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TECHNOBUREAUCRATIC CAPITALISM

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2004 Introductory Note

This book began with the translation, by Marcia Van Dyke, of my book *A Sociedade Estatal e a Tecnoburocracia* (São Paulo, Editora Brasiliense, 1981). A first version of it was submitted in 1983 to Cambridge University Press. After several months, the editor showed interest in the publication of the book, provided that I introduced major changes. Yet, in the meantime, I was called to political life, and was unable to make the required changes. In December 1987 I returned to academic life, and, after some time, reworked the originals, introducing the initial discussion of the state, and revising several parts, so as to become an integrated book instead of a collection of essays. This 1990 version was sent back to Cambridge University Press, but at that time they had lost the interest. This version was completed in mid 1990, when the collapse of Soviet Union was under way. It already acknowledged the breakdown of communism, but the disinterest of the publishing house let clear to me that more changes were required if I really wanted to publish the book in English. For years the 'manuscript' remained in my archives in digital form. Finally, in 2004, when I returned to the theme of this book by writing the paper "The Strategic Factor of Production in Technicians' Capitalism" to be presented to the 'John Kenneth Galbraith International Symposium', to be held in Paris, September 23-25, I 'rediscovered' *Technobureaucratic Capitalism.* Since I have no short term plan of reworking the book, I decided to publish it in my web page in the original form.

São Paulo, August 23, 2004

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Chapter 1
THE CONCEPT OF STATE

Capitalism is usually seen as the mode of production or the economic system in which privately owned business firms striving for profits are coordinated by the market. In this definition, the state is an outsider, a foreign body. Capitalism would only be the sum total of capitalist business enterprises coordinated by the market. This is the definition that would most commonly be given by neo-liberals. The commonplace definition of capitalism goes along these same lines. Marx, who was responsible for a more comprehensive definition and analysis of capitalism, certainly did not think in these terms. But the simple Marxist definition of capitalism - the mode of production in which the private ownership of the means of production prevails and in which surplus value is appropriated by the bourgeoisie in the market through the exchange of equivalent values - may lead also to the idea that the state is not essential to capitalism.

In this book, I take a view that is opposite to the neo-liberal definition of capitalism, where the state is left out. Even if one thinks in terms of pure capitalism, in terms of a mode of production where only the essential characteristics of capitalism appear, the role of the state is essential. The capitalist business enterprise is, indeed, a privately owned business that seeks profit in the market. But capitalist business enterprises are not part of a simple, small economic system that could dispense with the state. Capitalism is a complex economic system formed of capitalist business enterprises coordinated by a market that is regulated by the state. Contemporary capitalism is very far from pure or even from classical, nineteenth century capitalism; contemporary capitalism is regulated, technobureaucratic capitalism. There is no capitalism, nor capitalist market, without a state that regulates it, that creates the general conditions for capitalist production, that establishes the national currency, that issues and enforces the law, that defines property relations. Starting from this basic assumption, let us examine the concept of state.

1. The Meanings of the Expression "State"

The concept of state is very confusing in political science. It is very common to mix state with government, with nation-state or country, and with a given type of political regime. In some cases, a state is identified wit a political regime, in others it is confused with an economic system. Particularly in the Anglo-Saxon tradition, the state is often viewed as synonym of government. In this book, government will be always understood as the political elite that occupies the top positions of power in the state. In the European tradition, the national state or

country is frequently identified with the state. Expressions like "liberal state" or "bureaucratic state" are usually an indication that "state" is being utilized as a synonym for a political regime. Finally, expressions like "capitalist state" or "socialist state", identify the state with an economic and political system or with the total political superstructure of a given mode of production.[1]

It is valid to use expressions like these when we want to define the type of state prevailing in the different political regimes and modes of production. In this case, we are not confusing the state with a political regime, but rather are saying that the state in a democracy will be different from the state in an authoritarian regime, or that that the state in capitalism is quite different from the state in feudalism or in technobureaucratism. In any case, in this book the state will be understood as clearly distinguished from the government, the nation-state and the political regime.

The state is a part of society. It is a juridical and organizational structure that is imposed on society, becoming part of it. When a social system begins to produce an economic surplus, society becomes divided into classes. The dominant class that then appears needs the political conditions to exercise its domination and to appropriate the economic surplus. The institutionalization of a sovereign nation-state and, as part of it, of a state apparatus are the result of such need. From this point on, a society existing within a nation-state is not only divided into classes, but is also formed of a civil society and a state.

Concluding this first session and advancing some ideas that will be developed in the next ones, it will be important to have clear the distinction between: (a) the nation-state or the country, a sovereign political entity formed by a people living in a given territory and ruled by a civil society and a state; (b) the people, that includes all citizens of a nation endowed with theoretically equal rights; (c) civil society, made up of social classes and groups that have different access to effective political power; (d) the state, a bureaucratic organization made up of a political elite representing the civil society and implying the existence of a dominant political pact, a corp of public officials that administers the state and a public armed force, a special kind of bureaucratic apparatus that holds the monopoly of violence over the people of a nation-state; and (e) the

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[1] - Sabino Cassese (1986) reports that a 1931 study found 145 usages for the word "state". Klaus von Beyme observes that "American scholars have sometimes argued that the state is either a legal or a Marxist term" (1986: 115). In insisting on using the expression "government" as a substitute for "state", conservative scholars lose the possibility of making the crucial distinction between the state apparatus and a part of it - its governing body - the government.

political regime (sometimes called "state") that prevails in this nation: democratic or authoritarian, liberal or conservative, neoliberal or social-democratic.

