



**OXFORD JOURNALS**  
OXFORD UNIVERSITY PRESS

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Source: *Cambridge Journal of Economics*, December 1977, Vol. 1, No. 4 (December 1977), pp. 353-373

Published by: Oxford University Press

Stable URL: <https://www.jstor.org/stable/23596382>

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## Recent theories of the capitalist state

Bob Jessop\*

Despite their very different assumptions and principles of explanation, monetarists, Keynesians and Marxists share a concern with the nature and impact of state intervention in capitalist economies. Yet, in contrast to the study of market forces, the state itself is strangely neglected as a field of analysis. This is as true of theories that presuppose an active role for the state as of those that entail a more limited role. Indeed, even though Marxists have long claimed special knowledge of the strategic significance of the state in class struggle, it is only in the last ten years that they have rediscovered the state as a problem in political economy. The resulting discussion has ranged from the most abstract methodological issues to quite specific historical problems and has generated a variety of hypotheses and insights. It is unfortunately true that much of the Marxist debate is esoteric and often inaccessible and/or irrelevant to those working in other traditions. But, in the absence of any comparable reappraisal of the state, this debate merits wider consideration. Moreover, since Marxism has long been concerned with the state as well as with production and exchange, it is surely worth assessing to what extent an integrated approach can illuminate economic analysis. Such an enquiry is particularly germane in the current period of continuing world economic crisis and increasing state intervention to restructure the industrial and financial system.

It should be emphasised that the present survey is not concerned with Marxist economics as such, but focuses instead on some recent Marxist theories of the capitalist state. Nor does it develop a new approach; it simply considers these theories in terms of certain given criteria. These comprise general criteria such as logical consistency and theoretical determinacy, as well as more specific criteria relevant to an evaluation of Marxist theories. The latter can be stated quite briefly as follows. A Marxist theory of the capitalist state will be considered adequate to the extent that (a) it is founded on the specific qualities of capitalism as a mode of production, (b) it attributes a central role to class struggle in the process of capital accumulation, (c) it establishes the relations between the political and economic features of society without reducing one to the other or treating them as totally independent and autonomous, (d) it allows for historical and national differences in the forms and functions of the state in capitalist

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societies, and (e) it allows for the influence of non-capitalist classes and non-class forces in determining the nature of the state and the exercise of state power. To justify the choice of these particular criteria would side-track the discussion before it begins; it is hoped that their relevance and importance will emerge as we proceed.

The paper starts with a short review of the approach of Marx and other classical Marxist theorists to the capitalist state. Several different themes in their work are specified and their merits and demerits considered. This provides a framework within which to assess recent developments. Some variations on the themes of the classical texts are then examined and criticised for their failure to advance the Marxist theory of the state. This brings us to the central part of the paper, which deals with recent theories of the capitalist state, evaluated in the light of our criteria. The paper concludes with some general remarks on Marxist analyses of state power in capitalist societies and their implications for other theoretical approaches.

### The classic texts on the state

It is commonplace that Marx did not offer a theoretical analysis of the capitalist state to match the scope and rigour of *Das Kapital*. His work on the state comprises a fragmented and unsystematic series of philosophical reflections, contemporary history, journalism and incidental remarks. It is not surprising, therefore, that Marx rarely focuses directly on the complex relations between the state apparatus, state power, capital accumulation and its social preconditions. But it is less often remarked that the same is true of other classical Marxist theorists, such as Engels, Lenin, Trotsky and Gramsci. For, although they offer various acute observations on the state in general, specific historical cases, and the nature of ideological domination, they do not confront the crucial question of the differential forms of the capitalist state and their adequacy to continued accumulation in different situations. Indeed, in so far as the classic texts do focus on this issue, they do so in inconsistent ways. There are at least six different approaches, and, although they are often combined with varying degrees of consistency and mutual qualification, they involve different theoretical assumptions, principles of explanation and political implications. They must therefore be considered separately before one can draw any general conclusions about the classical approach as a whole.

(i) Marx originally treated the modern state (at least that in 19th-century Prussia) as a *parasitic* institution that played no essential role in economic production or reproduction. In his view, democratic government would be characterised by a genuine unity of state and people, whereas the modern state was an expression of the irreconcilable conflicts rooted in the egoism of civil society. In this context, the state and its officials, far from representing the common interest, tend to exploit and oppress civil society on behalf of particular sectional groups. Indeed, Marx argues that, just as corporate organisation enables the bourgeoisie and master craftsmen to defend their material interests, the state becomes the private property of officials in their struggle for self-advancement (Marx, 1970, especially pp. 44–54; see also Hunt, 1975, p. 124). This view was elaborated in his critique of Hegel's political theories, when the young Marx was still committed to liberal radical political ideas. Nor had he then developed the conception of capitalism as a mode of production and so could not identify the specific characteristics of the capitalist state (Althusser, 1969, pp. 49–86; 1976, pp. 151–161; Mandel, 1971, pp. 52–67 and *passim*). Thereafter, although he retained the basic ideas about the *form* of the modern representative state and its separation from civil society, Marx treated it as a necessary part of the system of class domination rather than as

extraneous and parasitic. The latter view can still be found in his subsequent work on Oriental despotism, however, where Marx sometimes treats the Asiatic mode of production as communal in nature and the Asiatic state as a parasitic body standing above society (see particularly Marx, 1973, pp. 471–514 *passim*). But, although the idea that the modern state is essentially parasitic is still held in anarchist circles, it was not long retained by Marx himself.

(ii) Marx also discusses the state and state power as *epiphenomena* (i.e. simple surface reflections) of the system of property relations and the resulting economic class struggles. This view is again largely confined to the earlier writings, but it emerges occasionally in his later work and occurs frequently in more recent Marxist analyses. It is particularly clear in Marx's early comments on law (in which legal relations are treated as mere expressions of the social relations of production), but is also apparent in more general analyses of political institutions. The most frequently cited illustration of this approach is the 1859 Preface to his *Contribution to the Critique of Political Economy*. This appears to treat law and politics as a superstructure based on the economic infrastructure, to view property relations as the legal expression of relations of production, and to ground revolution on the growing contradiction between forces and relations of production. In general, this approach considers the structure of the state as a surface reflection of a self-sufficient and self-developing economic base. And, since classes are defined in purely economic terms, the exercise of state power is seen as a surface reflection of economic struggle. It also implies that there is a perfect, one-to-one correspondence between juridico-political relations and economic relations or, at best, some sort of 'lead' or 'lag' between them. It thus reduces the impact of the state to a simple temporal deformation of economic development (typically viewed in terms of the growth of the forces of production) and of economic class struggle (typically viewed in terms of a struggle over the distribution of the product). Thus, although state intervention can accelerate or hinder economic development, the latter is always determinant in the last instance (see particularly, Engels, 1954, pp. 253–254, and Marx and Engels, 1975, pp. 392–394).

