THE STATE AND CAPITALISM TODAY

Chris Harman

Rows Collection

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(Part 1)

The relation between capital and the state is central to an understanding of developments in the world today. It is thrown up in a whole series of apparently different discussions: on the future for the Third World, on the relations between the superpowers in the aftermath of the Cold War, on the prospects for successful economic restructuring in the USSR and Eastern Europe, on the repeated rows within the Tory government over European integration, on the significance of the United States' war against Iraq. These issues have created considerable debate on the left. They have been the subject of an intermittent discussion among contributors to this journal for a decade and a half, and among the wider left there has been much greater confusion. [1]

The State as simply a Superstructure

The most common view of the capitalist state among Marxists is to see it simply as a superstructure, as external to the capitalist economic system. Capitalism, in this view, consists in the pursuit of profits by firms (or, more accurately speaking, the self expansion of capitals) without regard to where they are based geographically. The state, by contrast, is a geographically based political entity, whose boundaries cut across the operations of the individual capitals.

The state may be a structure that developed historically to provide the political prerequisites for capitalist production-to protect capitalist property, to police the dealings of different members of the ruling class with each other, to provide certain services which are essential for the reproduction of the system, and to carry through such reforms as are necessary to make other sections of society accept capitalist rule – but it is not to be identified with the system itself.

This view of the state claims to be based on the *Communist Manifesto*: "The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie." But its origins do not lie in Marx himself so much as in the classical economists who preceded him: in the *Communist Manifesto* Marx simply takes their insistence on the need for a minimalist, "nightwatchman" state and draws out its class character.

Nevertheless it is the view that is to be found in most modern academic Marxism. So, for instance, it was to be found on both sides of the debate which took place in *New Left Review* between Ralph Miliband and Nicos Poulantzas. [2] Miliband argued what has been called the "*instrumental*" view of the state: it was tied to the capitalist class because its leading personnel came from the same milieu as the owners of private capital. [3]

Poulantzas argued that this was to see a merely contingent relationship between the state and capitalism, to see the state's character as depending simply on who manned its top structures. He argued what has been called the "functional" view: the state has to fulfill the needs of the society of which it is part; since this is a capitalist society it is necessarily a capitalist state. The state is, as Poulantzas puts it, "a condensate of class forces", and the forces it "*condenses*" are capitalist forces. [4]

Despite their apparent opposition to each other, both Miliband's and Poulantzas' views can lead to the conclusion that the capitalist state can be used to reform capitalist society. If it is the character of its personnel that guarantees the capitalist nature of the state then changing the personnel could change the character of the state, allowing it to be used for socialist purposes. If the state is a function of the society of which it is part, then if that society is racked by deep class struggles, these would find their expression through the state. The "condensate of class forces" could express both ruling class and working class pressures – which perhaps explains why Poulantzas could move from Maoism to Eurocommunism without any fundamental change in his theoretical framework.

More recently, another variant of the view of the state as external to capital has emerged on the left. Within academic Marxism there is a growing tendency for people to counterpose the capitalist system, as a system based upon the drive of firms to accumulate, to the "system of states" within which it has been enmeshed historically. [5] In a few cases this has led to the conclusion that the great wars of the present century have not resulted from any drive of capitalism towards war, but rather from the clash of "ancient regime" empires which capitalist development is now in the course of dismantling. [6]

Nigel Harris comes from a very different tradition – a revolutionary tradition – to that of academic Marxism. His writings have always expressed an unbridled hatred for the state and complete contempt for those who believe it is possible to reform capitalism. But in his attempt to come to terms with the internationalization of capital over the last 20 years he has turned to an account of the state which belongs to the "state simply as superstructure" school.

He argues that the interests of capital are increasingly international interests, not bounded by any national borders. Each individual capital grew up within a particular nation states, but can now operate within virtually any state, bending it to its will. The particular state was a necessary instrument at one stage of capitalist development – a superstructure once needed by capital accumulation – but is no longer. Capitalism is led to challenge the state which has accompanied its growth in the past, to act “against the arbitrary and corrupt absolutist state”, to “move to the completion of the bourgeois revolution” in a way reminiscent of 1848. [7]

Nigel does not mean that the state simply withers away. Far from it. The bureaucratic structures of the state remain intact. They have interests of their own to preserve, interests that are tied to a particular national geographic area, interests in maintaining class peace, interests in attracting capital in competition with other states, interests in building up military prowess. And so the modern world is characterized not just by an increasing volume of trade in goods and capital, but by state boundaries which impede that trade in a manner which is, from a capitalist point of view, irrational. There is “bread”, but there are also “guns”.

The State as Capital

While most of the left has seen the state and capital as opposed, there has been a minority tradition that equates the state with capital. Its intellectual origins go back to the insights of Lenin and Bukharin in their books on imperialism written at the height of the First World War. [8] They spoke of the state “*merging*” with capital, of “*state monopoly capitalism*”, or simply of “*state capitalism*”. It was these insights that Tony Cliff used when he developed the only coherent Marxist analysis of Stalin’s Russia [9] and various ex-colonial countries. [10]

But Mike Kidron went further and extended the "insights" into what he claimed was a complete "theory" of ageing capitalism. [11] In Kidron's account individual states and individual capitals become completely congruent with each other: every state acts at the behest of a set of nationally based capitals, and every significant capital is incorporated in a particular state. If you talk about the interests of British capitalism, you are talking about the interests of the British state; if you talk about the British state, you are talking about the operations of British capitalism. This does not mean that there are no exceptions to the rule – no capitals that temporarily escape from the control of national states or no national states that temporarily act against the interests of nationally based capitals. But these exceptions, for Kidron, are a hangover from the past, relics which will disappear with the further development of the system. Indeed, the logic is for all elements of the superstructure, even trade unions, to become simple expressions of the drive of national capital to compete with its foreign rivals. Certain academic Marxists hold views which in some ways parallel Kidron's. These belong to the "logic of capital" or the "state as capital" schools. For them, the behaviour of the state is determined by the logic of capital accumulation, although they tend to see it as the logic of private capital within the individual state rather than of a state capital in competition with other state capitals. [12]

Problems with both views

There are problems of analysis and implications for political practice associated with both sets of views. If the state is simply a superstructure, then it is possible to contend that the problems that arise in the political sphere and those that arise economically are separate and distinct from each other. The struggle against the police or against racism then has nothing to do with the class struggle; the blow against the boss ceases to be a blow against the bomb. [13]

This was the logic which led Bernstein and Kautsky to drop their differences and to claim that it was possible to fight militarism during the First World War without turning the imperialist war into a civil war. It is the same logic which led Edward Thompson in the mid-1980s to talk about military competition between states as “exterminism”, which had nothing to do with old style capitalism and which could be fought by men and women of good will from all classes.

The implications of the view of the state and capital as merging completely are just as great. The forms of oppression maintained by the state are seen as flowing directly from the accumulation needs of capital. There can be no clash between them. Sexual oppression, racial discrimination, the structure of the family, bureaucratic hierarchies, political panics, even national trade union organization, are all products of the “logic” of the state as capital. [14] The consequence of such a view is to drop any distinction between fundamental social clashes which challenge the very basis of capitalist rule and less fundamental ones that can be contained by reforms to the existing institutional structure. The result is either ultra-leftist spontaneism – as with Lotta Continua and then the Italian autonomists in their heyday – in which the revolution is seen as imminent in each and every struggle, since every form of oppression flows from the immediate requirements of capital accumulation. Or it is a variant of reformism, which sees the structures essential to capital as being undermined by piecemeal rejection of each particular oppression. The strategic aim becomes the establishment of “rainbow coalition” alliances between various “autonomous movements", each seen as just as important as any other. [15]

The Origin of the National State and National Capital

You cannot correctly grasp the relationship between the state and capital today unless you reject both the "simple superstructure" and the "state as capital" positions. Instead, you have to understand the concrete ways in which capitals and the capitalist state necessarily interact in the course of historical development. Existing national states did arise out of the developing capitalist organization of production, as superstructures. But they feed back into that organization, helping to determine its tempo and direction.

Marx pointed out in Volume Two of *Capital* that capital appears in three forms – as productive capital, as commodity capital and as money capital. Every process of capital accumulation involves repeated changes from one form to the other: money capital is used to buy means of production, raw materials and labor power; these are put together in the production process to turn out commodities; these commodities are then exchanged for money; this money is then used to buy more means of production, raw materials and labor power, and so on.

The forms of capital are continually interacting as one changes into the other, so that at any given point in time some of the total capital will take the form of means of production, some of commodities waiting to be sold, and some of money. But there can also be a partial separation of these three different forms. The organization of direct production, the selling of commodities and the supply of finance can devolve upon different groups of capitalists.

It is this separation which creates the illusion that capital is an object that grows in size by some magical process. For it does for those capitalists who simply buy and sell commodities, and for those capitalists who simply advance money and reap interest payments in return.

Each of these forms of capital has had, historically, a different relationship to the body which has a monopoly of political violence in any particular geographic locality – the state. Money capital can (or at least could, in its classical form, when gold was the main means of payment) operate regardless of state structures. It could flourish, as Marx noted, long before the development of capitalism generally. Money lenders in one part of the world would make loans to borrowers in other parts of the world, relying on the recipients' need for further loans to guarantee repayment with interest. So it was that Italian bankers could finance the French absolute monarchy and south German bankers the Spanish absolute monarchy. Financiers did not *need* to be tied to a particular state to flourish provided they could find ways of making sure the state did not actually confiscate their wealth.

Commodity capital could also flourish in all sorts of political structures – in slave societies of medieval antiquity, amid the battling lordships of the early feudal period, in the centralized absolutist states of late feudalism. Yet the more it developed, the more it came to require the protection of state structures it could influence. Otherwise those who controlled states could present obstacles to it: pillaging merchant convoys on the road, allowing pirates to intercept seaborne traffic, imposing local customs dues that prevented the growth of a truly national, let alone international, market, imposing price controls that restricted the potential for profit making.

So from quite an early period onwards, merchants tended to encourage the growth of political structures under their own control. As Braudel tells of the medieval period, there arose:

> ...business rivalries between individuals, between cities and between "nations" as a national group of merchants was called. Sixteenth century Lyons was dominated by ...organized rival groups, each living as "nation"... Their presence meant the establishment of empires, networks and colonies in certain areas. Trade circuits and communications were regularly dominated by powerful groups who appropriated them and who might forbid other groups to use them. Such groups are easy to find when one starts looking for them, in Europe and even outside Europe. [16]

Productive capital is necessarily much more dependent than merchants' capital upon state power. It cannot function without, on the one hand, a guarantee of its own control of means of production (a guarantee which, in the last resort, relies upon "armed bodies of men"), and, on the other, a labor force which has been "freed" from coercion by any other social group (slave owners or feudal lords) and from any control over means of production.

If local state power prevents these conditions arising, the development of productive capital is stunted: there were absolutist states in which finance capital flourished but productive capitalism barely took root, and medieval cities in which artisans produced commodities for the market without the separation of workers from the means of production which was required to move from simple commodity production to capitalist production. [17]

When Marx wrote about the "primitive accumulation of capital" he was not just describing the (very barbaric) means by which the early capitalists built up their fortunes. More importantly, he was pointing to the social and political measures which were needed to concentrate means of production in capitalist hands and to "free" the labour force. The full development of capitalism requires that productive capital subjugate commodity and money capital to itself. Only productive capital – the exploitation of workers in the labor process – guarantees a continually growing pool of surplus value and, with it, a source of ever larger profits for capitalists of all sorts.

If the development of productive capital, and to a lesser extent commodity capital, is entangled with the development of the geographic state, then so is the development of capitalism as a whole – even if in the form of money capital capitalism seems to have no need for the state.

The point is important – money capital often seems to be the "pure" form of capital, the form in which the self expansion of value is most vividly to be seen. But like the other forms of capital, it is in reality, as Marx put it, "not a thing but a relation", a relation which involves the exploitation of people at the point of production. And that exploitation needs to be underpinned by the political structures of the state.

Any productive capital grows up within the confines of a particular territory, alongside other sibling capitals (they are, as Marx describes them, "warring brothers"). They are mutually dependent on each other for resources, finance and markets. And they act together to try to shape the social and political conditions in that territory to suit their own purposes.

This involves an effort to "free" labor from the control of other classes, to remove obstacles to the sales of their products, to create an infrastructure (ports, roads, canals, railways) to fit their requirements, to establish sets of rules for regulating their relations with each other (bourgeois property laws) and to create an armed power which will protect their property both from domestic and external threats. Their efforts to achieve all these things will be aided if they can supplant a mass of local dialects and languages with a single form of spoken and written speech. Their aim, in short, has to be to create a *national* state power – and with it a national consciousness and language.

The national state and different nationally based capitals grow up together, like children in a single family. The development of one inevitably shapes the development of the others. This does not mean that the structures of the state are an immediate product of the needs of capital. Many of the elements of the pre-capitalist state are restructured to fit in with the needs of the capitals that arise within them, rather than simply being smashed and replaced. But they we actively remolded, so as to function in a very different way than previously, a way that corresponds to the logic of capitalist exploitation.