2. The Basic Concept of State

Engels defined the three main forms by which the state appears when the tribes and clans are dissolved. In Athens, the state was the direct result of class antagonisms; in Rome, it was formed of citizens, mingling the aristocracy and plebeians. In both cases, the dominated class was reduced to slavery. Lastly, among the Germans, the state came out of the conquest of foreign territories (1884). Most likely because Engels was writing *The Origin of the Family, Private Property and the State* as a commentary on L. H. Morgan's investigations, he did not examine a fourth case that is more important than the others: the Asiatic state formed in the hydraulic societies. Marx examined the Asiatic mode of production in *Grundrisse* (1858) as part of his analysis of pre-capitalist social formations. In this case as well, it is very clear that the state, that became the organizing instrument for the whole society, was the result of the dissolution of the primitive community and of the division of society into classes. Thus Engels noted:

> The state is, therefore, by no means a power forced on society from without; just as little is it "the reality of the ethical idea," "the image and reality of reason," as Hegel maintains. Rather, it is a product of society at a certain stage of development; it is the admission that this society has become entangled in an insoluble contradiction with itself, that it has split into irreconcilable antagonisms which it is powerless to dispel. But in order that these antagonisms, classes with conflicting economic interests, might not consume themselves and society in fruitless struggle, it became necessary to have a power seemingly standing above society that would alleviate the conflict and keep it within the bounds of "order"; and this power, arisen out of society but placing itself above it, and alienating itself more and more from it, is the state. (1884: 326-327)

In this classical text, Engels summarized the origin of the state while defining it: it is a "power", i.e., an organizational structure destined to insure order or the prevailing class system in society. The state is a political structure, an organized power that permits the economically dominant class to also be politically dominant and thereby guarantee the appropriation of the surplus for itself. Its constitutive elements are: a) a government formed by members of the political elite, that tends to be recruited in the dominant class; b) a bureaucracy or technobureaucracy, i.e., a hierarchically organized corp of officials who take

care of administration; and c) a public armed force, oriented not only to defend the country against an external enemy, but mainly to maintain internal order. On the other hand, this political organization has the monopoly on institutionalized violence, that is translated into two basic rights or powers: a) the power to establish laws, to impose juridical order that coerces the citizens; and b) the power to levy taxes. Lastly, the state exerts its power or sovereignty over (a) a territory and (b) a population. The territory and population are not constitutive elements of the state, but rather the objects of state sovereignty.

In short, the state is a political structure made up of a political elite, a bureaucracy and a public armed force, endowed with the power to legislate and to tax. It is a structure through which the economically dominant class becomes politically dominant as well, thus insuring the appropriation the surplus for itself. Control of the state and appropriation of the surplus maintain a dialectic relationship. A class is dominant not only because it controls the factors of production, but also because it controls the state. Control of the state reinforces its control over the means of production, and vice versa. On the other hand, the appropriation of the surplus resulting from this also reinforces the position of the dominant class. The state is the political organization that constitutes the juridical-institutional superstructure of every society.

3. State and Civil Society

The extent to which a social system is democratic will determine whether civil society can be identified with the people, i.e., with a group of citizens with effective political rights. In these terms, the people is not as an object of the state, but rather as a constitutive element of it. Political power, or at least part of it, always emanates from the people. In contemporary capitalism, as in all other class systems, political power derives from civil society. In civil society, citizens are organized in a multitude of ways, into classes, fractions of classes, interest groups, formally and informally - so that each citizen has different political weight depending on the power groups to which he or she belongs.

Civil society encompasses all social relations that are outside the state but that influence it. According to Marxist tradition, civil society corresponds to the economic structure of society. The economically dominant class has most weight in civil society. This is usually true, but civil society should be clearly distinguished from the state and from the people. Civil society is constituted by the people, but the political weight each one has in this association is extremely variable. Civil society exerts its power over the state. In modern democracies the power of the state is theoretically derived from the people, but this is only true

when civil society itself is democratic, i.e., when it is increasingly identified with the people.

There are periods when it becomes difficult to distinguish the state from civil society, such is the predominance and scope of the state; at other times, civil society is clearly separate from the state and divides power with it. This leads some authors to give much importance to this state-civil society dichotomy, and to imagine that societies can be classified according to the predominance of one or the other. This opposition is interesting, as it establishes the distinction between two power systems: the system of centralized, structured power, represented by the state, and the system of diffuse but real power, that is found in corporations, associations, trade unions, religious organizations and families, i.e., in civil society. The formal bridge between civil society and the state, in modern societies, is represented by political parties.

The state is thus a system of organized power that is dialectically related to another more effective system of diffuse power -- civil society. Civil society is, in final terms, a way in which the dominant class (or the dominant classes, since often more than one class performs dominant roles) organizes itself outside of the state in order to control it and place it at its service. Civil society should not be confused with the people. The people can be considered as all the citizens having equal rights; civil society is citizens organized and weighted according to the power of the groups and organizations they are a part of. The state formally exerts its power over civil society and over the people. Actually civil society is the real source of power for the state, as it establishes the limits and conditions for the exercise of state power.

This concept of the state and its relationship with civil society does not confuse the two terms, although it also does not radically separate the state from civil society or subordinate civil society to the state as did Hegel (1821). The philosopher was identified with absolutism in Germany and was a precursor of the technobureaucratic ideology proposing a neutral, rational state. He rebelled against the liberal state and the social contract proposed by Rousseau. According to him, the state was a rational entity in itself, to which the interests of individuals, i.e., civil society, should be subordinated. As Draper observed,

> the 'rational' state involving a just and ethical relationship of harmony among the elements of society is an *ideal* against which existing states are to be measured... in contrast, civil society embraces the private world of individuals striving and interests (1977: 32).

When the state is confused with civil society, when it has the role of protecting property and the freedom of the individuals who form civil society, the interest of individuals becomes the supreme end, making it optional to be a member of the state. Hegel affirmed that this is a mistaken relationship between

the state and the individual. Since the state is the spirit of objectivity, the only form for individuals living in association, it is only as a member of the state than an individual has objectivity, truth and morality.

