any specific kind of labour presupposes a very developed totality of real kinds of labour, of which no single one is any longer predominant. As a rule, the most general abstractions arise only in the midst of the richest possible concrete development, where one thing appears as common to many, to all. Then it ceases to be thinkable in a particular form alone. On the other side, this abstraction of labour as such is not merely the mental product of a concrete totality of labours. Indifference towards specific labours corresponds to a form of society in which individuals can with ease transfer from one labour to another, and where the specific kind is a matter of chance for them, hence of indifference. Not only the category, labour, but labour in reality has here become the means of creating wealth in general, and has ceased to be organically linked with particular individuals in any specific form. Such a state of affairs is most developed in the most modern form of existence of bourgeois society - in the United States. Here, then, for the first time, the point of departure of modern economics, namely the abstraction of the category 'labour', 'labour as such', labour pure and simple, becomes true in practice. The simplest abstraction, then, which modern economics places at the head of its discussions, and which expresses an immeasurably ancient relation valid in all forms of society, nevertheless achieves practical truth as an abstraction only as a category of the most modern society.... This example of labour shows strikingly how even the most abstract categories, despite their validity - precisely because of their abstractness - for all epochs, are nevertheless, in the specific character of this abstraction, themselves likewise a product of historic relations, and possess their full validity only for and within these relations.[25]

There are four important steps in Marx's argument here:

(a) The simplest way of understanding 'labour' as wealth-creating activity is to identify the concept with an ahistorical abstraction. Marx does not - of course - deny the correctness of this. The bare (unmediated) abstraction, 'labour', has perfectly proper uses; e.g. in the sentence: 'Society can only live by labour, but, nevertheless, in some societies there are some people who do not work and hence live off other people's labour'. Here 'labour' is an ordinary abstract universal subsuming under itself, generically, the range of labours.

(b) However, Marx goes on to point out that, as a rule, 'the most general abstractions arise only in the midst of the richest possible concrete development'. This might be simply a point about men's epistemological constitution.

(c) But it is of larger significance in a certain form of society. The category 'is not merely the mental product of a concrete totality of labours', if the mobility of labour ensures a contingent relation between the individual and any particular labour he engages in. In such a situation this apparently ahistorical abstraction 'achieves practical truth as an abstraction'.

(d) It would seem that the basic abstract categories must be ahistorical 'precisely because of their abstractness'. In order to deal with a specific historical epoch they must be concretely specified in a fashion appropriate to the given mode of production. However in developed bourgeois society 'labour' is valid 'in the specific character of this abstraction', for (and only for) these historically determinate relations!

Tying these four points together - we see then that the abstract category 'labour' is not merely an 'abstract expression' developed by thought to comprehend concrete richness. In this society, in which 'individuals easily pass from one type of labour to another' labour as such is the means of creating wealth not only categorially but 'in reality'. It is important to know that it is concretely differentiated but it is not important for political economy to further specify it, precisely because of the practical equivalence of labours in capitalist society.

In order for this equivalence to exist, technical, and social barriers to it must be largely absent.

In the regime of mass-production the technical character of production is transformed. Machinery (which requires no 'natural genius' to operate) turns out large quantities of products to specifications that the craftsman, making a similar product by hand, could match only by exacting apprenticeship. Mental labour is also increasingly divided, routinised and computerised.

A different problem is that of the social status of labour. Clearly, under serfdom, or the caste system, severe restrictions are placed on the mobility of labour; and hence the category of labour (understood as expenditure of labour-power without regard to its different forms) might be asserted by us abstractly, but this abstraction would not have 'practical truth' in the sense outlined in the passage from Marx quoted above. It will be necessary (in the next section) for us to examine exactly how the labours of the 'free labourers' of capitalist society are socially distributed and regulated.

To recapitulate: we have been looking at two important passages from Marx. In the one from Capital he speaks of the identity of labours at the physiological level; he says that they are each 'a productive expenditure of human brains, nerves and muscles'. In the 1857 Introduction he relates this 'abstract expression' of a 'simple relation', in a particular way to an historically determinate society, by arguing that in bourgeois society the form of expression of such labour is a matter of indifference and that here the abstract category has 'practical truth'. Labour-power, the basic productive force operative in all branches of industry, is supplied as required in the appropriate specific form.

Thus, when individuals are not organically linked with labour in any specific form, but change their activity as circumstances demand, it might seem that the totality of labours carried on in society, social labour in short, is a 'concrete universal', self-differentiating, mobile, and dynamic, in a very material sense.

In this section, we have been looking at the category 'labour' in relation to certain characteristics of the labour process, but the implicit potential of social labour to realise itself in various specific activities depends for its expression on the nature of the relations of production that organise and develop the productive forces. We need to examine at that level 'the specific manner in which the social character of labour is established'.[26] In particular we need to examine the question of the value of commodities because the 'abstract labour' which Marx postulates as the substance of value cannot be identified with the physiological similarity of labours (even if we understand the latter in terms of the reality of 'labour pure and simple' as the wealth producing activity of bourgeois society). Such labour is a universal productive force rather than value-creating labour explicated in terms of the relations of commodity production.[27]

In the next section we shall discuss the nature and importance of the concept 'relations of production', and then move to elucidate the character of the relations of commodity production in order to show that when Marx says that we must abstract from the concrete forms of labour, its significance lies in the assertion of a special kind of relation between producers established in commodity exchange. The complexity of the connection of such abstraction, carried through in exchange, with the underlying unity of the labour process at the level of the productive forces (discussed in the present section) will then be investigated.

IV

Marx says that 'economic categories are only the theoretical expressions, the abstractions, of the social relations of production'.[28] This important statement indicates the object of his enquiry: it is production (rather than exchange as such, isolated from production), and it is production as a system of social relations (rather than a technical process).[29]

It cannot be too strongly emphasised that the only way to make sense of Marx's theory of value is to understand it as primarily a study of the relations that are established among people in a certain mode of social reproduction (i.e. the whole process - not production as distinct from exchange).[30] It is not primarily about relations between things; neither is it primarily about relations between people and things (in the same way as the theory of marginal utility)[31] although relations between people may be specified in terms of things, e.g. differing relations to means of production or natural resources, and we also find social relations expressed in things, namely the values of commodities.

When Marx presents the basic elements of his theory of value in the first chapter of Capital he must be interpreted in this light. In his last economic notes he complains that he is misunderstood if he is thought to be providing ' a general theory of value' - if by this is meant 'a musing over the word "value"'.[32] Rather it is a theory about the social relations of production - specifically commodity production.

> I do not start out from 'concepts', hence I do not start out from 'the concept of value'.... What I start out from is the simplest social form in which the labour-product is presented in contemporary society, and this is the 'commodity'. I analyse it, and right from the beginning, in the form in which it appears. Here I find that it is, on the one hand, in its natural form, a useful thing, alias a use-value; on the other hand, it is a bearer of exchange-value, and from this viewpoint, it is itself 'exchange-value'. Further analysis of the latter shows me that exchange-value is only a 'form of appearance', the autonomous mode of presentation of the value contained in the commodity.... Hence I do not divide value into use-value and exchange-value as antitheses into which the abstraction 'value' splits, rather [I divide] the concrete social form of the labour-product; 'commodity' is, on the one hand, use-value, and on the other hand, 'value', not exchange-value, since the mere form of appearance is not its proper content.'[33]

For consideration of use-value as such, independent of its social form of appearance, Marx goes on to say that one must refer to 'commercial guides',[34] i.e. the province of 'a special study, that of the commercial knowledge of commodities';[35] but this 'lies outside the sphere of investigation of political economy'.[36] Commodities must be use-values of course, but Marx is interested in the 'social form in which the labour-product is presented in contemporary society'

- which is not indicated by its useful properties:

> Whatever its social form may be, wealth always consists of use-values, which in the first instance are not affected by this form. From the taste of wheat it is not possible to tell who produced it, a Russian serf, a French peasant, or an English capitalist. Although use-values serve social needs and therefore exist within the social framework, they do not express the social relations of production.[37]

At the beginning of Capital Marx notes that 'the wealth of those societies in which the capitalist mode of production prevails, presents itself as an immense accumulation of commodities'.[38] The commodity is a use-value and value, and it is in the latter (social) form that Marx promises to find 'an abstraction of the social relations of production'.

Now we are in a position to bring the discussions again to labour. Commodities have a natural form on which is based their usefulness to man: in understanding their production from this point of view we make reference to the technical properties of labour (i.e. concrete forms of labour). Men have not always produced commodities but they have always had to appropriate particular nature-given materials to particular human wants. Marx says:

> So far therefore as labour is a creator of use-values, is useful labour, it is a necessary condition, independent of all forms of society, for the existence of the human race; it is an eternal nature-imposed necessity, without which there can be no material exchanges between man and Nature, and therefore no life'[39]

However, in commodity-exchange labour is not only useful labour, but also value-creating labour. For Marx this is a determinate social form of labour. One of his important criticisms of classical political economy is that it never looked at the specific social form of the labour embodied in commodities. Taking the existing mode of production for granted, it never asked the question 'why labour is represented by the value of its product and labour-time by the magnitude of that value'.[40] Marx, however, is trying to elucidate what it is that is specific to the production relations of commodity society and gives rise to Value.

Let us now spell out the nature of this system of production relations. Like any complex economic order it involves the distribution of labour among various branches of production in order to meet the spectrum of social needs. A certain mode of regulation of labour is required in order to maintain balance and proportion in the number and type of product. The question is how is labour distributed and how is it regulated?

Wherever a division of labour exists labour may be considered social labour. However, in a market economy labour is not directly social labour. It is directly private autonomous labour, even though the product is not destined for consumption by the producer himself, or even for consumption within a local community, but destined for exchange on the market. The labourers only enter into economic relations and thus meet social needs in so far as their products are sold on the market as commodities. Indeed their products are only commodities because they are products of private labours which are independent of one another.[41] By contrast, the products of a peasant family made for their own consumption are differentiated according to the needs to be satisfied, but, says Marx, they do not confront one another reciprocally as commodities, because their labours are immediately social in character.[42]

In a socialist economy labour is directly social labour because it is distributed and regulated through a social plan (just as the labour-process within a capitalist enterprise is planned). In a commodity economy labour is not directly social labour because production and circulation are fragmented into numerous discrete enterprises. Every producer operates, formally, independently of the others. Labour is private autonomous labour. Hence it has to become social indirectly via some mediation.

Where there is no social organisation of production, no allocation of labour through deliberate planning, the producers' only social contact with each other is through the act of exchange:

> Since the producers do not come into social contact with each other until they exchange their products, the specific social character of each producer's labour does not show itself except in the act of exchange. In other words, the labour of the individual asserts itself as a part of the labour of society, only by means of the relation which the act of exchange establishes directly between the products, and indirectly, through them, between the producers....[43]

The products are related as values; and hence, through the production of these values, private labours are socially mediated - but as abstract labours (since the substance of value must be homogenous and quantifiable by the law of value). Value, says Marx, is 'nothing but a mutual relation between various kinds of labour of individuals regarded as equal and universal labour, i.e. nothing but a material expression of a specific social form of labour....[44] In the light of this, Rubin expresses the distinction between the two 'definitions of labour' ('concrete' and 'abstract') thus:

> Concrete labour is the definition of labour in terms of its material-technical properties. Abstract labour includes the definition of social forms of organisation of human labour. This is not a generic and specific definition of labour, but the analysis of labour from two standpoints: the material-technical and the social. The concept of abstract labour expresses the characteristics of the social organisation of labour in a commodity capitalist society.[45]

It is important to understand here that we are not dealing with a theoretical act of abstracting (such as a socialist planner might engage in to provide himself with a standard unit of measurement of labour expenditures); still less a normative judgment about a 'fair bargain'. The transformation of concrete into abstract human labour is a certain kind of social event.[46] Marx says:

> When we bring the products of our labour into relation with each other as values, it is not because we see in these articles the material receptacles of homogenous human labour. Quite the contrary: whenever, by an exchange, we equate as values our different products, by that very act, we also equate, as human labour, the different kinds of labour expended upon them. We are not aware of this, nevertheless we do it.[47]

Abstract labour is 'an emerging result',[48] as Marx puts it, of the development of exchange relations among the private producers. But - it is not established by thought (hence having merely ideal status): it is abstracted in and by real social relations. In the spontaneous growth of the division of labour centred in independent commodity producers owning the product as private property, the activity of exchange is regularised by the law of value which socially equalizes labours through their reduction to uniform, homogenous, simple labour, which is qualitatively the same, and, therefore, differs only in quantity. Marx remarks:

> This reduction appears to be an abstraction, but it is an abstraction which is made every day in the social process of production. The conversion of all commodities into labour-time is no greater an abstraction, and is no less real, than the resolution of all organic bodies into air.[49]

What is specific about the exchange relation is that it is precisely in their relation as abstract human labours that the labours crystallised in value become socially recognised:

> In each social form of labour, the labours of different individuals are related to one another as human labours too, but in this case this relating itself counts as the specifically social form of the labours.[50]

I.I. Rubin points out that the specific character of the labour that Marx sees as manifesting itself in Value, i.e. abstract labour, is (a) that it is social only as equal, and (b) that it is equalized only through the equality as Values of its products.[51] In socialist society, labour is directly social, and then is treated as equal (insofar as a standard man-hour unit is employed) in order to organise the productive system in a rational, efficient, manner. In commodity economies labour is directly private and only becomes social through the mechanisms which equalize it. (However, the regulation of labour is hidden by the commodity form in which it is the products of private labours that are equalized in terms of value.) We find that, in exchange, individual labour 'becomes social labour by assuming the form of its direct opposite, of abstract universal labour'.[52]

'Abstract labour' is a concept having reference to relationships between private producers peculiar to commodity exchange, then. In the next section we shall see how Marx is able to posit value, and its substance 'abstract labour', as real relations, dialectically developed from useful things and concrete labours

V

In the section on the Form of Value Marx takes up the point that in treating e.g. linen as a value, as the product of abstract labour, 'one has to abstract from all that which makes it really a thing'. The objective existence of abstract human labour might then be thought 'necessarily an abstract objectivity - a thing of thought'. After all, as he admits:

> Simple human labour (expenditure of labour-power) is capable of receiving each and every determination, it is true, but it is undetermined just in and for itself. It can only realise and objectify itself as soon as human labour-power is expended in a determinate form, as determined and specified labour; because it is only determined and specified labour which can be confronted by some natural entity - an external material in which labour objectifies itself.[53]

Conversely, it is clear that the natural form of a commodity, e.g. 20 yards of linen, embodies objectified useful labour only, e.g. weaving, but not, as such, abstract labour. However a commodity can present its value in terms of another commodity (i.e. as a certain exchange-value), and, when it does so reflect its value in another commodity, the other commodity plays 'a new role' - a role it acquires only when posited as a value-equivalent.

Marx illustrates the role of the value-equivalent by pointing out that when we weigh a sugar-loaf with iron weights 'the substance iron, as a measure of weight, represents in relation to the sugar-loaf weight alone'. Just so 'in our expression of value, the material object, coat, in relation to the linen represents value alone'.[54] Just as heavy objects can be said to have the same weight, and function as weights independently of their other properties, so commodities share the same value and function in expressions of value merely as values without reference to their various other properties.

However, Marx also points to a disanalogy here. Weight is a natural property of iron but the value-equivalent represents a 'non-natural' property of both commodities, something 'purely social'.[55]

Even when not used in a balance, iron has weight and is involved in various natural relations with other bodies (e.g. the earth) as a consequence. The balance merely provides a measure of weight based on the standard gram or whatever.

However a product in its 'natural form' does not have value. Only in exchange is this form of existence imposed on it in virtue of its mediating function in the distribution and regulation of labour which is immediately private and is socially equalized as abstract. That a commodity is a value is a social fact, one might say. Abstract labour provides not merely a measure (socially necessary labour-time) but also the substance of value. In the weight case it is individually embodied mass that we are concerned with. In our case, commodities are bearers of social relations: the value of each one has nothing to do with its individual production but is measured by the socially necessary labour time for the production of that kind of commodity.

VI

Let us now draw the threads together and present our theses on the dialectical status of abstract labour.

In section III we postulated that social labour could be considered a dynamic, self-differentiated, concretely universal productive force, appearing as an array of specific labours matching specific social needs. However, in section IV we pointed out that the relations of production in commodity society are such that labour is not immediately social even though it is determined socially. The objective unity of the branches of labour cannot establish itself as a concrete whole regulated by a central plan: rather, the private labours become social only as abstract, through the exchange of commodities regulated by the law of value. This universal form of existence of labour does not express the concrete complementariness of the branches of production. It negates the differences maintained in the division of labour; without negating the negation through expressing their essential unity while recognising their necessary variety. As abstract, the labours do not form a structured and differentiated whole, but attain a merely abstract unity.[56] In the form of value abstract labour stands separated from, and opposed to, the richness of the concrete. It transcends, but does not preserve, the concrete labours' specificity. 'The various working individuals', says Marx, 'seem to be mere organs of this labour'.[57]

What we have to deal with here is an abstract universal. It is abstract because, in value, all labours are credited with the same abstract essence and differ only as quantities of simple average labour. This is not a secondary feature of a mode of accounting - as in socialism - but a fundamental mode of being of labour as it appears crystallised in value. This abstractly universal labour can only be dynamically expressive as more of the same, insofar as various labour inputs, when valorised, accumulate as capital - an homogenous whole.

As bearers of an abstract essence the individual labours achieve a unity in sameness, so to speak, not a unity in difference. The individual's labour is thus of significance only as an instantiation of its abstract essence, not as a specific contribution to an internally differentiated unity.

It is most important to grasp this last point and its bearing on our investigation. We have been stressing the distinction between the concrete richness of the forms of labour and the negation of these qualitative differences in the value relation through which the labours are unified only as abstractions of themselves, as quantities of an identical homogenous stuff. The further point which we must now bring out is the peculiar relation between the particular and the universal involved here. Here is an exceedingly interesting passage from the first edition of Capital:[58]

> Within the value relation and the expression of value contained in it the abstract universal is not a property of the concrete, the sensuous-actual; on the contrary, the sensuous-actual is a mere hypostasis or determinate form of realization of the abstract universal. Tailor's work, which is to be found for example in the equivalent coat, does not have, within the expression of value of cloth, the universal property of also being human labour. It is the other way round. Its essence is being human labour, and being tailors' work is a hypostasis or determinate form of realization of that essence. This quid pro quo is inevitable, because the labour represented in the product of labour is only value creating in so far as it is undifferentiated human labour; so that the labour objectified in the value of one product is in no way distinguished from the labour objectified in another product.

And Marx concludes:

> This inversion, whereby the sensuous-concrete only figures as a hypostasis of the abstract-universal, rather than the abstract-universal as a property of the concrete, characterizes the expression of value. At the same time it is this inversion which makes it difficult to understand the expression of value. If I say: Roman law and German law are

> both systems of law, then that is obvious. But if I say: Law, this abstraction, is realized in Roman law and in German law, these concrete systems of law, then the relationship is mystical.

As the reference to the concept of law shows, Marx is under no illusion about the strange, not to say 'mystical', relation that he is postulating obtains between the abstract-universal and the concrete, within the value relation. Yet, what he would clearly denounce in a theory of law he accepts in his theory of value. Clearly this is because, if he is right, the fetishisation of the abstract concept of law is a product of the thinker's mysticism, while the 'mystical character of commodities' arises from the commodity form itself,[59] not from the infection of Marx's mind with Hegel's Logic. A real social event occurs when the process of commodity exchange imposes abstractedness on the labours of the producers.

Let us look at an analogy Marx advances to illuminate the odd role of the universal equivalent and the labour it contains. (It is a very interesting passage because of its relation to the Moore criticism of Marx's conceptualisation that we looked at above.)

> It is as if alongside and external to lions, tigers, rabbits, and all other actual animals, which form when grouped together the various kinds, species, sub-species, families, etc. of the animal kingdom, there existed also in addition the animal, the individual incarnation of the entire animal kingdom.[60]

As we have noted, this analogy is meant to illuminate the role of the universal equivalent, and the labour it contains: 'The specific labour materialized in it now thereby counts as universal form of realization of human labour, as universal labour'.[61] Notice here that Marx's discussion of the 'animal' analogy bears a close similarity to the 'fruit' example we earlier saw used to ridicule Hegelianism. He by no means now accepts a position he there rejected, because the 'animal' analogy is qualified by the words - 'It is as if...' In other words, his thesis that value represents a social substance manifested in the different exchange-ratios cannot depend on a general argument covering such cases as fruits and animals. Furthermore the 'animal' analogy is meant to show up the strangeness of the situation under discussion in the case of the universal value-body. It is as if 'the animal' existed as well as dogs and cats. It is as if 'fruit' existed over and above apples and pears. Or, we might say, it is as if human beings could relate to each other, and achieve social intercourse, only through equating themselves to each other as embodying an abstract human essence, instead of directly through mutual needs and interests. But, whereas in the 'fruit' example Marx was caricaturing a metaphysical theory, in 'the animal' case he is illustrating the absurdity of a real social relation.