(iii) Another common approach treats the state as the *factor of cohesion* in a given society. This perspective is closely identified nowadays with Poulantzas, but is also evident in the classic texts. Thus Engels views the state as an institution that emerges *pari passu* with economic exploitation. He argues that its function is to regulate the struggle between antagonistic classes through repression and concession, and thus to moderate class conflict without undermining the continued domination of the ruling class and the reproduction of the dominant mode of production (Engels, 1942, pp. 154–163 and *passim*). Lenin adopts the same view in several places (see especially Lenin, 1970, *passim*). Bukharin also treats society as a system of unstable equilibrium inside which the state acts as a 'regulator' and Gramsci, albeit from a far less mechanistic position, adopts more or less the same argument on several occasions (Bukharin, 1969, pp. 150–154 and *passim*; Gramsci, 1971, pp. 206–276). The principal difficulties with this approach are twofold. Firstly, it fails to specify the nature of the state as a factor of cohesion and/or to identify the means through which the state realises this function. Hence the state is defined in functional terms and comes to include every institution which contributes to cohesion (see especially Poulantzas, 1973, pp. 44–50). It is impossible to elucidate the class nature of the state in this way. Indeed, far from leading to revolutionary conclusions, it is this view that is most often associated with the idea that the state can 'reconcile' class conflict by acting as a neutral mediator. Secondly, unless

one can specify the mechanism of cohesion and its limitations, it becomes difficult to explain the emergence of revolutionary crises and the transition from one epoch to another. In this respect, this sort of approach is so obviously inadequate that it must be complemented and supported with reference to other perspectives.

(iv) The state is also seen as an *instrument of class rule*. This is the most common approach and is particularly evident in exegeses of Marxism–Leninism. A fundamental problem is the tendency to assume that the state as an instrument is *neutral* and can be used with equal facility and equal effectiveness by any class or social force. This approach also encounters difficulties in situations where the economically dominant class does not actually fill the key positions in the state apparatus (as cited by Marx himself in the case of the landed aristocracy ruling on behalf of capital in 19th-century Britain). The same problem occurs where the state acquires a considerable measure of independence from the dominant class owing to a more or less temporary equilibrium in the class struggle. This situation is alleged to have occurred in the absolutist state, the Second French Empire under Louis Bonaparte, and the German Reich under Bismarck. In neither case can one explain how the state remains an instrument of class rule even though the dominant class has no immediate control over it. Similar problems occur in the study of ‘dual power’ in revolutionary situations and in the analysis of transitions between different modes of production.

(v) A further approach in the classic Marxist texts is similar to that of orthodox institutional studies in sociology, anthropology and political science. The state is treated as a *set of institutions* and no general assumptions are made about its class character. The state is seen as a ‘public power’ that develops at a certain stage in the division of labour (usually identified with the emergence of a mode of production based on the exploitation of one class by another) and that involves the emergence of a distinct system of government which is monopolised by officials who specialise in administration and/or repression. This theme is evident in Engels (1942) and Lenin (1970). It can accommodate the objections to the approaches reviewed above and yet leaves open the question of their adequacy in specific situations. It implies that the functions, effects and class nature of the state cannot be determined *a priori*, but depend on the relations between its institutional structure and the class struggle in various circumstances. In the absence of such conjunctural analyses, however, the institutional approach can establish the nature of the state only through a return to more primitive formulations. Thus it tends to be associated with epiphenomenalism (the institutions mirror the economic base) and/or instrumentalism (the institutions are controlled by capital). Moreover, even when it is associated with concrete analyses, the institutional approach may simply lead to descriptive accounts without any attempt to explain what occurs.

(vi) It is in this context that the sixth approach is especially relevant. It examines the state as a *system of political domination* with specific effects on the class struggle. Thus, whereas the instrumentalist approach focuses on the question of ‘who rules’, this approach shifts attention to the forms of political representation and state intervention. It examines them as more or less adequate to securing a balance of class forces that is favourable to the long-term interests of a given class or class fraction. It is illustrated in Lenin’s remark that a democratic republic is the best possible political shell for capitalism and that, once this form of state is established, no change of persons, institutions or parties can shake the political rule of capital (Lenin, 1970, p. 296; see also Marx and Engels, 1975, p. 350). And it is central to the discussions of the Paris Commune as the model for working-class political domination (see particularly Marx, 1974, *passim*, and

Lenin, 1970, *passim*). This approach is most fruitful when used in conjunction with an institutional definition of the state. For, although it avoids the difficulties associated with the other approaches reviewed above, it still needs to be developed and supported by a concrete analysis of institutions. Otherwise it tends to become a sophisticated attempt to establish theoretical guarantees that the state in a capitalist society necessarily functions on behalf of capital. Thus, in opposition to those who argue that the internal organisation of the state can ensure that it functions to reproduce capital (e.g. Offe, 1974, *passim*), it is vital to insist that state power can be more or less capitalist depending on the situation.

So nowhere in the Marxist classics do we find a well formulated, coherent and sustained theoretical analysis of the state. This is not to deny that they offer a series of acute historical generalisations and political insights nor, indeed, that they lay the foundations for a more rigorous analysis. In particular, the perspective of political domination (the sixth approach) provides an adequate starting point for studying the state and state power. But much of the renewed discussion still reflects the limitations of the other approaches and fails to develop this insight into the nature of political domination. This is apparent in various ways. Although the state is rarely treated nowadays as a simple epiphenomenon with no real influence, its forms and effects are often explained solely in terms of the 'needs' of the economy. Alternatively, the state may be connected to the economy only as an instrument in the class struggle. Both approaches can be found in association with different views about the economic base. Moreover, some recent work concentrates largely on the political struggle between capital and labour and is therefore relevant to economic questions only to the extent that they are influenced by political factors. This is not to argue that these various economic and political approaches are incorrect, but simply to suggest that one should appreciate their limitations as well as their contributions to the theory of the state. Both facets can be illustrated by considering the early work of Miliband and Poulantzas, the views of the so-called neo-Ricardian theorists, and the study of 'state monopoly capitalism'.

### Variations on some classical themes

Miliband and Poulantzas both focus on political and ideological struggles without reference to the economic imperatives and requirements of capital accumulation. This reflects their polemical concerns. Miliband is interested in confronting liberal theorists of democracy with the 'facts' about the social background, personal ties and shared values of economic and political elites, and about the impact of government policy on such matters as the distribution of income and wealth. He also argues that socialisation into the ideology of the ruling class is an important source of political power and social order (Miliband, 1969, *passim*). Because his principal concern is to reveal the distortions and mystifications of liberal pluralism, Miliband does not advance the Marxist analysis of the state. Indeed, he actually reproduces the liberal tendency to discuss politics in isolation from its complex articulation with economic forces. To the extent that he does relate them it is only through interpersonal connections; he neglects their mutual presupposition and interdependence on the institutional level. Thus, Miliband does not succeed in establishing the real nature of the state in capitalist society and its inherent limitations as well as advantages for capital.

