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HILFERDING'S FINANCE CAPITAL

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Why read and how to read Hilferding's Finance Capital today? The historical importance of the book in Marxism is well known. At the time of its publication (1910), Kautsky, then the most prominent theorist of the German social democracy, hailed it as volume IV of Capital. Lenin and Bukharin used the book as the starting point of their analyses of imperialism. Even though Hilferding after the 1914-1918 war joined the ranks of revisionists, communists continued to regard the book as the most comprehensive analysis of finance capital in historical materialism.

Given the historical importance of the book, it can be read as an archive of workers movement, as a product of the particular theoretical and political conjuncture. The theoretical conjuncture: the publication of the three volumes of Capital and the Theories of Surplus Value brought to light a whole series of problems produced but not solved by the discourse of Capital. Lenin's early economic writings, Kautsky's Agrarian Question, Rosa Luxemburg's Accumulation of Capital and Hilferding's Finance Capital can all be regarded as attempts to grapple with the problems raised by Capital. In fact, a fair part of Hilferding's analysis of finance capital centres around the schematic enumeration of the effect of credit in volume III of Capital.

The political conjuncture: the growth of social democratic parties, especially of Russia and Germany, necessitated the analysis of the concrete situation to serve as the basis for the formulation of political programmes. The analysis of finance capital was preliminary to any analysis of the concrete situation. Within a few years after the publication of the book, the analysis of finance capital played the central role in the specification of the nature of the 1914 war among the Capitalist states. The analysis of finance capital was complementary to the analysis of imperialism not only for Lenin and Bukharin but also for Hilferding and Kautsky.

Whatever may be the historical importance of the book, the book cannot be relegated to the status of a mere archive. In spite of the analysis of Marxist theorists, neither the problem of finance capital nor the problem of imperialism is theoretically closed. These remain open problems in historical materialism not because we still live in the era of finance capital and imperialism, but because these problems were only solved provisionally in the first place. There are, as we will point out later on, serious theoretical weaknesses in Hilferding's book. Lenin modestly called his pamphlet on imperialism a popular outline; he raised theoretical problems not to solve them as theoretical problems but to show specific political conclusions. A second reading of Finance Capital is not only possible, but theoretically necessary: the reading which treats the book not just as an archive but as a preliminary to the analysis of what Lenin termed the monopoly stage of Capitalism.

What is at issue in the complementary analyses of finance capital and imperialism is the problem of periodisation of Capitalism. Lenin in his writings alternatively refers to imperialism as the stage of monopoly Capitalism and as the era of the dominance of finance Capitalism. Although Finance Capital is the point of departure of Lenin's analysis of imperialism, Hilferding never raises the problem of periodisation of Capitalism as a theoretical problem. Hilferding is meticulous in setting out the consequences of the two characteristics but he does not ask the question: why are these two characteristics theoretically pertinent? It is not clear from the book why these two characteristics are singled out and others, the development of forces of production, excluded. It is not only that Hilferding does not specify the criteria of periodisation, he eliminates the problem of periodisation by treating the two characteristics as the realisation of the possibilities which were always present in the inception of Capitalism. For example, Hilferding comments on the intimate relations between bank capital and industrial capital in the following

terms: "In the relationship between bank capital and industrial capital could only be glimpsed the maturation of the relationships which were to be found in the elementary forms of money capital and productive capital". (p.18) Hilferding mentions differences between different stages of capitalism to unearth the hidden similarity and continuity between those stages: he raises the problem of periodisation to eliminate it as a problem.

It is not to Hilferding but to Lenin we have to turn to pose the problem of periodisation. Lenin's writings on imperialism are misrecognised. Lenin in his writings provides neither an adequate analysis of monopoly and the relationship between bank capital and industrial capital nor of imperialism (relations between Capitalist nations); his analysis is descriptive. This should not be surprising; because Lenin does not set out to provide a theoretical analysis of the issues. Theoretical issues are pertinent to Lenin only to the extent that they are necessary to the analysis of the specific conjuncture. All of Lenin's writings on imperialism set out to hammer home the political point that the war (1914-1918) is an imperialist war and the era of national wars in Europe is over. Lenin's analysis is not theoretically definite, he changes grounds on specific issues, he marshalls descriptions, statistical data and even the assertions of his political adversaries (Hobson) to specify the political nature of the war. However provisional and descriptive Lenin's analyses may be, he repeatedly comes back to the point that the problem of imperialism is the problem of periodisation of Capitalism. When Lenin comes to praise and recommend Bukharin's book he does so by saying that the book treats imperialism as a particular stage of Capitalism. And when Lenin comes to criticise Kautsky and others he does so by saying that they do not treat imperialism as the product of a specific stage of Capitalism. Even though Lenin repeatedly raises the theoretical problem of periodisation he does not solve it: he does not specify the criteria of periodisation. There is a discrepancy between the questions Lenin raises and the answers he gives to those questions; he raises theoretical questions but only to draw specific conclusions directly relevant to the formulation of political programmes. This discrepancy is present not only in Lenin's writings on imperialism but also in his writings on the agrarian question and the state. What is theoretically necessary now is to recognise the fact that theoretical problems are raised by Lenin to be closed provisionally, and to give answers to the question raised by Lenin.

Anachronistic though it is, when reading Hilferding's Finance Capital it is necessary to start with the question of periodisation Lenin raises in his writings on imperialism. Though the problem of periodisation is discussed in relation to Capitalism the problem is not specific to Capitalism: it arises in relation to Feudalism for example. In historical materialism, it is not changes in Capitalism, or any other social formation which pose the problem of periodisation but instead it is the concept of the mode of production itself which raises the problem of periodisation. It is true that changes in Capitalism as registered by different practices: collection of statistics, descriptive accounts of industrial and economic structures, raise the problem of periodisation of Capitalism; but the terrain of the problem has to be changed if it is not to be raised to be eliminated and if it is to be raised and solved as a theoretical problem. We pointed out earlier that Hilferding mentions the changes in Capitalism to eliminate them as changes by treating them as the maturation of the relationships always already present under Capitalism. It is necessary, to start with, to maintain a distance from the descriptions of industrial structure and the relations between the bank capital and the industrial capital when formulating the problem of periodisation in terms of basic concepts of historical materialism.

It is the concept of the mode of production which gives us the knowledge of the economic substructure which determines the social formation in the last instance. As is clear from Capital, it is the social relations of production (the mode of extraction of surplus labour) which specifies a mode of production and it is the difference between the social relations of production which differentiate one mode of production from the other. The Capitalist mode of production is de-

finer by the fact that labour is a commodity. But this fact specifies neither the nature of the labour process (the technical process of the transformation of raw material into a specific product) nor the mode of the reproduction of social and technical relations of production. The social relations of production, by themselves, do not provide any more than general indications about the process of reproduction: for example, they indicate that the supervision of labour power is separated from the reproduction of means of production. The fact that the concept of the mode of production does not specify all the aspects of Capitalism in their concreteness is theoretically significant: it implies the possibility of the variation of Capitalism. It is this implied possibility which is the condition of existence of the problem of periodisation of Capitalism.

Here, it is necessary to delineate the problem of periodisation from the other real and imaginary problems. To periodise Capitalism is merely to specify the pertinent differences between the variations of Capitalism but not to draw up an inventory of possible variations of Capitalism. Althusser in his Contradiction and Overdetermination has pointed out that history, for Marx unlike for Hegel, is not the realisation of the dialectic which is itself outside history. Instead, for Marx, history is the product of conditions and relations which are themselves products of history. Alternatively, for Marx the dialectics of concrete history is itself historical. The historicity of the dialectics not only implies the impossibility of a universal or general history but also the impossibility of the retrospective or prospective projection of the present on the basis of an abstract dialectic. To generate the variations of Capitalism when discussing the periodisation of Capitalism is to imply an invariant structure of history which is itself outside history and consequently to substitute an abstract dialectic for the concrete dialectic of history.

Further, to periodise Capitalism is not to chart a trajectory of the succession of different stages of Capitalism. The problem of the transition of Capitalism from one stage to another and the problem of periodisations though related problems are theoretically distinct problems. The two are related in the sense that it is initially in the context of the descriptions of changes in Capitalism that the problem of periodisation is posed and that any analysis of the succession of one stage of Capitalism necessarily involves the criteria of periodisation of Capitalism. But the two still remain distinct problems because the concept of the pertinent differences between different stages cannot indicate the pattern of succession between those stages. As we pointed out, the stages or variations of Capitalism are products of concrete condition and it is only the analysis of those concrete conditions which can indicate the transition from one stage to another. For example, to distinguish competitive from monopoly Capitalism is not to imply that the latter is necessarily the product of the former.

The main theoretical weakness of Hilferding's book is that he conflates the problem of periodisation and the problem of transition from one stage to another. It is because he conflates the two problems that Hilferding treats competitive Capitalism as monopoly Capitalism in statu nascendi and as a result he treats the transition from competitive to monopoly Capitalism as the maturation of the relations always already present at the inception of Capitalism. Thereby Hilferding not only eliminates the differences between monopoly and competitive Capitalism as phenomenal forms but also substitutes an abstract analysis of the transition for the analysis of the transition based on the concrete conditions. In effect, the conflation of the two problems amounts to the substitution of an abstract dialectic for the concrete dialectic of history.

It is the formulation of the concept of pertinent differences between variations of Capitalism which is the main task in the analysis of the periodisation of Capitalism. To formulate the concept without at the same time drawing up an inventory of possible variations of Capitalism may, at first sight, seem an impossible theoretical task. To indicate the theoretical possibility of the task by

an example: Marx argues that it is the mode of production which governs the social formation in the last instance and he specifies the mode of production in terms of social relations of production. In effect, Marx by affirming the primacy of the social relations of production formulates the concept of pertinent differences between the modes of production without attempting to draw up an inventory of the possible modes of production. Our main thesis is that whereas the differences in the social relations of production delineate modes of production the differences in the mode of reproduction specify the variations of the mode of production. Why this privilege to reproduction? We pointed out earlier that social relations of production by themselves cannot specify the mode of reproduction. Further, the knowledge of the mode of reproduction is indispensable to the analysis of the social formation. Althusser has indicated the importance of the concept of reproduction by pointing out that the economic determines the social formation in the last instance by determining the ideological and political to perform specific functions in its own reproduction. It is only through the mode of reproduction that we can know how the economic determines the social formation in the last instance. In effect, the differentiation of the variation of the mode of production on the basis of differences in the mode of reproduction implies that the analysis of periodisation is a necessary preliminary to the concrete analysis of social formation.

Besides, it is important to point out that neither the variations in the ideological nor the variations in the political on their own can serve as the basis of the periodisation of the social formation. This is due to the fact that neither the ideological nor the political practices are autonomous in the sense that the functions performed by those practices are determined by the economic and not by the ideological and political structure. To periodise in terms of ideological and political is to hypostasise the ideological and political practices from their determinants. The main objection to Kautsky's analysis of imperialism is that he treats the variations in the international relations between the Capitalist states: war and peace, as the basis for the periodisation of Capitalism. And he, as a result, hypostasises the political practice from the economic and goes on to draw an inventory of the possible relations between the Capitalist states as if the political is a completely autonomous domain of the social formation.

The periodisation of Capitalism in terms of the differences in the mode of its reproduction not only opens up a new field of theoretical work but also provides the criterion for distinguishing between theoretically admissible and inadmissible attempts towards the periodisation of Capitalism. In the descriptions and commentaries on changes in Capitalism, it is the formation of stock companies which is treated as the pertinent difference between the Capitalism of the 19th century and the Capitalism of the 20th century. Their formation is considered decisive because it is supposed to signify the separation of the ownership of the means of production from the control of the process of production. But the opposition ownership/control referred to in the literature is theoretically misplaced: ownership, as it is normally understood in the literature, is a juridical category while the control of the process of production is an economic function. To oppose ownership to control is to conflate the economic with the juridical. Further, the notion of ownership as applied to shares rests on the misrecognition of the bourgeois law: legally, the ownership of shares does not imply the ownership of means of production but simply, as Hilferding points out, an entitlement to the profits distributed by the firm. In law, the means of production remain the property of the non-human legal subject the stock company. In fact, as we shall elaborate later on, the purchase of a share is nothing more than a financial transaction: an economic operation which involves lending and borrowing of money. The significance of the formation of stock companies does not lie in the misplaced opposition ownership/control but in the nature of the relationship between the industrial capital and the financial capital. Further, the epithet managerial Capitalism as applied to the 20th century Capitalism is misleading

because it is based on the misrecognition of the nature of the Capitalist control of the labour process under Capitalism. For Marx, the control of the labour process falls to the Capitalist class not because the owner of the means of production, the individual who expropriates surplus value, controls the labour process in person but because the organisation of the labour process is determined by the calculations of profit derived from the production of commodities. This remains the case regardless of the fact that the owner of the means of production in person or the manager his employee controls the process of production. This is not to imply that changes in the organisation and the method of control of the process of production are irrelevant but those changes should be treated as effects of the factors determining the size of the firm and the commercial and accounting practices complementary to the production of commodities. In the literature on managerial Capitalism, managers are treated as subjects endowed with initiative, enterprise, free will etc., in historical materialism managers are treated as, to use the term Marx employs in the preface to Capital, the bearers of social relations who are assigned functions to perform by social forces.

The discussion above was a diversion; to get back to our main problem: the periodisation of Capitalism. In what is to follow we will be exclusively concerned with the restricted problem: what is the pertinence of the two changes in the European and American Capitalism Hilferding singles out to the periodisation of Capitalism. The two changes being (i) the suppression of free competition as a result of the formation of cartels and trusts and (ii) the development of intimate relationships between the bank capital and the industrial capital. The problem is that, as they stand, neither of the two changes seem directly pertinent to the reproduction of either the social or technical relations of production. Further, it is not clear from Hilferding's book what is the pertinence of these two changes to the reproduction. Hilferding's own discussion of the reproduction is nothing more than a summary of what is already there in Volume II of Capital. Moreover, Marx's analysis of reproduction is of no direct help in determining the pertinence of these two changes because, in his analysis, Marx abstracts from both the unit in which Capitalist production is organised and the relation between industrial capital and finance capital. In fact, finance capital is absent from Marx's analysis of reproduction since both the departments I and II finance their purchases by the sale of the commodities they respectively produce. Hilferding does analyse the effects of the formation of cartels and trusts and the intimate connection between the bank capital and industrial capital in the chapter on Capitalist Crises; but economic crises in their periodic occurrence are the consequence of the reproduction of social and technical relations of production under Capitalism. Hilferding's analysis of economic crises remains piecemeal and inadequate precisely because it is not backed up by the analysis of reproduction which takes into account the effect of the structure of firms and the relations between the industrial capital and finance capital.

It is to the analysis of reproduction in Volume II of Capital we have to turn to assess the pertinence of the two changes Hilferding singles out to the periodisation of Capitalism. We will not be concerned with the two changes as such but instead we will be concerned with following two general questions.

- (i) What is the pertinence of the structure of firms to the reproduction of the Capitalist mode of production?
- (ii) And, similarly, what is the pertinence of the relations between the finance capital and the industrial capital?

What is implied by these questions is that the analysis of periodisation of Capitalism necessitates the extension of the analysis of reproduction in Volume II of Capital.

If we leave the labour power aside, the conditions of production are constituted of means of production. What Marx analyses in Volume II of Capital is the

reproduction of means of production and just the physical means for the reproduction of labour power. On the other hand, Marx neither analyses the reproduction of social relations of production nor the conditions, other than physical means, for the reproduction of labour power. Althusser in his article on ideological state apparatuses has pointed out these deficiencies in Marx's analysis of reproduction and has provided some preliminary indications on how these deficiencies can be corrected.

The division of the production of commodities into two departments: 1 and 2, is determined by what Marx sets out to analyse in Volume II of Capital. Whereas Department 1 by producing means of production reproduces the means of production, Department 2 by producing the means of consumption reproduces the physical means required for the reproduction of labour power. The two forms of reproduction, simple and expanded, Marx analyses are determined by the pattern of redistribution of the means of production in the two departments. The pattern of the redistribution of means of production is determined by two factors the proportions in which the commodities of the two departments are produced and the proportion of the surplus value consumed or invested by capitalists.

Whereas Marx conducts the analysis of reproduction in terms of two broad functional categories: Departments I and II, production under capitalism is organised in firms, entities over-determined by technical, financial and commercial factors, and not in departments. The concept of the department is like the concept of surplus value: it is abstract. To say that the concept of the department is abstract is not to imply that it is theoretically unnecessary; on the contrary, the concept of the department is theoretically indispensable to the analysis of reproduction. Initially, the analysis of the reproduction has to be conducted in terms of the abstract functional categories Department 1 and Department 2, because the conditions of reproduction are not reproduced at the level of the firm in the sense that because of the social division of labour a firm does not produce all means required for the production of the commodity it produces. Consequently, whether or not a firm can repeat the production of the commodity in which it specialises not only depends on what the firm produces but also on what other firms produce.

But the fact that the conditions of production cannot be analysed at the level of the firm does not imply that firms are irrelevant to the analysis of reproduction. Just as it is necessary to complement the analysis of surplus value and the rate of exploitation by the analysis of the concrete forms of surplus value: rent, interest and profit, it is necessary to extend the analysis of reproduction in Volume II of Capital to include firms: the entities which buy labour and means of production and sell commodities. In fact, it is the analysis of Capital itself which points to the necessity of the inclusion of firms in the analysis of reproduction. Marx repeatedly points out in Capital that under Capitalism production of commodities is governed by profits and not by the estimate of the social utility of goods; the latter affects the production of commodities only insofar as it affects the profits earned by firms. Further, it is not only the total sum of profits but also the method of calculation of profit which determines the composition of social product. Marx at several places in Capital points to the effect of accounting practices on the functioning of Capitalism, for example: in Volume III of Capital Marx points out that the prices of commodities cannot coincide with the value of commodities because under Capitalism profit is calculated by references to the total Capital advanced and not by reference to the variable capital. Firms are relevant to the determination of the social product because profits are calculated and computed at the level of the firm and it is on the basis of these profits that firms decide to produce commodities.

What the concept of departments does in Capital is to point out the functional interrelationships between different branches of production: some branches of production produce the means necessary for the production of commodities while some other branches produce consumption goods necessary for the reproduction of

labour power. Even though the branches of production stand in functional relationships to each other, the composition of social product is not directly determined on the basis of the functional relationship among the branches of production. When Marx refers to the anarchy of production he refers to nothing other than this fact. It is only in the guise of the discrepancy of demand and supply of commodities and as a result in the uneven distribution of profits among branches of production that functional relationships among the branches affects the determination of the social product.

Our argument that the composition of the social product cannot be determined unless firms are included in the analysis explains why Marx follows the particular procedure in his analysis of reproduction. In his analysis of reproduction Marx leaves the composition of social product undetermined; instead, Marx assumes that means of production and the means of consumption are produced in particular proportion in order to derive particular results. The reason why Marx leaves the composition of social product undetermined is not that the capitalist mode of production always equates the demand and supply of products prior to their production, but that the composition of social product cannot be determined if the analysis is conducted in terms of the abstract categories of departments.

Given that it is theoretically necessary to extend the analysis of reproduction to include firms, the problem is how do we conceptualise firms. A firm cannot be treated simply as an empirical given, because the fact that conditions of reproduction are not produced at the level of the firm implies that the factors determining what the firm produces and how much it produces of the product cannot be analysed if we restrict ourselves to the firm. The firm has to be treated as an entity which is produced and reproduced by factors and relations which encompass the whole of the economy. In fact this is how Marx treats firms in his discussion of centralisation and concentration in Volume I of Capital. There Marx instead of starting with the firm starts with social capital: the stock of means of production at the disposal of the social formation, and treats firms as repositories of social capital. Once firms are treated as repositories of social capital, it is distribution of social capital into firms which determines what they produce and how much of the product they produce, and changes in the structure of firms are to be accounted for on the basis of the factors determining the distribution of social capital. The concepts of centralisation and concentration Marx employs in his analysis of accumulation indicate the forces determining the distribution of social capital. While concentration refers to changes in the distribution of social capital brought about by the rates of profit earned by firms, centralisation refers to changes in the structure of firms as a result of the organisational merger of firms.

What is theoretically important is that the analysis of the structure of firms in terms of the distribution of social capital immediately indicates the link between the analysis of reproduction in Volume II of Capital and the structure of firms. Given the composition of social product, the reproduction of the conditions of production involves the redistribution of the means of production among Departments 1 and 2. We pointed out earlier that it is the pattern of the redistribution of means of production which determines the form of reproduction: simple or expanded. Since the production is organised in firms and not in departments the reproduction of the conditions of production involves the redistribution of means of production into firms. But, as pointed out earlier, that redistribution of means of production is the process of the reconstitution or reproduction of firms. In effect, the reproduction of the conditions of production is at the same time the reproduction of firms: units in which the production is organised under Capitalism.

The reproduction of firms is nothing other than the determination of the structure of firms. Just as, in historical materialism, production of commodities is at the same time the reproduction of the technical conditions of production,

the reproduction of firms is the process of their constitution. Given that the firms are constituted during the process of reproduction, it follows that it is not the structural characteristics of firms: the size, the diversification of the productive activities of firms, which should serve as the basis of periodisation but instead the factors and relations determining the distribution of social capital, or the means of production. The main theoretical weakness of the descriptive literature on the periodisation of Capitalism is that it treats particular characteristics of the firm; size, as the basis of periodisation. The size of the firm cannot serve as the basis of periodisation because Capitalism does not impose any a priori restriction on the scale of production and consequently on the size of the firm. This remains true for all phases or stages of Capitalism; expanded reproduction is not peculiar to any particular phase of Capitalism. To treat the size of the firm as the basis of periodisation is to imply that there is an absolute restriction on the size of the firm under a particular phase of Capitalism. For example, to distinguish competitive Capitalism from monopoly Capitalism is to imply that competitive Capitalism imposes a restriction on the size of the firm. What is implied by Marx's concept of concentration is that the size of the individual capital: the firm, grows because it earns a part of surplus value. If firms grow both under competitive and monopoly Capitalism then the size of the firm cannot be used to distinguish between the two phases of Capitalism. In fact, the term monopoly Capitalism is objectionable because it, by concentrating on the characteristics of the firm, produces a spurious periodisation of Capitalism. In spite of its wide currency it is necessary to discard the term.

The chief merit of Hilferding's book is that he emphasises the intimate relation between the bank capital and the industrial as the most important relationship, and he treats the formation of trusts and cartels as effects of the relationship between the bank capital and the industrial capital. In what is to follow we shall try to show that it is the relationship between the finance capital and the industrial capital which is crucial to the periodisation of Capitalism and changes in the structure of firms are merely an effect of changes in the relation between the industrial capital and the finance capital.

We set out to show the pertinence of the relationship between the industrial capital and the finance capital to the reproduction of technical conditions of production by showing the pertinence of the relationship to the distribution of means of production. When specifying the factors determining the distribution of means of production it is necessary to distinguish between the marketed and non-marketed means of production. The non-marketed means of production as the name suggests, are not distributed through the market, they are consumed by the firm which produces them. Among the non-marketed means of production are included not only the new means of production but also the elements of the fixed capital only partially used up during the process of production. It is the latter which constitutes the most important constituent of the non-marketed means of production.

Though the marketed and non-marketed means of production are distributed through different mechanisms, their distributions are related; because both the types of means of production enter in the production of commodities in conjunction with each other: they are technically complementary to each other. With this qualification, we leave the distribution of non-marketed means of production for the time being and concentrate on the distribution of marketed means of production.

It is the circuit of the industrial capital specified by Marx in Volume II of Capital which indicates the factors determining the distribution of the marketed means of production. The circuit of the industrial capital being:

$$M \overset{L}{MP} \dots\dots\dots C - M^1$$

Whatever the specific branch of production in which capital is employed, its

starting point is always money capital. The choice of the starting point of the circuit of industrial capital is not arbitrary; on the contrary, the choice is determined by the social relations of reproduction which characterise Capitalism. The fact that labour power is a commodity and the fact that because of the social division of labour firms do not produce all the means of production they require implies that the firm has to start off with the money capital.

Given that the money capital has to be the starting point of the circuit of industrial capital implies that it is the distribution of money capital which determines the distribution of the marketed means of production. Further, given the technical complementarity between marketed and non-marketed means of production, the distribution of money capital not only determines the distribution of the former but also indirectly the distribution of the latter among firms.

It, therefore, follows that all those factors which affect the distribution of money capital are the factors determining the distribution of means of production among firms. Alternatively, they are the factors which determine the structure of firms. It is also clear now why the relation between the finance capital, alternatively termed as Usurer's or banker's capital, and the industrial capital is pertinent to the distribution of means of production among firms. Unlike the circuit of the industrial capital, that of finance capital is described by the following sequence: $M - M^1$. Unlike industrial capital, finance capital appropriates a part of the surplus value not by producing and selling commodities but by lending money to either the firm or the household and earning interest on the money loaned. It is the finance capital loaned to firms or industrial capitalists which is of relevance here since it directly affects the distribution of money capital at the disposal of firms. It is the credit, or the operation of lending and borrowing, which establishes the relationship between industrial capital and finance capital and it is the change in the nature of the credit which implies a change in the relationship between the forms of capital. We started with the general argument that it is the relationship between the industrial and the finance capital which is pertinent to the periodisation of capitalism and we have ended up with the specific argument that it is the credit which governs the relationship between the two forms of capital.

Credit takes different forms, what we need are the criteria for specifying the differences between different forms of credit with a view to specifying the nature of the relationship between the industrial capital and the finance capital. The two criteria which are of particular importance here are:

- (i) the length of the time for which credit is given or the temporality of the credit,
- (ii) and the nature of the financial obligation implied by the credit.

The first criterion is self-explanatory. The second criterion refers to all the factors determining the quantitative relationship between the amount of money loaned and the amount of money which the lender ultimately receives and the method through which the lender retrieves the principal.

To indicate briefly why these two criteria are relevant when specifying the relationship between the industrial capital and the finance capital. The temporality of the credit is important because of the period of production and the accounting distinction between different items of production capital: the distinction between the circulating capital and the fixed capital. While the items of circulating capital turn over at the end of each production period the items of fixed capital take several periods to turn over. Further, not only the periods of turn-over of circulating capital and fixed capital are different but also the periods of turn-over of different items of fixed capital vary and the period of production is different in different branches of production. What makes the temporality of credit economically relevant is the fact that production over not only time but also the period of turn-over of means of production vary depending on how they enter the process of production.

Credit is a financial transaction between two economic agents which by the nature of the transaction involves the notion of time. Whereas, in the sale or purchase of commodities the two constituent acts of the transaction: the transfer of the commodity and the payment for the commodity, are contemporaneous; the two constituent acts of the financial transaction, lending of the money and the repayment of the loan, are separated in time. Further, while the sale of the commodity implies the substitution of commodity by money, lending implies the substitution of money at one date by a sum of money at another date. The temporality of credit, or the length of the time for which credit is given is only relevant so far as the relationship between the industrial and the financial capital is concerned. A decisive change in the relationship comes about when any item of the means of production regardless of its period of turnover can be financed out of credit. Alternatively, a decisive change in the relationship comes about when there is no general restriction on the length of the period of credit. In practice, this change requires the existence of spectrum credit forms ranging from the short term credit to the irredeemable credit; shares of companies. Credit has always existed under capitalism but not all forms of credit have always existed. In the early phase of capitalism credit mainly took the form of trade credit: when the operation of lending and borrowing is auxiliary to the circulation of commodities. The effect of trade credit on the distribution of means of production is limited. Because of its very nature it is a short term credit tied to the period of circulation of commodities.

The absence of any general restriction on the period of credit is important because it implies that the effect of credit is not restricted to a particular branch of production or particular items of the means of production. This is due to the fact that periods of turnover of different items of productive capital are different and vary from one branch of production to another. Further, the ratio of fixed to circulating capital varies from one branch of production to another. For example, if credit was granted to finance the circulation, then the effect of credit on the distribution of means of production would be more pronounced in those branches with a low ratio of fixed to circulating capital than in those with a high ratio. A concrete example is of help here in illustrating the relationship between the forms of credit and the effect of credit on different branches of production. Though shares in companies have existed since the inception of Capitalism in European countries, it is the development of public utility and transport companies which led to the establishment of a wide market for equities. The establishment of public utility and transport companies was conditional on the equity finance: irredeemable credit, because of the large volume of money expenditure required and because of the fact that the ratio of fixed capital to circulating capital was high and the period of the turnover of the fixed capital very long. All these account for the fact that the availability of a particular form of credit: equities, was the condition of the existence of the public utility and transport companies.

So far we have concentrated on the effect of credit on the distribution of means of production and we have neglected the effect of profits earned by firms on the distribution of means of production. It is important at this point to indicate the role of profit earned by firms in the distribution of means of production and how this role changes with the change in the relationship between the industrial capital and the finance capital. Regardless of the phase of Capitalism, profits earned by firms remain the important source of money capital at the disposal of firms. The fact of finance capital being dominant does not imply that profits disappear; and so long as the profit remains as an income category under Capitalism it remains as an important source of money capital. However, the role of profits earned by firms changes with the changes in the relationship between industrial capital and finance capital.

Profits play a dual role when firms partially finance their purchases of the means of production through credit: they are, as pointed out above, an import-

ant source of money capital and the rate of profit earned by the firm functioning as the indicator of 'credit worthiness' of the firm. Extension in the forms of credit available to firms implies an increase in importance of the rate of profit in its second role. What is important here is the implication that when finance capital is dominant the effect of the unevenness in the rates of profit earned by firms is doubly magnified: firms earning higher rates of profit grow faster not only because of a faster increase in the volume of money capital at their disposal but also because of the fact that they have easier access to credit compared to the firms earning lower rates of profit.

The dominance of finance capital over industrial capital is specified here in terms of the lack of a general limit on the period of credit. Alternatively, the dominance amounts to the fact that the effect of finance capital on the distribution of means of production is generalised: it is not restricted to any particular branch of production. What we have done here is that we have specified in precise terms the reason for the dominance of finance capital. What is important here is that in specifying the reason for the dominance of finance capital we have avoided descriptions of the relationship between banks and firms. Instead, we have analysed the relationship between the two forms of capital in terms of the forms of credit available to firms. This is theoretically necessary because the relationship between the finance capital and the industrial is always one of lender and borrower: it is based on credit. In taking the credit as the basis for analysing the relationship between the finance capital and the industrial capital we have avoided identifying finance capital with any of its particular organisational forms: banks. Instead, we have identified finance capital on the basis of its circuit $M - M^1$; consequently, any capital regardless of its organisational form which follows this circuit is regarded as finance capital. The identification of the finance capital in terms of its circuit has led us to treat a number of transactions as credit transactions, which are normally not treated as such. For example, here, the sale of shares by a firm is regarded as a particular form of borrowing, because the shareholders' capital in its functioning follows the circuit $M - M^1$, the substitution of a sum of money at the current date by a series of sums of money at future dates. Shares represent the operation of lending and borrowing in spite of the fact that the borrower never repays the principal. This particular fact is taken here to imply that shares represent a loan of infinite duration: irredeemable credit. One of the main shortcomings of the descriptive literature on the periodisation of Capitalism is that it treats a particular form of the relationship between the industrial and financial capital as the essential form of the relationship. This tendency is present in Lenin and Hilferding, both of them rely heavily on the German example for the description of the relationship and they treat the intimate relationship between banks and firms, more pronounced in Germany than in the Anglo-Saxon countries, as the essential form of the relationship between industrial and financial capital. One of the important advantages of analysing the relationship between industrial capital and financial capital in terms of credit is that it allows us to analyse the relationship between the two forms of capital in its diversity.

We have merely specified what the dominance of finance capital implies, we have not yet specified the condition of the existence of a spectrum of the forms of credit such that every item of the means of production can be acquired on credit. This brings us to the question of the condition of existence of the dominance of finance capital. The three constituent elements of the conditions of existence of the spectrum of credit comprehensive enough such that every item of the means of production can be financed on credit are:

- (i) market for financial assets
- (ii) centralisation of finance capital and the existence of the specialised financial organisations
- (iii) and fiduciary and credit money.

By asking the question what are the conditions of the existence of the domination of financial capital we reject Hilferding's contention that the domination of finance capital is merely an acting out of the relation between finance capital and industrial capital at the inception of Capitalism, on the contrary, what we seek to show is that the domination of finance capital is the effect of specific factors which were not always present under capitalism.

To point to the role played by the market for financial assets in the domination of finance capital: financial assets are formal acknowledgement of financial claims or liabilities created as a result of the movement of the financial capital through the circuit $M - M^1$. The financial claims embodied in the financial assets may or may not be recognised in law. The market for financial assets provides for the sale and purchase of financial claims and is important because it provides for the possibility of lending and borrowing being a multi-lateral rather than a bi-lateral transaction. When the market for financial assets does not exist, lending and borrowing is just a financial transaction between the lender and the borrower and it does not involve a third party. When lending and borrowing is a bi-lateral transaction, the period of the credit or the duration for which the loan is given is limited by the financial position of the lender. On the other hand, when the financial claims can be sold and purchased like commodities, the duration of the loan is no longer constrained by the financial position of the person who initially lends the money. The marketability of the financial claim removes the constraint on the duration of the loan because, unlike the first case, the lender does not have to wait for the loan to mature in order to recover his capital and the interest on that capital; instead he can do so by simply selling the financial claim to some one else who may in turn sell the claim to a third and so on. In this manner, a marketable financial claim may change hands several times before it is redeemed. The marketability of financial claims makes duration of the loan independent of the financial position of one particular individual by providing the possibility of linking together a series of short term loans distributed in time to form a long term loan. This can be illustrated by means of an example involving three individuals: A borrows money from X who in turn receives a marketable financial claim, X instead of waiting till the claim is redeemed sells the claim to Y to recover his capital, and Y in turn sells the claim to Z. Though A borrows money from X but it is Z who receives the repayment of the loan. If we regard the purchase of a financial loan as lending then what, in effect, this example shows is that the three lenders X, Y and Z through the sale and purchase of financial claims combine together to provide a loan of long duration. The market for financial assets, so to say, links short term loans in a temporal sequence to form a long term loan.

It is in the case of irredeemable loans: shares, that the market for financial assets is of special importance: it is the condition of existence of irredeemable loans. In the case of shares the market for financial assets combines individual loans in an unending sequence: the loan itself is never paid back but an individual shareholder can recover his capital by selling the share. Shares are an extreme example of the interlinking. Shares, as Hilferding points out, are just an entitlement to the dividends distributed by the firm which issues the shares. The purchase of shares like the purchase of bonds is a lending operation but in the case of shares, unlike the case of bonds, the recovery of the money capital solely takes the form of the financial claim. As a result, there is a difference between the nature of the financial liability implied by the bond and the share respectively. While shares represent claims on the dividends distributed by firms, bonds represent a claim of a definite sum of money at some specific date in the future. In spite of the differences between bonds and shares the issue of the latter like that of the former represents a lending-borrowing operation. Though lending-borrowing operations take place even when the market for financial assets does not exist, the market for financial assets is the condition of existence of irredeemable loans. Even though the market for financial assets is the condition of existence of shares, it is not the for-

mation of public companies which led to the formation of the market for financial assets but instead the sale and purchase of bonds issued by private and public organisations: financial organisations, merchants and public state apparatuses. The history of the formation of the market for financial assets does not coincide with the history of the formation of public companies. Here, the market for financial assets is singled out as one of the conditions of existence of the dominance of finance capital because it provides the possibility of the interlinking of loans in a temporal sequence and thereby enlarges the spectrum of the forms of credit available to the industrial capital. But as we shall point out later the centralisation of money capital and the formation of specialised financial institutions also provides for the interlinking of loans. Further, the market for financial assets is not only a condition of the existence of shares but also the condition of the existence of fiduciary money. We will discuss this particular aspect of the market when we come to analyse the forms of money and their conditions of existence.

Though we have relied heavily on Marx and Hilferding in our analysis of the function performed by the market for financial assets we have departed from their analysis in one important respect. Marx in Volume III of Capital and Hilferding treat the market for financial assets, or the stock market, as the market for what they term as the 'fictitious capital'. Fictitious in the sense that the sale and purchase of financial assets already in existence does not increase the volume of credit but simply transfers the financial claims from one person to another. Marx and Hilferding confine themselves to this fictitious movement of finance capital and more or less exclusively concentrate on speculative trading in the stock market. Their analyses imply that the functioning of the stock market has no effect on the functioning of the industrial capital. On the contrary, what we have argued is that the trading in financial assets, including the speculative trading, performs an important function in the extension of the spectrum of the forms of credit available to the industrial capital. We have also argued that certain forms of credit cannot exist without the existence of the market for financial assets. Though the trading in financial assets already in existence does not increase the volume of credit it interlinks loans to generate new forms of credit.

The two other conditions of the existence of the dominance of finance capital are: (i) the centralisation of money capital and (ii) the fiduciary and credit money. These two conditions though distinct are interrelated with each other. Both these conditions are pertinent here because they remove the limits on the volume of credit present when money capital is not centralised and when money takes the form of commodity money. Moreover, credit money presupposes the existence of an autonomous financial capital and thus the centralisation of money capital.

To point to the pertinence of the form of money: the volume of lending at any time is constrained by the volume of money in existence to the extent that all lending and borrowing operations have to be in terms of money. The stock of money in existence and the method through which the stock of money is changed is pertinent because of the limit it imposes on the volume of credit.

The relation between the forms of money and the limit on the volume of credit is easily illustrated by reference to the two principal forms of money: the commodity money and the credit money. While in the case of commodity money the process of the creation of money is the same as the process of production of commodities and distinct from the operations of lending and borrowing, in the case of credit money the process of the creation of money is the same as the operation of lending and borrowing. Alternatively, when money takes the form of credit money: bank deposits, the factors governing the volume of credit are also the ones which govern the volume of money. When money takes the form of commodity money the volume of credit is subject to an external constraint imposed by the production of commodity money.

The change from commodity money to credit money implies the removal of the ex-

ternally imposed constraint on the volume of credit. The removal of the limit is evidenced by the fact that there is no limit to the creation of credit money in contrast to the fact that the production of rare metals which have circulated as money is subject to the limit imposed by the reserves of those metals. The substitution of credit money for commodity money implies the substitution of the limit on the volume of credit imposed by the known and economically exploitable reserves of rare metals by the limit solely determined by the rules governing the operation of lending and borrowing. Moreover, the change from commodity to credit money implies a separation between the process of production of commodities and the process of creation of money.