Capitalist production began in Western Europe in the late medieval period. Industrial and agrarian capitals were usually not nearly powerful enough to shape the whole of the political structure. But their presence could be a significant counterweight to the old baronies, so making it easier for kings to replace the decentralized feudalism of the early medieval period with absolute monarchies. The "*mercantilist*" policies of these monarchies then provided the impetus towards a wide development of commercial capital and a much more limited development of productive capital within the confines of each state.

This growing weight of capitalist interests became decisive when the absolutist states themselves entered into crisis. In England in the 1640s and France in the late 1780s and early 1790s they were able to ensure that the social and political crisis was resolved by the establishment of unitary national state structures that would serve their interests. The only viable alternatives to the crisis were those which encouraged capitalist development (even if those, like Cromwell in Britain and the Jacobins in France, who imposed these alternatives did so in opposition to the immediate desires of some powerful capitalist interests).

These national states then became the model for those elsewhere who wanted to break out of the backwardness of decaying feudalism or to escape foreign colonial control. Sometimes this was a case of already developing bourgeois or petty bourgeois groups seeking to establish a national state under their own control; on other occasions intellectuals or army officers saw their own interests as best advanced by using state power to impose capitalist forms of exploitation and accumulation on the rest of the population.

In every case the development of groups of industrial and agrarian capitals is inseparable from the transformation of the geographic area in which they are based into a national state with its own language, system of laws, banking system and so on.

Stages in the Development of the State and Capital

Classical economics provided an account of capitalism in which the state played a negligible role. It was a theory of pure capital, of self expanding capital which took no regard of national frontiers. It was this theoretical account which Marx took up in *Capital* and carded through to its logical conclusion, showing how capitalism contained inbuilt contradictions even when considered in the most abstract manner. [18]

But the real, concrete history of capitalism was always very much intertwined with the history of the state. Classical economics was, in fact, an empirical description of only one, historically limited, phase of the system, that of the mid-19th century. Things were very different when Adam Smith wrote, as he himself recognized when he complained about the devotion of Britain's business classes to its empire:

> To found an empire for the sole purpose of raising up a people of customers may at first sight appear a project fit only for a nation of shop keepers. It is, however, a project altogether unfit for a nation of shop keepers, but extremely fit for a nation whose government is influenced by shop keepers. [19]

The growth of British capitalism in the two centuries before Smith had, in fact, been very dependent upon sponsorship by the state and the economic activities of governments. The enclosure acts, the navigation laws, the great state sponsored monopolies headed by the East India Company, state expenditures on equipping the armed forces, especially the navy, all played a vital part in that growth. A very long spell of state sponsorship, of "mercantilism", was necessary for British capitalism to develop sufficiently to be able to dominate the world on the basis of the free trade urged by Smith.

The Smithian doctrine did not become the practice of British capitalism until the 1840s and 1850s (with the repeal of the Corn Laws and the removal of India from the control of the East India Company) and even then the forces of the British state still played a central role in imposing free trade on other parts of the world. The Opium Wars are just one example.

What is more, this “classical” phase did not in practice last much more than half a century. By the 1880s and 1890s British governments were carving out new colonies in Africa to supplement their old ones in Asia and the West Indies. And although there were not to be formal measures (tariffs, quotas) tying the colonial economies to Britain until the establishment of “imperial preference” in the 1930s, there were a mass of informal links.

Capitals had established themselves in Britain through close links with the national state. Once established they had then used this national base to encompass the rest of the world. And when, after a few decades, capitals from other countries began to challenge their dominating role, they then turned once again to their own national state to establish areas of privileged access for them.

The newer centers of capital accumulation that emerged alongside Britain in the 19th century were as dependent upon national state support as British capitalism had been previously. German, Italian and Yankee capitalists all looked to a national state which would use its power to impose protectionist measures against outside competition: the rise of indigenous capitalist firms in these countries was closely tied to the establishment of unitary states prepared to accede to their demands (the unification of Italy, the victory of the North in the American Civil War, the establishment of the German Empire under Bismarck).

Capitals aided the creation of the unified state – and success in the struggle for unification usually gave an enormous boost to indigenous capital (e.g. the tremendous growth of American capitalism in the decades after the Civil War and of German capitalism after the Franco-Prussian War).

Historically, then, capitals have never developed according to the anti-statist schemas of classical economics. They have influenced and been influenced by the state structures in which they have found themselves. This has left its impact on the specific features of the individual capitals.

Regarded simply as accumulations of wealth, all capitals may have the same character, differing only in their size. But each individual capital, like each individual commodity, has a twofold character. As well as being measurable in terms of exchange value, it is also a concrete use value – a concrete set of relations between individuals and things in the process of production. Each particular capital has its concrete ways of bringing together labor power, raw materials and means of production in the production process, of raising finance and getting credit, of establishing networks for distributing and selling its output.

It inevitably turns for assistance in all of these tasks to other local capitals and to the state in which it is located. Capitals in a particular geographical location do not merely compete with each other; they also co-operate with each other and with the state to establish mechanisms for achieving mutual goals. And this co-operation inevitably leaves its imprint on the internal make up of each capital, so that a particular capital would find it very difficult to cope if it were suddenly to be torn apart from the other capitals and the state with which it has co-existed in the past.

The groups of capitals and the state with which they are associated form a system in which each affects the others. The specific character of each capital is influenced by its interaction with the other capitals and the state. It reflects not only the general drive to expand value, to accumulate, but also the specific environment in which it has grown up.

The state and the individual capitals are intertwined, with each feeding off the other.

This interaction takes place in different ways. The legal code of the state and the way it raises revenue, influence, and are influenced by, the *internal* organization of each capital – the relationship between owners and managers, accounting procedures, even the ease with which it can recruit and lay off labor. They also *affect and are affected by* the relations between capitals – the extent to which there is a fusion between productive capital and merchant capitals (with firms doing their own marketing), or between finance capital and productive capital (with firms depending on "their" banks to raise money).

Neither the state nor the particular capitals can easily escape this *structural interdependence*. The particular capitals find it easier to operate within one state rather than another, because they may have to profoundly restructure both their internal organization and their relations with other capitals if they move their operations. The state has to adjust to the needs of particular capitals because it depends on them for the resources – particularly the revenues from taxation – it needs to keep going: if it goes against their interests, they can move their liquid assets abroad.

This structural interdependence explains why the capitals that grow up in one particular state tend to differ in certain ways to those that grow up in other states. For instance, the level of monopolization of British capital tended to be less than that of German and American capital in the early years of the 20th century; the role of the banks tended to be different in pre-First World War Britain to their role in Germany or France; the state was much more important in the formation of a skilled labor force in Germany than in Britain in the 19th century; today

Japanese firms typically raise finance in a rather different way to British or American firms; the influence of the state on private capital investment is much greater in Japan or France than in the US.

Such structural adjustment of states and capitals to each other is necessarily accompanied by something else – the intermingling of their personnel so emphasized by the “instrumental” view of the state. The relationship between the capitals based in a particular country and their state is not simply a relationship between impersonal structures. It is a relationship between people, between those engaged in exploiting the mass of the population and those who control bodies of armed men. Personal contact with the leading personnel of the state is something every capitalist aims at – just as every capitalist seeks to cultivate ties of trust and mutual support with certain other capitalists.

Relations between the rulers of the state and the capitalists who have accumulated wealth within its orbit tend to be much closer than either’s relations with outsiders. The fact that the leading personnel of the state went to the same schools as the leading capitalists, go to the same clubs, and are intermarried with each other, is very important to the individual capitalists in much the same way as are interlocking directorships between firms, their suppliers and their bankers. To deny this, as some critics of the “instrumental” account of the state do, is not to take account of the fact that both the state and the capitals are concrete complexes of social relationships, in which the character of the leading personnel is of enormous importance.

The market models of classical and neo-classical economics portray capitals as isolated atoms which engage in blind competition with other capitals. In the real world, capitalists have always tried to boost their competitive positions by establishing alliances with each other and with ambitious political figures – alliances cemented by money but also by intermarriage, old boy networks, mutual socializing. [20] Knowing the right people is an important complement to adequate finance for any successful capitalist – indeed, often an indispensable precondition for getting that finance.

The networks of who knows whom have grown up within the orbit of particular national states, usually around particular major cities. For instance, in the United States in the mid-1970s there was a "concentration of corporate head offices", with most of the top 500 corporations being located in the "mid-Atlantic" and "East North Central" regions. Despite the growth of "sunbelt" industry, only 12 percent of head offices were in the South. [21] Even in multinational corporations, what is sometimes called "the headquarters effect" is at work. As one commentator has noted:

> Multinationals tend to locate the activities which create the greatest added value and which give them the greatest competitive edge as close as possible to their headquarters. [22]

The extent of the linkages which have grown up between national states and the capitals within their boundaries is shown by the difficulties the European Community has in overcoming:

> the refusal by governments, utilities and monopoly industries to purchase from suppliers outside their own countries. At stake is a market valued at £281 billion, or 10 percent of European Community economic output. It is a big—and sometimes sole—source of demand for products ranging from turbine generators to telephone exchanges and has long been used by governments to promote national champion industries at the expense of foreign rivals ... Fewer than 5 percent of all central, regional and local

> public orders go to bidders from other countries and many are awarded on a non-competitive single tender basis. [23]

The "Autonomy" of the State

There are cases in which those who control the state break with those who control the capitals within their territory. The Nazis did confiscate Thyssen's wealth and establish their own Hermann Goering Werke as an important component of the German economy. Peron's first government in Argentina did seize the super-profits of the agrarian capitalists and redirect them into state controlled industrial development. Nasser in Egypt and the Ba'athists in Syria did dispossess big capital (both indigenous and foreign) and transform it into state capital. Those who controlled the state machines of Eastern Europe after the Second World War did use them to impose almost complete stratification of the means of production.

There are also many cases in which the individual capitals behave in ways detrimental to the interests of "their" state – moving funds and investment abroad, doing deals with foreign capitalists that undercut other local capitals, even selling weapons to states fighting their own. Yet there are limits to the extent to which the state can break free of its capitals, and capitals of their state.

The limiting case for the state is that, even if it overrides the interests of particular capitalists, it cannot forget that its own revenues and its own ability to defend itself against other states depend, at the end of the day, on the continuation of capital accumulation. Thus the Nazis could expropriate Thyssen, they could seize the wealth of Jewish capitalists, they could establish the horrific machinery of the death camps without it providing any appreciable benefit to German capital, they could even insist on continuing the war after it was clearly going to be lost and the interests of German capitalism would have been served by attempts at a negotiated peace. But they could only do all of these things so long as they ensured that capitalist exploitation took place on the most favorable terms for capital (state and private) and, therefore, that accumulation continued. The same applies to Peron, Nasser, the Ba'athists, the East European regimes and so on.

The limiting case for the individual capital is that though it can, with considerable difficulty, uproot itself from one national state terrain and plant itself in another, it cannot operate for any length of time without having some state to do its will. It is too vulnerable to try to operate in a "Wild West" situation in which there is no effective state, leaving it prey both to forces below which might disrupt its normal rhythms of exploitation and to other capitals and their states.

A break, either of the state with its capitals or of the capitals with their state, is a difficult and risky business. If the state turns on private capital, it can create a situation in which people begin to challenge not merely private capital but capital accumulation as such and, with it, the hierarchies of the state. If a private capital breaks with "its" state it risks being left to fend alone in a hostile and dangerous world. So there is neither an easy, peaceful road to state capitalism nor an easy shift of industrial capitals from one metropolitan centre to another.

The Class Character of the State Bureaucracy

Most discussions of the state and capitalism never even touch one major question – the class character of the state bureaucracy itself. The assumption is usually that it is simply a passive creature of a capitalist class whose own position is defined by its private ownership of the means of production. Sometimes the bureaucracy is presented as having interests of its own which may make marginal encroachments on the interests of private capital, but this is rarely spelt out: it is usually no more than an ad hoc assumption thrown in so as to make sense of individual events.

Such a view made a certain sense when Marx was looking at mid-19th century British capitalism with its minimal "nightwatchman" state. State expenditure was at very low levels and taxation only marginally affected the pricing of goods or the level of people's disposable incomes. However, this account of the state can make no sense of the absolutist period which witnessed the rise of "productive" capitalism or of capitalism in the present century. In both cases, the state bureaucracy itself is a very significant social layer, state expenditures play a very important part in determining the way society develops, and state taxation and borrowing decisively influence the general structure of prices and the disposable incomes of the different classes.

Marx went far beyond the view he put forward in the *Communist Manifesto* when, in 1871, he wrote that "the complicated state machinery ...with its ubiquitous and complicated military, bureaucratic, clerical and judiciary organs, encoils the living society like a boa constrictor ... Every minor social interest engendered by the relations of social groups was separated from society itself, fixed and made independent of it and opposed to it in the form of state interest, administered by state priests with exactly determined hierarchical functions.”