Poulantzas is less concerned to disprove liberal democratic theory than to criticise the traditional Communist orthodoxy of 'state monopoly capitalism'. Thus, in opposition

to the argument that the modern state is no more than a pliant tool of monopoly capital, he rejects all forms of instrumentalism and insists that the state is a complex social relation. The latter seems to mean two things. Firstly, classes should not be seen as simple economic forces existing outside and independently of the state and capable of manipulating it as a passive instrument or tool. For the political influence of classes and class fractions depends in part on the institutional structure of the state and the effects of state power. Secondly, class struggle is not confined to civil society, but is reproduced within the heart of the state apparatus itself. He also argues that the state has an objective function to perform in maintaining social cohesion so that capital accumulation can proceed unhindered (Poulantzas, 1973, pp. 44–50, and 1975, pp. 78–81 and *passim*). Thus, Poulantzas criticises Miliband for analysing the state in terms of the individual human subjects who control it, rather than in relation to its structurally determined role in capitalist society (Poulantzas, 1969, pp. 67–78).

Unfortunately, although his criticisms of Miliband's analysis and 'state monopoly capitalism' theories are both sound, Poulantzas himself does not produce a wholly satisfactory account of the capitalist state. He defines the state as the factor of cohesion but interprets this in two contrasting ways. Sometimes he suggests that a sufficient condition of cohesion is the successful organisation of a power bloc under the hegemony of monopoly capital (Poulantzas, 1974, pp. 72–88; Cutler, 1971, pp. 5–15). This suggestion completely ignores the fundamental economic constraints on the effective exercise of state power and implies that the state is an instrument of the power bloc rather than the monopoly sector alone. Elsewhere, Poulantzas adopts the reductionist view that the effects of state power are necessarily circumscribed by the dominance of capitalism so that, in the long run, they can only correspond to the interests of the dominant class (see especially Poulantzas, 1969, pp. 67–78, and 1976, pp. 63–83). This claim implies that it is totally irrelevant which class controls the state apparatus, since it must maintain cohesion by virtue of its objective function. In short, although he is closely identified with assertions about the relative autonomy of the capitalist state, Poulantzas actually oscillates between two extreme positions. Either he endows the state with complete independence from the economic base or he denies it any independence at all. Neither of these positions would be satisfactory on its own and together they render his analysis indeterminate.

In contrast to the political focus of Miliband and Poulantzas, the so-called neo-Ricardian theorists are explicitly concerned with the economic dimensions of the state. They focus on the influence of the state on the distribution of income between classes, and attempt to show how it intervenes in the economy to maintain or restore corporate profits at the expense of wages. Such action by the state is generally traced back to the pressures on profitability that stem from trade union struggles and/or international competition. The appropriate response in such situations depends on the specific form of the profits squeeze and the balance of class forces. Capital will generally attempt to manipulate the business cycle to discipline labour and reduce wage costs in the interests of corporate profit maximisation (Boddy and Crotty, 1974, 1975); and/or to redistribute income to the private sector through fiscal changes, subsidies, nationalisation, devaluation, reflation, wage controls and legal restrictions on trade union activities (Glyn and Sutcliffe, 1972); and/or to counter the inflationary effects of tax increases and public borrowing through cuts in public spending on the 'social wage' (Gough, 1975). In contrast, the working class will attempt to resist such offensive actions by capital (Boddy and Crotty, 1974, p. 12) and, hopefully, to transform the wages struggle and/or

the opposition to the 'cuts' into a successful revolutionary movement (Glyn and Sutcliffe, 1972, pp. 189–216; Gough, 1975, pp. 91–92). But the dominant position of capital in the state, and especially in the field of economic policy-making, means that it is the capitalist solution to economic crises that is imposed (Boddy and Crotty, 1975, *passim*).

Such studies certainly have radical overtones and do relate state intervention to the needs of capital. But the neo-Ricardian approach is still limited in its treatment of the nature of capitalism as a mode of production and of the class character of the state. For it neglects the significance of the social relations of production and the characteristic form of capitalist exploitation through the creation and appropriation of surplus-value. This means that it tends to treat the labour process as purely technical and to relate the distribution of income to the price of labour as determined within the sphere of circulation. This places distributional struggles at the heart of neo-Ricardian analyses, rather than the struggle at the point of production, and this is reflected in the tendency to discuss state intervention in terms of income distribution and to neglect the state's fundamental role in the restructuring of production. Thus, not only does this kind of analysis imply that wage restraint and/or public spending cuts are sufficient to resolve crises, it also fails totally to confront and explain the causes, nature and limitations of growing state involvement in production itself. This is not to deny the importance of the struggle to determine wages (whether seen as the price of labour or the value of labour-power). It is to insist that an exclusive focus on one part of the circuit of capital can never provide the basis for understanding the nature of capitalist crises or state intervention.

Moreover, not only is this approach limited in its conception of the economy, it also has an impoverished view of the state. For most neo-Ricardian analyses treat the state simply as a 'third force' capable of intervention, or as an instrument amenable to manipulation, in the interests of profit maximisation. In the former case there is no attempt to explain why the state intervenes on behalf of capital or why it is able to do so. In the latter case the analysis is plagued by the usual difficulties involved in instrumentalist theories. Likewise, although Gough adopts a more sophisticated analysis of the state and insists on its relative autonomy, his account is based on Miliband and Poulantzas and the concept of relative autonomy is largely rhetorical. In practice he combines an institutional definition of the state with a study of its functions in political struggle. This provides a neat complement to the technicist conception of production and the emphasis on distributional struggles found in neo-Ricardian economics. Indeed, Gough seems to limit political struggle to the incidence of taxation and the allocation of public spending between capital and labour. This means that he neglects the role of the 'cuts' in the restructuring of capital and the continuing struggle to reorganise the state apparatus itself to increase the political domination of capital. But this is a failing shared by the so-called neo-Ricardian approach more generally.

It is in connection with state intervention in the process of production that arguments based on the labour theory of value, the law of value, and, in particular, the law of the tendency of the rate of profit to fall, have assumed real prominence in attempts to construct a satisfactory account of the capitalist state. But, although they play an important role in Marxist analyses of capital accumulation, the logical and empirical status of these principles and laws is quite controversial. Indeed, as will become apparent as the paper proceeds, there are marked discrepancies in interpretation even among those theories that affirm their relevance to economic and political analysis. This is



especially clear in the case of the law of the tendency of the rate of profit to fall; the labour theory of value tends to be common ground in Marxist economics and the law of value generally serves as a catch-all principle, encapsulating the various tendencies and contradictions of capital accumulation and their mediation through market forces. The tendency of the rate of profit to fall is more controversial and is attacked on abstract theoretical grounds, as well as for its uncertain implications for the concrete development of capitalism. For, even if one accepts the validity of this so-called law, it is only tendential and is also subject to significant counter-tendencies (Marx, 1971, pp. 211–266; Fine and Harris, 1976, *passim*). It is *not necessary* to accept or reject this particular law in the present context, however, since we are concerned only to explore the ways in which it has been invoked in analyses of the state in capitalist society.