As values commodities are equatable with one another. So much so that a universal equivalent may be substituted for them all - the money-commodity. In the reproduction of animals a bull cannot stand in for a goat just because some metaphysician declares that it contains the essence of 'the animal'. But, in the reproduction and accumulation of Values it is immaterial what natural form the value-body has. One may put one's wealth into gold, silver, cattle, or even works of art. Furthermore - in order to generate new wealth - one need not enter the sordid sphere of nature at all. In the phenomenon of interest 'it is as if' 'the animal' multiplied by ideal, immaculate, intercourse with itself. (Marx draws our attention to the fact that Aristotle understandably considered making 'money of money' the trade 'most contrary to Nature'.)[62]

In sum, as values, the essence of commodities 'stands outside themselves' and acts as a mediator in their circulation.

What all these passages show is that Marx is well aware that his procedure in postulating, as an explanatory concept, an abstract universal, bears some comparison with the idealist procedure of exhibiting the 'sensuous-concrete' as the realisation of the universal. However, the difference is that he exhibits this relation as the consequence of certain material relations of production - not of the dialectic of 'the concept'. Marx is not to blame for inverting the relation between the concrete and the abstract universal in this case - commodity production is!

It is also apparent that Marx takes up a critical stance to this reality. If Hegel's pan-logical mysticism requires putting back on its feet before what is rational in his thought emerges, it is also the case that the form of value belongs to an irrational state of society 'in which the process of production has the mastery over man, instead of being controlled by him'.[63] Unlike Hegel, Marx does not pass off the abstract universal as a concrete whole. His theory is immanently critical of the estrangement of the abstract from the concrete in commodity production. He seeks the supercession of the contradiction not in a speculative reconciliation but in an historical change, through which property is socialised in order to match the increasing socialisation of the productive forces.

VII

Finally, I would suggest that the critical thrust of Marx's conceptualisation of the problematics of abstract labour, may be illustrated by an historicisation of Hegel's dialectic of the concept.

In Hegel's philosophy the Notion, or Concept, as the principle which determines both thought and being, is self-related and self-differentiating. It has three phases. The first, or immediate, aspect of the Concept is its abstract universality. Its mediation in a variety of finite phenomena gives us the second aspect, particularity. These differentiated particulars may at first, in their immediacy, seem foreign to the one meaning of the Concept. However the fully developed Concept 'comes to itself' finally as, with concrete universality, it recognises these particulars as within itself, and as even in their immediacy still its own meaning. The various forms of existence of the Concept are thus within the concrete universal formed by the whole life of the true Concept.

I suggest that commodity production may be seen in terms of the first two moments of such a development. It has created a wealth of concrete particulars. No one form of labour, such as agriculture, predominates over the rest - wealth is created by a wide variety of labours. But in value social labour is recognised only as abstract. This abstract universality is estranged from the wealth of development of concrete labours because the nexus of commodity exchange, as the social link between private labours, totalises them only as abstract.

Social labour can come to itself as a synthesis of these moments, as concretely universal, in so far as socialism overcomes the estrangement between them. Socialism is the genuine unity of the many in the one.

NOTES

I acknowledge useful criticisms of earlier drafts of this paper by Rachel Kahn-Hut (San Francisco) especially; John Mepham (Sussex); and Terrell Carver (Liverpool).

[1]Althusser thinks recourse to this flirtation is significant, none the less. He claims that 'old concepts desperately play the part of something absent which is nameless'! Marx did not have 'an adequate concept with which to think what he produced'. L. Althusser & E. Balibar, Reading Capital (NLB, London 1970) p.29.

[2]Lenin in the 'Philosophical Notebooks', Volume 38 of the Collected Works (Moscow 1961) p.180.

[3]E.g. Joan Robinson, cited in S. Moore 'The Metaphysical Argument in Marx's Labour Theory of Value', Etudes de Marxologie (Cahiers de L'Institut de Science Economique Appliquée) No.7 (1963) p.73.

[4]Jan. 14, 1858, Marx-Engels Selected Correspondence (Moscow 1965) p.100. McLellan claims that 'some of the most Hegelian parts of the Grundrisse... were written before' this. (D. McLellan Marx's Grundrisse (London 1971) p13).

[5]C, Afterword, p.20. Here and hereafter 'C' stands for: K. Marx Capital Vol. One (Moscow 1961).

[6]It is worth remarking that there are two versions of the first chapter. For the second edition Marx rewrote it in more didactic fashion. (Marx reports on the changes in the Afterword C p.12.) In the process of reworking he drops two direct references to Hegel's Logic and is less coquettish with Hegelian terminology. (If, then, because it was the fashion, just as Marx was working at the first volume, to treat Hegel as a 'dead dog', he openly avowed himself 'the pupil of that mighty thinker', (pp19-20); the need to pay such homage must have been less pressing when he revised the first chapter for the second edition.) Nonetheless the substance of the matter is unaffected. Marx admits (C p.8) that 'the section on value-form' is a difficult one, and, in fact, this section is completely reworked for the second edition. The earlier, rather more Hegelian, version of it brings out better the aspects that I wish to emphasise, and I shall sometimes cite that below. As a matter of fact the first edition does not divide the chapter into sections at all. However, the English translation that I am using breaks down into page equivalents to the sections of the later editions as follows: I p.6-10; IIp.10-15; III p.15-32; IV p.32-38; - Capital First Edition: Chapter One, The Commodity, Bulletin Marxist Classics I, Labor Publications (New York 1972); translator Axel Davidson.

[7]S. Moore 'Marx and the Origin of Dialectical Materialism', Inquiry, vol.14 1971.

[8]Moore (1971) p421

[9]Moore (1971) p.423.

[10]Easton & Guddat eds. Writings of the Young Marx on Philosophy and Society (New York 1967) pp.369-73. I am not concerned here with the accuracy of Marx's polemic against Hegel. For the record - J.N. Findlay defends Hegel on this point: 'There is no trace in his practice, despite the use of some generative metaphors, of any attempt (by Hegel) to beget what is Specific or Individual out of the mere Universality of the Notion'. Hegel: A Re-Examination (1958) p.226.

[11]Moore (1971) p.423

[12]C pp.19-20.

[13]Moore (1971) p.424. Chapter One of Capital consists of four sections: (1) The Two factors of a Commodity: Use-Value and Value - (2) The Two-fold character of the Labour embodied in Commodities - (3) The Form of Value or Exchange-Value - (4) The Fetishism of Commodities and the Secret thereof. In Moore schematisation theses one and two are meant to correspond to the first two sections. The last two steps are meant to correspond to section four of Marx's chapter. According to Moore the third section is transitional and obscure (S.M. p.428, nn.11 & 12). As we shall see, it is in fact a crucial section which - rightly construed - clarifies the nature of value.

[14]C p.39 [15]C p.38 [16]C p.38 [17]C p.46 [18]C p.38

[19]The distinction between value and exchange-value is introduced subsequently to Marx's 1859 Critique. For its importance see Capital ch.1 sec.1 & sec.3; Marx's "Notes on Wagner" (Karl Marx: Texts on Method ed. T. Carver (Blackwell, Oxford 1975) p.183); I.I. Rubin Essays on Marx's Theory of Value trans. M. Samardzija & Fredy Perlman (Black and Red, Detroit 1972) ch.12; S. Moore (1963) sec.2 & 5.

[20]C p.41 Cf. also Marx to Engels Aug. 24th 1867, Selected Correspondence p.192.

[21]CCPE p.20. Here and hereafter "CCPE" stands for: K. Marx A Contribution to the Critique of Political Economy (London 1971).

[22]Hegel's Science of Logic trans. A.V. Miller (1969) p.649.

[23]C p.43.

[24]In his edition of the Introduction Carver has the following note (Texts on Method p.77 note 39): 'indifference' (Gleichgültigkeit). The term has a philosophical sense, which might apply here, as 'want of difference in nature or character; substantial equality or equivalence' (O.E.D. s.v. Indifference 5). It also figures in Hegel's Logic: 'Being is the abstract equivalence [Gleichgültigkeit] for which...the expression indifference [indifferenz] has been employed' (Hegel (1812) 375). Thus this passage might be read as 'The abstract equivalence of determinate forms of labour presupposes...'
The suggestion is, therefore, that 'indifference' has very little to do with an attitude originating in the labourer's own insensitivity (to real distinctions), or apathy (to anything that might happen to him). The emphasis in this case is not on psychological insensitivity but on the practical equivalence of labours which makes the simple abstraction 'labour' the valid and relevant concept without further specification.

[25]Grundrisse, trans. Nicolaus (Penguin 1973) pp.104-5. Cf. Marx to Engels April 2, 1858.

[26]Marx CCPE p.32. Cf. Marx's 'Notes on Wagner', in Texts on Method, p.207.

[27]Sweezy's standard commentary, otherwise excellent, is deficient here. He claims that Marx's concept of 'abstract labour' is 'quite straightforward' and by no means 'slightly mysterious'. He identifies abstract labour with 'what is common to all productive activity', but then goes further when he says:

> 'The reduction of all labour to abstract labour enables us to see clearly, behind the special forms which labour may assume at any given time, an aggregate social labour force which is capable of transference from one use to another... The very nature of capitalist production...promotes a degree of labour mobility never before approached...' (Paul M. Sweezy The Theory of Capitalist Development (London 1946) pp30-2).

However, we follow Rubin (see section IV) in insisting that if it is to be the substance of value, abstract labour must be specified in terms of the social form of labour at the level of commodity relations. Considerations about 'commonness', even of 'an aggregate labour force', pertain merely to the presuppositions of this form. Lucio Colletti complains that in Sweezy's account abstract labour remains essentially 'a mental generalization'. (From Rousseau to Lenin [NLB, London 1972) p.80). However, we have shown that the mobility of labour in capitalist society could well be considered to give it a universality that is more than merely 'mental'. The decisive point is that abstract labour must be connected with the character of commodity-exchange relations (as Colletti himself shows very well), and, as we shall see below, contrary to Sweezy, there is something 'slightly mysterious' about it.

[28]K. Marx The Poverty of Philosophy (Moscow, n.d.) II, 1, second observation- p.122.

[29]'Political Economy is not technology' Grundrisse (trans. Nicolaus) p.86.

[30]Grundrisse Introduction, section 2, discusses the relations involved.

[31]The economist who harps on the 'service' rendered by a commodity 'abstracts

from the specific form of economic conditions' (CCPE p.37 n.2) (Cf. Rubin p.3 & passim)

[32]Texts on Method p.184.

[33]Texts on Method p.198. For value and exchange-value see note 19.

[34]Texts on Method p.198 (& CCPE 28n) [35]C p.36 [36]CCPE p.28

[37]CCPE pp27-8 [38]C p.35 [39]C pp.42-3. [40]C p.80 [41]C p.42 [42]C p.78

[43]C p.73 [44]CCPE p.35 [45]Rubin p.141 [46]Rubin p.144 [47]C p.74

[48]CCPE p.45.

[49]CCPE p.30. 'Can there be abstraction other than by thought? No modern thinker except Marx has answered this question in the affirmative.' A. Sohn-Rethel (Radical Philosophy 6, 1973). See also L. Colletti From Rousseau to Lenin pp.76-92)

[50]Capital First Edition p.30 [51]Rubin p.139

[52]CCPE p.34 [53]Capital First Edition p.18

[54]C pp.56-7. [55]Ibid.

[56]Just as the bourgeois political order makes an abstract whole of its citizens! In a brilliant essay Lucio Colletti has shown the thematic unity between Marx's early critique of the state (1843) and his critique of political economy. See his Introduction to Marx Early Writings (Penguin 1975). Colletti does not, however, consider 'what is rational in Hegel' (Marx), and he certainly does not 'coquette' with Hegelianism by recuperating (if with qualifications) the 'concrete universal' as I try to do here

[57]CCPE p.30

[58]'Die Wertform' in Marx-Engels Kleine Okonomische Schriften (Berlin 1955) p.271. This was originally an appendix to Volume One of Capital designed to provide further clarification of Chapter One, section 3. This 'double exposition' is suppressed, Marx says, in the second edition because the whole of section 3 is reworked. I take these passages from the Colletti (1975) essay mentioned above.

[59]C p.71

[60]Capital First Edition p.26 (this passage appears only in the first edition).

[61]Ibid.

[62]C pp.164-5. In the chapter on money Marx takes the opportunity to put Hegel down by remarking that for iron to play the role of gold would require a 'transubstantiation' more difficult than to the Hegelian 'concept' C p.103.

[63]C p.81.

INTERNATIONALIZATION OF CAPITAL IN THE MOTOR INDUSTRY

Rhys Jenkins

INTRODUCTION

Before entering on a discussion of the particular case of the motor industry, I feel that it is necessary to clarify some concepts related to the question of the internationalization of capital. What follows cannot claim to be a developed theory of internationalization which still remains to be worked out, but rather some notes which I hope will stimulate further discussion.

In my earlier paper to this group I distinguished between three aspects of the internationalization of capital, namely the internationalization of the circuit of commodity capital, of money capital and of productive capital. On rereading Marx and Palloix,[1] I am not entirely happy with this formulation. As Marx points out, the three circuits of capital are only three ways of looking at the same circuit of industrial capital.[2] Thus it is confusing to speak of the internationalization of the various circuits of capital when referring to three distinct (although inter-related) phenomena. It is not a matter of looking at the same phenomenon from three different points of view (as Marx does in Capital, Vol.II) but rather of analysing three separate types of internationalization which my, and indeed historically have, been separated temporally.

Nevertheless, a failure to distinguish between the different forms of internationalization of capital can lead to confusion.[3] It now seems to me that the correct distinction to make in this context is between the internationalization of the circulation of commodities, the internationalization of capital as a social relationship and the internationalization of the productive process. Each of these can be illustrated with reference to the total circuit of social capital.

$$M - C^{LP}_{MP} \ldots P \ldots \; C' - M' - C^{LP}_{MP} \; \ldots \; P \; .. \; C' - M'$$

The internationalization of the circulation of commodities is represented by the internationalization of the exchange relation C-M, whereby commodities are not sold within the same nation state in which they were produced. The internationalization of capital as a social relation is the extension of the relationship $M-C^{LP}_{MP}$ across national boundaries,[4] i.e. the internationalization of the basic capitalist relations of production between capitalist and worker. Finally, the internationalization of the productive process is the extension of P internationally. This implies the international circulation of <u>products</u> within the multinational firm so that the market is superceded internationally by intra-firm trade.

The first form of internationalization of capital is that of the circulation of commodities and indeed international circulation existed historically during the earliest period of capitalism. It is theoretically prior to the internationalization of capital as a social relation since it does not presuppose the existence of capitalist relations of production in other parts of the world. The second phase of internationalization comes with the export of capital which historically coincides with the epoch of capitalist imperialism. Finally the highest level of development of the capitalist mode of production is reached with the internationalization of the productive process which in turn presupposes the internationalization of capital as a social relation. This is characterized by the activities of the world's largest and most progressive multinational corporations e.g. IBM, Ford, and involves the superceding of the world market by transactions within firms.

THE DEVELOPMENT OF THE MOTOR INDUSTRY BEFORE WORLD WAR II

Two features stand out in considering the development of the motor industry in the period before World War II, namely the concentration and centralization of capital within the major producing countries, and the forms of international expansion by the industry. In the period before and immediately after World War I the industry was characterized by the existence of a large number of firms since technology was fairly simple, scales of production low and capital requirements small. This situation was changed rapidly from the early 1920s onwards with a spectacular reduction in the number of firms in each country. In the United States it fell from 108 in 1923 to 35 in 1931 and only 12 in 1941.[5] By 1930 General Motors, Ford and Chrysler had already achieved a dominant position accounting for 90% of sales in that year. Similarly in Britain the number fell from 88 in 1922 to 22 by 1938,[6] with six firms producing 90% of the total.

In France there was a reduction from 150 firms in 1921 and in Germany from more than 200 in 1925. By 1928, three firms accounted for 68% of French sales and in 1937 the same number produced 74% of all cars in Germany.[7]

Undoubtedly, the main factor behind the concentration and centralization of the inter-war period was the new technology of mass production. The comments of Maxcy and Silberston in their classic study of the British motor industry sum up this process neatly and apply with equal force to the other major producing countries. 'The factor that sealed the fate of the smaller concerns was the growth of mass production techniques on the part of companies such as Morris and Austin which had succeeded in producing models that were successful with the public',[8] and further 'The concentration of some 75% of car production in the hands of these manufacturers and the elimination of many small producers during the 1920s, had been brought about by the competitive pressure exerted by a few rapidly expanding companies benefiting from the economies of scale that accompanied the introduction of elementary mass-production techniques.'[9] A secondary factor leading to intensified competition in the European motor industry was the entry of subsidiaries of Ford and General Motors into the British and German industries during the 1920s.[10]

In the USA a change in the nature of the car market to become primarily a replacement market from the mid-1920s onwards led to a slow down in the rate of growth of the industry and intensified competition for market shares.[11]

Thus concentration and centralization during the inter-war years can be explained in terms of the classic mechanism of competition with increasing returns. Economies of scale and technical progress combine to give the largest and fastest growing firms a cost advantage, which enables them to expand further and faster than their competitors. The introduction of mas-production considerably increases the scale at which costs were minimized and this, reinforced by the other factors tending to increase competition, created the movement observed.

The development of the industry in the major producing countries was reflected internationally in several ways. The earlier introduction of mass production techniques in the United States meant that the American firms enjoyed a considerable competitive advantage over the European producers in the years immediately after World War I. This led to European countries adopting tariffs and other measures to protect their infant motor industries against American competition. This created an international structure with the United States, Britain, France, Germany and Italy dominating as exporters, while at the same time enjoying virtually isolated domestic markets. International trade in vehicles was therefore almost exclusively directed towards the less industrialized countries.[12]

The same factors which led to concentration and centralization within national boundaries also caused firms to look for new markets. The preferred form of expansion from this point of view was through exports although some assembly plants were set up during this period. In 1929 the US companies exported 536,000 vehicles, to which can be added a further 200,000 or more assembled abroad. In the same year the foreign sales of the four main European producing countries came to only 122,000, all through exports.[13] This brings out both the dominance of exports vis-a-vis foreign assembly operations and of the United States vis-a-vis Europe. The introduction of mass production in Europe improved the continent's competitive position and increased its share of world exports from 15% in 1929 to 40% by 1938. This did not represent a significant intensification of competition at the international level, however. Britain for example only exported 15% of its car output in 1938 (more than France, Germany or USA) and 75% of this was to areas where the United Kingdom enjoyed tariff preferences.[14]

Thus the period before World War II saw the development of the international circulation of commodities in the motor industry and a limited internationalization of capital as a social relation represented by the investments of Ford and General Motors in Britain and Germany.

INTERNATIONALIZATION OF CAPITAL IN POST-WAR PERIOD

This section attempts to answer the questions of how far capital has become internationalized in the motor industry, and what forms has this internationalization taken. An attempt will be made to distinguish between car and commercial vehicles in so far as this is relevant.

The international circulation of commodities has expanded rapidly in the motor industry, particularly in the case of passenger cars. The car exports of the eight leading countries grew more than nine-fold between 1950 and 1972. The growth of CV exports was less spectacular and only showed a sustained increase from 1965 onwards.

Table 1

Vehicle Exports by Leading Countries, 1950-72 (000)

	1950	1955	1960	1965	1970	1972
Cars	720	1162	2264	3150	5361	6633
CVs	340	426	562	499	922	n.a.

Sources: SMMT; NEDO Data Book, Motor Industry Statistics

As a result vehicle exports increased as a share of world production of vehicles from 10.1% in 1950 to 17.9% in 1960, reaching 26.2% by 1970

One qualitatively new feature of the international circulation of commodities in the industry has been the increasing interpenetration of markets among the leading producing countries, breaking with the pre-war pattern of exports, to less industrialized countries from a heavily protected home base, which persisted into the 1950s.