He emphasized that such a state bureaucracy did not merely live off exploitation by separate, private interests, but superimposed on them its own exploitative activities. The state was “not only a means of the forcible domination of the middle class” but also “a means of adding to the direct economic exploitation a second exploitation of the people, by assuring to their [i.e. the middle class’s – *CH*] families all the rich places in the state household.” The state bureaucracy arises to assure the domination of the existing ruling class, but in the process becomes a “parasite” which is capable of “humbling under its sway even the interests of the ruling classes ...” [24]

Under ageing capitalism, the proportion of the total income of society passing through the hands of the state is usually much greater than income going directly to private capital as profits, interest and rent. Investment directly undertaken by the state is often more than half total investment. [25] The state bureaucracy directly disposes of a very big portion of the fruits of exploitation and oversees a great amount of economic activity. Its class character is very important to the whole functioning of society.

There is enormous confusion among many professed Marxists as to what constitutes a class. They argue that class depends on individual ownership (or non-ownership) of property, and that therefore the state bureaucracy cannot be an exploiting class or part of an exploiting class – hence the claim that the ruling stratum in the Eastern states has not in the past been a class, although it is conceded that privatization might now be transforming it into one.

But classes, for Marx himself, were aggregates of people whose relationship to material production and exploitation forced them to act together collectively against other aggregates. In an unfinished final chapter to volume three of *Capital* Marx insists that classes cannot be identified simply by the "sources of revenues" since this would lead to an infinite division into classes, paralleling the infinite fragmentation of interests and rank into which the division of social labor splits laborers as well as capitalists and landlords – the latter, e.g., into owners of vineyards, farm owners, owners of forests, mine owners and owners of fisheries." [26]

What makes such diverse groups come together into the great classes of modem society, he argues elsewhere, is the way in which the revenues of one set of groups arise out of the exploitation of those who make up other groups. The social relations of production and exploitation divide society into two great groupings, one of which exploits the other. The historic opposition between them forces each to band together against the other, to behave as a class. [27]

Feudal lords form a class because each depends for his survival on the surplus which he forces the serfs to hand over to him and therefore will unite with other feudal lords against all serfs: whether he participates in the exploitation of the serfs as an individual landowner, as a dignitary in a religious order or as a royal official, is a secondary matter compared to this fundamental definition of his class position. For this reason, holders of high office in a state based upon feudal relations of exploitation are part of the feudal ruling class: both their own existence and the functions they fulfill in the state depend upon them identifying with the prevailing form of exploitation.

In the same way, under mature capitalism, the directing layer in the state bureaucracy is dependent upon successful capitalist exploitation and accumulation. It cannot get the revenues it requires if this is not happening. And so it is forced to provide conditions which will encourage capital accumulation within the boundaries of its state – on the one hand to make sure that resistance to exploitation by the mass of the population is kept to a minimum, on the other to enhance the competitiveness of nationally based capital as opposed to capital that is based abroad.

Any state bureaucracy which fails to accomplish this is going to see the resources it needs for its own privileges and its own functioning dry up. Whether it likes it or not, it is compelled to act as an agent of capital accumulation and to identify its own interests as national capitalist interests in opposition both to the interests of foreign capital and the working class.

It is this requirement which sets the most fundamental limits on the "autonomy" of the state. Just as the individual capitalist can choose to enter in one line of business rather than another, but cannot avoid the compulsion to exploit and accumulate in whatever line he goes into, so the state bureaucracy can move in one direction or another, but cannot ignore the needs of national capital accumulation without risking its own longer term future. Its "autonomy" consists in a limited degree of freedom as to how it enforces the needs of national capital accumulation, not in any choice as to whether to enforce these or not.

The dependence of the state bureaucracy on capitalist exploitation is often concealed by the way in which it raises its revenues – by taxation of incomes and expenditure, by government borrowing or by "printing money". All of these activities seem, on the surface, to be quite different from capitalist exploitation at the point of production. The state therefore seems like an independent entity which can raise the resources it needs by levying funds from any class in society.

But this semblance of "*independence*" disappears when the state's activities are seen in a wider context. State revenues are raised by taxing individuals. But individuals will attempt to recoup their loss of purchasing power by struggles at the point of production – the capitalists by trying to enforce a higher rate of exploitation, the workers by attempting to get wage increases. The balance of class forces determines the leeway which exists for the state to increase its revenues. These are part of the total social surplus value – part of the total amount by which the value of workers' output exceeds the cost of reproducing their labor power (i.e. their take home wages). [28]

In this sense, state revenues are comparable to the other revenues that accrue to different sections of capital – to the rents accruing to landowners, the interest going to money capital, the profits from trade going to commodity capital and so on. Just as there is continual conflict between the different sections of capital over the sizes of these different revenues, so there is continual conflict between the state bureaucracy and the rest of the capitalist class over the size of its cut from the total surplus value.

The state bureaucracy will, on occasions, use its own special position, with its monopoly of armed force, to make gains for itself at the expense of others. In response to this, the other sections of capital will use their own special position – industrial capital its ability to postpone investment, money capital its ability to move overseas – to fight back. Yet in all this the different sections of capital cannot forget their mutual interdependence.

The state, money capital and commodity capital cannot increase their revenues unless surplus value is being generated in the domain of production. Productive capital cannot get surplus value unless the state ensures a plentiful supply of “free” labor with sufficient skills, and provides means of physical defense. It also requires that commodity capital ensures realization of the surplus value and that money capital can provide the funds for further expanding production. Commodity capital cannot function effectively unless the state lays the basis for the operation of a stable national market and uses its influence to open up foreign markets.

Each element branches out on its own, like nerves in a human body. but still cannot escape its dependence upon huge ganglions where it intertwines with all the others.

These ganglions, knots where the mass of different capitals are entangled with the state bureaucracy they sustain and depend upon, are the national capitalist economies.

Those who run the different elements can act, up to a certain point, as if they had complete autonomy. In particular, money capital and commodity capital can act as if they had no dependence upon the geographically rooted means of production of industrial capital. In the same way, those who run the state can act, up to a certain point, as if their revenues did not depend upon successful capitalist exploitation and accumulation. This is what happens when reformists, populists or even fascists get control of pans of the state structure and use them to carry through social change.

Yet at the end of the day the mutual interdependence of the different elements asserts itself in the most dramatic fashion, through crises – the sudden collapse of the system of credit, the sudden inability to sell the commodities, sudden balance of payment crises or even the threat of state bankruptcy. The “autonomy” of those who run the state is, in this sense, a bit like the “autonomy” of the banker, the commodity speculator or the individual industrialist. Each is able, up to a certain point, to act as if the overall drive to exploit and accumulate can be ignored.

The banker can lend without any real consideration of the ability of the debtor to pay back. The commodity speculator forgets the dependence of his profits on consumption that can only take place if there is an expansion of capitalist production. The individual entrepreneur can be lulled by temporary success and allow his enterprise to lag behind in the drive for further investment and innovation. Those who command the state can embark on all sorts of ambitious schemes that weaken the ability of nationally based capital to compete with its rivals elsewhere. But all are eventually forced back into line by the pressures of the total system.

This has very important implications for the class position of those who direct the bureaucracies of the state. They may not own individual chunks of capital. But they are forced to behave as agents of capital accumulation, to become, according to Marx’s definition, part of the capitalist class.

Marx points out in *Capital* that with the advance of capitalist production there takes place a division of function within the capitalist class. The owners of capital tend to play a less direct part in the actual organization of production and exploitation, leaving this to highly paid managers. But, insofar as these managers continue to be agents of capital accumulation, they remain capitalists. The Austrian Marxist

Hilferding developed the argument further, pointing to the divisions within a single capitalist class between the mass of renter capitalists, who rely on a more or less fixed rate of return on their shares, and "promoter" capitalists who gain extra surplus value by gathering together the capital needed by the giant corporations. [29] We can add a further distinction, between those who manage the accumulation of individual capitals and those who, through the state, seek to promote the development of the sibling capitals operating within an individual state – what may be called state capitalists or political capitalists.

There are many finance capitalists who are also merchant capitalists and productive capitalists. There are many entrepreneurial capitalists who are also share owning capitalists. In the same way, those who concern themselves with accumulation at the nation state level often come from the ranks of entrepreneurial or shareholding capitalists and will often return there at a later date.

So it is that in Britain the heads of giant private companies have included individuals who made their careers first by rising to the top of nationalized corporations: in two well known cases, those of Alf Robens and Richard Marsh, using political success within the Labor Party as a stepping stone to running the state corporations and then moving into the private sector. So it is that in France the career of Calvet, the head of the giant private sector car firm Peugeot, has involved spells in both public and private sector. So it is that in Japan it is normal for people who have made careers in public agencies of accumulation, like the powerful Ministry of International Trade and Industry, to move to top jobs in the private sector. So it is in Italy that the management structure of the key nationalized enterprises, IRI and ENI, has long been intertwined with the political hierarchies of the governmental parties, particularly the largest, the Christian Democrats.

One account of a notorious Italian financial scandal, by a *Financial Times* journalist, tells:

> To raise money in Italy is to secure a loan from a bank. The banks, however, can in turn be heavily conditioned by the politicians ... [In the early 1980s] some three quarters of the Italian banking system was owned by the state. And in many cases the senior posts are politically conditioned appointments, the accepted spoils of power. [30]

In the 1960s, "the Christian Democratic Party ... moved to increase its control of the banking system and the constellation of public sector corporations ..." [31] With the formation of "centre left coalitions" there was an intensifying struggle for top public sector jobs' between the different governmental parties:

> The Christian Democrats and Socialists have split into factions competing as much against each other as against the theoretical Communist opposition ... These factions and cliques...have found their new battleground in the banks and other appendages of the state. [32]
>
> A new breed of entrepreneur was emerging. Technically its members represented state enterprise and the public sector; but in practice they moved like financial barracuda, acting sometimes on their own behalf sometimes for their political patrons, but unfailingly with money from the public purse ...
>
> The fiercest of the barracuda was Eugenio Cefis, chairman of ENI, the state oil group. And his hand was behind the most dramatic example of this "politicization" of industry in 1968, when ENI secretly built up a controlling shareholding in Montedison, Italy's biggest, and hitherto privately owned, chemical concern. [33]

Years before this the first head of ENI, Enrico Mattei, had used the funds under his control "to dominate the politicians ... to the extent he was considered the most powerful single figure in Italy" [34] even setting up – with funds that theoretically belonged to the state-his own newspaper, *Il Giorno*. [35]

Today ENI is estimated to be the fourth biggest industrial corporation in the world outside the US. [36]

The individual "political capitalists" do not owe their highly privileged position in society to the size of their individual holdings of stocks and shares. Political influence and personal guile are usually the key. But they have in common with shareholders and private entrepreneurs an interest in maintaining the level of exploitation and accumulation. The *Financial Times* recently noted of France:

> The chairmen of state owned companies are appointed for three year terms. These days the best way of ensuring your appointment is renewed – whatever your political friendships – is to produce profits. [37]

In behaving like this, the state appointees behave as much like capitalists – as living embodiments of capital accumulation at the expense of workers – as do private entrepreneurs or shareholders.

Imperialism: the Merger of Finance Capital, Industrial Capital and the State

We are now in a position to make sense of the “*merging of the state and capital*” which was so central to the writings on imperialism of Lenin and Bukharin. The logic of capitalism leads to the growing concentration and centralization of capital – the replacement of many small capitals by a few large ones. The groups of these that operate within any single country are dependent on each other and the national state, laying the basis for a new integration of industrial, commercial and finance capital around the state. Each national state becomes the nodal point around which capitals cluster, even when their activities lead them to branch out from it to penetrate the rest of the world.

But that is not the end of the matter. The mutual interdependence of each national state and a few large capitals gives rise to a tendency for the boundaries between the state and the capitals to break down. The capitals turn increasingly to the direct use of personal influence (rather than the indirect use of market pressures) to determine how the state acts, and the state bureaucracy increasingly interferes in the internal management of particular firms.

The interpenetration of national capitals and the national state finds expression in an important change in the way in which capitalist competition itself takes place. It is increasingly regulated within national boundaries, while assuming the form of military, as well as (or even instead of) market competition internationally.

This “new dimension of competition” does not at all negate the dependence of the capitals and the state bureaucracy upon capitalist exploitation and accumulation.

Acquisition of the means of destruction on the necessary scale to assure success in war depends upon the same drives as acquisition of the means of production on the necessary scale to assure success in the struggle for markets – the driving down of wages to the cost of reproduction of labour power, the driving up of the productivity of labour to the level which prevails on a world scale (so that nothing is lost in translating national concrete labour into international abstract labour), and the drive to use the surplus for accumulation.

The only difference, in this respect, between military and economic competition is the form the accumulation takes – whether it is in terms of an accumulation of use values that can be used to produce new goods or of use values that can be used to wage war. In either case the importance of these use values to those controlling them is determined by comparison with use values elsewhere in the system, a comparison which transmutes them into exchange values. As Lenin emphasised, periods of "peaceful" competition prepare the way for periods of all out war, and periods of all out war prepare the way for periods of "peaceful" competition. [38]

So even in periods of "peace" the relations between the different capitals are not simply dependent, as in Marx's model in *Capital*, on their market relations. Conditions are those of an "armed peace" in which the relative influence of the different states helps determine the relative success of the different blocs of capital associated with them. And this relative influence depends at the end of the day on their ability to accumulate military hardware: it is this which determines their ability to build empires, acquire client states and create alliances.