The laws of motion of capitalism occupy a central place in theories of 'state monopoly capitalism'. These theories take different forms, but share certain assumptions concerning the periodisation of capitalism and the nature of its latest stage. Thus it is argued that the process of competition during the period of *laissez-faire* capitalism leads inevitably to the concentration and centralisation of capital and hence to a new stage in which monopolies dominate the whole economy. Moreover, whereas the preceding stage of liberal competition was characterised by the self-regulation of market forces and the progressive self-development of the forces of production, the stage of monopoly capitalism is characterised by the increasing tendency of the rate of profit to fall and thus of production to stagnate. To offset this tendency and thereby maintain the dynamism of capital accumulation requires ever-expanding state intervention in the economy (Afanasyev, 1974; Boccara *et al.*, 1971; Cheprakov, 1969; CPGB, 1977; Sdobnikov, 1971). Such intervention takes many different forms. These include the nationalisation of basic industries, state provision of essential services, centralised control over credit and money, state assistance for investment, the creation of a large state market for commodities, state-sponsored research and development at the frontiers of technology, state control of wages, state programming of the economy, and the creation of international economic agencies (Afanasyev, 1974; Boccara *et al.*, 1971; Nikolayev, 1975, pp. 71–92; Menshikov, 1975, pp. 137–183 and 265–269; *Politics and Money*, 1974–75). With the growth of such intervention, monopoly capitalism is transformed into 'state monopoly capitalism'. This is alleged to be the final stage of capitalism and the enormous weight of the state is attributed to the general crisis of capitalism that characterises this stage.

State intervention on this scale and with these effects is said to be possible because the state has become the instrument of the dominant monopolies. Whereas Marx and Engels saw the political executive as nothing but 'a committee for managing the common affairs of the whole bourgeoisie' (Marx and Engels, 1973, p. 69), theorists of this school argue that the state and the monopolies have 'fused' into a single mechanism which acts only on behalf of monopoly capital (Afanasyev, 1974, pp. 198–200). This can be seen in the class background and class affiliations of the personnel of the state, the formulation and implementation of state policy, and the dominance of monopoly capital in the educational system and mass media (Aaronovitch, 1956; CPGB, 1977; Gollan, 1956; Harvey and Hood, 1958). The interpenetration of the monopolies and the nation-state means that small and medium capital are excluded from political power, as well as being threatened by the superior economic strength of big capital. This suggests in turn that they share certain interests with the proletariat in the overthrow of capitalism. Thus the theory of 'state monopoly capitalism' is often associated

with the political programme of an anti-monopoly popular front. This would embrace small and medium capital as well as the petit bourgeoisie and wage-earning class, and would attempt to capture the state apparatus for its own use (CPGB, 1977).

This approach is interesting but inconsistent. For it reduces the state to an epiphenomenon of an economic base and also asserts that it is possible to use this state to transform that base. It derives the nature of the capitalist state from the immanent tendencies of capital accumulation and also endows political class struggle with the ability to establish socialism. Thus the economy is seen as self-sufficient as well as self-expanding in the period of liberal capitalism; this implies an inactive or even neutral state. It is seen as crisis-ridden and self-destructive in the period of monopoly capitalism; this implies the need for an interventionist state to overcome stagnation and maintain profits. There is little attempt to explain the forms of the state and state intervention except in terms of the needs of capitalism in different situations and the economic domination of capital. Yet the very forms of intervention adopted by the monopolies can also be employed by popular forces in the transition to socialism. This is an instrumentalist argument that fits ill with the claim that the state and monopolies have fused into a 'single mechanism'. Nor can this inconsistency be avoided by arguing that it reflects the fundamental contradiction between the constant expansion of the objective needs for state intervention in the economy and the limits on intervention rooted in the dominance of monopoly capital. For this still leaves in doubt the nature of the state and the nature of transitions from capitalist to socialist formations. In short, although 'state monopoly capitalism' theory emphasises the role of state intervention in the reorganisation of capitalist production, it is associated with an inconsistent account of that role and its implications for political action.

The views considered so far involve very different assumptions and principles of explanation, but they do have one theme in common. They all assume that the class nature of the capitalist state depends entirely on factors external to the state itself. Thus a state is capitalist for Miliband only to the extent that it is controlled by representatives and apologists of the bourgeoisie. Similar views occur in many neo-Ricardian and 'state monopoly capitalism' studies. For Poulantzas it is its insertion into a social formation dominated by capitalism that guarantees its class nature. This follows from his functionalist view of the state—since it is the cohesion of a society dominated by capitalism that such a state necessarily functions to reproduce. Finally, there is a related tendency in some theories to argue that the forms of the state are irrelevant, because the economy is always determinant in the last instance. This view emerges most clearly in determinist versions of 'state monopoly capitalism' theory. Thus all these approaches imply that the institutional structure of the state is irrelevant provided that it is manipulated by monopoly capital, capital in general, or a power bloc dominated by capital, or, alternatively, that it is subject to definite economic constraints so that it can never become the instrument of any non-capitalist force at all (Offe, 1974, pp. 31–36). This means that these approaches ignore the view that the state is a system of political domination, whose forms may be more or less adequate to securing the various requirements of capital accumulation in different situations.

### **The state as the ideal collective capitalist**

It is in this context that the work of certain Marxists in the so-called 'capital logic' school centred on the Free University of Berlin is particularly important. For they have tried to derive the general form of the capitalist state, as well as its principal

functions, from the pure capitalist mode of production and its conditions of existence. At the most general level of abstraction they argue that the separation of state and civil society characteristic of bourgeois social formations stems from the nature of generalised commodity production. For, not only is such a separation *possible* under capitalist production (because surplus labour is appropriated in the form of surplus-value realised through formally free exchange on the market rather than through extra-economic compulsion), but it is also *necessary*, because an institution that is not immediately subordinate to market forces is required to provide those general pre-conditions of capital accumulation as a whole that are inappropriate or impossible for any particular competing capital to secure. Thus, to the extent that it is not an actual capitalist but a distinct political institution corresponding to the common needs of capital, the state is an ideal collective capitalist (Altvater, 1973, *passim*).