Whereas the substitution of credit money for commodity money removes the externally imposed limit on the creation of credit, the centralisation of money capital and the emergence of organisations specialising in lending and borrowing of money entails the removal of the limit imposed by the decentralisation of finance capital. Hilferding points out that under Capitalism every sum of money is capable of becoming an interest earning capital or finance capital. The emergence of financial institutions specialising in various forms of lending and borrowing operations leads to the mobilisation of idle money balances as interest earning capital. Financial institutions mobilise idle money balances by acting as intermediaries between potential lenders and borrowers. These institutions enlarge the network of lending and borrowing by acting as a focus for the large number of potential lenders and borrowers in the economy. In that case, the holder of idle money balances does not have to set out on his own to find an appropriate financial institution in order to earn interest. Financial institutions extend the network of credit by acting as the matchmakers between the potential lenders and borrowers. The category of potential lenders under capitalism is extensive, it includes all those who hold money balances of whatever magnitude. The function of intermediation performed by financial institutions is similar to the function merchants perform in the market for commodities: putting the buyers and sellers of commodities in correspondence with each other.

The formation of autonomous financial institutions is an important element in the extension of the network of credit. An example will illustrate the importance of the autonomous financial institutions. In the early part of Capitalism credit predominantly took the form of trade credit, as a result the volume of credit was limited by the fact that the lending and borrowing had to be subordinate to the sale and purchase of commodities. In that case the lender had to be the seller of the commodity which the borrower wanted to purchase. The formation of autonomous financial institutions separates the operation of lending and borrowing from the sale and purchase of commodities and thus brings others in the orbit of credit previously excluded by the requirement that the lender has to be the seller of a specific commodity and the borrower a buyer of the commodity which the lender offers for sale. So far as the relation between industrial and financial capital is concerned the trade credit is subject to the important limitation that the purchase of labour power cannot be financed by credit. The development of financial institutions implies a decline in the importance of trade credit and a consequent decrease in the importance of the merchant capital. Finance dispossess the merchant capital from its role as the provider of credit.

The formation of autonomous financial institutions is the precondition of the centralisation of money capital either through the fusion of individual finance capitals or through the mobilisation of idle money balances by means of financial intermediation. An important effect of the dominance of finance capital is the decline in the importance of merchant capital. We will have more to say about this when we come to discuss the structure of firms.

To point to further effects of the centralisation of money capital on the extension of the network of credit: the centralisation extends the network of credit not only by mobilising idle money capital but also by spreading the loss

entailed by the default of credit over a larger volume of credit. The reduction in the risk of loss implies the possibility of a further increase in the volume of credit.

We pointed out earlier that it is not only the market for financial assets but also the centralisation which provides for the interlinking of individual loans to form a long term loan. So far we have discussed financial intermediation purely in terms of the financial institution acting as the clearing house for loans. In fact, intermediation is coupled with transformation of the form of the loans provided by the depositors. Financial institutions borrow money from the depositors and provide loans in a form demanded by the borrowers. They can arrange their lending and borrowing in such a form so as to borrow and lend money at different terms. In practice, all financial institutions borrow short and lend long: borrow money for a short term from their borrower and lend money for a long term. So long as the financial institution has a steady flow of funds, they can lend long on the assumption that the outflow of deposits will be at least partially cancelled by the inflow of deposits. In effect, the financial institutions perform the same function which is performed by the market for financial assets: they generate new forms of credit by combining together the existing forms of credit. The market for financial assets generates new forms of credit through the sale and purchase of financial claims, while the financial institutions generate new forms of credit by acting as intermediaries between the potential lenders and borrowers. Hilferding in his discussion of the stock market rightly points out the similarity of functions performed by the stock market and banks and that the development of banks and the concentration and centralisation of money implies a decrease in the importance of the stock market. Moreover, the similarity of the functions performed by the stock market and banks points to the fact that the variation in the relative importance of the two is consistent with the domination of the finance capital. In Germany the dominance of the banks is correlated with the relative unimportance of the stock market while in the U.S. and Britain the stock market is relatively more important and the banks and the firms are relatively autonomous of each other. Hilferding, because he draws heavily on the German example, assigns a role to the banks which they do not have in Anglo-Saxon countries. Traditionally the Anglo-Saxon banks, unlike the banks in Germany, did not provide loans to firms to finance the fixed capital. As a result, the relation between the industrial capital and the finance capital took the form of the close organisational relation between firms and banks, while in the Anglo-Saxon countries the relation took the form of a well developed and an extensive stock market and the organisational separation between the banks and firms.

What we have shown is that the dominance of finance capital rests on the existence of a wide spectrum of credit forms and an extensive credit network which affects the distribution of means of production in all branches of production. Under our discussion of the conditions of existence of the dominance of finance capital the network of the credit necessary to the dominance of the finance capital is the resultant of the credit money, the centralisation of the money capital, the formation of the autonomous financial organisations and the market for stocks or financial assets. Each of the conditions of the existence of the dominance of finance capital have their own specific history. There is not a general schema of the development of the conditions of the existence of the dominance of the finance capital, the history of each of the conditions has to be constructed on the basis of the concrete analysis.

Though the analysis of money constitutes the point of departure of Hilferding's analysis, it remains one of the weakest parts of the book. Lenin, commenting on the book says, "In spite of the mistake the author makes on the theory of money, and in spite of a certain inclination on his (Hilferding's) part to reconcile Marxism with opportunism, this work gives a very valuable theoretical analysis of the 'latest phase of capitalist development' as the subtitle runs". Even though it is a detour, it is important to point out the

theoretical weakness of Hilferding's analysis of money; because the form of money plays an important part in the periodisation of capitalism. It is the weakness in his analysis of money which stops Hilferding from seeing the condition of the existence of the dominance of finance capital. Moreover, the analysis of money is not only theoretically inadequate in Finance Capital but also in Capital.

Hilferding's analysis of money tries to answer the question: Why does money exist? Hilferding points to the necessity of its existence by means of the distinction between the conscious and unconscious organisation of production. Commodity production is said to be organised unconsciously in the sense that there is no prior effectivity of consumption on production. Alternatively, under the regime of commodity production it is only when the commodities are produced and offered for sale that the producers can discover whether or not the produced commodities can serve as objects of social use or not. Under Capitalism there exists no mechanism for balancing the demand and supply of commodities prior to the production and sale of commodities. The characteristic Hilferding attributes to commodity production is not wrong, but the terminology he employs distracts from what is at issue: the relation between the production and the consumption of commodities. There is nothing unconscious about the organisation of production under capitalism.

The opposition of conscious and unconscious borrowed from metaphysics not only masks the relation between consumption and production but also, what is more serious, leads Hilferding to mis-recognise the role and function of the process of circulation of commodities and that of money. When discussing the process of circulation of commodities, Hilferding counterposes the ' privateness ' of the commodity production to the ' socialness ' of the exchange of commodities. The privateness of commodity production merely refers to the fact that it is not the consumer but the producer who decides about the composition of social product. On the other hand, the socialness of the exchange refers to the fact that it is only through the exchange of commodities that the private producers come into contact with each other. What is wrong about Hilferding's analysis is that the process of circulation, instead of just being recognised for what it is: the process of redistribution of the means of production and consumption, is misrecognised as being also the process of socialisation of producers of commodities. Social, for Hilferding, means the intersubjective or interpersonal relations. It is the misrecognition of the process of exchange which leads Hilferding to attribute a dual role, one phenomenal and the other essential, to the process of circulation: the process of circulation in establishing the quantitative relation between commodities establishes a relationship of mutual interdependence between the owners of commodities. It is this dual role assigned to the process of circulation of commodities which lies behind the statement that under commodity production the relation between men takes the form of the relation between things.

This statement inevitably raises the question: How are the relations between things recognised as being the relations between men? This misrecognition of the function of the process of circulation raises the problem of recognition. For Hilferding, it is the money which helps us to recognise the ' socialness ' of exchange: money is the sign (zeichen) of the socialness of exchange.

For the purposes of the present analysis what are important are the theoretical consequences which arise out of the treatment of money as sign. If money is treated as sign then there is no basis for distinguishing between one form of money from the other: as sign every form of money is as good as any other. The equivalence between different forms of money implies that the form of money is arbitrary. Though Hilferding repeatedly insists that the form of money is not arbitrary, he cannot avoid the problem of arbitrariness. Moreover, as the change in the form of money is just a substitution of one sign by an

equivalent sign: translation, the change is devoid of any economic significance. Hilferding treats a change in the form of money as a semiotic change; for example Hilferding points to the possibility of the substitution of credit money for commodity money in terms of the state, as the most conscious organ of capitalist society, recognising the fact that money is just a sign and one form of money is equivalent to another form of money.

Related to the notion of money as sign is the notion of money as the measure of value. The complicity between the notions becomes clear if we answer the question: How does money represent, signify, the relation between things as the relation between men? Money being devoid of the power to speak represents the socialness of exchange by representing the value of commodities. It is for this reason that Marx in Vol I of Capital refers to money as the social incarnation of value. For Marx and Hilferding money is both the measure of value and the standard of prices, in fact the dual role performed is just a displaced relation of equivalence between things and between the men who stand behind those things. Prices are the quantitative relations between things while values are based on the equivalence the exchange of commodities establishes between the producers of commodities. The treatment of money as the measure of value and the standard of prices gives rise to an insoluble problem: if prices and values of commodities diverge then how can money at the same time function as the measure of two magnitudes which are unequal?

Not only this but the notion of money as the measure of value gives rise to another insoluble problem: what is the value of money? Though the problem looks very simple we will show that it cannot be solved. Since the value is measured in terms of what Marx called the socially necessary labour, money as the measure of value can only represent the relevant value of commodities: money measures the value of commodities using its own value as the unit of measurement. What is clear is that money can only represent relative values provided it itself has a value. When money is commodity money the question is answered by saying that the value of money is equal to the socially necessary labour time required to produce the money commodity. Though the answer seems obviously correct it, as we will point out later, is wrong. The question becomes difficult if it is asked what is the value of non-commodity money: credit money, fiduciary legal tender credit money need not have any physical form, it may just take the form of a deposit at a bank. Moreover, even when the non-commodity money takes a particular physical form: paper money, the thing used to represent it is of no economic significance because of the lack of any correlation between the denomination of the money and the value of the thing used to represent money. For example, notes of different denominations may consist of identical pieces of paper with different numbers printed on them. Consequently, one cannot assign any value to non-commodity money by reference to the value of commodity money since the latter does not exist. If still one insists on assigning value to non-commodity money one has to change the basis for assigning values. That is exactly what Hilferding does: he says that the value of non-commodity money is measured by the value of commodities money represents. The answer solves the problem by repeating it, it is a non-sequitur: for money to measure value it has to have a value of its own, to determine the value of money in terms of the value it measures is to presuppose that money has a value.

The way to break out of the circle is not to look for yet another way of assigning value to money, but to discard the problem of assigning value to money as an insoluble problem, and to discard the notion of money as the measure of value. Money, regardless of the form it takes, has no value; this is so because it is only objects of social use, the means of consumption and production, that have value, and money is not an object of social use. Marx repeatedly emphasises that it is only use-values that have value. The fact that money is not an object of social use is a simple corollary of the fact that money is the medium of circulation and while the commodities eventually fall out of the process of circulation, money always remains in the process

of circulation. The intermediate position money occupies in the circuit of circulation of commodities $c - M - c$ represents the fact that money is not an object of social use. Though money has no value, the money commodity has value ; not because of the fact that it is the substance of money but because it is an object of social use.

Moreover, one has also to reject the notion of money as the sign of the socialness of exchange. Money has to be treated just as the medium of exchange, an intermediary in the exchange of commodities for commodities, and not as sign. Alternatively, money has to be defined in terms of its place in the circuit of circulation of commodities $c - M - c$. The definition of money in terms of its function as the medium of exchange implies that money has no pre-given form other than the physical attributes required by a thing to perform the function of the medium of exchange. Apart from this, the physical form which money takes is of itself not important to economic analysis.

If the physical form of money is of no object then how and on what basis do we distinguish between the forms of money. What is clear here is that the function money performs in the process of circulation cannot determine the form of money. Further, it is here that a serious theoretical deficiency in historical materialism becomes obvious: the fact that there are no criteria for distinguishing between the forms of money merely reproduces the notion that the form of money is arbitrary. To distinguish the form of money on the basis of the physical form of money is to imply that the form of money is arbitrary, since all forms of money perform the same function in the process of circulation.

What distinguishes one form of money from the other forms is the difference between the mechanisms through which they are created. Commodity money is to be distinguished from credit money or fiduciary legal tender because while the former is created through the process of production of commodities, the latter is created through the operations of lending and borrowing. Physical attributes of money are pertinent only to the extent that they bear some relation to the mechanism through which money is created. But the distinction on the basis of the physical attributes could be misleading: for example paper money could be either the commodity or the credit money. It is the former when the issue of paper money is backed by a particular commodity: gold or silver. It is the latter when the issue of paper money is solely governed by the factors which govern the operations of lending and borrowing.

To see the economic pertinence of the mechanism through which money is created one has to take into account the implications of the issue of money for the distribution of social product. The issue of money implies the expropriation of a part of social product by the agent who issues the money; because money is put into circulation either by its being spent or lent by the issuer of money. In either case the agent issuing the money expropriates a part of the social product, in the first case he expropriates in the form of goods and services and in the second case he expropriates indirectly in the form of interest on the loan. Differences in the mechanism of creation of money are economically pertinent because they imply a change in the relations governing the distribution of the social product. For example, in the case of commodity money it is the producer of the money commodity who expropriates a part of the social product, while in the case of credit money it is the finance capitalist who expropriates a part of the social product in the form of interest.

Given the criterion for distinguishing between the forms of money, the change from commodity money to credit money no longer appears as a change devoid of any specific economic significance. The change from commodity money to credit money not only implies a change in the relations of distribution but also as we pointed out earlier the removal of the externally imposed constraint on the volume of credit. The fact that credit money is an important condition of the dominance of finance capital only becomes obvious when the forms of money are distinguished on the basis of their respective mechanisms of creation.

WORKERS' STRUGGLES AND THE DEVELOPMENT
OF FORD IN BRITAIN (Operai e Stato 1972)

Trs. 'Big Flame', Fact Folder 3.

A. FORD'S IMPACT IN THE EARLY DAYS
OF THE UK CAR INDUSTRY

About two thirds of any car made in Britain today is made up of parts supplied by an outside component company (Lucas, Dunlop, Pilkington etc). This is a very high percentage compared with the international figure, where outside component suppliers provide only 20-50% of the finished motor car.¹

In other words, compared with the motor industry worldwide, UK motor manufacturers have a relatively low level of vertical integration: they don't have so much of the final product under their direct control [App.3].

The reason why Britain is so different is because, unlike other industrial countries, in Britain the internal combustion engine was developed for a long time as a means of production (industrial machinery, marine engines, pumps etc), whereas elsewhere it was already expanding as a means of consumption [App.3], and was being developed as part of the mass production of private cars for the consumer market.²

In other countries, especially in America, the two types of production developed with much less of a time-lag. Some people say that the reason for the secondary position of motor car production in the UK was that British capitalists were slow to see the potential of the mass-production of cars. But it was also because it was much harder for British capital to get workers to transfer from the production of internal combustion engines to the mass production of cars as a consumer product - since most of these workers were skilled men, and the change-over would mean a process of widespread de-skilling in the engineering sector as a whole [App.1].

Before the manufacture of cars as a mass consumer product could take over from the manufacture of engines as a means of production, there would have to be changes in the existing labour force: it meant that a new and much larger supply of suitable unskilled labour had to be made available, and this had to be organised at a social level, as well as inside the factory (providing housing, schools, health services etc).

So, in the early days, right up to the end of the 1930s, a combination of workers' defence of their skills and a lack of capitalist initiative meant that the production of motor cars was secondary to the production of internal combustion engines. The latter therefore was less of a driving force in the economy than elsewhere (eg America).

However, after the Second World War things began to change. Far more people were buying cars, and the motor car was beginning to be used within a framework of capitalist policies aimed to promote consumer spending-power (Keynes). This meant that the car industry began to come to the fore.

It was only at this point that Ford (who had pioneered the spread of the motor car in America, and was now introducing a similar distribution in Britain), together with Vauxhall, part of the US General Motors combine, became part of the leadership of the British employing class - although they never saw completely eye to eye with the big manufacturers in other key sectors, let alone other motor manufacturers.

This happened at a time when the working class at Ford's had already taken a certain political leadership in the struggle, in a direction which the rest of the working class in Britain would later follow.

Ford in Britain was out of line with other manufacturers, but also pointed the way for them in two respects: first, Ford's investment levels were high in comparison with the low level of organic composition [App.2] in the motor industry as a whole: and secondly, they began to affect State policy on investment (traditionally the state had been unwilling to provide the infrastructures that are needed for new investments).

The secondary position of the manufacture of motor cars over a long period in Britain had many effects. For instance, it was American, not British firms that emerged as the driving force in the car industry. It also explains why there were so few British companies that combined the production of means of production with the production of means of consumption within a single firm. For instance, Pressed Steel Fisher - a producer of sheet steel - did not come under the control of the motor manufacturers (BLMC) until the mid-1960s.

After 1945 Ford began taking over as the political leadership in the vehicles industry, and this was achieved partly by their use of the State. Ford's recruitment policies follow a pattern: they look for places where there are already large concentrations of labour available - but they leave it up to the State to organise this, and only then step in to take control themselves. Ford made it clear, both at Dagenham in the mid-1920s and at Halewood in the late 1950s - that unless this workforce was available, there was no question of Ford investing.

From the moment that Ford began producing in Britain in the 1920s, they made it clear that they were not willing to operate with the low levels of capital investment (organic composition) and vertical integration that were typical of the UK motor industry: from a working class point of view, low integration and low investment result from workers' resistance to the process of de-skilling represented by Ford's way of producing cars (the Ford assembly line: App.1)]

This meant that Ford UK linked directly with the high levels of organic composition and vertical integration typical of Ford's production in America, and therefore that Ford struggles in Britain tended to take a similar form to workers' struggles in America. It also meant that Ford workers were having to fight harder than workers in other big UK motor manufacturers and their suppliers - because their struggle stemmed from a process of drastic change in the structure and composition of the work-force [class composition: App.1] brought about by the higher levels of capital investment at Ford, and which in turn led to further investments and still further changes in the work-force.

However, in the long term, the extent to which Ford invested in fixed capital (machinery etc) and integrated their cycle of production [App.3] in Britain and America is brought about by the pressure of workers' struggles within Ford's international operations, and not vice-versa: it's workers' struggles that provide the spur to investment.

B. FORD'S CHOICE AND SUPPLY OF RAW MATERIALS

When we turn from fixed capital (machinery etc) to circulating capital [App.2] (raw materials, fuels etc), we see that Ford's operations unite workers in the "developed" countries and workers in the "under-developed" countries into one vast cooperative network. They're still trying to involve workers in the "socialist" countries as well (Kama River project, Rumania etc).

The way that Ford's choose and obtain their raw materials is also dictated by the state of the class struggle:-

Energy: For supplying energy, Ford have their own power sources (eg the electrical power station at Dagenham). But they still depend on the State to provide coal from the nationalised coal mines. The change-over from coal to more labour-saving forms of energy (nuclear etc) is being left for the long term, although in the United States the decisive shift is planned for the end of the 1970s.

Metals: Unlike the other UK motor manufacturers, for the last 40 years Ford has processed a fair amount of its own metals, after having imported them from Africa. Most of their steel supplies are produced in the UK, particularly in South Wales (Port Talbot), but they also have an anti-strike policy of keeping open alternative supplies from EFTA and the Common Market countries, as a self-protecting measure against possible 'shortages' resulting from the frequent strikes in the UK steel sector.

Rubber: The production of rubber is still one of the strong points within the car production cycle as a whole. As the Times 'Rubber Report' (19th March

1969) said "Industrial relations in the industry are remarkably good."³ The national Rubber Industry Agreement in 1967, which was based on a productivity deal, was the starting point for a complete restructuring of the industry. It aimed to eliminate the 'hotch-potch of men, materials and plant' which characterised the industry, and claimed that the present large numbers of workers in the industry would soon be a thing of the past. This was to be achieved by maximum efficiency at all stages of production, which of course means maximum exploitation of the labour force.

The rubber sector supplies more than 300 parts for the average car, and the tendency internationally is for natural rubber to be replaced by synthetic rubber. In 1948 one tenth of the rubber used in world-wide production of cars was synthetic - by 1968 it was two thirds. But in the UK the position is different - 34% synthetic rubber as opposed to 66% natural. This is despite the strong position of American companies within the UK rubber industry, and is largely due to supplies coming from Britain's ex-imperialist presence in South-East Asia.

Plastics: As with other UK motor manufacturers, the percentage of plastic in Ford cars is still low (2% in 1968).⁵ Ford might consider using plastics for car bodies - but if they did, it would be in response to workers' insubordination [App.4] - ie as a result of workers in the Press shops refusing to produce, even if this was only expressed by the fact that Press workers physically couldn't keep up the number of operations required as the rest of the plant speeds up. Ford, in such a situation, might turn to a fluidification of the work process by means of plastics: this would mean that manual handling is reduced to a minimum, unlike the present situation in metal-working, which requires constant manual intervention by workers in a series of separate operations. Plastics would iron out this discontinuity.

C. WORKERS' INSUBORDINATION AND WORKING CLASS AUTONOMY

Insubordination is the ability of the working class to organise the struggle against work. It's always there among workers, but is organised to a greater or lesser degree according to the state of the class struggle in a particular period. As class autonomy [App.4] grows, this insubordination comes more and more into the open, and the 'technological collaboration' so much loved by preachers of 'workers' control' collapses, as entire sectors of industry go into crisis (compare the Scanlon Plan at Pressed Steel Linwood in 1965 with the accusations of 'anarchy' made by the MP Fortescue against Halewood workers in 1971).

At Ford the majority of workers are totally indifferent to the 'suggestions box'. This is usually the case in situations of strong workers' autonomy, partly because people aren't concerned to increase the employer's profits, and partly because they know that 'increased efficiency' might end up putting men out of work. If capitalists need the support of the working class in order to increase productivity, they only get this support in the objective form of workers' struggles, forcing them to re-organise production.

This passive attitude of non-cooperation is widespread among workers at Ford. Of course, when a new machine comes into operation, workers cooperate to a certain extent to get it working, on the orders of the foreman. But apart from that, workers are not inclined to apply their intelligence to the needs of capital.

In situations of less workers' autonomy (Langley compared with Dagenham), any tendencies towards cooperation are directly linked with the individual worker's hopes of up-grading and promotion. But in general, Ford has never managed to solve the problem of how to use the 'intelligence potential' of assembly line workers.

D. THE MANUFACTURE AND SUPPLY OF FORD COMPONENTS

Ford has gone much further than the other 3 major car manufacturers (BLMC, Vauxhall and Chrysler) in reorganising their supply of component parts and sub-

assemblies. The company was driven by the wage struggles that were hitting its component and sub-assembly suppliers, into continuously reorganising its own vertical integration (bringing the supply of more and more basic components under the Ford umbrella). This process of concentration has been accelerating ever since Ford America took over total control of Ford UK in 1960. Ford policy was increasingly to have at least 2 suppliers of any one component - with the exception of a few components supplied by companies directly controlled by Ford. This policy was an anti-strike measure.

From some points of view, it might be an advantage to have a lot of the manufacture of components carried out by companies outside the production cycle of the big motor companies, since only the supplier-companies are in a position to make the economies of scale that would reduce the costs of research and production of components (eg supplying all motor firms with one standardised product - Lucas, Pilkington etc).

But this is really an admission of the difficulty that British firms face with international competition. In order to keep an edge on international suppliers in the component field, British car producers are in danger of following a defensive line of expanding the supplier firms in the UK, in the short term, rather than vertical integration of production. This would mean that they were relying on their component suppliers in order to keep technically ahead of their foreign competitors, rather than having this capacity within themselves.

For a while this independence of the supplier firms was a useful line of defence for the UK car manufacturers, but it was exploded by the wage struggles of the 1950s and 1960s [App.5]. Then a process of concentration started among supplier firms, which merely paved the way for them to be taken over by the bigger motor manufacturers. In any event, the future of each of the bigger companies supplying transmissions and electrical parts is more dependent on the motor manufacturers than vice-versa. For instance, over the last few years, Ford have broken the 'monopoly' that existed in the supply of gear units, by beginning to supply 50% of their own needs (Halewood and Antwerp).⁶ This process was also under way in other sections of industry, and reflects a concern of the capitalist class as a whole to reduce their dependence on component suppliers with a 'monopoly' position in the market.

But it wasn't the capitalists of those particular supplier companies that decided whether or not the monopoly would continue: it was the working class. When workers in a particular supplier company use the rigidity of the production process (ie refuse flexibility, mobility of labour, new wage systems etc) as a weapon against that company, capital has to step in and break the workers' stranglehold at that point in the production cycle. This was the case, for instance, with Briggs Bodies, which Ford took over in 1953.

This means that it will become increasingly rare for a strike in one of the component or sub-assembly companies to bring the larger UK motor combines to a standstill. It will be even harder now that the motor companies are setting up coordination on an international level, which in moments of strike action in the UK will bring in parts from other parts of Europe.

The level of integration in the UK motor industry was too low in the 1950s and 1960s, and this made the flow of production very vulnerable to stoppages in the supplier companies. Ford saw this, and learnt the lesson early. They saw the dangers of struggles by workers who were in a 'monopoly' position, and pre-empted these struggles by setting up an international reserve pool for components and sub-assemblies. This is something that is worth studying in greater detail - but at the same time it should be said that increasing integration of big companies also makes them more vulnerable to the actions of workers.

E. MACHINERY, MEASURED DAY WORK AND SHOP STEWARDS

When it comes to the research, design, and introduction of the heavy machinery that makes up the primary assembly lines and the auxiliary lines in the factory,

it is obvious that Ford UK depends heavily on Ford in America and its associates.⁷ Investment-per-employee in Ford's UK plants is higher than the average for Ford plants outside America.⁸ In Britain, compared with the other manufacturers, in 1945 Ford had a level of fixed capital [App.2] which was slightly below Vauxhall's and double that of BMC.⁹

So, Ford is located somewhere between the 'American' level of organic composition, and what I shall call the 'BMC level'. The 'BMC level' was typical of the motor companies in the Midlands, until the second half of the 1960s, when it was plunged into crisis by the combined pressure of Ford and Vauxhall. This went hand in hand with a crisis in the workers' 'control' relationship to production, which for a long time was the basic bond between men and shop stewards in the Midlands.¹⁰ This relationship could be called 'piecework discipline' [App.6]: under the piecework system, each steward acted as a policeman to ensure the productivity of his own group of workers. It partly explains why British Leyland could achieve surprisingly high levels of productivity, even though their fixed capital investment was lower than Ford's.¹¹

In the Midlands plants, the fact that workers were willing to produce meant that employers could continue to operate with levels of organic composition that were lower than in other sectors of the motor industry - at least, until wage drift [App.6] eroded the productivity of the piecework system. There were two factors that undermined the workers' willingness to work: on the one hand the wage drive which had been continuous in the Midlands ever since the War, and on the other hand the fact that, during the 1960s, Ford workers had begun demanding parity with Midlands wage levels.

The Midlands level of capital investment (organic composition) placed the shop steward in a certain role. In wage negotiations, first the Unions and the Engineering Employers' Federation (of which Ford and Vauxhall have never been a part) define a general framework for national settlements. Then the shop steward comes into the picture: it's the stewards themselves who negotiate real wages under piecework, and through them piecework discipline is imposed.¹² The Engineering employers were very interested in this subject, and in their statement to the Donovan Commission (1966) said the following:

"For those firms in the motor industry where the piecework system is operated, negotiations at national level are much less important than they used to be. With the continuance of full employment, impatient customers, and ever-increasing capital investment, managements are forced, or disposed, to bargain with shop stewards to keep their plants in full operation. This has led to the growth in plant bargaining. Although no official statistics are available, BMC knows that about 1500 items are dealt with yearly as part of the negotiation procedure above foreman level. This, together with the effects of technological change, has meant that the engineering industry's procedure is now used to an extent undreamed of in the past...A further consequence of the increase in plant bargaining is earnings drift - ie the gap between earnings and nationally negotiated rates. The containment of this gap, which is largely unrelated either to the economic circumstances of the country generally or to the productivity of the firm in particular, is difficult to achieve when our present system of bargaining provides no positive link between national and plant levels...In this part of the motor industry it has been found that the existence of a well-organised shop stewards committee, fully representative of trade union membership in the factory, can assist greatly in overcoming the problem of leap-frogging wage claims, and also interunion friction, demarcation disputes, and in controlling their more militant members."¹³

Wage drive in the Midlands was organised jointly by pressure from workers and negotiation by shop stewards. It got to the point where wage increases far outstripped increases in productivity: the balance of the piecework system was beginning to tip against the employer. The recent hard-fought attempts by British Leyland to introduce Measured Day Work are a sign that the company is trying to restore the balance in its favour. British Leyland are aiming

to wipe out the position of BLMC workers as the leaders of this wage drive that has affected the car and engineering plants where wages are based on piece-work.

With Ford, however, the position is different. They have maintained higher levels of constant capital investment [App.2] than the average for British motor manufacturing, and have combined this with a system of hourly pay based on the 'Ford organisation of work' [App.1]. The Ford assembly line, which controls rigidly and constantly the productivity of the labour force, has enabled Ford to be the first British motor company to free itself from the workers' use of incentive systems (ie using incentives to push up wages without increasing productivity), and to make speed-up independent of corresponding increases in wages.

Relative exploitation¹⁴ [App.2] is higher at Ford than at BLMC. Part of the difference between the two is negotiated - ie the fact that Ford negotiates wage levels that are lower than other motor companies. But the other part is not negotiated - ie the rate of work (speed-up etc) which is imposed on workers by the Ford assembly line, in which they have little say.

The organisation of work at Ford partly explains the fact that, for a long time, Ford shop stewards were very close to the interests of Ford Line workers. At first, in the 1930s, factory organisation was hard to establish, because Ford, like Vauxhall, were prepared to concede wage increases. Then after the 2nd World War, union bargaining made company planning of wage levels a very precarious and temporary affair, and at the same time, shop stewards were put in a position to negotiate by the fact that there was a strong rank and file drive against work-speeds and conditions of work in general.

As a rule, with the Ford organisation of work, the more flow production is introduced, and the assembly line is 'fluidified' smoothing out the bottlenecks and discontinuities that are typical of the UK engineering industry, the less room there is for anyone to negotiate the particular work conditions of any one group of workers. At this point, either the shop steward "rejoins the workers" instead of fulfilling his role as a go-between in relations between the shopfloor and management, or he comes closer to the Union, and tries to use it and make his presence felt in the negotiation of money wages.

Ford has always saved on wages. The fact that Ford wages are lower than wages in the other motor manufacturers has been the main driving force of struggles at Ford at the end of the 1960s and the start of the 1970s - the demand for Parity.¹⁵ As this campaign starts to develop, the motor manufacturers will start to coordinate a double strategy on wages: on the one hand they aim to stop the wage drive which has developed, based on the Midlands piece-work system (BLMC), and on the other hand they aim to take the wind out of the Ford workers' struggle for Parity.

F. FORD LEADS THE WAY IN CURBING THE SHOP-FLOOR

Because production at Ford is more tightly concentrated than other motor manufacturers, the company has to maintain a much tighter discipline at shop-floor level. Every time insubordination [App.4] by a small group of workers causes a hold-up, the whole flow of production is threatened. Ford knows this, and in the company Agreement of March 1969 they tried to introduce their 'Penalty Package'. This aimed to modify the Labour Government's anti-strike legislation ('In Place of Strife'),¹⁶ and bring it into line with the needs of a big company whose concern was to keep strikes at its UK plants within the international average level. The Government was planning a 28-day 'cooling off' period for 'unconstitutional' strikes,¹⁷ but the penalty clauses proposed by Ford went further. They were designed to play on and exploit the isolation of single groups of workers - which is the other side of the ability of a small group of workers to plunge the whole of Ford's production process into crisis.

If one small group of workers somewhere along the line is in a position to organise a stoppage that will seriously threaten production, then management must exploit the smallness of that group of workers, and use the fact that they are a minority, so as to break any possibility of support and sympathetic

action from the rest of the workforce: ie isolate them from the mass of workers. The company aimed to ensure that the mass of workers would, in the short term, lose more than they would gain from the actions of small groups of workers. For this reason Ford went further than the Government's proposals, and once again paved the way for future action by the State. Then, at the crucial moment of negotiations on the 'Penalty Package', the management side declared that they would be willing to abandon all the proposed penalties - if the Unions were prepared to accept lower wage increases. But at this point the Minister for Employment stepped in and blocked this move, and managed to get the principle of penalties accepted in the final agreement.¹⁸

The clauses introduced in the 'Penalty Package' threatened that, in the event of an unofficial strike in a given plant, workers in that plant would lose lay-off pay, the yearly holiday bonus, and sick pay benefits for a six month period. This would apply to all workers in the plant where 'unconstitutional' action occurred: the definition of 'Unconstitutional' was extended to include all forms of action - strikes, overtime bans, even go-slows and working-to-rule - ie anything which stood in the way of the company achieving 'flexibility of operation' and 'efficient utilisation of plant'.

The fact that Ford concentrated on penalising forms of struggle inside the plant implied that they had plans for still further concentration of production.

This 'Penalty' experiment was being tried in a key sector of British industry, and the State followed it with eagle eye. The fact that it failed was another factor that led to the far more vicious clauses in the 1970 Industrial Relations Bill. The original penalties were planned to meet the productive needs of the company in a period of expansion. But in fact the clauses threatening loss of lay-off pay for workers in any plant affected by 'unconstitutional action' only played in favour of unconstitutional action, once the 'truce' had been broken: then workers would have nothing to lose.¹⁹

G. WORKERS' STRUGGLES AND THE "FORD ORGANISATION OF WORK"

When we look at the part played in Ford production by workers at the Dagenham and Langley plants, we see that there's a permanent undercurrent of tension, which accumulates at shop-floor level in the struggles of small groups of workers, and then finds an outlet in the periodic strike confrontations with the Company and the State. Both Ford and the State accept this structure of 'industrial relations' (in fact they encourage it - as in the new 'American-style' 1971 Agreement, aimed at a long-term contract, ending in a set-piece confrontation every 2/3 years), and when the confrontation comes, they bring to bear all the pressures possible within the balance of class power at that time.²⁰

Throughout the 1950s Ford were integrating their production at Dagenham (bringing in Briggs Bodies etc), and this process accelerated after Ford America took over total control of the company in 1960. The fact that there were a number of Ford plants concentrated round Dagenham, all within a few miles of each other, meant that it was possible for workers to establish immediate contact and common action (political composition [App.1]). In America, where Ford plants are more decentralised (this is made possible by their higher technological level), this kind of contact is only possible when a given struggle has been going for some time.

The Dagenham factory is fed by a number of smaller factories proliferating around the main factory, and in the same way Dagenham acts as a feeder for the Ford factories in the 'developed' and 'underdeveloped' countries of the world (supplying components; knock-down parts etc). The process of transportation brings into close contact two strategic sectors of the British economy - motors and containers - by creating a link (a link that is also political) between Ford workers and the large numbers of dockers working at Tilbury - a dock that is in the process of being containerised. Ford have their own ships coming into Tilbury. As for knock-down parts, these are exported for final assembly

in the countries to which they are sent. (This is happening increasingly, as overseas governments seek to build assembly plants which they hope will eventually be the ground for building up a vehicles industry that is local-based.)

This means that West Indian and African workers - who are about 20% of the 22,000 workers at Dagenham - are preparing material and working on the manufacture of knock-down parts, for export and final assembly in South Africa, which, along with Holland, is the biggest overseas market for Ford UK. Needless to say, if they were working in South Africa, they would undergo intense racial discrimination.

Dagenham produces all the engines for Ford cars made in Britain, while Halewood, the other big Ford plant with Final Assembly Lines, sends out transmission units. The link between Halewood and Dagenham is by rail/freightliner, yet another intervention by the State in coordinating a delicate area of the Ford production cycle, reducing Ford's dependence on road transport.

In the event of strike action, the main bottleneck in the Dagenham factory is the Engine Plant. If the old capitalist dream came true, and the Engine Plant was working full shifts, 168 hours a week every day of the year, it would be producing 1,000,000 engines a year. But effective production from the plant is not more than half that number, and it's a typical case of the capitalist problem of 'full utilisation of plant and machinery', which is the opposite of the workers' point of view - that social life is more important than Ford's needs. (Note: Ford passed the million mark in the Engine Plant in October 1972).

The 5,500 workers in the Engine Plant have a leading position in setting line-speeds for the whole factory, and therefore this plant has been the main target for Ford's attempts to eliminate non-productive time (dead time), using computers and cybernetics. Since the section has not suffered defeats, not even following the 1962 strike, and since Ford has needed to increase productivity (relative exploitation [App.2]) in the plant, they introduced a system of computerised control of the flow of production, and managed a considerable reduction in dead time. This key position of the Engine Plant also explains why Ford are so worried when these 5,500 begin stoppages or overtime bans, especially when stoppage here are organised to alternate with similar action by workers in the Foundry and Final Assembly.

The Foundry and the Final Assembly are two other bottlenecks within the whole Ford process. In the Foundry, workers have used the fact that the organisation of work was more flexible, and have managed through their struggles, to reduce the number of Grades, which had been very marked in the plant previously.²¹ In the second case, it has been the final assembly lines which have borne the full brunt of the strikes in the component and sub-assembly manufacturers, which have become more and more frequent in the last 10 years. This is also the section where workers have not been willing to buy Ford's 'job evaluation', and where the demand came up for back-dated lay-off pay after the lay-offs in 1968.²²

On the one hand, the workers' demand for full pay in the event of lay-offs is very damaging to Ford: it tends to lead to long drawn-out overtime bans, which then lead into equally long strikes. But on the other hand, Ford were able to use the question of lay-off pay against their workers. They could use the demand for full lay-off pay in the event of a strike in another section, to exploit the lack of political coordination between individual plants and factories within the company. This was shown in the lack of support for the women sewing machinists at Dagenham in 1968: 200 Halewood workers came out in support, and Ford responded by laying off 5,000. This was not the first or the last case when this has happened.

Nobody could say that Barbara Castle's Bill was defeated in 1969. In fact its main proposals as far as the interests of British capital were concerned, came up again in the Industrial Relations Bill. Tory critics of "In Place of Strife" criticised it, not because it went too far, but because, given the balance of class forces at that time, it didn't go far enough. It was for this reason that the Tories found it necessary to accompany the IRB

with another law - a Bill to limit the basic civil rights of those sections of workers who were not yet part of the settled population - ie immigrant workers from Britain's ex-colonies. This means the 700,000 West Indian workers, the 300,000 Indians and Pakistanis (not to mention countless Irish workers), who were brought to the UK at a time when unemployment here was low, and the 'underdevelopment' of these ex-colonies made them good recruiting grounds for labour to be drained off towards the 'mother' countries.²³

At the end of the 1960s, the capitalist class began a counter-attack, which, among other things, included ways of punishing 'passive solidarity action' between plants (ie anything short of strike action) and introducing a new wage hierarchy by means of job evaluation. Ford was a leading force in both these attacks. As regards job evaluation, Ford took on Urwick Orr & Co as consultants to set up a new wage structure. If we want to understand how they arrived at the 'relevant' gradings for each job, we would have to look at the relative strength of the different sections of the factory at that time. The highest ratings were given to the smallest sections. In general, Ford uses the smallness of the work-unit as a basis for calculating the 'contribution' of that section of workers.