I have outlined the history of this phase of capitalist development in *Explaining the Crisis* and there is no point in repeating it here. [39] It suffices to say that the trend towards the merger of state and industry – the “imperialism” of Lenin and Bukharin – began in the late 19th century. But it did not reach its fullest development until the 1930s, when individual “private” capitals seemed incapable of recovering from economic crisis if simply left to their own devices. Then for more than 40 years the march of statification seemed unstoppable. Everywhere the state sector grew remorselessly, with state control or ownership of basic older industries like coal, steel, transport and electricity generation, and state sponsorship (and sometimes ownership) of the most technologically advanced industries.

The process went furthest, of course, in the bureaucratic state capitalisms of the USSR, Eastern Europe and China. But in countries as diverse as Japan and Brazil, Argentina and Italy the state exercised an enormous degree of influence over the activities of the great corporations, “private” or nationalized, with people flitting from high positions inside ruling parties or state bureaucracies to the management of the great corporations and back again. To be a power in the Japanese Liberal Democrats, the Italian Christian Democrats or the Argentine Peronist Movement was to influence the decision making – and gain from the revenues – of industry as well as the state. Even in the most “liberal” of the Western capitalisms, that of the US, the key role of the military sector gave the state enormous leverage and cabinets tended to be to a large extent staffed with corporation heads. What was good for General Motors was good for the United States, and a Robert McNamara could move from helping to run Ford to bombing Vietnam and then to trying, as head of the World Bank, to create successful capitalisms in the Third World.

The rise of state capitalism was accompanied by a decline in the proportion of economic transactions that crossed state frontiers. Each national capitalist complex attempted to undertake as wide a range as possible of economic and military functions within its own boundaries, each trying to build national steel, car, chemical, shipbuilding, electronic, munitions and aircraft industries. Trade in manufactures as a proportion of world output had risen from an index figure of 1.0 in 1900 to 1.2 in 1914. It fell back to 1.1 by 1920 arid 1.0 in 1930 and then slumped to 0.7 in 1940 and 0.6 in 1950. [40]

Merchandise trade was equal to 43.5 percent of Britain's national product before 1914. In the 1950s it was down at 30.4 percent. There was a similar decline for other countries: from 11.0 to 7.9 percent for the US, from 29.5 to 18.8 percent for Japan, from 38.3 to 35.1 percent for Germany, from 28.1 to 25 percent for Italy. [41] It reached its low point after the great slump of the 1930s, when all the major powers and many of the minor ones took the path of military state capitalism.

For a generation, then, trade and financial flows between capitalist powers were subordinated to the demands of competitive accumulation within national state boundaries. Transactions across state boundaries were dependent upon negotiations at the state level. The national state provided each of the rival sections of capital with:

i. A geographic base for accumulation of means of production and destruction – i.e. provision of trained labour power, privileges as against other "foreign" capitals within a certain terrain through subsidies, tariffs, exclusion of foreign produce, cheap state produced raw materials etc.
ii. Military force to protect them against foreign state capitals and to open up new areas of privileged access.

iii. The orderly regulation of commercial relations with other capitals (through a stable legal system) and the provision of nationally based currency which can be manipulated against other currencies.

iv. Protection against the sudden harm done to important sections of nationally based capital if other sections with which they were integrated suddenly collapsed.

Mike Kidron's picture of a world of self contained, competing state capitals is very much an abstraction from this period. Yet as an abstraction it misses out very important elements of concrete reality. For the different phases in the cycle of capital continue to exist even in .a world of state capitals, and the need to fulfil them leads to divergent pressures within the state-industrial complex.

Thus even a self contained state capital can accumulate more quickly if it can gain access to funds, to money capital, outside its boundaries. And some state capitals can increase their own rates of accumulation if they can invest outside the national state – especially if this provides privileged access to commodity markets. The fact that state diplomacy mediates the flow of money capital and commodities does not mean such flows do not occur.

So even where there is a complete merger of the state and capital the different phases capital goes through create different interest groups within the single state capitalist class. Where a complete merger was never achieved in the first place, there are tendencies towards fission as well as fusion. The different elements of capital and the state will be bound together, but will also be continually trying to pull apart.

The differing pressures of military and economic competition will likewise produce a combination of divergent and convergent interests: sections of the state apparatus will identify with accumulation of military hardware and will succeed in getting sections of the industrial structure to make the same identification. Other sections of industry will be more interested in accumulation directed at market competition and will endeavour to win sections of the state bureaucracy to their side.

The result is that even at the high point of state capitalism "national planning" was very much a myth: what in reality occurred was a continual jockeying for position between different interest groups, each using political influence to get its way. Yet there could never be a complete breakdown of the national entity since access to political influence meant putting forward a programme which seemed to relate to the interests of the whole state capital. The divergent particular interests of different sections of capital and the state were still bound together by a mutual dependence on national accumulation and national state power.

Notes

1. M. Kidron, *Two Insights Do Not Make a Theory*, International Socialism (old series) 100; C. Harman, *Better a Valid Insight Than a Wrong Theory*, a reply to M. Kidron, inInternational Socialism (old series) 100, and Explaining the Crisis, ch.3; N. Harris, Of Bread and Guns and The End of the Third World; A. Callinicos, *Imperialism, Capitalism and the State Today – a review of Nigel Harris's* The End of the Third World, Internationalism Socialism 2:35.

2. H. Gulalp quite rightly observes that the discussion between Miliband and Poulantzas over the "autonomy" of the capitalist state accepts "the liberal theory of the state". They both "start from the premise of an analytical distinction between the economic and the political. This leads to the conception of the state as an independent entity with a power distinct from

the relations of class domination", while in reality the state has the job of maintaining the overall conditions for capital accumulation. *Capital Accumulation, Classes and the Relative Autonomy of the State*, Science and Society, vol.51 no.3, Fall 1987.

3. See R. Miliband, The State in Capitalist Society; *Reply to Nicos Poulantzas*, New Left Review 59, January-February 1970; *Analysing the Bourgeois State*, New Left Review 82, November-December 1972; *Debates on the State*, New Left Review 138, March-April 1983.

4. N. Poulantzas, Political Power and Social Classes; *The problem of the Capitalist State*, New Left Review 58, November-December 1970; *Controversy over the State*, New Left Review 95, January-February 1976; *Dual Power and the State*, New Left Review 109, May-June 1978. This is what I take to be Poulantzas' argument. But I have to admit that Poulantzas' way of writing was so convoluted and obscure I could be wrong. I suspect few people will take the pointless labour of ploughing through his prose to see if that is so.

5. This was, for instance, the sense of the contributions by P. Anderson and F. Halliday to the discussion after Robert Brenner's 1987 Isaac Deutscher Memorial Lecture in London.

6. This, essentially, is what A. Barnett argues in his Soviet Freedom, 1988.

7. N. Harris in Socialist Worker Review (London, September 1987). He is referring specifically to the demonstrations in South Korea of August 1987, but it is clear that he sees his comments as having wider implications, as being part of a trend towards the emergence of a genuinely international capitalist class.

8. V.I. Lenin, imperialism: the Highest Stage of Capitalism; N. Bukharin, Imperialism and the World Economy (with and introduction by Lenin) and The Economics of the Transformation Period (with marginal notes by Lenin).

9. State Capitalism in Russia, which originally appeared in cyclostyled form in 1948.

10. *Deflected Permanent Revolution*, which originally appeared in the old series of IS in 1963 and has since been reprinted in Neither Washington Nor Moscow 1982.

11. M. Kidron, *Two Insights Don't Make a Theory*, op. cit.

12. This is a criticism Cohn Barker makes on them in his articles *The State as Capital*, International Socialism 2:1, 1978; *A Note on the Theory of the Capitalist State*, Capital and Class, no.4, Spring 1978.
13. "A blow against the boss is a blow against the bomb" was the slogan of the International Socialists in the early 1960s.
14. This is effectively what M. Kidron argues in *Two Insights Don't Make a Theory*, and a somewhat similar view is present in S. Clarke, *Althusser's Marxism*, in S. Clarke and others, One Dimensional Marxism (London, 1980).
15. In fact, as the case of some of the Italian "workerists" shows, revolutionary "spontaneism" often passes over into movementist reformism: the same development was visible in Britain in the case of the small group Big Flame and the publishing house, Pluto Press when it was partly run by Kidron.
16. F. Braudel, The Wheels of Commerce (Civilisation and Capitalism, vol.II), London, 1982, p.213.
17. See the account of 16th century Lille and Leiden in R.S. DuPlessis and M.C. Howell, *Reconsidering the Early Modem Economy: The Case of Leiden and Lille*, Past and Present, February 1982.
18. His original 1857 draft outline for Capital includes plans for a fifth and sixth book on the state and on foreign trade. But he never had time to do any work on these, and in the parts of the work he completed he consciously excluded "competition in the world market" from the scope of his studies. See the account of Marx's work in R. Rosdolsky, The Making of Marx's*Capital*, London 1980, pp.14 and 22.
19. The Wealth of Nations, quote in Financial Times, 21 July 1990.
20. For a useful discussion on the literature about these networks, see J. Scott, Corporations, Classes and Capitalism, London 1985.
21. D. Clark, Post Industrial America, 1984, p93.
22. C. Lorenz in the Financial Times, 20 June 1988. The issue has recently been much discussed in relation to R. Reich's, The Work of Nations: Preparing Ourselves for 21st Century Capitalism. See the review of this book by P. Riddell in Financial Times, 14 March 1991, and the criticism of the book by C. Lorenz, Financial Times, 15 March 1991.
23. Financial Times, 13 November 1989.
24. All quotes from first draft of The Civil War in France.
25. In countries like Italy or Brazil this can be half of total productive investment; in the case of the US arms expenditure, an "unproductive" form

of investment, has been equal to total productive investment for long periods of time.

26. *Capital*, vol.III, Moscow 1962, pp.862-3.

27. As Marx put it in his notebooks for Capital: “Capital and wage labour only express two factors of the same relations. The capitalist is only a capitalist insofar as he embodies the self-expansion of value, insofar as he is the personification of accumulation”; the worker is a worker only insofar as “the objective conditions of labour” confront him or her as capital.

28. To be absolutely accurate, it is the total state revenues minus that portion of them that flows back to the working class in terms of welfare benefits, subsidies etc that is part of the total surplus value; and the value of labour power is total take home wages plus these benefits, subsidies etc.

29. R. Hilferding, *Finance Capital*, London 1981.

30. R. Cornwell, God’s Banker: an Account of the Life and Death of Roberto Calvi, London 1983, p.24.

31. R. Cornwell, ibid.

32. R. Cornwell, ibid., p.25.

33. R. Cornwell, ibid., p.40.

34. R. Cornwell, ibid., p.113.

35. R. Cornwell, ibid., pp.75-6.

36. R. Cornwell, ibid., p.113.

37. Financial Times, 9 May 1990.

38. See, for instance, Imperialism: the Highest Stage of Capitalism, London 1933, p.108.

39. C Harman, *Explaining the Crisis*, London 1984.

40. Calculation by A. Winters, contained in Financial Times, 16 November 1987.

41. Figures, based on S. Kuznets, given in Financial Times, 16 November 1987. W.W. Rostow provides figures which show similar trends, with world output growing 80 percent between 1929 and 1950, but world trade falling about 8 percent. [Quoted in Hobsbawm, The Age of Imperialism, London 1989, p.319].

(Part 2)

Beyond state capitalism

The patterns of economic activity that characterized the period of state capitalism began to change during the great boom of the 1950s and 1960s. The state capitals increasingly traded with each other – and as they did so the basis was laid for a new internationalization of production. World trade grew, on average, at about twice the rate of world output, until by the 1970s trade in manufactures was about the same proportion of world output as it had been in 1900 (and 1930). And trade did not contract with the recessions of the mid-1970s and early 1980s as it had in the inter-war years. Despite a contraction of both world output and world trade in 1982, trade grew faster than output throughout the rest of the 1980s. [42] The trade-output index soared up to 1.4 by the mid-1980s [43] and total world trade grew by 40 percent in six years. [44]

But the bare figures understate the scale of internationalization in the long boom and after. In the pre-1914 period a considerable amount of trade and a great amount of investment had been between colonial powers and their direct or indirect dependents. In the long boom the greatest growth in trade was between the advanced industrial powers themselves. So whereas about 70 percent of Britain's trade was with "agricultural countries" before 1914, in the 1960s more than 70 percent was with industrial countries. [45]

There was a similar shift in the character of investment. Whereas in 1913 only 6 percent of British direct overseas investment had been in "industry and trade", in 1958-61 20 percent was in manufacturing alone. [46]

Trade and investment in the long boom were increasingly between the advanced industrial economies themselves. And so things continued into the 1980s. There had been a flow of trade and investment towards Newly Industrializing Countries and Eastern Europe (especially Poland and Hungary) in the 1970s. In the 1980s the flow virtually ceased except in the case of the handful of countries around the rim of the Pacific (South Korea, Taiwan, Thailand, Singapore, Hong Kong). There was a flow of capital from Africa and Latin America back to the advanced countries. And even the oil rich Middle Eastern states stagnated through that decade.

