

State Capitalism

Alfred P. Sloane, who once ran General Motors, is reported to have said: "It is the business of the automobile industry to make money not cars" - and what he was saying applies generally to production in the modern world. It takes place first and foremost with a view to making monetary profit and only incidentally with a view to producing goods or services. There's no difficulty in seeing this in what's called the "private sector". It's clear that an employer will only carry on a business as long as it is making a profit or there's a prospect of profit. If profit stops being made, the business will either try to cut costs (usually by reducing its workforce) or, if this is impossible, will close down.

We can see this process together with its human toll in insecurity and unemployment going on all the time. And we can see it not just in the private sector but in state-owned industry too, as in the closure in recent years of so many British coal mines. Yet it's still widely thought that in state owned industry profit is not paramount and that in countries such as Russia, where virtually the whole of the production process is state controlled, "planning" and not the profit motive prevails. In the West, because many of the state-owned industries have been concerned with providing essential goods and services (such as energy and transport) it's been widely believed that they somehow belong to us all, that their purpose is to serve the community and they do not have to run at a profit.

This belief was particularly widespread in Britain in the years immediately following the second world war when the Labour government introduced large-scale nationalisation measures. The old lady who went down to the pithead with her coal bucket to collect some of what she thought was her coal had just this kind of optimism. She had been told that now the mines were nationalised they belonged to the people. In fact she was greeted with delirious laughter and told to go and buy her coal from the coal merchant as before. Many other people have been similarly disillusioned when confronted with the failure of nationalisation to bring about the shared prosperity of a new social order. And so unpopular has it now become that the present-day Conservative Party is able to gain electoral advantage by bringing in sweeping privatisation measures.

It's often said that this failure of state-run industry to give people a better life shows that socialism has been tried and failed. This is true only if you regard socialism as synonymous with state ownership (and by extension capitalism with private ownership). But another way of looking at it is that state ownership is simply an alternative to private ownership of capital and of running a capitalist economy. No matter who handles capital - the state or private investors - the majority of people, all those who have to work for a living, continue to have only the limited access to the wealth of society which their wage or salary gives them.

State industries

This is an approach adopted in a new book by Adam Buick and John Crump called *State Capitalism: the Wages System Under New Management* (Macmillan, 1986,

157pp.) Buick and Crump argue that state-run production is just as much concerned with profit as private enterprise and present convincing evidence that, when it comes to making profit, nationalised industries in Britain and other Western countries have on the whole been extraordinarily successful. They do not deny that state-run industries such as coal and transport necessary for the overall profitability of production have sometimes been run at a loss with the aid of government subsidies. But this has been the exception rather than the rule and in general nationalised industries, which have a statutory legal obligation to try to run at a profit, have not been allowed to continue to run at a loss. The cut-backs in the coal and iron and steel industries over the last 20 years by both Labour and Tory governments are evidence of this and on the whole anyway, despite popular myth, subsidies have not been needed for nationalised industries. They have generally produced not only enough profit to accumulate new capital but also enough to provide a property income for the private individuals who originally owned the nationalised industries. For the old private owners nationalisation meant a change in the form of ownership from private shares to interest-bearing government bonds, while some chose to receive payment in cash from the state to the full value of what was being purchased from them.

What this shows is that nationalisation does not dispossess private capitalists but simply changes their property titles. And what Buick and Crump go on to illustrate with many practical examples is that historically state intervention in industry (or "state purchase" as it used to be called) has taken place not for ideological reasons but to protect the interests of the private-owning class as a whole so that individual or groups of capitalists could not, by their monopoly of an essential good or service, hold the rest of the capitalist class to ransom.

The depth and sophistication of the authors' analysis makes their conclusions irresistible - nationalisation is essentially a buying and selling transaction involving haggling over a purchase price and represents no more than an institutional arrangement, a change of formal ownership which leaves intact the basic social relation of wage labour to capital. It is of no concern therefore to the majority of us in society, who receive in return for selling our energies to a state or private employer a wage or salary of smaller value than what we have produced. And like private capitalists or the managers of a private enterprise, the professional managers appointed by the state to run the nationalised industries are, as the authors put it, "the mere agents of market forces, interpreting, more or less successfully, the dictates of the market and exploiting, more or less successfully, the labour power purchased".