It is company policy to oppose any upward alteration of the grading system when it's a question of upgrading hundreds of workers, but when it's only a matter of 10 or 20, they're willing to agree. So, although Ford claimed that the 'evaluations' were made on the basis of skill etc, in fact they were made taking into account only the cost of labour, and of course, any increase that threatens the stability of the factory wage hierarchy is avoided like the plague.²⁴ As it happened, the workers' response to this artificial job hierarchy was to use grading grievances as a way of advancing their claims, and for this reason Ford imposed a standstill in grading alterations for the 2-year period of the 1971 Agreement.

H. FLEXIBILITY, LABOUR MOBILITY AND THE STRUGGLE AGAINST WORK

The managements of Britain's big motor manufacturers have one over-riding interest in common: they are constantly reminding the State of the need for flexibility of labour to be achieved. They made this very clear in the report that they prepared for the Donovan Commission:²⁵

"The 1964 TUC Annual Conference called for the 35-hour week: and similarly the Conference of the International Metalworkers Federation at the end of 1965 expected European car workers to follow the United Automobile Workers of America in demanding the 35 hour week. This ambition, however, could only be realised by the greater utilisation of automated machinery, and the latter can only be achieved if it is run for the optimum length of time. This clearly requires flexibility in shift working and staggered rotas. Thus, if the Trade Unions wish to press for shorter hours, their claims need to be qualified by a corresponding willingness to accept work on a regular basis at times which are now regarded as overtime, outside the traditional Monday to Friday 40-hour week. The idea that scheduled overtime might vary in length between winter and summer, and that weekend and afternoon and night shifts can form part of the standard work-time, will require increasing attention."

But we should look at another even more important aspect of flexibility of labour - ie workers' mobility [App.4]:

In the Dagenham plant at the end of the 1960s, the weekly turnover of labour was running at about 1%. At Langley it was reported as being about 40% in a year. The reason for this is speed-up. In the words of one black worker: "When the pressure gets them, they run. They finish with Fords."

Langley is the plant out near Slough, where Ford concentrated their production of trucks and vans in 1959. Out of the 2,000 workers employed here, about 75% are West Indians and Asians, compared with Dagenham, which has about 20-25%. In both cases the percentage of immigrant workers is increasing from year to year, and this is due to the fact that not many local workers are

willing to put up with the pace of production at Ford (In late 1972 Ford were having to advertise as far away as Liverpool to get assembly line workers for Dagenham). At Langley, out of every 80 new recruits into the factory, only 10 are likely to stay there for more than 12 months, and many don't even last the week. There are a few old hands who have been in the factory for years, but by the time they start taking the new recruits in hand, the new men are already on their way out, looking for something better, "because life at Ford is hard."

The introduction of black immigrant labour at Ford was a result of the labour shortages of the 1950s and 1960s. It was a slow process, more noticeable at Langley than at Dagenham. And right from the start there were tensions between black and white workers: for instance the fact that the Unions took no action to ensure a fair distribution of overtime between blacks and whites:

"To give an instance of how this operates: in any section where there are about 30 workers, 25 blacks and 5 whites, four of the whites are sure of overtime, three of the blacks are sure of overtime, about five blacks are given overtime at intervals, and the remainder none."²⁶ Management know that for many black workers overtime is a necessity, because as well as paying for food, housing etc, they also have to earn the money to cover the costs of coming to Britain in the first place - and this can take months or years. Also, many black workers travel in from London and outlying areas, and need the overtime to cover travelling expenses. Foremen exploit this situation in order to make life hard for the militant: anybody who is not prepared to toe the Ford line suddenly finds that he's not getting the overtime. Inevitably, bad feeling over the allocation of overtime led to certain attitudes about the Union:

"The vast majority is split, one side saying that it is best to be with the Union, and the other side saying: 'The Unions are no help anyway.' ...The result of this is that even though 90% of the men are in the Union, the active support comes from a minority of around 25%, even on issues of major importance, like the present (1969) wage dispute."

However, more recently, the gap between the men and the Union/shop steward structure has narrowed. This has happened through the recent shopfloor pressures on the Unions to get wage parity with the Midlands, but also through a consolidation of shop-floor organisation. In some sections workers have fought, and have improved conditions. This has lowered the level of labour turnover (mobility), which in turn means that groups of workers have managed to force management to respect their rights within the terms of the 'code'. This means resisting transfers unless they have been mutually agreed between foremen and stewards, limiting speed-up, and insisting on certain safety conditions, which Ford always tries to erode with the continual introduction of new machinery and methods. This shop-floor struggle has given the stewards a certain base from which to operate.

When a new recruit enters Langley, he's not yet part of an established group. The foremen make a point of putting the screws on him, by intimidating him. But very soon a group of workers will take him in hand, to make sure that he's not left isolated, and will make him part of the informal network that exists to look after new workers. The fact that new entrants are forced to make a decision, right from the start, whether they're going to be 'hard' or 'docile' has a lot to do with the labour turnover: high mobility breeds weak organisation.

For many young West Indians the question of organisation is made even harder by the fact that many of them have a long way to travel between the factory and their homes, unlike the 'old' Langley working class, made up mainly of immigrant Irish workers, who live close around the factory, and who don't seem worried by the fact that it's hard for many black workers to attend branch meetings: "The Union continues to hold branch meetings in the Slough area, after work, instead of pressing the firm for permission to hold them on 'the premises.'"

Up until 1967 not one of the 75% black Union members at Langley had ever

been elected shop steward. Then there was a drive for 'proportional representation', which led to the election of a few West Indian stewards. From then on life at Langley became very tough. And the harder it became, the more new recruits fought to get out of the 'Hell' of the lower gradings. This took many forms - like playing up to the foreman so as to get yourself upgraded - but in general it was a losing battle.

The manual labour force at Ford is organised fairly rigidly into a wage hierarchy of 5 Gradings, and the first crisis of the new recruit at Langley usually comes when he tries to challenge this hierarchy. Before he comes to the position of refusing Ford's organisation of work, he starts by accepting it and trying to better his position within the factory. The foremen begin to smell a rat when a man's eager to show that he can work harder than his work-mates, and begins to become a threat to the factory hierarchy.

Sometimes, for instance, a worker who is trying to improve his position manages to get overtime on a job which - for other workers (usually white) but not for him - should carry a higher grading. His first mistake will be to go along to management and ask for a higher grading for the job. The first reply is usually a simple "No". So he goes away and comes back with his shop steward. The personnel manager simply ignores the steward, and merely refers to the agreement signed by the worker, which offers a choice: either he can work overtime, or he can be upgraded - but not both. He knows that upgrading will mean an extra £2 a week, but the overtime is worth £8 or £9. He abandons his demand for upgrading, but by now he has lost out on both counts, since, by making a fuss, he's probably forfeited overtime in the future. He's been defeated, and from now on he's in the same boat as other workers who have not bothered to improve their position, and others who, after a period of absence, return to find that they've been transferred or down-graded as part of the policy of continual change-round that management manoeuvres in order to avoid giving higher grades to workers.

When the individual solution fails, the worker moves towards fighting Ford's organisation of work, and this is usually based on collective awareness. His point of reference is no longer the shop steward, but the group of workers who are the real power behind the steward. Class unity begins to emerge when workers start forming informal groups [political recomposition: App.1] to resist the organisation of work, and to oppose those who exist to make it work (foremen, chargehands etc). The more this resistance grows and becomes conscious, the more the shop steward 'joins the lads', instead of becoming separated from the group and spending all his time on negotiation. This means that instead of refusing work by the individual solution of always negotiating conditions of work for other workers, he begins to fight for his own material interests, together with other workers. It's these workers' groups that are the main basis for organisation in a situation where high line speeds mean a constant massive turnover of workers, since it's these groups that make sure that new recruits abide by the 'code' of what has already been won in the factory.

It's on the assembly lines that workers' mobility is at its highest, and it's here that Ford has been least able to create a job-hierarchy to divide workers. When Ford introduced 'job evaluation' with the grading agreement in 1967, despite the fact that more than 2,000 jobs were 'evaluated' at a very high cost (Ford spoke of £1m), and despite the secrecy that surrounded the weightings that were given to each job, somehow the mass of assembly line workers (30,000 out of 48,000 workers) all ended up in the fourth out of 5 Grades (B Grade).

This system creates a mass of workers with a collective consciousness (which is quite different from the attitudes in piecework factories), who fight Ford with collective action. An important example of this collective action is the overtime ban.

What an overtime ban does is to unify sections of workers who are usually divided and separated by large differences in wages. It means that those workers who do not fit into management's plans for a flexible labour force (ie those who are not periodically transferred and upgraded, or those who don't get

overtime) are joined by workers who have taken a voluntary wage-cut by refusing to cooperate with management's need for overtime to be done. Management knows that when an overtime ban starts, they can expect strike action in some part of the plant: when it means a small group of workers taking action unofficially, they know they have to act fast, and usually do this either by reorganising the job, or by dispersing the troublemakers round the factory (internal mobility).

So, since overtime is used by management to divide workers among themselves, the overtime ban is a way of creating class unity and breaking down the wage hierarchy. But it is also an attack on the factory plan in the following way:

In any factory there is always insubordination and a refusal to cooperate, at the individual level, by the individual worker. For instance, when new machinery is being brought into operation, and a section of the plant is speeded-up, workers respond by sending half-finished cars down the line and refusing to cooperate in the speed-up or in getting the machinery to work properly. Langley is not built around one single assembly line, but around a number of lines for all the different models the factory produces, and this fact makes disruption easier - whether it's deliberate or not. By creating bottlenecks or disrupting the line, workers know that they are creating extra work, and from a worker's point of view this is a way of fighting unemployment and guaranteeing overtime during periods of slack production. To a certain extent this kind of insubordination threatens the wage hierarchy, since semi-skilled men have to be employed during overtime hours to repair defects in the cars that have come off the line, and this should bring with it higher wages, because it means doing the work of skilled men: the men are paid higher grade rates, but this is presented only as a 'privilege' during overtime hours. Overall, though, this kind of insubordination is incorporated by Ford in the factory plan, because they make allowances for a certain amount of overtime to put right 'production deficiencies': that factory plan can only be attacked by refusing to do overtime, and this in turn reinforces the effect of insubordination further back down the line.

I. FORD'S USE OF INVESTMENT AND THE LABOUR MARKET

Ford's recruitment policies, right through their history, have followed a regular pattern: on the one hand they locate their factories in 'underdeveloped' areas (Dagenham, Halewood, Genk, Bordeaux), and on the other hand they use immigrant labour from 'underdeveloped' countries on the assembly lines. This was the pattern in the early days of Ford Detroit, when 60% of their workers could not speak English. It has also been the pattern in the UK, where Ford have passed from Irish immigrant labour to West Indian and then Asian. And it's the pattern in Europe, where Renault, Chrysler, Volkswagen, Fiat and the other all rely on immigrant labour from the Mediterranean countries and North Africa. This policy of labour mobility at an international level is Ford's reaction to workers' mobility - ie the simple fact that workers won't put up with the Ford assembly line for long, and Ford have to look further and further abroad to get workers willing to work for them.

Capital plans development and underdevelopment, and exploits the one against the other. Ford's operations fit completely into this pattern: on the one hand geographic mobility of labour (bringing in labour from 'underdeveloped' countries), and on the other mobility of investment (investing in 'underdeveloped' regions). However, the workers' response to this manipulation is a mobility of their own - the refusal to work for Ford.

The Trade Unions are waking up to the fact that this puts them in a tricky position. Ever since the "Ford Revolution" and the introduction of the assembly line in the 1910s, workers' mobility has been the main form of struggle in the motor industry. The more workers' wages are tied directly to productivity, the more the Union's existence as a bargaining agent is threatened, because increased speed-up means an increase in labour turnover: high labour turnover (workers' mobility) is a form of struggle over which the Unions have very little control. It also tends to work against the Union itself as a form of

struggle.

The precondition for any Union struggle against Ford's manipulation of the labour market, and towards international parity within the company, would be a stable labour force, organised as trade unionists. This would be needed for any such coordinated campaign at an international level - but needless to say, these preconditions don't exist, and it's not the Unions that are going to bring it about.

NOTES

¹For the relationship between supplier firms and the larger motor manufacturers in Britain, see the article in "Economic Intelligence Unit" - 'Motor Business', 55, 1968.

²See A. Silberston's article 'The Motor Industry' in D.L.Burn "The Structure of British Industry - a Symposium", published by Cambridge University Press 1958, II, pp1-44.

³From the Times, 19th March 1969, Rubber Special Report, p.1. ⁴Ibid., p5.

⁵'Ford Facts' from "Plastics in the Motor Industry", 1968.

⁶It's exceptional for motor firms to self-supply 50% of gear units. Ford's other 50% comes from 11 supplier firms. For more information see "Economic Intelligence Unit" - 'Motor Business', 55, 1968.

⁷Primary and auxiliary lines - ie the main assembly lines and the feeder lines. According to the Research Department of Metal-Working Production, "Census of Machine Tools in Britain, Metalworking production" July 1966, McGraw Hill, London 1966, the percentage of foreign manufactured machine tools with the UK total was the following:

<u>Age of Machine Tool</u>		<u>% Manuf. Abroad</u>	
Less than 10 yrs	All sectors	11.4	Vehicle sector 16.9
Between 10/20 yrs	"	10.6	" 17.7
More than 20 yrs	"	10.3	" 21.5

As the census-compilers point out, these percentages are in terms of numbers and not of value. It's usually the machines that are most expensive and hard to find in the UK that are imported, and this means that a percentage based on value rather than on numbers would show a larger number of foreign machines. These considerations are more true for the vehicles industry than for industry as a whole, as the percentages show. They are also more true for Vauxhall and Ford than for the vehicles industry as a whole, because it's relatively easy for them to transfer technological innovations from General Motors and Ford US. There is also a considerable production in Britain of machinery under licence from these 2 American companies.

⁸See "Economic Intelligence Unit" - 'Motor Business' 43, 1965, pp14 & 23 for details of the Ford group operating outside America.

⁹See Labour Research, 45, December 1966, which shows that the relationship between capital investment at Ford UK and BLMC has remained almost unchanged since 1957. See Also "Economic Intelligence Unit - 'Motor Business', 18, 1950, Table XIII.

¹⁰This period runs from the start of the motor industry in the UK through to the end of the 1960s, when the switch-over from piece-rates was introduced at BLMC - the company that emerged from the merger of British Motor Holdings with Leyland.

¹¹See "Labour Research", 45. In 1965 BMC were producing 8.86 cars per worker, Ford 10.87, and Vauxhall 10.1.

¹²Royal Commission on Trade Unions and Employers Associations (Donovan), Minutes of Evidence - Motor Industry Employers, HMSO 1966, para 56.

¹³ Ibid., paras. 56-58.

¹⁴ "Net value added per employee" is a useful way of measuring relative exploitation. Moss Evans in the TGWU's 'Ford Wage Claim' for 1971, p.17, reports Ford's statement to the NJNC in November 1969, that £2,764 net value added per employee represented a "favourable comparison in the UK". But, using Ford's 1968 accounts in 'Ford Facts', Evans claims that the real figure is nearer £3,500 per employee...which "compares even more favourably with other British producers".

¹⁵ Again, see the TGWU wage claim for 1971, which gives the best figures for the national and international differences in Ford wages. Pages 39-46 give figures for comparative wage costs in the UK and in the Common Market, while pages 33-35 give comparative wage rates within UK motor manufacturing.

¹⁶ Department of Employment and Productivity, "In Place of Strife", London, HMSO 1969.

¹⁷ An 'unconstitutional strike' is one that ignores the negotiating procedure laid down in the Company agreement. See "Socialist Worker", 29 Jan 1969, p4.-

¹⁸ See F.Silberman's article, 'The 1969 Ford Strike', in the "1970 Trade Union Register, pp.213-228, and esp. p227, n17.

¹⁹ Department of Employment and Productivity, Industrial Relations Bill, Consultative Document, HMSO 1970.

²⁰ See, for example, the article in the Sunday Times, 19 March 1969, p12 - 'Why Ford is Worth a Fight': "With new wage increases, the pressure of wage demands not linked to productivity - consuming what we have not yet created - would grow immediately. This is why the Ford strike is of such prime importance for British policies".

²¹ One of the tightest groups at Dagenham, the process workers in the foundry, were a typical example of this when they waged a struggle through 1968-69 - ie at the same time that Ford was introducing the new hierarchies developed by the 'job evaluation' study.

There were a few stewards who wanted to bring notions of 'workers' control' into the struggle over job evaluation, but they didn't get very far. Among the most ideological stewards on the British Left, the idea of workers' control reigns supreme, and they apply it not only to the control of production, but also the defence of skills. Their idea was that workers and stewards should be the ones to decide skill ratings, without challenging the whole notion of 'skills'. For an example of this attitude, see Socialist Worker, 29 March 1969, p2: "The control of job evaluation and comparisons of differences in pay must be in the hands of the shop floor. The workers will accept the decisions of other workers - the representatives that they have elected."

²² In June 1968 Ford laid off large numbers of workers at the time of the women sewing machinists' strike, and again in September-October, following a strike in one of their suppliers.

²³ On the British Left people are often as frightened to admit that from the capitalist point of view immigration has been an anti-worker exercise as they also find difficulty in admitting that it was also an anti-proletarian operation in the ex-colonies, and that the struggles of immigrant workers lead the movement that is going to break this operation by attacking the links that bind 'development' and 'underdevelopment'. If, as the "Economist" writes, strike-breaking must once again become respectable, then the breaking of class cohesion will be brought about by the attempt to defeat sections of workers who, perhaps, are less 'settled', but who are certainly more determined in their attack on a factory system which they see as the basis of discrimination.

²⁴ This was the case in the sewing machinists' strike at Dagenham in June 1968. In the decisive meeting between the workers' representatives and the Minister

of Labour, the women were refused a higher grading, but were offered wage increases that would leave them 8% behind the average man's wage packet. The action of the women to get themselves upgraded was translated by the State into a demand for 'Equal pay for equal work'.

²⁵ Royal Commission... paras 61-2. A confidential report, put out by the Ministry of Labour, with the aid of industrialists and trade unionists, was published in *Socialist Worker* on December 21st 1968: "With the continual introduction of expensive new machinery and equipment, shift working will no doubt continue to increase so as to maximise the economic return from the capital investment involved, and indeed before committing capital to the purchase of such machinery, employers want to be assured that shift working will be possible so as to ensure an adequate return."

The Report discussed Section 68 of the Factory Act, which says that women and workers under 18 should take their rest periods at the same time. This, the Report complains, "denies the employers the flexibility so essential in present-day conditions". The employers would rather see rest times dictated by the needs of production - staggered breaks etc.

This tendency is confirmed in J.Blackman's article in the 1970 Trade Union Register (pp109-15), especially pp109-10: "Progress towards equal pay without legislation has been made in some sectors of industry during 1969...At the end of 1969 a step forward towards treating women and men alike for pay was made by Fords, on condition that the restrictions on women working night shifts were lifted. At the beginning of this year (1970) Vauxhall established the principle of 'Equal pay for equal work' also, by an agreement whereby women received the full men's rate for the same work, including night shifts...this was regarded in the Press as a useful step which may be significant for other car plants and engineering in general."

²⁶ "Black Ram", published in London March 1969, 1, pp6-9. There's also an article that criticises heavily the relation between the unions and the shop stewards on the one hand, and the workers on the other, during the recent conduct of a strike - in H. Huppauuff's analysis of the Ford strike in "Sozialistische Politik" 3, 1969, pp.14-33.

APPENDIX

We're adding a postscript to this article, since some of the terms used in it are not as familiar in the UK as they would be in Italy. Many of the terms stem from a new method of analysing the present-day class struggle, developed by Italian Marxists from the early 1960s - especially in the review Quaderni Rossi (Red Notebooks: 1961-64) and Classe Operaia (Working Class: 1964-67). It was no accident that this 'new Marxism' should develop in the Italian workers' movement, given the rapid changes taking place in the composition of the Italian workforce, and the resulting crisis of the traditional workers' movement - both the Unions and the Communist Party of Italy (CPT)

The years 1961-65 saw a revival of class struggle after a time of Cold War and 'social peace'. The economic and political situation was marked by 3 things: monopoly corporations were consolidating themselves, bringing about a new organisation of production and thereby a new composition of the working class; there was an ever-increasing tendency towards capitalist planning of the economy, with increasing State intervention; and the policy of the traditional workers' organisations was to take the 'Italian road to socialism', by participating in and, eventually (they hope) taking over State planning.

In 1965 a series of essays was published - "Workers and Capital" - by Mario Tronti, one of the central people in this new Marxist current. By this time it was already clear that the old socialist movement was outdated as far as the workers were concerned - that workers were no longer fighting for planning, State ownership, and control of production, but rather for wages. And not wages 'linked to productivity', but wages based on the workers' need to live. In other words, fighting against productivity, against work under capitalism. This was shown, for instance, in the demands that were to develop

later in the fight at FIAT in 1969-70. This fight expressed the specific material needs of workers, of their own autonomy as a class, against the 'general interest' of capitalist (or socialist) society, and against planning and all its agencies, from the State down to the Unions.

The new approach, based on this new class situation, meant returning to Marx. In other words a re-reading of Marx (especially the Grundrisse - which was unavailable in English until it was recently published by Penguin, price £1), in order to rediscover a scientific approach to the class struggle, behind the distortions of the socialist orthodoxies over the past 50 years.

The new Marxism in Italy countered these distortions by returning to the basic antagonism between capital and labour within production, and developed this as the basis for a movement with communism and the abolition of wage labour as its aim. Their understanding has been confirmed by the development of the struggle since 1968 in the advanced capitalist countries - the collapse of incomes policies and Keynesian planning.

In this Appendix we have tried to give a brief definition of some of the terms used in this article, and the way these concepts are used as a means of analysing the class struggle. Some of these terms, such as 'vertical integration' and 'production cycle' are simple technical terms in general use by capitalists: others are specifically Marxist, and are developed in Marx's study of Capital.

¹Class Composition, Deskillling, Recomposition

The use of these terms implies a way of seeing the basic confrontation between the working class and capital as the meeting point of two antithetical forces, two drives which counterpose each other, and which develop along with capital accumulation:

First the organisation of workers by capital. This means things like capitalist use of the labour market, the directing of labour migration, the control of education and job-training, the division of the workforce into skills, sex, ages, nationality etc. In other words, the way in which capital uses the divisions of the class to maintain control. Then, as workers organise to overcome these divisions and become strong in their work situation, capital introduces new machinery, new branches of production to create and exploit new types of workers, while older militant sections become redundant. This is class decomposition. A typical case would be the liquidation of the skilled 'Bolshevik' vanguard of the working class in the 1920s by the introduction of the assembly line production, starting in the USA with Ford: this destroyed the need for craft skills in engineering (deskilling), and hence destroyed the worker's independence in the work process, his 'pride in the job' which lies at the basis of the 'workers control' outlook, and thus of the socialist movement as a whole.

Second, and conversely, the fact that the working class recreates its unity, recomposes itself in struggle against capital, overcoming all the above divisions: each phase of decomposition leads to a higher and more generalised recomposition of the class against capital. The more class unity and confidence in struggle builds up, the more workers lose their identification with work. Their struggle, instead of being confined within the terms of work, now takes a more radical form - against the monotony and drudgery of capitalist work itself. The goal of this movement is no longer socialism but communism, and this is not a distant future dream, but is inherent in the day-to-day struggles of workers. (Hence the struggle against work, ranging from strikes, through sabotage and non-cooperation, to simple absenteeism...the refusal of the working class to function productively within capitalism.) The further stage is political recomposition, the stage where this process of redefining the contents and goals of the struggle takes on an organised, political form.

²Organic Composition, Fixed and Circulating Capital

'Organic composition' of capital (see Marx, Capital I) refers to the relation between the separate parts of capital: ie the proportion of constant capital (constant in value) as against variable capital (ie living labour which pro-

duces surplus value). Constant capital includes both fixed capital (machinery, plant etc), and the objects of production (raw materials, fuel etc) which are called circulating capital. According to Marx, the tendency of capitalist development is that the proportion of 'dead labour' (that is, past labour which is embodied in machinery, plant etc) increases in relation to living labour, as workers are replaced by machinery and the average productivity of the workers rises as a result. You have the same number of workers setting in motion a larger mass of constant capital, which means that the relative exploitation of these workers increases (ie, the proportion of their work-time during which they produce surplus value and hence profit for the boss). We can't hope to describe this better than Marx - Capital, I, Ch.15.

³ Means of Production is a general term, covering both raw materials and instruments of labour (tools, machinery) in the production process.

Cycle of Production is the process from raw materials through production itself, to the finished product. In vehicles it includes the manufacture of components, rubber, tyres, glass etc, as well as the final assembly, and would include other spheres of employment dependent on the car - like road-building, garage servicing etc. The scale of the cycle of car production throughout Europe points to the massive importance of the car in European economy.

Vertical Integration means bringing under the control of a single capitalist (or the State) the whole cycle of one branch of production, ie from raw materials, mining, planting etc, to distribution of the final product. Examples - Ford's rubber plantations in Brazil in the 1920s, or BLMC's newly developed Leycare servicing network.

⁴ Insubordination, Struggle against Work, Autonomy

These terms refer to the content of the new phase of workers' struggles in the 1960-70s. The increasing development of flow-line production, increased mechanisation and fragmentation of jobs, the introduction of NDW - all these lead to work that is repetitive, alien, boring. There is no longer even the semblance of pleasure or creativity in the work process - and workers' struggle becomes a continuous struggle against productivity, against the worker's relative exploitation. At this point, the capitalist's whole effort is being devoted to involving the worker in work (participation, workers' control, notions of skill etc), at a time when workers are expressing their independent interests (autonomy) as the working class against the 'general interests' of society at large (incomes policy, planning etc) under present capitalist conditions. Against the bosses and Unions, who negotiate and organise the reform of working conditions, incentives to work etc, the working class has produced a crisis of the whole system since 1968 in all Western countries, by sapping that system at its very root - the productivity of labour. Insubordination means just what it says.

⁵ Concentration

An example of more recent pressures towards concentration was 1968-70. A wave of strikes in the component industries (Dunlop, GKN, Pilkington) cause widespread layoffs in the Assembly firms, and demands for better layoff pay (Ford with the 1968 Girling strike; BLMC with the 1970 Dunlop, GKN strikes). Rather than face continuing struggles in components, so as to avoid paying the cost of them (layoff pay etc) the big motor firms pushed towards greater integration of these firms.

⁶ Piecework Discipline and Stewards

Where workers have been paid wages according to output, as in British engineering up to the 1960s, these wage systems are a means of buying the workers' co-operation in production. This means that many management functions are handled indirectly by shop stewards or gang-leaders - regulation of output, maintenance of quality, organisation of the labour process etc. This unofficial 'workers control' was permitted under the wartime and postwar Coventry 'gang system', and was widespread in the Midlands engineering industry. Piecework discipline means

voluntary self-organisation of discipline through stewards, rather than directly by management and staff. However, piecework and this kind of 'discipline' began to be used by workers to control their output, so that wage increases outstripped productivity ('wage drift') in the 1960s. Managements were increasingly forced to impose direct controls over the work process and introduce standard measured day rates. This went together with increasing mechanisation, so that it now became the speed of the machine, and not the money incentive, which drove the worker to work, and discipline was now imposed by a vastly increased army of supervisors and foremen, instead of by stewards and by workers themselves. However in some sectors (eg the docks), the removal of the self-policing aspect of piecework and incentives has led to a dramatic drop in output under NDW.



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SOME ISSUES RAISED BY MARXIST ANALYSES OF EUROPEAN INTEGRATION*

John Holloway

INTRODUCTION

It is natural that a newly-formed working group on the political economy of European integration should seek both stimulus and a common foundation for discussion in the existing heritage of Marxist analysis. The aim of this paper is to examine this heritage¹ with the object of raising some issues which seem to me to be important. If brevity be the soul of wit, I fear that wit will often be sacrificed here to the task of laying a common basis for our future work.

Mandel's analysis provides an almost inevitable starting point for any review of the existing literature, since he has written more extensively and more influentially on the subject than any other Marxist. Before turning to the issues involved, it will be useful to outline his argument very briefly.

(1) Internationalisation of capital: An important change has taken place in the development of international monopoly capital since the last war. Before that date, although they accumulated and competed on an international scale, monopoly capitals merged only within the nation state: it is only since the war that the international centralisation of capital has become significant. This is largely a result of technological developments: the development of the productive forces in the third technological revolution has been such that, in a growing number of sectors, the purely national centralisation of capital cannot muster sufficient capital to establish production on a profitable scale. The development of a purely national capital is no longer feasible, as witness the failure of Gaullist policy in this area. The international centralisation of capital takes two principal forms: the absorption of European companies by American monopolies and, in defensive reaction to this trend, "the fusion of national companies of the various [European] countries into new units in which national capital is no longer dominant, but in which capital is now more or less equally dispersed over two, three or more [European] countries."² There is a struggle taking place between this American challenge and this European response, the outcome of which is still undecided.

(2) Impact of the international centralisation of capital on the state: The function of the state in late capitalism is primarily economic,³ to guarantee the profits of its monopolies and defend the interests of its capitalist class. This function becomes more important in time of recession. The state's ability to fulfil this function will be impaired by the international centralisation of capital, whichever of the two principal forms it takes. Increasing absorption of European companies by American capital will bring with it increasing American hegemony over European states. More important for our purposes, if capital interpenetration within Europe continues to grow, the new European capital will require, especially in time of recession, state intervention on a European scale, the intervention of a European state. The nation state will not have sufficient resources to defend the new European capital effectively.

(3) European integration: The material infrastructure of European integration is thus provided by the European interpenetration of capital. "The future of the EEC's supranational institutions ultimately depends on the extent of the interpenetration of capital in Europe".⁴ European integration both results from European interpenetration of capital and promotes further interpenetration. If this interpenetration fails to take place on a sufficient scale, the conflict of interests in a serious recession will tear the EEC

*This is a very slightly revised version of a paper presented to the second meeting of the CSE Working Group on European Integration on October 11th 1975.

apart. The failure of the European response (i.e. of the formation of a European capital with a European state) would mean a lapse into nationalism signifying de facto economic and political domination by American capital. The future is still undecided.

From this brief outline of Mandel's argument, it appears that there are three complexes of issues: those concerning (1) the internationalisation of capital, (2) its impact on the nation state, and (3) the bases of European integration. For lack of time and space, this paper will concentrate on the first two topics, leaving the third topic and the question of the political implications of all three topics to be dealt with briefly in the conclusion.

1 INTERNATIONALISATION OF CAPITAL AND INTER-IMPERIALIST RIVALRY

"It is by now banal", as Sol Picciotto said in his paper at the first meeting of this group,⁵ "to point out the increasing interpenetration of capitals between advanced capitalist countries, dominated by the extension of US firms, principally into Europe." It is clear that there has been a qualitative change of major significance in the internationalisation of capital since the Second World War, and that the growing internationalisation of production and international centralisation of capital⁶ - overlapping but not identical phenomena - are among its most important features. Beyond that, there has been much dispute concerning the forms and the importance of the phenomenon.⁷ Three issues which seem to me of particular relevance to the question of European integration are the questions of (a) the reasons for the international centralisation of capital, (b) the notion of 'European capital', and (c) the evidence of European capital's success in its competition with Japanese and especially US capital.

(a) Reasons for the international centralisation of capital: For Mandel, as we have seen, the explanation for the trend towards the international centralisation of capital is primarily technological: the reasons for this development of the relations of production are to be sought in the development of the productive forces. Like Servan-Schreiber, he believes that "modern technology requires large corporations",⁸ so large that they must be international. Thus, in discussing the nature of the pressures in favour of the interpenetration of capital in Europe (in "Europe versus America?"), he emphasises first the increasing number of "cases in which international capital interpenetration is an absolute precondition of profitable production":⁹ "Certain sectors of industry demand such intensive investment to attain profitable production that even all the companies in that sector in each individual Common Market country together cannot provide it. In such cases international financing is mandatory to be able to produce at all."¹⁰ Examples are provided by the aviation industry, space exploration and space telecommunications. In addition, there are other cases where there is "a relative necessity for the interpenetration of capital: given the size of the market [in relation, presumably, to the development of the productive forces], in an ever-increasing number of branches of industry, there are only a limited number of companies which can operate at a profit. The Common Market therefore simply has no room for four or five big companies in these sectors!"¹¹ The example given is that of integrated circuits in the electronics industry; to this there are added, in his later book on 'Late Capitalism', machines which can produce matches for ten million consumers or electric light bulbs for twenty-five million and oil refineries which can satisfy the petrol requirements of more than 15 million people.¹² In both cases, the international centralisation of capital is seen as the result of the development of the productive forces in the third technological revolution and, although a number of other reasons for international centralisation are given (especially in the later book), it is emphasised that "the internationalisation of the productive forces constitutes...the infrastructure of the internationalisation of capital."¹³

An important consequence of this approach is that the international centralisation of capital (or of social resources) is inevitable and that any attempt to fall back into capitalism in one country (or indeed socialism in one country) is utopian and doomed to failure. The classic example of this is the failure of De Gaulle's policy of preserving French sovereignty in the 1960s, particularly in the computer industry: the refusal to countenance the amalgamation of Machines Bull with other European firms meant that it was eventually taken over by General Electric of America. "The alternative was not: either this firm stays 'French' or it is 'taken over by foreigners'; but either it amalgamates with its European counterparts or it is taken over by the USA. De Gaulle's aversion to supranationality thus paradoxically became American capital's best ally in Europe."¹⁴

Picciotto and Radice apparently share Mandel's approach to the international centralisation of capital, but place slightly more emphasis on the "remaining possibilities for 'national solutions' in most sectors of industry."¹⁵ Clearly the question of the scope of the "remaining possibilities for national solutions" is absolutely central to any discussion of state capitalism or of a 'national alternative' to the Common Market, whether it be the capitalist one envisaged by Enoch Powell or C. Gordon Tether, or some sort of mythical capitalist-socialist hybrid as dreamt of by the Labour left.

In this context, it is important to note that Mandel's views are not uncontested. Thus, Poulantzas¹⁶ argues that the internationalisation of capital has nothing to do with 'technical' factors or the 'technological revolution', while Hymer and Rowthorn argue that the development of technology, far from imposing internationalisation on economic life, makes the effective planning of the national economy more feasible and thus "allows greater scope for national independence."¹⁷

The implications of Mandel's thesis of the technological necessity of an internationalisation of capital are clearly important for an assessment of the various strategies open to European capital and of the feasibility of national-reformist policies. His arguments can probably best be tested by an empirical examination of the forces behind the centralisation of capital and of the constraints imposed by technological development in the various sectors of industry.

(b) Inter-imperialist rivalry: 'Europe' versus America? - the concept of 'European capital'.

Much of the debate on the EEC has been incidental to the discussion of the form taken by international imperialism since the Second World War. The two main theses, those of super-imperialism (whose proponents argue that the capitalist world is subject to the undisputed hegemony of American imperialism) and of inter-imperialist rivalry (whose proponents maintain that there is growing competition between American, European and Japanese capital) are well-known. I wish to postpone consideration of the degree of American domination until the next section and consider here only the notion that the chief rival of American capital is 'European capital'. Why is the rivalry seen in terms of American and European capital and not, say, in terms of Anglo-Saxon, Germanic and Latin capital, or indeed in terms simply of national or even individual capitals?

It is perhaps surprising that more attention has not been devoted to clarifying the notion of European capital, for in one view¹⁸ the debate about European integration is simply a debate about the formation of a 'European capital' and of a 'European bourgeoisie'. The question seems important, because failure to clarify the notion can lead, firstly, to the danger of confusing a geographical abstraction with an economic entity and, secondly, to a neglect of the role of national capitals within the 'European capital'.

The notion of national groups of capital is well-established and is, of course,

one of the bases of the classical theory of imperialism. The most obvious factor binding individual capitals together into a national unit is their common interest in the actions of a specific state, one of the functions of the state being to support the national capitals in competition with other groups of national capitals. But normally this is not the only factor of cohesion, for the state (and the coalition of capitals which it embodies) must, if it is to be effective, be founded on prior and continuing "historical, cultural, geographic and economic"¹⁹ ties; moreover, in times of stability, it will consolidate its existence by constantly reinforcing these ties. It is the combination of these factors which makes the national coalition of capitals a fairly stable one. "This being so", as Picciotto and Radice put it, "state boundaries form the firmest lines of fragmentation of 'world capital in general' and imply a qualitative distinction between the 'foreign' and 'domestic' horizons of any 'national' capital group."²⁰

Before the Second World War, inter-imperialist rivalries were always analysed in terms of conflicts between different national groups of capital - German, British, French, American, etc. In recent years it has become common to speak of rivalry between American and European capital. This implies that in addition to, or in place of, the national capital group there has now been constituted a European group of capitals. What is the nature of this European group of capitals and on what is this new coalition supposed to be based?

Clearly, one cannot speak of European capital in quite the same way as one can speak of French or German capital. Whereas the notion of French or German capital refers to a fairly stable coalition of individual capitals without very significant internal divisions, the notion of European capital refers primarily, at least for the moment, to an alliance of national capitals, a coalition of coalitions. The rigidity of this structure is seen differently by different authors. For Mandel it is essentially fluid: as individual capitals merge across frontiers, they break away from their national groups and become genuinely European capitals; in this way, 'European capital' is gradually transformed from being an alliance of national capital groups to being a stable group of individual European capitals. For Kirsanov, at the other extreme, the situation is static and the structure is rigid: he sees 'European capital' simply as an alliance of national groups of capitals, of state-monopoly capital blocs. The fusion of these national groups of capitals into a full 'European capital' will depend, in his view, on the formation of a European state.²¹

Implicit in these two different views of the development and structure of European capital is a different conception of the factors which bind individual capitals into a capitalist unit. As with national capitals, the most obvious basis for a European coalition of capitals is their common interest in the actions of a political organisation. This is the level at which Kirsanov's analysis stops: until a European state is constituted there is no real 'European capital', merely a relatively unstable alliance of national capitals. However, this is surely insufficient, for a European political organisation must be founded, if it is to be effective, on prior and continuing socio-economic ties between the capitals whose coalition it embodies. The formation of a 'European capital' and of a European state must therefore be a much more gradual and dialectical process than Kirsanov suggests. Thus the framework at least of Mandel's argument seems correct: the changing pattern of economic ties resulting from the interpenetration of capital leads to the formation of a new political structure (the EEC), which then promotes the further consolidation of the new economic ties, thus giving rise to new pressures for a fully integrated political structure. This approach has the merit of allowing us a sufficiently differentiated notion of European capital which encompasses non-EEC countries (e.g. the UK prior to admission) and of enabling us to see a gradual transition from an alliance of national groups of capital to a genuine European coalition of capitals. Most important, it provides us

with an image of the dynamic forces behind the political changes, a sense of dynamic missing most notably from Kirsanov's analysis.