What was happening was the integration of the economies of the advanced world with each other and with the Pacific NICs. The behaviour of much of the rest of the world economy became of less concern to them. What is particularly important is the form this integration took. There had, of course, always been trade between national capitalisms – this occurred even at the high point of 1930s state capitalism. There had also always been a movement of finance across national borders – the inability of national state governments to control such flows was an important factor in leading them in the direction of state capitalism in the early 1930s. But the direct organization of production across national boundaries had been very rare indeed. Until the 1950s it was virtually restricted to the integration of extractive industries in Third World countries (oil, palm oil, cocoa, etc) into the manufacturing needs of companies located within colonial powers. [47]

The growth of industry through the long boom, however, broke this pattern. The concentration of industry through takeovers and mergers, often under the tutelage of the state, had led to the emergence in particular countries of huge firms, able to channel resources into innovation and productive investment on a scale undreamt of before. They were not only able to dominate their national market but to carve out huge chunks of the world market for themselves, threatening to drive many of their competitors out of business. These in turn could only survive if they looked to an international mobilization of resources, if they became multinational, not only when it came to trade but also when it came to production.

Multinational firms (e.g. ITT, Ford, Coca Cola) had existed in the pre-war period. But they were not generally based upon integrated international research and production: the British subsidiary of a US car firm would generally develop and market its own models independently of what happened in Detroit. It was this that began to change in the 1960s and 1970s. The successful firms began to be those who operated international development, production and marketing strategies. Already by the late 1950s IBM (bolstered up by huge contracts for the US military) was able to dominate the new main frame computer industry worldwide, Boeing (again bolstered by US military contracts) began to drive rival "national" civil aviation firms into the ground, Ford and General Motors began in the mid-1970s to talk of the "world car", designed according to a single set of blueprints and assembled from components made in a dozen different countries. Petrochemical production ceased to be confined within individual European countries and came to involve elaborate pipelines carrying materials from plant in one country to plant in others.

A new stage of capitalist production, based upon multinational enterprises, had arrived. This was an outgrowth of the previous, state capitalist, stage. Significantly, many of the most successful enterprises, whose competitive edge pushed others in a multinational direction, were not themselves multinationals but very much typical products of the state capitalist era. The pressure of Japanese firms whose production facilities were still very much nationally based pushed Ford and General Motors to talk of the world car in the late 1970s; the pressure of the US based Boeing forced the European aerospace firms to pool their efforts in the production of the Airbus; the nationally based Korean shipbuilding industry scooped the pool, driving its rivals elsewhere to massive programmes of closure and cutback.

But once the process of internationalization of production was under way, there was no stopping it. By the late 1980s there was hardly an industry in which firms in one country did not have to work out international strategies, based upon buying up, merging with or establishing strategic alliances with firms in other countries.

In motors, the Japanese car firms established production facilities in the US, turning out more vehicles than the third biggest American firm, Chrysler; the nationalized French firm Renault began a series of acquisitions in the US, beginning with the small fourth US car firm American Motors; Volvo took over General Motors' heavy truck production in the US; Ford and Volkswagen merged their car production in Brazil; Nissan built an assembly plant in north east England to produce hundreds of thousands of cars a year, while Honda bought a 20 percent stake in Rover. In tyres, the French firm Michelin made itself the world's biggest producer by taking over Uniroyal-Goodrich in the US in 1988, and Italian firm Pirelli, the world's sixth biggest, has been attempting to take over the world's fourth biggest, the German Continental.

In the construction machinery industry, the US firm Caterpillar and the Japanese firm Komatsu, the two firms which dominate internationally with more than half the world market between them, have both forged alliances with smaller firms across the globe – with Komatsu taking over most of the operations of the third largest US firm Dresser, and Caterpillar extending a manufacturing and design agreement with Mitsubishi.

GEC in Britain has merged its heavy engineering production with the Alsthom subsidiary of CUE in France. CGE bought up ITT's European operations some years ago and has now done a deal with FIAT of Italy under which each gets a large minority shareholding in the other, while GEC has also joined with Siemens of Germany to take over the electronic firm Plessey.

The cost of foreign acquisitions of US companies was 10.9 billion dollars in 1985, 24.5 billion in 1986, 40.4 billion in 1987. Japanese firms owned a total of about 9 billion dollars worth of US firms in 1987, British firms about 24 billion dollars worth. [48] Total French acquisitions in the US rose from FFr 76 billion in 1988 to FFr 108 billion in 1989.[49]

The wave of international takeovers was accompanied by a wave of joint ventures and cross-border alliances. The years 1989-90 saw:

> IBM with Siemens, Texas Instruments with both Kobe Stell and Hitachi, Motorola with Toshiba, AT&T with both Mitsubishi Electric and NEC, Volvo with Renault and perhaps Mitsubishi Motors, Pilkington's with Nippon Sheet Glass, Daimler Benz with Pratt & Whitney, and, grandest of all, Daimler Benz's (vague) collaboration with the Mitsubishi group. [50]

This "*multinationalisation*" of production was not confined to the advanced countries. It affected Third World and Newly Industrializing Countries – where statification of industry had previously tended to go even further than in the West.

Argentina and Brazil were typical. Their industrial base had been established in the 1940s, 1950s and 1960s by the state intervening to direct investment into heavy industry – often into state owned companies. [51] But by the early 1970s it became clear to the more farsighted industrialists – whether in the state or private sector – that they could not get the resources and the access to the most modem technologies needed to keep up with worldwide productivity levels unless they found ways of breaking through the confines of the national economy. They began increasingly to turn to foreign multinationals for licensing agreements, joint production projects and funds – and they began to operate as multinationals in other countries.

A similar process has been at work in Mexico, where the state and the single Institutionalized Revolutionary Party long played a dominant role. In the last two decades there has been a big expansion of US subsidiaries in the northern area, just inside Mexico's border with the US. A firm like Alfa, the largest industrial group in Mexico, with 109 subsidiaries spanning automotive components, food, petrochemicals and steel, has had a growing number of joint operations with foreign firms. Its director of finance tells, "Three quarters of our non-steel business involves joint ventures. We have the culture of joint ventures."

Such developments have led some left wingers to see a growth of "neo-colonialism" undermining "national independence". But at the same time, some Mexican firms have themselves gone multinational, as with the glass maker

Vitro which has bought two US companies and become “the world’s leading glass container manufacturer, with its market almost equally split between the US and Mexico.” [52]

The same transition is now beginning to take place in South Korea. industrialization under state direction built up heavy industry controlled by a handful of *chaebol* conglomerates. These were able to break into certain important world markets like steel and shipbuilding (where Korea overtook Japan 25 years after Japan itself had overtaken Britain). But in the mid-1980s they saw the need to shift to the mass production of cars, electronics and petrochemicals – a step only possible on the basis of a multinational rather than a mainly national scale of operations. Hyundai motors was 10 percent owned by Mitsubishi of Japan and discussed supplying small cars for the US market with Ford, and Hyundai Electronics set up a small subsidiary of its own in California’s Silicon Valley and signed a deal (which the South Korean government vetoed) to assemble IBM computers. Meanwhile, in petrochemicals, both Samsung and Hyundai embarked in 1989-90 on a series of massive investments designed at scooping not just the South Korean market, but that of the whole Pacific basin – in the face of bitter competition from rival firms in Taiwan, Thailand, Singapore, Malaysia and Indonesia. [53]

The pattern of multinationalisation of the advanced Western countries, the Third World and the NICs is now being repeated in the case of Eastern Europe. As I have shown in previous articles, the first link ups between enterprises in the then Eastern Bloc and the West were already taking place in the late 1960s. [54] By the late 1980s the process had a momentum of its own and was one of the factors leading sections of the *nomenklatura* in Eastern Europe to react to the political events of 1989 by breaking sharply from the command economy and embracing talk of the "free market". By late 1990 hardly a day went by without some further report of the setting up of joint companies, of takeovers or of new co-operation agreements between Eastern and Western enterprises.

The Globalisation of Finance

The internationalization of finance has proceeded much faster than the internationalization of production. There was always some level of bank lending across national frontiers. But this grew explosively in the late 1960s: foreign currency commitments of West European banks increased eightfold between 1968 and 1974; between 1965 and 1975 the combined debt of 74 less developed countries trebled. The crises of the mid-1970s and early 1980s did not stop the trend: in the course of the 1980s the debt of the less developed countries doubled again; the United States moved from being a creditor nation to becoming a massive debtor; by September 1985 total lending to the world banking system totaled 2,347 billion dollars [55]; the Eurobond market increased 70 percent in size in the single year of 1985, with total issues worth 134 billion dollars.

Parallel with the growth in international banking went an explosive expansion of international currency deals, so that the total turnover was 150 billion dollars a day by 1984, twice the figure five years earlier. The expansion of finance across national frontiers on this scale made attempts by governments to control national banking systems seem increasingly futile. The 1980s saw a wave of deregulation which fed back into the world's financial systems encouraging further cross-border flows. As the *Financial Times* noted in the mid-1980s:

> As deregulation and technological advance pull the world banking market into a single great pool of capital, bankers are having to map out new strategies which, for most of them, amount to establishing sizeable presences in the major financial centres, London, New York and Tokyo, and some secondary ones as well. [56]

By April 1987 the **Financial Times** was reporting that:

> Visionary phrases such as "globalization of securities markets" and "serving the customer in a single world market place" are among the public utterances of top international bankers.
>
> Individual capital markets have indeed become more closely related to each other, mainly through innovations such as swaps ... Liberalization has opened up many domestic markets to new instruments and new participants, often from abroad ... Investment banks have put much emphasis on their ability to provide services globally and have consequently put significant effort into building up co-ordinated presences in the US, London and Tokyo markets as well as elsewhere ...[57]

Like bank lending, share ownership also became internationalized.

> The very nature of the cross border market in shares is that nobody knows how big it is. What is clear, however, is that it is growing ...
>
> By the end of last year, US pension funds had 42 billion dollars invested abroad, nearly three times the figure only two years previously.

In the late 1980s it was Japanese institutions which ploughed most into foreign securities. Purchases zoomed from a couple of billion dollars a year in 1982 to 60 billion dollars in 1985 to over 100 billion dollars in 1989. [58]

The State and the Internationalization of Capital

The massive internationalisation of finance, trade and production found its reflection in a tendency for bourgeois ideologists to talk as if the system did not need states. "Globalization", "internationalization" and "privatization" were the in-words. Typically *Business Week* could proclaim the age of the "stateless corporation", insisting "Forget multinationals – today's giants are really leaping boundaries". [59]

However, a closer look at reality shows this to be a vastly exaggerated view. The trend to internationalization is there – but the great majority of manufacturing companies still operate mainly within one national state from which they branch out. *Business Week's* own figures show this. It points to 47 companies as belonging to "the stateless world of manufacturing". But the majority of the shares of each of them are owned within their home country, with only six being more than 30 percent foreign owned. None were majority foreign owned. What is more, only 14 have a majority of their assets abroad – and of these half are based in the relatively small European countries of Switzerland, Holland and Sweden. The great majority of US, French, German and Japanese firms remain overwhelmingly nationally owned and have the majority of their assets concentrated in a single country.

More significant, perhaps, is what companies seek to gain in cross-border mergers and alliances. Alongside the search for access to new markets and to the resources necessary to keep up with the worldwide advance of technology goes the search for access to previously closed nexuses of influence – influence within foreign business communities and influence over foreign governments.

Accounts of mergers and agreements again and again refer, directly or indirectly, to the search for such influence. Thus, for example, talk of an agreement between the German Siemens company and the British ICL (before it was acquired by the Japanese Fujitsu) was in part motivated by "the need to gain access to each other's geographic market" – with public contracts making up much of that market. [60] The growing number of agreements between Europe's big power engineering groups is based on the assumption that national barriers will not come down easily:

> The strategy of the new groupings is to possess manufacturing plants in the main regional markets in case Europe does not open up, but it does to have the potential to lower costs through rationalisation. There is widespread belief that equipment suppliers can charge up to 30 percent more in protected domestic markets than in open competition. [61]

The aim of a proposed joint telecommunications venture between the French CGE and the American I'fl' in 1986 was not, complained a *Financial Times* editorial, "to speed the removal of the impenetrable barriers dividing national markets ...but to circumvent them by securing direct access to ITT's existing customers, particularly for digital telephone exchanges. Once firmly entrenched behind the ramparts, it could have little commercial interest in seeing the barriers lowered ..." [62]

The alliance between FIAT and the French group CGE is partly motivated by the "fit" between their spheres of influence. [63] The markets each firm brings to the alliance are dependent upon the orders of national governments over which it exercises influence. One of Fujitsu's motives in taking over the British computer firm ICL was to "gain access to a large installed customer base in the UK, particularly in the public sector”. [64] When the German detergent group Benckiner took over two leading Italian detergent producers, it had to “prepare the ground by … talking to key politicians”.