The nature of the capitalist state and state intervention has been variously derived in this school. The most abstract general conditions for the existence of capitalism whose realisation is attributed to the state are the legal and monetary systems necessary to facilitate the production and exchange of commodities and the accumulation of capital. Thus bourgeois law involves the creation of formally equal legal subjects with alienable rights in commodities (including labour-power), as well as the development of legal apparatuses able to adjudicate and enforce these rights. The state must also establish a monetary system that facilitates exchange and permits rational economic calculation (Blanke *et al.*, 1974, pp. 75–96). The state is also required to secure the reproduction of wage labour to the extent that this cannot be done through market forces and to ensure its subordination to capital in the labour process. This requirement leads to intervention in areas such as factory legislation, supervision of union activities, education and social welfare (Altvater, 1973; Mueller and Neusuess, 1975).

The necessity for appropriate forms of law, money, labour-power and labour discipline is established through a consideration of capital in general, without regard to the existence of particular, competing capitals (Rosdolsky, 1974, pp. 64–67). But the capital logic school also looks at the problems involved for capital accumulation in the nature and effects of competition. This forces each individual capital to realise at least the average rate of profit and means that the state will have to secure the provision of those use-values which are necessary to capital accumulation but whose private production proves unprofitable. This could involve nationalisation or some form of state subsidy. The state must also ensure the supply of use-values which take the form of ‘public goods’ and/or whose production involves a ‘natural monopoly’ (Altvater, 1973). Lastly, since the total social capital is also divided into different national capitals, the state has to promote the interests of its particular national capital as well as to co-operate with other states in securing the conditions necessary for continued capital accumulation on a world scale (Altvater, 1973).

Now, although these general political and economic conditions are entailed in the very nature of capitalism as a mode of production (and are therefore coeval with it), there is clearly scope for variation in the extent and manner of their fulfilment. This is alleged to depend on the class struggle and the historical tendencies of capital accumulation. The tendency of the rate of profit to fall is especially important here, because it demands political intervention to mobilise counter-tendencies through the restructuring of capital and the reorganisation of the labour process. Thus it is not only argued that the state is essential to capitalism (and so cannot be neutral in the class struggle), but also that the amount and scope of its intervention tend to increase *pari passu* with the

gradual unfolding of the process of capital accumulation (Altvater, 1973, 1976; Yaffe, 1973).

The capital logic school qualifies this view of the state as an ideal collective capitalist by considering its continued subordination to the laws of motion of capitalism. It argues that, whilst the state intervenes more and more to maintain demand and reorganise production, it cannot transcend market forces nor eliminate the tendential fall in the rate of profit. At best it can modify the forms in which these forces manifest themselves and mobilise counter-tendencies to declining profitability. The power of the capitalist state in this respect is necessarily limited, because it cannot directly determine the decision-making of private capital. For state intervention is always mediated through the monetary and legal conditions affecting the operation of market forces and the organisation of production in the private sector. Within these limits, however, private capital is free to determine its economic conduct (Blanke *et al.*, 1977, pp. 92–96). This constraint is reinforced by the contradictions inherent in capital accumulation. Two cases often cited in this literature concern employment policy and state-sponsored industrial reorganisation. Thus Keynesian-style intervention to maintain full employment demand is said to be at the expense of accelerating inflation. This means that such policies must sooner or later be abandoned and the result will be an acute depression and mass unemployment. If the state is to escape this dilemma, it must replace the purgative function of economic crises with state-sponsored capital reconstruction. But such policies also involve definite costs. For they require the expansion of state expenditure, involve the expulsion of labour from commodity production, produce a ‘fiscal crisis of the state’, lead to the general politicisation of economic class struggle, and so forth (Altvater, 1973; Bullock and Yaffe, 1975; Yaffe, 1973). It would therefore seem that the capitalist state is trapped within the capitalist mode of production and cannot escape from its contradictions and crises.

The arguments of this particular school represented a fundamental theoretical advance, through their demonstration that the state cannot be conceived as a mere political instrument set up and controlled by capital. For its proponents establish that the capitalist state is an essential element in the social reproduction of capital—a political force that complements the economic force of competition between individual capitals and assures the immanent necessities that cannot be secured through the latter. This requires, among other things, that the state intervene against capital as well as the working class—especially when individual capitals or fractions of capital threaten the interests of capital in general. Such action illustrates the error of viewing the state as a simple instrument of capital. These studies also claim to reveal the fallacies of the reformist argument that the state can be used to overcome the basic contradictions of the capitalist system and, indeed, to effect a gradual, peaceful transition to socialism through the skilled manipulation of the existing state apparatus. For they argue that the state, precisely because it is an essential element (albeit relatively autonomous) in the total process of capital accumulation, necessarily reflects and reproduces these basic contradictions without ever eliminating them.

There are also serious difficulties with this analysis, however, which are deeply rooted in the basic approach. For, in trying to derive the nature of the capitalist state from that of the capitalist mode of production in its pure form, the ‘capital logicians’ commit the reductionist fallacy identified above in a more complex form. Whereas simple reductionism treats the political as a mere epiphenomenon of an economic base and denies it any reciprocal influence on the base, this approach postulates the necessity

of a political level whose form and effects are determined at the economic level. It demonstrates that an 'ideal collective capitalist' can be constituted theoretically to assure certain general conditions without which capitalism would be impossible; and that this presupposes in turn a particular form of separation between the political and economic aspects of accumulation. But all that this establishes is that capitalism is a possible mode of production and that it involves a specific form of state. As long as the 'capital logicians' remain within this framework, they cannot account for the origins of the capitalist state nor explain how it can function *as if* it were an ideal collective capitalist. In both cases they resort to the unsatisfactory argument that everything that happens in a capitalist society necessarily corresponds to the needs of capital accumulation. Moreover, even when this complex form of reductionism is apparently avoided, through *ad hoc* references to crises and class struggles as the motor force behind state intervention, these are still considered in purely economic terms and it is assumed that the interests of capital are always realised in the final analysis (see especially Mueller and Neusuess, 1975). More recently it has been conceded that the 'capital logic' approach can only indicate the probable forms of the state, and specify the broad limits within which variations can occur without fundamentally threatening the process of capital accumulation. But the difficulty remains that the 'needs of capital' still provide the only principle of explanation, rather than becoming the point of reference for a more developed theory. There is little or no attempt to account for the circumstances in which these needs are met. Thus, despite various efforts to introduce class struggles and non-economic variables, it remains true that this school reduces history to an effect of the logical self-realisation of capital (Gerstenberger, 1976A, B; Laclau, 1977, pp. 7–12).