Although Mandel's framework (changing socio-economic ties leading to a change in political structure leading to reinforcement of the socio-economic change leading to consolidation of the new political structures) may be correct, the question remains whether he has not defined these socio-economic ties too narrowly in limiting them - a la Bukharin²² - to the common participation in transnational companies. Probably more attention should be paid to other forms of economic links and to the problem of historical and cultural ties.

It may also be asked whether Mandel has not at times been carried away by an ideal abstraction in his treatment of European capital, whether he has not at times substituted some form of 'European Idea' for the material forces promoting (or obstructing) capital interpenetration in Europe. Thus, his suggestion²³ that European capitals (i.e. capitals in European states) can 'defend' themselves against the American challenge by amalgamating on a European scale, surely implies that the concept of 'European capital' must exist even before any links have been formed and, moreover, that it is this ideal concept which gives impetus to the formation of economic links. What is needed, however, is a materialist explanation of the forces favouring capital interpenetration in Europe.

Open to similar criticism is the dichotomy which Mandel makes between international takeovers involving "the absorption of national companies in various Common Market countries, by large American companies" and international mergers involving "the fusion of national companies of the various Common Market countries into new units in which capital is now more or less equally dispersed over two, three or more Common Market countries."²⁴ Two objections may be made here. Firstly, even if one assumes that the various national capital groups are of equal strength, why should it follow that amalgamations between individual capitals should take the form of fusions between equals rather than the absorption of weaker by stronger capitals? Is a pattern of interlacing takeovers not more likely than an accumulation of mergers between equals? Secondly, it is not clear why one should assume - as Mandel often appears to - that the different national capital groups are of roughly equal strength. This assumption leads him to skate over the problem of national hegemony within a united Europe²⁵ and, particularly, over the dramatic rise in strength of West German capital. It is not at all clear why European unity and the hegemony of one or more national bourgeoisies should - as Mandel assumes - be considered a priori to be incompatible.

The problem of German hegemony receives a lot more attention from Kirsanov. For him, the main force pressing for a greater degree of political integration is the economic interests of the West German monopolies, while resistance to greater integration is to be seen primarily as the self-defence of French monopolies. Thus:

"History has shown that, as a rule, an economically stronger capitalist country presses for free trade and the abolition of government control and all other restrictions to economic penetration in other countries. Economically weaker countries usually want government control and state support for their industries, and this can only be achieved when their national sovereignty is intact. This has been the case in the relations between France and the FRG."²⁶

And again:

"One of the reasons behind the difficulties that will hardly be overcome in a situation witnessing contradictions and a struggle between the imperialist powers is that a united Western Europe is needed most by the West German monopolies."²⁷

Thus, the push for European union is a West German imperialist attack, the

resistance by the French is the rational defence of their monopolies and, since nothing can force the French to give up their national sovereignty, full integration is extremely unlikely. Gaullist insistence on national sovereignty, far from being a utopian policy doomed by the march of productive forces to failure, as portrayed by Mandel, is the rational and successful defence of the French monopolies.

There is no doubt much in what Kirsanov says, and Mandel has, in his eagerness to draw the grand lines of future configurations, neglected unduly the important problem of West German hegemony. But Kirsanov's analysis is too static, frozen into the categories of his state monopoly capitalism. He fails to see that the problem of European integration is not simply one of uniting the different national groups of capital, but is a question of the gradual fudging of the lines between the national capitals until there is some genuine socio-economic basis for a new political structure. The very success of West German capital is one way in which these national divisions are being broken down. Kirsanov thinks too rigidly of national capitals, Mandel flits too lightly to European capital: what is needed surely is something in between - a more thorough analysis of the concept of European capital and its dialectic relationship with national capitals. What is needed also, as we shall see in the second part of the paper, is a questioning of the view that European integration can simply be reduced to the question of the formation of a 'European capital'.

(c) Inter-imperialist rivalry: the success of European capital. If one accepts, then, the notion of European capital (as an alliance of national capital groups tending towards a more stable coalition of individual capitals), the question remains of the success of European capital in the inter-imperialist struggle. The two theses of inter-imperialism and super-imperialism were mentioned at the beginning of the last section. I do not want to examine specifically the notion of super-imperialism beyond agreeing with the view of Mandel, Poulantzas, Rowthorn²⁸ and most other Europeans that the super-imperialist thesis greatly exaggerates the degree of American dominance. The aim here is simply to look at European integration in relation to the inter-imperialist thesis.

It is an important part of both Kirsanov's and Mandel's analyses of European integration that the EEC is part of the European challenge to American imperialism. Thus, Kirsanov says:

"The creation of the Common Market signified that the European monopolies had thrown down the gauntlet to the US monopolies and had actively entered the struggle for external markets."²⁹

And Mandel:

"One fact is certain: the growing desire to resist American competition, the increasing consolidation of the EEC and the growing force of supra-national state organs within it, are all parallel processes."³⁰

Mandel's argument (and Kirsanov's view in this respect is very similar) can perhaps be summarised in four points:

- (1) The USA emerged from the Second World War as by far the strongest capitalist power; but its hegemony was not total and European capital was soon able to fight back.
- (2) The centralisation of capital on a European scale and the formation of strong European political organs are essential preconditions for the survival of European capital in its competition with US capital.
- (3) That European capital is doing well in the inter-imperialist competition is shown by the decline of the American economy and, in particular, by the falling share of the US in world exports and the decline of the US dollar.³¹

The relative success of European capital means the intensification of inter-imperialist competition.

(4) The intensification of inter-imperialist competition brings with it, inter alia, an intensification of the need for European centralisation of capital and strong organisations to support European capital in its struggle.

It is with objections on point (3) that we are principally concerned here. Rowthorn³² agrees with the overall orientation of Mandel's argument, but argues that the proper indicator of European success is not the growing European share in world exports but the growth in the relative size of European companies and in the European share of total foreign direct investment. Poulantzas agrees that it is the export of capital rather than of goods which plays the decisive role in imperialism,³³ but he differs from Mandel much more fundamentally than Rowthorn.

Poulantzas argues that there is no evidence to show a relative decline in the strength of US imperialism. What the evidence put forward by Mandel and his followers shows, he argues, is a decline of the US national economy and a rise in the relative strength of the European national economies. But the inter-penetration of capital in the present phase of imperialism is such that one can no longer identify a national economy with the national capitalism. Thus, Mandel's figures on the relative rise of European exports do not take into account either the fact that many of the 'European' exports have in fact been produced by American-controlled firms, or the fact that the place of American exports to Europe is often taken by direct production of the goods by American firms in Europe.³⁴ All the evidence, Poulantzas suggests, shows just the contrary, a consolidation of US domination: the rising proportion of total foreign investment; concentration on direct investment, in manufacturing industries, in the most advanced and rapidly expanding sectors; the centralisation of money capital; the continuing absorption of European companies by American capital, etc.³⁵ It follows from Poulantzas's analysis not only that European capital is making little impression on American hegemony, but also that a state cannot be seen as representing simply its own national capital and that the EEC cannot be seen simply as supporting European capital in its competition with US capital. But we shall return to the latter point in the next part of the paper.

An article by Leucate develops and clarifies Poulantzas's analysis. Leucate agrees on the importance of distinguishing between national economies and national capitalisms, and that the decline of the US economy cannot, without more ado, be taken to signify the decline of US imperialism; he agrees too that there is little evidence of a serious European challenge to US hegemony. He criticises Poulantzas, however, firstly, for underestimating the reality of the inter-imperialist contradictions, the strength of European resistance and its chances of success. Secondly, Leucate argues that, even if one leaves aside the question of rivalry between national capital groups, one must still consider the implications of the real contradictions between national economies and the real problems posed by the decline of a national economy for the bourgeoisie of that nation, if only because of the social tensions which may be caused.

Poulantzas's article has the merit of pointing to the disjunction between national economies and national capitalisms, but he and Leucate make this disjunction too complete. Even granting that the national economy and the national capitalism are not identical, 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?

The problem of the triangular relationship between national capital, the national economy and the state will arise again in the next part of the paper.

(d) Internationalisation of capital and inter-imperialist rivalry: the issues

This part of the paper has sought to single out some of the issues arising from the discussion of the internationalisation of capital in relation to European integration. One of the aims of the working group should be to discuss these issues and particularly to relate the development of individual sectors of the economy to these general questions. There are a number of questions that might be asked of each sector: how far have the international centralisation of capital and other forms of internationalisation of capital proceeded? What have been the reasons for this development and what part has been played by technological development? What form has the centralisation of capital taken (national, European, American-dominated) and for what reasons? Does the concept of 'European capital' have any significance for that sector? How is European capital (or the various national capitals in Europe) faring in its competition with American capital in this sector? One might also ask what the reasons are for the different patterns of development in different sectors and whether particular importance should be attached to the patterns of development in particular sectors.

These seem to me the most important questions arising from the issues discussed in this part of the paper. More questions will arise from the issues to be discussed in the next part.

2 IMPACT OF THE INTERNATIONAL CENTRALISATION OF CAPITAL ON THE STATE

There are two diametrically opposed views of the impact of the international centralisation of capital on the state. There are those who argue that the internationalisation of capital has rendered the state increasingly inadequate for the performance of its functions; that, in the words of Sol Picciotto's paper to the first meeting of this group, "the changing scope of capital accumulation has led to disjunctions with the international state system, which has reduced the ability of the state system to manage the process of accumulation."³⁶ This approach can be ascribed notably, not only to Sol's paper, but also to Mandel, Murray, Rowthorn and the earlier paper by Picciotto and Radice. The opposite view, that the internationalisation of capital strengthens state power and that it is wrong to speak of a disjunction or lack of congruence between economic infrastructure and political superstructure,³⁷ is put forward, in different forms, by Warren, Kirsanov and Poulantzas. It is not, however, simply a question of two opposed camps, for the views within each 'camp' vary widely and the argument of each author must be taken separately.

How can the issue be resolved? The different views of the impact of changing forms of capital on the state suggest that behind these views lie different conceptions of the role of the state and its relation to capital. It is the analysis of the bourgeois state which, as Sol Picciotto suggests in his paper,³⁸ is crucial to the analysis of the impact of the internationalisation of capital on political structures. A coherent critique of the various views would, of course, require a coherent analysis of the development of political structures in late capitalism, but such an analysis is beyond the scope of this paper. Nevertheless, some contribution to such an analysis may be made by seeking to relate the two opposed arguments outlined above to the different views of the state held by their various proponents.³⁹

One of the most interesting and one of the weakest parts of Kirsanov's book is the section dealing with "Some Questions of State-Monopoly Capitalism in connection with the Promotion of European Integration".⁴⁰ In this section he discusses the relations between capital and the state and its implications for European unity. In his view, "the combining of the strength of the monopolies with the strength of the state in a single mechanism was the qualitatively new element in the development of monopoly capitalism, in its growth into state-monopoly capitalism".⁴¹ The formation of the 'single mechanism' does not completely eliminate the distinction between the state and individual capitals:

"Of course, even under these conditions the bourgeois state preserves a certain measure of independence with regard to various monopolies or groups of monopoly capital. As a weapon of the dictatorship of the monopoly bourgeoisie, the state is - dependent on concrete conditions - at various times closer linked with different groups of monopoly capital."⁴²

However, the emphasis is not on conflict but on unity, for it is "the merging of the gigantic strength of the monopolies with the gigantic strength of the state" which characterises "the essence of state-monopoly capitalism".⁴³

In the light of this concept of state-monopoly capitalism, one of the interesting questions raised by the EEC is "Does the development of European integration give rise to inter-state monopoly capitalism?"⁴⁴ The answer is sought by Kirsanov in a purely legal analysis. Seeing that the Treaty of Rome gives the institutions of the EEC only limited powers, and observing that little progress has been made towards political unity, he concludes:

"The EEC is thus an organisation promoting inter-state economic cooperation...since state monopoly capitalism signifies the combination of the gigantic strength of the monopolies with the gigantic strength of the state, international monopoly capitalism must be the combination of the strength of the international monopolies with the strength of international, supra-national state organs. But so long as a politically integrated Europe or at least a little Europe is not created, no international monopoly capital can exist...for the transition to a new stage of development, to the emergence of international monopoly capitalism there must be some form of political integration embracing the whole or, at least, part of Western Europe."⁴⁵

The utter poverty of this analysis follows logically from the concept of the merger of monopolies and state into a 'single mechanism'. Because this 'single mechanism' is not subjected to closer scrutiny, no contradiction can be seen within it which might lead to its dissolution or re-formation on a higher level. Thus, the study of international capitalism becomes merely a slightly economised form of bourgeois 'international relations',⁴⁶ each country being treated as a single unit, an 'imperialism'. Political change is seen as resulting from conscious political decision. Implicit in this approach is the notion of the primacy of politics over economics: the state, as the "weapon of the dictatorship of the monopoly bourgeoisie", controls the social and economic development of the country in the interests of the monopoly bourgeoisie. In other words, the common interests of the bourgeoisie enjoy priority over their conflicting individual interests, the individual capitals are virtually subsumed into the 'idealised total capitalist', the state.⁴⁷ Whereas Engels presented the state as a necessary factor of cohesion in an anarchic society, here only the cohesion is stressed, the anarchy forgotten. From this follows the conclusion, made explicit not by Kirsanov but by other authors, that what distinguishes capitalism from socialism is not its irrationality, the impossibility of its conscious control, but simply that, whereas socialism is consciously controlled for the benefit of the workers, capitalism is consciously controlled (pace Marx)⁴⁸ for the benefit of the monopolies. If the workers could only win power over the levers of control, the state apparatus, all would be well.⁴⁹

If order reigns within, disorder (as in bourgeois legal theory) still reigns without. The anarchy of capitalism is transposed from the internal to the international sphere, the 'total capitalists' become the individual capitals of the international economy, with a group of them trying to establish an institution of cohesion, a new 'idealised total capitalist' in the EEC, a particularly reactionary 'weapon of dictatorship' of the international monopoly bourgeoisie. In this attempt to establish a new state, however, they are likely to be unsuccessful, for, as Kirsanov concludes his analysis of "plans for a united Europe": "Among capitalist countries" (in implied contrast to individ-

ual capitals), "unity is relative while the contradictions between them are absolute."⁵⁰ But this formula explains nothing, for, contrary to Kirsanov's view, the contradictions between individual capitals are also absolute in the sense that they cannot simply be subsumed into a 'single mechanism', and it is precisely because of these contradictions, of this anarchy, that a factor of cohesion, the state, is required to ensure their continued existence.⁵¹

Kirsanov's analysis of the state and of European integration should not, however, be taken to stand for all Eastern European analyses of the subject. On the contrary, there has been considerable debate and disagreement. Margaret Wirth, in her study of the development of theories of capitalism in the GDR,⁵² shows that there have been two main trends in the development of the state-monopoly capitalism theories. One trend has been concerned with the problem of relating the need for growing state intervention to the development of the capitalist economy; the second trend has been concerned with analysing the changes in the structure of the state apparatus resulting from the changes in the functions of the state.⁵³ These two lines of inquiry, the economic and the political, have, however, been pursued separately, and the latter has tended to start from the assumption that the transition to the single state-monopoly mechanism has been completed and that it is merely a question of investigating the forms taken by this state-monopoly rule. The changes in political forms are thus investigated separately from the development of the economic structure.⁵⁴ Kirsanov's analysis appears to belong to this second, less fruitful tradition.

From the point of view of investigating the politico-economic dynamic of European integration, the analysis given by another Soviet economist, Maximowa, in a chapter of a more general book on state-monopoly capitalism,⁵⁵ is more interesting. This analysis seems to belong rather to the first tradition indicated above, that of deriving changes in political functions from the development of the capitalist economy. There is no mention here of a 'single mechanism' uniting the strength of the monopolies with that of the state: 'state-monopoly capitalism' seems rather to refer to the increased need for state intervention in the economy and the emphasis is on showing how economic development has made new forms of state intervention necessary.

Maximowa criticises both the economic and the political explanations of integration: the former, although they correctly present the internationalisation of economic life as the basis of integration, make the mistake of completely identifying integration with this internationalisation. The proponents of political explanations, on the other hand, see integration simply as 'the activity of international economic organisations, a system of state, political and economic acts',⁵⁶ without paying any attention to the economic infrastructure. In Maximowa's view, the basis for European integration is provided by the internationalisation of economic life which results from the development of the productive forces and has been accelerated particularly by the scientific-technical revolution:

"The creation of modern industrial complexes and the carrying out of extensive scientific experiments require such a mobilisation of material and economic resources that it is economically effective only where there is cooperation between concerns and trusts from several countries. The transition to mass and serial production and the increase in the optimal size of enterprises make it necessary greatly to extend the boundaries of markets and to create large economic areas which go beyond the national frontiers."⁵⁷

The reorganisation required by the development of the productive forces cannot be carried out by purely economic means, by private capital: because of the role played by the state in the economy, private arrangements (such as cartels, etc.) are no longer sufficient.⁵⁸ The necessary arrangements had to be made by agreements between the states concerned to reorganise capital and

state activity in accordance with the needs of the productive forces. This is not to say that political integration automatically follows the internationalisation of capital: on the contrary, it was only because certain economic and political conditions existed in Western Europe that integration has been successful there. Integration is therefore a complex economic and political process:

"The international state-monopoly alliances arise, on the one hand, from the international connections and cooperation between the monopolies, from the ever-deepening division of labour between the enterprises of the various countries. On the other hand, these alliances are the result of connections and cooperation between the individual imperialist countries and thus represent a union of national state monopoly capitalisms of a certain group of states. It is extremely important not to forget this last circumstance if one wishes to understand the complex and very contradictory nature of imperialist integration."⁵⁹

Thus, integration is to be seen not simply in terms of capital accumulation, nor just in terms of state interests, but in terms of both of these non-identical factors. And the tension which exists between the economic and the political factors is not to be seen simply as a tension between the monopolies on the one hand and the state on the other: it is a contradiction that exists within the sphere of interests of the monopolies. Unlike Kirsanov, Maximowa sees as an important tendency in modern capitalism the transition from national to "collective international forms of state-monopoly intervention in the sphere of international exchange"⁶⁰ and she illustrates this by pointing to the considerable powers of the EEC institutions. But there are limits set to this trend by the very nature of capitalism, more particularly by the interests of the monopolies themselves. Although the monopolies are interested in the extension of the markets and the abolition of protectionist measures:

"When it comes to the harmonisation of national state policy and its replacement by supra-national forms of power, the monopoly bourgeoisie accept the measures only very unwillingly and only within certain limits, namely only so long as their national interests are not too greatly affected and so long as it requires no decisive economic and political concessions from them."⁶¹

What are the 'national interests' of the monopoly bourgeoisie which constitute the objective limits to integration, what interest have the monopolies in the maintenance of the state? Maximowa does not answer this directly, but she implies that it is the continuing competition between the national capital groups which means that each bourgeoisie requires the support of its state. In that case, the only way that political union can come about is indeed through the overcoming of rivalry between the national capitals, through the formation of a European capital, as Mandel suggests; but Maximowa does not explore this possibility. It might, of course, be argued that the interest of the bourgeoisie in the state is considerably broader than either she or Mandel suggests, that the bourgeoisie requires the nation state not only to support it in international competition, but also to maintain its position of domination over the working class.

Another merit of Maximowa vis-a-vis Kirsanov is the contradictory tension which she sees in the present situation. Although the 'national interests' of the monopolies constitute a barrier to integration, the present situation is not satisfactory to them either, for, on the one hand, the common market which they require cannot be realised without the supranational control of state action and, on the other, the present degree of economic internationalisation and integration limits the power of the nation states to take certain economic measures to support their monopolies. Far from there being an even greater fusion of capital and state, a la Kirsanov, there is even a certain retrogression, a growth in the 'spontaneity' or anarchy of the economy as the

nation state is weakened while the supranational state is still not possible.⁶² The future is left open and contradictory, with an international struggle between integration and dispersion, between cooperation and rivalry, with no long-term trend in either direction.

If so much time has been spent on describing the main points of Maximowa's argument, it is partly because it is not widely available in this country, partly because it acts as an important corrective to the view that all East European state-monopoly capitalism theory should be dismissed out of hand, but also because, of all the analyses of European integration, it provides perhaps the most balanced basis for an investigation of the interrelation between the economic and political in this area. When her recent book on "Capitalist Integration" also becomes available, it will be important to study her arguments more closely.

Poulantzas, like Kirsanov, emphasises the state-based nature of European integration and his argument too seems to be based on a notion (in his case explicit) of the primacy of politics, or rather the dominance of the political instance over the economic in the later phases of imperialism.⁶³ This dominance of the political (and of the state) is apparently the result of the increased intervention of the state in the economy in these phases of imperialism.⁶⁴ Despite its obvious importance, this problem does not appear to be closely examined by Poulantzas; but the link made between state intervention in the economy and the dominance of the political over the economic suggests that Poulantzas, like Kirsanov, over-estimates the possibilities of political control of the economy and underestimates the continuing importance of the contradictions of capitalist commodity production as the basis of social development: it could be argued that state intervention, far from giving dominance to the political, has reinforced the direct dominance of the economic over the political instance. True, there is no question of Kirsanov's 'single mechanism' in Poulantzas's analysis, but it is symptomatic that, in treating the problem of the relation of the capitalist state to the dominant classes in his book on "Political Power and Social Classes", he speaks only of its relation to whole classes and fractions of classes: there is the same emphasis on the cohesion of capitalist interests as in Kirsanov, the same neglect of the insuperable contradictions between individual capitals inherent in the concept of commodity production. Consistent with this is the view that, although the state's dominant role is the result of its economic functions, the assumption of these economic functions is to be seen not simply as being necessary to promote (and therefore dependent on the development of) the self-expansion of capital, but as an expression of the political role of the state in exercising class rule.⁶⁵ And since the exercise of class rule must be congruent with the field occupied by the class struggle (unlike Mandel, for whom there must be congruence between state activity and the scale of capital accumulation), and since the class struggle takes place primarily at the national level, the state must remain the nation state; moreover, since economic functions form just one aspect of national class rule, responsibility for their fulfilment must remain with the nation state. There is no question of the needs of capital accumulation undermining the power of the state because these needs are subject to the over-riding political need of maintaining class rule and social cohesion.⁶⁶

Thus, Poulantzas's rejection of the view of the EEC as a transitional form containing tendencies towards the formation of a supranational state stems from his emphasis on the state as a factor of social cohesion rather than on its role in relation to (i.e. subjection of its activity to the requirements of) capital accumulation. On the one hand, this provides a useful corrective to Mandel's too exclusive emphasis on the economic and lays a basis for a much more complete analysis of Maximowa's 'national interests' of capital, i.e. of the interest of capital in the maintenance of the state. On the other hand, it is surely open to the fundamental objection that Poulantzas underestimates the

importance of the relatively successful accumulation of capital as the essential basis of all legitimation of class rule, and hence over-estimates the autonomy (not to mention the 'dominance') of the political.⁶⁷

Poulantzas also provides a useful corrective to Mandel by emphasising that inter-imperialist contradictions cannot be seen simply as contradictions between 'autonomous' and 'independent' states.⁶⁸ The national economy, as we saw, is not to be identified with the national capitalism, nor does the nation state simply act on behalf of its own national capital. The national (or 'interior') capital is so penetrated by US capital that the European state acts also in the interests of the dominant US capital. From this it follows that the EEC must be seen as an alliance of states acting in the interests of the dominant US capital and not as an alliance formed against US capital (although this moment is also present).⁶⁹ He is correct in saying that the state acts on behalf not just of 'its own' capital, but of all capital operating in its territory, and in criticising the facility of Mandel's identification of an alliance of European states with an alliance of European capitals against American capital. However, he exaggerates present trends by 'de-nationalising' the capital operating within a state, and oversimplifies the complex relationship between a state, its national economy and its national capital: 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. Vincent is correct in accusing Poulantzas of being too hasty in reducing states to mere units of an international capital melange dominated by the US.⁷⁰

The argument of Bill Warren, the third proponent of the view that the internationalisation of capital unequivocally strengthens the state, although at first sight it is quite different from Kirsanov's and Poulantzas's arguments, rests on the same assumption of the primacy of politics. Warren, unlike any of the other authors being considered, puts the question of the relation between the state and capital in terms of the possibility of state 'control' of private firms rather than that of state support for capital. He concludes, on the basis of the "ever closer relationship between the State and large firms",⁷¹ that the internationalisation and centralisation of capital strengthen rather than weaken the state's ability to control these firms. This strength of the state vis-a-vis international capital is illustrated, inter alia, by the fact that "both the frontier-crossing productive activities of manufacturing firms and the creation of the Common Market...were in large part the direct and intended consequences of deliberate policies adopted by nation states."⁷²

Warren's mistake seems to me to be twofold. Firstly, by adopting the bourgeois problematic of the 'control' of large firms, he implies the possibility of an antagonism between capital and the state, the possibility that the state can operate against the common interests of capital, in whose interest it is not quite clear. This is not a fault shared by Kirsanov and Poulantzas who always assume that the state acts in the interests of the capitalist class or its dominant fraction. More important for our purposes is the fault which Warren does share with both Kirsanov and Poulantzas, namely his assumption of the primacy of politics. To pose the question of state control over the monopolies is to pose, in one form, the question of the dominance of the 'political' over the 'economic'. To answer it affirmatively, as Warren does, is to assert the effective dominance of the political over the economic, of the state over capitalist anarchy, to assert the almost complete subsumption of the individual private capitals into the 'idealised total capitalist'. It is quite consistent with this approach that for Warren the explanation of the development of the EEC is to be sought mainly in the "developments in the political and bureaucratic superstructure of the EEC".⁷³

If the primacy of politics is central to the theses of Kirsanov, Poulantzas and Warren, and to their common insistence that the EEC is essentially a state-based institution, it is hardly surprising that those who see the system in more fluid terms, who argue that there is at least a tension between "the changing scope of capital accumulation" and the "international state system",

should have in common some notion of the primacy of the "economic": for they are arguing that the self-expansion of capital has a (more or less) autonomous development which imposes certain changes or at least strains on existing political structures. As James Wood puts it: "the Common Market is not so much a political institution as an economic [this should surely be "political and economic" - JH] form of the organisation of capital in Europe. It corresponds to the autonomous laws of the development of capital itself."⁷⁴ This involves (since capital "cannot exist except in the form of a number of capitals")⁷⁵ recognition of the continuing importance of contradictions between individual capitals. As Picciotto and Radice put it in criticising Bukharin "the EEC...is not simply a partial fusion of a group of state capitalist trusts" because "the contradictions between capitals in the exchange process on the national level have not yet been organised out of existence."⁷⁶

The emphasis on economic development as the basic force behind the change in political structures is certainly characteristic of Mandel's analysis of the impact made on the state by the internationalisation of capital. The impact of economic development on political structures is made more direct in late capitalism by the growing importance of the economic function of the state. For Mandel, state intervention in the economy does not mean subjection of the economy to the state but the increasing subjection of the state to the exigencies of promoting the self-expansion of capital - and hence in this sense a reduction of the autonomy of the "political". Thus, in considering the future of European political structures, "our starting-point must be the fundamental fact that the primary role of the bourgeois state is to guarantee the profits of the great monopolies."⁷⁷ And in his book on "Late Capitalism", the alleged necessity for a European interpenetration of capital to be followed by the formation of a European state is explicitly based on the prime role of the economic function of the state:

"The overwhelming compulsion in favour of a supranational, imperialist state in Western Europe [in the event of a European centralisation of capital] arises precisely from the directly economic function of the state in late capitalism."⁷⁸

Thus, Mandel concludes from the primacy of the economic function of the state not only that the internationalisation of capital imposes strains on the structure of the nation state but that there is a positive necessity for congruence between the scale of accumulation and the scale of political organisation

"The radius of action of the bourgeois state must conform to that of the productive forces and relations of production...Once private property becomes extensively internationalised, it cannot be effectively defended within the framework of a French, German or Italian state. European Capital demands a European bourgeois state as an adequate protector and guarantor of profit."⁷⁹

In other words, since national economic policy will not be adequate to perform the necessary services for Europeanised capital, Europeanised capital will demand a commensurate political organisation. And what capital demands, capital normally gets, for the problem of legitimation, though recognised, is seen as a relatively minor one: the need to maintain the "delicate balance... of economic, political and social factors" in Europe has acted as one of the counter-tendencies to European integration, but as the "long expansionist wave" ebbs and the needs of capital for adequate support become more acute, pressures will increase to override such counter-tendencies.⁸⁰

A number of questions may be raised concerning Mandel's analysis of the state.⁸¹ Firstly, it may be suggested that he underestimates the problem of legitimation, placing too much emphasis on the role of the state in relation to the self-expansion of capital, too little on its function as a factor of social cohesion and instrument of class rule. Thus the "national interests" (to revert to Maximowa's phrase) of individual capitals are reduced to the question of their

need for economic support, so that one group of capitals looks to the nation state for that support and the other to the formation of a new European state. But if the question is to be considered in terms of a struggle between different fractions of capital, then it is important to realise that all of them have an interest in the state as a factor of social cohesion and that here the nation state has a very special role to play. If Kirsanov, Poulantzas and Warren are guilty of neglecting the interests of individual capitals, perhaps Mandel is guilty of neglecting the problem of their common interest in the nation state.

Secondly - and this is closely related - it may be objected that Mandel exaggerates the subordination of the political to the economic, completely submerging the relative autonomy of the political and of the state. This has a number of consequences. Firstly, he fails to consider the resistance to the formation of a European state arising simply from the prior constitution of national political structures. In that sense, it may be helpful to remember Maximowa's insistence that European integration is based not only on the internationalisation of capital but also on an agreement between states. Secondly, the neglect of the political leads him too readily to assume that there must be a congruence between state activity and the scale of accumulation, without asking whether the necessary economic functions could not be fulfilled by a variety of different political structures (as Murray suggests).

This last point relates to the third objection that may be made against Mandel's analysis of the state: that he is wrong in his general assumption that capitals seek support from their 'own' states and that states consequently defend the interests of their 'own' national capital. From this it follows that trans-national European capital will require the support of a supranational European state, and that the European institutions defend the interests of European (and not American or other) capital; in short, that the problem of European integration is the problem of the formation of a European capital. In other words, so long as it is not a semi-colony, the state is concerned with the welfare of its national capital rather than with the welfare of a non-identical national economy. Thus he writes:

"As long as the capital invested in the industry of a country is mainly national, the State is essentially the instrument of the native capitalist class. Whenever the capital is invested in a country is mainly foreign, we are faced with a semi-colonial country, where the State to a large extent defends the interests of the foreign investors."⁸²

He does not seem to contemplate that the European countries might be in between these two extremes, defending the interests both of native and of foreign investors. Nicolaus and Poulantzas are surely right in criticising Mandel on this important point, although they in their turn go too far in dissociating the state from the specific interests of its national capitalist class. Mandel's replies to these criticisms⁸³ do not really seem to get to grips with the problem of the relation between the state and the 'national economy'.

Robin Murray, although he shares the same perspective as Mandel in posing the question of the impact of the development of capital on state structures and in emphasising (almost to the point of isolation) the central place of the economic role of the state in any discussion of the problem, differs from Mandel on this question of the relationship between a state and its national capital. According to Murray, states defend the interests of foreign capitals operating within their territory in almost exactly the same way as they defend the interests of their own national capitals: "the overall picture...is one of remarkably little discrimination against foreign capital which invests in a host country."⁸⁴ Consequently, capitals can look not only to their own state but also to foreign states for the performance of the public functions necessary for their support. Thus, Murray claims that:

"When any capital extends beyond its national boundaries, the histor-

ical link that binds it to its particular domestic state no longer necessarily holds...the geographic coincidence of the economic ranges of an extended capital with its domestic state must be empirically established and cannot be assumed."⁸⁵

Although Murray does not criticise Mandel directly, this obviously runs directly counter to Mandel's views, breaking in particular the neat link which Mandel establishes between the formation of a European capital and the formation of a European state to defend its interests. For Murray, there is no simple one-to-one relationship between economic activity and state organisation. Although the internationalisation of capital has an impact on political structures, it is difficult to predict the precise form of this impact, for capital is a 'political opportunist' and, while it needs support from some political structure, this does not necessarily have to come either from its own state or from some new, commensurate body.

What is needed, therefore, for the analysis of the impact of the internationalisation of capital on political structures is a much more complex framework than the simple schema which Mandel proposes. It is insufficient to think of the European-scale capitals pressing for the formation of a European state while the more national capitals remain attached to the nation state: rather, there are a large number of factors which will affect the degree to which different capitals will support the transfer of different functions to a supranational or other non-national body. The framework which Murray sketches out seems to me to be a much more satisfactory framework to adopt in analysing the various interests of the different sectors in European integration and in answering the question why some, but not other, public functions have been transferred to the EEC.

To recommend Murray's framework as the most relevant one to use in an examination of the different interests of the various sectors is not, of course, to imply that his analysis is beyond criticism. Like Maximowa, he leaves us up in the air, faced by declining state powers and growing instability, without any strong tendency towards a new framework. It may be that Mandel is right in suggesting, in a footnote on Murray's article,⁸⁶ that Murray underestimates the force with which capital must seek to overcome this instability in creating a new, more stable political structure. This is related to the criticism which both Bill Warren and Sol Picciotto make of the a-historicism of Robin Murray's approach. Here Murray is at fault, not just because of the incongruity of lumping four centuries of development together, but because we are left with an 'accordeon' view of history moving in and out in complex fashion but showing little sense of direction. For a materialist understanding of the complex political changes taking place, it is surely necessary to relate these changes to the concrete, historical development of capitalism in its age of decline.

Although Bob Rowthorn claims to take Warren's side in his dispute with Murray,⁸⁷ his own analysis seems to disprove his claim. Although his analysis is closer to Mandel's than to Murray's, it is certainly closer to Murray's than to Warren's. Firstly, Rowthorn, like Mandel and Murray, sees the problem as that of the impact of capitalist development on state structures and interprets the EEC as a response to the need of European capital for a stronger state⁸⁸ and not as the result of deliberate policies of political instances, as Warren would have it. Secondly, although he agrees with Warren that the internationalisation of capital strengthens the power of the nation state, much of his analysis is devoted to showing that the internationalisation of capital has weakened the British state.

Where Rowthorn differs from Murray is principally in his reversion to the assumption that the state defends the interests of its 'own' capital.⁸⁹ Thus, although international British capital is, in its own interests, opposed to strong action by the British state⁹⁰ and is even described as an 'antinational force',⁹¹

this is not because it seeks support from other states, but because it fears retaliation by those other states. Paradoxically however, big British capital, although it now weakens the British state, really requires the support of strong state power in international competition. Since state support must, for Rowthorn, come from the capital's national state, he can see only two solutions for a capital with inadequate state backing: either it must change nationality or it must promote the alliance or merger of its state with other states.⁹² This rather simplistic alternative follows from the inadequacy of his analysis of the relations between capital and state. Although Rowthorn's analysis of inter-imperialist rivalry is interesting, the second part of the paper, on capital and the nation state, is less than satisfactory.

In a sense, Picciotto and Radice's analysis marks an advance on the other analyses of the state so far examined. Vis-a-vis Kirsanov, Poulantzas and Warren they have the merit of posing the question correctly as that of the impact of capitalist development on state organisation. Vis-a-vis the other authors they have the merit of emphasising both the nature of the state as a factor of social cohesion and the role of the state in defending both national and foreign capital. Thus, on the first of these two points, they underline the growing tension between the state's role as guarantor of the self-expansion of capital and its role as a factor of social cohesion:

"It would seem that the development of integrated European state structures to fulfil the functions essential to European capital will come into conflict with the need to maintain adequate state institutions at national and local level to fulfil the varied social functions summed up by Murray as 'intervention for social consensus'. In fact, these 'economic' and 'social' functions are not separable, and the attempt to carry out state functions through different mechanisms and at different levels of international integration will impose great strains on the state, not least in the viability of its role as a factor of social cohesion."⁹³

On the second point, they emphasise the territorial nature of the state, without, however, abandoning entirely the relation between the state and its national capital:

"The very functions of the state can be summed up as the definition and regulation of the national market economy on behalf of the capital operating within it. The attempt to distort the operation of the internal market in favour of national capital cannot succeed if, as is generally the case, national capital is weaker than 'foreign' capital in those sectors which the latter has penetrated."⁹⁴

The chief failing of Picciotto and Radice's article is that, having advanced on Mandel's analysis of the state in these two respects, they then go on to accept, almost without question or modification, his analysis of European integration and of the impact of the internationalisation of capital on state structures. This is illogical. Although unable, within the scope of this paper, to elaborate the implications of Picciotto and Radice's broader view of the state, I would suggest that a territorial definition of the state at least greatly weakens the link which Mandel establishes (and Picciotto and Radice appear to accept) between European mergers (i.e. the formation of a European capital) and the formation of a European state, and that the emphasis on the state as a factor of social cohesion would similarly modify the image of the EEC as being necessarily a transitional form, bound to retreat or to advance to full political integration. These are at least questions which need to be examined more closely.