Table 2

Imported Passenger Cars as % of Total New Car Registrations

	1958	1973
W. Germany	10.4%	25.8%
France	1.4%	20.9%
Italy	4.2%	28.0%
Britain	2.5%	27.4%
USA	9.3%	17.9%

Sources: E.Mahler, L'industrie Automobile et ses perspectives d'avenir dans le nouvel equilibre european et mondial; Economist Intelligence Unit, Motor Business (various issues).

As can be seen from Table 2, imports have increased their share markedly so that in 1973, between 18% and 28% of the cars sold in the major producing countries (apart from Japan) were foreign made. The less spectacular increase in American imports may be explained by the fact that the United States has always been a relatively low tariff market for cars, and the sharp increase in imports in the years immediately preceding 1958 from only 1.6% of the market in 1956. The figure for West Germany also gives a misleading impression of the growth in market penetration by imports, since the 1958 figure was almost double the 1957 level of 5.3%

The internationalization of capital as a social relation is reflected in the growth of overseas production and employment by the major firms in the industry.

Table 3 — Degree of Internationalization of Selected Motor Companies 1963 & 1973

	1963		1973	
	Production	Employment	Production	Employment
GM	17%	22%*	18%	24%
Ford	28%	43%*	30%	47%
Chrysler	17%	26%	35%	44%
VW	6%	14%	25%	25%
Daimler-Benz	9%	13%	12%	14%
Renault	20%	n.a.	31%	n.a.
BLMC	16%**	n.a.	21%	16%

*1964 **1960-61 data for BMC

Table 3 indicates the extent to which the major motor manufacturers have become international. All have a significant proportion of their production and employment overseas, and both Ford and Chrysler have almost half of their labour force and about a third of production outside North America. Nevertheless no company is as yet so internationalized that domestic employment or output is less important than overseas. Comparing 1973 with 1963 shows that the extent of internationalization of the major companies increased over the decade. This is more marked for the European companies and Chrysler than for Ford or General Motors, reflecting the fact that the internationalization of the former is a more recent phenomenon, whereas Ford and General Motors, as indicated previously, had achieved considerable internationalization even before World War II. The relatively low share of overseas production for Daimler-Benz probably reflects the fact that internationalization of capital has not advanced so far in the commercial vehicle sector of the industry as in cars.

A further indicator of the internationalization of capital as a social relation is the growth in the number of overseas assembly and manufacturing operations by the major companies. It has been estimated that the total number of assembly contracts in operation in the industry increased from 170 in 1960 to 430 at the end of 1968.[15]

The third aspect of internationalization of capital to be considered is the internationalization of the productive process itself which leads to various parts of the productive process being allocated to different countries and to firms operating as integrated units transcending national boundaries.

The Ford company has been working towards the increased integration of its European operations since the early 1960s when they bought out the minority shareholders in Ford UK with the avowed intention of obtaining greater flexibility of operations. The setting up of Ford of Europe around 1967 represented a further decisive step. The immediate advantage that the company gained from this move was the addition of the Escort to the Ford Werke model range, which improved Ford's weakening position in the German market. At first the Escort was assembled at Genk in Belgium from British components, and it was later manufactured in Cologne. The introduction of the Capri showed the advantages of greater integration of the company's European operations. The development of the same car for both the British and German market meant that it was possible to cut engineering and design time by half. Further economies could be obtained through the pooling of research between the two subsidiaries. Ford also gained additional flexibility in marketing through having two different sources of supply for the same model, especially in the face of strikes, at least until the motor industry unions are able to organize themselves multinationally to meet this threat.

The other American companies have not gone as far as Ford in the integration of their European operations. It was not until late 1970 that General Motors followed Ford in setting up a European headquarters. It recently opened an automatic transmission plant in Strasbourg and it is to be expected that in future there will be greater use of common design and components between Opel in Germany and Vauxhall in Britain. Chrysler, after gaining control of Simca and Rootes in the mid-1960s, was able to increase their exports significantly by integrating their marketing outlets. Integration in production has not been developed so fully however, partly because of the financial difficulties faced by the parent company in the United States which have resulted in the curtailment of expansion plans. These also led Chrysler to decide to import the Hillman Avenger (together with the Mitsubishi Colt) and sell it on the United States market as the Plymouth Cricket rather than develop a sub-compact in the US, the tooling costs of which were estimated at around $200 million.

The decision of Ford and General Motors to produce sub-compacts in the United States represents a backward step in the international integration of their operations. This is especially true of Ford which had originally planned to manufacture the 1600cc engine in Britain and the 2000cc engine in Germany, as well as importing various other components from Europe. Partly as a result of the uncertainty of supply because of strikes and partly because sales reached the minimum output level of 400,000 to 500,000 units required to justify such an investment, Ford decided to build an engine plant in the United States. It is also certain that there are political pressures against selling 'international' cars on the US market, which may have encouraged Ford to transfer operations from Europe.

It appears therefore that the post-war period has seen a substantial internationalization of capital in all three respects, although to different degrees for different companies and in the two branches of the industry, cars and CVs. A further question to which we now turn is that of the extent to which the concept of 'European capital' is valid in the analysis of the motor industry.

THE CONCEPT OF 'EUROPEAN CAPITAL' IN THE MOTOR INDUSTRY

The process of concentration and centralization in the European motor industry has, as I showed in my earlier paper, occured within national boundaries. International centralization of capital has not played an important role in this particular sector, with a few notable exceptions. These are the take-overs of Simca and Rootes by Chrysler, the abortive merger between Fiat and Citroen and the more recent take-over of DAF by Volvo. The Chrysler take-overs are obviously of no relevance in the discussion of European capital, while the Fiat-Citroen merger is significant for its failure and the subsequent take-over of Citroen by Peugeot, preserving the more general pattern of centralization on a national basis cf. BMC/Leyland, VW/NSU, Fiat/Lancia. The DAF-Volvo merger and the recent agreement between Magirus Deutz and Fiat may however represent the first steps towards international centralisation.

Further indications of the breaking down of the strictly national basis of the motor industry is obtained from a detailed analysis of linkages between the major international companies. These linkages take various forms including joint production facilities, assembly or marketing of each other's products and joint research activities. They are particularly marked in the case of the commercial vehicle sector of the industry whereas agreements between companies from different countries are less common in the case of cars. The latter include the sales agreement between Citroen and Autobianchi, a subsidiary of Fiat and the two joint companies, Comobil and Comotor, owned by Citroen and the Auid-NSU-Auto Union subsidiary of Volkswagen which are involved in developing the Wankel engine.

In commercial vehicles a number of agreements for the joint production of components exist. The most important is that involving Saviem (Renault's CV subsidiary), Volvo, DAF (now majority owned by Volvo) and Magirus Deutz which merged with Fiat in early 1975), to design, produce and purchase parts in common. Other agreements on a firm to firm basis link Saviem with the West German M.A.N. by which the former supplies truck bodies in exchange for the latter's engines, and with Alfa Romeo which assembles Renault CVs, in Italy.

During the 1970s, the European commercial vehicle industry appears to be passing through a phase similar to that which occured for cars in the 1960s. Firms are now finding it necessary to offer a full range of commercial vehicles as the rate of growth of the market slows down and competition intensifies.[16] The four major CV groups which are emerging in Europe now (apart from BLMC in Britain are Daimler-Benz (incorporating Hanomag and Henschel and closely linked with M.A.N.), Volvo-Daf, Saviem-Berliet (with links with Alfa Romeo) and Fiat-OM-Unic-Magirus Deutz. Two of these ventures represent a step towards international centralization of capital and the Fiat group links important companies in the three main continental producing countries.

THE CAUSES OF INTERNATIONALIZATION IN THE MOTOR INDUSTRY

It is now necessary to consider the forces underlying the internationalization of capital which has been observed in the post-war motor industry. Can it be explained by technological factors in the same way as the concentration and centralization of the inter-war years or must other factors be introduced?[17] Secondly, what has been the role of the EEC in the process of internationalization?

Here I wish to argue that both concentration and centralization of capital and internationalization in the post-war period cannot be explained solely in terms of changes in the productive process and that an adequate explanation must take account of the complete circuit of capital paying particular attention to the sphere of circulation. The argument in terms of technological factors requiring larger scales of production implies either that changes in technology are bringing larger scale requirements or that output levels are initially far below the least cost levels with existing technologies. Although it is obvious that the minimum cost scale of production is considerably greater than immediately before World War II,[18] it appears that most of the increases had taken place by the mid-1950s, so that changes since the formation of the EEC cannot be attributed to this factor. The best estimates of the level of economies of scale in the motor industry suggest an overall optimum for integrated production i.e. assembly, pressing, measuring and some costing of around 400,000 units a year.[19]

If 400,000 cars per annum is taken as the minimum efficient scale of production, it is seen that in Europe in the early 1960s six firms had achieved such a scale namely BMC, Ford (UK), Volkswagen, Opel, Renault and Fiat. If a less stringent definition of the minimum scale of only 200,000 cars a year is used one might add Vauxhall, Rootes, Ford (Germany), Citroen, Peugeot and Simca. This suggests that most of the leading European firms were large enough to produce one basic model at reasonably efficient scales of production during the early 1960s. A firm such as Renault which in 1961 produced almost 400,000 units of one model, the Dauphine, would gain little in terms of production economies by a larger volume of output.

An alternative view is that intensified competition within the international motor industry made it impossible for European firms to continue relying on one or very few models. The formation of the EEC and the slowing down of the rate of growth of the European market led to an increased emphasis on the problem of realization whereas during the fifties production appeared as the major problem. This has been summarized by Wiorzynski in the following terms. 'The new configurations in Europe have led to an increased emphasis on the problem of realization whereas during the fifties production appeared as the major problem. The accent on engineering remains, but the shift towards styling, with annual changes has begun...the life of a given model is coming down sharply; "facelifts" - small changes in styling and engineering - don't prolong life expectancy much any more.'[20] The increase in the range of models offered by the leading European firms is striking evidence of this. In 1961 Renault produced only one model, the Dauphine, on a large scale. In 1962 the Renault 4 and Renault 8 were introduced. Three years later the company added two more models, the Renault 10 and the Renault 16, and in 1968 the Renault 85 and 16TS. 1969 saw the introduction of the Renault 6-850 and 1970 two further models, the Renault 12 and the Renault 6-1100. Finally in 1971 the Renault 12 Estate came on the market and since then more new models have been added. Thus in the space of a decade, the company moved from complete reliance on a single model, to a whole new range of ten cars. Renault is only the most spectacular illustration of the general tendency in the European motor industry. Even a relatively small producer such as Peugeot increased its range from two to four basic models between 1960 and 1971. As mentioned above Volkswagen's efforts to expand its range of models led to the take over of Auto Union and NSU during the 1960s. Even without including models produced by the Audi-NSU-Auto Union subsidiary the company had increased its model range from two in 1960 to eight by 1971. The heads of the leading companies are quite explicit regarding their policies of increasing the range of cars that they offer.[21]

The need to offer a full model range with frequent model changes in the new competitive situation, puts pressure on smaller companies and tended to promote the centralization of capital within national markets which was observed earlier. Small European firms found themselves in difficulties because of their inability to achieve long production runs for economies of scale, and to finance the development and tooling costs which introducing new models involved. It is hardly surprising that many of the take-overs and mergers of the 1960s, such as those involving Chrysler and Roots, BMC and Jaguar, and Fiat and Citroen, occured at times when the weaker firm needed to introduce a new model.

On this interpretation the formation of the EEC was a major factor in promoting the internationalization of capital in the industry both through its direct and indirect effects. On balance it seems more useful to see the EEC in this light rather than as a political adjustment to meet the necessary conditions for the underlying technological developments.

Two major effects of the EEC need to be considered here. First European firms had to face increased competition from the US subsidiaries which renewed their interest in the European market. Between 1960 and 1968 Ford and General Motors invested about $1,500mn each in Europe, while Chrysler invested $284 mn between taking over Rootes and Simca in 1968.[22] The three US firms increased their share of the European market from 22.8% in 1958 to 29.77% in 1971, although this could be entirely accounted for by the Chrysler take-overs.

Increased competition from the US subsidiaries led to a number of mergers during the 1960s which could be classified as pre-emptive or defensive i.e. designed either to prevent entry by US firms or to strengthen local firms in competition against the Americans, VW bought a half share in Auto-Union in 1964, partly in order to prevent its acquisition by Chrysler while BMC took over Pressed Steel in Britain also to prevent Chrysler taking over the body supplier. The merger of BMC and Leyland in 1968 was partly intended to strengthen the remaining national firms against the competition of US subsidiaries.

The second factor was the reduction in tariff barriers on imports from outside the EEC and the complete elimination of intra-EEC tariffs. These tariff reductions led to a considerable increase in intra-EEC trade. The market share of French cars in West Germany increased from 1.9% in 1958 to 15.8% in 1972, while corresponding in France the share of German cars went up from 0.9% to 11.2% and Italian cars from 0.2% to 5.5%. In Italy the market penetration of German cars rose from 1.3% to 12.5% and that of the French from 0.7% to 13.2%. During the 1970s, imports from third countries, particularly Japan began to make inroads into the EEC market.

Table 4 Import Duties on Cars in main EEC countries, 1956-72

	W.Germany		France		Italy	
	EEC	Other	EEC	Other	EEC	Other
1956	17.0%	17.0%	30.0%	30.0%	35-45%	35-45%
1962	10.0	18.9	15.0	27.6	27.0	38.4
1965	3.4	20.0	9.0	25.2	13.5	31.2
1968	0	17.6	0	17.6	0	17.6
1972	0	11.0	0	11.0	0	11.0

Source: Hu, op.cit., Table 44

These two effects of the formation of the EEC combined with the slowing down in the growth of demand in Europe and the emergence of excess capacity led to intensified competition in the industry during the 1960s and promoted concentration and centralization within the industry. It also led to a growing need for European capital to become increasingly international in order to survive, while concentration and centralization in turn made such internationalization possible.

The internationalization of capital as a social relation occured mainly through the activities of the major U.S. companies. It is possible to distinguish between two aspects namely investment by firms from outside the EEC in order to obtain a foothold within the enlarged European market which the community represented, and investment by firms from member countries in each other's markets. The first category includes the take-over of Simca by Chrysler in 1963 as well as the new plants set up in Europe by Ford and General Motors. Further examples are the take-over of Innocenti in Italy by BLMC and the same company's Belgian assembly plant which was taken over from the local distributors who ran the operation until 1965. Recently Volvo took over the Dutch firm DAF, obtaining a foothold within the EEC. On the other hand there has been little investment by the major firms within the EEC in each other's markets, the tendency being to supply vehicles from the home country. Indeed Fiat went as far as to close down its German assembly plant in 1973.[23]

Moreover the concentration and centralization of capital within the EEC also led to an internationalization of capital through the strengthening of European capital which accentuated competition for world markets, particularly in the peripheral capitalist economies. Vehicle production in these countries grew more than three times as fast as in the advanced capitalist economies between 1955 and 1969 and nearly fifty countries set up some form of motor industry during the fifties and sixties.[24] Such a rapid expansion of international operations would hardly have occured in the absence of the intensification of inter-capitalist competition promoted by the development of the EEC.

The internationalization of the productive process particularly by Ford and General Motors in their European operations has already been described at some length. The development of component factories in France while their major manufacturing operations were in Germany would probably not have been feasible had it not been for the existence of the Common Market. The lowering of the EEC's external tariff on motor parts to only 7% also made it possible to include the UK within the integrated operations of the major companies. European companies have also begun to adopt a more integrated international approach to their operations, but this has tended to extend beyond the EEC. Thus Renault in France use engine blocks from Spain, wheels from Mexico and gear boxes from Rumania in their vehicles.

CONSEQUENCES OF EEC

It has already been seen that one of the consequences of the formation of the EEC was the strengthening of the position of the US subsidiaries in Europe, albeit mainly through Chrysler's take-overs of Simca and Rootes. It should be pointed out however, that this was not at the expense of all European firms, and a number of producers such as Fiat, and the French companies were able to increase their market shares.

Market Share of Leading Car Firms in EEC and UK

Table 5

	1958	1972
GM	9.6%	10.6%
Ford	10.8	12.3
Chrysler	5.3	7.7
VW	12.6	10.3
Daimler-Benz	2.8	2.8
Citroen	5.0	6.4
Renault	10.2	10.8
Peugeot	4.1	5.6
Fiat	9.6	17.1
BLMC	11.2	9.0

The expansion of the market which the elimination of tariff barriers within the EEC implied, led to the strengthening of the larger European firms and significant increases in concentration taking the European market as a whole.

A second question that is of interest here is the effect of Britain's exclusion from the EEC on the industry in Britain. One of the most evident consequences was the tendency of both Ford and General Motors to concentrate their investment programmes in Germany rather than Britain. Opel had always been a more important subsidiary than Vauxhall, but in the case of Ford, the UK subsidiary was the company's largest. However the much more rapid growth of Fordwerke led to it overtaking Ford (UK) in terms of production in the early 1970s. Moreover GM has tried to strengthen its position in the British market by stepping up imports of Opels from Germany. This more rapid growth of output in the countries of the EEC reflects the pattern of investment of these companies, and despite the publicity given to labour militancy as a cause of US firms switching investment away from Britain the evidence suggests that the trend was present before the spate of strikes in the industry from the late 1960s.[25]

A further consequence of Britain's exclusion from the EEC is the very low share which imports from Britain have in the major European countries. Thus imports from the UK account for less than 2% of the registrations in West Germany, France and Italy in 1972, whereas in Britain imports from those countries accounted for 5.9%, 7.5% and 2% of new registrations in the same year. This reflects the low levels of exports of cars produced by the US subsidiaries in Britain to the EEC which they prefer to supply from their plants within the Common Market. It also reflects the poor performance of BLMC compared to other major European companies such as VW, Fiat and Renault.

CAPITAL AND THE STATE

The individual sector of production does not really provide an adequate arena for the analysis of the implications of the internationalization of capital for the nation state. However, having said this, I feel it is worth presenting some empirical evidence which can contribute to the debate on this point. There is evidence to support both the view that the internationalization of capital has weakened the nation state and on the other hand that it some cases it has increased capital's need for state support.

The weakening of the nation state can be seen most clearly in the attempts by the Gaullist regime in France to restrict US foreign investment in the early 1960s. In 1964 Ford was discouraged from setting up an assembly plant in Strasbourg and the decision was taken to locate it across the border in Saarlouis. In the same year GM was also prevented from building an assembly plant in Strasbourg and instead switched their investment to Belgium where they were offered a government loan of $50m for 5 to 10 years with an interest rate subsidy of 2 to 2½%.[26] Thus, in the absence of a common EEC policy towards foreign capital, multinational corporations were able to take advantage of differences in treatment as between member countries thus negating attempts at state control.

Paradoxically, the motor industry which is often thought of as the classic example of private enterprise is also closely tied to the state. The largest vehicle producer in Britain (BLMC), France (Renault) and West Germany (VW) have a state share-holding while in Italy, the second largest firm Alfa Romeo is state owned and Fiat also has close ties with the state, e.g. through its joint-ventures with IRI.[27] The case of British Leyland is a clear example where the process of internationalization has weakened the firm so much that the government was forced to intervene. On the other hand, firms which have been more successful in internationalizing may have become less subject to government control.[28]

Apart from direct intervention through ownership of major companies, the motor industry has been a major object of government policy in recent years. This may, at first sight, give some support to those who could claim that the concentration and centralization which have accompanied the internationalization of capital has strengthened the state. The fact that the industry, in the UK for example, accounts for 8½% of manufacturing value added and 6% of employment,[29] concentrated almost entirely in four firms, makes it easy game for government intervention. (This is not to deny that the British state acts in the interest of capital, but it may be forced to act against the interest of individual capitals in the motor industry in the interests of capital as a whole e.g. stricter hire purchase controls on cars used as a deflationary measure). However, it is misleading to argue from the example of one industry, that centralization and internationalization of capital has led to a strengthening of the state, vis-a-vis capital as a whole.[30]

THE INTERNATIONALIZATION OF CAPITAL AND
THE WORKING CLASS

Finally, a key element which must be considered in the analysis of the internationalization of capital in any sector is the impact which such developments have on the working class. It is not difficult to see that capital can become internationalized much more readily than labour power. The internationalization of capital by no means immediately and automatically leads to the creation of an international working class. Capital can and does take advantage of the divisions between the working class of different states and indeed between different nationalities within particular states. These divisions are far more difficult for workers to overcome than for capital (or its personification).[31]

There are many examples of the way in which capital in the motor industry has attempted to exploit national divisions among its wage labour. The most blatant examples are the threats made by US firms in Britain to concentrate future expansion on the continent in the face of labour militancy. During a strike of Ford workers at Dagenham, Henry Ford II issued a threat to the workers to shelve plans for expanding Ford's British operations.