Our concept of state does not radically separate it from civil society, nor does it subordinate it to it, as liberal thinkers would like. The state also does not emerge from a social contract, as Rousseau contended. It is not a free form o association that protects the individual against external forces, nor is it an association in which each member fully conserves his or her individuality, where each one obeying the state is obeying himself, thus being as free as before, as wanted Rousseau (1762).

The state is a way by which the dominant classes, organized as civil society, impose or try to impose their will on the rest of the population. Civil society may show several degrees of openness. It may be a democratic civil society, where the dominant classes shares power with dominated ones, or, in other words, where the distinction between a ruling and a ruled class loses clarity. It may also be an authoritarian civil society, where one dominant class holds all power.

Gramsci did not make a very clear the distinction between the state and political regimes. According to him, the state is a "political society" that is both distinguished from and confused with "civil society." Concerned with analyzing the "liberal state", in which civil society was very powerful, Gramsci finally made civil society a part of the state in order to understand the hegemony of the capitalist class:

> ...by state should be understood not only the apparatus of government, but also the `private' apparatus of hegemony or civil society... the general notion of state includes elements which need to be referred back to the notion of civil society (in the sense that one might say that state = political society + civil society, in other words, hegemony protected by the armour of coercion). (1934: 261-263)

Norberto Bobbio observed that Gramsci introduced a profound innovation in Marxist tradition by including civil society in the superstructure, as part of the state, rather than in the basic structure of society (1976). Following this line proposed by Gramsci, Althusser said that the state has a "repressive apparatus," made up of the government, administration, army, police, courts, and prisons, and an "ideological apparatus" made up of the churches, public and private schools, families, laws, political parties, trade unions, mass communication systems, and cultural and sports institutions (1970: 142-143). For Althusser, it does not matter if the institutions that function as ideological apparatuses of the state are public or private. What is important is that they mainly work "through ideology," and not "through violence" (1970: 145). Althusser needed this extraordinarily broad view of the state, that in the end includes the whole civil

society, because he maintained that the "reproduction of the relations of production," the maintenance of the prevailing power and property relationships, is the preeminent function of the state, particularly of its "ideological apparatus" (1970: 148).

As a matter of fact, Althusser made the concept of state too broad. The "ideological apparatus of the state" is mostly in the hands of civil society. The state owns its own ideological apparatus, when the ideological agencies are publicly owned, but in contemporary capitalism, most ideological agencies - the press, schools, the churches - are private. There is no need nor reason for the state to be exclusively responsible for the legitimization and reproduction of the prevailing relations of production. The state is only one of the institutions through which the dominant class legitimizes its power. When we dump everything on the state, it loses its identity. It becomes confused with society itself or with the institutions of civil society.

The legitimacy of the power of the state, or the legitimacy of the political elite that runs the state in the name of civil society, depends on its ability to establish ideological hegemony over the rest of society. Civil society - the socially organized class or alliance of classes that have power over the state - has a series of institutions at its disposal that function as ideological apparatuses. The main one is the state itself, that is not only an ideological and coercive apparatus, but also a regulating and executive one, as it is increasingly responsible for short and long term economic policy.

The state presently also possesses an economic apparatus, aside from the coercive and ideological ones. Even during the period of competitive capitalism, when the liberal state prevailed, and the economic functions of the state were minimal, it was possible to find a small economic apparatus in the state. When it was transformed into the regulating state of technobureaucratic capitalism, the importance of this economic apparatus grew enormously. In statism, the state economic apparatus has become confused with the economic system itself.

4. The Marxist Theories of the State

It should be very clear that it is to simplify things to say that the state represents the dominant class. Actually, it is unlikely that just one dominant class will be represented in the political elite that runs the state. More frequently there are political pacts, there are associations of classes and of fractions of classes. Not only the dominant classes, but also fractions of the dominated classes can participate in these associations. Thus they form what Gramsci called "historical

blocks", to identify the complex system that holds state power in each period of history. The relations between social classes and the state in each moment of history, in each nation-state, are very complex. Usually the state is an arena where social conflict develops. As democracy advances the dominant classes are forced to make concessions to the dominated classes, the state is transformed into a provider of social benefits, which mitigate at the same time as corroborate the relationship of domination.

The debate among Marxists and neo-Marxists on the theory of the state and on the relations between the state and social classes has been quite lively. The old instrumentalist view of the state, which Marxists such as Ralph Miliband still maintain (1965), lost ground in the 70's to the German derivation or logic of capital theory of the state[2] and to the class-political approach of Poulantzas (1968, 1974, 1978), which was also loosely followed by James O'Connor (1973), Esping-Anderson, Friedlan and Wright (1976), Eric Olin Wright (1978) and Joachin Hirsch (1973).[3] Both groups start from what Poulantzas calls the "relative autonomy" of the state and both naturally reject the liberal theory of the state as a neutral political agent[4].

The logic of capital theory derives its concept of the state from the "logics of capital". The state is perceived as a special institution not subject to the limitations of capital, as a non-capitalist form of social organization since it does not produce surplus value, and as an organization that should provide the general conditions -infrastructure and laws - necessary for capitalism. Their representatives criticize the Keynesian, social-democratic theory of the state, according to which the state would have a redistributive function. The state cannot carry out this function because the most important thing is the rate of

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[2] - Their better known representatives are Müller and Neusüss (1970), Elmar Altvater (1972) and Joachin Hirch (1973). The more important papers of this school are published in English in Holloway and Picciotto (1978a).

[3] - A third technobureaucratic approach to the state and its relations with the dominant class is the corporatist or neo-corporatist approach. As the corporatist approach is mostly interested in analyzing the use of the state by the dominant class to face class conflict and the slowdown of the economy, I will analyze it in Chapter 3, in the context of the crisis of the state.