This brings us back to Sol Picciotto's paper to the first meeting of this Group. From our survey of the literature it should be obvious that he is correct in insisting upon "the central issue of the nature of the capitalist state".⁹⁵ There are two main issues running through this survey of the different conceptions of the state underlying the different analyses of European integration:

whether the state should be seen primarily as the defender of the national capital; and, more fundamental, whether the state should be seen primarily as guarantor of the self-expansion of capital or as a factor of social cohesion and instrument of class rule. On this latter, fundamental question, there is a tendency, as we have seen, for those who emphasise the role of the state in relation to the accumulation of capital to overlook its importance in maintaining the political domination of the capitalist class, and for those who emphasise the aspect of class rule to forget that capital can exist only in the form of individual, competing capitals. This one-sided, economic or 'politicist' approach to the state is not peculiar to analyses of European integration: it has been a common feature of Marxist analyses of the state in general. The fact that the 'political' approach has dominated in much of the recent literature (e.g. Miliband, Poulantzas) does not justify one in going to the other extreme and singling out, as Murray does explicitly, the "economic role of the state" as being "central to any discussion on the robustness of the nation state."⁹⁷ A materialist analysis of the state must not be confused with an economic analysis, for both the 'economic' and the 'political' functions of the capitalist state are founded in the contradictory nature of capitalist commodity production. The analysis of European integration is the analysis of but one aspect of the impact of the development of capitalist contradictions on state functions and state structures, and the merit of Sol Picciotto's paper is precisely to place it in this context. This analysis must be based not only on economic development but also on a more thorough understanding of the state and its relation to the structure of capitalist society. The recent discussion in Germany on the problem of deriving the existence and development of the state from the categories of capitalist development may provide a fruitful basis for the more thorough investigation of changing state structures in Western Europe.⁹⁷

CONCLUSIONS

In this paper I have not set myself the uncomfortable task of drawing concrete conclusions, of putting forward some positive analysis of European integration. The aim has been the much more modest one of examining existing analyses and stirring up questions as to their adequacy.

The questions which we might examine in relation to the internationalisation of capital have already been summarised at the end of the first part of the paper. In the second part of the paper, I suggested that we need to look more closely at the analysis of the state in Western Europe and that two problems have shown themselves to be of particular relevance to the discussion so far: the problem of the relationship between the role of the state as guarantor of the self-expansion of capital and its role as factor of social cohesion, and the problem of the triangular relationship between state, national capital and national economy. It is clear that the study of particular sectors can throw light especially on the second of these problems and, more generally, on the whole problem of the 'national' and 'supranational interests' of the capitals in those sectors, i.e. on their interest in the maintenance of the nation state and on their conflicting or complementary interest in European integration. Studies of particular states might also throw light on the existence of possible conflicts of interest between states and their national capitals in relation to the process of integration. We must not, however, stop at empirical studies related to European integration, for any theory of European integration presupposes some theory of the state: a working group on European integration must in some sense be also a working group on the advanced capitalist state in Western Europe.'

This paper is unfinished in the sense that I suggested that there are three complexes of issues to be examined, but for reasons of time and space, I have examined only two of them. Some questions relating to the third complex, European integration, have already been raised: for example, the question of the meaning of 'material infrastructure' and the question of the relation of US capital to the EEC. But there are very many others, much neglected by the Marxist

literature: the problem of relating the historic development of the EEC clearly to its 'material infrastructure'; the problem of relating both the origin and the impact of the various EEC policies to this infrastructure; the question why some, but not other state functions have been transferred to the EEC, etc.

Finally, there is the important question of the political implications of the various analyses. Any satisfactory analysis would have, I think, not only to look at the conclusions drawn in the recent referendum campaign, but to situate the debate in the more general context of imperialism as the age of capitalist decline. It would clearly be unsatisfactory to attempt to tack such an analysis on to the end of this paper.

The most obvious conclusion of this review of the Marxist literature is that much still remains to be done to develop an adequate understanding of this aspect of the transformation of European state structures. I hope that the work of the group will be able to make some contribution towards this goal.

FOOTNOTES

¹The books and articles examined are listed at the end of the paper. The paper claims neither to be a comprehensive survey of the literature nor a comprehensive survey of the issues raised by the literature chosen. In particular, a number of important new books have become available since this paper was written: K Busch, "Die multinationalen Konzerne", Frankfurt/M, 1974; F Deppe (ed), "Europäische Wirtschaftsgemeinschaft: Zur politischen Ökonomie der westeuropäischen Integration", Reinbek 1975; W Elsner, "Die EWG: Herausforderung und Antwort der Gewerkschaften", Cologne 1974; D Goralczyk, "Weltmarkt, Weltwährungssystem und westeuropäische Integration", Giessen, 1975; M Fennema, "De multinationale onderneming en de nationale staat", Amsterdam 1975; M Maximowa, "Kapitalistische Integration", Berlin 1975. It is hoped to complete the analysis presented in this paper by a subsequent brief review of these books.

²Socialist Register (1967), p.28

³Spätkapitalismus, p.304 and ch.15.

⁴Europe versus America?, p.94.

⁵Picciotto, p.2.

⁶I agree with Rhys Jenkins on the importance of distinguishing between different forms of internationalisation of capital, but I have not gone into this problem here. In this paper I refer principally to the "international centralisation of capital", by which I mean the amalgamation of two or more capitals of different nationality into one capital; and the "internationalisation of capital" by which I refer generally to the internationalisation of capitalist activity. By the "internationalisation of production" I refer to what Rhys Jenkins calls "the internationalisation of the circuit of productive capital". Cf. Mandel, Spätkapitalismus, ch.10.

⁷Bill Warren, for example, questions the importance of the internationalisation of capital, pointing out (68 NLR pp.84-5) that "the annual average rate for the years 1960-64 of direct investment abroad as a percentage of gross domestic capital formation was only 3.5% for the US, 4.7% for the UK, 3.3% for the Netherlands, 0.7% for France and 1% for Germany." While it is important not to exaggerate the importance of the phenomenon, these global figures conceal a number of important features, e.g. the particular relation between foreign investment and the largest monopolies, the particular importance of foreign investment in the most advanced industries, the rapid growth of foreign investment and international centralisation of capital since the War, the particular importance of the impact of foreign investment on state policies, etc.

⁸Cf. Hymer and Rowthorn, p.58.

⁹Europe versus America?, p.41. ¹⁰Ibid., p.40. ¹¹Ibid., p.42.

¹²Spätkapitalismus, p.295. ¹³Ibid.

¹⁴Europe versus America?, p.55.

¹⁵CSE Bulletin, p.49.

¹⁶Poulantzas, Internationalisation..., p.158.

¹⁷Hymer and Rowthorn, p.87.

¹⁸This is especially true of Mandel's approach to the problem.

¹⁹Cf. Picciotto and Radice, Kapitalistate, p.56. And see Hymer and Rowthorn, p.90.

²⁰Kapitalistate, pp.56-7.

²¹Cf. Kirsanov, pp.190-1.

²²Cf. Bukharin, Imperialism and World Economy; for a summary of Bukharin's argument, see Picciotto and Radice, CSE Bulletin.

²³Cf. e.g. Socialist Register 1967, p.29.

²⁴Socialist Register 1967, p.28.

²⁵Cf. Spätkapitalismus p.304, where Mandel argues that a united Europe would be the political structure corresponding to the "second form of the international centralisation of capital, that of the international interpretation of capital without the predominance of any particular group of national capitals. Just as no form of hegemony would be tolerated within these multinational concerns, so the state form congruent with this form of capital can be neither the predominance of a single bourgeois nation state over others nor a loose confederation of sovereign nation states, but only a supranational federation characterised by the transfer of decisive rights of sovereignty."

²⁶Kirsanov, p.331. ²⁷Ibid., p.347.

²⁸Cf. Mandel, Spätkapitalismus ch.10; Rowthorn, p.31ff; Poulantzas, Internationalisation, pp.145ff.

²⁹Kirsanov, p.171.

³⁰Europe versus America?, p.57.

³¹For this argument see esp. Inprecor, No.16-17, pp.13-14; Europe versus America?, p.15.

³²69 NLR.

³³Poulantzas, Internationalisation, p.155. ³⁴Ibid., p.155.

³⁵Ibid., pp.152ff. Although Poulantzas refers a number of times to Rowthorn's article, he makes no reference to his analysis of the decline of US capital.

³⁶Picciotto, p.1.

³⁷Cf. esp. Poulantzas, Internationalisation, p.171.

³⁸Picciotto, pp.1-2.

³⁹It is not surprising that the issues raised in the first part of the paper should reappear in a different form in this part.

⁴⁰Kirsanov, pp.181-91. ⁴¹Ibid., p.181. ⁴²Ibid., p.182. ⁴³Ibid., p.183.

⁴⁴Ibid., p.187. ⁴⁵Ibid., pp.190-1.

⁴⁶Cf. Murray 67 NLR, pp.84-85.

⁴⁷Cf. Altvater, p.99. The phrase used here, 'idealised total capitalist', is the translation used in the Altvater article. The more usual translation is

"the ideal personification of the total national capital": F Engels, "Socialism, Utopian and Scientific", Moscow 1968, p.63.

⁴⁸"There can...be nothing more erroneous and absurd than to postulate the control by the united individuals of their total production, on the basis of exchange value..." Grundrisse, pp.158-9.

⁴⁹Cf. Sol Picciotto's criticism of this conception in his paper to the first meeting of the group.

⁵⁰Kirsanov, p.363.

⁵¹Cf. Engels: "[The state] is a product of society at a certain stage of development; it is the admission that this society has become entangled in an insoluble contradiction with itself, that it is cleft into irreconcilable antagonisms which it is powerless to dispel". "Origin of Family, Private Property and State, Pt.IX. Marx-Engels Selected Works" Moscow 1962, Vol.II, pp.318-9. And cf Altvater, p100: "the appropriate form of the state under capitalism is ...its special existence counterposed to capital units, and not the form as an "instrument of the monopolies". (The state becomes this only in a mediated sense.)".

⁵²M. Wirth, "Kapitalismustheorie in der DDR."

⁵³Cf. Wirth, e.g. p.85.

⁵⁴Cf. Wirth, esp. pp.100ff.

⁵⁵Politische Ökonomie..., ch.28. Note that a book by Maximowa on capitalist integration has recently been published in German: "Die kapitalistische Integration", Staatsverlag der DDR, Berlin 1975.

⁵⁶Maximowa, p.599. A criticism probably directed against Kirsanov.

⁵⁷Ibid., p.600

⁵⁸Picciotto and Radice make a similar point: CSEB, p.48.

⁵⁹Maximowa, pp.605-6. ⁶⁰Ibid., p.606. ⁶¹Ibid., p.610. ⁶²Ibid., p.611.

⁶³Poulantzas, "Internationalisation", p.149. Note that this dominance of the political in the later phases of monopoly capitalism is determined by the dominance in the last instance of the economic: "Political Power and Social Classes", p.14.

⁶⁴Poulantzas, "Internationalisation", p.173; "Political Power...", p.55.

⁶⁵Poulantzas, "Internationalisation", p.173. ⁶⁶Ibid., pp.173,167.

⁶⁷Thus, in his discussion of state intervention and of social policy, the question of the limits imposed on these by the nature of the capitalist system never arises: cf. e.g. "Political Power...", p.193.

⁶⁸Poulantzas, "Internationalisation", p.146. ⁶⁹Ibid., pp.167ff.

⁷⁰Vincent, esp. p.19.

⁷¹Warren, p.88. ⁷²Ibid., p.85. Emphasis in the original. ⁷³Ibid., p.85.

⁷⁴Wood, p.42.

⁷⁵Marx, Grundrisse, p.414: quote by Yaffe, p.41; and cf. Altvater, pp.98-9.

⁷⁶Picciotto and Radice, p.42. ⁷⁷Europe versus America?, p.95

⁷⁸Spätkapitalismus, p.304.

⁷⁹Europe versus America?, pp.48-9. ⁸⁰Cf. ibid., pp.48-9.

⁸¹The criticisms may, I suspect, be made also of James Wood who, though he differs from Mandel in his conclusions, appears to share his premises: Wood, p.43.

⁸²Socialist Register 1967, pp.30-1. And cf. Rowthorn, p.33.

⁸³Thus in Inprecor No.2, p.17: "In following this reasoning [on the need of the European trusts for a European superstate - JH], we are making no concessions whatever to the myth of 'territoriality'. There are those who polemicise against our position by operating in fact with the abstraction of 'trusts established on the territory of France, of West Germany, etc.' forgetting that irreconcilable conflicts of interest have developed between the European trusts and their American counterparts and that the bourgeois state cannot remain neutral in those conflicts - nor can it stand above the fray as an 'arbiter'". And see also 59 NLR pp.30-1. It would be helpful if Mandel could explain his position more fully.

⁸⁴Murray, p.98.

⁸⁵Ibid., p.96.

⁸⁶Spätkapitalismus, p.306.

⁸⁷Rowthorn, p.32, n.1.

⁸⁸See esp. p.49.

⁸⁹Picciotto and Radice are surely right in their implicit criticism of Rowthorn on this point: CSEB, pp.45-6.

⁹⁰Rowthorn, pp.46-7.

⁹¹In the original version of the article, presented as a paper to the Tilburg conference: Kapitalismus in den siebziger Jahren (Frankfurt am Main, 1971), p.99.

⁹²Rowthorn, p.49.

⁹³CSEB, p.47. In relation to this point see also Hymer and Rowthorn, p.90 "A most important obstacle to supranationality stems from the fact that many of the most important government policy instruments require patriotism to be effective." It is perhaps a pity that Rowthorn did not pursue this in his NLR article.

⁹⁴CSEB, p.45.

⁹⁵Picciotto, p.9.

⁹⁶Murray, p.87. He almost suggests here that a one-sided economic treatment will somehow restore the balance in face of the 'predominantly political treatment' which the state has received in Marxist literature.

⁹⁷Sol Picciotto and I shall try to develop this line of approach in a paper to be presented at the next meeting of the working group.

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EXPLOITATION AND EMBODIED LABOUR TIME

Geoff Hodgson

'All things are full of labour; man cannot utter it: the eye
is not satisfied with seeing, nor the ear filled with hearing.'

Ecclesiastes, ch.1

The question of exploitation is a central theme of Marxian theory¹. It is also a central area of controversy in hostile attacks upon Marxism. Unfortunately, however, although Marxism has nominally grown in influence on a world scale, the most usual presentation of a Marxian theory of exploitation lacks a great deal of theoretical sharpness and imperative vitality. It often appears as little more than a mere assertion. We encounter dogmatic-sounding

statements which appear to reduce exploitation theory to the assertion that surplus value exists, or that labour is the source of all value. Whatever the truth of these statements they do not encapsulate a theory of exploitation. They convince only the converted, and they are easily rebuffed by capitalist ideology and orthodox economics. There the proof of the existence of exploitation under capitalism seems to be a matter of pure definition. Hence the unconverted can dismiss the proof as an empty tautology. In some ways, and to a limited extent, that critical attitude is justified. As Rowthorn remarks in a recent forceful attack on formalistic interpretations of Marxian economic theory: 'Indeed, there is something rather circular in the argument which first defines all output as the product of labour, and then triumphantly exclaims that it has shown surplus product to be a deduction from the product of labour.'²

In this essay we shall argue that there is something more to the theory of exploitation, if it has scientific and critical force, than a quantitative analysis of embodied labour. In fact, we shall go as far as to question the usefulness of the concept of embodied labour in the theory of exploitation. An attempt will be made to construct a theory of exploitation that remains true to the spirit of Marx's own theory, but is free of some of its defects.

I INTRODUCTION

Coercion in the Labour Process

This essay has been stimulated, in part, by Rowthorn's important article Neo-Classicism, Neo-Ricardianism and Marxism.³ It is convenient, therefore, to take the latter work as our starting point. One of Rowthorn's main points is to attack 'Neo-Ricardian' interpretations of the capital and value theory developed by Sraffa, Garegnani, and others.⁴ (However, it must be noted that Rowthorn does not attack or refute the formal or logical correctness of this body of theory.) Rowthorn argues, convincingly, that the formal relations between prices, profits, wages and technical conditions cannot, by themselves, portray the essence of the capitalist mode of production. In particular, the vitally important distinction between labour and labour power is not embodied in these formal relations. Consequently, the coercion of the labourer by the capitalist's agents in the production process, in order to produce a surplus product over and above the labourer's necessities of life, is absent in the formal schema. (Note that I have deliberately not used the term 'surplus value' as I wish to examine the role of value-analysis in exploitation theory at a later stage. To include it now would beg the question. Capitalist coercion in production can be discussed with the use of the category 'surplus product', instead of 'surplus value' or 'surplus labour'.)

Rowthorn then goes on to make the point that the formal Sraffa-type analysis could be modified to fit a society in which workers hired their equipment from capitalist owners, who took no part in the production process. Provided the real wage was defined to mean what the workers retain after the payment of hire-charges to the capitalists, the formal relationships would be unchanged. Moreover, capitalists would still derive their income from ownership of the means of production, and they would still 'deduct' their profit from the product of labour. The fact that Neo-Ricardian theory can, with so little modification, be adapted to suit such different modes of production, suggests that it is seriously deficient.⁵ Perhaps Rowthorn is referring to the 'putting out' system, of domestic 'cottage' industries which existed alongside the capitalist mode of production in the early period of the industrial revolution in Britain. To a much lesser extent it still exists today. I shall call it the quasi-capitalist mode of production.

In the latter mode of production direct coercion in the labour process is absent. Rowthorn has drawn our attention, therefore, to the fact that this coercion is an important feature of capitalist reality. This is a highly significant point, and it should not be underestimated. But it must be made clear

that we are referring here to direct coercion in the labour process, and not to other indirect forms of coercion. For example, workers are indirectly coerced when they are starving and need to work in order to eat; in which case direct coercion need not be exercised in the production process itself. Some degree of indirect coercion is present in the quasi-capitalist mode of production, and, indeed, in all class societies. The second point that must be made clear is that direct coercion exists in other forms of society, besides capitalism: such as slave society. It would be mistaken, therefore, to draw the syndicalist-style conclusion that direct coercion in the labour process is the major defining feature of the capitalist mode of production. Indeed, under capitalism, and in contrast to most slave societies, for example, there are strict legal limits to the direct coercion of the labourers, at least in the more recent stages of capitalist development in the bourgeois democracies. Unlike the slave, the worker cannot usually be whipped or tortured at will. Also the role of direct coercion in the labour process under capitalism may diminish in certain circumstances, such as when piece-work is introduced. Marx, himself, recognised this when he wrote: 'the discipline enforced by the capitalist...has already become practically superfluous in piece work'.⁶ In this case indirect social or economic coercion will become relatively more important.

Not only is direct coercion in the labour process not the sole defining feature of the capitalist system, but also it is neither a necessary nor a sufficient condition for general class exploitation. We would not deny that exploitation existed under feudalism, but direct labour coercion was often absent in that production process. Under quasi-capitalism direct coercion was certainly absent, almost by definition. Yet exploitation exists, according to the Marxist. This does not, of course, undermine Rowthorn's point about the weakness of purely formal analysis, cited above. Rowthorn's concern is to attack formalism, not to define exploitation. We have reached the conclusion that direct coercion in the labour process is not a general feature of class exploitation, but it may be one important feature of capitalist exploitation in particular.

Surplus Labour and Surplus Value

We need not stress the point that Marx's category 'surplus value' applies exclusively to the capitalist mode of production. The category 'value', in general, applies only to commodity-producing societies where money is utilised. According to Marx, surplus value is the specific form of surplus labour under capitalism. It should be obvious, therefore, that the existence of surplus value is not a necessary condition for exploitation to exist. Under feudalism and slavery, for instance, exploitation can take place without surplus value.

On the other hand, Marx regards surplus labour as a category which applies at least to all class societies. There are some passages in his works which seem to imply that surplus labour is simply the excess of actual labour over the labour that is necessary to support and reproduce the labourer, whether or not this is appropriated by another class.⁷ Under a society of simple hunters and gatherers, for instance, the products of 'surplus labour' may provide luxurious consumption, items of adornment, or implements of recreation.

We are now at a stage where we can construct a definition of exploitation which has a general significance, does not just apply to capitalist society in particular, and which seems most consistent with Marx's work as a whole. This definition must, in our view, hinge on appropriation by the class that owns the means of production; otherwise shoplifters and old age pensioners would be exploiters. The definition reads: exploitation is the appropriation of surplus labour from the labourers by the class that owns the means of production. By applying this definition it is clear that slaves, feudal serfs, and proletarians are all exploited.

Surplus Product or Surplus Labour?

Up to now our concern has been to produce a short definition of exploitation in general, that is consistent with Marx. From now on we shall criticise and,

if necessary, modify that definition.

Surplus labour cannot exist unless it is embodied in a physical surplus product. Under capitalism, for instance, Marx himself explains: 'This surplus-labour appears as surplus-value, and this surplus-value exists as a surplus product.'⁸ It would follow that surplus labour cannot be appropriated unless the surplus product is appropriated. We now ask the question that is crying out to be asked: Why cannot 'appropriation of the surplus product' be substituted for 'appropriation of surplus labour' in the definition of exploitation that was constructed above?

One possible objection to this change in the definition comes to mind. It is not insignificant, however, and it relates to Marx's theory of value. It could be argued that the appropriation of surplus labour from the labourers is a formulation which makes the nature of exploitation crystal clear. It would then be evident that exploitation was the expropriation of human creative activity, i.e. labour, from the labourers themselves. The normative aspect of exploitation theory would also become obvious. My counter-arguments to this defence of the 'surplus labour' formulation of the definition of exploitation are really the crux of my critique of the traditional Marxian approach. Our main task is to show the inadequacy of the concept of embodied labour.

II A CRITIQUE OF THE CONCEPT OF EMBODIED LABOUR

We shall start this section with a brief account of some formal results which have been derived quite recently. These results create severe problems for those that wish to maintain the concept of embodied labour. For instance, in some situations certain ambiguities in the definition of embodied labour arise, and we are forced, for reasons of logical consistency, to choose one definition or another, or abandon the concept of embodied labour altogether. There is no other logically consistent way out, regardless of what interpretation we attach to the formal results.

Different Approaches to, and Definitions of 'Embodied Labour'

In the first chapter of his book Marx's Economics Morishima shows that there are two alternative approaches to the definition of embodied labour.⁹ The first starts from the definitional identity of the living labour employed, plus the labour embodied in the other inputs, with the total labour embodied in the output. Hence this approach is based on the 'labour costs' in each process, and it is, perhaps, the way in which most people think of 'embodied labour'. A second approach proceeds from the economic system as a whole, and the amount of labour required to produce an extra unit of a good in the net output is determined. However, both approaches give identical numerical results.¹⁰ In addition, both approaches rely on the determination of 'embodied labour' from the technical coefficients in the whole system by a method of simultaneous equations, when the number of goods equals the number of processes.

In the final chapter of the same book, Morishima constructs an entirely different definition of embodied labour.¹¹ This considers the system as a whole, but it does not rely on the assumption that the number of goods is equal to the number of processes. An optimisation problem is set up in which the question is asked: what is the minimum amount of socially necessary labour time required to produce a given good, or bundle of goods? Then the 'optimised embodied labour' in the good is found. This method is one of linear programming, rather than simultaneous equations.

Two points must be emphasised. First, each of these above definitions and approaches relies on the interrelations between the production processes in the system as a whole. In general it is not possible to determine the embodied labour in a particular good from one process alone. The amounts of 'embodied labour' are determined by the technology in the whole economy. Second, none of the approaches or definitions make any reference to prices, wages or profits. That information is not necessary to calculate the amounts of 'embodied

labour'. In every case the amounts of 'embodied labour' are calculated from the given technology, including the amounts of socially necessary labour time employed. Hence the amounts of 'embodied labour' could be calculated in other modes of production, besides capitalism, as long as labour was homogeneous, or could be reduced, in some way, to a common standard. Technology may be different in different modes of production, but the respective amounts of embodied labour could still be calculated in each case. Hence the concept of 'embodied labour' is not socially specific to capitalism; it relates to the technical state of the productive forces, not to the relations of production.¹²

To the reader who is used to thinking in terms of single product systems, i.e. systems in which each process produces exactly one product, and there is no fixed capital remaining at the end of the production period, the above account of the different approaches to, and definitions of, embodied labour may seem to be much ado about nothing. In fact, in single product systems all approaches and definitions give the same numerical results, as well as the more general identity of results from the two approaches in each case. In other words there is no ambiguity in the definition of embodied labour. In addition it can be shown that all the calculated embodied labour magnitudes will be positive as long as the system is feasible and productive.

Problems in Joint Product Systems

However, more serious problems arise in joint product systems, i.e. when at least one process in the economy produces more than one good - an extra 'joint product'. Before we discuss these problems we must explain why joint products are not extreme and rare cases in real-world economies. For example, chemical industries, including petroleum refining and coal processing, have an overwhelming number of processes which produce useful by-products. In fact the chemical reactions that are utilised only rarely produce just one substance. Coal is used to produce coal gas, coke, nylon, and other substances. From crude oil, petroleum, engine oils and paraffin are extracted. Modern competitive conditions have encouraged the use of by-products in some industries which otherwise would be regarded as waste. For example, wood chips and metal turnings are now utilised in vast amounts. Slag from coal mining, and even waste glass, to cite some extreme examples, are both used in road construction. Shoddy waste from the wool industry is now used as a fertiliser. Agriculture itself abounds in examples of joint production: e.g. wool and mutton from sheep, and wheat and straw from corn. It seems that single product industries are the exception rather than the rule in many major areas of modern industry.

But, as Sraffa puts it: 'The interest of joint products does not lie so much in the familiar examples of wool and mutton, or wheat and straw, as in being the genus of which fixed capital is the leading species.'¹³ It has been shown in another paper¹⁴ that, in general, fixed capital must be formally regarded as a kind of joint product, alongside the products which were intentionally created in production. Otherwise, neither value nor price depreciation can be correctly calculated for the fixed capital as it ages over time. Fixed capital goods have existed ever since primitive man fashioned a stone axe which he did not dispose of after its first use in production. We must conclude, therefore, that single product industries are extremely rare exceptions, far from being the rule, in the history of mankind. Capitalism, with its complex technology and vast accumulation of fixed capital, has reinforced the importance of joint product analysis.

Consider the 'labour cost' approach to the calculation of embodied labour. In single product processes we can focus the amounts of 'embodied labour' which are used up in production, plus the living labour employed, on a single product appearing in the output. With joint product systems we cannot, quite obviously, do this. If one process produces two joint products then we can, perhaps, calculate the total living and embodied labour input. But how do we apportion this accreted labour time between the two produced products? Within

the particular production process we have no means of knowing the amount of labour time that becomes embodied in each particular product. We can point to no actual procedure that apportions the labour time within the production process itself. Without further information we cannot determine the amounts of embodied labour from the conditions within the process.

One way out of the problem is to show or assume that other processes will be additionally utilised for every extra joint product that appears, so that the number of processes will be exactly equal to the total number of produced goods. Then it will be possible to calculate the 'embodied labour' in each good by setting up a number of equations. These will express the Marxian principle that the labour embodied in the inputs in each process, including the amount of socially necessary living labour employed, equals the labour embodied in the total output. No embodied labour is created outside production. The equations may then be solved simultaneously; ascribing a unique magnitude of 'embodied labour' to each good, so that the latter Marxian principle is not violated.

Negative Embodied Labour with Joint Production

Unfortunately, we have no reason to assume that the calculated 'embodied labour' results will be positive. Morishima, for instance, has shown that negative amounts of embodied labour can occur in joint production systems.¹⁵ One particularly vulnerable type of commodity is fixed capital that has lasted more than one production period, i.e. 'old machines', and whose efficiency is waning. Steedman has constructed an example where the labour embodied in the surplus product is negative.¹⁶ Under capitalist conditions this would mean that the whole of surplus value was negative, but Steedman has also shown that this is compatible with positive profits, and capitalists seeking to maximise their profits within the given technology.

Alternatively we can take refuge in a different definition of embodied labour.¹⁷ This would be the minimum amount of socially necessary labour time required to produce a given commodity, regardless of what else may be produced as a joint product. This definition, which I call 'optimised embodied labour', ensures that all the results are positive. However, using it we abandon the implicit Marxian notion that embodied labour magnitudes are additive. It is no longer the case that the embodied labour in the whole is equal to the sum of the embodied labours in the parts. The optimised embodied labour in good A, plus the optimised embodied labour in good B, is generally greater than the optimised embodied labour in A and B considered together.

A third possible definition of embodied labour involves the imputation of 'labour costs' to each good when the optimum amount of embodied labour is being calculated in a given bundle of goods. Generally, however, this 'imputed embodied labour' will not be quantitatively independent of the actual bundle of goods that is chosen. The same good can have different amounts of 'imputed embodied labour' in different optimisation situations. (Morishima has constructed the definition of imputed embodied labour, calling it 'optimised value', but he has incorrectly drawn the conclusion that the resulting magnitudes are dependent on 'demand'.¹⁸ This does not follow, as the chosen bundle of goods need have no relation to 'demand' in the economy. Morishima has confused his theoretical object with the real world.)

We must, at least, conclude that in joint production situations the definition of embodied labour is highly ambiguous. We face the difficult choice of either accepting the possibility of negative embodied labour, or abandoning the principle of additivity with embodied labour magnitudes. Alternatively we can drop the concept of embodied labour altogether. We have no other choice.

So far, our critique of the concept of embodied labour has been confined to an account of some purely formal results that have been derived quite recently. Although these results should provoke fundamental and questioning thought by themselves that is not the end of the matter. There are further philosophical reasons why the concept of embodied labour should be rejected. Although the philosophy owes its genesis to the provocation provided by the formal

results, it has its own relative autonomy from the latter. Hence philosophical disagreement would be a sufficient reason to reject the philosophical arguments, but the formal results can only be rejected if fault is found with the logic of the argument, or the particular assumptions upon which the formal results are based are regarded as unsatisfactory.

An Epistemological Problem

If we can choose between the alternative definitions of embodied labour then we should be able, in principle, to calculate the labour embodied in a commodity. But the fact that we can calculate the amount of labour embodied does not mean that the concept of embodied labour is validated as scientific. We must raise the question: how do we know that living labour is transformed into dead labour and embodied in objects? To say that we can always contemplate the process does not mean that it exists in reality. A full discussion of this epistemological issue would, of course, take us well beyond the intended scope of this essay. However, a few general remarks should be sufficient to elucidate our position.

The concept of embodied labour has been defended on the basis that it is supposed to explain class relations, exploitation, and so on. Under capitalism, according to Marx, embodied labour takes the specific form of value. Many Marxists have been very unprecise in their use of the latter word. In some cases it is used to mean embodied labour; in other cases it is used to mean equilibrium price. It may be intended to demonstrate some sort of connection between embodied labour and equilibrium price under the capitalist mode of production. But it is illegitimate to demonstrate the connection by sloppily using one word - value - to mean two things at the same time. To do this is to assume the connection before it is proved. (To avoid confusion, therefore, we have stuck to the words 'embodied labour' and generally avoided the word 'value', because of its ambiguity. It should be evident from the text whether we are referring to capitalism, or modes of production in general.)

Now if the concept of embodied labour is supposed to explain certain phenomena then it must be something more than a convenient rationalisation of superficial appearances. In fact we could invoke an enormous number of 'theories' to explain everyday phenomena under capitalism. We could explain prices by means of the subjective utility analysis of bourgeois economics, for instance. Unless we developed some other criteria for validating these concepts or theories then one choice of theory would be as good as another. Marxists would have nothing but self-enclosed and subjective arguments for rejecting subjective utility theory. Assertion would be substituted for argument, and dogma would replace science.

We must conclude that a scientific theory cannot be a purely mental generalisation or rationalisation. Although concepts and theories are undeniably tied to the mind, science does not progress within the mind itself. There must be some objective counterpart to a valid scientific theory or concept. Let us illustrate this point with the often misused metaphor of 'appearance' and 'essence'. We would, of course, agree with Marx's well-known dictum that 'all science would be superfluous if the outward appearance and the essence of things coincided.'¹⁹ But this does not mean that the essence has no phenomenal manifestation. The outward appearance is the immediate, superficial aspect of reality which, under capitalist society, is perceived most often with the use of the concepts of bourgeois ideology. The role of science is to reconstruct our vision of capitalist society - and thus act as a guide to the reconstruction of society itself. But to be science, rather than dogma or superstition, it must be able to appeal to some source of objective validation. The abstract concepts which form part of the essence must have some phenomenal form; not in immediate, superficial, 'outward' appearances, but in the hidden, ignored, 'inner' appearances which are perceived through analytical dissection. The inhabitants of Plato's Cave must break their bonds, turn around, and perceive the true source of the display of shadows.²⁰

One solution to this problem of validating essential concepts and theories has been suggested by Colletti in his interpretation of Marx's work. Colletti argues, convincingly, that the concept of 'abstract labour' is not derived as a purely mental generalisation or abstraction. The 'abstraction' of 'Abstract labour' takes place daily in the reality of capitalist exchange itself, when labour power is bought and sold on the market. The abstraction is a real process that takes place outside the heads of Marxists.²¹ Hence concepts which pertain to the essence, and which scientific analysis is trying to uncover, have a phenomenal form in real processes and relations of the object of investigation. This methodological injunction is of enormous significance, it has not yet been utilised in any political economy to any great extent, but it contains large internal problems of its own. Hence it will certainly need further clarification and extension. But what is the cost of ignoring it? Without it political economy relapses into self-contained idealist abstraction. This can take the form of an empiricism, such as the empiricism of modern neo-classical economics, which, quite explicitly, regards the ability of making 'correct predictions' as the only test of a theory.²² Alternatively, it can take the form of a negativist 'essentialism', which is regrettably found within the Marxian movement, and which consists of a completely self-contained theoretical system which has no point of contact with empirical reality.²³

We are left with two related questions: how do we validate the concept of embodied labour? and, what is the phenomenal form of this concept? We shall now attempt to answer these questions.

Embodied Labour and Exchange Relations

It might be argued that under capitalism embodied labour values are the mean around which real-world prices fluctuate. In other words, commodities with equal amounts of embodied labour will tend to exchange for each other. Marx assumes that prices are proportional to embodied labour values in the first two volumes of Capital, but as soon as he begins to tackle the problem of the transformation of embodied labour values into equilibrium prices, under conditions where the organic composition of capital is not the same throughout the economy, it becomes evident that equilibrium prices are not proportional to embodied labour values.²⁴ In other words, commodities of enormously unequal embodied labour content can exchange for each other, even in an equilibrium situation.

If we adopt a correct solution to the transformation problem, the one propounded by Bortkiewicz, then there are still greater consequences.²⁵ It is easy to show, for instance, that the relative price of a commodity can fall, in response to a technical change, even if the labour embodied in that commodity increases in amount. This is in complete contradiction to statements by Marx, relating to the so-called 'law of value', where he asserts that if the labour time required for the production of a commodity happens to shrink then prices fall: if it increases prices rise, provided other conditions remain the same.²⁶ Steedman's demonstration, i.e. that negative embodied labour in a feasible surplus product is compatible with positive profits, is another broken link in the conceptual chain which is supposed to connect prices and profits with embodied labour values, in some more or less direct manner. The chain is shattered. Prices and profits have no direct phenomenal or theoretical relation to embodied labour magnitudes in a capitalist economy.

Embodied Labour and Labour itself

We are searching for a phenomenal manifestation of the concept of embodied labour. But it should be evident that this manifestation cannot be found in the purely physical features of the commodity. Microscopic examination and chemical analysis will not detect a single atom of embodied labour in any produced good. Marx was aware of this, for he wrote: 'The value of commodities is the very opposite of the course materiality of their substance, not an atom of matter enters into its composition. Turn and examine a single commodity, by itself, as we will, yet in so far as it remains an object of value, it seems

impossible to grasp it. If, however, we bear in mind that the value of commodities has a purely social reality, and that they acquire this reality only in so far as they are expressions or embodiments of one identical social substance, viz., human labour, it follows as a matter of course, that value can only manifest itself in the social relation of commodity to commodity. In fact we started from exchange-value, or the exchange relation of commodities, in order to get at the value that lies hidden beneath it.²⁷

The deduction of the concept embodied labour value from the concept of exchange value, which Marx refers to in the last sentence of the above quotation, is a route which is barred by the recent shattering of the link between prices and embodied labour. Hence we must turn to another question: what is the 'identical social substance' that Marx refers to? It cannot be abstract labour because this refers to the process by which labouring activity is reduced to a common standard. For abstract labour to become embodied labour it must preserve itself across time. Abstract labour, if it exists, does not become embodied labour unless it is imparted onto an object which is produced during a period of time. This identical social substance which Marx refers to must, in a sense, be timeless. It must be composed of a whole range of labours from different past time periods. However, abstract labour itself, in contrast, is tied to a specific time instant or conjuncture. There are a whole series of different abstract labours for different points in time. It seems that Marx did not realise this distinction between his concept of abstract labour and the identical social substance to which he refers.

In fact, when we consider any concrete labour it is soon evident that labour as such cannot be stored or preserved and carried from one instant of time to another. Labour as such is instantly perishable. Labour can only fill available instants in time. If any instants are not filled, i.e. if the labourer is idle for an instant, then the potential labour content of those instants is lost forever. Labour is indelibly marked with a specific time epithet.

This inability of both abstract and concrete labour to travel across time, into the future, makes the notion of a 'common social substance', which is preserved or stored, untenable. If abstract labour is a valid concept then we can talk of a distinct conjunctural social substance for every instant of time. But we cannot entertain the notion that gradually, over time, this substance becomes embodied in produced objects.

Incidentally, we can note, in passing, that the above point relates to the recent capital controversy. The view that past labour time can be aggregated in one homogeneous lump in produced objects amounts to the assertion that capital goods can be measured, in an economically significant way, independently of distribution and prices in a capitalist economy. The work of Sraffa and others has shown that there is no consistent logical basis for such an assertion. Heterogeneous capital cannot be measured with homogeneous embodied labour in any useful or significant way. As a minimum, the past time pattern of dated labour inputs is required.²⁸

Returning to our main argument, we have still failed to find the phenomenal form of the concept of embodied labour. As soon as we try to grasp the concept it runs through our fingers like sand. And that is not an inappropriate analogy because the concept of embodied labour founders, as we have suggested above, on the question of real historical time. We shall now turn to a further consideration of this topic.

Embodied Labour and Historical Time

In our view the concept of embodied labour is essentially an idealist concept, i.e. it is a pure thought-construct, rather than a concept which relates to any identifiable process or relation in any mode of production. This can be further illustrated by another argument. Imagine an economy in which steady, progressive, technical change is taking place. This means that the labour embodied in goods will be changing. According to the Smith-Ricardo-Marx definition of embodied labour the socially necessary labour time embodied in a good, at a given time, is found by reference to the contemporary technical conditions

and criteria of social necessity. This means that the past labour embodied in a produced object is not the actual past labour expended, but the past labour that would have been expended if the present technical conditions had reigned in the past. Generally, therefore, the amount of labour-time embodied in an object is not the sum of the actual past labour-time exerted in production, it is a logical conjecture of what labour time would have been expended in an imaginary past. The substance of embodied labour is not historical time but logical time.

The philosophical point is now obvious; the conception of embodied labour as a real-world material object is 'mistaking the logical process for the process of reality'.²⁹ It amounts to a Hegelian-style conception of time as the unfolding of logic, akin to 'historicism' - to use Althusser's terminology.³⁰ The point about real historical time, however, is that it is extra-logical; at any given present we face an unchangeable past and an uncertain future. We cannot survey the vast panorama of history, from our vantage point in the present, and reduce it completely to a logical process that can be encapsulated in the mind.³¹ To do this would, in effect, deny the reality of historical time itself.