### **The attempt to introduce historical specificity and class struggle**

It is in response to some of these difficulties with the 'capital logic' approach that a more recent school of Marxists, centred this time at Frankfurt (but not to be confused with the Frankfurt school of 'critical social science'), has attempted to introduce a greater degree of historical specificity and a sharper awareness of the role of class struggle into the study of the capitalist state. Thus, although they accept the basic arguments concerning the need for a separate political institution to secure certain preconditions of capitalism, they reject an emphasis on the needs of competing capitals considered in isolation from their antagonistic relation with wage-labour. They insist that the capitalist state can be understood only in terms of its changing functions in the class struggle over the organisation of the labour process and the appropriation of surplus-value. Furthermore, because they concentrate on the historical development of this struggle rather than the logical implications of competing capitals, they are better able to analyse the contradictions involved in state intervention (von Braunmuhl *et al.*, 1973; Gerstenberger, 1975; Hirsch, 1977; Holloway and Picciotto, 1977).

This approach can be illustrated through its analysis of the general development of the modern interventionist state from its origins in the feudal absolutist state in Europe. In this context the first struggles concern the expansion of international trade and the creation of a wage-labouring class. Once the primitive accumulation of capital and a labour force have been secured through mercantilism and related domestic policies, the capitalist state must adopt a *laissez-faire* role to assure the maximum scope for capital accumulation. But it must still intervene to regulate the self-destructive tendencies of ruthless competition and guarantee the general conditions necessary to

accumulation through, for example, factory legislation and control over credit. Moreover, as the process of capital accumulation continues, the socialisation of production and the tendency of the rate of profit to fall, require increasing intervention to mobilise counter-tendencies through the restructuring of capital, the reimposition of capitalist control over the labour process, and the reassertion of bourgeois hegemony over the working class. The internationalisation of capital poses new problems and requires new forms of state apparatus and state intervention, to secure the continued reorganisation of social relations in favour of capital accumulation on a world scale (Gerstenberger, 1976A; Holloway and Picciotto, 1977).

As the appropriate forms of intervention change with the progress of capital accumulation, so do the appropriate forms of representation and legislation. Thus, in the context of the transition from feudalism to capitalism, the most adequate form of state is said to be a royal absolutism implementing mercantilist policies. During the period of liberal capitalism, however, this changes to a bourgeois parliamentary democracy. For the latter provides a forum for the representation of the different fractions of the ruling class and for the passage of laws that subject all capitals equally to the same general rules supervised through a bureaucracy of state officials. The transition from absolutism to parliamentarism and, within the latter context, the extension of the franchise to dominated classes, both entail sustained class struggles. Finally, in the period of monopoly capitalism, the form of state must change again. The state must now enter into direct relations with individual capitals and increase the strength and scope of its means of intervention in order to mobilise counter-tendencies to the tendency of the rate of profit to fall. This requires a transition, from general legislation enacted and enforced according to the rule of law to new and more powerful forms of discriminatory intervention at the discretion of the state bureaucracy. This change is reflected in the declining role of parliament as major capitalist interests seek direct access to the executive and administration; and in the continual reproduction of the conflicts between capitals within the heart of the bureaucracy itself. In short, as accumulation proceeds, there is a growing tendency for the capitalist state to be transformed into a strong state characterised by a weak parliament, a powerful bureaucracy and marked participation by individual capitals and social democratic trade unions (Holloway and Picciotto, 1977, pp. 85–97; Mandel, 1975, pp. 474–499; Picciotto, 1977, *passim*).

This approach not only introduces some historical specificity into the analysis of the capitalist state, it also develops some significant ideas about the nature and effects of class struggle. There are four main contributions in this respect. Firstly, it is argued that capital accumulation is conditional on the continued ability of capital itself to secure *through struggle* the many different conditions necessary for the creation and appropriation of surplus-value on an ever-expanding scale. This means, among other things, that the laws of motion of capitalism are not natural and inevitable, but actually depend for their realisation on the balance of forces in the unceasing struggle between capital and labour. Crises are therefore seen as the effect of failure to maintain the domination of capital over labour, rather than as the result of the inexorable logic of accumulation. Secondly, it is argued that capital accumulation is an unplanned and anarchic process that takes place behind the backs of economic agents. Thus, capitalism and its operation are generally seen in more or less distorted, fetishised guise. This means that state intervention is rarely directed towards the actual needs of capital and generally reflects a response to the political repercussions of accumulation. Thirdly, because there is no

necessary correspondence between state intervention and the needs of capital, *crises* play a major role in reshaping its form and redirecting its thrust. For it is during crises that the immanent necessities of capitalism are most likely to become apparent. In this sense it can be said that crises act as the steering mechanism of state intervention. Fourthly, since crises are the complex effect of various contradictory factors and affect different classes in contradictory ways, there will be continuing conflict over their interpretation and resolution. This means that crisis-management will assume the form of trial-and-error responses, whose content is determined by the changing balance of political forces. Moreover, since capitalism is necessarily beset with contradictions, no economic strategy can overcome those barriers to accumulation inherent in capitalism itself (Gerstenberger, 1973; Hirsch, 1976; Holloway and Picciotto, 1976; Lindner, 1973; Wirth, 1976).

The recent work of Claus Offe should also be mentioned here. For, although he starts from different assumptions, Offe has reached similar conclusions on several of these issues. He argues that the capitalist state has four main structural features. Firstly, it is excluded from the organisation of capitalist production and the allocation of private capital. Thus it can affect accumulation only indirectly. Secondly, because the state is separated from capitalist production, its survival and performance clearly depend on revenues that originate outside its immediate control. Thirdly, since capitalism is neither self-regulating nor self-sufficient, the state has a mandate to create and sustain those conditions necessary to accumulation. And, fourthly, faced with this precarious combination of exclusion and dependence, the state can function on behalf of capital only if it can equate the needs of capital with the national interest and secure popular support for measures that maintain the conditions for accumulation while respecting its private character (Offe, 1975, *passim*; Offe and Ronge, 1975).

Offe goes on to argue that the political mechanisms required to reproduce these conditions change with the nature of capitalism. In particular, as the capitalist state is increasingly forced to secure the provision of specific inputs that individual capitals cannot produce profitably as well as to provide the general social conditions required for accumulation, it is necessary to establish 'planning' and encourage 'participation' as well as to centralise the existing administrative system. But all three mechanisms must prove inadequate to the tasks of capitalist reproduction. For bureaucratic administration is alleged to be inefficient in the organisation of social and economic *programmes*, as opposed to the routine implementation of *specific policies* according to predetermined rules. Planning is ineffective because it is opposed by private capitals whenever it threatens their individual interests. And participation intensifies the class struggle within the state apparatus and so threatens to disrupt the balance of forces required to implement capitalist policies. Offe therefore concludes that there will be perpetual oscillation between these different mechanisms as the state continually comes up against their different limitations (Offe, 1975).