A 1990 study by the London Business School’s Centre for Business Strategy complained that in Europe, “few cross-border mergers are prompted by the search for bigger scale economics … Unlike purely national mergers, the overwhelming motivation has been access to new markets.” [65] An investigation into the reasons for the collapse of a merger between a Dutch and a Belgian bank brings out how much it depended on the ability to exert influence on two different sets of business-state relationships:

> It is extremely difficult for a bank to establish itself in a foreign market. Any bank which attempts to do so on its own must break into tight knit local relationships and establish its name to a degree which will cause people to entrust it with some of their most personal matters. [66]

Summing up, we can say that the state-business relationship does not disappear with multinationalisation. The giant company does not end its link with the state, but rather multiplies the number of states – and national capitalist networks – to which it is linked. The successor to state capitalism is not some non-state capitalism (as is implied by expressions such as “multinational” or “transnational capitalism” [67]) but rather a capitalism in which capitals rely on the state as much as ever, but try to spread out beyond it to form links with capitals tied to other states – perhaps best described as “trans-state” capitalism.

But it is not easy to arrive at trans-state capitalism. Attempts by companies linked to different national states and national "*business communities*" to merge or make agreements with each other often end in failure. This happened to a number of early trans-European mergers in the 1960s and 1970s – for example, Hoesch-Hoogovens in steel, Dunlop-Pirelli in Rubber, VFV-Fokker in aerospace – and it still frequently happens today. This has led the *Economist* to go so far as to warn that, "while many companies will spend the next few years clearing up the messes left by takeovers in the 1980s, the risk is the rest of the century will be devoted to unraveling a tangle of reckless marriages."[68] The London Business School study notes that most mergers have not been as successful as expected. [69]

The problems that confront such mergers are sometimes put down to the different "cultures" that permeate the would be partners. [70] What this really amounts to is that firms growing up in different environments develop different internal management structures and different ways of approaching external problems – or, to put it in terms of the analysis presented earlier in this article, growing up within one state capitalist complex leads to a different internal structure to growing up inside another. A certain "national character" is implanted within the organization of capital itself. The past of a capital makes it difficult for it to reshape itself for the future.

The four functions the state has fulfilled for capital in the past continue to be important to each individual capital – the guaranteeing of supplies of skilled labor power and of some degree of protection of local markets, the orderly regulation of commercial relations with other capitals and the provision of a stable currency, the taking of measures to protect firms against the sudden dangers presented by the collapse of large suppliers and customers, and the provision of military might as a last resort protector of interests.

These functions by no means "wither away". In fact, some of them grow more important. The existence of floating exchange rates between major currencies means that the value which a government tries to fix for its own currency can have an enormous effect on the international competitiveness of firms operating within its boundaries. Government influenced expenditures play, if anything, an increasingly important role in providing firms with markets for major goods (telecommunications systems, road construction, and above all military purchases). The state (together with the semi-autonomous financial institutions clustered around it, for instance the national banks) remains immensely significant as the one power capable of bailing out large companies which would otherwise go bankrupt and disrupt the rest of the national economy – witness the Bush government's 500 billion dollar "rescue" of the US Saving and Loan companies.

Firms with productive facilities within a particular state are all too aware of its importance. They know that their continued success depends, to a large extent, on their ability to pressurize the state to manipulate currency rates as they desire, to keep down the cost of labor and the interest rates on loans, to provide them with large public sector contracts, to protect them from what they claim to be "unfair" competition from abroad. The presence of a state which will defend their interests is not, for them, some afterthought based on nostalgia for the past, but an urgent necessity flowing from their present day competitive situation.

The practice of the multinationals proves this. They do not turn their backs on the state. Rather, part of the point for them of becoming multinational is to be able to extend their influence from their home state to other states which are important markets. US and Japanese firms invest in West European countries so as to be able to "jump" national boundaries and so influence the policy of these states and the European Community from within: hence the spectacle of US multinationals like Ford and General Motors lobbying European governments for measures to restrict the import of Japanese cars; hence also the spectacle of Japanese car firms negotiating for subsidies from the British state to set up car assembly plants.

The point is brought home sharply by the behavior of one of the smaller multinationals which expanded enormously on the tide of deregulation and internationalization during the 1980s – the Anglo-Turkish conglomerate Polly Peck. As it faced collapse in October 1990, the British government put pressure on the Turkish government to keep it afloat: "A strongly worded British government letter sent to Turkey last Saturday warned that Polly Peck International faced the appointment of administrators unless the Turkish government produced £100 million of rescue money within 48 hours." [71]

And when the head of the company, Asil Nadir, was arrested by British police: "In remarks on Turkish television, which seem likely to create diplomatic strains between Ankara and Britain, the Turkish prime minister Mr Akbulut, said, 'It seems they are trying to bring him down'." [72]

Nadir had established for himself a base within the state capital networks of Turkey and Turkish occupied North Cyprus, and these provided him with support in his moment of trouble. But he had not succeeded in building up anything like the same base within the state and the ruling class in Britain – the "they" of whom Akbulut complained. They abandoned him to his fate. Rarely has the interdependence of multinational capital and the state been so clearly underlined.

The continued dependence of capital on national states is borne out by the behavior of finance capital in crisis. Historically, as we have seen, finance capital has been less tightly rooted in the national state than productive capital, and in the boom conditions of the mid-1980s it seemed to move very rapidly in the direction of globalization. However, the financial crisis of October 1987 – the stock exchange crash – and the onset of recession in 1989 both brought home very strongly its need for the state.

State intervention – particularly in the US where the state poured tens of billions of dollars into the financial system – was central in preventing the financial crisis spilling over into a crisis of the rest of the system in October 1987. What is more, individual finance capitalists responded to the crisis by rushing back to the relative security of their national states.

> There is evidence that the crash has dealt a heavy blow to the development of global equity fund management. In a crisis the first instinct is to return to home base. Many of the funds that experimented with foreign investments- for instance, US pension funds-appear to have been readier to dump their recently acquired holding of foreign stocks than to sell their domestic core investments. [73]

There was an accentuation of this pattern with the beginning of recession three years later:

> Chase Manhattan ... Citibank, Bank of America and Chemical have all retreated from overseas markets recently ... Globalization, once a rallying cry, is now a dirty word. British banks, for example, have lost their appetite for aggressive international expansion, not least because their domestic profit margins are double their foreign ones. Only the Continental European banks are still expanding into foreign markets in a big way. . But Deutsche Bank, one of the

> most active, has reached a pause. "I think we have enough to digest for the time being," says the chief executive. [74]

Even Japanese finance, which continued to flow overseas after October 1987, looks set to do so less by the autumn of 1990: "*Japanese bankers in London, where Japanese banks have their largest overseas operations, suggest asset growth will fall into single figures, with greater emphasis on profitability*." [75] A deepening of the crisis, one commentator warned, "*would further encourage the institutions to take foreign profits, if available, and bring money home to bolster the books*". [76]

Under such circumstances, it is hardly surprising that far from states disappearing when it comes to the regulation of the international economy, what we are witnessing today is regulation on the basis of prolonged and often bitter negotiations between states – the succession of G7 economic summits, the Uruguay Round of long drawn out arguments over restrictions on trade.

The most prominent ideologues of capitalism may preach free trade and an end to state "interference" in international markets. But the component parts of the class they represent do not necessarily agree, even when they themselves are involved increasingly in multinational operations.

Thus, for example, late in 1990 three major European car companies – all operating increasingly on a multinational basis – could call for measures to restrict Japanese imports, key sections of French big business could join a "chorus of complaints" about what they saw as "an unrealistically low value for the dollar" [77], "*some UK defense contractors*" could express fear lest the appointment of an Australian with "*well established* *contacts to the US arms industry*" to head British defense procurement would lead to "tougher competition" [78], and Britain's four main clearing banks could privately warn the Bank of England "that the growing role of foreign banks in London was making rescue operations more difficult in the present market turndown than they had been in the early 1990s". [79]

The continued reliance of the largest capitals on the state means they have convergent as well as divergent interests with the state bureaucracy. And this bureaucracy has its own interests in promoting the development of a national integration of capitals. Thus, for instance, when the Pentagon sought in the late 1980s to resuscitate a US microchip industry which had received a drubbing from Japanese competition, its proclaimed goal was to safeguard the national independence of the US's military capacity. [80] And this goal also fitted in with the desires of some sections of industry:

> Many new chip entrepreneurs acknowledge the need for a fundamental change in the relationship between industry and government. "The laissez faire free market, survival of the fittest approach worked well in the 19th and early 20th century because we lived in an island economy. But in today's global economy some central vision is required," says Mr Hackworth of Cirus Logic. "Somebody has to have an industrial strategy for this country", agrees LSI Logic's Mr Corrigan. [81]

In Britain:

> British Aerospace was returned to the private sector in 1981 and 1985. But the umbilical cord linking Be to the public sector has never been properly severed ...The largest part of Be's business in turnover terms is generated by the defense side ... The overseas sales are inextricably linked with government policy. Out of BAe's

> turnover of £5.6 billion in 1988, it could be inferred that perhaps just £1 billion could be described as generated independently of the British government. [82]

British Aerospace is a company which increasingly aspires to play a multinational role, but it is a multinational role which could not exist without its very firm roots in the British state. This is just as clearly true in many of the countries of southern Europe, where state owned industries run by political capitalists – the various subsidiaries of IRI and ENI in Italy, the big nationalized French corporations – continue to rely on the support of the state bureaucracy to back up their domination of whole sectors of the national economy while at the same time branching out to take over firms in other counties.

The beginning of recession in the winter of 1990-1 showed that even a multinational as firmly committed to the ideology of the free market as Rupert Murdoch's News International still retained a dependence on the state – or rather, in this case, on three states. Direct political pressure was applied on the Australian, British and US governments to ease various regulations seen as obstructing its attempts to rationalize its operations and to unload some of its debt. [83] No doubt political influence was also used to persuade some at least of the 150 banks which had lent News International's money to agree to a restructuring of the company's 7 billion dollars of debt. At the same time, however, the fact that News International's network of creditors were not based mainly within a single national state added its problems. As a *Financial Times* article noted:

> The geographical diversity of lenders had added to the complication. It meant that unlike in other restructurings, there will he no single regulationary authority encouraging banks to join the transaction. In recent restructurings for the UK furnishings

> and fabrics company Laura Ashley, and for the leisure group, Brent Walker, the Bank of England's intervention has been important in securing a deal. [84]

Trans-state capitalism does not simply negate state capital. It also preserves it and raises it to a higher level. It is a dialectical transformation of state capitalism, not a cancellation of it. Such a transformation is not easily achieved. And it can make life very difficult for all sections of the ruling class. Each is pulled in contradictory directions by the process of change.

Privatization and Trans-State Capitalism

How is the question of privatization connected with the wider changes in the system? There was a decisive shift towards privatization in a number of countries in the 1980s, reversing the previous trend for the state owned sector of industry to grow. Now a number of Third World countries and most of the former command economies of Eastern Europe are following this example.

There was always a section of the conservative right who identified with an idealized view of capitalism, based on their reading of Adam Smith. They demanded a "rolling back" of state intervention in industry. Their notions sometimes got into the manifestos of mainstream conservative parties and led to the removal of minor sectors of the economy from state control. But throughout the half century from the early 1930s to the mid-1970s they were swimming against the stream of capitalist development. Then suddenly in the early 1980s their ideas began to be implemented by governments – and not just by conservative ones, but also by social democratic and Labor governments in countries like Spain, Australia and New Zealand.

This sudden implementation of schemes of the traditional right has resulted in considerable disarray on the reformist left. Support for a powerful state sector used to be one of the hail marks of both social democracy and of Stalinism internationally. This meant not only taking it for granted that the Eastern states were somehow, in however deformed a manner, socialist, but also identifying with the state sector in Western and Third World countries. The spread of state ownership within capitalism made it easier for people to claim that it could be peacefully changed into a rational, planned system. The spread of privatization is then seen as a series of defeats of socialism, and the denationalization of industry as *the* hallmark of counter-revolution, by both left and right, East and West.

But once we reject any naive identification of capitalism with private ownership, and socialism with state ownership, we have to look elsewhere for the explanation of what is happening. This is to be found in the more general loss of faith of those who preside over national economies in the ability of state intervention as a way to ward off crisis. The deep recession of the mid-1970s suddenly gave new respectability to those previously marginal right wing ideologues who held to the old pre-1930s notions of the free market – Hayek, Friedman and so on. Denationalization fitted in with their more general call for ending the strangling of "enterprise" by the state. It was a call which found wide appeal among supporters of the system because it provided them with an inverted reformism: it promised a magical solution to economic crisis that would leave the position of the ruling class untouched.