It is also significant that a number of the major European motor companies use a substantial number of immigrant workers in their plants, which opens up the possibility of exploiting racial differences within the home country. Finally, the availability of more than one source of supply of cars or components helps to strengthen the position of the companies vis-a-vis labour by making it easier to sit out strikes. An example of the way in which supply sources can be switched (although it did not involve a strike within the company) came during the 1970 strike at Pilkington's when Ford imported glass from Belgium. Ford has pursued a deliberate policy of standardization and interchangeability of the parts it makes and buys and dual sourcing in order to meet strike threats.

Despite the obstacles to such developments, attempts have been made by labour unions to respond to the internationalization of capital within the industry.

Two main approaches have been used, first to prevent firms from switching supply in the way described above and secondly moves towards wage parity. In 1968 during the strike at the Ford assembly plant at Genk the unions in Cologne and Britain pledged not to accept work transferred from Genk or to increase production. Three years later during the 1971 Ford strike in Britain workers in Germany refused to work overtime in order to supply production lost in the British plant. Other developments towards increased international cooperation between unions were the first European Automotive Workers' Conference held in Paris in 1969 and the first meeting between Ford shop stewards in Britain and their counterparts in Genk in 1970. Wage parity between different plants or different companies in the same country have long been an issue in collective bargaining in the motor industry. Attempts are being made to extend this to the international level with parity between plants in different European countries and even between Europe and the USA being sought. The American UAW supports parity with the USA in order to stave off the threat to jobs which transferring production to low wage countries would imply. This kind of parity does not appear to be on the cards at present since the internationalization of the companies would enable them to move even further afield to countries such as Spain and Brazil, where extremely repressive regimes ensure the maintenance of cheap labour.[32]

THE OIL CRISIS AND FUTURE DEVELOPMENTS IN THE INTERNATIONAL MOTOR INDUSTRY

Since 1973 the sharp increase in the price of petrol has had a major impact on the development of the motor industry. The most obvious manifestation of this has been the substantial reduction in sales and production of cars in 1974 when the effects of price increases made themselves felt. In that year production was down on 1973 levels by 22% in West Germany, 5% in France, 11% in Italy, 12% in Great Britain, 24% in the United States and 12% in Japan. Not surprisingly, demand shifted towards cars with a lower fuel consumption so that whereas sales of most models fell, those with an engine capacity of less than one litre tended to increase. The commercial vehicle market remained much firmer and production increased in France, Italy and Japan, and fell less sharply than car production in the other countries.

It has already been noted that the reduction in the growth of car sales in the main producing countries during the 1960s and early 1970s led to increased competition and concentration and centralization within the industry. The recession of 1974 is likely to accentuate this trend, putting pressure on the smaller firms who will find it difficult to maintain their profitability, faced with shrinking markets and the attempts of the larger firms to maintain their production levels. Moreover, the smaller firms are less able to carry losses if these are sustained for any length of time. Already the financial difficulties of Citroen in France have led to the government sponsored takeover by Peugeot, and the merger of Berliet with Saviem, together with an injection of F130m in cash to stave off bankruptcy. In the Netherlands the national motor company DAF only survived through being taken over by Volvo, while in the United Kingdom the already serious problems of British Leyland have been accentuated by the crisis.

A number of alternatives face the motor manufacturers in this situation. Further centralization, both within countries where possible, and across national boundaries as in the case of Volvo and DAF, seem likely. Alternatively, the weaker producers may seek closer links with the state, as in the case of British Leyland. A third alternative of diversification into non-automotive products is rendered difficult by low profits, which mean that firms have only limited funds for accumulation. Thus the most likely outcome of the present crisis for the industry is a reduction in the number of firms and closer links with the state.

One significant aspect of the developments observed in the international motor industry during 1974 is the continued expansion of car production in a number of peripheral economies despite the recession in the major producing countries. In Brazil, for instance, car production was up by 11% and production of all vehicles by 18%, while in Mexico the number of cars produced increased by 24% over 1973. Other countries in which vehicle output increased were the USSR, Spain, Australia, Czechoslovakia and Poland. This suggests that another effect of the crisis will be a further internationalization of the motor industry as production expands outside the traditional centres of the United States, Western Europe and Japan. Further growth for the major companies is likely to depend increasingly on participation in the motor industries of Eastern Europe and the underdeveloped countries. Fiat, for instance, saw the sales of its domestic plants drop by 12% in 1974 while its production overseas increased by 12%.

The need to internationalize further is also likely to accentuate the trend towards concentration and centralization. Firms such as British Leyland, which has been forced to withdraw from expanding markets in Spain and Australia, are likely to find themselves under increasing pressure at home as their world-wide production falls behind that of more favourably placed companies. Thus an intensification of competition, both at home and abroad, appears likely in the immediate future until a more tightly knit oligopoly emerges in the industry.

NOTES

[1] C. Palloix 'The Internationalization of Capital' (mimeo)

[2] Marx, Vol.II p104.

[3] See the criticisms of Robin Murray by Bill Warren, NLR 68.

[4] Palloix indicates that the employment of immigrant workers also represents the internationalization of capital in the form M-LP. Palloix op.cit. p.19.

[5] J.B.Roe American Automobile Manufacturers.

[6] L. Maxcy, 'The Motor Industry' in L. Cook, ed. Effects of Mergers, Table II

[7] I. Svennilson, Growth and Stagnation in the European Economy (Geneva, ECE, p.151.)

[8] Maxcy and Silberston, p.14. [9] Ibid., p.99 [10] Svennilson, p.151

[11] Peak output was attained in 1929 and this was not surpassed until after World War II.

[12] Svennilson, pp.150-1. [13] Ibid, pp.151-2.

[14] D.G.Rhys The Motor Industry, an Economic Survey (Butterworths, 1972) p.376.

[15] UNIDO The Motor Vehicle Industry (ID/78, 1972) p.8.

[16] Economist Intelligence Unit, 'The Changing Structure of the West European Commercial Vehicles Industries', Motor Business 82 (1975).

[17] Some Marxist writers in the EEC have emphasized the need imposed by modern technology for larger scales of production than can be achieved by national firms, see for example E. Mandel, Europe vs. America (New Left Books, 1970).

[18] Hoffman estimated an optimum of 100,000 units per annum in 1939. Quoted in L.J.White, The Automobile Industry since 1945 (Harvard University Press 1971 p.51

[19] ibid., Ch. 38.

[20] G.H.Wierzynski, 'The Battle for the European Auto Market', Fortune, Vol. lxxvii (1968) p.121.

[21] See the statements by Lotz of Volkswagen and Dreyfus of Renault, quoted by Wierzynski, p. 142.

[22] Y.S.Hu The Impace of U.S. Investment in Europe: A Case Study of the Automotive and Computer Industries

[23] L.T. Wells, 'Autombbiles' in R. Vernon (ed), Big Business and the State: Changing Relations in Western Europe (Macmillan 1974) p.247.

[24] R.O. Jenkins, The Dynamics of Dependent Industrialization in the Latin American Motor Industries (Unpublished D.Phil thesis, University of Sussex 1974) p.52.

[25] Y.S. Hu, op.cit., ch.8.

[26] Ibid.

[27] See L.T. Wells, op.cit., pp.238-43, for a discussion of the way in which the state used its holdings in the motor companies to promote government policy in France, W. Germany and Italy.

[28] Wells suggests that by the early 1970s the increased internationalization of capital in the industry had weakened the traditional tools, as overseas operations tended to be conducted independently of the policies of the

[29] Figures for 1968 from Hu, op.cit. p.20. In the EEC it accounted for 6.75% of value added and 6.3% of employment in manufacturing in 1962.

[30] As John Holloway points out this implies the possibility of an antagonism between capital and the state, 'Some Issues Revised by Marxist Analysis of European Integration', p.29.

31Strictly speaking capital has no nationality. Capitalists however, do. Nevertheless they are more likely to speak the same language, share a common culture etc. than workers.

[32] Already there are signs of development in this direction with Ford building a plant mainly for export in Spain and Fiat making a large investment in a plant in Brazil which will also produce partly for export.

APPENDIX I
LINKS BETWEEN MAJOR EUROPEAN MOTOR MANUFACTURERS

1	Renault		
2	Peugeot	Renault:	J.Vs. - Societe des Transmission Automatiques Francaise du Mechanique
3	Citroen	Peugeot:	Merger of car operations
4	Fiat	Citroen:	Joint production agreement, sales agreement with Autobianchi.
5	Alfa Romeo	Renault:	Alfa Romeo assembles Renault CVs; joint sales outlets
		Fiat:	Joint ventures with IRI, Alfa Romeo's parent.
6	VW	Citroen:	Comotor, Comobil with Audi-NSU
7	Daimler-Benz	VW:	Joint research company Deutsche Automobil growth.

8 BMW	Daimler-Benz:	Common parts
9 MAN	Renault:	Production and Marketing agreement with Saviem (CVs)
	Daimler-Benz:	Joint production of engines and axles
10 Magirus-Deutz	Renault:	Joint Development, production and purchase of CV components.
	Fiat:	Joint venture - IVECO
11 BLMC		
12 Volvo	Renault:	Joint development, production and purchase of CV components, Societe Franco-suedoise de Moteurs.
	Peugeot:	Societe Franco-Suedoise de Moteurs.
	Magirus-Deutz:	Joint development, production and purchase of CV components.
13 Saab	Volvo:	Joint venture - Forss Parator
14 DAF	Renault:	Joint Development, production and purchase of CV components.
	Magirus-Deutz:	Joint development, production and purchase of CV components.
	Volvo:	70% shareholding by Volvo.

A NOTE ON THE THEORY OF THE STATE*
(A Reply to Ian Gough)

John Holloway & Sol Picciotto

It is the great merit of Ian Gough's recent article on 'State Expenditure in Advanced Capitalism' (NLR pp.53-92) that he attempts to overcome the limitations of many recent Marxist approaches to the state by integrating an analysis of 'the nature of the modern capitalist state' into his study of state expenditure. This is a welcome departure from the one-sidedly economic or one-sidedly political nature of most recent treatments of the state. It is because we think that this ought to be pursued in order to broaden the often too economic perspective of the CSE, and because we think that Gough's analysis is quite wrong, that we devote this short note to a critique of Gough's concept of the state.

The fact that we concentrate on this aspect of Gough's article does not mean that we reject the more familiar criticism of Gough's 'neo-Ricardian' rejection of the law of value: on the contrary, we regard the reassertion of Marx's theory of value as fundamental.[1] However, we feel that it may be useful to approach the question in a different way, since in our view previous debates about aspects of the Marxist theory of value (e.g. the debates on unproductive labour and the tendency for the rate of profit to fall) have suffered from being conducted as debates about economic laws. We start from the view that the method of Marxism is to develop the critique of bourgeois economics on the basis of historical materialist categories.

Our fundamental criticism of Gough's concept of the state - and we take this to be the main point of the critique of 'neo-Ricardianism' in general - is that it is superficial, i.e. that it remains at the level of the surface, of fetishised appearance, a level at which neither the relation between economics and politics nor the nature of capitalism and the capitalist state can be understood. This failure to go beyond appearance, back to the 'anatomy of civil society'[2] as analysed by Marx in Capital leads him to a confused and mistaken view of the relative autonomy of the state and of the relation between the state and the two principal classes of capitalist society. This leads him to false conclusions concerning the nature and possibilities of state action and, by implication, to a reformist view of the class struggle.

Gough's derivation of the state

For brevity, we shall concentrate on Gough's admirably brief, deceptively simple and dangerously quotable 'attempt to present the essential characteristics of the capitalist state' (pp. 64-66 of his article), in which he draws heavily on the recent major studies of Poulantzas and Miliband'. Gough cites these two authors as authority for the statement that ' the capitalist state is a relatively autonomous entity representing the political interests of the dominant classes and situated within the field of class struggle' (p.64) We follow Gough's example in examining in turn the three points of this statement: the question of 'relative autonomy' of the state, the relation between the state and the interests of the dominant class, the relation between the state and the class struggle.

(a) The relative autonomy of the State

'First, the capitalist state is relatively autonomous, both from the economic structures of capitalist social formations and from the politically dominant classes in those social formations' (p.64, emphasis in the original). The former (surely very important) point is left quite unexplained; 'the latter point is crucial' and is explained by 'the incapacity of the capitalist class to organise itself as a political force' (p.64). This in turn 'is due to two major factors'. 'First, the existence of different factions within the dominant class...necessitates the existence of an 'external' institution representing the common, longer term, political interests of the dominant class(es) as a whole...Second, and more important, political unity is essential in the political conflict with the dominant classes, particularly in the context of bourgeois democracy...To this end, the state plays a crucial role in politically disabling the dominated classes by setting itself up as the representative of 'national unity', of the 'general interests' of the people as a whole...Both these functions...necessitate its autonomy from the dominant class itself: the first in order to realise its common interest, the second in order to effectively pose as the representative of national unity' (p.65). He then reaches the correct conclusion: 'The relative autonomy of the capitalist state is thus a structurally determined characteristic' (p.65).

While the conclusion is undoubtedly correct, Gough's argument is unconvincing and the meaning with which he fills the all-purpose phrase 'relative autonomy of the state' is misleading. To show that the relative autonomy of the capitalist state (or better, the 'autonomisation' of the capitalist state, or the separation of capitalist society into state and society) is a 'structurally determined characteristic', one must surely relate the existence and nature of the state to the structure of capitalist society. This Gough singularly fails to do. The only two features of capitalist society which Gough mentions in his derivation of the autonomy of the state are 'the existence of different factions within the dominant class' and the need 'to politically disorganise the dominated classes'. Neither feature is either central or peculiar to capitalism. Thus, although Gough implicitly (and Poulantzas explicitly) accept that the autonomy of the state, the separation of economics and politics, is something peculiar to capitalism,[3] he says absolutely nothing to explain why capitalist societies should possess this peculiar feature, nothing therefore to explain (and give meaning to) the 'relative autonomy of the capitalist state'.

The structural determinants of the peculiar autonomy of the capitalist state must be sought in the nature of capitalism as a system of generalised commodity production. Firstly, since capitalist production is developed commodity production, and since commodities are 'products of the labour of private individuals or groups of individuals who carry on their work independently of each other',[4] capital can exist only as individual capitals, whose mutually antagonistic relations are regulated by the laws of competition. (This, and not the 'existence of different factions' is surely the basic source of disunity within the capitalist class). The relations between capitals are essentially unplanned, anarchic: the uncoordinated actions of individual capitals, based as they are on the pursuit of profit, are unable to secure the reproduction of the capitalist system. Capitals can exist only in a society containing other ways of constituting social relations. As Altvater puts it: 'capital cannot produce solely through the actions of the many capital units the necessary social nature of its existence. At its base it requires a special institution, one which is not subject to its limitations as capital, one whose dealings are thus not determined by the necessity of surplus production, one which in this sense is a special institution 'outside and above bourgeois society', and one which at the same time provides within the undisputed framework of capital the immanent necessities which capital ignores. As a result of this, bourgeois society develops in the state, a specific form expressing the general interests of capital.[5] It is thus nonsense to say (as Gough does on p.65) that without the state 'they (the different factions of the capitalist class) would degenerate into special-interest lobbying'. The truth is that without the state capital (and its bearers, the capitalist class) could not exist.

Secondly, since labour power is also a commodity under capitalism, relations of exploitation are not immediately political relations. It is a distinguishing feature of capitalism that exploitation is based on the exchange of apparent equivalents, on the dull compulsion of uncomprehended economic relations and not on the direct use of force. What force is necessary to safeguard the interests of capital in general must come not from the individual capitals themselves but essentially from a body standing outside them, not immediately identifiable with them.[6] It is thus necessary for the accumulation of capital (the reproduction of capitalist social relations) that the institution controlling legitimate force should be separated from individual capitals. The relationship of the individual to the state is thus quite separate from his relation to capital: it is a peculiarity of capitalism that the political status of the citizen is in no way determined by his relationship to production.[7] The essential inequality of the capital relation appears not only as equality in the sphere of exchange but also as equality before the state. The equality of political status enshrines and reinforces the inequality of its essential basis.

"In contrast to other forms of exploitation, capitalism consists precisely in making labour-power into a commodity which freely circulates. The coercive character of this society consists in this, that the owners of the commodity labour-power can only take its exchange value to market. So the class character of the bourgeois state is already established when that state makes no distinction between the owners of different 'sources of income'."[8]

There we have two reasons, flowing from the nature of capital itself, why the autonomisation of the state is a 'structurally determined characteristic', why capitalist society must necessarily divide itself into state and society. The state is thus autonomous firstly in the sense that it is not directly subject to the operation of the law of value, it is not a real capitalist; and secondly, in that it is not directly identifiable either with individual capitals or with the capitalist class as such. This definitely does not mean, however, that the state is autonomous from 'the economic structures of capitalist social formations' (Gough p.64), for the significance of the autonomisation of the state lies precisely in the fact that it is a necessary part of the accumulation of capital. In Altvater's terms, the state should be seen 'as a special form of the accomplishment of the social existence of capital ..., as an essential moment in the social reproduction process of capital.'[9]

The accumulation of capital, however, involves not only the accretion of surplus value but equally the extended reproduction of capitalist social relations. Capitalist social relations are essentially fetishised social relations, for in commodity production 'the relations connecting the labour of one individual with that of the rest appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and social relations between things'.[10] The accumulation of capital thus involves the continued recreation of this fetishisation of social relations which conceals the reality of the capital relation. The autonomisation of the state, the fragmentation of the process of social reproduction described above, must be seen as part of this fetishisation. Seen through the prism of the state, the capital relation is concealed, society consists of no more than a mass of individual citizens - 'the public'.

The autonomisation of the state, the creation and maintenance of a distinct sphere of politics, is, like all forms of fetishism, both a reality and an illusion, the reality depending on the successful struggle of the ruling class to maintain the illusion. The autonomisation of the state necessary for the accumulation of capital involves not only the necessity of separate political institutions, but also the necessity of maintaining the separation of politics and economics, of the public and private sphere, in the consciousness and struggles of the workers. The survival of the political institutions and hence of capital depends on the ability of the capitalist class to maintain this separation, to channel the conflicts arising from the real nature of capitalist society into the fetishised forms of bourgeois political processes. Thus, the very separation of economics and politics, the very autonomisation of the state institutions is part of the struggle of the ruling class to maintain domination. It is the task of the working class to transcend that fetishised appearance, to attack the source of that fetishisation through a total class struggle. It is characteristic of reformism that it emphasises the reality and not the illusion of this autonomy, that it accepts the fetishisation of class struggle into distinct economic and political channels, that it therefore envisages the possibility of transforming society by the mere conquest of political institutions.[11] It is characteristic of reformism, in short, that it accepts bourgeois ideology.

(b) The relation between the state and the principal classes of capitalist society.

The consequences of Gough's unsatisfactory treatment of the relative autonomy of the state become more evident when he goes on to examine the relation between the state and the capitalist class on the one hand, the state and the working class on the other.

With regard to the former relation, Gough tells us that although 'the capitalist state does constitute itself as the 'unambiguous political power of the dominant class'..., it can only effectively represent its political interests by means of this relative autonomy, which requires it continually to challenge the short-term and even long-term economic interests of particular sections of capital' (p.65, emphasis in the original). Such sacrifices of the economic interests of particular sectors of capital to safeguard the political interests of the capitalist class take place notably under working class pressure. This is true, for instance, of what Gough calls 'the post-war settlement between capital and labour' (p.69), 'the whole series of social and economic reforms extracted by the working class in the post-war 'welfare states' of advanced capitalist societies, which yet leaves untouched the political power of capital and the repressive power of the state on which it is ultimately based' (p. 65).