[4] - For a broad survey not only of the Marxist theory of state, but also of the pluralist and various forms of conservative theory of the state see Martin Carnoy (1984) and Dunleavy and O'Leary (1987). For a specific survey of the Marxist and neo-Marxist theories of the state see Holloway and Picciotto (1978b), Bob Jessop (1982), Hugh Mosley (1982), Les Johnston (1986) and Goran Therborn (1986).

return on capital invested instead of effective demand. The state regulation aimed at limiting the exploitation of workers cannot be explained in terms of the immediate interests of capital, but are understandable in terms of collective interests of capital. In the long run, it is necessary for capital to protect and develop the labor force through the action of the state. The state, however, although separate from capital, is not an organized apparatus but a function of capital: the state establishes the legal relations and basic political organization of society which guarantee private property and the functioning of capitalism.

As Altvater and associates (1977) underline, the limits to state intervention are quite clear. State expenditures oriented towards improving the general conditions of production represent, on the one hand, a basic prerequisite for the accumulation of capital, but, on the other hand, they reduce the funds available for private capital accumulation. Thus there is a basic contradiction in the capitalist state. Its basic function is to guarantee the accumulation process, but to do that, it uses resources that otherwise could be appropriated directly by the private sector. If we add to this the fact that the state is also supposed to promote welfare, in order to perform its "legitimation" function (O'Connor, 1973), this contradiction is intensified. At this point, the neo-orthodox and the Poulantzas class-political approach, mediated by Claus Offe (1973, 1980), are quite close to each other.

While the "logics of capital" or neo-orthodox theory has a strong economic basis, the Poulantzas approach is based on the autonomy of the political sphere in relation to the economic sphere and on the decisive role of class struggle. He views the state as the "condensation" or the "expression" of the class powers. Classes and fractions of classes are represented in the state according to different powers. Following Gramsci, Poulantzas says that they tend to form a historical power bloc with political and ideological hegemony. Along the same line later adopted by Altvater, he goes back to Marx to say that the state is a factor in the reproduction of the general conditions of production. Moreover, as the political sphere is relatively autonomous, the state provides cohesion in the capitalist social formation.

In his earlier works, Poulantzas insisted that the state is not a "thing", but a relation, a condensation of contradictory relations of class power. The bourgeoisie, being the dominant class, is basically its beneficiary, but the other classes are also able to influence state policy. Poulantzas came close to detecting the emergence of a new class, but finally got caught in contradiction when he made his proposal of a "new small bourgeoisie" (1974). As for the concept of state, he came close to admitting the apparatus character of the state (1978), but was finally unable to be clear on the subject.

As their reviewers Hugh Mosley (1982) and Les Johnston (1986) emphasize, both the contributions of the neo-orthodox theoreticians and of Poulantzas are functionalist. The state is a function of capital and of capitalists. Yet, both see a certain autonomy of the state in relation to capital.

5. Relative Autonomy and Contradictory Character

If we return to the tradition of Engels and recognize that the state, besides being a political relation that gives a legal form to the capitalist social formations, is also and essentially a bureaucratic apparatus formed by a political elite, a group of civil servants and a military force, able to legislate and impose tributes on a population in a given territory, we will be able to solve the problem that neither Poulantzas or the neo-orthodox theoreticians have been able to solve.

The state is not a "purely" capitalist entity because it is founded on organization instead of on commodity. But the state is an essential part of capitalism, be it liberal (competitive) capitalism or technobureaucratic (monopoly) capitalism. The state is a bureaucratic organization that is essential to the functioning of the capitalist mode of production. There is an intrinsic contradiction in the capitalist state. The state is capitalist because establishes the general conditions for the capitalism to function, but at the same time, it is technobureaucratic because it is not a commodity relation, a capital relation, but a organization relation.

While the state is small, while the number of technobureaucrats working for the state is limited, while the state is the old liberal state, performing the functions of police, the administration of justice and defense against external enemies, this contradiction is not self-evident. But when the states becomes larger and larger, when the number of civilian and military state employees increases when state-owned corporations are responsible for a significant part of production, when the state assumes new welfare and regulatory functions, when, besides insuring the general conditions for production, the state partially replaces also the market in the coordination of the economic system, when the state becomes the shelter and the source of power of the technobureaucracy - changed into a class itself -, then the dialectic relation of conflict and cooperation between the state and capital, its apparatus or bureaucratic organizational character, and its possibility of turning into the all-encompassing organization which subordinates all other organizations becomes apparent.

The relative autonomy of the state then becomes meaningful. The state is relatively autonomous not because the political sphere is relatively independent

of the economic one, but because the technobureaucracy is a class that not only influences the state from outside, as the bourgeoisie and the working class do, but also from inside, since the public officials and military are technobureaucrats. Public policies are still the result of the condensation of the power of classes and fractions of classes, which influence the political elite, but the new technobureaucratic class assumes a strategic role, given the position it occupies inside the state. It is a new social class that is the candidate to be the dominant class, having direct control over the state and deriving from this control the relative autonomy of the state.

Theda Skocpol adopts a similar view on this issue, but she sees the state is a entity independent from class power. According to her, the state is clearly an organization, an apparatus, that, at least potentially, is independent from direct dominant-class control. State organizations, that she does not necessarily equate with the bureaucracy, compete to some extent with the dominant classes (1979: 24-33). Fred Block goes in the same direction. Trying to find a solution to the relative autonomy problem, he sees as an alternative to the Marxist reduction of state power to class power the acknowledgement that state managers are able to pursue their self-interest. In his words:

> The starting point of an alternative formulation is the acknowledgement that state power is *sui generis*, not reducible to class power... State managers collectively are self-interest maximizers, interested in maximizing the power, prestige and wealth. (1980: 84).