Sections of the *nomenklatura* in Eastern Europe have been attracted to the ideology of "the market" – and of privatization – in much the same way. Leaders like Yeltsin have found they can appeal to managers and workers alike by blaming the economic crisis not on the hierarchies of exploitation inside the enterprises, but on the way in which formal ownership has been in the hands of the state and not private individuals.

Meanwhile, privatization leaves effective class power in the same hands as before, as the Czechoslovak minister of privatization, Dusan Triska, recently made clear:

> The winners will be the same people who won under the old system ... The directors of the former state companies along with illegal currency dealers and other operators ... We have to be blind to this injustice. [85]

Once privatization has taken place, it can fulfill yet another ideologically important function for the ruling class as a whole. So long as ownership of capital is centralized through the state, there is a central focus for all the demands of those who suffer under the system. Privatization helps governments evade responsibility for the suffering caused by economic crisis by blaming everything on impersonal market forces. The free market economist and mayor of Moscow, Gavril Popov, said as much in an article he wrote in the summer of 1990:

> If we cannot soon denationalize and privatize property. we will be attacked by waves of workers fighting for their own interests. This will break up the forces of perestroika and put its future in question ... We must speed up changes in the forms of ownership ... We must seek new mechanisms and institutions of political power that depend less on populism. [86]

Another variant on the same theme is found in many justifications for privatization in Third World and newly industrializing countries. State ownership, it is claimed, creates powerful obstacles to the restructuring and rationalization of industry, since the state is under pressure both from workers and a section of its own bureaucracy who want their jobs preserved. Privatize industry and the state can stand back, claiming it is in no situation to allow “featherbedding” against the demands of capitalist competition.

Thus in the Ivory Coast after electricity generation was privatized, the prime minister, Alasanne Ouattara, insisted: “You can’t restructure without hurting people ... We’ve got to get the resources to promote growth and make our economy more competitive ... Privatization will come to all sectors of the economy.” [87] The country’s international donors’ viewed the move with enthusiasm: “The company was regarded as one of the most inefficient and overmanned state enterprises with exorbitant tariffs and a reputation for providing lucrative sinecures to the political elite.” [88]

There is, however, a rather different line of argument in favor of privatization that connects it directly with the internationalization of the system. It is said that there cannot be a truly international capitalist system while the ownership of large sections of the system lies in the hands of the most national of institutions, the state. This has to be replaced by ownership by an international class of shareholders.

None of this, however, should lead anyone to believe the trend towards privatization is remorseless and that opposition to it is always a sign of opposition to capitalism as such. State capitalism remains entrenched in important Western countries like Italy, France and Austria, with the state capitalists fighting hard to defend their corner against their private capitalist rivals. Thus in the European Community as a whole in the 1980s, “smaller private sector steel makers were driven out of business by larger groups backed by hefty state subsidies ...There is little sign that the state is about to retreat from owning most of Europe's steel companies." [89]

In France, "Most top posts in government, industry and finance are still dominated by a close knit technocratic elite, schooled in a statist tradition, which remains firmly plugged into the centers of political power." [90] In Austria, "The government has sold off shares in a number of companies, notably Austrian airlines, the Verbund utility, and OeMV, the oil company. But it still holds the majority." [91]

The state capitalists have often been able to rely on their states to protect them from the privatisation trend: "Leon Brittan's ... recent decision to tighten controls on state owned industries has angered Italy [whose government is dominated by the conservative Christian Democrat party – *CH*] and some other countries, which argue he is exceeding his authority." [92]

The persistence of powerfully entrenched state capitalist sectors can lead to anomalies such as that of Inmos. Originally established by the late 1970s British Labor government in an attempt to establish a national microchip industry, it was privatized by the Tories in the 1980s. Then in 1989 it was acquired by the Italian-French computer group SGS-Thomson. But:

> SGS-Thomson's controlling shareholders are Thomson CSF, the French electronic company, and IRI/Finmeccanica, the Italian holding company. Both are state owned. The UK government's determination to find a private buyer for Inmos set in train a sequence of events which led to it being renationalized. [93]

The British government is now "preparing legislation to stop state controlled foreign enterprises taking over British companies" and bringing about "nationalization through the backdoor". [94]

It is not only in its old entrenched sectors that state capitalism still plays a vital role for modem capitalism. It is central for the system as a whole – especially during a period of global crisis.

The US state's reaction to the sudden insolvency of more than a quarter of the country's Saving and Loan institutions brought that out. Rather than face the economic and political devastation which would have followed if millions of people had lost all their savings, the state effectively took over the bankrupt institutions. It thereby took into state ownership assets such as office blocks, golf courses, country clubs, shopping precincts and hotels – even if the eventual aim was to sell these off again. Estimates suggest that the eventual cost could be as high as 500 billion dollars. [95] Nicholas Bradey, the US Treasury Secretary, noted that the Resolution Trust Corporation, handling the "rescue" was "already bigger than all but one US bank ... You've seen the growth of an enormous enterprise in a very short period". [96]

When, at the end of 1990 and beginning of 1991, it seemed that a financial crisis similar to that which had hit the thrifts could hit the banks as well, commentators took it for granted the state would have to step in again – as it did when the bank of New England went bust early in January. [97]

Governments cannot simply privatise loss making nationalised companies. Even the Thatcher government kept unprofitable firms in state hands until it had succeeded in pushing through closure and redundancies programmes on such a scale as to make them attractive to private capital. And so the speed of privatisation was always much slower than implied by the ideology of the privatisers: it took the

Thatcher government 11 years to privatise less than 10 percent of the British economy.

Privatization is often a cloak used by ruling classes who want to increase the level of exploitation and suffering as they move from nationally based operations to internationally based ones. But that is no reason for socialists anywhere to line up in opposition to it with the old state capitalists – particularly as they still have important functions to fulfill for the system. Instead we have to counterpose genuine social ownership to both.

The Crisis in the East and Trans-State Capitalism

I have attempted in earlier writings to situate the crises in the Eastern states in terms of world developments. [98] It suffices here to repeat that the crisis in the Eastern states is part of the overall crisis in the relations between the state and capital as capital increasingly extends beyond national state boundaries. But the crisis in the East has an added sharpness for two reasons: first, because there was usually a delay in restructuring along international lines until ten or 15 years after a similar restructuring began in the West; second, because there was a quantitatively higher level of integration between industrial ownership and the state in these countries than in the West, so increasing the level of political disruption involved in attempting to restructure.

These greater difficulties do not mean that there is nothing to learn from the West and the Third World about the course Eastern European restructuring is going to take, or about the deep contradictions in the whole process.

The central contradiction is between the need to transcend the limits of the national state – to restructure according to criteria of worldwide competition – and the continued interdependence of any process of capitalist production and exploitation with the national state.

The ideologists of restructuring in the East often talk as if successful enterprises in the West are those that have broken away from any such interdependence with the state. They get their inspiration from the most anti-state exponents of the pro-market ideology in the West, from groups like the Adam Smith Institute or the Harvard economists who advised first the governments of Chile and Bolivia and then the government of Poland. Yet that ideology does not correspond at all to the real practice of modern capitalism in the West or the Third World – and cannot so correspond. The 1980s, the decade associated with privatization, was in fact a decade in which state spending grew internationally:

> OECD figures show that among the Group of Seven countries only Britain and Germany managed to cut general government outlays as a percentage of gross domestic product between 1979 and 1989. In the OECD as a whole, the percentage of general government spending in GDP rose to 39.8 percent from 37. 2 percent over the ten years. [99]

What is more, there are already signs that the 1990s have begun with "a splurge of spending", with the overall budget deficit of the Group of Seven rising from 1.8 percent to 3 percent in 1989 and continuing to rise in 1990 as a result of the US thrifts rescue, the cost of unifying Germany and a shift to higher public expenditure in Britain. [100]

This is not an accidental trend. The very size of the dominant capitals within any country means that if any of them is threatened with bankruptcy, the capitalist state is forced to intervene lest their collapse pulls other big capitals down as well. Nowhere in the West or the Third World has the state been willing simply to sit back and see a huge chunk of domestic production destroyed in the vain hope that this will eventually lead to a resumption of profitable accumulation by the remaining fragments. The state – or the central bank connected to the state – sees its job as being to carry out lifeboat operations designed to forestall such collapse.

If this is true in the West, complete privatization is impossible in Eastern Europe. The state is going to have to hang on to major unprofitable industries – for the time being at least – if only because there will be no private bidders for them. The Czechoslovak privatization minister, Dusan Triska, admitted, “He did not expect a rush by potential investors – Czechoslovak or foreign – to buy into Czechoslovak companies. For one thing, a substantial number of them were not expected to survive.” [101]

The result has been that even the governments most adamant on privatization have not been able to proceed with it as rapidly as they hoped. The first post-Stalinist Polish government was able to privatize less than 20 percent of industry in its 11 months in office. Towards the end of 1991 the first privatization of selected big enterprises took place. There was “*a media saturated share issue*”, but “*weeks after the shares had not been sold … The handpicked companies were honest about their prospects. Kable announced it expected a fall in profitability this year and Krosno admitted that restricted supplies of gas from the Soviet Union threatened a breakdown in production.*” [102]

Meanwhile, “apart from the explosion in numbers of boutiques, sex shops, currency exchanges and back of the lorry markets (literally), the number of small businesses in production has actually declined since more are going bust than starting up.” [103]

Privatization went ahead at a greater speed in eastern Germany because the German state believed its massive funds would be able to prevent a complete collapse of the economy as firms which were too unprofitable to be sold off went bust. But in fact the government has been forced to backtrack on its more grandiose schemes in the face of the likelihood of more than 50 percent of east German industry closing down.

These realities mean the most likely outcome in the former “Communist” countries is not 100 percent privatization, but rather the continued existence of state ownership of large scale, loss making industry, alongside private ownership of small scale enterprises in commerce and retailing – with the “private owners’ often being the managers of the large nationalized plants. [104]

The State, Regional Blocs, and the World System

The anti-interventionist, deregulationist “return to Adam Smith” notions of the last 15 years are an ideological expression of the expansion of the operational units of capital beyond the bounds of the national state. If they could actually be implemented they would lead to a stateless, “wild capitalism”. But this ideology can never more than partially correspond to the actual practice of those who run parts of the system. Capitalism needs states -to maintain the local monopolies of armed forces that prevent some capitals using direct, Mafia style violence against others, to impose regulations that prevent some capitalists defrauding others, to organise labour markets and to prevent recession turning into economic collapse. The greater the threat of crisis, the greater the need for the state. And yet the international scale of capitalist operations means they continually escape from any possibility of control by states.

This explains the emergence of a second ideological current that runs alongside the first, occasionally intermingling with it but more often standing in complete antagonism to it-the current which extols the creation of regional blocs of states, or even regional states. The drive for economic and political unity within the European Community is the most prominent example, but parallel with it, in a less developed form, are ideologies which look to an all American bloc (with US hegemony over Canada and Latin America) and a Pacific bloc (under Japanese hegemony).

The drive to the creation of regional superstates often seems to have a remorseless logic to it. As early as 1962 Mike Kidron, as editor of *International Socialism*, saw the rise of the European Community in this way. [105] But in reality the creation of a European capitalism, as opposed to a Common Market within which rival nationally based capitals compete, has been a very slow process.

Certainly, the internationalization of capital has forced competing capitals to merge into ever bigger units – but until recently, this has not necessarily meant trans-European units. In fact, in the 1960s and 1970s the tendency was for the concentration of capital to take place within national state structures, with the assistance of national states. Between 1961 and 1969 there were 1,896 significant mergers between firms within individual countries, as against only 257 between firms in different European Community countries. [106] As one 1970 study showed:

> The continental EEC economies were not integrated as a group, and the German economy in particular tended to have few

> interlocks. Those German enterprises that were internationally connected had intense links with a small number of Dutch enterprises. [107]

The restructuring of the 1970s gave a much more powerful push towards international mergers. But these were as likely to be mergers between firms based in individual European Community countries with US firms as with firms in other EC countries. So the main multinationals operating across European frontiers were mainly from America in key industries like autos (Ford and General Motors), oil (although the British BP and the Anglo-Dutch Shell were among the biggest) and computers (IBM). Meanwhile, many of the early trans-European mergers fell apart.

This began to change in the mid-1980s, but only slowly. In 19824 there were 67 significant “intra-EC” acquisitions and mergers, as against 45 “international” ones – but both were still overshadowed by the 160 national deals. [108] In 1987-8 the number of intra-EC deals was again narrowly ahead of international deals, but still only three quarters of the number of national deals. It was not until 1988-9 that intra-EC deals narrowly overtook national deals. [109] And most of the links which were established were not all-European, but bilateral, connecting firms in neighboring countries – especially Belgium/France and Germany/Netherlands. [110] Meanwhile, links with non-European firms could still be all important in particular industries, as was shown when the British computer finn ICL merged with the Japanese firm Fujitsu, British Aerospace increased the level of co-operation between its Rover car group and Japan’s Honda, and major French firms went on a spending spree buying up US companies.