Because it is premised in part on an internal critique of the 'capital logic' approach, this school has been able to develop concepts and principles of explanation that preserve its theoretical advances and resolve some of its theoretical inadequacies. Above all, it seeks to establish that not only is there no guarantee that the capitalist state can secure all the needs of capital at one time, but it is actually impossible for it to do so. However, it is its very emphasis on historical specificity and class struggle that reveals the limitations of this approach. For it lacks certain essential concepts for historical analysis and operates with an unduly restricted view of class struggle. Capitalist relations of pro-

duction exist only in specific variant forms and in combination with other forms of social and private labour. This means that class struggles are influenced by other classes and social forces than capital and wage-labour. Moreover, since each particular economic formation has its own distinctive political and ideological relations and conditions of existence, such struggles will also be shaped by the different ways in which economic classes are inserted into the superstructure. The problems involved in periodising class struggle are particularly clear in transitional periods, but they are always present in historical analyses of the capitalist state. Thus no amount of abstract analysis of capitalism, or, indeed, its variant forms, would enable one to determine the changing relations between the feudal nobility and bourgeoisie in the transition from feudalism to capitalism. Nor would it enable one to determine the political role of the petit bourgeoisie in the class struggle between monopoly capital and wage-labour in Weimar Germany. Nor again would it help to assess the effects of religious ideology in Northern Ireland. Yet these problems are critical in understanding the nature of state power in particular societies and its effects on capital accumulation.

### **The capitalist state and popular-democratic struggle**

It is here that the work of Gramsci and the 'neo-Gramscian' school is most relevant. For these theorists have investigated the problem of political and ideological hegemony and elaborated a number of concepts and assumptions that have greatly advanced the analysis of class struggles. However, because this school tends to adopt a 'class theoretical' rather than a 'capital theoretical' approach, its analyses frequently underestimate or totally ignore the constraints on the state entailed in the nature of capitalism, and also overestimate the autonomy of politics and ideology. Thus, if the arguments of the two 'capital theoretical' schools need to be supplemented with analyses of political and ideological domination, the neo-Gramscian approach must be modified in the light of the economic limitations on state power and ideological hegemony.

Theorists of this persuasion stress that the capitalist state is not a simple instrument manipulated by a unitary bourgeois class. They argue instead that the state plays a vital role in unifying the bourgeoisie and organising its political and ideological domination. For, in opposition to the widespread Marxist view that each class has an essential unity of purpose based on its members' shared position in the economic system, the neo-Gramscian school insists that its unity depends on the existence of particular forms of organisation and representation. The most important problem in securing the conditions for capital accumulation is therefore located at the level of class practices. It concerns the organisation of the dominant class and the disorganisation of the dominated class. This is considered necessary because competition among capitals threatens the unity of the bourgeois class at the same time as its involvement in struggle threatens to unify the working class (Poulantzas, 1973, pp. 188–189 and 256–257). The solution to this problem is found in the nature of ideological hegemony and/or the form of the state.

Ideological hegemony is discussed in terms of the intellectual and moral leadership of the popular classes by the dominant classes or power bloc (Gramsci, 1971, pp. 52–89, 104–113, 130–132, 275–276 and *passim*; Laclau, 1977, pp. 94–111; Poulantzas, 1973, pp. 130–141, 206–224 and 239–245; Poulantzas, 1976, pp. 134–162). In this context, a power bloc is a fairly stable alliance of dominant classes or class fractions, whose unity depends on a modicum of mutual self-sacrifice of immediate interests and on their commitment to a common world outlook. Examples would include the British



'establishment' and the Unionist bloc in Northern Ireland. For hegemony to exist, then, it is necessary for the dominant bloc to secure the support of dominated classes (such as the peasantry, the urban petit bourgeoisie and sections of the working class), of social categories (such as the military, officials and intellectuals), and of significant social forces (such as ethnic minorities, religious movements, and similar groups capable of intervening with pertinent effects on the class struggle between capital and wage-labour). Such support does not stem from simple 'false consciousness', but is rooted in the incorporation of certain interests and aspirations of the 'people' into the dominant ideology. For the ability of the power bloc to maintain its hegemony depends on its success in articulating 'popular-democratic' struggles into an ideology that sustains the power of the dominant classes and fractions, rather than working to reinforce the revolutionary movement. Conversely, if the working class is to establish its counter-hegemony over the people and so isolate the power bloc, it is essential for it to integrate 'popular-democratic' struggles into a mass movement led by a political party that is organically linked to the people (Laclau, 1977, pp. 94–111).

This school also considers the effects of particular forms of state on the degree of bourgeois domination. Thus, Poulantzas suggests that the coupling of individual citizenship as a legal institution with the nation-state as a juridical subject is particularly effective here. For, not only does the constitution of all members of society as political subjects endowed with equal rights, regardless of their class affiliation, complement their formal equality as economic agents, it also encourages their atomisation and individuation and disguises the substantive inequalities in political rule. In this sense the commodity fetishism, engendered by exchange relations, is mirrored in liberal political and legal institutions. Conversely, not only does the emergence of a nation-state correspond to the need for an 'ideal collective capitalist', it also implies the existence of a national or popular interest that reflects the common interests of all its citizens regardless of their class membership. This is alleged to sustain the belief in a neutral state able to reconcile class antagonisms and thus to facilitate the rule of capital (Poulantzas, 1973, *passim*).

Bourgeois political domination is also said to be reinforced by free elections and strong parliamentary institutions. For it seems that electoral competition encourages the power bloc to take account of the interests of the dominated classes when formulating its policies for capital accumulation. This provides the basis for welfare state programmes and other social policies concerned with working-class and popular-democratic demands. It also limits the electoral prospects of any parties that are openly committed to class struggle and revolution, as they will appear sectional and undemocratic. At the same time free elections also provide the means to change government policies and ruling parties in response to shifts in the balance of class forces, without threatening the smooth operation of the state apparatus as a whole. It is also noted that, within this institutional context, parliaments provide an important forum for different capitalist and non-capitalist interests to hammer out common policies in conditions where failure to do so will impair or paralyse effective government. Thus, whereas so-called 'exceptional' forms of capitalist state (such as military dictatorship and fascism) may seem strong because they are dictatorial or totalitarian in nature, they are inadequate to the tasks of political rule in capitalist societies. For their apparent strength hides a brittleness of institutional structure which means that they are unable to respond effectively to the changing crises, conflicts and contradictions inherent in these societies. In contrast, since universal suffrage, competing parties, the separation of powers and parliamentary

government ensure a measure of flexibility, the power bloc in a democratic system is able to maintain social cohesion and so secure the conditions necessary for continued capital accumulation (Gamble, 1974, pp. 3–10; Jessop, 1977, *passim*; Poulantzas, 1973, pp. 277–307; Poulantzas, 1976, pp. 90–97 and *passim*).