Indeed, as a social class, the technobureaucracy and particularly the state managers pursue their self-interest. The relative autonomy of the state derives from this precise fact. But this is not an alternative to the reduction of state power to class power, for the simple reason that technobureaucracy is a social class - it is a social class internal to the state. Fred Block, whose analysis on the relations of the state managers with the capitalist class is very interesting, indirectly - and contradictorily - recognizes the class character of the state managers when he says that "state managers pose a potential threat to *other classes*" (1980: 84, italics added), but instead of acknowledging the class character of the state managers, he insists in the idea of the *sui generis* character of the state.

As a matter of fact the state should be viewed as an organization, an apparatus, that is under the influence of three types of social agents: its technobureaucratic elite, the dominant class and civil society. State action is not only the result of the autonomy of state managers, is not only "the committee of the bourgeoisie", is not only the expression of general interests. As Rueschemeyer and Evans say,

> The state *tends* to be an expression of a pact of domination, to act coherently as a corporate unit, to become an arena of social conflict, and to present itself as the guardian of universal interests" (1985: 48).

For sure these tendencies are contradictory, but the state is contradictory in itself. It will be more or less democratic depending on being controlled rather by a large civil society than by a narrow dominant class or a still narrower technobureaucratic internal elite. It will be more or less efficient and effective depending on the degree of internal contradiction that prevails within it. These contradictions will express tensions and will define the political pact that relates the state with civil society.

6. State and Political Regime

Therefore, the state is never a neutral, abstract entity, as the liberal and technobureaucratic ideologies still maintain. It is always the representative of certain interests, in which the dominant classes predominate, but not exclusively. These interests join together into historical blocks that change in time, as the class interests change in keeping with the economic environment, that is also constantly changing.

The legitimacy of a government depends on its support from civil society. Legitimacy is not the same as representativeness of the whole people. If a government has the support of civil society, it can be legitimate without being democratic. As society becomes democratic as its civil society broadens it bases and eventually includes the middle classes and the workers. The nearer the concepts of civil society and the people, the more the citizens have equal political rights, the more democratic the civil society will be. This assumes that civil society controls the state. But it is possible to have situations where the state controls civil society. In this case, the government will not have legitimacy by definition. In an authoritarian regime, either civil society is not democratic, or the state controls civil society. In the first case, it will be an authoritarian regime legitimate by civil society, and in the second, an authoritarian regime without legitimacy, where a group was able to take political power without the corresponding civil power.

In practical terms a dialectical process takes place between civil society and the state, one controlling the other, and vice versa. At the same time in which the base of civil society is being widened in the modern capitalist democracies, with the growing, although clearly subordinate, participation of the workers, the apparatus of the state itself is also enlarged. The technobureaucracy emerges as a class within the state apparatus. As this happens, the state tends to

gain, or tries to gain, relative autonomy in relation to civil society. We will see, however, that there is no long term tendency to this relative autonomy of the state increase.[5]

[5] - The major papers by the German derivation or logics of capital theory are published in English in Holloway and Picciotto (1978a).

CHAPTER 2
THE HISTORICAL EVOLUTION OF THE STATE

In studying the historical evolution of the state, our basic concern is to see how the forms of the appropriation of economic surplus change in time, given that the state plays a fundamental role in this process. I will also examine the historically changing relationship between the managing elite that governs, and the dominant class or classes. Another concern would be the growth of the state and its cyclical character, but this will be left for the next chapter.

Theoretically, members of the government belong to the dominant class, being both recruited from it and serving it. However, the bourgeoisie, and particularly the technobureaucracy, are recruited partly from the dominant class and partly from the lower classes. Social mobility for the bourgeoisie means entrepreuneurship, for the technobureaucracy is the career. Both are instruments for the "circulation of the elites" theory proposed by Mosca and Pareto.

The evolution of the state is also the history of the democratization of nations. In this process, the state and civil society are democratized: the state, by the introduction of constitutional laws that formally and increasingly protect the citizens' rights; civil society, by the gradual adoption of equal economic and social relations among people. As a result, the governing elite and the dominant class are less and less identified with each other.

In this chapter I will study the pre-capitalist state, the absolutist state that prevailed in the transition to capitalism, the liberal state that corresponds to the state in competitive capitalism, and the regulating state of contemporary, technobureaucratic capitalism. I will keep clear the distinction between political regime and economic system. When I use the expression "pre-capitalist state", for instance, I am not using it as substitute for "pre-capitalism", but rather to refer to the type of state that existed in pre-capitalist social formations.

1. The Pre-capitalist State

In the pre-capitalist state, the identities of the dominant class and the managing elite were clear. Whether in the Asiatic mode of production, that exercised an extremely stable domination in all the great hydraulic civilizations, or in the slavery mode of production that is best exemplified by ancient Greece and Rome, the state's managing elite was completely confused with the dominant aristocratic class. The prince and his court, made up of the military, priests and some high officials, were all members of the dominant class.

In the Asiatic mode of production, all were directly or indirectly dependent on the state. Actually, the dominant class was a state-class, that derived not only its power, but also its income from the control of the state.[6] The economic surplus was appropriated essentially through taxation. The role of dividing up the surplus between the members of the dominant class and the bureaucracy that supported it was completely in the hands of the state. The dominant class did not confuse itself with the bureaucracy, as it remained aristocratic and transmitted its power and privilege from father to son, legitimized by the patrimonial tradition, while the bureaucracy was recruited and acted according to rational criteria, which it hoped would be transformed into a merit system. Moreover, it should be noted that beginning in the first century B.C., China became an extreme case of bureaucratic dominion, with the nobility losing its importance and the dominant class tending to become confused with the high officials (Garcia Pelayo, 1974: 109-111). In any case, the governing elite and the dominant class became confused and mutually exhausted in the Asiatic mode of production.