A host of objections may be raised to this analysis: most important, the confusion resulting from Gough's failure to probe behind the separation of politics and economics becomes more evident. Gough at first fails to explain why, despite its autonomy, the capitalist state nevertheless constitutes itself as the 'unambiguous political power of the dominant class'. In our terms the state is unambiguously capitalist because its existence is necessary to the process of capitalist accumulation, because its survival depends upon the successful accumulation and because its very form as an entity separate from society is a manifestation of the fetishisation of social relations under capitalism. The only clue which Gough gives us as to his understanding of the problem is to say that the 'political power of capital' is 'ultimately based' on 'the repressive apparatus of the state'. This is extraordinary. It runs directly counter to the traditional Marxist view expressed by Engels, that the state is 'as a rule, the state of the most powerful, economically dominant class, which, through the medium of the state, becomes also the politically dominant class, and thus acquires[12] control of the repressive apparatus: i.e. the dominant class is not the dominant class because it controls the state apparatus, but it controls the state apparatus because it is the dominant class. His statement also involves Gough in two self-contradictions. Firstly, if the political power of the capitalist class is based on control of the repressive apparatus of the state, how can the state be ever relatively autonomous from the capitalist class? Second, and more important, if the political power of capital is based on control of the repressive apparatus, in what sense is the state 'the unambiguous power of the dominant class'? If power hinges on control of the state apparatus, the aim of the working class 9pace Marx[13]) should simply be to gain control of that apparatus. It is only at the level of superficial appearance that the political power of capital is based on control of the state apparatus; in reality it derives simply from the control of capital in a capitalist society. Gough's failure to go beyond appearances leads him to the unMarxist conclusion that the source of political power is political power.

The same failure lies at the root of Gough's confusing picture of the state sacrificing the economic interests of capital to safeguard the political interests of the capitalist class. Quite apart from the fact that the links between the capitalist class and capital often seem tenuous in Gough's analysis, it is surely wrong to talk of the 'economic' and 'political' interests of capital. Capital (and its bearers, the capitalist class) has only one single interest (although the realisation of this interest depends, as we have seen, on economic and political means): 'Accumulate, accumulate! That is Moses and the prophets![14] Accumulation is neither an economic nor a political but a historical materialist category which embraces both the economic and the political. It is a contradictory process, involving both the accumulation of wealth and the reproduction of capitalist social relations. The state plays an increasingly important role in trying to contain the contradictions of accumulation, in trying to reconcile the development of the productive forces with the maintenance of capitalist social relations, and it is this which requires the state to act at times against the interests of particular sections of capital or against the immediate interests of the capitalist class as a whole. It is surely in this context, in the context of the unfolding of the contradictions of capital, that we ought to analyse the dialectical relationship between the interests of capital in general (as represented by the state) and the interests of individual capitals. To speak of the state representing the political interests of capital, of its sacrificing the economic interests of capital and yet leaving its political power untouched, is an unhelpful confusion.

The role of the state in containing the contradictions of (and promoting) accumulation is also the framework within which the position of the state in relation to the class struggle should be viewed. Gough's state, although the 'unambiguous political power of the dominant class', nevertheless maintains an 'unstable equilibrium of compromise' (p.65), granting economic concessions to the working class to safeguard the 'political interests' of the capitalist class. This is particularly true, he says, of social democracy, which 'is always involved in a tightrope act - balancing the concessions it can offer to its mass base on the one hand with the need to serve the political interests of capital on the other hand'. (p.66).

Leaving aside the rather strange view that the social-democratic government must serve the 'political' and not, apparently, the 'economic' interests of capital, the danger of emphasising that the state is 'situated within the class struggle' (p.64) is that this may obscure its unambiguously capitalist character (which Gough has not explained satisfactorily anyway). Even more clearly, the implication of Gough's tightrope metaphor and of the 'unstable equilibrium of compromise'-and indeed the whole 'neo-Ricardian' analysis - is that the state is in some sense between the classes, torn by conflicting pressures, and that the pressure of the working class for economic concessions may cause the state to lose its balance and topple. But again, Gough's analysis is only superficially correct (and therefore false). The state is not 'situated within the field of class struggle': class struggle takes place within society. The structures of the bourgeois state result from, and are imposed upon society in order to maintain, the fetishised social relations produced by capital. The struggle of the working class is the expression of the increasingly social nature of production and must aim at transforming bourgeois social relations, including forms of state and political processes. As long as it does not do this, as long as class struggle remains within the framework of bourgeois social relations, it is only at the level of appearance that one can speak of economic concessions as being compromises between capital and labour. In reality, the struggle of the working class, in so far as it is contained within bourgeois forms, merely constitutes part of the political process through which the interests of capital-in-general are established. Total social capital includes variable capital and it is in the interests of capital to ensure the continual reproduction of labour power as variable capital. The struggle of the working class continually begins as a struggle to gain control of the means of production, which at the point of production is a struggle to eliminate surplus labour time. However, working class is continually re-integrated into the fetishised structure of capitalist society by the separation of the 'economic', which reduces the struggle to one about the price of labour, from the 'political' struggles about social conditions. The channeling of working class political struggles into the fetishised structures of the capitalist state permits the reproduction of capitalist social relations by integrating workers, not as the collective power of the working class, but as individualised citizens obliged to sell their labour.[15]

The essential limitations of the fetishised class struggle, of the struggle for the improvement of the conditions of variable capital, seem to us to be confirmed by Marx's analysis of the Factory Acts in Capital. There he is at pains to point out that, although the Factory Acts were the outcome of a prolonged class struggle and involved a compromise between capital and labour, the result was simply to achieve the interests of capital in the establishment of a normal working day and the reproduction of variable capital: the class struggle resulted in the reformulation of the interests of capital. Of the details of the Factory Act of 1844, he says, for instance:

> 'It has been seen that these minutiae...were not at all the products of Parliamentary fancy. <u>They developed gradually out of circumstances as natural laws of the modern mode of production. Their formulation, official recognition and proclamation by the State, were the result of a long struggle of classes</u>'. [16]

There seems no reason to make a distinction here between the Factory Acts and the post-War social reforms. In both cases, the state acts in the interests of capital, recreating the conditions for capital accumulation, for the reproduction of capitalist social relations. There is a political compromise, but it is one which establishes the interests of capital, not one which sacrifices them. As long as it fails to transcend bourgeois forms, class struggle merely acts as a mediating factor in the establishment of the interests of capital in general. This is not to belittle the importance of such struggle, but to underline its essential limitations. The problem with Gough's treatment of the problem is that by attributing the crisis of capitalism to the struggle for higher wages and social reforms, he obscures those essential limitations, obscures the fact that the transcendence of the fetishised forms of its existence in capitalism is the essential pre-requisite for the conquest of social power of the working class.

<u>Conclusion</u>

Fine and Harris praise Gough for 'bringing to economists' debates the conclusions of Marxist political theorists'.[17] This is an excellent description of what Gough does, but the fact that Fine and Harris see it as a service to economics is a sad reflection on 'Marxist economists' (surely a self-contradictory phrase).[18] This is precisely what is wrong with Gough: he brings the conclusions of the specialist political theorists to the debates of the specialist economists, failing totally to transcend the separation of economics and politics, failing to comprehend the unity in separation of the two spheres.[19] It is interesting but natural that Gough, whose approach to the categories of Capital is narrowly economic, who interprets Marx's great work as an economic text and not a political critique of economics,[20] should turn to the specialist political theorists, Miliband and Poulantzas, forgetting that a Marxist can be neither a 'political theorist' nor an 'economist', that it is the 'point of view of totality' which 'constitutes the decisive difference between Marxism and bourgeois thought'.[21]

We hope to have shown that Gough's failure to base his analysis on the central core of capitalist development, the category of capital, leads him to misunderstand and overestimate the 'autonomy of the state' paying lip service to, but in fact losing sight of the state's essentially capitalist character. This theoretical section on the state is important for Gough's overall argument, for his emphasis on the 'relative autonomy of the state' allows him largely to overlook the limits on state action imposed by the nature of capital and to give too much weight to the reformist struggle of the working class. We suggest that the reformist implications of Gough's article are a necessary consequence of his acceptance of fragmented surface appearance, of his rejection of Marx's analysis of the essential structure of capital. It is true that Gough concludes his article with an emphasis on 'the total class struggle: a fusion of economic, political and ideological struggle', but this seems very much an afterthought, since very little of the article itself has helped to provide any theory of the unity of those elements in class struggle.

We are conscious that our comments on the state are inadequately developed here[22] and that what is necessary is a historical analysis of the state and its relation to the unfolding contradictions of capital. We hope to develop this subsequently; but since Ian Gough has opened debate in this area, we wish to keep it alive and hope for replies from him or others.

NOTES

*We have discussed some of the ideas contained in this note with groups in Edinburgh, Warwick, Bristol and Dublin, and also at the January meeting of the CSE Working Group on Capital, the State and European integration. We thank these groups for the stimulation they have provided. Anyone interested in joining the CSE Working Group should contact John Holloway, Department of Politics, University of Edinburgh, 31 Buccleuch Place, Edinburgh EH8 9JT.

[1]We regard our critique as being complementary to the sort of criticisms made by P. Bullock and D. Yaffe ('Inflation', Revolutionary Communist 3/4, 1975), and by B. Fine and L. Harris ('State Expenditure in Advanced Capitalism': A critique; forthcoming in New Left Review).

[2]Marx, 'Contribution to the Critique of Political Economy' (1971), p.20.

[3]Of course, the very existence of the state in any class society implies some degree of autonomy. It is nevertheless clear that in capitalism the state enjoys a peculiar degree of autonomy, that there exists a peculiar separation of economics and politics.

[4]Capital, Vol.I, pp.72-73 (Moscow edn.).

[5]E Altvater, 'Some problems of state interventionism', Kapitalistate 1973/1, pp.98-99.

[6]It should be clear that this in no way implies that the state is not a capitalist state. On the contrary, the state owes its very form as an entity separate from society to its role in the accumulation of capital. This is developed below.

[7]Cf. N. Poulantzas, 'Political Power and Social Class', NLB 1973, p.123. But see below, footnote 22.

[8]H. Gerstenberger, 'Klassenantagonismus, Konkurrenz und staatsfunktionen', in 'Gesellschaft Beiträge zur Marxschen Theorie, Nr.3', Suhrkamp, Frankfurt, 1975, p.9. On the argument in this paragraph, see generally J. Hirsch, 'Elemente einer materialistischen staatstheorie', in Braunmühl, Funken, Cogoy, Hirsch, 'Probleme einer materialistischen staatstheorie, Suhrkamp, Frankfurt, 1973.

[9]Altvater, <u>op.cit.</u>, p.99.

[10]Capital, Vol.I, p.73.

[11]Cf. W.Müller, C. Neusüss, 'The illusion of state socialism and the contradiction between Wage Labor and Capital', Telos, Fall 1975, p.60: 'revisionist theories have one feature in common: they understand the state in its different functions, especially in regard to its social policies, as a 'separate entity', detached from the production process as a process of capital expansion'. (Our translation from the original

[12]Engels, 'The Origin of the Family, Private Property and the State', Marx-Engels Selected Works, Vol.II, p.320, Moscow, 1962.

[13]'One thing especially was proved by the Commune, viz. that 'the working class cannot simply lay hold of the ready-made state machinery, and wield it for its own purposes''. Preface to the 1872 German edition of the Communist Manifesto.

[14]Capital Vol.I, p.595.

[15]This does not, of course, solve capital's problems, for the recreation of the conditions of reproduction of capitalist relations also involves the recreation of the fundamental contradictions of capital, always at a higher level. The root of these contradictions is the separation of use-value and exchange-value; the continual reformulation of the complex of capitalist social relations in order to permit the continued reproduction of commodities on the basis of the extraction of surplus value involves an even sharper conflict between the increasingly socialised means of production and capitalist social relations based on private appropriation.

[16]Capital, Vol.I, p.283.

[17]Fine and Harris, op.cit., p.9.

[18]Lukacs is right to pour scorn on the notion of Marxist 'economics' or Marxist 'sociology'. He aptly quotes Marx: 'In the study of economic categories, as in the case of every historical and social science, it must be borne in mind that ...the categories are therefore but forms of being, conditions of existence...' 'History and Class Consciousness', Merlin, 1971, p.4.

[19]Naturally, we do not wish to deny the existence of separate economic and political spheres, merely to stress that their separation must always be seen as part of the continually renewed struggle to accumulate capital. As Hegel put it (Philosophy of Right, Oxford, 1942, p.283): 'Necessity consists in this that the whole is sundered into the different concepts and that this divided whole yields a fixed and permanent determinacy. However, this is not a fossilised determinacy but one which permanently recreates itself in its dissolution'. Leaving aside the problem of Hegel's idealist abstractions, it is this element of permanent recreation of the fragmentation of social relations which we wish to stress, and which renders only pseudo-scientific any attempt to study the separate spheres in isolation.

[20]Hence his rejection of what he misnames "the 'law' of the falling tendency of the rate of profit' (p.57).

[21]Lukacs, op.cit., p.27

[22]In particular, we would have wished to extend our critique of Gough also to Poulantzas. We consider that Poulantzas' work, although it contains much that is plausible, is based on an insecure foundation. In our view the autonomisation of the state and the separation of the economic and the political must be grasped within a theoretical totality provided by historical materialist concepts: e.g. wage-labour. Poulantzas however seeks to build a political theory based on the specificity of the political. Even though he now insists that his approach

emphasised that the relation between the 'instances', their unity, is primary (NLR 95, p.79), he is in fact prevented from grasping this unity in theory by his horror of "historicist conceptions of the 'class consciousness' type" (ibid. p.82). This is the source of the structuralism or formalism of his approach.

THE VALUE OF GOLD. A NOTE ON MICHAEL WILLIAMS' ECONOMICS[1]

Barbara Bradby

Williams criticises Wolpe for his thesis that South African capitalism managed to maintain an artificially high rate of exploitation over a long period by keeping the wives and children of workers on special Reserves where they produced the use-values necessary for their subsistence and reproduction under essentially non-capitalist relations of production. Capitalists then paid only the wage necessary to maintain their work-force from day to day, not enough to reproduce the worker and his family in the next generation. Recently, agricultural productivity has declined on the Reserves, which become incapable of performing this reproductive role for capitalism. The state responds with increased control over the movement of workers and their families, designed to force dependents to stay on the Reserves and starve rather than be maintained by their wage-earning relatives. Williams objects to Wolpe's concluding from this that "social relations of production which are essentially external to the capitalist mode of production infuse the latter with its own internal contradiction".[2]

Only Wolpe himself can argue whether this is a correct interpretation of his views or not. But Williams' attack seems to me to be ill-founded. He argues that although productivity has declined on the Reserves, this has probably been compensated for by the development of capitalist agriculture outside them. This, he says, "could compensate for that portion of the workers' means of subsistence which had formerly been produced in the Reserves". But precisely the point about workers or their families maintaining themselves from Reserve production, is that they do not have to pay for it. It is non-commodity production appropriated directly from the land. Whereas as soon as the worker or his family can no longer subsist from their own production but must buy on the market, then the family wage packet is going to have to rise. In other words, if capitalist agricultural produce is to be bought in, then the Reserves must give something in exchange, and as their own produce is ruled out by assumption, then typically all that they have to give is their labour-power. So that it cannot be argued that an increase in capitalist production could compensate for the decline in subsistence production on the Reserves. It makes no difference to this analysis whether the former subsistence production was complete or only partial. The effect of the decline in the subsistence product will still be to push people out of the Reserves. This might happen in one of two ways - by successful working-class pressure, or by women and other dependents moving out to work, most likely domestic service or street-selling, if that is allowed in South Africa. It is interesting that in a somewhat similar situation in Peru, the government, as well as getting deeply involved in Agrarian Reform, also declares war on the street-sellers, many of whom are women. The average daily earnings from a barrow of fruit or veg. being around £1, the government grotesquely labels them 'speculators' and turns them off the streets when UNIDO meets in Lima. The South African government meets the problem one stage further back, and just forces them to stay on the land.

There is a further way in which the development of a capitalist agriculture can affect those in the Reserves. It makes it even more difficult for them to sell anything at all on the market (whether their own internal market, or the external, capitalist one) in order to obtain the necessary use-values they cannot themselves produce, as might be the case with clothing, some agricultural tools, etc. This means that there is actually a declining term of trade for the people on the Reserves, quite apart from their own declining agricultural productivity, so that again we find that the development of capitalist agriculture outside the Reserves actually results in even greater improverishment and pressure to get out.

This is a contradiction for any capitalist class which still has not completely transformed the social formation out of which it grew. In some form or other, it appears in all the underdeveloped capitalist countries, and it is something that the developed capitalist world has devoted enormous resources to solving in countries where the state is not so strong or ruthless as in South Africa. Whether or not it was the way it manifested itself in South Africa which was the principal cause of the fall in the rate of profit, shown in Williams' Table XI, for instance, would require more empirical information than either he or Wolpe have yet produced.

Why does Williams think there is a contradiction between the fact that "a decrease in the value of labour-power and an increase in the organic composition of capital are but different forms through which the progressive growth in the productive power of labour is expressed under capitalism" and Wolpe's statement that the increased state power in South Africa is "a function of the economic changes in the Reserves which generate a threat to the cheapness of labour-power"?[3] Could it be because he is confusing the cheap-labour obtained from pre-capitalist modes under the special conditions outlined by Wolpe, where a less than full subsistence (for reproduction) wage can be paid, with the decrease in the value of labour-power caused by increasing productivity in industry as a whole? Wolpe is talking about a falling real wage level, not a decrease in the value of labour-power.

Having arrived at the conclusion that capitalism in South Africa faces the same internal contradiction as capitalism everywhere, namely the fall in the rate of profit due to the rising organic composition of capital, Williams has to explain, like everyone else that has written about South Africa, why it is different from other peripheral capitalist countries. He finds the an-wer in the gold-mining industry or 'the reproduction of the money-material'. The argument runs as follows. The specific feature of South African capitalist development was accumulation based on gold-mining. This industry manages to escape the tendency for the rate of profit to fall, because "there is no <u>immanent</u> tendency ... to extend the productive power of labour in order to <u>cheapen</u> commodity gold". On the contrary "capitalists will always have an interest in packing as much labour into as little gold as possible".[4] This is because:

(i) gold, in contrast to other commodities, is produced in a directly exchangeable form, so that gold-producers do not enter into competition with other capitalists for the sale of their product.

(ii) gold does not have a price, let alone a price of production, so that surplus-value escapes the equalisation of other rates of profit and capitalists realise this value directly, and the advantage of a lower than average organic composition is directly visible.

The attempt to accumulate on the basis of a constant organic composition of capital leads to a struggle with nascent industrial capital for the 'reserve aremy' since, as by assumption the gold-industry is not releasing any workers by increasing its own productivity, it will have to expand by employing more and more labourers brought from outside. If on the other hand, labour-saving machinery <u>is</u> introduced, the fall in the rate of profit will appear more directly than in other industries, since there will be no compensating fall in wage-rates corresponding to the increased productivity, as there would be in an industrial branch producing an important wage-good. Also, if more gold is extracted with less workers, this cannot lead to increased profits for the industry as a whole, only to a decrease in the number of workers employed, since the mass of gold must still exchange with the same mass of other commodities. So that the ideal situation for gold-capital is realised when it can have access to an unlimited supply of labourers from outside the industrial sector, while manufacturing industry accumulates on the basis of its own production of reserve army. Gold-capitalists do not have to bother about the 'consuming power' of their workers, as do capitalists that produce wage-goods, since gold does not enter into what is bought with wages. They can therefore force wages down to a bare minimum without worrying about their own sales. In more recent years, the function of the Reserves in supplying labour to the mines has been taken over by the neighbouring African countries, from which flows a constant stream of new migrant workers. These countries also provide a market for industrial capital's goods and surplus-capital. There is therefore great importance to be attached to African liberation movements in the surrounding countries, since if the gold-mines are suddenly deprived of this special labour-supply, and industry of its markets, South African capitalism would be in severe trouble. This is not to say that it would not anyway soon face difficulties because of the falling rate of profit, even if the labour-supply is not cut off in this way.

Williams' argument obviously hinges on his analysis of the tendency towards a constant rather than rising organic composition of capital in the gold-mining industry. Indeed, he would imply a falling organic composition by his statement that as much labour is packed into as little gold as possible (if we are to understand living labour). But his reasons do not substantiate this statement. Competition for markets has little or nothing to do with the equalisation of rates of profit, which is in fact brought about by the mobility of capital for investment purposes, moving into branches where profit rates are higher than the average, and out of those in which it is lower. How profit or surplus-value is disposed of would seem to me to have little to do with this process. Anyway, even if he were right that gold is in some way a special case as regards inter-branch competition, he would still be wrong that for that reason gold-capitalists will not try to cheapen commodity gold by increasing productivity; because inter-branch competition is not relevant here, but rather competition between different gold-capitalists. Of course when put in this way, the 'cheapening of commodity gold' is seen more obviously than with other commodities to represent a fall in the rate of profit, but we must remember that this 'cheapening' process will never be undertaken unless the absolute mass of profits grows, that is, unless the increased volume more than compensates for the lower price of say, an ounce of gold. But anyway, the main point is that, given a 'fixed relative value of gold in terms of other commodities' (if we are to be pedantic and not talk about a 'price of gold'), it will pay any one gold-producer to introduce labour-saving machinery and produce more gold in the same time, since with the fixed 'relative value' he can then buy more of all other commodities than formerly with his product. It is only when all other gold producers follow suit that the rate of profit falls, and the only change becomes apparent as a larger quantity of gold exchanging against the same quantity of other commodities as formerly. So that we are not forced to accept the weird implications of Williams' theory, namely that gold-producers, who are after all in a sense the heart of the capitalist system, have turned all its laws on their head, and are relentlessly pursuing the lowest possible productivity - ("as much labour packed into as little gold as possible").