So there is not any simple trend of concentration of capital, but rather an interaction between three trends –

towards bigger nationally based firms, towards European firms and partnerships, and towards mergers and linkages between firms in individual European countries and those in the Pacific and North America. [111] To add to the complication, a large nationally based firm may well be allied in one sector of production with another European firm, in another sector with a US or Japanese firm.

Economic complexity is accompanied by political complexity. Each firm puts pressure on the state to adopt policies which fit with its own approach to mergers and alliances. The threefold split in the pattern of capital concentration is matched by a threefold division between different policies for the capitalist state – between policies that stress the consolidation of national blocs of capital, those that look to the formation of European blocs of capital, and those that strive for the ideal of a world in which multinational capitals compete without the impediment of national state barriers. Hence the complexity of the political arguments over the development of the European Community – there are those who reject Europeanism in order to defend what they see as national capitalist interests and those who reject it as an obstacle to what they see as a true internationalization of the system, just as there are those who support Europeanism as leading to the creation of a European state capitalism and those who support it as a stepping stone to internationalization. What is more, many individual capitalists and capitalist politicians will play on one ideological theme so long as it suits their immediate interests and then switch without a thought to another, with only a minority of visionaries pushing consistently in one direction or another.

The fact that there is not one clear trend but three intersecting trends was shown very clearly in the Uruguay Round of negotiations over tariffs and trade, which climaxed in December 1990. Many commentators, believing one trend or the other must predominate immediately, presented the negotiations as an all or nothing affair: either there would be agreement leading to a new era of unrestricted free trade, or there would be a breakdown leading to immediate trade wars between Europe, the US and Japan. In fact, there was neither an agreement on an expansion of free trade nor a collapse into trade wars.

The old national ties of capitals and the emergent regional ties were important enough to block any new era of free trade, but the internationalization had gone far enough to block any simple relapse into trade wars. For the time being, capitalists are forced to compete in a messy half world which has begun to go beyond the era of national state capitalism but which has not yet reached a new era either of regional state capitalism or of full internationalization. It is a world in which there is free trade and protectionism, reliance on the state and cutting loose from the state, peaceful competition between multinational firms and military conflicts between states to which some of them are connected.

Yet in all this confusion, certain things can be said. No capitalist wants to face alone a world of bitter, unregulated competition between giant multinational enterprises, with frenzied international booms followed by desperate slumps which political intervention can no longer prevent. Such a world of "wild capitalism", untamed by state controls, would be a world in which even powerful capitals could suddenly face obliteration at the hands of more powerful competitors. Therefore, capitals will still turn to the state for support. And so there still exists a strong overlap of interest (and of personnel) between those who control productive, commercial or finance capitals and those who run the bureaucracies of the state.

If the existing state provides too narrow a base for the activities of capitals, there will necessarily be an attempt to widen that base by alliances and mergers with other states. Therefore, in the long run the trend towards regional blocs is likely to be the predominate one. But, as J.M. Keynes once said, in the long run we are all dead: the world system will have to endure many convulsions and crises, some possibly fatal, before its arrival at a global political reorganisation can be completed. The interaction of the three contradictory trends means there can be no smooth, peaceful road from the present to the future.

Trans-State Capitalism and the New Imperialism

Those who see international capitalism as simply negating the old national capitalisms draw the logical conclusion that imperialism – the use of the armed force of the state for economic ends – is a thing of the past. So, for instance, Nigel Harris tells us:

> One of the sources for optimism is the weakening of the drive to war; as capital and states become slightly dissociated, the pressures to world war are slightly weakened. Furthermore there promises to be some decrease in the belief that killing foreigners is a good thing. [112]

Lash and Urry go even further: [113] Their account of what they see as the "*postmodern*" world of "*disorganized* capitalism" does not contain any mention of military expenditure or war! Yet the might of the state continues to be seen as important not merely by bureaucrats and generals, but also by those who manage the capitals that are based within it. This was shown vividly in 1989-90 when a wave of euphoria swept through the West German ruling class as it was faced with the historical chance to extend its state's borders peacefully by incorporating the territory of

East Germany. Expanding German state boundaries was recognized by the bourgeoisie internationally as opening the way to an expansion of the capitals which resided within that state.

A peaceful expansion of boundaries is not an option for most states. They can only increase their geographic influence – and the openings available to the capitals located within them – by applying pressure to other states. And, when it comes to applying such pressure, the deployment of large bodies of armed men, backed up by a prodigious expenditure on military hardware, has a role to play – alongside such “non-violent” methods as economic aid, offers of privileged trading relationships and crude bribery.

Much of the time the role is passive rather than active. The force that sustains a certain level of influence does not need to be used so long as no one dares challenge it – as with the “balance of terror” between the USSR and the US which prevented either moving into the other’s sphere of influence in Europe during the Cold War. Again force can play an indirect rather than a direct role – as with the implicit US threat to the West European powers and Japan *not* to help them militarily unless they accede to US objectives. But the violence of the state remains a vital background factor in both cases.

The key role of military power is only shown clearly when someone does disturb the existing patterns of influence. We saw what happens then in the Middle East in 1990-1. Saddam Hussein of Iraq tried to escape from economic problems at home by seizing the oil rich statelet of Kuwait. The US ruling class saw a threat to the whole network of influence that enabled it to exercise leverage over the world’s number one commodity, oil. It undertook a massive deployment of military force which culminated in the bombing and the physical destruction of half the Iraqi armed forces.

There were arguments within the US ruling class over the tactics needed to deal with Saddani Hussein – especially over whether to use force simply to blockade Iraq or to move to all out war. But hardly anyone inside the ruling class challenged the assumption that it had to take concerted action to protect the networks of influence built up by its state. And the arguments certainly were not, as analyses like Nigel Harris's suggest they should be, between the representatives of state power and the representatives of a capitalism which no longer needed its links to a national state.

Capitalist interests in different parts of the world certainly expected the outcome of the war to increase the ability of US-based firms to get their way in international trade negotiations. They saw it as enhancing the possibilities for US capital, just as they had seen German unification as giving a big boost to German capital. So, while sections of US capital expected to benefit from their increased influence over Saudi Arabia and their virtual monopoly over contracts to rebuild Kuwait, an editorial in the leading Japanese business daily could warn that "Japan should not stand idly by while the Anglo-Saxons create a new world order ... Japan should take note of the anti-American, anti- colonial and pro-Islamic sentiments expressed in many Asian countries." [114]

The gains from military victory may well not be as great as expected – certainly, German capital is having trouble reaping any great gains from unification. The point, however, is that the overwhelming majority of capitalists still see their state as essential to their chances of success.

The Gulf War will not be the last military confrontation between capitalist states. As John Rees and Alex Callinicos have both pointed out previously in this journal, the weakening of the geopolitical influence of the Soviet ruling class *increases* the instability of important areas of the world and the chances of small states inadvertently treading on the toes of stronger ones – leading them to use the force they previously only threatened to use. It is difficult to imagine either the Middle East or Eastern Europe stabilising sufficiently to reduce the chances of intra-regional conflicts which might well then draw in bigger powers. Hardly was the Gulf War over than George Bush was warning the Iranians not to intervene in Southern Iraq and, in "an unprecedented intervention", telling the leaders of Croatia and Serbia not to overthrow the federal government of Yugoslavia. [115] Meanwhile the disproportion between the USSR's present economic weakness and its continued military strength may well prompt its rulers to begin to intervene again in regional conflicts close to their own borders.

The world may no longer be made up of capitals fused one hundred percent to states. But it is not, and cannot be, a world in which capitals float free of states. It is a hybrid world, in which each capital increasingly spreads beyond state boundaries but at the same time depends as much as ever on its state (or, sometimes, its states). This is a world in which capitals look to both economic competition and political influence for obtaining the resources for accumulation. It is a world in which the jostling for position between capitals involves not only peaceful competition for markets but also the carving out of political alliances, not only arguments over trading arrangements but also the reinforcement of these arguments through the deployment of military force. It is a world which has gone beyond the stage of state capitalism, but which can neither slide backwards into a pure market system nor evolve gently forward into a new order of regional states. It is a world, in short, beset by a multitude of contradictory pressures and compelled, therefore, to experience one convulsive political crisis after another.

Notes

42. See GATT figures, Financial Times, 28 February 1989.
43. A. Winters, op. cit.
44. Financial Times, 28 February 1989.
45. Figures given in E. Hobsbawm, Diagram 28, Industry and Empire, London 1969.
46. E. Hobsbawm, Industry and Empire, Diagram 34.
47. For an account on how one of these early “multinationals” operated, see the Counter Information Services, Report on Unilever, 1972.
48. Figures from Financial Times, 12 April 1988.
49. Financial Times, 9 May 1990.
50. Economist, 5 May 1990.
51. For accounts of this process, see P. Emergenti, Citta Futura, Rome 1973, and Brasile, Citta Futura, Rome 1973, for a summary of the arguments see my Poland and the Crisis of State Capitalism, International Socialism (old series).
52. Financial Times, 13 July 1990.
53. Financial Times, 20 September 1990.
54. Poland and the Crisis of State Capitalism, International Socialism (old series) 94 & 95 (1977) and The Storm Breaks, International Socialism 2:46.
55. Financial Times, Survey, World Banking, 22 May 1986.
56. Financial Times, Survey, World Banking, 22 May 1986.
57. Financial Times Survey, International Capital Markets, 21 April 1987.
58. Figures given in Financial Times, 21 September 1990.
59. Business Week, 14 May 1990.
60. Financial Times, 4 December 1989.
61. Financial Times, 20 January 1989.
62. Financial Times, 13 October 1986.
63. Financial Times, 5 October 1990.
64. Financial Times, 19 July 1990.
65. Summary in Financial Times, 24 September 1990.
66. Financial Times, 19 September 1989.
67. The expressions used in the previous article, The Storm Breaks, op. cit.
68. Economist, 5 May 1990.
69. Summary in Financial Times, 24 September 1990.
70. See, for instance, Financial Times on problems facing the GEC-Alsthom joint venture, 19 March 1990.
71. Financial Times, 5 October 1990.
72. Financial Times, 20 December 1990.
73. Financial Times survey, International Fund Management, 16 November 1987.
74. Financial Times, 24 September 1990.
75. Financial Times, 24 September 1990.
76. Financial Times, 21 September 1990.

77. Report in Financial Times, 29 November 1990.
78. Financial Times, 20 December 1990.
79. Financial Times, 4 September 1990.
80. See Pentagon Takes Initiative in War against Chip Imports, Financial Times, 27 January 1987.
81. Financial Times, 12 September 1990.
82. Independent, 1 December 1989.
83. For example, Murdoch phoned then prime minister Margaret Thatcher in November 1990 to inform her, long before the market knew, of his takeover of the rival satellite TV station, BSB.
84. Financial Times, 3 January 1991.
85. Financial Times, 12 November 1990.
86. Gavril Popov, Dangers of Democracy, New York Review of Books, 16 August 1990.
87. Financial Times, 12 November 1990.
88. Financial Times, 12 November 1990.
89. Financial Times, 31 August 1990.
90. Financial Times, 17 January 1990.
91. Financial Times, 25 June 1990.
92. Financial Times, 22 October 1990.
93. Financial Times, 11 May 1990.
94. Independent on Sunday, 3 February 1991.
95. See, for example, Financial Times, 8 May 1990, and M.M. Thomas, The Greatest American Shambles, New York Review of Books, 31 January 1991.
96. Quoted in Financial Times, 8 May 1990.
97. Financial Times, 7 January 1991.
98. See Poland and the Crisis of State Capitalism, op. cit.; Class Struggles in Eastern Europe, London 1983; Glasnost Before the Storm, International Socialism 2:39 and The Storm Breaks, International Socialism 2:46.
99. Financial Times, 4 February 1991.
100. Financial Times, 4 February 1991.
101. Financial Times, 12 November 1990.
102. P. Kedzierski and A. Zebrowski, Hollow Victory, Socialist Worker Review, January 1991.
103. Ibid.
104. This, for instance, is the aim of the managers of the big state owned plants in Leningrad, who have set up a bank of their own through their Industrialists' Association to provide themselves with funds to buy smaller firms that are privatized.
105. Labor and the Common Market, International Socialism (old series):8.
106. Layton, Cross frontiers in Europe, p.3, Quoted in C. Harman, The Common Market, International Socialism (old scries) 49.
107. J. Scott, Corporations, Classes and Capitalism, p.210.
108. EC Commission figures, quoted in Financial Times, 5 October 1987.

109. EC Commission figures given in Financial Times, 21 September 1990.
110. J. Scott, op. cit.
111. For the sake of simplicity I ignore here a further set of linkages, between European firms outside the EC, in Austria, Scandinavia and Switzerland, and those inside, as well as linkages between EC firms and East European enterprises.
112. N. Harris, The End of the Third World, Harmondsworth 1987, p.202.
113. Lash and Urry, The End of Organised Capitalism, London 1987.
114. Report of article in Nihon Keizai Shimbun, in Financial Times, 7 March 1991.
115. Independent, 29 March 1991.