Although the state's managing elite was recruited from the dominant class in the slavery, or ancient, mode of production, this class was broader. Its power was not only based in the state. The aristocracy was formed of owners of land and slaves, whose power was directly derived from the control of these means of production. Contrary to the Asiatic mode of production, in which property was still held communally, under the slavery mode of production property was held privately. Thus power was derived not only from controlling the state, but also from the ownership of land and slaves.

The state in slavery is more restricted or less encompassing than in the Asiatic mode. The distinction between the state and civil society, that is practically impossible to make in the hydraulic empires, starts to be possible in Greece and Rome. In Imperial Rome, there was a strong, well organized state, with a highly developed juridical order and the ability to tax. It was especially strong in comparison to the state during the feudal mode of production, that arose from the ruins of the Roman state. But it is less encompassing than the state of the Asiatic mode of production.

In the feudal mode of production, the state almost disappeared. The feudal lords set up small estates in their fiefs, while also trying to define a central political authority. However, whether we look at an analysis of the incipient

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[6] - In the words of Marx: "In most Asiatic fundamental forms it is quite compatible with the fact that the all-embracing unity which stands above all these small common bodies may appear as the higher or sole proprietor". (1857: 69)

state apparatus found under feudalism, or at the central political unit that eventually emerged, it is possible to verify the weakness of the feudal state. The king or emperor was simply a more powerful feudal lord. The state elite was confused with the dominant aristocracy. But it was smaller than the dominant class, as many of the feudal lords remained aloof from the central power.

In all of the pre-capitalist states, there was always a corp of officials around the prince. Max Weber made a very careful study of them, calling them "patrimonial officials", in order to distinguish them from the bureaucratic officials. They carried out administrative functions in the patrimonial domination that, for Weber, together with the broader category of patriarchal domination, covered all the pre-capitalist formations. Patrimonial domination corresponds to the patrimonial state, in which the prince, his court and the officials exercise power and appropriate the economic surplus for themselves based on traditional norms. In Weber's words:

> ...a typical feature of the patrimonial state in the sphere of law-making is the juxtaposition of inviolable traditional prescription and completely arbitrary decision-making (Kabinettsjustiz), the latter serving as a substitute for a regime of rational rules. (1922: 1041)

In the pre-capitalist state, therefore, there is a corp of officials alongside the aristocracy. However, it is a very small group, completely dependent on the lord. While the bureaucratic officials in the capitalist system derive their power from a system of rational norms, the pre-capitalist official's power was mainly legitimized by the patriarchal power of the prince. The bureaucratic official of competitive capitalism and the liberal state had a certain degree of autonomy, based on legal rational power and on the assumption of technical competence, while the pre-capitalist official's dependency on the lord was personal and much broader.[7]

The main concern of Machiavelli, the first modern political scientist, was to strengthen the power of the prince and therefore the power of the state. Faced with an Italy that was divided into fiefs and conquered by foreign princes, Machiavelli wrote The Prince to show how a prince should rule, how he should base his state on "good laws and good arms", how he should, by all means, "gain and conserve the state," because, according to him, Italy was waiting for the prince who would heal her wounds caused by foreign invaders (1513). Although Machiavelli wrote about the Italian experience, he was a witness to the debility

[7] Weber states: "In contrast to bureaucracy, therefore, the position of the patrimonial official derives from his purely personal submission to the ruler..." (1922: 1030).

of the feudal state and a herald of the modern state, that was then structured along the lines of absolutism.

2. The Absolutist State

The modern state arose from the dissolution of the feudal system, as mercantile or commercial capitalism grew in importance and strengthened the central power of the king, transformed into an absolute monarch. The absolutist state was both the last traditional, pre-capitalist state and the first bourgeois state. The dominant aristocratic class was divided by contradictory interests. Its most important faction, that developed around the king, did not have enough power to govern alone and to impose itself on the other faction of the aristocracy, shut away in their fiefs. Therefore, it allied itself with the emerging mercantile bourgeoisie, to make up the first form of the modern national state: the absolutist state. This was the result of the first social and political pact of modern times, in which a fraction of the dominant class allied itself with a new ascending class in order to be able to exercise political domination. The political elite was still recruited almost exclusively from the aristocracy, but from then on the aristocracy and the bourgeoisie, both forming civil society, constituted a much broader social and economic system than the governing elite. Civil society could no longer be identified with the governing elite. The clear distinction that then appeared resulted in the appearance of liberalism as an effective solution to the political problems of society. The state regained power, but the civil society also was strengthened, as its power was based on the economic and social power of the landlords and of the merchants. Liberalism established the relations between the state and civil society.

During this period, when the market had not yet fully developed, the absolutist or mercantile state played a fundamental economic role: it was the basic instrument of what Marx called "primitive accumulation"[8] - the original capital accumulation which would then serve as the base for capitalist accumulation proper, that is, for the realization of profits through the mechanism of surplus value. Economic surplus in pre-capitalist societies was destined for the consumption of luxuries, for the construction of temples and palaces, and for war. Only part of it was eventually used for productive activities, such as changing the course of rivers and other hydraulic projects. A process of primitive accumulation began with the commercial revolution. As the bourgeoisie were not yet able to appropriate the surplus through the normal

[8] See Capital, Book I, Chapter XXIV.

mechanisms of the market - through the extraction of surplus value by hiring salaried labor - it used different forms of violence to appropriate the surplus and accumulate it in stocks of merchandise, arsenals, means of transportation and, finally, manufactured goods. At the same time that the mercantile absolutist state created conditions for the bourgeois revolution that occurred first in England and France, it was the paramount instrument in this process of accumulation. It guaranteed the aristocracy and bourgeoisie their violent appropriation of the land of the peasants and of the Catholic church. Its tools were direct state power, piracy, commercial monopolies and the exploitation of the colonies.