If this argument against Williams leaves the reader unconvinced, it would be as well to turn back to his own figures on the fall in the number of employees per 100,000 rands invested, over the decade from 1957-1967.[5] It will be seen that 'metals' experienced the highest fall - of around 50%, as opposed to 30% in manufacturing industry. Even the most convinced neo-Ricardian would find it difficult to deny that a change of this magnitude represents an increased organic composition of capital, and it would seem to me obvious that gold-capital is being forced to modernise, perhaps because of increasing world competition in the production of gold, or because home-produced machinery is for the first time making it profitable to do so.

Without more data then, it is difficult to tell whether the increasing migrant labour-force from other countries actually represents a large increase of labour employed in gold-mining, or merely a replacement of former South African labour. At any rate, Williams' figures tell us that if there has been a substantial increase in labour-force this has been accompanied by a very much larger increase in capital employed per worker, since this ratio doubled over one decade.

Williams' argument that the gold industry does not suffer from the falling rate of profit would therefore seem to be without foundation. To take his last two ideas - he implicitly presents a counter-theory to Wolpe's of super-exploitation when he argues that gold capitalists can force wages down to a 'bare minimum' since their sales are never affected by workers' consuming power. Here we are back at underconsumptionism again. But no capitalist anywhere is ever worried about his workers' consuming power because of his own sales; he is worried (if he is worried at all) about his workforce's ability to reproduce itself. The latter is in fact typically a worry for the state, representing capital as a whole, rather than one for individual capitalists. As long as the workforce is reproduced, capital as a whole, as well as individual capitals, can only gain by pushing down wages, since more surplus-value is thus released for accumulation or for capitalist consumption. Wolpe's theory of super-exploitation would seem to me to be theoretically and empirically much more useful than this refuge in underconsumptionism. If Williams were right, we should of course have to accept the same conclusions for wages in the luxury goods industries, which would, I imagine, be far less palatable.

Williams' last point, about the increase in migrant labour-force has been partially dealt with above. I would merely note here that he provides no explanation for this increased flow, apart from his theory of the constant organic composition in gold production. There is no suggestion of why thousands of people in these countries should be willing to go and sweat in the South African gold-mines, apart from the fact that South African capital want them. This is not surprising since Williams is determined that nothing but capitalist contradictions can provide a clue to the dynamic of southern Africa. He therefore leaves out any analysis of what effect the expansion of South African capital is having on the economic formations that surround it. The level of capitalist accumulation is left as the sole determinant of the labour supply as well as its demand. This leaves me, for one, unconvinced. Why now, rather than 100 years ago?

To put forward a counter-theory - I would argue that it is precisely the effect of South African capital's expansion into neighbouring countries which sets free (from land and other means of production) a labour-force prepared to walk hundreds of miles to work for miserable wages in the gold-mines. These people are forced to sell something to capitalism, since capital is now the sole producer of use-values they were formerly able to obtain from within the non-capitalist formation. Since agricultural productivity is in general far too backward to be able to compete on the market with capitalist agriculture, which, as Williams says, is undoubtedly burgeoning in South Africa, they are left with their one inalienable possession - their labour-power. The physical proximity of South Africa to its areas of expansion is what enables it to send its workers home every season and prevent them from bringing their families with them. England finds this process much more difficult with its immigrant populations. South Africa's policy obviously depends on its ability to stop the workforce organising.

[1]Michael Williams, 'An Analysis of South African Capitalism - Neo-Ricardianism or Marxism', BCSE, Vol. IV, No. 1, Feb. 1975.

[2]H. Wolpe, 'Capitalism and Cheap Labour Power in South Africa: from Segregation to Apartheid', Economy and Society, Vol. I, No. 4, 1972.

[3]Williams, op. cit., p. 22. [4]Williams, op. cit., p. 23. [5]Williams, op. cit., p.12.

ERRATUM - BULLETIN No. 14.

The following paragraphs were inexplicably lost from the end of Barbara Bradby's note in Bulletin No. 14 (October 1976), entitled "The Value of Gold. A Note on Michael Williams' Economics". It actually ended in mid-paragraph and should carry straight on.

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Its ruthlessness in the class struggle is dependent precisely on the existence of this huge 'reserve army', available in all the surrounding countries and continually being increased by its own expansion. This is the real reason why South African capital does not have to worry about the reproduction of its workforce. The effect of the labour supply's being cut off would undoubtedly be serious for South African capital, but not for the reasons given by Williams.

Gold is a commodity like any other in that it incorporates labour-time in the form of exchange-value and its production is subject to the law of value. It is not like any other in that it is not in itself a use-value for others. It becomes this through generalised commodity exchange, which means that it is directly convertible into any use-value at all. This is the quality that gives its producers such an advantage. But if gold is unique in that it can be exchanged directly for other commodities without first being transformed into money precisely because it is money, this does not mean that gold surplus-value is exchanged directly without being transformed into profit. This qualitative change from surplus-value into profit, has absolutely nothing to do with sales and how profit is disposed of. The idea of surplus-value being sold directly under the capitalist system would in any case seem to me non-sensical. In this system it can only be perceived as profit.

To think of gold as an exception because it does not have to be transformed into money in order to be realised is in fact just another form of underconsumptionism, which is mystified by the money-form and fails to see the real exchanges of value that take place. When we look at gold production and the circuits of capital therein, we can indeed see certain aspects of capitalist production laid bare, precisely because this mystifying effect of the transformation of commodities into money is absent.

An analysis of changes in methods of produciton, in the quantity, quality and stability of the workforce, in costs of production and the pattern of accumulation in the gold-mining industry would be of great interest not only for an understanding of the capitalist dynamic in South Africa, but also as a start towards analysing the world monetary system. There can be no short cut by finding some special characteristic of the Commodity gold which allows it to disobey all the laws of capitalist development. Gold is special, but not because its production does not follow the same laws as any other capitalist commodity.

ON 'CLASSES IN CONTEMPORARY CAPITALISM'
Nicos Poulantzas (NLB 1975)

Review Article - Allin Cottrell

This book is a compilation of essays bearing on some important problems in the Marxist theory of contemporary capitalism - the internationalisation of capital, the state, contradictions among the bourgeoisie, the delimitation of the working class and the question of the 'new petty bourgeoisie". These are all questions which must be resolved within Marxist theory before it is possible to construct a scientific communist programme and, seeing them in this light, Poulantzas doesn't shy away from sustained criticism of the incursions of bourgeois ideology into Marxism which jeopardise this work. He is attempting to clear the ground for a more systematic treatment of the problems, and the specific arguments he formulates are 'in the end, but propositions put forward for discussion and rectification'.[1]

While I would disagree with a number of Poulantzas' positions, I think it well worth entering a discussion on the basis of his arguments, because his general problematic is a fruitful one. 'Capital' was a critique of Political Economy rather than merely an exercise in it, because Marx sought to interrogate economic forms and to bring to light their social content (basically in terms of class relations). Poulantzas emphasises this distinguishing feature of Marxist analysis - imperialism is to be treated, not at the level of the 'market' but at the level of the export of social relations; the state is to be grasped not as an entity possessing its own quantum of 'power', but as the crystallisation of a balance of class forces; the division of labour within the enterprise is not an intrinsic result of 'organisation' but represents the articulation of capitalist relations of production onto the labour process.

One can accept these terms of argument without necessarily subscribing to all of Poulantzas' propositions. But let us have a closer look at some of his arguments.

THE INTERNATIONALISATION OF CAPITAL AND THE NATION STATE

On this issue Poulantzas attempts to steer a middle course between the Scylla of 'ultra-imperialism' (in this context the theory of the relative pacification and integration of the imperialist metropolises under the uncontested dominance of American capital) and the charybdis of the 'Europe vs. America' position (the conception of contemporary inter-imperialist competition as essentially similar to that of the phase of Britain's world dominance, i.e. competition between the hegemonic imperialism and autonomous 'counter-imperialisms'). He begins to tackle this problem by drawing up a 'periodisation of imperialism'. In the sphere of the relations between the imperialist metropolises and the dominated social formations the present phase of imperialism is characterised by an important modification.

> "The CMP (Capitalist Mode of Production) no longer just dominates these formations from the 'outside' by reproducing the relation of dependence, but rather establishes its dominance directly within them; the metropolitan mode of production reproduces itself, in a specific form, within the dominated and dependent formations themselves".[2]

So far the argument is uncontroversial, but what is specific to Poulantzas' position is the way he carries this point over to the analysis of the relations of the metropolises among themselves. Just as the metropolitan mode of production is now reproduced within the dependent social formations, so, he argues, are the relations of production characteristic of the dominant imperialism reproduced within the other metropolises. So that the contemporary hegemony of the United States 'is not in fact analogous to that of one metropolis over others in the previous phases, and it does not differ from this in a merely 'quantitative' way. Rather it has been achieved by establishing relations of production characteristic of American monopoly capitalism within the other metropolises, and by the reproduction within these of this new relation of dependence'.[3]

This conception of the 'induced reproduction' of the dominant imperialism within the other metropolises is central to Poulantzas' analysis, and he backs it up with a scrupulous attention to the empirical indices of the process, going beyond the potentially misleading trade statistics to examine the specific forms of investment of US capital in Europe (now predominantly direct rather than in portfolio form; concentrated in manufacture; closely linked with the concentration and centralisation of capital; concentrated in the most rapidly expanding branches of production). He bases his argument on the Marxist proposition of the primacy of the cycle of productive capital and gives the main emphasis to the export of capital, and thus the 'export' of capitalist social relations, rather than the export of commodities.

But Poulantzas isn't led to square the relations between US imperialism and Europe with the relations between the metropolises and the dominated formations. It is this kind of equation, he argues, which characterises the theories of ultra-imperialism. In fact the European metropolises 'continue to constitute independent centres of capital accumulation, and themselves to dominate the dependent formations".[4] This is manifest in the struggle between American imperialism and the EEC over 'preferential agreements' between the EEC and various third world countries. On the face of it, this 'qualification' may not seem to square with the thesis of 'induced reproduction' and US hegemony but for Poulantzas 'hegemony' and 'concentration' do not abolish contradictions. He is surely correct in saying that the concentration and interpenetration of capital 'has nothing friendly about it, but depends on a balance of forces; contradictions and competition continue between the components of a concentrated capital'.[5]

Poulantzas presents a perspective of the internationalisation of capital taking place under the decisive domination of American capital, and bringing important changes in the nature of inter-imperialist competition. What does he take to be the cause and basis of this process? Contrary to the Mandel tendency which assigns the primary place to the international socialisation of the productive forces following the third technological revolution, Poulantzas argues from the level of the relations of production, particularly from the need of the bourgeoisie to develop the intensive exploitation of labour (relative surplus value) in the face of the tendency for the rate of profit to fall. He sees the international socialisation of the productive forces not as the prime mover, but as the <u>effect</u> on the labour process of the relations of production.

> "The changes that we are concerned with here, involving the dominance of American capital over that of the other metropolises, tend essentially towards one single goal: towards raising the rate of exploitation, so as to counteract the tendency for the rate of profit to fall. This in particular is the underlying reason why the reproduction of the dominant capital has become internalised within the 'external' bases of exploitation themselves...".[6]

For Poulantzas, the material means by which this search for relative surplus value is effected involve a new form of the imperialist social division of labour - a new form which relates particularly to the international division of labour between the United States and Europe, and the reproduction of forms of social division of labour characteristic of American monopoly capital within European industry, which serve 'to strengthen the hold of American capital over the entire labour process'.[7] This line of argument has various critical consequences. In the first place, it leads Poulantzas to reject the conception of Baran and Sweezy of the United States as the model for the future development of the European economies. In particular, the 'expansion of the tertiary sector' in the United States can be seen as related to an overall division of labour in which the States holds the place of the 'world's administrative centre'.[8] So that the fact that this process is less advanced in Europe cannot be attributed to a mere 'delay' with respect to the US.

Secondly, the conception of the induced reproduction of American imperialism within the European metropolises as being due to the drive to extract relative surplus value under the most favourable circumstances provides the principles of an answer to a significant criticism which has been levelled at Poulantzas. J.M. Vincent (Critiques de l'Economic Politique No.19) and subsequently John Holloway (CSE Bulletin No.13) have argued that while Poulantzas may be correct to bring out the importance of the activities of US capital in Europe, he doesn't pay sufficient attention to the state of the US domestic economy and this leads him to over-estimate the solidity of US hegemony. As John Holloway puts it: "Can one really argue that the decline of the US economy tells us nothing about the health of US capital when, after all, most of the capital of even the most multinational American companies is still invested in the US?"

Firstly, Poulantzas does not equate the hegemony of US capital within the company of imperialist capitals with its 'health' in relation to the principal contradiction (bourgeoisie/proletariat). In fact, although he urges caution against the economistic misuse of the term 'crisis' to refer to a whole phase rather than a specific conjuncture of the class struggle, he goes on to argue that capital as a whole may be verging on a crisis of hegemony over the working classes. But secondly - and this point is more relevant to the preceding argument - he sees the reproduction of American capital within the European economies as precisely a response to the fact that the conditions for the extraction of relative surplus value are in some ways more favourable in Europe. The dominance of US capital is not based, in the present period, on the internal strength of the US economy, but on the fact that Europe provides a fruitful field for the application of the forms of division of labour and the technological capacity developed by American monopoly capital. And furthermore, in their own search for surplus value European capitals are forced to copy the techniques of US capital; to subcontract to, or merge with (under the dominance of) American firms; and thus basically to acquiesce in US hegemony. Again, this does not mean that inter-imperialist contradictions disappear. As John Holloway says in relation to state policy with respect to the national economy: "...There is surely a sense in which the state is interested not only in the welfare of its national economy but specifically in the welfare of its national capital". But the relations of dependence of European capitals on US capital reproduced within the European economies mean that the interests of these national capitals are bound up with the interests of the dominant capital. Thus US hegemony is assured and inter-imperialist contradictions cannot be considered as competition between autonomous imperialisms.

This is an oversimplification of the case but I would maintain that Poulantzas doesn't dismiss the problem of 'national economies' with their different possibilities for accumulation - rather he attempts to incorporate it in his explanation of the outward thrust of US capital. It remains true, however, that although Poulantzas indicates the problems here, he doesn't adequately theorise the determinants of the general rate of profit in any 'national economy' (the effects of differential organic composition of capital, the availability of 'latent reserve armies', differential wage rates) and thus his arguments on the international movements of capital, interesting as they are, stand in need of a more rigorous proof.

THE BOURGEOISIES AND THE STATE

In the second essay Poulantzas addresses himself to the problems of the contradictions within the bourgeoisie and the relations between the bourgeoisie and the state. We can discuss some of his more important propositions under the headings of (i) the 'relative autonomy' of the capitalist state (ii) the question of the'dominance of the political' in the present phase of monopoly capitalism.

(i) Relative autonomy: the thesis of the relative autonomy of the capitalist state stands in opposition to the 'state-monopoly capitalist' thesis of the'fusion of the state and the monopolies into a single mechanism'. According to this latter thesis the 'handful of big monopolists' constitute a homogenous and unified category which is able to manipulate the state according to its unified will. This view entails revisionist political consequences - if the state is merely an instrument then it can be used by whoever can lay hands on it. At present it is the tool of the monopolists but, wrested from their grasp, it could be used by the working class for its own purposes. The Marxist thesis of the necessity of smashing the state apparatuses drops into obscurity.

Poulantzas argues, against this view, that the hegemony of monopoly capital within the ruling class power bloc does not mean an end to the contradictions between the different fractions of capital (industrial/commercial, monopoly/non-monopoly) or even between capitals within the hegemonic fraction. Given the contradictions which continue to divide capital, the relative autonomy of the state is simply 'the expression of the state's role in the political cohesion of monopoly capital and the organisation of its hegemony'.[9] Monopoly capital is not unified in the abstract - its coherence in the face of the principal contradiction (bourgeoisie/proletariat) and its hegemony within the power bloc can only be organised through a state which preserves a 'relative autonomy' from the particular interests of any capital or fraction of capital. But some caution is required here:

> "It should be understood of course that this relative autonomy cannot be taken in the sense of the state being the arbiter of inter-monopoly contradictions, nor the locus of a coherent and rational policy external to monopoly capital".
> "The state does not have its own 'power', but it forms the contradictory locus of condensation for the balance of forces that divides even the dominant class itself, and particularly its hegemonic fraction-monopoly capital".[10]

Relative autonomy does not mean that the state is in any way independent of classes, or a 'sovereign subject'. But equally the state is not a 'manipulable object' - rather it is the condensation of a balance of class forces.

(ii) The dominance of the political: this is a controversial thesis. John Holloway (CSEB 13) sees in it an indication that 'Poulantzas, like Kirsanov (an exponent of 'state-monopoly capitalism'), over-estimates the possibility of political control of the economy and underestimates the continuing importance of the contradictions of capitalist commodity production as the basis of social development'.

In fact, as I have indicated, Poulantzas attacks the idea that the state could produce a coherent and rational policy external to the contradiction of capital. What, then, is the meaning of the thesis of the dominance of the political? In the first place Poulantzas attacks the idea of the accumulation of capital as a purely 'economic' process: 'the extended reproduction of capital is nothing other than the class struggle...'.[11] So that to say that state policy is subject to the necessity for the accumulation of capital (as John Holloway quite correctly does) does not necessarily mean that the 'political' is under the dominance of the 'economic'. Poulantzas' argument is that in the present period of monopoly capitalism the state is forced to take over many decisive functions in relation to the accumulation of capital (the mobilisation of counter-tendencies to the tendency for the rate of profit to fall) and that this corresponds to the expansion of the domain of the political. Thus, it is not that the state has escaped the exigencies of the accumulation of capital - rather the 'space of capital's valorisation'[12] has expanded so that the state's functions are no longer restricted to the reproduction of the 'general conditions' of production; the state takes a decisive part in the expanded process of the extended reproduction of capital (scientific research and technological innovation, reproduction of labour power, industrial modernisation, public investments, the role of the state as a customer, etc.). The 'dominance of the political' refers to this decisive state intervention, which is conditioned by 'the very functioning of the economic relations of the CMP (the extended reproduction of capital)'.[13]

The sharp differentiation between the thesis of the 'dominance of the political' in Poulantzas and any conception of the state overcoming the contradictions of capitalism is emphasised in his discussion of crises:

> "If the contemporary state seems to have managed to regularise the 'wild' character of capitalist economic crises, at least to a certain extent (though this has nothing in common with the myth of an 'organised capitalism'), it has done this by way of an apparently paradoxical route: it has only managed it at the cost of directly transforming economic crises into crises of the superstructures of the state including its ideological apparatuses. One reason for this, among others, is that the state, by directly taking charge of the extended reproduction of capital and regularising the economic crises, has itself assumed certain of the functions fulfilled by these 'crises': the decrease in value of certain sections of capital, together with the inflation and unemployment directly orchestrated by the state (i.e. structural or rampant inflation)".[14]

The state has not obviated crises, and in intervening to 'regulate' these crises the state must 'take in hand the organic functions that these crises play in the extended reproduction of capital'.[15]

To sum up this discussion, it seems to me to be wrong to add up 'relative autonomy' and the 'dominance of the political' on the one hand and counterpose these conceptions to the 'increasing subjection of the state to the exigencies of promoting the self-expansion of capital' (John Holloway, op.cit.). The 'dominance of the political' expresses the decisive role of the state precisely in promoting the self-expansion of capital - a process which is by no means purely 'economic'. And Poulantzas recognises (p.168) that this role of the state, connected with the overwhelming hegemony of monopoly capital, limits the space of the play of the state's relative autonomy. It also involves an important political point - in the present period every economic struggle tends to come up against various functions and apparatuses of the state, so that the relations between economic and political class struggle are transformed.