But what about countries like Russia and China where there is blanket state ownership and no distinct privately-owning capitalist class? Here Buick and Crump show that the party bosses and bureaucrats who govern Russia also effectively own the wealth of that country, by virtue of their control over production and the productive machinery. The privileges they draw from ownership are expressed in the massively higher living standards they enjoy compared with the majority of Russians. Like the private capitalists in the West they derive their wealth from the surplus value produced by the wage and salary earners. But

instead of, as in the West, receiving this wealth directly in the form of profit due to them legally as a return on investment, they receive it in the form of enormously bloated "salaries", bonuses and payments in kind of various types - holiday villas, travel abroad, access to special shops and so on.

Socialist analysis

Not that Buick and Crump claim to have discovered anything new in this. In the detailed and wide-ranging account they give of the idea and history of state capitalism, they point out that since the 1920s the Socialist Standard has argued that Russia has a capitalist class and that the system there is not socialism or communism but a form of capitalism -state capitalism. They point out too that in recent years other observers and political currents have been driven to a similar view, usually without even knowing about the pioneering work of the Socialist Party. Unlike the Socialist Party, however, most of them have argued that if Russia is now a class society in which the party leaders and bureaucrats have become a new ruling class on the basis of the wages system, it was not always so. The Russian revolution of 1917, the arguments run, was a socialist revolution which overthrew capitalism for a while until it was restored at a later date by Stalin, Kruschev or whoever. But, as Buick and Crump remark,

wherever the date of capitalism's "restoration" in Russia is fixed, all the elements which are cited as evidence of capitalism's existence subsequent to that date were also in existence previously.

The point here is that the difference between capitalism and socialism is seen as a difference between the politics of those controlling the state and not as a different form of social organisation. And what the authors show, in their chapter entitled "The Revolutionary Road to State Capitalism", is that a different form of social organisation on a socialist basis of production for use, voluntary cooperation and the abolition of the wages system never existed at any time in Russia. The Russian revolution from the very beginning was aimed not at abolishing capitalism and making the means of living into the common property of the whole community but at a takeover of the state by a minority group whose purpose was to centralise capital in the state with a view to speeding up industrial development - and all this behind a smokescreen of socialist declarations.

How has this centralisation of capital in the hands of the state worked out in practice? The answer to this question is the area in which Buick and Crump are at their most original. What they do is to analyse in detail the mechanics of production in Russia and other such countries (but in particular Russia) to show precisely how and why production, even under almost total state control, takes place - and indeed must take place - with a view to making profit and not to satisfying people's needs. Not to concentrate on profit, they point out, would be to ignore the pressure arising from the international rivalry of competing capitals, the pressure to compete both militarily and commercially, and therefore to accumulate capital. And the penalty for such ignorance would be economic and political collapse. So Russian "planning" is not aimed at

satisfying the needs of consumers but at extracting surplus value from Russian workers as effectively as possible - making them produce greater value by their labour than they receive in wages or salaries, just like workers in the West. Not that, under the profit imperative, "planning" and its production targets are a particularly precise, reliable or long-term instrument for economic organisation. They must of necessity be short-term, piecemeal and subject to constant revision - as indeed they have always been in Russia - as the nature and amount of the goods that can be sold on the market at a profit constantly changes.

Russian capitalism

Shades here of Western "market forces". And indeed perhaps the most penetrating insight of this book is that an effective market and the forces of competition that go with it do exist in Russia:

The "plan" does not abolish exchange relationships between enterprises but merely attempts to quantify the exchanges in advance.