The attempt, by Althusser, Colletti, and others, to remove the mechanical, fatalistic and Hegelian-style thinking that has dominated the Marxian movement, is one of the most progressive developments in Marxian theory in recent years. Their work has been directed towards one task amongst others - to remove Marx from his inverted Hegelian pedestal and place him on his materialist feet. But most of this work has been confined to the realm of philosophy. The outstanding task is to render Marxism as a whole consistently materialist and scientific, particularly in the field of political economy. It has now become apparent that this surgical task has far more profound consequences than was initially conceived. In the name of materialist science we are attacking some of the foundations of Capital. The critique of the embodied labour concept can be regarded as nothing less than that. But consider, for example, Althusser's critique of historicism: the view that time is linear and the process of social development can be effectively analysed from the vantage point of a single historical present. In our view this must amount to a rejection of the concept of embodied labour, and statements of Marx such as: 'In the final analysis, all forms of economics can be reduced to an economics of time'.³² Such a statement is, it seems, untenable without a linear conception of time; a view that time is spatial and homogeneous.³³ The concept of embodied labour relates to the economic technology of a given historical present, but in Capital it is stretched far beyond this instant of time. Labour is, in reality, instantly perishable, but the concept of embodied labour manages to span the history of human productive activity. It appears that Althusser's critique of historicism rebounds upon the works of Marx himself, and wreaks havoc that its author did not intend.

We must conclude, therefore that the concept of embodied labour can be nothing more than a metaphor, devoid of material basis in any social reality and any corresponding phenomenal form. But it is useful to discuss the question at a little more length. And to do this we must return to the account of the different definitions and approaches to the concept of embodied labour that was placed at the start of this section. It is not the case that all these various approaches are without any phenomenal form or corresponding process in reality.

We may reject any optimisation approach to the concept of embodied labour, because such an optimisation does not occur, generally, in reality. In particular, under capitalism, capitalists do not act to minimise the embodied labour in any given good, they act to maximise their profits. Hence, under capitalism, the choice of production techniques that is guided by the principle of profit maximisation will be different from the choice that would be socially optimal in a socialist system with the same technology. Hence the 'optimised' amounts of embodied labour will differ from 'actual' amounts that may be calculated from the data concerning the actual production techniques that are employed.³⁴

The Phenomena of Employment Multipliers

Earlier it was noted that, in accord with the first chapter of Morishima's book Marx's Economics, there are two approaches to the standard definition of embodied labour. The first proceeds from the consideration of 'labour costs' in each process. The second proceeds from a consideration of the economic system as a whole. Consider an economy which has produced a given net product, consisting of a number of different goods, with a given technology, in a given year. A given labour employment of either homogeneous labour, or heterogeneous labour which can be reduced to a common standard measure of abstract labour, was required to produce the given net product. Now the technology does not change in the next year, but one extra unit of a certain good is produced in the net product, the quantities of the other goods appearing in the net product remaining the same. Now the extra labour time, or, more generally, abstract labour time, required to produce the extra unit is the 'labour embodied' in this single good. We have already noted that mathematically, from the formal point of view, the quantity of embodied labour that is calculated by this second approach will be identical to the quantity that is calculated by the first 'labour cost' approach. We shall call the second approach, which considers the changes in total employment in the economy that are associated with changes in the net product, the 'employment multiplier' approach to the definition of embodied labour.

That is the formal side of the matter. The epistemological point is that the changes in employment that are associated with the changes in the net product are observable. Hence the employment multiplier is an observable relation, as long as technology is held constant, and such changes do not distort our observations. In other words, the 'employment multiplier' approach to the definition of embodied labour does have a phenomenal form, and it does correspond to real relations in an economy. This may seem to contradict some of our statements above, but it is our view that although the 'employment multiplier' approach is formally, in its results, identical to the 'labour cost' approach, epistemologically and conceptually the two approaches are entirely different. In fact, employment multipliers are not amounts of embodied labour at all. It is practically absurd to give them that name; they do not relate to single processes or single produced goods in isolation, but to the economy as a whole, and the amounts of labour that are concerned are not embodied in anything - they are living real amounts of labour time.

Therefore, despite the different epistemological status of the employment multipliers, they cannot be used to rebuff our critique of the concept of embodied labour. Also it must be emphasised that employment multipliers can quite easily be negative in joint production systems. This would mean that less living labour would be required to produce one extra unit of a given good. We have already noted the references to the sources which demonstrate this point. Also, in particular, the total employment multiplier associated with the surplus product in a system can also be negative, as Steedman's example demonstrates. The employment multiplier approach cannot be used to shore up the foundations of the value theory in Capital.

In contrast to the employment multiplier concept, all the other approaches to the concept of 'embodied labour' have no phenomenal form and a basically idealist character. In particular the 'labour cost' approach corresponds to no real process in the capitalist system, for example, as capitalists do not unconsciously or consciously regulate or minimise the amounts of embodied labour which appear as a 'cost' on the input side. The real costs which the capitalists face have a price, rather than an embodied labour form; they appear as prices, wages or interest, which are measured in relation to money units, and they have no direct relation to units of embodied labour. Hence the labour cost approach to the definition of embodied labour has no counterpart in objective capitalist reality. It is a purely idealist thought-construct.

We have already suggested that the concept of embodied labour is redundant from

the point of view of constructing a theory of relative prices and profits in a capitalist system. We have also argued that it is a basically idealist concept. However, this may not be sufficient grounds for rejecting the concept of embodied labour if other central features of Marxian political economy cannot be retained without utilising the concept. In particular it might be objected that there is no theory of exploitation without the concept of embodied labour. In the next section we shall try to show that an alternative theory of exploitation can be constructed, which applies to a capitalist system. Also our theory will be free from the type of idealist conceptualisation which we have objected to above.

III AN ALTERNATIVE THEORY OF CAPITALIST EXPLOITATION

Our candidate definition of exploitation is as follows: Exploitation is the appropriation of the surplus product from the labourers by the class that owns the means of production. It remains to give this definition the necessary philosophical and historical significance, and render it with concrete meaning. And that is not an unimportant or uncritical task; upon it depends the significance, force, and social validity of the definition.

It must be made clear that the above definition of exploitation involves a conception of ownership. The production of the surplus product often involves direct, as well as indirect, coercion of the labourers. But for appropriation to take place the ruling class must own the means of production. (We can, of course, define ownership more broadly than the purely juridical form of private property.) For appropriation to occur certain definite property relations must exist; authority relations in production are not sufficient.

Symmetry and Asymmetry

According to capitalist ideology, both capital and labour are 'factors of production'. The entrepreneur enters a freely arranged contract with owners of both these factors. They then bring their respective factors to the place of production. Production takes place, and they receive their rewards according to the initial contract. Everything is 'fair' as long as free and unfettered competition takes place. The symmetry of the process is perfect. One side balances another in perfect harmony. Owners of both capital and labour bring these respective factors freely to the market, they both voluntarily make a contract, and they both, in perfect competition, receive payment according to a function of their respective contributions to production, i.e. their 'marginal productivity'.

The perception of exploitation starts with the detection of certain asymmetries in the process. First, capital goods can be bought and sold but the labourer does not actually sell his labour. Labour, as a 'factor of production', is not a thing but a creative activity. Hence labour is inseparable from production itself. But capital goods, machines for example, need not produce to remain capital goods; they are separable from production. Machines can lie idle and remain machines, in contrast, idle labour does not remain labour, it is the negation of labour.

Labour Power and 'Machine Power'

What does the labourer bring to market, if he does not bring his labour? Of course, he brings his capacity to work - his labour power. This is personified in the labourer himself, as a fit and able human being. Labour power is brought to the market and hired for an agreed period of time. But labour itself appears in the production process only, as a living activity.

It may be remarked that there is no loss of symmetry. It is not the machine, but the machine's capacity to work that is hired; we could call this 'machine power'. The activity of the machine in production could be called 'machine services', analogous to labour as a category. Let us follow the logic of this objection. 'Machine power' and 'labour power' are bought on the market and they both enter the sphere of production. So far the symmetry is preserved. But the productive ferment has not commenced. Labour power must exude labour,

and 'machine power' must exude 'machine services' for that to happen. If we consider these processes of exudation, within the sphere of production, then it will become clear that these two processes are completely different in character. In the act of production the perfect symmetry will be lost.

It is clear that 'machine power' and labour power both must be present for either labour or 'machine services' to begin to flow. The exception being, of course, when the factory is completely automated; but we shall generally exclude this case. Labour power and 'machine power' are both necessary for production to take place, but we must now look at the other side of the matter and ask the question: what limits the ability of either 'machine power' or labour power to exude their capacity? As far as the machine is concerned, the exudation of 'machine services' is limited by the physical and mechanical capabilities of the machine itself. That is all. In contrast, as far as the labourer is concerned, the exudation of labour is not a purely physical, mechanical, or automatic process. Something else is involved. The worker must consciously submit to the rhythm of work.

The 'machine services' that a given machine, or 'machine power', can provide relate exclusively to the physical and mechanical characteristics of the machine, and they can be understood and predicted by means of the laws of the physical sciences. There is no other inbuilt barrier in the machine that can prevent the machine's potential machine services becoming actual machine services in production. But labour power and labour stand in quite a different relation to each other. Even if a worker is fully fit there is still no means of knowing that the worker will actually work. As long as labour is exuded, and the machine is in working order, then there is nothing to prevent 'machine services' being exuded as well. But if a working machine is available, and a fit and able worker, i.e. a labour power, is on the spot, that does not necessarily mean that production will take place.

From the capitalists' point of view, the purchase of a machine in working order is all that can be expected from the machine itself, before it can exude 'machine services'. But the purchase of labour power for a period of time does not ensure that all the possible labour will be exuded, even if all the other circumstances are ripe. Unless the capitalist provides absolute and irresistible coercion then there is no means of knowing whether the labourer will actually work to maximum potential. The cost of obtaining certainty would be the transformation of the labourers into slaves, and the abolition of capitalism.

Therefore, to summarize this point, the link between 'machine power' and 'machine services' depends upon purely mechanical and physical features of the machine. In contrast, the link between labour power and actual labour depends upon the system of social relationships, which includes the authority relations within the factory, other indirect means of coercion, and the psychology of the workers themselves.

In effect this means that the distinction between 'machine power' and 'machine services' has little social significance. Precisely because there is nothing but a mechanical-causal link between the two means that an employed machine is identical to the exudation of machine services, from the socio-economic point of view, because there is no social barrier or limit between the two. But the distinction between labour power and labour is the essence of the matter.

Labour Cannot be Appropriated

Obviously, machines, as physical objects, can be owned, hired and appropriated. Also, under capitalist society, labour power can be appropriated for a certain period of time, subject to the contract between the worker and the capitalist. The capitalist hires the worker's labour power for an hour, a day, or a week. In the first case, if a machine in working order has been appropriated then this object of appropriation contains no barrier that will prevent machine services being exuded. From the social point of view, therefore, the machine services have been effectively appropriated as well. It is

obvious that if we own a pen then we can write with it, if we own a hammer then we can use it to drive in nails. However, in the second case, if labour power has been appropriated then this does not mean that labour has been effectively appropriated as well. If we hire a man with a spade he will not necessarily dig a hole, if we hire a cobbler he does not necessarily produce a shoe. The worker has to be coerced, by some direct or indirect means, before his labour power exudes labour. Even then labour at the maximum intensity is not assured. Labour cannot be appropriated with appropriating the labourer's mind, thoughts, and possible will to resist. Such an appropriation was not possible, even under a slave society.

If we consider the matter from the logical point of view the appropriation of labour cannot occur under capitalism. We can prove this by the method of reductio ad absurdum. Assume, for the moment, that labour can be appropriated. As we have argued above, this would mean nothing less than the appropriation of the worker's free will, it would be the transformation of the labourer into a machine. But this would destroy the freedom of the worker to reconsider or renegotiate the labour contract. The worker could not again appear as a free agent on the market, with his labour power for sale, equal with the capitalist to buy and sell his own property (in his case his labour power) as he wishes. The appropriation of labour means the negation of the free market, the negation of the legal equality between the worker and the capitalist, and the negation of capitalism itself. Within the confines of capitalism the appropriation of labour is an unrealisable absurdity. Nuti has made a very similar point: 'No forward commitment expressed in labour time can be enforced; this is not a market imperfection; on the contrary, it is a necessary condition for a perfect labour market in each period.'³⁵

The eradication of the concept of embodied labour reinforces the point. Living labour is like time, it cannot be stored or hoarded beyond the infinitesimal instant of its life, it is instantly perishable. Only labour power can be appropriated, for a period of time, and every drop of labour must be squeezed out of this labour power, by some form of direct or indirect coercion. This is not an automatic process, and it must itself, take place over time. Labourers are not like clockwork robots that can be wound up and left to mechanically and moronically accomplish their tasks.

It is interesting to note that Marx, himself, was clearly aware of the non-appropriability of labour. For in the Economic and Philosophical Manuscripts of 1844 he produces the following quotation from the since neglected political economist Eugène Buret: 'The capitalist is always free to employ labour, and the worker is always forced to sell it. The value of labour is completely destroyed if it is not sold at every instant. Unlike genuine commodities, labour can be neither accumulated nor saved. Labour is life, and if life is not exchanged every day for food it suffers and soon perishes. If human life is to be regarded as a commodity, we are forced to admit slavery.'³⁶ Marx shows no disapproval of these lines, and we may surmise that his awareness of the non-appropriability of labour may have been an important influence that prompted him, in later works, to make the crucial distinction between labour and labour power.

The Contract of Sale

We have noted that the utilisation of a machine for 'machine services' involves the physical and mechanical qualities of the machine. But the utilisation of labour power to yield labour itself involves, in addition, the conscious submission of the worker. In most countries this real distinction finds an expression in bourgeois law. In English law, for example, the contract of sale or hire of a machine is valid, concerning the machine itself, as long as the machine is 'fit for the purpose for which it is intended'. However, such a stipulation is not sufficient regarding the sale of labour power. It is not enough that the labourer is 'fit for the purpose'; the worker must labour as well, before obtaining the wage payment. The labourer must provide more than

an appropriable object - labour must be exuded.

The above distinction also finds an expression in the customary practice of paying workers at the end of the period of hire of their labour power, at the end of the week, for example. This practice is used to impel the workers to labour as much as possible, on threat of incomplete payment of the wage. On the other hand, payment for a machine is usually due from the moment of its appropriation. Hence the law seems to implicitly recognise that labour cannot be appropriated.

It may be objected that if the machine did not yield machine services, then payment for the machine would not be due. In law that is quite often the case. But if the machine could not yield machine services then it would not be 'fit for the purpose for which it was intended'. In contrast, a labourer can be 'fit' without being willing to exude labour. The law tries to overcome this difficulty by introducing a vague standard of 'reasonableness'. A 'reasonable man' would do so much work if he was hired, and so on. The immense legal difficulties with this arbitrary standard of reasonableness are obvious. And the introduction of the quality of reason overthrows the symmetry, the equality in production between the worker and the machine, between the owner of the machine and the owner of labour power. It is absurd to talk of a 'reasonable machine'. A machine's performance depends only upon its physical and mechanical qualities, but a worker's performance depends upon his own powers of reason, and his conscious submission to the reason of the capitalist.

The Essence of Exploitation

These fundamental asymmetries lead us to the essence of the matter. The mere provision of fit and able appropriable 'objects', i.e. machines and labour power, is not sufficient for productive activity to take place. Something else is needed - labour itself. Yet labour cannot be sold, appropriated, or owned. Hence production vitally depends upon something that cannot be the object of a property relation. The provision of property in working order, including labour power, is not sufficient. Yet the capitalist simply gets a reward for the provision of his property. In contrast the labourer does not get a reward simply for the provision of his appropriable 'object', i.e. labour power. To receive a wage he must labour as well, he must submit to the discipline and coercion provided by the capitalist system.

Hence, if we consider the production process, the apparent equality and fairness of bourgeois justice is not found, at least if we probe beneath the surface. The distribution of the social product is carried out on the basis of the ownership of 'factors of production'. Yet in production itself the worker provides something which cannot be owned or appropriated, it is necessary for production to take place. The labourer provides more than an appropriable object. But, according to bourgeois 'justice', the capitalist receives a reward for only providing an appropriable object.

It follows that there is no consistent, fair or equal distribution of the social product on the basis of private ownership of 'factors of production'. A 'fair' distribution can only be accomplished by imposing an arbitrary standard of 'reasonableness', which would render the distribution itself as equally arbitrary, or by curtailing the worker's free will, by enslaving the worker's mind as well as his body, so that labour would automatically exude from the labourer, with mechanical regularity. In such a case the worker would cease to be a free labourer. He would cease to be free because he would cease to be able to dispose of his own labour as he wished. And he would cease to be a labourer because he would no longer be able to display human adaptability and initiative - he would be replaced by a machine if one was available.

The paradox of capitalism is that it cannot be completely fair without abolishing itself. To accomplish fairness and symmetry it has to abolish the distinction between labour power and labour - and this means the abolition of bourgeois freedom and the dehumanization of humanity. The existence of incomes deriving from ownership of the means of production is not compatible with symmetry and fairness, and the cost of obtaining that symmetry and fairness, whilst

retaining private ownership, is the abolition of freedom. Although he was not aware of all the implications, General Ireton was correct when he told the Levellers in 1647: 'liberty cannot be provided for in the general sense if property be preserved.'³⁷

Our demonstration of the existence of exploitation rests upon two important propositions: first, that there is a distinction between labour power and labour, and second, labour cannot be appropriated. The capitalist uses all sorts of threats and incentives to get every possible instant of labour out of the appropriated labour power. This use of direct or indirect coercion arises precisely because labour cannot be bought or appropriated, and it can only be called into existence by first appropriating labour power. Thus coercion is not the fundamental essence of exploitation, but it is the means by which exploitation can be realised. The potential for exploitation is there because labour power can be appropriated. The existence of exploitation is demonstrable because labour cannot.

In contrast to labour, both machines and machine services can be appropriated, and, therefore, owned collectively. Herein lies the possibility of socialism. The abolition of private ownership of the means of production, and the abolition of incomes deriving from private property, would be a practical demonstration that the ownership of capital is not productive but parasitic. The entire social product would be placed under the control of the working class. A recent analysis of contemporary economic conditions in Britain has suggested that resources priced at over 16 per cent of the existing gross national product could be gained for the benefit of society.³⁸ That amount could be gained simply by eliminating capitalist waste. This is a concrete illustration of capitalist exploitation, and the way in which capitalist relations of production impair the development of the productive forces.

The Production of the Surplus Product

So far we have only explained the essence of exploitation. We have not explained how exploitation is realised through the production of the surplus product under capitalism. This task is absolutely essential and should not be underestimated. We may note, however, that although our analysis differs from Marx's on the analysis of exploitative potential - Marx's analysis rests on the possibility of surplus labour, yet ours centres on the contradiction between labour power and labour - there is a great deal of common ground when we come to analyse the way in which exploitation actually takes place. In Marx's analysis of the mode of exploitation in Capital the distinction between labour power and labour comes to the fore.³⁹ In our analysis the distinction continues to be of vital importance.

Under capitalism, direct or indirect economic coercion is used to maximise the production of a surplus product over and above the wage goods received by the working class. Broadly speaking, there are four ways in which this can be done: first, minimisation of the real wage; second, intensification of labour; third, increases of the appropriated period of labour power; and fourth, technical change.

The real wage, i.e. the actual goods received by the workers, can be minimised by cutting money wages by legislation, or by increasing unemployment, or by resisting and defeating demands for higher wages, or by raising prices, and so on. The result is not to alter the actual production of the social product, at least directly, but to alter the distribution of that product.

The intensification of labour involves the extraction of more and more instants of labour out of the given period of labour power. It means the elimination of as many as possible instants of rest from the period. Work study experts call these rest instants 'relaxation allowances' or 'compensating rest' if they are deemed to take into account human physical needs. Other instants of unused time can occur because of delays and interruptions in the work process due to more or less random technical occurrences, e.g. when a tool in one part of a production line fails, and for other untechnical reasons, e.g. a traditional break-time or holiday. Another very important means of labour intensification

involves making the labourers work faster, i.e. 'speed up'. But there are human physical limits to the speeding up of the work process. Slow work can be regarded as work which is persistently interrupted by infinitesimal instants of rest and relaxation. In fast work, at the maximum pace, these relaxation instants are reduced to the absolute minimum. In any case, the aim of labour intensification is to get the maximum useful labour, and thus the maximum product, out of each unit of appropriated labour time. Hence, if the real wage remains constant, labour intensification will result in an increased surplus product in the hands of the capitalists.

An increase in the appropriated period of labour power usually means an increase in the working day. Other things remaining equal, including the real wage and the intensity of labour, it will result in an increase in the surplus product. Even if the wage rate remains constant, and the real wage increases in proportion to the increase in the appropriated period of labour power, then the absolute size of the surplus product will increase. It is not necessary here to go into details about historical struggles over the length of the working day,⁴⁰ or further analyse overtime payments, etc. We shall set aside the task of concretisation for the future.

All of the above changes may be regarded as 'technical' changes. But here I mean technical change in a more restricted sense. An innovation may occur which can increase the physical product without any of the above changes. The intensity of labour, for instance, may remain constant. If the real wage remains constant, and the technical change increases the net product in the economy as a whole, then the surplus product will increase. Such an increase results, it must be admitted, from an increase in the productivity of the means of production alone. But if the surplus product is appropriated it is still an increase in the exploitation of the labouring class. Labour is still necessary to produce every atom of the product, so are machines, but property is not. An increase in the productivity of the means of production does not create with it any right of appropriation.

This discussion should go on at length. It should be explained, with concrete examples, how exploitative relations are reproduced in the process of production with a given set of property relations, and so on, and so forth. But to complete that task would mean someone writing another Capital.

The Measurement of Exploitation and the Surplus Product

So far we have slurred over a question which must now be tackled. We have dropped the concept of embodied labour, so how is the surplus product, and the degree of exploitation, measured? Before attempting an answer it must be explained that, within limits, we can talk of an increase in the surplus product, even if that surplus product consists of a heterogeneous bundle of goods. By such an increase we mean that no good appearing in the product decreases in number, and at least one of them increases in number. A decrease would mean that no good increases in number, and at least one good decreases in number. If some increase and some decrease we can talk of neither increase nor decrease, unless we have a means of measuring the surplus product as a whole, with a single unit of measurement. The point, however, is that the discussion in the previous section is still valid even without such a unit of measure. We can describe the mode and process of exploitation changes, utilising a physical measure. But difficulties would arise when a technical change occurs which does not yield a simple increase or decrease in the surplus product. Nevertheless, the absolute fact of exploitation exists every time a surplus product is appropriated by the class that owns the means of production, even if we cannot assess the relative intensity of this exploitation.

As we have argued above, the embodied labour measure of exploitation is 41 unacceptable. We have not discussed it here, but Sraffa's 'standard commodity' is also unacceptable. Under certain conditions no real standard commodity will exist in the economic system.⁴² But both these measures are unsatisfactory for another reason; they are not socially recognised as the measure of produced wealth.

Under capitalism, the socially universalised measure of worth in a good is its price, not its value. Values are neither known nor socially accepted as a measure of worth. Capitalists attempt to minimise the price of the commodities required for production, and maximise the price of the commodities they produce for sale. Embodied labour values do not enter the issue, directly or indirectly. Profit is a difference between price amounts, not between values. The theory of price and profit determination developed by Sraffa shows that the conditions of production and the real wage formally determine relative prices and the magnitude of the rate of profit. Prices and profits are not determined, in equilibrium at least, in the hustle and bustle of the market. They are determined in production. We can accept equilibrium price, therefore, as the social measure of produced wealth in a capitalist system.

Under capitalism, therefore, we suggest the following measure of the appropriated product: it is measured by its price. The measure of the surplus product, therefore is numerically identical to profit. (An attempt can be made, using modern econometric techniques, to smooth out random fluctuations in prices and profits whilst using this measure. And in any case, similar problems would arise with any measure of the appropriated product. In particular, the embodied labour measure is infinitely more complicated.) Using our equilibrium price measure of the surplus product, we can find the newly-defined rate of exploitation by dividing total profit by total money wages, or by dividing total profit by net social income (net national product). For reasons cited elsewhere,⁴³ the latter type of definition is to be preferred.

But an interesting point arises. Consider the former type of definition: if we accept that Marx's solution to the transformation problem is correct (which it is not), then the measure of exploitation that we propose is numerically identical to Marx's rate of surplus value. For if Marx's solution is correct then total profit equals total surplus value, and total value equals total price. For entirely different reasons we end up with the same measure of exploitation.

Also, it must be emphasised, no economist, Marxist or otherwise, has ever managed to satisfactorily measure the surplus product according to the amount of labour that it embodies. Every attempt to do this, that is known to this author, is based on the erroneous assumption that prices are roughly proportional to embodied labour values. It would be fair to say that no-one has ever known the amount of labour embodied in anything. Marxists have injudiciously used a price measure of the surplus product in the past, assuming that this approximates to embodied labour. But we can have positive profits with negative embodied labour in the social product! We have ended up with a price measure of exploitation, but at last we have provided a theoretical justification for using it.

Our suggested measures of the degree of exploitation, i.e. either total profits divided by total wages, or total profits divided by the price of the net social product, apply to the economy as a whole. They do not, however, apply as a measure of exploitation in an individual enterprise. In general, profits are not in the same ratio to wages, or in the same ratio to net product (value added), in each firm. All these ratios will be different, in different firms, even in an equilibrium situation, due to the different technology in each industry. This does not, of course, mean that, according to Marx's definition of exploitation that the rate of surplus value will be necessarily different in each industry or firm. However, it is dubious that anything is lost with our definition of exploitation, which does not apply to an individual firm. In general, wages, prices, profits and embodied labour values are all determined in the system as a whole - it is impossible to determine them from an individual firm or industry. The degree of exploitation does not relate exclusively to an individual industry. The class struggle and the accumulation of capital relate to the system as a whole. The degree of exploitation is essentially a 'macro-economic' phenomenon.

This does not mean, of course, that it is not useful to compare wage rates in different firms and industries. They do not relate to the product that is

produced by each worker, and hence that they cannot indicate the degree of exploitation, but simply the remuneration of each worker. But wage comparisons can effectively replace Marx's inter-industry comparison of the rate of surplus value, because the equality of wage rates is a necessary and sufficient condition for the equalisation of the rate of surplus value, at least with a labour force that is completely homogeneous.

IV SOME CONSEQUENCES FOR MARXIAN POLITICAL ECONOMY

To incorporate a new theory of exploitation into Marxism involves a major restructuring of Marxian political economy. In this section we shall try to indicate what type of structural alterations may be involved. We shall comment, for instance, on the role of the concept of embodied labour in Capital, and suggest some consequences of its removal.

The Contemporary Intellectual Background to Marx's Theory

At first, we shall try to situate Marx's embodied labour theory of exploitation in the intellectual background of his time, and thus try to give a partial explanation of his concern with embodied labour. Many have been perplexed by Marx's assumption, in the first volume of Capital, that prices are proportional to embodied labour values. Even today it is far from clear that Marx did not regard it as an assumption which expressed an approximate truth in capitalist reality. It is, however, not even approximately true. Nevertheless, we can understand one reason for Marx's adoption of the assumption, even if he did not believe it expressed an objective truth, if we consider the intellectual protagonists of his time. Ricardo had asserted that prices would be proportional to values 'within six or seven per cent'. Such a tenet was central in classical political economy. It was adopted by radical pamphleteers, usually in a cruder form. With this ideological background in mind we can interpret Marx's theory of exploitation in the following manner. In part, at least, it was an attempt to show that the workers were exploited even if prices were proportional to values, even if equal values exchanged on the market place, even if capitalist exchange was marked by freedom and equal right. Marx wrote in Wages, Price and Profit: 'To explain, therefore, the general nature of profits, you must start from the theorem that, on an average, commodities are sold at their real value, and that profits are derived from selling them at their values, that is, in proportion to the quantity of labour realised in them. If you cannot explain profit upon this supposition, you cannot explain it at all.'⁴⁴

To a sometimes unappreciated extent, Marx inherited, with little alteration, the formal theory of value and price that is found in Ricardo's work. He accepted many of Ricardo's formal statements on the relations between prices and values, wages and profits, and so on.⁴⁵ Marx's great contribution, however, was to explain these concrete results in the context of the capitalist system, to make them specific to the capitalist mode of production, and to give them an interpretation that related to his general theoretical system. But he still leans a great deal on the formal analysis of Ricardo when he discusses formal relations in his theory of value. There are exceptions of course; Marx did criticise some of Ricardo's formal statements. But Marx's main attack is to criticise Ricardo for not explaining the results in terms of an existing and historically defined real object - the capitalist mode of production. One quotation will illustrate this point. Marx writes: 'The excess of the value of the product over the value of the wages is the surplus value. (Ricardo wrongly uses the word profit, but, as we noted earlier, he identifies profit with surplus value here and is really speaking of the latter.) For him it is a fact, that the value of the product is greater than the value of the wages. How this fact arises, remains unclear. The total working day is greater than that part of the working day which is required for the production of wages. Why? That does not emerge.'⁴⁶ The significant point, therefore, is that Marx is not here attacking a formal result, but he is criticising Ricardo for failing to explain the result in terms of real material conditions, and for failing to present an adequate analysis of how the surplus is expropriated, in the capitalist mode of production.

In addition, of course, Marx criticises the way in which Ricardo sees the existence of the surplus as 'natural' and 'eternal'. In other words, Ricardo universalises the formal relations between wages and profits, and makes them applicable to all human society.

Marx attacks Ricardo's implicit or explicit interpretations of the formal results in Ricardo's Principles of Political Economy and Taxation, but he does not make a frontal attack on those formal results themselves. Marx's contribution, in the field of the theory of political economy, was to interpret those results and give them concrete historical meaning. The latter was not a small or unimportant task. In part, the construction of Marx's theories of fetishism and exploitation depended upon it. Note, for instance, the relation between the theory of fetishism in Marx, and the labour theory of value.⁴⁷

The Intervention of Sraffa

Ricardo no longer is the darling of bourgeois political economy. The 'marginal revolution' occurred over a century ago. Embodied labour values are no longer common sense in the realm of orthodox theory. If we reject much of the marginalist apparatus, however, we are not necessarily thrown back to Ricardo. In 1960 Sraffa published a formal analysis of how prices, wages and profits were related in a commodity economy. His analysis was neither based on supply and demand relations in the market, nor on marginal utility theory. It was centred on the inputs and outputs in production. This echoes important aspects of the work of Ricardo and Marx. But as Colletti has recently pointed out,⁴⁸ Sraffa's formal analysis is not compatible with Marx's theoretical system. Recent formal work in value theory (which we have referred to above) endorses this position. But neither is his formal analysis compatible with Ricardo's; that is why it is very misleading to call Sraffa a Neo-Ricardian. Sraffa demolishes the embodied labour concept by showing its redundancy at the formal level.

Let us explain the latter point. From physical input-output relations it is possible to logically determine wages, prices and the rate of profit. Physical relations are necessary to determine embodied labour values. There is no logical basis for the assertion that embodied labour values are needed to determine wages, prices and the rate of profit. Embodied labour values are logically redundant. The same point has recently been made by Meek, in the introduction to the second edition of his Studies in the Labour Theory of Value. At the formal level, therefore, Sraffa's work is as incompatible with Ricardo as it is with Marx.

Although Sraffa's work is purely at the formal level this does not mean that it is of no consequence. We reject Sraffa at the cost of logical consistency. We are caught in a dilemma: either we can accept the formal system of Ricardo or Marx, and fail to have an adequate or consistent theory of prices and profits, or we can accept Sraffa, obtain a consistent formal theory of price and profit determination, but also obtain results, particularly those that apply to joint production, which devastate the formal basis of Marx's system.

There is no other satisfactory alternative but to rebuild Marxian political economy and render it consistent with a Sraffa-type analysis.

The Rebuilding of Marxian Political Economy

Generally, a complete system of economic theory has two groups of elements. The formal basis on the one hand, and the interpretative structure on the other. The latter being built upon the former. The formal basis is the a priori logical system which is derived from the basic formal definitions in the system. It is in this area that the use of mathematical models, for instance, can be highly productive. The interpretative structure attempts, in one way or another, to explain the concrete results in terms of real world objects, to imbue concrete meaning to the formal system. Post Second World War Neoclassical economic theory, for example, has a very extensive and well developed formal basis, which mesmerises all of its adherents. At the interpretative level, however, it collapses into a crude empiricism; a formal theory is validated if and

only if it 'makes correct predictions'.

It is possible to attack Neoclassical theory at two general levels, therefore. A formal attack would attempt to uncover logical inconsistencies in the system. That is what Sraffa and his followers have achieved in the area of capital theory. But the system may be logically consistent elsewhere, in which case a formal attack is not sufficient (which does not mean, of course, that the formal attack is inherently erroneous). In the case of Neoclassical theory an attack on its interpretative structure is also essential. Examples of faults at this level include the ahistorical character of the theory, the neglect of the labour process, subjective individualism, and the confusion of wealth producing relations with property relations.

As we have argued, Marx inherits his formal basis almost completely from Ricardo. A magnificent interpretative structure is built on this foundation, which replaces the weaker construction erected by Ricardo. The great contribution of Marx is not in the formal basis. The Neoclassical economists, who are mesmerised by formalities, fail, when examining Marx, to see beyond the foundations, and thus label Marx, as Samuelson has done, as 'a minor post-Ricardian'.

There is also a tendency in modern economic theory, of a more radical character, which has been inspired by Sraffa's work, and which has been dubbed the 'Neo-Ricardian' school. This epithet is very unfortunate. Sraffa's work is not formally compatible with that of Ricardo. The only sense in which that epithet may be deserved is as regards certain individuals in this 'school' who, like Ricardo, may pay insufficient attention to the interpretative structure of economic theory. That is a very important criticism, and it has been eloquently expressed by Rowthorn in his recent article, cited above. But it must not be used to belittle matters of formal consistency, or to obscure the distinction between Ricardo and Sraffa.

We must reject the term 'Neo-Ricardian', usually applied as a term of abuse to all those who use or accept a Sraffa-type formal analysis, as highly misleading. The implicit attack on Marx in Sraffa's work is usually applicable to the areas where Marx leaned too much on Ricardo, particularly in the field of formal price theory. (There is an exception. Sraffa's proof that the conditions of production in the luxury goods department play no part in determining the equilibrium rate of profit can be directed against Marx, but it cannot be directed against Ricardo.⁴⁹) However, no other great economist has leant so much on Ricardo's formal analysis than Marx. We could thus conclude that Marx was the greatest 'Neo-Ricardian' economist of them all! And the modern so-called 'Neo-Ricardians' do not deserve that name; they would more correctly be called 'Sraffian Anti-Ricardians'.

Sraffa's work heralds the building of a 'Neo-Marxian' political economy on a consistent formal basis. This formal basis is not inherently 'Marxian' in its character, just as Ricardo was far from being a Marxist. Like Ricardo's formal basis, Sraffa's formal work can be given a wholly bourgeois interpretative structure. In the aftermath of the capital controversy the Neoclassical economists have attempted to do just that. They have regarded Sraffa as a 'special case' of their own theory, and tried to graft on their subjectivist marginal utility theory, and added some of the ideological trappings of their own position. But the formal basis in Sraffa is free from subjectivism and bourgeois individualism. It can be used as the formal basis of a new, critical political economy, which, because of its scientific and revolutionary character, and because of its enormous debt to Marx, has a rightful place in the Marxian tradition. It may appear strange to those that are fond of hurling derisory epithets, but now, a century after the publication of Capital, we are at last in a position to free Marxism from the trammels of Ricardo.

The construction of the 'Neo-Marxian' political economy has hardly started, so it would be difficult to define its contours from this point in time. Our new

theory of exploitation could only form a small part of this theoretical structure. It would have to be linked to a new theory of commodity, fetishism, which we have not had the space to start to discuss here. A 'Neo-Marxian' theory of money, relevant to modern conditions, is a vital necessity, along with an updated discussion of the labour process, new theories of capital accumulation, capitalist dynamics, and crisis. The conditions for the creation of this new theoretical system have never been so ripe as they are at present: the existence of a vast library of Marxian literature in the context of the loud convulsions in the capitalist system itself. A new theoretical system would not only be able to utilise the rich empirical experience of the past few decades, but also, it is hoped, it would play a part in creating a new world.

REFERENCES

- ¹ An earlier version of this paper was presented at a seminar at Birkbeck College, University of London, on 3.2.75. I wish to thank Ian Steedman for extensive help, and to thank Joe Gilgan, Paul Jaffe, David Purdy and many others for helpful discussions.
- ² Bob Rowthorn, 'Neo-Classicism, Neo-Ricardianism and Marxism', in "New Left Review" 86, July-August 1974, p.82.
- ³ op.cit.
- ⁴ P.Sraffa's "The Production of Commodities by Means of Commodities" is, of course, the seminal work in the field. For a survey see G.C.Harcourt, "Some Cambridge Controversies in the Theory of Capital", Cambridge 1972.
- ⁵ Rowthorn, op.cit., p.85.
- ⁶ Marx, Capital, III, p.83. All references to Capital apply to the Moscow 1961-2 edition.
- ⁷ Ibid., pp.617,773,799. And Grundrisse, London 1973, p.325.
- ⁸ Capital, III, p.799 (My emphasis)
- ⁹ M Morishima, "Marx's Economics", Cambridge 1973.
- ¹⁰ Ibid., pp.10-18.
- ¹¹ Ibid., pp.184-6. See also G. Hodgson, "The Effects of Joint Production and Fixed Capital in Linear Economic Analysis", (forthcoming), Ch.3.
- ¹² See I.I. Rubin, "Essays on Marx's Theory of Value", Detroit 1972, for a stimulating utilisation of this distinction.
- ¹³ Sraffa, op.cit., p.63.
- ¹⁴ G. Hodgson and I. Steedman, 'Fixed Capital and Value Analysis', in CSEB IV(3)
- ¹⁵ Morishima, op.cit., pp.181-4.
- ¹⁶ I. Steedman, 'Positive Profits with Negative Surplus Value', in "Economic Journal", March 1975.
- ¹⁷ G. Hodgson, "The Effects of Joint Production...", pp.62-74. See also M. Morishima, 'Marx in the Light of Modern Economic Theory', "Econometrica", July 1974, pp.616-7.
- ¹⁸ Morishima, op.cit., pp.184-7.
- ¹⁹ Capital, III, p.797.
- ²⁰ Plato, "The Republic", part 7.
- ²¹ L. Colletti, "From Rousseau to Lenin", London 1972, pp.79-84. See also Marx, Grundrisse, London 1973, pp.104-5. For a more extensive discussion, and utilisation of this approach, see G. Hodgson, 'Marxian Epistemology and the Transformation Problem', "Economy and Society", November 1974, pp.372-83.