THE MIDDLE "CLASSES"

In the third section of the book, Poulantzas deals with an important complex of problems: how is the working class to be delimited? What is the class determination of those agents who are not strictly speaking proletarian or bourgeois? Among these latter what are the significant lines of division into strata and fractions? He sums these up as the 'question of the petty bourgeoisie'. We shall see that this formulation is open to question, but he is surely correct in assessing the significance of the problem: 'This question is certainly a crucial aspect of the Marxist theory of social classes. It has now assumed a decisive importance, both in the imperialist and in the dominated social formations; it was on this question, among others, that, as we now know, the socialist development in Chile came to grief'.[16]

The manner in which this problem is resolved theoretically must have an important bearing on political strategy in the realm of class alliances:

> "There can be no doubt that certain of the wage-earning groupings outside of the proletariat form part of the people. But recognition of their class membership, which differentiates them from the working class, is nevertheless essential in order to establish a correct basis for the popular alliance, under the leadership and hegemony of the working class".[17]

Poulantzas proposes a solution to the problem which has the advantages of extreme neatness, and of 'bending the stick' away from the simplicities and wishful thinking of a good deal of Marxist writing on the subject. It is, however, by no means watertight, and I shall return to some serious criticisms. The skeleton of Poulantzas' argument is as follows:

(i) Productive labour is a necessary condition for membership of the working class, since for Marxism 'productive labour' in the CMP designates the place of exploited labour within capitalist relations of production. Only workers who produce surplus value are exploited in the strict sense and thus they are the only candidates for membership of the proletariat proper.

(ii) On the other hand productive labour is not a sufficient condition for membership of the working class. The category of productive workers becomes extended, with the development of the 'collective labourer', to include those supervisors, low-level managers, engineers, technicians, draughtsmen, etc., whose labour forms a necessary part of the total 'productive organism' within capitalist machine industry. But not all of these agents are members of the working class. This is because the 'collective labourer' is not a 'neutral' outgrowth of the 'development of the productive forces', based on a 'technical' division of labour - rather it carries within it the specifically capitalist social division of labour; it reproduces the capitalist division of mental and manual labour which forms the basis of a class division. This division of mental and manual labour cannot be understood in terms of general descriptive criteria ('handwork' vs. 'brainwork') but should be grasped as 'the form taken by the political and ideological conditions of the (production) process within the process itself".[18] Basing his argument on Marx's treatment of the collective labourer in Capital, Vol.I, Poulantzas maintains:

> "(a) that the supports of mental labour tend to become part of the productive collective worker, but that (b) at the same time, and even for the same reasons (capitalist socialisation), mental labour separates off from manual labour in an 'antagonistic contradiction'".[19]

(iii) Thus Poulantzas argues that the supports of 'mental labour' within the collective labourer do not form part of the working class. We might accept this conclusion without subscribing to the rest of his argument. To cut a long story short, he extends the mental/manual division beyond the domain of productive labour and argues that almost all labour which is not productive and manual must be counted as 'mental labour'. Thus he assimilates within this category (i) all unproductive wage labour including state employees and employees of commercial capital (ii) all productive labour situated on the mental side of the division between manual and mental labour.

(iv) Having delimited the working class by the intersection of manual and productive labour, Poulantzas delimits the bourgeoisie proper by reference to 'real economic ownership' - that is the power to assign the means of production to given uses and to dispose of the products obtained. He then argues that all wage labour which does not fall into these categories should be considered as forming a 'new petty bourgeoisie'. Obviously the economic situation of such agents (wage-labour) is very different from the economic situation of the 'traditional petty bourgeoisie' of Marxist theory (independent artisanal production, small scale trading) but Poulantzas argues that the 'structural determination' of social classes includes political and ideological, as well as economic, determinants. So that if seemingly disparate economic positions in fact produce similar effects at the political and ideological levels, the agents occupying those positions must be considered as members of the same social class.

Here the argument becomes rather sketchy and generalised - the 'atomisation' involved in the bureaucratic organisation of mental labour produces 'petty bourgeois individualism', and the opportunities for promotion within the hierarchy of mental labour produce ideas of personal advancement rather than class solidarity. These points are correct but they are extremely general and in the face of the extreme diversity of the categories of agents who are to be consigned to the 'petty bourgeoisie' (from the traditional artisan to the lowest paid commercial worker, to, say, a professor) they seem to provide inadequate support. In fact the main weight of the argument seems to be borne by the negative criterion-membership of neither the working class nor the bourgeoisie. To be sure, this is more than a 'merely negative' criterion for in Marxist theory no 'intermediate' class can, in the long run, have an autonomous, political position. All such classes will be subject to a polarisation between the fundamental classes, and this is an important common characteristic. Nevertheless, Poulantzas seems to be operating an unwarranted extension of the concept of the 'petty bourgeoisie' in assigning a terminological unity to all categories of agents subject to polarisation.

But let us step back a bit and put these arguments in their context. A good deal of the critical intention behind these formulations of Poulantzas is well founded. In the first place he is concerned to refute simplistic two-class analyses of present day capitalism. He attacks the idea of the working class as 'the wage-earning class' - a formulation based on the mode of distribution rather than the relations of production. This view glosses over conflicts of interest among categories of wage earners with very different positions vis-a-vis capital and productive labour, and opens the way to untheorised and unprincipled alliances along the lines of the 'anti-monopoly' alliance of the Western CPS. He also attacks the functionalist view which would put all wage workers performing 'functions of capital' into the bourgeoisie - this fails to take account of the fact that the majority of these workers are excluded from the place of economic ownership of the means of production - if they are not proletarian, they are not to be lumped in with the bourgeoisie proper.

If we accept these arguments it appears that there is a substantial category of wage earners who are neither proletarian nor bourgeois. Poulantzas' wish to assign them to a 'new petty bourgeoisie' may be traced to the attempt to avoid certain prevalent non-Marxist conceptions. First, there is the CP conception of 'intermediate strata' without a specific class membership. Poulantzas is quite correct to emphasise that within Marxist theory 'strata' are always strata of a class - apart from the case of the declassed agents of the turnpen proletariat. But clearly the 'new middle classes' are not merely 'declassed agents' along these lines. The problems of their class determination cannot simply be dismissed. On the other hand, there is the Galbraith-style technocratic argument which conceives the 'new middle class' as a third force which is capable of carrying through a rational re-organisation of capitalism. This is an argument based on the appearances of the post-war boom, and it now looks rather threadbare. In fact Poulantzas produces a closely argued critique for all these conceptions, but it seems to me that there is one option for Marxist theory to which he doesn't devote sufficient attention. Surely one cannot argue that it is a priori impossible for the development of capitalism to give rise to the development of a new class. Provided one doesn't entertain any illusions about a new class dissolving the class struggle and 'rationalising' capitalism, such a hypothesis might be fruitful in analysing the divisions within the wage-earning population.

In order to develop this point it will be necessary to look more closely at the content of the argument over the delimitation of the working class. Poulantzas can be criticised on this score for (a) producing too narrow a definition of the working class by basing it on productive labour. On the first point, Poulantzas starts off with the traditional Marxist definition of productive labour, i.e. labour which directly expands capital value, which creates surplus value. But then he makes an 'addition' to the definition which does not seem justified:

> "We shall say that productive labour, in the capitalist mode of production, is labour that produces surplus value while directly reproducing the material elements that serve as the substratum of the relation of exploitation: labour that is directly involved in material production by producing use-values that increase material wealth."[20]

In Marx's conception productive labour is defined not by its material content but by the social relations within which it is carried out. True, to be productive of surplus value, labour must produce use-values, but as Marx warns us in a criticism of Adam Smith this 'materialisation of labour in a use-value' must not be taken in too 'Scottish' a sense. Thus the labour of transport which does not augment the physical store of wealth, is nonetheless productive if it is carried out within capitalist relations of exploitation. Similarly, with the 'services' of a singer, a teacher, or a doctor. If these workers are hired by a capitalist in order to expand the value of his capital, then they are productive workers. The common cycle of money-capital is condensed in the formula: M-C...P...C'-M', but Marx specifically produces the alternative formula M-C...P-M' to indicate that in some cases productive labour may not be materialised in any commodity or 'unit of material wealth' which is separate from the production process. In such cases the use-value is consumed during the act of its production (a bus run, a concert, etc.). Poulantzas' 'addition' is in fact a confusion, and it leads to the unwarranted exclusion of workers within capitalist 'service industries' from the ranks of productive labour.

To return to point (b) above it seems to me that Poulantzas is not only mistaken in his conception of productive labour, but also in the conception that one can use productive labour as a necessary condition of membership of the working class. In Marx the opposition of productive and unproductive labour is used to differentiate those workers who create surplus value from (a) those workers whose labour is enjoyed merely for its use value, rather than for the expansion of capital (the paradigm case being domestic service); (b) those workers employed by capital in the process of realisation of surplus value, in the realm of circulation, who have no part in the twofold process-production of use-values/value, and (c) those workers employed by the state to maintain the general conditions of the accumulation of capital (administration of government, production and dissemination of ideology, repression/training/maintenance of labour power) without directly producing surplus value themselves. It can be seen that 'unproductive labour' covers a number of categories of workers with heterogeneous positions in the overall social division of labour. It is not the concept of a social class, but a concept used to group certain workers who have a common position in relation to the rate of profit[21] - that is, their wages constitute a deduction from the total surplus value, and hence bring about a reduction in the amount of surplus value available as profit. Among these workers there are some groups whose conditions of life and work are sufficiently similar to those of the 'manual' productive workers to warrant their inclusion in the working class. In particular I am thinking of low-level commercial workers (Marx sometimes refers to them as the 'commercial proletariat', and he notes the tendency for their 'privileges' to be eroded) manual workers employed by local government, and certain staff in the state welfare services, such as nurses and hospital porters. If these workers are not directly exploited by productive capital they are nonetheless subordinated to commercial capital (the 'commercial proletariat') or to the rough end of the division of labour within the state apparatuses. It seems highly formalistic to exclude them from the working class on the grounds that their labour is not productive of surplus value.

We must, however, retain what is correct in Poulantzas' analyses. Not all proletarians are productive workers, but the argument that not all productive workers are proletarians still stands. If Poulantzas over-extends the notion of mental labour to bolster up the definition of the 'new petty bourgeoisie',[22] he is still correct to emphasise the importance of the manual/mental division in distinguishing within the collective labourer between manual workers and those who exercise the 'delegated tasks of capital'. That is, although Poulantzas defines the working class too narrowly, the problem remains of the class membership of a substantial category of non-proletarian and non-bourgeois agents (very roughly, mental labour in the collective labourer and the upper reaches and more ideologically charged areas of the state apparatuses).

Here I make a brief return to the 'new class' hypothesis. It seems unhelpful to put all of these agents into the petty bourgeoisie. Poulantzas underestimates

The degree to which the very different economic positions of the 'traditional petty bourgeois' and the non-proletarian wage earner will be manifest at the level of political and ideological effects. For instance, independent artisanal production or petty trading will surely give rise to an ideology of 'free enterprise', opposition to big monopolies and opposition to state expenditure and interference. On the other hand the categories of non-proletarian wage earners indicated above depend precisely on monopoly capital and the state apparatuses for their employment and their privileges. I don't have the space to develop the concept of this latter class of wage-earners, but it is a start to give them a name - let me suggest that the term 'petty bourgeoisie' be reserved for the traditional petty bourgeoisie of small scale production and trading, and the term 'salariat' be used to designate the non-proletarian wage earners dependent on monopoly capital and the state apparatuses.

In lieu of a conclusion

Obviously the questions discussed here are still very much open problems for Marxist theory - Poulantzas doesn't offer any definitive solutions. So this is not a review of a finished work. Hopefully, it is an introduction to the debate which Poulantzas has attempted to structure and clarify, on the ensemble of the social relations in the metropolitan capitalist countries in their dependence on the relations of production. I would refer the readers to Nos. 19 and 21 of 'Critiques de L'Economie Politique' in which J.M. Vincent and Colliot-Thelene contribute to this debate.

REFERENCES

[2] Poulantzas, p. 46.

[3] Poulantzas, p. 47.

[4] Poulantzas, p. 47.

[5] Poulantzas, p. 60.

[6] Poulantzas, p. 62.

[7] Poulantzas, p. 66.

[8] Poulantzas, p. 84.

[9] Poulantzas, p. 158.

[10] Poulantzas, pp. 158-9.

[11] Poulantzas, p. 107.

[12] Poulantzas, p. 101.

[13] Poulantzas, p. 102.

[14] Poulantzas, p. 171.

[15] Poulantzas, p. 172 fn.

[16] Poulantzas, p. 193.

[17] Poulantzas, p. 204.

[18] Poulantzas, p. 235.

[19] Poulantzas, p. 233.

[20] Poulantzas, p. 216. Emphasis in the original.

[21] This conception is well argued by Berthond in 'Travail Productif et Productivitie du Travail Chez Marx' (Maspero, 1974).

[22] On this point see Colliot Thelene in 'Cutiques de l'Economie Politique No. 21.

B.R.10

POLITICAL UNDERCURRENTS IN SOVIET ECONOMIC DEBATES
Moshe Lewin (Pluto Press, London 1975)

Reviewed by
Simon Mohun

There is no doubt that one of the most important problems facing Marxists today is an adequate characterization of the Soviet mode of production, or, equivalently, an adequate analysis of the class nature of the Soviet state. In few other areas has the historical legacy of Stalinism so conflated analysis with apologetics that such little progress has been made in the last forty years or so; further, all too often Marxists have analysed the USSR in ways whose limitations they themselves would recognise were they to apply those same types of analyses to the capitalist countries of the West. It is in the attempt to locate the specificity of this theoretical absence that one turns to Moshe Lewin's latest book.

Lewin's book is not a Marxist analysis; indeed he asserts that "no theory, Western or any other, has commanded the necessary grasp of the complexities of modern social and economic systems to offer the Soviets authoritative advice on the whole range of problems they face" (p171). Nevertheless, his book is in the same mould as his earlier ones - a useful and comprehensive survey of a particular theme in such a way as to provide valuable though partial insights into the nature of Soviet society.

Indeed, this book covers an enormous amount of ground. Its theme, insofar as just one can be identified, is the analysis of Bukharins' ideas both in their historical context of the 1920s and as a prognosis of what is required today. But the scope of the book is much wider. The first part concentrates on the historical record, with a sketch of Bukharin's life followed by a brief contrast between the ideas of left and right in the 1920s debates. Out of these are developed four themes of Bukharin's thought which are continued through the book as both a negative indictment of Stalinist planning and a positive set of reform proposals. Those themes are the distrust of state power and administrative bureaucratic domination reinforced by monopolistic enterprise behaviour; the interpretation of social and economic systems in terms of a dynamic equilibrium, disturbed during revolutionary transition, and restored during normalization when planned development is possible (a planning involving balanced growth and proportionality); the peasantry as neither socialist nor capitalist; and, on the basis of this optimism in the peasantry, a strong commitment to NEP forms and market mechanisms. Following an elaboration of these themes and an attempt to show the convergence of left and right thinking around 1930 in the face of Stalinist collectivisation, "War Communism", the NEP and the Stalinist centralized periods are developed as a sequence of distinct socio-political models.

The second part of Lewin's book develops an extended critique of the command economy, an economy both overplanned from above and underplanned from below. This critique is a familiar one, showing how Soviet planning imposes its own anarchy upon its producing and consuming units. Thus, on Soviet figures (cited pp154-5), Soviet productivity of labour in industry is only one half that of American, and one fifth of American in agriculture; 27 per cent of gross capital investments in material production are used to repair machinery within the plant; one third of all metal cutting machine tools are in repair shops; a quarter of total working time lost is because of supply deficiencies. Examples are numerous and motivate Lewin's subsequent discussion of the reform debates, oriented particularly on the different conceptions of prices, markets and value. The challenge to existing political institutions implicit in some of the reform proposals is outlined, and following from this, broader perspectives for change are constructed out of the reforms proposed (mainly) by economists.

The last third of the book then adopts a more sociological perspective, partly as an attempt to supply "some more of the links that are missing in the debate because of the political constraints to which Soviet scholars are submitted." (p.249). The analysis is in two parts; the first examines the network of controls which the Party had to build in order to impose its will, controls which shaped both Party and State, transformed the economy through industrialization, and thereby created an entirely new social structure to which such controls are entirely inappropriate; and the second examines Party organization from the perspective of the rank and file, and the lower apparatchiki. The book then concludes by presenting the thesis that the historical debate of the 1920s is in fact part of present politics, and the final chapter gives a socio-political summary of the present state of the USSR together with the forces making for change.

Everyone will have his own criticisms to make in a book of this scope. For this reviewer, the discussion of 'socialism in one country' is inadequate and the consequences of Bukharin's position hardly drawn at all. The discussion of the debates of the 1920s obscures the fundamental class issues involved. Moreover, the position of Stalinism and the left opposition are in danger of implicit identification in view of the major confrontation in the book between Bukharin's ideas and Stalinist reality. Further, the lack of a Marxist approach is particularly apparent in the discussion of the rôle of the law of value in its relation to market mechanisms and private sectors; that "market categories are not alien to socialism but inherent to it" (p140) requires more elaboration than its mere statement as a conclusion of the reform debates of the 1960s.

From what has been said, it is clear that this is a stimulating book which deserves a wide readership. For a Marxist, though, its adequacy as a complete explanation has severe limitations. Does this book more closely approach an adequate analysis of the Soviet mode of production? Regretfully the answer, must be in the negative. Modes of production are differentiated solely on the basis of the different ways in which surplus labour is extracted from the producer, on the basis of the mode of appropriation of the surplus product. It is the economic form of exploitation which is crucial; however repressive the political and ideological conditions, these latter only permit and support the existence of exploitation - they are not exploitation itself. Further, the juridical form of property relations is clearly distinguishable from the real economic form. Thus the class character of the state cannot be defined in terms of its repressive apparatuses; to characterize the Soviet state is rather to characterize the economically dominant class represented within it. It is here that the problems of analysis really begin.

SMITH, RICARDO, MARX: — Reviewed by
Claudio Napoleoni (Basil Blackwell 1975) — Sue Himmelweit

Bourgeois economic theory is by definition ahistorical. Capitalism to it is a non-historic phenomenon. Yet modern bourgeois theory in calling for state intervention to cure overproduction, control income distribution and interfere in production negates this fundamental principle.

This is one of the points that Claudio Napoleoni makes most forcefully in the introductory essay to his recent book 'Smith, Ricardo, Marx'. He goes on in this first essay to describe the 'crisis state' of bourgeois theory. This crisis state has both objective and formal causes. The objective conditions take and have taken many turns, pertaining to the past and current economic and social history of capitalism. All forms, however, reflect the inability of bourgeois thought to recognise the basic contradiction within capitalism, that between the producers and the social relationship in which they find themselves.

The exploration of this contradiction is a theme that runs through the book. In particular, in the last essay which investigates the genesis of Marx's category of abstract labour, Napoleoni argues that only labour that is no longer social labour in itself, and therefore can only become social through the exchange of its product, has the property of being abstract labour (or mere labour [Blosse Arbeit] as Marx calls it in the Grundrisse). This resolves the apparent inconsistency between certain passages where Marx deduces the category of abstract labour from exchange of the product alone, and others in which he derives abstract labour as a specific attribute of wage labour confronting capital. The labour of any producer who is in control of his own conditions of production is social in itself. It is only when the conditions of production become antagonistic to the producer, as capital develops and commodity production becomes generalized, that the process of exchange is needed to make individual labour social. At that point historically, abstract labour develops.

Thus it can be seen that the range of this book is large, much of it, unfortunately, made up of the gaps between the essays. They do not follow one from another but do have connecting threads. If one had to pull out one such thread it would lead through the categories for labour developed by the various writers; starting with Quesnay, through Smith and Ricardo to Marx.

To Napoleoni, Marxism was a 'positive and encompassing development' of Ricardian thought as against marginalism which was in direct opposition to its predecessor. He clearly locates modern neo-Ricardianism as an attempt to save bourgeois theory from its 'formal' crisis by returning to its (rejected) Ricardian roots, an attempt that is doomed to failure, unless it follows the positive development of Ricardo in Marx. Curiously, he does see neo-Ricardianism as having something to say to Marxists, though purely about the transformation problem, and this 'even though it eschews the concept of value as a substance and thereby all Marxian analysis and understanding of capitalism'.

He claims that the three areas in Marxian theory, in which work is most urgently needed are: the transformation problem, crisis theory and the relationship of Marxist thought to actual features of neo-capitalist society. On the last he is purely descriptive but he brings out interesting connections between the first two. The contradiction between value and value in exchange that is fundamental to the transformation problem, is just the contradiction between production and circulation that appears as realization crises. The contradiction between the tendency of capital to substitute dead for living labour as the only source of surplus value, which lies behind the falling rate of profit, is also the contradiction in which variable capital is only part of total capital, yet at the same time the means by which all capital acquires value, a contradiction at the very heart of value theory and the transformation problem.