Max Weber also emphasized the fundamental role of the state in the formation of capitalism. The very concept of the national bourgeoisie arose, according to him, from the alliance of the bourgeois with the European absolutist state:

> The state, as a rational state, is only found in the Occident. The constant battle of the national states vying for power, whether peaceful or by war, created great opportunities for modern occidental capitalism... From the necessary coalition between the national state and capital arose the national bourgeoisie - bourgeoisie in the modern sense of the word. As a result, it is the national state that provides capitalism with its chances to survive. (1923: 1047).

The absolutist mercantile state was the state of the commercial revolution. In the countries where the industrial revolution occurred, especially in England and France, it was also the state of the agricultural revolution, that is, of the introduction of commercial practices and techniques in agriculture. The association of the bourgeoisie with the aristocracy in order to exploit the land in capitalist patterns, under the aegis of the absolutist mercantile state, was an essential conditions for the industrial revolution and for the emergence of the liberal state.

3. Capitalism and Market Appropriation of Surplus

With the industrial revolution, the bourgeoisie definitely became the new dominant class. The main goal of the liberal capitalist state that was then established was to guarantee the appropriation of the surplus for the bourgeoisie through the market. Capitalism is the mode of production in which capital appears as the basic relation of production, i.e., in which the means of production are separate from the workers and privately appropriated by the bourgeoisie. It is the mode of production in which merchandise was generalized. All goods were transformed into merchandise, including labor. It is a mode of production in which the surplus is not appropriated with the direct use of force,

based on the power of the state, as in the pre-capitalist modes of production, but rather through the market, through the mechanism of surplus value.

In the Asiatic mode of production, surplus was directly appropriated through taxes; in the ancient mode, through slavery; in the feudal, through the *corvée* to which the serfs were submitted; in mercantile capitalism, through the various forms of primitive accumulation; and in capitalism, there is the appropriation of surplus in the market. Once primitive accumulation took place, once an initial or basic capital was accumulated in the hands of the bourgeoisie, it was possible for the new business class to not use direct force to appropriate the surplus. Instead, it used the mechanism of surplus value, that Marx so brilliantly discovered, to appropriate the surplus according to the laws of the market.

Surplus value is appropriated by the capitalists through the exchange of goods and services according to their respective values. If the value of all merchandise corresponds to the amount of labor socially necessary to produce it, and if labor under capitalism is merchandise like any other, then the laws of the market indicate that labor should be paid for in accordance to the cost of its social reproduction. All that a capitalist needs to do is to choose to produce goods that have an amount of labor incorporated in them greater than the respective wages he is supposed to pay. Thus he is able to appropriate surplus value whereby paying for everything he used in production, particularly for labor, exactly according to their respective values. In this way, the capitalist, based on the ownership of the means of production and on the reduction of the workers to the condition of wage laborers, appropriates the surplus value in the form of profits. All the exchanges are carried out in the market. Direct violence to appropriate the surplus, using the power of the state, becomes unnecessary.

This absolutely does not mean that violence is not essential to capitalism. As with any other antagonistic mode of production, violence, the state's virtual power of coercion, continues to be a base of the system. However, now the violence does not need to be used directly to appropriate the surplus. Force is still used directly in the process of primitive accumulation. But beginning with the industrial revolution and the generalization of wage labor, the basic economic function of the state is concentrated on guaranteeing that labor is considered as merchandise, fulfilling its economic and police functions at the same time. Once this is assured, by either coercive means or by ideological persuasion, the state theoretically no longer has economic functions.

4. The Liberal Capitalist State

Thus the liberal capitalist state arose. It arose with the emergence of competitive industrial capitalism, that took the place of mercantile capitalism. The liberal state was a non-interventionist state, a laissez faire state. Freedom of trade, the gold standard, the automatic creation of money and economic competition were the basic tenets of a self-regulating market economy. The state did not disappear. We have already seen that the emergence of the national states were the result of the alliance of the bourgeoisie with the state. There is no bourgeoisie as a social class separated from the state if there is no strong but small state to guarantee the whole political and economic system. In competitive capitalism, the liberal state had reduced economic functions, but they were of crucial importance.

The liberal state establishes the general underlying conditions for the functioning of the whole economy. It protects property, regulates the market, guarantees the stability of the national currency, and produces the public goods that cannot be produced privately. Capitalism in its pure, competitive form, as it appears in England in the nineteenth century, after the Industrial Revolution, is a market system, but a system in which the state plays an essential part. Capitalism is not only, as many neo-liberals seem to believe, the totality of capitalist firms coordinated by the market; it is the totality of business firms coordinated by the market and regulated by the state.

The liberal state was the state of individualism, the state based on the belief that if each one defends his or her own interests, the general interest will automatically be defended. Over all, it was the state of the bourgeoisie, in which the entrepreneurial class assumed power, and for more than a century, at least until World War I, ruled uncontested. It was a strong but small state, with no major economic functions, limited to police function related to internal order and external war.

For the first time in history the political regime could be relatively democratic, without risking the position of the dominant class.[9] Since the state was not directly responsible for the appropriation of the surplus, the eventual electoral victory of reformist political parties, even of a socialist orientation, did not jeopardize the system. Civil society greatly transcended the state. Only a small part of the bourgeoisie had direct duties in the state. Its power originated

[9] As Barrington Moore noted: "...we may simply register strong agreement with the Marxist theses that a vigorous and independent class of town dwellers has been an indispensable element in the growth of parliamentary democracy. No bourgeois, no democracy" (1966: 418).

in capital, in the control of the business enterprise, not in the state. A limited form of democracy was now essential to define the rules of access to political power for the members of the large dominant classes organized into civil society. The eventual victory of a leftist party in the elections would only be dangerous for civil society if the winning party was so radical as to directly threaten the capitalist economic system. Thus, only a political party with these characteristics and with real possibilities for victory would be vetoed. Given the ideological hegemony of the dominant class, a radical party with electoral possibilities is usually unlikely. Only in moments of deep economic and political crisis may radical parties have a chance for political victory. Thus the liberal state tended to increasingly be a democratic state.