- ²²For a superb example of this vulgar method see M.Friedman, 'The Methodology of Positive Economics', in "Essays in Positive Economics", by M.Friedman, Chicago 1935.
- ²³For a short discussion of this, with examples, see G.Hodgson, 'Marxian Epistemology...', pp.372-3, 376-8.
- ²⁴Marx, Capital III, ch.9. Also, for example, P. Sweezy, "The Theory of Capitalist Development", London 1968, ch.7, or see Hodgson, op.cit., pp.357-63.
- ²⁵See Sweezy, op.cit., and Hodgson, op.cit.
- ²⁶Capital, III, pp.174,176. ²⁷Capital, I, p.47.
- ²⁸This point is made in my article 'The Theory of the Falling Rate of Profit', "New Left Review", 84, March-April 1974, pp.66-7. However, at the time of writing that article I did not hold the view that the labour theory of value should be rejected, nor reject the concept of embodied labour.
- ²⁹L.Colletti, "Marxism and Hegel", London 1973, pp.131-2.
- ³⁰L. Althusser, "Reading Capital", London 1973, pp.119-44. Althusser's categorisation of Colletti as a 'historicist', is, in our view, profoundly mistaken, and certainly not based on Colletti's recently published work in English.
- ³¹See L.Colletti, op.cit., esp. ch.8.
- ³²"Marx's Grundrisse", ed. D. McLellan, London 1971, pp.75-6. See also Grundrisse, p.173.
- ³³Note the relation of this point to some philosophical consequences of modern physics. See, for example, M.Capek, "The Philosophical Impact of Contemporary Physics", Princeton 1961, pp.143-243. Many of Althusser's ideas seem inspired by the paradigm of modern physics.
- ³⁴See M. Morishima, op.cit., 187-90.
- ³⁵D.M.Nuti, "'Vulgar Economy' in the Theory of Income Distribution", in "A Critique of Economic Theory", ed. E.K. Hunt and J.G. Schwartz, London 1972, p.231.
- ³⁶Quoted in "Marx, Early Writings," introduced by L. Colletti, Pelican Marx Library, 1975, p.293.
- ³⁷Quoted in C. Hill, "A Century of Revolutions", London 1969, p.120.
- ³⁸Cambridge Political Economy Group, "Britain's Economic Crisis", Nottingham 1974, pp.32-7.
- ³⁹Capital, vol.1, parts 3-5. ⁴⁰Ibid., ch.10.
- ⁴¹Sraffa, op.cit., pp.18-25.
- ⁴²Hodgson, "The Effects of Joint Production..", pp.46-50.
- ⁴³Hodgson, '...Falling Rate of Profit', Appendix.
- ⁴⁴Marx-Engels, Selected Works, Moscow 1962, vol.1, p.424 (emphasis removed).
- ⁴⁵See J. Eatwell, 'Controversies in the Theory of Surplus Value: Old and New', "Science and Society", Fall 1974, pp.288-99. We cannot, however, accept Eatwell's 'harmonistic' interpretation of the relationship between Sraffa and Marx, which appears later in this article. See also, E. Mandel, "The Formation of the Economic Thought of Karl Marx", London 1971, chs. 3 & 4.
- ⁴⁶TSV, part 2, Moscow 1968, p.406.
- ⁴⁷See L. Colletti, From Rousseau to Lenin, London 1972, pp.76-92.
- ⁴⁸L. Colletti, 'A Political and Philosophical Interview', "New Left Review", 86, July-August 1974, pp.21-2.
- ⁴⁹For arguments and examples to support Sraffa's proof, see Hodgson, 'Marxian Epistemology...', pp.366-8.

A NOTE ON ABSTRACT LABOUR

Geoffrey Kay

It turned out at the time of the inquiry that there were then 7,882 different jobs in the factory. Of these, 949 were classified as heavy work requiring strong, able-bodied and practically physically perfect men; 3,338 required men of ordinary physical development and strength. The remaining 3,595 jobs were disclosed as requiring no physical exertion and could be performed by the slightest, weakest sort of men. In fact, most of them could be satisfactorily filled by women or older children. The lightest jobs were again classified to discover how many of them required the use of full faculties, and we found that 670 could be filled by legless men, 2,637 by one-legged men, 2 by armless men, 715 by one-armed men, and 10 by blind men.

HENRY FORD¹

It was only in Capital that Marx finally established on a firm scientific basis the categories necessary for understanding the labour process as it takes place under capitalist conditions of production. The distinction he makes right at the start of this work between concrete and abstract labour at last posits in materialist terms the split that the capital/wage labour relation imposes upon the worker. Attempts to apprehend the nature of this split are a continuous theme in Marxist writings and both Marx and Engels were aware of it from the 1840s.² Mario Trenti sees within it the crucial development of Marxism as a working class science - what he calls the 'unilateral sectarianism' of Marxism.³ For the splitting of labour is capitalist production as it exists for the working class. We can see, therefore, right from the outset, that abstract labour is no arbitrary assumption made for the purposes of defining and calculating value, but the culmination of Marx's lifelong effort to produce a scientific analysis of capitalism from a working class point of view.

No one, friend or foe - or those in between, has ever denied the importance of abstract labour in Marxist theory - its immediate relationship to value ensures it a central place. But those readings of Capital which treat labour in general as nothing more than the common denominator of different forms of concrete labour fail to grasp its real significance. First, for Marx, abstract labour is a reality, an 'unsubstantial reality' like the value it produces. Second, it has qualitative as well as quantitative dimensions: the latter become apparent through the wage; the former are expressed directly in the process of production itself. Third, it presupposes every other aspect of capitalist production; or, what is to say the same thing, it exists only where production is organised on a capitalist basis. Thus no struggle that does not tend towards its abolition can claim to be revolutionary.

1 'THE REDUCTION OF SKILLED TO UNSKILLED LABOUR'

We know that as values commodities are qualitatively indistinguishable from one another and that the qualitative differences among the various types of labour they embody vanish and are replaced by mere differences in quantity. The very process of value production is itself, therefore, the real process through which labour becomes abstract; through which all the different types of labour that result from the development of production and the division of labour, lose their distinctive features and are reduced to the same common quality which varies only in respect of size.⁴ However, it is through the wage and not the process of production that this becomes most readily apparent; for what the wage shows is that in their exchange with capital all the different types of labour materially necessary for production are reduced to the same common denominator (money) and then differentiated merely in terms of size.

Yet since Boehm-Bawerk claimed that the reduction of skilled to unskilled labour could not take place through wages without introducing an 'inescapable circularity into Marxist value theory',⁵ many Marxists have refused to consider wages in this context for fear that it would 'effectively destroy the distinction between values and prices which plays such a central role in Marx's writings.'⁶ This position, no matter whether it is held by pro-or anti-Marxists rests upon two confusions so fundamental that progress is impossible without first dispelling them.

First: the need to reduce skilled to unskilled labour follows from the need to identify the common aspect of all labour that produces value. Its error is to treat this reduction as though it were the same as that of concrete to abstract labour without understanding that the latter is an essential aspect of capitalist production itself, while the former is a tendency that follows from the development of this process. In part the problem is one of terminology. At times, Marx refers to abstract labour as simple labour which can be readily interpreted to mean easy labour and assimilated with unskilled labour. But the two cannot be conflated in this way. Unskilled labour, as we know it, is a particular form of concrete labour and as such cannot be abstract labour. Even if all labour were unskilled the reduction of concrete to abstract labour would not be less of a problem, for unskilled labour although unspecific in not requiring special training and ability, nevertheless has many different forms. For example, machine minding and cleaning. These are quite clearly not uniform labour and as concrete labour they differ from each other no less than any one of them does from a particular type of skilled labour - machine minding is as distinct from machine design as cleaning. From the point of view of value production the reduction of skilled to unskilled labour is not the same as the reduction of concrete to abstract labour although it is subsumed by it.⁷

Second: the criticism of Marx's method in this instance, and the impulse to extend it, arises from a misunderstanding of what it means to 'define the value of any commodity independently of (wages) ... (and) the value of the net social product independently of its division between capitalists and workers.' That is to say, it follows from a misapprehension of the independence of value from its most evident and tangible form of existence - price. Marx knew full well that this independence could only exist, for want of better words, in the realm of theory; in practice value has no independence at all in the sense that it cannot exist at all outside a form that is other from it - in this case price. By analogy, physicists can posit heat as an independent force, but at the same time we know that heat can never exist as itself independently of a mediating object. And just as the physicist who wishes to measure heat has to take the temperature of the mediating object, so the magnitude of value cannot be ascertained in practice independently of its mediation in the form of price. The desire to measure value directly, that lies behind the desire to define it independently, is quite impossible to fulfill. We can measure prices but this will not do since we are told 'the whole object of the labour theory of value is to derive labour values for commodities which are independent of currently observable (prices).'

Frustrated on this side, the positivist has only one avenue left open: to get behind the process of value production, so to speak, and constitute a measure of value through labour-inputs. This, of course, explains the pre-occupation with skilled and unskilled labour: what other reason can there be for the search for quantitative coefficients of the reduction of skilled to unskilled labour if it is not to establish a means of aggregating labour in order to measure the (new) value it produces? But this exercise holds no joy for those who undertake it, since the labour that produces value, abstract labour is as elusive and 'unsubstantial' as its product. Trying to get round this difficulty by constituting a 'unit of unskilled labour' as a base, not only overlooks the distinction between unskilled and abstract labour, but rests the analysis on an abstraction that bears no relation to reality at all.⁸

Accepting that value and abstract labour are incapable by their very nature of actual existence independently of forms other than themselves, and therefore not susceptible to practical measure, does not mean: first, that they are unreal; and second, that the forms in which they exist are themselves independent. On the contrary, value has reality and much of Capital is given over to establishing this fact and then analysing its development. But not as an end in itself. Marx was never concerned with value and abstract labour independently of the actual forms on the surface of society: his object of study was these forms whose real nature and laws of motion remain mysterious until their inner reality is identified and its mode of mediation through them is analysed.

2 ABSTRACT LABOUR AND THE WAGE

It is now safe to return to wages as the medium through which abstract labour becomes apparent; only this does not mean wage differentials, variations in wages as a means of measuring the amount of labour-power that capital purchases; but wages in general, the wage as such, as a social category. Particular wages, whatever their size might be, are all wages and as such all equal. This is evident in their very form. With rare exceptions whose rapid extinction alone gives them significance, wages are invariably paid in the form of money - £5, £20, £100 and so on. Now whatever is our understanding of money; whether we see it as a self-evident fact, as generalised utility or as the socially independent form of existence of value, one inescapable fact remains: that one sum of money is qualitatively indistinguishable from another; or, what is to say the same thing, one sum of money can differ from another only in respect of its magnitude. As money all sums are equal: £5, £20 and £100 are all money and as such all equal. From which it follows that all wages whether their size is £5, £20 or £100 are all the same. The exchange of labour-power of all different varieties and skills for a wage shows that they must have something in common other than their particular material features; while variations in wages show that they possess this common property in different amounts. This common property is, of course, the 'productive expenditure of human brains, nerves and muscles'⁹ - abstract labour.

Furthermore, the wage not only makes this existence of abstract labour apparent, it indicates that capital is concerned first and foremost with labour abstracted from itself. Marx is unambiguous on this point:

"...as the use-value which confronts money posited as capital, labour is not this or another labour, but labour pure and simple, abstract labour; absolutely indifferent to its particular specificity, but capable of all specificities. Of course, the particularity of labour must correspond to the particular substance of which a given capital consists; but since capital as such is indifferent to every particularity of its substance, and exists not only as the totality of the same but also as an abstraction from all its particularities, the labour which confronts it likewise subjectively has the same totality and abstraction in itself... On the other side, the worker himself is absolutely indifferent to the specificity of his labour; it has no interest for him as such, but only in as much as it is in fact labour and as such a use-value for capital."¹⁰

3 THE ABSTRACTION OF LABOUR IN THE PROCESS OF VALUE PRODUCTION

Although commodity production, and therefore value production and abstract labour, pre-date the advent of industrial capitalism, it is only in capitalist society proper that these categories achieve their adequate forms. In particular, it is only when capital seizes direct control of it that the productive process takes a definite material shape appropriate to capital as such. Historically, the emergence of capitalist production proper coincided with the introduction of the widespread use of machinery, but 'the development of the means of production into machinery is not an accidental moment of capital, (it)

is rather the historical reshaping of the traditional means of labour into a form adequate to capital."¹¹

Although at times Marx appears to 'distinguish between machinery and its employment by capital' and between 'the material instruments of production and the mode in which they are used',¹² his analysis taken as a whole suggests that machinery, particularly automatic machine systems, is not just a particular historical form of capital, but the historically necessary form through which 'the material quality of the means of labour is transformed into an existence adequate to fixed capital and capital as such...it is a form posited by capital and corresponding to it.'¹³

The machine is a most perfect system for the production of surplus value which, it must be remembered, is both surplus and value. On the one side it vastly increases the productivity and intensity of labour reducing the social labour time necessary for simple reproduction, as the mass of use-values produced through it rises out of all proportion to labour expended: on the other, this 'production in enormous mass quantities which is posited with machinery destroys every connection of the product with the direct need of the producer, and hence with direct use value.'¹⁴ This particular severance already posited with manufacture and the cooperation it engendered, undergoes a qualitative change with modern industry. 'In manufacture the revolution in the mode of production begins with labour-power, in modern industry it begins with the instruments of labour.'¹⁵ In manufacture cooperation and the division of labour arise from the activities of the producers themselves: in modern industry 'the cooperative character of the labour process...is a technical necessity dictated by the instrument of labour itself.'¹⁶ Thus whereas in manufacturing the content and organisation of the labour process starts from the specific concrete capacities of the work force; modern industry abstracts these capacities and starts from the technical imperatives of the machine. Skill ceases to be the property of the producer and passes to the instrument. With machine production the social power of capital achieves a hard material form as labour loses all its specific human qualities and becomes human labour without specific qualities - general, uniform, abstract labour.¹⁷

The exploitation of labour by capital, then, is much more than the appropriation of surplus production through the free exchange of commodities. It is no less than the mode of production itself. As capitalism develops and organises the labour process ever more adequately to itself, use-value becomes a mere condition of value and concrete labour a mere condition of abstract labour. Marx grasped this point as early as 1844 when he talked of capitalist production as the 'alienation of activity and the activity of alienation'. Some quarter of a century later in the Grundrisse and Capital we meet the same idea again, essentially unchanged, only now in a fully developed scientific form. It is in reality the startingpoint of Marxism. For abstract labour, far from being a theoretical assumption necessary for some labour theory of value, is the real premise of the law of value. Expressing as it does the actual experience of the proletariat under capitalist conditions of production, it is the keystone of Marxism as a working class science.

NOTES

¹ Henry Ford, My Life and Work, Heinemann, London, 1922, p.108.

² 'The product is after all but the summary of the activity, of production. If then the product of labour is alienation, production itself must be active alienation, the alienation of activity, the activity of alienation.' Later in the same manuscript Marx talks of the 'splitting of labour into labour itself and the wages of labour.' "Economic and Philosophic Manuscripts of 1844," Marx and Engels, "Collected Works," III, Lawrence and Wishart, London 1975, pp.274 & 289. In the "Outlines of a Critique of Political Economy," 1843, Engels writes; 'The split between capital and labour resulting from private property is nothing but the inner dichotomy of labour corresponding to this divided condition and

arising out of it.' "Collected Works", p.430.

³ Mario Trenti, "Operai e Capitale", Einaudi, Torino, 1966.

⁴ 'This reduction appears to be an abstraction but it is an abstraction that is made every day in the social process of production.' "Critique of Political Economy", Lawrence and Wishart, London 1971, p.30.

⁵ Bob Rowthorn, "Skilled Labour in the Marxist System", CSEB, Spring 1974, p.25.

⁶ op.cit., p.25.

⁷ It is worth noting that by the time Marx made his much quoted statement that 'a given quantity of skilled labour...(is)...considered equal to a greater quantity of unskilled labour' (p.11) he had already 'passed from the commodity considered as a use value to the value of commodities', (p.10) shelving thereby his interest in concrete or useful labour so as to concentrate, for the time being at least, on general or abstract labour. In other words, the reduction of skilled to unskilled labour was, for Marx, little more than a footnote, in this context, to the more general problem of abstract labour. Those Marxists who believe that skilled and unskilled labour pose a logical problem for Marxist value theory must accept that the real issue at stake concerns concrete and abstract labour, and that if they cannot recognise Marx's method on this point they must accept that the theoretical structure of Capital collapses before it reaches its fifth page. Capital, I, Allen and Unwin, London 1938.

⁸ Incorrectly premised the effort to find a practical method of reducing skilled to unskilled labour by constituting the latter in terms of flows over time of the former is necessarily prone to errors. One is worthy of mention. To treat skilled labour as current unskilled labour plus a definite amount of past unskilled labour is essentially the same method as Marx used to constitute the value of means of production. But whereas the impersonal agents of production can only yield the value that they already possess, labour yields surplus value. Thus even if we constitute the value of labour-power by this method, we could not determine the value of the product unless we already knew the rate of surplus value - another inescapable circularity in Marxist value theory.

¹⁰ Capital, p.11

¹¹ Grundrisse, pp.296-7

¹² Grundrisse, p.694

¹³ Capital, I, p.429

¹⁴ Grundrisse, p.692

¹⁵ Grundrisse, p.694

¹⁶ Capital, I, p.366

¹⁷ Capital, p.382.

¹⁸ 'This economic relation - the character which capitalist and worker have at extremes of a single relation of production - therefore develops more purely and adequately in proportion as labour loses all the characteristics of art; as its particular skill becomes more and more abstract and irrelevant, and as it becomes more and more a purely abstract activity, a purely mechanical activity hence indifferent to its particular form...' "Grundrisse", p.297.

THE POLITICAL ECONOMY OF HOUSEWORK: A COMMENT

Michael A. Lebowitz

Although John Harrison's "Political Economy of Housework" (CSEB, Autum 1974) poses a number of interesting questions for further work, there are some matters which deserve to be explored critically.

Consider, for example, his conclusion that surplus labour extracted from the wife in the household mode of production is transferred to the capitalist sector by payment to the husband of wages below the value of labour-power (p.43). Not only does this conclusion point to a certain confusion over what labour enters into the value of labour-power, but also raises questions as to the ex-

tent to which Marx's categories are adequate to lay bare the underlying structure that he sought to reveal.

Take the labour theory of value, for example. It tells us that value (and thus price) represents social labour (i.e., is the form in which social labour appears in a commodity-producing society) and that the underlying process represented is that of the allocation of social labour which must occur in any mode of production but which necessarily takes the form of value in a commodity producing society. But where does private productive activity (labour) come in? Answer: it doesn't. But, it remains, nevertheless, labour.

Let us assume the case of the single worker. For subsistence, this worker requires 5 units of commodity C (each unit of which includes 5 hours of labour). In addition to commodity C, this worker must also perform 5 hours of private labour, which may include preparing and disposing of commodity C, walking to work, etc. The number of necessary hours to produce the worker is 10 - only 5 of which are hours of social labour. The value of labour-power thus is 5 hours.

Now, assume that the worker is compelled to work 10 hours for the capitalist in order to obtain the value of labour-power, 5 hours. We would conclude that the worker performs 5 hours of surplus labour for the capitalist and that the rate of surplus value is 100%.

However, this measure, while appropriate from the perspective of the capitalist, is inadequate from the perspective of the worker. The worker does not perform 10 hours of labour, but 15; and, the total necessary labour to produce the worker is 10 hours, not 5. Thus the division of the total workday (as opposed to the capitalist workday) is 5 hours of surplus labour and 10 hours of necessary labour (of which 5 are hours of necessary social labour).

The true division of the workday, the division into necessary and surplus labour, will be as follows:

$$E' = S/V+A, \text{ where } S \text{ represent surplus labour; } V \text{ necessary social labour; and } A \text{ necessary private labour.}$$

We shall describe E' , the ratio between surplus and necessary labour, as the rate of exploitation (or, alternatively, the rate of surplus labour).

The rate of exploitation clearly is the measure which is common to all modes of production in which surplus labour exists. However, the rate of surplus value no longer can be seen as the equivalent of the rate of exploitation. Within the capitalist mode of production, only S/V is perceived because only social labour is recognised. Thus the rate of surplus value is the form in which the rate of exploitation appears within the capitalist mode of production. From the perspective of capital, it is the appropriate measure and is the relevant link to the rate of profit - because it is only concerned with what the capitalist must pay for.

From the perspective of the worker, on the other hand, the time spent in private labour is critical. Consider the case of someone who drives to work; only a portion of necessary labour time will be social (e.g. fuel, depreciation, etc.,) while the time spent driving represents private labour which will not be included in the value of labour-power. What occurs with the emergence of traffic jams? And what occurs with the necessity of queuing in order to purchase commodities? The extension of the total workday, its significance and any effects on workers is missed by the exclusive emphasis on the capitalist workday and the rate of surplus value, the form of the workday and the form of the rate of exploitation, respectively.

Thus, the relationship between the rate of exploitation and the rate of surplus value will depend on the extent to which necessary private labour is performed:

$$S' = E' ([V+A]/V)$$

In the abstract case in which no private productive activity occurs, the rate of surplus value will accurately reflect the rate of exploitation. Where there is private labour, however, the rate of exploitation will be lower than the rate of surplus value (e.g., 50% in the above example) - reflecting the additional labour performed, time which does not belong to the capitalist.

Just as it is important to reveal value as social labour and surplus value as surplus labour, it is necessary to reveal the rate of surplus value as the rate of exploitation and then to go beyond to explore the essence of the latter. Within the framework of Harrison's argument, for example, it is possible to determine the separate rates of exploitation for husband and wife and to do so without the suspicion that these are less relevant measures than the rate of surplus value, the form of the rate of exploitation.

It is not an oversight or accident, however, that these comments have focussed on the question of private labour rather than household labour or housework. In relation to Marx's categories, it is private labour which has disappeared rather than just one (although obviously critical) form of private labour. And that poses the question as to whether we want to designate the household as a mode of production. Why not, then, other forms of private labour - e.g. the walking to work mode of production?

It seems far preferable to recognise that something critical was lost by Marx's failure to penetrate fully to the underlying structure and to the extent that he was himself a prisoner of illusion. Private labour disappears because it does not concern the capitalist. What else?

Here we should consider the concept of a mode of production or more specifically that portion of it represented by the labour process. If we look for the common aspects of all labour processes, we can identify labourers, means of production and products of labour (which, in turn, include means of production, articles of consumption and labourers). On this basis, we can consider the labour process as an interdependent production system with three types of output; in short, as a three-department system in which Department III uses articles of consumption and direct labour to produce labourers.

Using such a three-department system, it is relatively easy to explain the results of differing sets of social relations - e.g. communal work and property, exchange of means of production and articles of consumption (but not labour-power) as commodities and, finally, exchange of all outputs as commodities. What is less easy to explain, however, is why Department III disappears in Capital. Whether, according to our theoretical proclivity, we attribute this disappearance to the failure to complete a volume on wage-labour, to the limited object of considering only capitalist social relations, or to imperfect perception of the mode of production, we must recognise its absence as critical.

Once we think of a three-department system, we can no longer continue to separate artificially the household from the 'economy' - of which Harrison's separate household mode of production is merely a more sophisticated form - and housework from other productive activity. The project becomes, instead, the exploration of the specific social relations characterising Department III and the interactions with the other departments.

BOOK REVIEWS

LES LUTTES DE CLASSES EN URSS: PREMIERE PERIODE 1917-1923
Charles Bettelheim (Paris, Seuil/Maspero 1974)

Review Article
Martin Lockett

Charles Bettelheim is a French Marxist economist whose work is not widely known in this country. Much of this work has been on the problems of a transition to socialism. This book, the first of a three part work, aims to analyse and interpret the development of the Soviet Union in the first years after the Revolution. Its focus, as the title indicates, is on the class struggles of this period. The purpose of such an analysis is to understand a transition to socialism which, Bettelheim argues, has gone wrong, leading to a situation in which "...under the cover of State property, there exist today in the USSR relations of exploitation similar to those which exist in other capitalist countries, such that only the form of existence of these relations assumes a particular character. This character is precisely that of State capitalism..." (pp15-16).

In this review I shall start by looking at the development of Bettelheim's views and why he was led to such a conclusion regarding the nature of Soviet society. Then I shall examine the theoretical basis of his views on the transition to socialism. After this I shall summarise the content of his analysis of the years following the Russian Revolution, and finally outline some criticisms of his position. In doing this I will attempt to put this book in the context of his other writings in the past few years, so the content of this review will necessarily go beyond this particular book on the USSR.

The 'immediate point of departure' of this work on the development of the USSR was the invasion of Czechoslovakia in 1968. Bettelheim felt that he had to examine why the Soviet Union was adopting a more and more imperialist foreign policy, if it was progressing towards socialism (p11). A second factor was his experiences in Cuba and China, particularly the latter. It is obvious from his writings that these visits to China made a very great impression on him, and particularly his visit in 1967 during the Cultural Revolution. As a result he began an extensive 'self-criticism' of his views. This is outlined in the Avant-Propos to this book.

In this he argues that "...the principal insufficiency of my texts from 1962 to 1967 is caused by the fact that what is considered to be imposed by objective exigencies is essentially referred to the level of development of productive forces. Although the concept of the 'nature of productive forces' is mentioned in these texts,¹ the precise significance of this concept is not developed in them." (p13).

Bettelheim proceeded to break with the view that the development of productive forces can by itself "...make the capitalist division of labour and the other [remaining] bourgeois social relations disappear" (p13). In his opinion the only way to make these disappear is "...a class struggle developing under the dictatorship of the proletariat and correctly led" (p13).

Bettelheim now argues that the views he held until 1967 or so were a particular form of the 'economism', which he says has dominated European (and Russian) Marxism. In Calcul Economique et Formes de Propriété (1970a) "...I began to abandon the previous problematic which tended to make the disappearance of market and money relations, and of the progress of socialist planning, depend above all on the development of productive forces (a development then conceived of in a somewhat "unilinear" way), and not, primarily, on the revolutionising of social relations..." (p14). This change in his views he calls the rejection of the 'problematic of productive forces'.

As a result, "The Soviet experience confirms that the biggest difficulty is not to overthrow the old ruling classes: the biggest difficulty is, first, to destroy the old social relations - on which can be reconstituted a system of ex

exploitation similar to that which is believed to have been overthrown for good - and then to ensure that these relations are not reconstituted from the old elements that are still present for a long time in the new social relations" (p.15).

Thus his work on the USSR which led to this book (and to an unpublished analysis of the USSR written in 1969) made him "...break progressively with a certain frozen (*figée*) and simplistic conception of Marxism and to renew what I believe to be the revolutionary content of historical materialism and dialectical materialism" (p.19).

For Bettelheim this break involves the rejection of three of the fundamental 'theses' of 'frozen Marxism' (*marxisme figé*). These are:

(1) The thesis that changes in juridical property relations necessarily (and 'mechanistically') fundamentally change class relations. Such a position was put forward by Stalin in 1936 when he argued that because the bourgeois, kulak and other exploiting classes had been eliminated, economic and political class conflicts would 'efface themselves'.

Instead Bettelheim believes that "...the transformation of the juridical forms of property is not sufficient to remove the conditions for the existence of classes, nor therefore of class struggle". These conditions, which I will discuss below, relate to the real, as opposed to formal or legal, relations of production.

(2) The second thesis is that of the 'primacy of productive forces'. This too is expressed by Stalin (in Dialectical and Historical Materialism) when he states: "First the productive forces of society change and develop, and then, depending on these changes and in conformity with them, men's relations of production, their economic relations change" (Stalin 1940, p21).

A consequence of this thesis is that 'class struggle' no longer appears to be the 'motor of history'. Instead development of productive forces along one fixed path becomes the 'motor', relegating class struggle and production relations to the role of accelerator or brake. Russian slogans such as "technique decides everything" and "catch up with and overtake the capitalist countries" express such a perspective.

This thesis was not just Stalin's - it dominated the revolutionary movement of the time, and was shared by political opponents of Stalin, notably Trotsky. The latter, in The Revolution Betrayed, states: "The strength and stability of regimes are determined in the long run by the relative productivity of their labour. A socialist economy possessing a technique superior to that of capitalism would really be guaranteed in its socialist development for sure - so to speak, automatically..." (Trotsky 1972, pp47-8). Trotsky's view is certainly not radically different from that of other Bolsheviks.²

(3) The final thesis is that a repressive state need not exist on a basis of class antagonisms, but can be based solely on the external encirclement of a socialist country. Hence repression is directed at so-called 'foreign agents' who are supposed to be creating conflicts within the society, whereas, in fact, it is a "class struggle that is both fierce and blind" that creates these conflicts (p29).

Bettelheim then tries (pp30-42) to explain why this 'economism' has persisted in the ideology of revolutionary Marxists, in both 'rightist' and 'leftist' guises. The "elements of a response" that he gives can do little more than suggest possible avenues for future work. Bettelheim is right to emphasise the 'frozen' nature of much Marxism, and to try to explore the social reasons for the persistence of such views. However he has ignored a crucial dimension of the 'frozen' nature of Marxism - the theory of the 'Leninist' party, and Marxists' view of the relation between their revolutionary organisation and ordinary people. This question is vital, deserving a 'fourth thesis', yet it is not really tackled.

So far I have only looked at Bettelheim's critique of what he sees as 'frozen

Marxism'. I shall now attempt to summarise his own theoretical position, relying on both this book and his other recent work, in seven major points.

(1) PRODUCTION RELATIONS DOMINATE PRODUCTIVE FORCES: productive forces are developed in a class society in the context of class struggle. Hence their development is not 'neutral' and is not in one (fixed) direction. Production relations are not just relations of formal ownership but of real control. "These relations are imposed on the agents of production by the structure of the process of production and circulation, ie by the real process of social production. This structure is itself inscribed in the division of labour and the instruments of labour...Of course, the specific forms which the division of labour and instruments of labour assume do not fall from the sky; these forms are the effect of previous class struggles and the character which these have imposed on the productive forces" (pl17).

(2) SOCIALISM MEANS REAL CONTROL BY THE IMMEDIATE PRODUCERS: "Fundamentally, the advance toward socialism is nothing other than the increased domination by the immediate producers over their conditions of existence and therefore, in the first instance, over their means of production and their products. This domination can only be collective..." (1972, p35; see also 1973b, p397).

(3) THE CAPITALIST DIVISION OF LABOUR MUST BE TRANSFORMED: for this domination of production by the immediate producers to be achieved, the capitalist division of labour which enforces the separation of mental and manual labour must be replaced by new forms which enable workers to control production in reality. This cannot be achieved either by formal structures for making decisions or by seizure of political power from the bourgeoisie in themselves. The latter creates "...politico-juridical conditions favourable to the socialist transformation of relations of production" but the fundamental structure of the 'real process of production' is "...still not really broken. In each production unit, the producers continue to find themselves inserted in the same type of division of labour which implies, especially, the separation of intellectual and manual labour, of tasks of direction and tasks of execution. What is new is that those who manage the immediate process of production can only fulfill their role under the control of the proletariat, mass workers' organisations, new State apparatuses and a proletarian party" (pl16).

The transformation of the capitalist division of labour to enable producers to control production will take a long time. It is not assured by the development of the productive forces.

(4) IDEOLOGY IS CRUCIAL: as a transition to socialism is not simply a matter of taking over a capitalist society politically and thereby removing 'fetters' on the development of unilinear productive forces, it is vital to replace capitalist social practices with socialist ones at all levels. An essential aspect of such changes in social practice is the revolutionising of people's ideology.

He argues, "As long as the proletariat is not liberated from bourgeois ideology, it itself develops practices contradicting its real class interests, practices which tend to consolidate the capitalist elements of relations of production, and not to make them disappear" (pl56). Several 'cultural revolutions' of the Chinese variety are needed to do this.

A secondary, but significant, factor in the reproduction of the old social relations is played by the educational system, which must be transformed for a real change in social relations (pl48). Just as production must be politicised for real changes in society, so must the educational system.³

(5) A "RESTORATION OF CAPITALISM" IS QUITE POSSIBLE: as we have already seen Bettelheim believes that it is far easier to capture political power than to transform the capitalist division of labour. If the latter is not attacked and transformed, new forms of exploitation will arise. The real relations of production will not correspond to the formal ones expressed in law etc. Despite the formal relations the working class may have lost effective control of production.

So, for instance, the existence of a 'planned economy' is a necessary but by no means sufficient condition for socialism. What matters is who does the planning, how and in whose interests.

Bettelheim is led to the conclusion that it is possible for a 'state bourgeoisie' to exist in a society where means of production have been nationalised. Such a class effectively controls production. Its rule is based on the separation of the immediate producers from control over production and other areas in life. He argues that: "The term 'state bourgeoisie' employed to designate this stratum is justified by the forms of separation between the direct labourers and the means of production on which its power depends. It is further justified by the functions which the class fulfills, the principal one being a function of accumulation which it exerts as an agent of social capital" (1973b, p413). "Personal consumption" and the "'mode of entry' into this class" are secondary to the position it occupies in production.

Capitalism is restored when "...the movement in the direction of the domination of the body of functionaries and administrators over the state apparatus has reached the point where...a movement in the opposite direction can no longer be expected other than through rebellion of the masses and where the masses cannot count on the support of a share in the management of the state and of the ruling party..." (1973b, p413).

This is Bettelheim's most explicit statement regarding the nature of a 'restoration of capitalism' and a 'state bourgeoisie'. Implicit in this book is a more complete conception of these. However Bettelheim never makes it clear precisely what he means, and at times makes contradictory remarks on this question, in particular the differences between a 'state bourgeoisie' and a capitalist 'bourgeoisie'. (These are discussed more fully later in this article)

(6) THE "ENTERPRISE" IS INHERENTLY CAPITALIST: for Bettelheim the enterprise as a more or less self-contained production unit is the "...master institution of the reproduction of capitalist social relations..." (1973b, p409) "The capitalist character of the 'enterprise'...derives from the fact that its structure assumes the form of a double separation: the separation of the workers from their means of production (which has as its counterpart the possession of these means by the enterprises, that is, in fact, by the managers) and the separation of the enterprises from each other" (1973b, p399).

To overcome this 'double separation' there must be a high 'degree of development of the character of social labour'. This is a question not just of a high 'level of development of productive forces' but also of their characteristics, ie the degree to which they are actually socialised. "These characteristics are themselves determined by the nature of the relations of production within which the productive forces have developed historically" (1973b, p400).

This leads Bettelheim to a critique of Yugoslav-style 'self-management' based on the enterprise. Because the market still exists, workers cannot really dominate the employment of means of production or of products, and so capitalist relations of production are reproduced. His analysis assumes, rather than attempting to justify his analysis of, the separation of workers from control over the enterprise. He seems, without much justification, to assume that the power of the managers will necessarily be maintained and that it is not possible to gradually erode the market elements of such a system in certain circumstances, and thereby to move towards socialism.⁴

(7) TECHNOLOGY AND TECHNIQUE ARE NEVER 'NEUTRAL': implicit throughout Bettelheim's critique of 'frozen Marxism' and in his own theoretical position is the fact that technology and technique are not neutral and 'above' class struggle. If, then, capitalist social relations are embodied in the technology a substantial problem arises for those concerned with constructing socialism: socialism must be built using capitalist productive forces which were designed to help perpetuate capitalist social relations. In the USSR this question arose with particular force, with respect to the adoption of capitalist methods of work organisation, especially 'Taylorism' and 'scientific management', which were designed, for instance, to reinforce and intensify the division of mental and

manual labour.⁵

Having looked at the theoretical basis of Bettelheim's work, I shall outline the results of its application to Russia in the period 1917-1923. The book itself is divided into five parts. The first, "The October Revolution and the installation of soviet power", traces the radicalisation of the workers and the army during 1917, and the gradual impact of this on the majority of the population, the peasants. Bettelheim brings out the complexity of the situation at this time, and the extreme weakness of links between the Bolsheviks and the peasantry. (For example there were in total only 4122 Party members organised in 203 cells in 1917 in the countryside) This is examined further in the next part, "Soviet Power and the transformation of class relations in the years 1917-1921", and lies at the heart of Bettelheim's analysis.

Bettelheim looks at the growth of factory committees in the towns. He argues that their outlook was limited to their own factory, hence many workers saw the centralised control which the Bolsheviks wanted to introduce as a 'confiscation of power' from themselves. What he does not point out is that in many ways this centralisation was a real 'confiscation of power'. The more centralised control the Bolsheviks instituted was, and had to be, based on the economic planning and administrative structure set up by the old regime during the War. This imposition of centralisation 'from above' relied on a take-over of many parts of the existing state apparatus and the employment of 'bourgeois experts', together with the crushing of the attempts of the factory committees to achieve some sort of coordination that transcended the level of the single factory.⁶ Such attempts might well have failed to achieve their objects, but the Bolshevik strategy was by no means a great success, as Bettelheim points out (p130): "Even thus transformed, the structure of workers' control proved to be incapable of assuring the coordination required by large-scale industry". What it did ensure, together with other factors, was the disappearance of the factory committees as effective workers' organisations. They died in the Civil War, giving way to the Bolshevik policies of 'one man management', combined with increased power and privileges for the 'bourgeois specialists'.

These concessions to the old managers and experts were seen as temporary measures by the Bolsheviks, dictated by their weakness and lack of experience at that time. However such moves, together with the use of coercive measures to restore work discipline reproduced, rather than broke with, the old social relations of production. Elements of communist work, such as the subbotniks (voluntary work at weekends), remained marginal.

Meanwhile in the countryside the Bolsheviks were unable to mobilise the peasantry politically in support of the Civil War and requisitions of grain in return for near-worthless paper money.⁷ Peasants adopted what Bettelheim calls 'petit-bourgeois practices' of not growing any surplus grain from which they would get little benefit. Hence the peasants' slogan of "Up with Bolsheviks! [because they had given them land] Down with Communists!" (p214)

The period of War Communism therefore tended to consolidate rather than attack capitalist social relations and the capitalist division of labour. At the same time it seemed to some Bolsheviks to provide the basis for a 'direct transition to communism', a view which Bettelheim argues is mistaken. This period was also marked by what he calls the 'autonomisation' of the state apparatus from popular control and even from the Bolshevik Party itself (p224). There was also a marked change in the composition of the Party: by October 1919 over 60% of its members were officials of some type (p285). This process is described in the third part, "The transformation of the principal apparatuses of the dictatorship of the proletariat".