I have concentrated in this review on those parts of the book that might most interest readers of the BCSE. There are also essays on the Physiocrats, Smith and Ricardo; locating each writer within the contemporary development of the mode of production. The essay on Smith also picks neatly at his philosophical forbears. At the end of the book, some readings are republished, two ar-icles by Quesnay, translated into English for the first time, part of Smith's Glasgow Lectures and two writings of Ricardo's, 'An Influence of a Low Price of Corn on the Profit of Stock' and 'Absolute Value and Exchangeable Value'.

The book is written in a style which is a delight to read; extremely concentrated, clear thought with not a sentence wasted. This may make its price of £5.00 for 198 pages seem slightly less exorbitant.

THEORY OF CAPITAL REPRODUCTION AND ACCUMULATION: Shinzaburo Koshimura (ed. Jese G. Schwartz D.P.G. Publishing Co., 97 Victoria Street Kitchener, Ontario)

Reviewed by David Evans

In the preface to the English edition, Professor Koshimura suggests that, although his book was first published 20 years ago, its contents were not out of date. Indeed, that is true, given the tremendous volume of recent literature on Marxian reproduction schemes and the related transformation problem in a wide range of journals and books.

The central concerns of the book are to introduce modern mathematics into the discussion of Marx's law of value and its relation to reproduction schemes, to elaborate the treatment of the transformation problem under expanded reproduction, and to incorporate the treatment of monopoly explicitly into the reproduction schemes.-

As the author rightly suggests, Marxian economists still hesitate to apply mathematics to such problems. For the student versed in modern linear algebra, the text is not difficult and contains useful numerical examples.

The introductory chapter sets out in a straightforward manner the essential elements of the Marxian theory of value. It provides good summary treatment of the quantitative aspects of the process of capitalist production, together with an excellent simple diagram showing the value, use-value and exchange value relationships. The remainder of the book is concerned with the elaboration of the process of capitalist production and reproduction in terms of the reproduction schemes.

The most striking thing about the remainder of the book is that the excellent schematic representation of the inter-connections between value, use-value and exchange value of the introductory chapter is not carried over to the reproduction schemes. By retaining Marx's method of transformation of values into prices (the transformation of value into price of production by simple redistribution of surplus value without simultaneously transforming inputs) Professor Koshimura's careful mathematics reveals the essential contradiction which this leads to under expanded reproduction. Thus in an appendix to chapter V added for the English edition on page 94, the cause of 'anomalies' in the use-value relationships are correctly identified as a 'contradiction due to not having transformed the values of our inputs'. How is it possible for serious Marxist scholars to defend this contradiction on the grounds that the solution represents a first approximation? Could it be that Professor Koshimura, although referring to literature as recent as October 1974, had not read the article by Wolfstetter (1973), in which the value, use-value and exchange value relationships within Marx's reproduction schemes are elaborated in detail?

In view of Koshimura's extensive criticism of authors who do transform inputs, beginning with Bortkiewicz and Sweezy, the citing of an unpublished paper by Anwar Shaikh which shows that Marx's solution to the transformation can be viewed as the first step of an iterative solution to the problem with inputs transformed, such an explanation is unlikely. Rather, as Koshimura puts it at the bottom of p.94, 'We do not agree on formal grounds with the Bortkiewicz solution'.

What are these formal grounds? For this we must turn to page 71, where it is said '...we maintain that an acceptable solution (to the transformation problem) must contain the essence of Marx's solution. Since with the latter the surplus value is merely redistributed, it follows that the value of the social product is equal to the price of production. Here we mean not the value of social product as measured in the quantity of labour that it embodies, but expressed in money...'

The internal contradiction in this written justification of using Marx's method is self-evident, for it is suggested that it is money values that are being equated on both sides of the equation, rather than the value (labour time) measure of social product and the price measure as is done in the mathematical equation.

It is ironic that a book written in the name of the rejection of economistic and vulgar political economy should founder on pure economism, the requirement that the quantitative measure of value should equal the quantitative measure of price. In view of Koshimura's failure to deal in his introduction with the other dimensions of Marx's value concept in his treatment of reproduction and accumulation - the reproduction of the social relationship of capital in the accumulation process - perhaps this is not surprising. There is no way in which such issues so central to Marxian political economy can be formally treated in terms of the quantitative representation of reproduction schemes, as Wolfstetter (1973)* amongst others makes so clear. It is but a caricature of Marx's method to pretend that the equation of total value and total price of production introduces the non-quantative dimensions of the value concept.

*In Economic Journal, Vol.83, No.331, Sept.1973

B.R.14

CAPITALISM IN CRISIS
A. Gamble & P. Walton (MacMillan 1976)

Reviewed by
Laurence Harris

The title of Gamble and Walton's (G&W) book should be interpreted broadly. It is not simply about the crisis in capitalist economies but equally about crisis in bourgeois economic theory. Large sections of the book consist of a review of the development of bourgeois economics, a review of debates in the Marxist theory of economic crisis, and a demonstration that the former cannot grasp the essence of capitalism's economic laws. The remainder of the book is concerned with a Marxist interpretation of capitalism's most recent economic crisis. This structure is in itself a considerable virtue of the book since one of the most significant aspects of Marxist economic theory is its ability to explain not only economic reality but also, on the basis of that, the existence of bourgeois economic ideology. Moreover, the ability of two authors who are not professional economists to undertake this task is worthy of admiration.

The question is whether the task (or the two tasks) is undertaken successfully. This can be treated as three questions: do G&W correctly analyse the crisis in economic theory; do they correctly analyse the crisis in the economy; and, do they correctly deduce from their Marxist analysis of the economy the nature of the crisis in bourgeois economic theory? I shall concentrate on the first two questions. The conclusion I come to is that, although G&W's book is valuable, it is marred by eclecticism. Eclecticism is a fault found in much of the work of Marxists, but to employ the concept as a tool of criticism it is necessary to give it some precision. In my use of the concept I consider a work <u>not</u> to be eclectic if it does the following. First, it must order concepts and theoretical propositions in a hierarchical system. A specific example of non-eclecticism is analysis which takes the sphere of production and the concepts specific to it as fundamental with the sphere of exchange being, in the last instance, determined by it. Related to this, but different from it, is the hierarchical order of concepts as being derived from them. Second, a non-eclectic work must follow through these hierarchical orderings rigorously and relentlessly. (I hasten to add, although it should not be necessary, that non-eclecticism does not guarantee the validity of an analysis.) Eclecticism, therefore, involves the neglect of one or other of these principles.

To employ such a rarefied concept in the criticism of G&W's book may appear at first sight to be playing academic games with a non-academic, popular book. This appearance is misleading, for G&W's work is, in fact, serious and theoretical despite being written in a language and style designed to make it comprehensible to a wide readership. This is one of its virtues.

In what sense is this book eclectic? It is <u>non</u>-eclectic insofar as it fulfils my first condition: its underlying theory is framed in terms of a hierarchical structure of concepts and propositions. Moreover, it is a correct hierarchy: it takes production as fundamental with exchange as secondary and it takes the concepts of the commodity and value as prior to the concepts of prices, profits etc. In reviewing the development of bourgeois and Marxist economic theory, this position is stated succinctly and with clarity. The contrast is drawn between this theoretical structure, the structure of bourgeois theories (neo-classical, monetarist, and Keynesian), and the structure of those Marxist theorists such as Baran and Sweezy who take the sphere of exchange as fundamental and develop underconsumptionist propositions. And the contrast is drawn well and with scrupulous honesty toward the writers who are criticised (perhaps too much so, so that Baran and Sweezy, for example come off relatively lightly). However, the book is marred by eclecticism because it does not rigorously follow through the implications of the underlying theoretical structure. As a result, one finds that <u>ad hoc</u> explanations of the economic crisis are introduced in places and that some incorrect evaluations of bourgeois theories are present. I begin by considering some of the <u>ad hoc</u> explanations and resulting contradictions in the analysis of crisis.

Central to G&W's theory is the concept of the state. If one starts from G&W's

correct position that economic crisis is a necessary feature of capitalist accumulation and that the essence of the capitalist state's economic role is the long-run maintenance of the conditions for accumulation, then it must be the case that the state tolerates the existence of crises. Bearing in mind the state's political and ideological roles where it must maintain the general social conditions for accumulation it is, of course, the case that the state may intervene to moderate crises or postpone them, but the extent to which this is possible is determined by the underlying economic forces. Although G&W clearly demonstrate that they understand such a conclusion is implied in their theory, they fail to apply it consistently. They argue in places that the capitalist states were committed 'to maintain full employment' (p.163) in the post war period; that the only course for governments is to avoid or postpone recession and slump by monetary expansion (p.173); and that the state 'manages demand in order to achieve full employment' (p.31). In making such statements G&W do not thereby become Keynesians although their style of writing permits quotations which by themselves would suggest a Keynesian view of the state. Instead, they argue that the 'full employment guarantor' role of the state gives rise to contradictions. In all this, they follow the view of the state developed by David Yaffe, although they differ over the nature of the resulting contradictions.

For G&W, the primary contradiction of the state's role is that its full-employment policies cause inflation, all of the solutions to which contain political dangers for capital (pp.31-33, 169). For Yaffe, on the other hand, the primary contradiction of the state is that in expanding public expenditure it reduces the proportion of surplus value available for accumulation. The error in both lines of argument is to consider the state's supposed commitment to full employment as fundamental to the analysis. What would follow from G&W's correct central theoretical propositions is that fundamental to the economic analysis of the state must be its situation with respect to the development of capitalist production rather than realisation.

This brings us to the essence of G&W's eclecticism: although their central theoretical propositions are hierarchical with production being fundamental their analysis of the concrete phenomena of recent years concentrates on the problems of realisation. In other words, their theoretical principles are not followed through. Since they take as central the law of the tendency of the rate of profit to fall (in value terms) one might ask how the emphasis on realisation creeps in. It comes because G&W reinterpret the problem of profitability as being the problem of declining 'investment opportunities' which are themselves in some sense exogenous. Thus, the post war boom is explained partly by 'the appearance (sic) of new fields for investment' such as construction and cars, and by the fact that 'a cheap supply of energy became (sic) available.' Conversely, the recent crisis results 'because opportunities for profitable accumulation have been declining' (p161) and we are surely back to one version of the Keynesian stagnation thesis. G&W's error lies in not seeing that the availability of investment opportunities is itself the result of capitalist development, not a technological datum, and that the crucial question is not their availability but capital's ability to adopt them - its ability to accumulate at a sufficiently high rate. These factors ultimately depend on the organic composition of capital and the rate of exploitation.

Now, in the context of the analysis of the recent crisis, G&W do devote a paragraph to the organic composition of capital (and several pages to it in the context of explaining Marx's theory), but their application of the theory is marred not only by the small amount of attention they devote to it but also by their mechanistic interpretation of it. In their view the recent crisis was and is associated with the development of labour saving innovations which have raised the organic composition and give us the prospect of a stronger tendency of the rate of profit to fall. This, in their view is a development unparalleled since the time of Marx, since the intervening years have witnessed capital-saving technological improvements which, combined with other factors such as the state's responsibility for the socialisation of costs, has prevented the organic composition from rising and the rate of profit from falling. This is a highly mechanistic interpretation of events and it, like other weaknesses, is associated with G&W's commitment to a breakdown theory (to which I return below). Even if mechanistic there is the question of whether it is true. There is no way of knowing, not least because G&W do not give a clear and consistent exposition of the concepts: capital-saving innovation is interpreted as a reduction in the value of a given physical quantity of constant capital (and this is then confused by an impenetrable distinction between Departments I&II p.133) whereas labour-saving innovation seems to concern the generalised expulsion of living labour rather than reduction in the value of labour power (p. 161).

G&W's eclecticism is reflected in the fact that their explanations of concrete phenomena do, in several instances, reduce to mere lists of factors. There are lists of factors to explain the phenomena of the 1930s (p.147) and to explain the end of the post-war boom (pp155-62) and only the sympathetic reader can forcibly read an organising principle into these lists. This, I think, is associated with the authors' underlying adherence to a breakdown theory. For them it is not the case that we have experienced a crisis and will experience a significant period of renewed accumulation whose duration is difficult to predict. Instead, they think we are still experiencing an economic crisis and it is in a sense the beginning of the end. These may be short bursts of prosperity, but these 'will be followed by still more severe declines' (p205) and for the UK the decline will continue 'during the next few years'. The political implications are clear although not spelled out - if only we could get on with it comrades, one more push - but the economic and historical analysis suffers. It appears from the analysis that capitalism has been able to survive up to now because of a few lucky breaks (new investment opportunities and cheap inputs becoming available) and a few new tricks whose internal contradictions have now manifested themselves (the Bretton Woods international monetary system and the state helping to maintain demand and prevent the organic composition from rising). They see crises as the absence of these lucky breaks and capitalist tricks and, since they don't foresee any more of these around the corner we are in a situation of chronic crises. Thus, G&W totally neglect the proposition that economic crises contain their own recuperative mechanisms. The most important of these is the restructuring and internationalisation of capital (which G&W do mention, but only in passing and not as an integral part of the analysis). Consider the 1930s depression. G&W argue that a significant feature of it was the absence of investment opportunities, whereas surely one of its most significant features was precisely the opportunities it presented for the restructuring of capital (investment opportunities) and the development of consumer durable, light engineering and chemical industries. The need for this restructuring was in part an 'explanation' of the crisis and the existence of the crisis was, in this respect amongst others, a precondition for the subsequent boom. The present can be interpreted along similar lines, and it should be noted that these views are based on the theoretical propositions of Marxism which G&W correctly support against neo-Ricardian criticisms.

I now turn to G&W's survey of bourgeois theories. They think in terms of three schools, marginalism, Keynesianism and monetarism, and they consider Keynesianism to be significantly different from the others. They commendably make an attempt to explain the development of these different schools in terms of material conditions, but it is not a very successful attempt. It is weakened by two factors: first, the authors overemphasize the differences between the schools and second, in relating them to material conditions they concentrate too heavily on their political implications and therefore on their adoption by different protagonists in ideological and political class struggle. On the latter point, what should be centrally at issue is the question of how changes in economic conditions affect ideological development, but these questions are only brought in peripherally. On the question of overemphasizing the differences between the schools, this can be seen most clearly in G&S's treatment of Keynesianism.

Keynesianism is seen as fundamentally different from neo-classical marginalism because it deals with a world of imperfect markets (price makers rather than price takers) and a large state sector. On the basis of this distinction G&S create in their minds a radically differentiated Keynesian school reaching into all corners, so that for them there is even a Keynesian school of inflation theory (cost-push). My own view is that the similarities between Keynesian and neo-classical economics are greater than the differences: there is no epistemological break in the sense of Althusser, Bachelard, or even Kuhn. If this were not the case then it would be impossible to explain how the neoclassical synthesis interpretation of Keynes has become so dominant. Similarly, the differences between monetarism and Keynesianism are, in fact, slight. They simply reside in the fact that the right wing of the bourgeoisie supports the former while social democratic ideologues support the latter. Monetarism stems from the same theoretical model as Keynesianism and reaches slightly different conclusions because of differing empirical assumptions concerning the shape of behaviour relations. The fundamental similarity between bourgeois theories lies in their concentration on the phenomena of exchange (realisation, prices and revenues). This stems from the commodity fetishism and capital fetishism which Marxism is able to analyse and locate by its consideration of capitalist economic practice as a whole. G&W fail to emphasize this and are therefore led into a false dichotomy between bourgeois schools of thought.

Finally a warning. Although G&W basically subscribe to a broadly correct view of the world their own views contain several errors of a partially technical nature. I have already noted their confusion over capital - and labour-saving innovation and the organic composition. One other example: they are confused over Keynes' use of wage-units. They think that because Keynes used wage-units as the standard of measurement 'he had readopted a modified version of the labour theory of value' and this 'enabled the national accounts to be expressed in terms of both income and expenditure.' Both statements are clearly wrong and are extreme examples of unfelicitous formulations which make surprise appearances throughout the book.

I have found it worthwhile to make detailed criticisms of G&W's book. It should therefore be clear that my criticisms are sympathetic. So much is this the case that I believe G&W would accept several of my comments if they were to reflect on them in the light of their theoretical chapters (3&4).

THE SOCIALIST CHALLENGE
Stuart Holland (Quartet 1975)

Reviewed by
Hugo Radice

My immediate reaction to this book is that it stands or falls by its political prognostications: and these had been proved wrong even by the time the book appeared in 1975. For the <u>Socialist Challenge</u> is essentially Labour's <u>Programme</u> 1973 write large: reflecting the left ascendancy of the opposition period, it is a blueprint for the socialist transformation of the capitalist economy, using the political structures of bourgeois democracy and the economic management techniques of state capitalism. Being among those who regard this as 'old revisionism in new clothes' (p.162), I am inclined simply to allow Holland's own warning to stand as an epitaph to all his efforts:

> Unless the Labour Party is capable of implementing in government the radical strategy which it adopted in the early 1970s, explicitly endorsing a socialist transformation of the dominant mode and relations of production, British capitalism will try to transcend the present crisis by heightening its attack on working people and those who earn their living from wage labour rather than the service of large-scale capital. (p.167)

This sums up the whole approach, and the reader can readily construct a critique to the book starting from there: the lack of any real class perspective, the amorphous and eclectic nature of the political and social analysis, the illusions (of remarkable depth) in the Labour Party, and so on.

Nevertheless, I do not intend to dismiss this book out of hand. To start with, as a genuine attempt at a practical manual of left-reformism, it shows us very clearly the basic elements of this political tendency in the labour movement, and why so many radical intellectuals and trade union leaders are attracted to it. But further, Holland manages, with his concept of 'meso-economics' based on big business as the core of the system, to construct a coherent and holistic view encompassing the most significant phenomena of modern capitalism as an economic system. It may not be monopoly capitalism, it may not be that late-20th-century Das Kapital which has so far eluded our present-day critique of political economy, but it *is* a judicious and well thought out combination of left-Keynesian and Marxist elements, very much in the tradition of the May Day Manifesto analyses of 1966-7.

Unfortunately only chapters 2 to 5, a quarter of the book, are devoted to this analysis, which is rather shallow as a result and relies on only the obvious sources. Figures and tables are thrown in to illustrate, not always very usefully, some points but not others. Chapter 6, 'On Socialist Transformation', marks a transition, and sets out very explicitly the author's political perspectives. Here too, the scope of the discussion is both a strength and a weakness: the Sweezy/Bettelheim debate on the role of the market and planning in the transition to socialism is usefully raised, but the concept of class employed seems to shift from page to page. Thus, Holland can write, drawing on Bettelheim with obvious approval, that '...The key question is who is served by state power, and whether it helps or prevents workers from transforming the society in which they live...' - and *still* preserve such illusions about how the class nature of that state power will in fact reveal itself.

The remainder of the book runs the gamut of policy areas: the N.E.B., Planning Agreements, industrial democracy, planning and workers' control, political implications, the European context and underdevelopment. Again, most of the chapters provide useful summaries of left-reformist strategies: they are marred by a lot of repetition and weaknesses in style and structure of argument, and as in the earlier chapters show a tendency to pluck out strands of Marxist discussion in an eclectic manner to secure the author's left-wing credentials. Probably the most useful chapters are those on Europe. Holland summarizes succinctly the development of the EEC, up to the start of the final round of discussion and decision on British entry. Looking at socialist arguments on Britain in or out of Europe, he concludes that a left-reformist Labour government should have no illusions about a united left-reformist EEC, but rather go for a tactical alliance with the emerging Italian and French popular fronts, the use of the veto, and a strategy of fighting international attempts to prevent implementation of Labour's policies by selective international trade union action. Again, clearly a pipe-dream now that we see Labour in office, but it is nonetheless a coherent strategy set out in some detail, however bad it is as prophesy or politics.

Marred by repetitions and a certain shallowness, this book can be recommended as a guide to the strategy of the 'Labour left' in the 1970s. Such is the continuing ideological strength of this tendency that we shall probably see it all emerge again the next time Labour is in opposition; while various governments of the next decade will adopt capitalist variants of quite a number of the policies put forward, under the pressure of events (i.e., if it needs saying, class struggle and imperialist rivalries). Let us be honest: until and unless the revolutionary left can build something capable of achieving more than this, we are going to live in the shadow of Holland's version of the socialist challenge, like it or not.

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