Now, if such arguments are accepted, one must ask why capitalism is ever associated with non-democratic forms of state. The solution to this problem is not hard to find. For the neo-Gramscian school stresses that the rule of capital is not unconditional but depends on the ever-changing balance of class forces. The strength of capital appears in its ability to take advantage of economic crises in order to reorganise production and increase capital accumulation (Debray, 1973, pp. 141–142; Poulantzas, 1973, p. 171n). This depends in turn on its continued political and ideological domination (Nun, 1967, p. 99 and *passim*). However, despite the apparent institutional separation of the economic, political and ideological levels in capitalist societies, they are closely related. Thus economic crises necessarily have repercussions on the other levels (and vice versa) so that a restructuring of the state as a system of political domination may be a precondition of solving an economic crisis. It is in this context that concepts such as crises of political representation and ideological hegemony are particularly relevant. For these signify the dissociation of political struggle from the established organs of representation and the dissolution of hegemony, resulting in the detachment of the masses from bourgeois political and ideological leadership (Poulantzas, 1974, pp. 62–65, 71–78 and *passim*). In such situations, the bourgeois democratic republic may prove inadequate to securing the conditions necessary for accumulation. Whether it is regenerated or replaced by another form of state depends on the strategies adopted by different political forces and their relative strengths. But there can be no guarantee that new forms of domination will prove more adequate to securing such conditions or, in revolutionary situations, the conditions for a successful transition to a different form of society.

It is the merit of the neo-Gramscian school to have developed certain concepts for the analysis of specific capitalist societies and not just of capitalism considered as a pure mode of production. But its analyses are often vitiated by a systematic neglect of the economic constraints rooted in the nature of capital accumulation. For, though it is well aware of the various forms of class struggle and popular-democratic struggle, it is not as concerned with the general laws of capitalist production. This results in a certain unevenness and asymmetry in the work of the school and points to the need to integrate the different approaches.

### Concluding remarks

This review has tried to locate the position of the state in Marxist discourse and to assess the adequacy of various theoretical approaches to its study in capitalist societies. Marxist theories are heterogeneous in approach, but are unified through a common concern with specific modes of production, their conditions of existence and their effects on social formations. They are not concerned to develop a theory of the mode of production ‘in general’ nor, *a fortiori*, a theory of the state (or society) ‘in general’. It is also debatable whether it is possible to develop a theory of the capitalist state in general. For, since capitalism exists neither in pure form nor in isolation, states in capitalist societies will necessarily differ from one another.

It is in this context that we can best appreciate the above studies. For their overall effect has been to redefine the problem of the state in capitalist society in a way that makes theoretical and political progress possible once more. They have dissolved the

orthodox approaches in terms of the state as a thing or a subject that is external to the capitalist mode of production. In their place, they have focused attention on the social nature of capitalist production and its complex economic, political and ideological preconditions. This means that the state and state power must assume a central role in capital accumulation, even in those apparently counterfactual cases characterised by a neutral, *laissez-faire* state, as well as those where the state is massively involved in the organisation of production. Moreover, because the state is seen as a complex institutional system and the influence of classes is seen to depend on their forms of organisation, alliances, etc., it is also necessary to reject a crude instrumentalist approach. It is no longer a question of how pre-existing classes use the state (or the state itself acts) in defence of capitalism defined at an economic level. Henceforth it is a question of the adequacy of state power as a necessary element in the overall reproduction of the capital relation in different societies and situations. And state power in turn must be considered as a complex, contradictory effect of class (and popular-democratic) struggles, mediated through and conditioned by the institutional system of the state. In short, the effect of these studies is to reinstate and elaborate the idea that the state is a system of political domination.

But the interest of these studies is not restricted to the field of Marxist theory and politics. For the problems with which they have been grappling occur in similar forms in non-Marxist economic and political enquiries. It is not specific points of economic analysis that are at issue here, but the adequacy of certain common assumptions concerning the nature of the state, its role in economic activity, and the relevance of orthodox economic theories in the light of that role. Either the nature of the state is seen as irrelevant to economic theory as such and regarded as a factor that shapes and limits the application of economic principles in given conditions. Or, it being recognised that its exclusion from economic theory is arbitrary and unjustifiable, the state is all too often treated simply as a subject comparable to a firm or household, or as a set of neutral policy instruments applicable to various economic goals, or as the private property of rational, maximising, self-interested political actors. The precise implications of these latter approaches depend on the other assumptions with which they are combined. Thus in its theoretical guise as a subject the state may be seen as a legal sovereign that controls economic activity, as a referee or umpire that intervenes in economic disputes, as one economic agent among others, or as a political agent whose actions may promote or hinder economic performance. The instruments-goals approach is generally associated with technical disputes over the appropriate forms and direction of intervention and with political disputes about the role of the state in the allocation and redistribution of resources. And the model of '*homo politicus*' tends to be linked with claims that the self-interest of state personnel is inimical to economic growth. Now, although these approaches illuminate certain aspects of the state, they do not advance political economy in any fundamental way. For they deal at best with the surface phenomena of politics and have no theoretical means to explore the deeper connections between the state and economic development.

It is here that the recent Marxist debate has major implications for orthodox economics. For it establishes that capitalism is a specific mode of the social organisation of production and has definite historical preconditions and forms of development. It also establishes that the state has an essential role in securing these preconditions and that its institutional structure and forms of intervention must be transformed as capitalism changes and develops. The recent discussion further argues that the economic state

apparatuses and their means of intervention are not neutral, but are integrated into the movement of capital and constitute a field of conflict between different interests. This means that state intervention has inherent limitations in securing the conditions for capital accumulation and is always subject to the inevitable influence of various class and popular-democratic struggles. It also means that the adequacy of particular policy instruments and general forms of intervention will vary not only with changes in economic structure but also with changes in the balance of political forces. Related to these arguments is the further point that the forms of political representation also have distinct effects on the efficacy of different forms of intervention. This in turn implies that the failure of specific policy measures or general instruments may be due to the inadequacy of the forms of political representation with which they are linked, rather than to mistaken economic analysis. It means as well that the reorganisation of the state apparatus may be necessary before economic problems or crises can be resolved. The current debate about industrial democracy, the 'social contract' and the development of tripartite or corporatist institutions is particularly germane here.

In short, the overall thrust of these studies is to suggest that the analysis of the state is not an activity irrelevant or marginal to economic theory. It is not something that can be consigned safely to another discipline within an intellectual division of labour, or to a future date in the development of economics itself. It is rather an absolute precondition of adequate economic theorising today. Economics must therefore take up the challenge of the continuing Marxist debate and counterpose its own solutions, if any, to the problems with which the latter deals. It is high time that orthodox economics renewed its traditional role as the science of political economy. Failure to do so will surely be tantamount to a self-declaration of theoretical poverty in a fundamental area of economic analysis and a primary concern of political practice.

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