The fourth part is on "The ideological and political struggles in the heart of the Bolshevik Party". Apart from the Workers' Opposition, a rather sketchy account is given of these struggles. The emphasis is given to the Workers' Opposition because Bettelheim believes it was the most significant of the period, an assessment with which I readily agree. However his account of its

defeat is little more than apologetics for Lenin's intolerance. Bettelheim argues that the Workers' Opposition had developed its theses "...at a particularly difficult moment, during the social and economic crisis of the winter of 1920-1921, at the time of Kronstadt, that is to say that forces objectively hostile to the dictatorship of the proletariat and which could be directly used by imperialism were then intervening openly on the political scene, moreover formulating claims which seemed to coincide - at least partially - with the theses of the 'Workers' Opposition'. This conjuncture indubitably pushed Lenin into adopting a particularly hard attitude towards the latter and to put aside a deep critical examination of their theses" (p361).

Whatever the shortcomings of the Workers' Opposition, one of which was their belief that Lenin would come round to their point of view to win the day, and however fair Bettelheim's criticisms of them, he is avoiding the point that these theses were essentially a response to the crisis of that time, and to the process of autonomisation of the state apparatuses that Bettelheim analyses in the previous part of the book. Lenin resorted to repression, a policy which could only reinforce those trends, when the Workers' Opposition and the Kronstadt rebels highlighted the contradictions between the reality of Soviet society and the spirit of Lenin's April Theses and State and Revolution. The situation of 1920-1921 was not as simple as Bettelheim at times appears to argue, especially in the case of Kronstadt. One (non-Bolshevik) commentator expresses it as follows, "...The tragedy of Kronstadt...was precisely that 'good communists' were to be found among both the contending forces" (Introduction to Kollontai 1968, p4) Bettelheim's analysis would lead to a better understanding if his apparent need to justify Lenin at almost every stage was lessened.

The final part of the book is called "Balance sheet of five years of revolution and perspectives on the eve of Lenin's death". This balance sheet is largely Lenin's, as expressed in his writings just before his death. Bettelheim is certainly not uncritical of Lenin, yet he never seems to try to make any coherent analysis of the shortcomings and contradictions of Lenin's Marxism.

Bettelheim concludes that "...in 1923, the situation in Russia is characterised by a profound contradiction between the dictatorship of the proletariat - installed and maintained thanks to the action of the most militant workers, soldiers and peasants, closely linked to the Bolshevik Party and accepting its lead - and an ensemble of social and class relations which enfeeble soviet power and give it the transitional form which it assumes at this time" (p455). I am sceptical as to whether this is a contradiction - was the situation one in which there was at best a weak 'dictatorship of the proletariat', in the sense of the workers' and peasants' real control of political power, combined with a lack of change in the 'real process of production' and the consequent persistence of social relations which did not differ radically from capitalist ones and which therefore reinforced the trends away from a 'dictatorship of the proletariat' towards control by a 'state bourgeoisie', to use Bettelheim's phraseology. As Bettelheim points out in the final pages of the book there were a large number of severe constraints on the Bolsheviks' "...task of transforming social relations under the dictatorship of the proletariat", both ideological and political. Bettelheim attempts to analyse these, focussing on the social determinants of these constraints.

A full assessment of Bettelheim's analysis of the USSR and its history cannot be made on the basis of one book out of three. However, many significant questions are raised by this book and I would like to explore a few of them in the rest of this review.

Throughout the book one can see how Bettelheim's analysis of China (see 1972b, 1973a, 1974) permeates this book on Russia: for instance many of the concepts used to analyse the USSR are the same or similar to those used by the Chinese Communist Party (CCP). The question posed is really how relevant are they to a real understanding of the USSR? A particular case of this is the use of the

concept of 'dictatorship of the proletariat' in a situation in which a party that is not dominated by the proletariat is in power. Bettelheim's answer appears to be that what is decisive is whether 'proletarian ideology' is dominant, yet who decides what 'proletarian ideology' is? Different brands of socialists will have different views on this question, and it is surely difficult to argue a priori which one is correct, hence whether there is or isn't a 'dictatorship of the proletariat'.

Bettelheim's very favourable analysis of the Chinese experience seems also to spill over onto the personality of Lenin who at times appears to be the spitting image of Mao. A hostile review of this book by Miliband (Miliband 1975) makes this point in no uncertain terms: "Lenin is cast as an exact prototype of Chairman Mao, in terms which are often copied from the descriptions often applied to the latter's leadership" (p63). However Bettelheim's view of Lenin is unbalanced in other respects which are more important. In particular Bettelheim appears to feel bound to defend Lenin against all-comers, rather than attempt to come to a coherent understanding of his theory and practice. Bettelheim made this clear in a recent interview (1975b) when he was asked: "Could it be said that decisive errors were already made under Lenin?" His reply was (my emphasis): "I would rather say that Lenin's capacity rapidly to correct a false line was extraordinary...".

This position is linked to Bettelheim's view of Lenin as somehow separate from the other Bolsheviks of the time. The differences that did exist between Lenin and the others are seen as far more significant than their underlying similarities. Such a position contradicts the spirit of Bettelheim's analysis of 'economism' at the beginning of this book. It means that Lenin has occasional 'economist' lapses but nothing more serious. This approach obscures the fact that Lenin's theory and his practice embodied, implicitly or explicitly, much the same fundamental assumptions as the other Bolsheviks, even though he may have been led to different (and more rational) conclusions in certain circumstances. As Bettelheim has pointed out, Stalin and Trotsky had more in common than their opposition to each other suggests at first sight. One example of this in the case of Lenin is that of the neutrality of technique, with respect to the adoption of Taylorism and capitalist work methods in the USSR, with which he thoroughly agreed.

It is a result of this view of Lenin that Bettelheim can claim a 'return' to him (p19) and Marx, despite his statement that such a claim is inapplicable (pp16-17). In fact his views are a significant, and welcome, development of Marx and Lenin. The pity is that Bettelheim is not prepared to admit some of their inadequacies and ambiguities (eg on the nature of the link between productive forces, production relations and society). This can only act as a fetter on the further development of such ideas, many of which have already been put forward outside the specifically Marxist tradition (eg in France by the Socialisme ou Barbarie group) as well as inside some areas of it (see Gorz 1973, for instance).

In short Bettelheim would like to claim a 'return to Lenin' yet his analysis leads him to break significantly with the Bolshevik position, Lenin included. This contradiction underlies the whole book.

Another shortcoming of the book is that it does not attempt to analyse the 'historical experience' of the Bolshevik Party before 1917, an essential part of an understanding of the actions of the Party and its leaders in the revolutionary and post-revolutionary situations they found themselves in. These factors are not totally ignored, but are never systematically examined; for instance with respect to the absence of a Bolshevik strategy for the mobilisation of the peasantry and the socialist transformation of agrarian production.

The relationships and contradictions between 'leaders' and 'led' in these years are not examined very fully. Many questions about the contradictions of the 'Leninist' party are raised by the events of these years. For instance

Bettelheim notes that Lenin was often able to persuade the other leading Bolsheviks to change their line, arguing that he was usually in 'advance' of the others. He claims that this was able to happen and Lenin remain as leader because the Bolshevik Party was a 'revolutionary party'. Yet is it only in 'revolutionary parties' that this can happen - why not a social-democratic one, say? Bettelheim's answer is tautologous, and does not get us any nearer an understanding of the relations and contradictions between 'leaders' and 'led' that are continually produced and reproduced in such a situation, eg between control from above by a 'correct' party and self-management and control by the immediate producers.

Finally I would like to raise some questions, rather than try to provide answers, on two areas of theory. The first that of the analysis of class in a society where capitalism has been overthrown, and the second is on the nature of the links between productive forces and production relations.

Bettelheim starts from Lenin's definition of classes, that they "...are large groups of people differing from each other by the place they occupy in a historically determined system of social production (in most cases fixed and formulated in law) to the means of production, by their role in the social organisation of labour, and, consequently, by the dimensions of the share of social wealth of which they dispose and the mode of acquiring it". This formulation stresses the 'objective' factors of the position of an 'agent' in the real process of production.

Bettelheim, as we have seen above, is particularly concerned with the possible emergence and consolidation of a 'state bourgeoisie' as a ruling class following a revolutionary overthrow of capitalism. His view appears to be that the decisive factor in determining whether someone is a member of an emergent 'state bourgeoisie' is whether he or she is "animated by the ideas of revolutionary Marxism" and an agent of "proletarian practices putting in first place the interests of the whole of the revolution and working in close contact with the workers and class organisations, the party and trade unions" (pp146-7). This, however, bypasses many of the questions of to what extent someone's position in a "historically determined system of social production" determines the possibilities of action by that person, as well as playing a major part in conditioning their outlook, hence their actions. Although I would agree with Bettelheim that in a post-revolutionary situation ideology is an extremely important factor (bearing in mind that this ideology is to some degree "historically determined", eg by the "historical experience" of the revolutionary organisations and that person's part in it), I believe that he has avoided the question of to what extent someone's position in the real process of production conditions the extent to which their actions can help progress towards socialism. Can 'correct' decisions made and enforced from above increase the power of the immediate producers to dominate their production and conditions of existence, and, if so, to what degree? In certain respects Bettelheim's view appears to be similar to those who argue that capitalist societies can be reformed, or even made 'socialist', if only the right people were in power with the right ideas and taking the right decisions.

Bettelheim's views on the existence of a 'state bourgeoisie' therefore seem to contradict Lenin's definition of class to which he claims to adhere. This may be related to the fact that Bettelheim has not explicitly put forward his theory of the structure, functions and conditions of existence of a 'state bourgeoisie', although some elements of this are contained in his recent work. However some of these elements are themselves contradictory. I'll give one example which I think is the most significant. On page 42 of this book he writes that "...under the cover of 'economic plans', it is the laws of capitalist accumulation, hence of profit, which determine the employment of means of production". In this he implies that there is no significant difference between capitalism and 'state capitalism' in the economic sphere. Yet in another recent book he argues that if "...proletarian politics is not in command in the management of the

enterprises, the enterprises are divided among themselves in the same way that the immediate producers are divided among themselves. The dominant factor will then be either market and money relations or a production plan imposed upon the immediate producers from without. In the first case it is profit which is in command; in the second production" (1974b, p100, my emphasis). Here he indicates that it is possible for relations of exploitation to exist, and hence presumably a 'state bourgeoisie', in a 'planned economy' without market and money relationships being dominant. This certainly seems more consistent with the situation in the USSR than a bald assertion that the laws of capitalism apply without modification - unless Bettelheim is able to provide evidence to the contrary. This is certainly a question that he must tackle in his next books.

The other theoretical question I will raise is on the relation between productive forces and production relations. Marx and Engels argued that the conflict between these was the source of revolutionary changes in social formations. The 'traditional Marxist' interpretation of this is clear if one accepts that productive forces are 'neutral' and develop unilinearly. If however, as Bettelheim argues, they do not, what is the form of this conflict and does it have the crucial importance assigned to it by Marx (in, for example, the Preface to the Critique of Political Economy) and Engels in Anti-Duhring, where he argues that this conflict "...exists, in fact, objectively, outside us, independently of the will and actions even of the will of the men who have brought it on. Modern socialism is nothing but the reflex, in thought, of this conflict in fact" (Engels 1975, p317)?

Bettelheim does not touch on this question in this book, yet it is a very significant one which has not been seriously examined by many Marxists.⁹

In conclusion, this review has concentrated on the faults and contradictions of what should, and hopefully will, be a widely read and significant work of analysis of the USSR and its formation. The real value of the book is that Bettelheim is much more prepared than most Marxists to look critically at events in the Soviet Union after 1917, examining the social basis of the Bolsheviks' seizure and retention of power, the way the Party and state were transformed, and the class conflicts and struggles of the period. The book does have significant faults which cannot be ignored, and Bettelheim appears not to want to criticise certain aspects of the developments of these years - a factor which can only hinder a full understanding. The source of these 'blind spots' appears to be two-fold: his desire not to seem to be breaking with Marx and Lenin when the trend of his analysis is towards a 'break' with them, and his reluctance to criticise China and the CCP and the reflection of this reluctance in both his theory and his analysis of the USSR (for instance in his view of a 'state bourgeoisie', which seems to be 'designed' almost to exclude its use in the Chinese context). Despite these faults the book deserves to be widely read and discussed - as would a comparable analysis of the 'class struggles in China'. The sooner an English translation appears, the better.

NOTES

¹See especially "La transition vers l'économie socialiste" (Bettelheim 1968) pp 45-77. This book is a collection of essays from this period.

²See also "Radio, Science, Technique and Society" (Trotsky 1974) where he claims that "Technique and science have their own logic" (p12), implying that science and technique are neutral, hence everything depends on whether they are 'used' or 'abused'.

In contrast to these Bolshevik views of the neutrality of technique, which were shared by Lenin, is the approach of Lukacs at the same time. In "Technology and Social Relations" (in New Left Review 39) he strongly attacks such views, in particular those of Bukharin. For Lukacs productive forces necessarily embody social relations.

³cf Marx, "...the early combination of productive labour with education is one of the most powerful means for the transformation of present society" (Fernbach, ed. "The First International and After", Penguin, p358).

⁴I am not arguing here that this is what is happening in Yugoslavia, but I am arguing that Bettelheim has not proved that it could not happen in certain situations.

⁵In fact, the Bolsheviks, Lenin included, sought to adopt the technique and methods of work organisation of the more advanced capitalist countries. In general they did not see the contradictions of this adoption. For example, Lenin, Trotsky and other advocated the use of 'Taylorism' and 'scientific management', techniques of work organisation which explicitly seek to, and do, deepen the separation of mental and manual labour. The Bolsheviks tended to see production itself in a depoliticised way, the techniques used being 'neutral'.

⁶See Brinton 1970 for a history of this, a reference which Bettelheim often uses.

⁷cf Bertrand Russell's account of a conversation with Lenin in 1920. Lenin "...laughed at the exchange the peasant is compelled to make, of food for paper; the worthlessness of Russian paper struck him as comic." (Russell 1969, pp27-8). Russell also points out how much the peasants' consciousness was limited to the village and how little they knew of external events.

⁸An English translation is Kollontai 1968.

⁹See Cardan 1971 for a revolutionary socialist, but non-Marxist, approach to this question. He argues that we should forget about this conflict between productive forces and production relations as the traditional Marxist approach demotes class struggle to a subordinate place.

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THEORY OF

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by **SHINZABURO KOSHIMURA**, Yokohama National University;
edited by **JESSE SCHWARTZ**, University of Waterloo, Ontario.

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BEYOND THE SOCIOLOGY OF DEVELOPMENT - ECONOMY AND
 SOCIETY IN LATIN AMERICA AND AFRICA
 Edited I.Oxaal, T.Barnett, D.Booth (Routledge 1975)
 THE ECONOMIC DEVELOPMENT OF INDIA
 B.Davey (Spokesman Books 1975)

Reviewed by
 R. Munck

The collection of essays in "Beyond the Sociology of Development" is a series of theoretical and concrete studies on Latin America and Africa which have as a unifying thread a concern with work of Gunder Frank on the one hand and with that of C. Meillasoux, etc. on the other hand. As the editors say in the introduction - "the major thrust of this book is to suggest that a point has now been reached where theoretical convergency from within economic anthropology, sociology, and economics are making possible an integration of work and development at an advanced level of multidisciplinary sophistication" (p4). Before considering the work as a whole we should look at some of the most significant essays.

P.O'Brien provides a concise and lucid introduction to the Latin American dependency theories which he correctly perceives as a "response to the perceived failure of national development through import substitution industrialisation" (p10) and shows their positive achievement of having rejected "the reformist ECLA tradition which wants national development without class struggle and independence without revolution" (p24). Another essay, by D.Booth, complements the above with a thorough appreciation of Gunder Frank's work, which is seen as "a synthesis of the ideas of the ECLA/structuralist current and those of Marxism, or to be more precise, those of a Marxism rooted on the one hand in the Cuban Revolution and on the other, in the economics of Monthly Review" (p52). Both these authors point to the work of Lenin and Trotsky, especially the theory of uneven and combined development, as a possible way out of this theoretical eclecticism, especially evident in the dependency theories which at best are a call for concrete analysis, and at worst a new form of nationalism.

The other side of the synthesis with which our editors aim to take us beyond the sociology of development, is provided by J.Clammer's analysis of C. Meillasoux, P.P.Rey, E.Terray and other French Marxist anthropologists which are seen to provide "a Marxian analysis of the relationship between capitalist and 'traditional' modes of production and of the 'theory of reproduction' of such formations" (p214). This school is criticised for a loose definition of the concept of mode of production, and for concentrating on the maintenance of the structure of dependence to the detriment of the study of its historical formation. The implication is that we can use this type of approach to supplement the gap in Gunder Frank's work on the question of the precise nature of the articulation between modes of production in dependent social formation.

Further essays add to specific aspects of development theory - J. Weeks studies "Imbalance between the centre and peripheral and the 'employment crisis' in Kenya", H. Wolpe expands a previous article on "The theory of internal colonialism: the South African case" (recently criticised in this bulletin) and N. Long studies "Structural dependency, modes of production, and economic brokerage in rural Peru". It is these concrete studies, which to a greater or lesser degree (and success) attempt to utilize the theoretical synthesis mentioned above as a guide to their enquiries. Finally, an essay on the production of cotton and the reproduction of underdevelopment in the Sudan makes a limited use of Emmanuel's theory of unequal exchange, the precise evaluation of which is nevertheless absent in this collection.

In conclusion, an attempt at 'interdisciplinary study', such as attempted in this book does not constitute a unified and coherent theoretical perspective which is the main element lacking here - so that its epistemological liberalism is reflected in a real absence of a systematic conception of the object and method of historical materialism. In a general sense this work, as a whole,

does not go 'beyond the sociology of development' as Marx's Capital goes 'beyond' political economy - although many cogent criticisms of the sociology of development are developed, the 'terrain' is not displaced to that of capital accumulation on a world scale and the problematic of combined and uneven development. This work then reveals the concealment effect that ideology produces in the scientific concept 'borrowed' from Marxism when these are 're-immersed' in a pre-critical setting, confirming that these conflicts can only produce a genuine effect of cognition within the theoretical setting that is proper to them.

Without wanting to draw any close parallel, we could consider some of the criticisms B. Hindness and P. Hirst directed recently at a certain conception of historical study. Put crudely we must not fall into believing that "scientific knowledge is produced by scholarship backed by the right assumptions" and that all we are after is "a better class of social science, more sophisticated and civilized than the ritual of the number crunchers". And fundamentally we must tackle the question of why write history and for what political end. As H and H say (E & S p237), "the question of the purpose of the study of history is never raised. This question scandalises academicism". These points only pertain in a limited way, and only to a few studies in "Beyond the Sociology of Development" but the danger is there in this type of study which lacks theoretical homogeneity and clear political purpose.

The object of Brian Davey's book is more limited - the economic development of India - and has a coherent theoretical perspective, the theory of uneven and combined development, and a clear political outlook - that of permanent revolution. Though dealing specifically with Marxist categories throughout, this book is far from being just an updating of Marx's writing on the subject - for example, "it would appear that Marx's own sources for his analysis of Indian society were inadequate and sometimes incorrect" (p14). From an introduction which contrasts the development of India with that of the 'advanced industrial societies' and presents the problematic of uneven and combined development, the study advances its categories logically and historically. The pre-capitalist mode of production, its internal transformations, and the development of capitalism are then summarised and enriched in the section on capitalism and combined development - which develops the specificity of India's dependent capitalist development. Two more detailed sections on the effects of imperialism and on agriculture respectively are followed by a conclusion that draws very clear and explicit political conclusions from the preceding analysis.

A recent article by D. Romagnolo attempts to draw into question the whole problematic of "The so-called 'Law' of Uneven and Combined Development". This law is said to "reject the primacy of the mode of production" and "elevates national peculiarities to a level of importance equal to that of the general features of the economic structure" (p16). The theoretical flaw of the concept is said to lie in that it "centres the whole analysis around external relations of exchange and commerce as a determining factor in the life of a social formation" (p21). This critique is, I believe, misplaced, but at any rate it points to the fact that there is a debate in the classics of Marxism which is at least as important as an ersatz synthesis of Gunder Frank and Meillasoux. This particular survey is a step backward (cf Robens) which ignores that the most coherent critiques of Gunder Frank (his object of attack as well), that of Laclau and more particularly that of Novack, spring directly from the perspective of uneven and combined development. This perspective is now being widely and productively employed in Latin America - apart from A. Quijano we should refer to the recent seminal essay by F. de Oliveira "A Critique of Dualist Reason". This author systematically criticises the dualist perspective of ECLA, and also Gunder Frank, and draws some important conclusions which are relevant to the sociology of development in general: (1) Brazilian development can be explained by internal factors, which restructured the economy, in spite of adverse conditions in the world division of labour.

(2) the process of import substitution industrialization was not guided by the needs of the market - i.e. consumer goods etc. - as ECLA purports, but followed the logic and necessities of the capital accumulation process, (3) it is wrong to speak of an 'inflated' tertiary sector - this sector carries out a continuous process of 'primitive accumulation' and is perfectly integrated into the economic system, the same goes for non-capitalist relations in agriculture. cf with current analyses of 'marginality' in Latin America.

However, in reference to the particular case of Brazil, we must consider whether this approach stresses the continued existence of non-capitalist relations of production to the detriment of the very real advance of capitalist relations in the countryside (cf India as well). In this respect, as some of the essays in "Beyond the Sociology of Development" indicated, a close reading of Lenin's "Development of Capitalism in Russia" still has a lot to offer. Here again the classical debate on the inevitability of the penetration of capitalism in the dependent social formation can be pursued and developed. Davey makes clear the uneven nature of this process - "In historically belated countries, instead of development proceeding through all the intermediary stages of social and economic evolution, development must proceed by leaps with the direct import of foreign equipment, foreign know how, trained personnel and so on" (p131). Further, he shows that "the coexistence of the CMP, is reflected in the state apparatus by power being wielded by a bloc of the capitalist class together with the landlord/malik interest..." (p121).

The central theme in Davey's book enters a very topical debate - he says that "despite its success in the 'advanced' capitalist countries of today, capitalism failed to develop the productive forces in 'Third World' countries like India" (p3). Some of the issues raised by Bill Warren are thus confronted and it would seem that Davey does not accept Warren's assertion that "the prospects for successful capitalist economic development [implying industrialization] of a significant number of major underdeveloped countries are quite good" (p3). The point is that, irrespective of the merits of Warren's empirical study, or his general theoretical perspective (or lack of it), one is still confronted by the case of Brazil which makes it ridiculous to make dogmatic statements about capitalism's inability to develop the forces of production in the 'Third World' (cf Cardoso). One example should suffice - the question of the 'multinational corporations'. For a long time they have been studied in Latin America by juggling statistics to see whether the outflow of foreign capital was greater than the inflow, the result depending to a certain extent on how this operation was carried out, with the multinationals always being seen as factors of 'distortion' in the economy, as 'robbing' the economy etc. Recently there has been a move towards more fruitful orientation which studies the precise role of monopoly capital in the capital accumulation process of the economy involved, studying its effect (often considerable) on the general dynamic of the process of capitalist (i.e. uneven and combined) development, which is certainly not a 'development of underdevelopment'.

The problems raised in a distorted way by Romagnolo, are in fact the correct ones - the relationship between social formation and mode of production, that between exchange/circulation and production, and that between the advance of capitalism and the preservation of non-capitalist relations of production. There remains however the question of the theory of imperialism, and an analysis of the precise mechanisms through which accumulation on a world scale takes place - unequal exchange, with wages the independent variable (Emmanuel) or prices the independent variable (Braun); bolstering the rate of profit in the central economies through transference of surplus value according to differences in the organic composition of capital (Laclau), or through maintaining a super exploitation and continued production of absolute surplus value in the dependent zones (Marini); technological dependence (Merhav), etc. etc. Davey deals descriptively with the stages of imperialism in India, and very well with the mechanisms of free trade, but there is still a gap.

An essay in the other book even considers this the wrong question - "Laclau is wrong if, as appears to be the case, he is arguing not merely that in explaining underdevelopment one is sooner or later led back to ask about the causes of capital export, but also, or rather, that this is the only scientifically valid point of departure" (p73). The need for precisely this starting point is highlighted in that same collection which shows for example that one can look in vain through the theories of dependency for an explanation of the essential mechanisms of dependency. And this is because the 'dependency approach' just as a 'mode of production approach' is not a substitute for a rigorously developed theory of imperialism.

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Radical Philosophy is the journal of the Radical Philosophy Group. It aims to avoid the academicism of the existing philosophical journals - an academicism which trivializes philosophy and manifests itself in an uncritical attitude to social ideologies. Radical Philosophy publishes philosophical work contributing to the development of radical theory, and to the exposure of the social and political assumptions embodied in orthodox philosophy. As well as articles and book reviews, it carries critiques of educational institutions, courses and teaching methods; news items and reports of meetings and activities; humour and satire.

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MARX'S CAPITAL
Ben Fine

Reviewed by
Francis Green

This book is the development of a set of lecture notes on Marxist economics into an extended essay of about 25,000 words. It is not of course intended as a substitute for reading Capital. Nor is it quite a guide to reading it -- a singular feature is the absence of bibliographies or guided reading lists. It is more precisely an exposition in very condensed form of the arguments in Capital. The job of restricting the length of the book is achieved on the one hand by a very selective treatment of volumes II and III, and on the other hand by exhorting the reader if necessary to 'read some sections more than once' in an attempt to overcome the difficulties of some of the arguments. The intended readership is primarily undergraduates in Economics.

After a brief introduction the book starts with an excellent chapter on method, where the intellectual and political background of Marx's thought is briefly introduced via Lenin's threefold classification: German philosophy, French socialism and British political economy. There follows four chapters on volume I. The first two of these are the most difficult chapters of the book; they concern the labour theory of value. Here, most of all, the author's advice to re-read some sections is most appropriate. But it would perhaps also have been particularly helpful to provide some specific references to the sections of volume I where the concepts are explained at greater length. The remaining two chapters on volume I are on accumulation, and, very briefly, the primitive accumulation of capital.

The next two chapters are on the 'Circuit of Industrial Capital' and 'Crises' respectively, both of which are clear. The theory of crises is written tightly but correctly, and should be of help to many others besides just Economics undergraduates. There is however one confusion that needs clarification -- namely, that three chapters previously we have met a description of the decennial business cycle, characterised by Marx as essentially a distributional crisis caused by the rise and fall of profitability, which in turn is caused by the fall and rise of labour's power in class struggle. This occurs even with a constant organic composition of capital. The distinction between this kind of crisis, discussed in the chapter on 'Accumulation', and those forms of crisis based on the law of the tendency of the rate of profit to fall, should therefore have been brought out. It is clear though that the author regards the latter kind as fundamental.

The next (and longest) chapter concerns the extension of value theory to distributional relations; merchants capital, interest-bearing capital and rent are described. This is essentially an extract of some aspects of volume III. Finally the book closes with a chapter on contemporary capitalism, wherein it is argued that the labour theory of value is still the best method of analysis, superior to the 'left-Keynesian', or 'monopoly capitalist' brands of thought. This is an interesting statement of a particular position, but it is however far too short to be of much help to students not acquainted with the literature that lies behind these positions.

In conclusion, this book may be highly recommended for anyone attending or running a course in Marxist economics. Such courses have been expanding over the last few years, not surprisingly considering the renewed interest in the marxist approach to economics generally. It will also be of great help to Capital reading groups, or individual students of Capital. It will probably not be so helpful for the mainstream economist who wishes to spend only a short time getting the gist of 'what the other side thinks'.

THE ECONOMICS OF INEQUALITY
A.B. Atkinson, Clarendon Press

Reviewed by
Ben Fine

Atkinson's latest book is an excellent survey of the orthodox literature on distribution conducted within an orthodox framework. It brings together data on the distribution of income and wealth, reviews orthodox theory and in so

doing discusses the redistributive impact of taxation, education, market structure, inheritance, social reform etc. For these reasons, it will prove a useful textbook for courses in distribution theory. Nevertheless, it remains an orthodox text, even though it examines a potentially radicalising subject. This is recognised consciously perhaps by the author when he implicitly asserts at the end of his introduction that inequality can be treated as a purely economic question: "Finally, with economic inequality. Questions of equality before the law or in politics, or inequalities in social status or power (or in the class relations of production - BF), are not considered; nor is any attempt made to discuss the relationship between these dimensions of social inequality and the distribution of income and wealth". It becomes clear that Atkinson cannot carry out this pledge during his book (eg - Is state intervention in the factors that affect distribution a purely economic question?). Finally, Atkinson's own theoretical method is orthodox in the sense that he essentially takes a neo-classical general equilibrium as his centre-piece and examines how deviations from this equilibrium are effected by factors under consideration (dual labour markets, monopoly, differential access to finance etc.).

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REPORT ON THE VESVU CONFERENCE ON ECONOMY
AND STATE, AMSTERDAM, OCTOBER 1975

The society of economics students of the Free University in Amsterdam this year held a Conference on the theme 'Economy and State', following their successful one two years ago on 'The Poverty of Economic Science. It was particularly interesting to CSE members for a number of reasons, and since we were the only ones attending from Britain (although David Yaffe also was there to give a paper) we have begged a couple of pages of the Bulletin for this report.

VESVU differs from CSE principally in being limited to one University, student-run, and comprehending (or attempting to) all economics students. The Conference was, therefore, very much structured as a debate between different forms of Keynesianism and Marxism. However, due to the Marxist domination of VESVU and to the reluctance of eminent Keynesian Professors to expose themselves to a Marxist critique, but above all, of course, due to the impotence of bourgeois theory in the present crisis, the contest was rather one-sided. In this context David Yaffe's spirited critique of the current forms of bourgeois political economy was well received; since it is likely to be easily accessible in one form or another to CSE members we will concentrate our report rather on the contributions that culminated the three days, those of Heide Gerstenberger and Elmar Altvater. We believe it to be of the greatest importance for the development of Marxist discussion here in Britain, and also for the revolutionary movement in general, that some of the West German debate on the state should be available here. We, therefore, include in this report the translations of the outlines of these two talks. It should be borne in mind, however, that these are hurried translations of summaries distributed at the Conference and that they only sketchily indicate the analyses that lie behind them. In particular, Heide Gerstenberge feels that the summary of her paper gives an 'over-historicist' impression of her views. This report can at best serve as a scanty introduction to a rich debate that must be translated into English.

A particularly interesting aspect of these talks, and the subject of much of the ensuing discussion at the Conference, was the implications of this West German debate on the state for Marxist methodology in general. It seems to us that the strength of this work has been that the question of the state has been approached through the reading and rereading of Capital. This is where the West German analyses mark a very great advance on those generally relied upon in Britain, notably those of Poulantzas and Miliband. The latter seem by comparison to develop frameworks that are narrowly functionalist and one-sidedly political. The West German debate has been criticised on the contrary for deriving political categories directly by logic from the categories of Capital. As the summary of Altvater's talk shows, they have become aware of the limitations of the approach. While Altvater himself still adopts the 'Staatsableitung' or 'capital-logic' approach, he emphasises that it can only indicate the likely structures of the bourgeois state in general, and not its particular forms. Furthermore, since the categories of Capital itself are not simply logical but also historical abstractions, categories derived from them are at one remove historical abstractions, and this gives a sense of history to Altvater's logic. Gerstenberger however totally abandons this for an historical approach. Just as with Altvater history has been highly abstracted, with Gerstenberger the categories of capital and their 'logical' interaction are implicit in her analysis. The emphasis laid by Rosdolsky on the interconnection of history and logic in the process of abstraction of categories in Marx's method (see 'New German Critique', Fall 1974 for a short expose by Rosdolsky in English) has had some impact in West Germany, although it is clearly working itself out in different ways in the work of different individuals and groups.

We very much hope that English translations of some of the major articles in the West German debate on the state will make some of these questions more widely discussed in more detail (SOL PICCIOTTO & JOHN HOLLOWAY)

REPRODUCTION CONDITIONS OF THE CAPITAL RELATION AND THE BOURGEOIS STATE

Elmar Altvater

1 The Marxist theory of the state grasps the bourgeois state as a historically developed and transient institution and in no way as the eternal principle of rationally organised social life. The specific division of Economy and Politics appears only in bourgeois societies. A theory of the state must, therefore, lay the theoretical base for the separation of Economy and Politics.

2 In the West German Marxist discussion a number of works have appeared which derive (ableiten) the state as the specific form of the political in bourgeois society. These different attempts at derivation almost exhaust the possibilities of evolving the category of the state on the basis of Marx's theory:

- a- The state is derived from the needs of simple circulation of commodities as the guarantor of the equivalence of exchange;
- b- On the surface the class differences in bourgeois society are concealed. The state is the guarantor of the common interests of individuals who now become state citizens;
- c- Within the system of the social division of labour the state takes over tasks which are a priori communal;
- d- The state becomes the complement of competition and must take over all tasks which are unprofitable. Social intercourse is brought about by competition and by the political mediation of the state;
- e- The state is the result of class conflict and ensures the preservation of labour power as the basis of the capitalist process of exploitation;
- f- On the basis of the economic exchange relations of individuals develop legal relations, which at the same time constitute the political sphere of which the state is the institutional expression;
- g- From this the right of property arises as a special legal right. The state becomes guarantor of the right to own property, ie to appropriate, ie to exploit, and thus guarantor of the conditions of reproduction of bourgeois society under given historical circumstances.

3 In bourgeois society, with the generalisation of exchange there develops a specific form of 'fetishism' of social relations: money becomes the real common mode of existence ('reales Gemeinwesen'). In the separation of the relations between things and between people lies the basis for the separation ('Verdopplung') of society into Society and State, Economy and Politics, Bourgeois and Citizen.

4 Money as the social medium must be acquired. It is acquired by the sale of commodities. One can only sell commodities if one is the owner of them. Therefore, the right of property and of appropriation is basic to social intercourse. Appropriation is however only possible if property circulates as capital. The guarantee of property rights is therefore the guarantee of the capitalist reproduction process.

5 Here we must distinguish two types of property: ownership of commodities, of means of production, and ownership of labour power. The formally equal treatment of the disposal of property is the precondition for the maintenance of the reproduction process. The historical development tendencies of the reproduction process however increasingly require political and not only economic unequal treatment. This is expressed at the level of legislation in the rise of specific legislative directions ("Massnahmegesetz") parallel with the general rules of law, and above all in state planning which always implies favouritism and discrimination - always however with the aim of maintaining the reproduction process.

6 While the state must indeed guarantee property rights, the tendential fall of the rate of profit renders property useless for it loses its yield. Then the state itself must take over the functions which were formerly carried out by private property (by capital). The concept of the general relations of production thus preserves its relevance.

7 Hence the state still remains guarantor of the reproduction of the (capital) relation but expresses its character in the heightened sense as the Intervention-

ist State. As such it is subject to specific limitations.

8 The first of overall system limitation results from the guarantee of property itself. Even the state must obey: Private Property, Keep Out. It must, therefore, set itself properly established economically sound limits. The state must respect the Rule of Law. Nevertheless there still results a narrowing of the Rule of Law character of the state in order to solve specific problems. Thus there arises in the bourgeois state the possibility of its transformation into the authoritarian or fascist state.

9 A further limitation stems from the fact that the state operates on society through the media of money and law. Money, however, contains all the contradictions of capitalist production; it is not just the technical medium of circulation. The policies of the state, which involve the expenditure and issue of money, are therefore necessarily caught in these contradictions. The 'magical polygon' of economic policy is one expression of this.

10 A limitation on state action comes from the relative strengths of classes. When the working class is strong, prepared for struggle and sufficiently conscious, it can itself in certain areas impose its political will on the logic of capital within capitalist relations. This is also the basis of reformist and ouvrierist conceptions.

11 A further limitation on state actions comes from its character as national state. State power comes up against other nation-states, and today also against the power of international capital.

12 The limits of state intervention do not mean that the state abandons its planning. On the contrary, it is all the more obliged, in order to preserve the capital relation, to integrate all classes and their organisational forms of expression - the trade unions and the significant labour parties - within the framework of capitalist conditions of reproduction. To that extent the state is simultaneously an ideological apparatus and a repressive power - more the one or the other depending on the historical conditions.

THE FORMATION OF THE BOURGEOIS STATE: Heide Gerstenberger

1 The West German theoretical discussion on the bourgeois state has reached a dead end. The deduction of the general structure of the state from the logic of capital makes historical materialism a logical system, from which the structure of bourgeois society must follow. History thus becomes the illustration of general logic. A historical approach is necessary.

2 Mercantilism (mercantile capitalism) is a transitional form from feudalism to industrial capitalism. The analysis of this transitional process is at the same time an analysis of the origins of the bourgeois state and thus the subject of this talk.

3 The historical preparation of the bourgeois, capitalist state consists of the enlargement of state power at the cost of feudalism in general. This extension of state power rests on the great lords, becomes effective only with the support of the town bourgeoisie, and matures to an organisational form in which the interests of the international circulation of commodities break through at the costs of the structure of feudal society. This is clear when one looks at the reign of Louis XI who has been called the 'first bourgeois king'. The significance of specific historical interests is the development of the early-bourgeois state is shown by a comparison of French (Colbert) and British trade policies.

4 The mercantilist epoch is the epoch of 'primitive accumulation'; the heaping up of money capital on the one hand and the expropriation of the producer from his means of production (proletarianisation) on the other.

5 The mercantilist epoch, in which man's domination over nature is still limited, shows the following general characteristics:

- in the period from the C14 to the C18 the rulers of all the European states were agreed that international trade was the most lucrative source of wealth;
- a fundamental function of the mercantile state was the use of its might to free labour-power and the forceful encouragement and protection of national economic interests;
- the monetary system is increasingly regulated by the state.

6 The further development of the bourgeois state results in the ending of the domination of feudal privilege, so that rather the state confronts the citizens as a neutral instance. It is precisely in this legal equality of all citizens that the state expresses itself as a class-state, in which the social position of those who are separated from their means of production is accentuated by the formal establishment of their equality with the possessors of the means of production.

7 With the further development of the productive forces and the greater domination over nature the accumulation-interests become less dependent on the differing naturally-given restrictions. Thus the development of the different bourgeois national states tends to converge. The differences in development which we previously mentioned (point 3) still retain their effects for a long time.

8 We see a specific development of the state apparatus in looking at the English poor law of 1834. The results of the preceding parliamentary reform of 1832 give a clear illustration of the sharpest instance of the application of legal equality to socially unequal groups.

9 Once capitalist production relations are established the state no longer needs to apply its power continuously in an open manner. Historically the bourgeois state is from the beginning characterised by contradictions between form and functions. Throughout the period of competitive capitalism the working class realised this, and it is not realistic to state (as do Habermas and Offe) that the legitimising function of the state is weakened only by the ever-increasing crises of imperialism.

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