In other words the state has to devise mechanisms of a market kind and "the pressures which act on the state and its economic planners in the state capitalist countries are identical to the pressures which act on their private capitalist counterparts via the market". And these pressures, the need to make financial calculations in order to realise profit and accumulate capital indicate, over and above any differences of detail, the essential similarity of the economic systems of East and West. Nor does "planning" remove the element of competition from Russian production. Competition remains an essential and ever-present feature. There is competition between enterprises producing different goods where financially accountable enterprise managers are anxious to achieve their targets ahead of other enterprises. There is competition between enterprises which produce the same goods, with planning specifications, which are necessarily vague and approximate to allow individual managers latitude to adapt to rises and falls in spare capacity and consumer demand, have brought about a situation where a number of different enterprises may be producing, say, refrigerators at the same time in competition with one another. There is, above all, because of the pressure on managers to reach production targets, competition among enterprises for the skilled labour power available:

Such is the intensity of competition for scarce grades of labour power that even the Russian authorities admit that almost one-third of labour recruitment by-passes official channels, while many Western scholars believe that, with certain exceptions, "the immense majority of workers and employees is recruited at the factory or office gates".

All this knocks sideways the arguments of those who say that what exists in Russia is not state capitalism but some form of socialism, or at least a fundamentally different economic system than in the West. The view of Trotsky, Trotskyist theoreticians like Ernest Mandel and Trotsky's followers in many of today's left-wing organisations, that Russia does not operate on capitalist principles but is a "deformed" or "degenerate" workers' state where production

takes place at least partly for the benefit of workers is shown to be based on excessive attention to legal forms and official ideological pronouncements rather than on how the economy functions in practice. Likewise, those who, identifying socialism with fullscale nationalisation, refuse to see Russia as capitalist because it has no privately-owning class are shown wrong through overestimating the importance and effectiveness of "planning" and seriously underestimating the role of prices, profit and money. Often of course such Western observers have an ideological point to prove but in this they are no different from the official ideologists of the Russian state who must also insist on qualitative differences of organisation and lifestyle between "socialist" Russia and the "capitalist" West.

But if Russia's state propaganda calls the society there socialist, what it claims to be moving towards as the ultimate realisation is "communism ". And what it is widely thought to mean by this is a classless, stateless society based on the principle "from each according to ability, to each according to need". But in their final chapter, "The Alternative to Capitalism", Buick and Crump examine closely the wording of official Russian pronouncements on future society and find that what is actually being advocated is not a classless society of free access at all but a society of "free distribution", one in which a minority will still rule and a majority will still work for the rulers receiving in return for their work payment in kind of the things the rulers consider they need. Such a society would still be a form of wages system and in any case not a society based on the self-determined satisfaction of needs.

Alternative society

The alternative the authors offer to replace all the different forms of wages system examined in the book is just that society of free access which Russian state ideology denies. It is a society without money and wages and without buying and selling. It cannot, they insist, be brought in gradually by some kind of transition process but only as a rupture, a clean break with the present system - if for no other reason than the total difference in the form that wealth takes in the two societies. In the one (socialism or production for use) it appears in its natural form for the purpose of satisfying human needs; in the other (capitalism or production for profit) it appears in the form of exchange value for the purpose of being sold on the market at a profit. And the two are mutually exclusive. In socialism, as the writers put it:

Goods would simply become useful things produced for human beings to take and use . . . people would obtain the food, clothes and other articles they needed for their personal consumption by going into a distribution centre and taking what they needed without having to hand over either money or consumption vouchers.

And they go on to suggest how it could be organised in practical terms. Such arrangements are possible today, they conclude, because our resources, technology, skills and knowledge are sufficient to allow us to produce a massive abundance of all the goods and services we need in order to live comfortably on a worldwide scale. But if this is to be achieved then we must organise ourselves

democratically on the basis of voluntary cooperative work instead of forced wage labour and through production for use instead of profit - and all this in a society without states and frontiers, without rulers and ruled, without leaders and led.

Some might find these recommendations require too great a leap of the imagination, but they should not be deterred from reading this excellent book. It is a landmark in the study of modern society to which no short account can do justice - and it is thoroughly readable. It will find its way on to the bookshelf of socialists but it will also be read by, and change the thinking of, many non-socialists. Howard Moss