In the liberal state the role of the professional politician appears for the first time in history. Max Weber (1921: 92-93) finds several types of professional politicians before the rise of the modern rational state, but the clear definition of politics as a profession only takes place with the rise of the national capitalist state. The professional political elite in the liberal capitalist state, as opposed to that of the pre-capitalist modes of production, was neither directly recruited from, nor necessarily confused with, the dominant class. The professional politicians hold an intermediary position. They are not necessarily either capitalists or bureaucrats. They attain political power and temporarily become a salaried civil servants winning elections. In the liberal state, professional politicians were mostly recruited among the bourgeoisie itself, from among the liberal professions and the industrial, financial and commercial businessmen. They did not become completely confused with the bourgeoisie because they did not necessarily own means of production.

The liberal capitalist state served the capitalist class through professional politicians. Together with the bureaucratic officials, and in a more deliberate way, they tried to assume an intermediary role between classes. However, in the times of the liberal state, both the politicians and the bureaucrats were still too inarticulate to be able to successfully carry out this intermediary function. The power base of the politicians was an electoral system in which success depended on economic power. Actually, the politicians, either because of their links to the bourgeoisie or because of their instability and lack of economic base that is inherent to their function, were never able to become independent from the dominant bourgeois class. In turn, because the few bureaucrats who existed during the liberal state worked in a state that was small in comparison to civil society, they were unable to constitute themselves into a social class, or to define politically significant interests for themselves. The bourgeoisie held sovereign rule during competitive capitalism and the liberal state.

CHAPTER 3
CONTEMPORARY CAPITALISM AND THE STATE

As with the liberal state, three tendencies developed in classical or competitive capitalism that were transformed into the germs of its overcoming: a) the concentration of capital with the emergence of the large corporations; b) the growth of labor power; and, partly as a response to both, c) the growth of the state itself. The result was the definition of a new capitalist social formation - regulated capitalism or technobureaucratic capitalism - and, as its political and organizational superstructure, the appearance of the technobureaucratic-capitalist state. In this new economic and political system, the capitalist mode of production remained dominant, but, as we will see in the Part 2 of this book, traits of a new mode of production - the statist or technobureaucratic mode of production are already present[10].

1. The Rise of Technobureaucratic Capitalism

In England, the United States and, to a certain extent, France, where the liberal state had already reached its fullest development, resistance to technobureaucratic capitalism, where the bourgeoisie was supposed to share power with the state bureaucracy, was greater. It arose more easily in the countries with late industrialization -- Germany, Japan and Russia[11] - that is, in

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[10] The theoretical categories that permit to define technobureaucratic capitalism as a mixed social formation will be discussed in Part 2 of this book. In another work I distinguished a monopoly and a following technobureaucratic phase of capitalism (1986). In the first phase the emphasis was put in the emergence of the large corporation, in the second, in the increasing role of the state. Here, however, I will treat both phenomena together.

[11] Gerschenkron, writing about the Eastern Europe nations, showed that the more backward the country, the more important the role of the state as agens movens of industrialization (1965). For the case of Japan, there is the testimony of the Japanese government: "It is a natural fact for a country destitute of private capital to depend on governmental capital in the initial stages of its economic development. The government not only was the supplier of the necessary funds, but also played the vital role of entrepreneur, which represented an indispensable factor for the establishment of modern industry" (Bulletin of the Japanese Embassy in Brazil, March 15, 1962; quoted by Barbosa Lima Sobrinho, 1973: 77). In relation to Germany, Thorstein Veblen's observation is significant: "...the technological advance which enforced a larger scale of

countries where liberal or competitive capitalism was not well established at the end of last century. In these three countries, where a powerful bureaucracy had previously been installed, industrialization counted on the direct support of the state. The companies were born large, as part of large financial conglomerates, with tendencies towards monopoly or oligopoly. Because of this, in these countries, as well as France, due to the weight of the French state bureaucracy, it is common to say that civil society was weak and the state strong, while in the Anglo-Saxon countries, where industrialization was carried out without the direct participation of the state, civil society would have resisted the power of the state.

Actually, these are only historical contingencies. In all of the central capitalist countries, the liberal capitalist state tended to transform itself into the technobureaucratic capitalist state. Both the growth of the corporations, organized into financial conglomerates and/or into oligopolies, and the growth of the trade unions, that also began to acquire monopolistic strength, led to the partial collapse of the market as practically the only regulator of society. There was no other alternative than to hand over the role of regulator to the state.

In historical process of growth of the state, it should be noted that the three countries where a late industrial revolution took place -- Germany, Russia and Japan -- did not, strictly speaking, have liberal states.[12] Contrary especially to England and France, where the intermediate stage of the liberal state was clear, these countries passed directly from the absolutist state to the technobureaucratic capitalist state. They skipped the stage of competitive

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industry and trade, as well as a larger and more expensive equipment and strategy in the art of war, also drove the dynastic State to reorganization on a new and enlarged plan, involving an increased differentiation of the administrative machinery and a more detailed and exacting control of the sources of revenue" (1966: 78-79).

[12] Note that in these countries, where the industrial revolution took place later and the role of the state was fundamental in recuperating the delay, authoritarian regimes then developed. Barrington Moore has an interesting theory on this, according to which Germany, Japan and Russia established authoritarian regimes because they never had bourgeois revolutions and because the respective aristocracies had maintained the peasants as a subordinated class, in pre-capitalist conditions, without going through an agrarian-commercial revolution. From this model of domination, in which the capitalist revolution is a conservative rather than bourgeois revolution, the conditions for fascism arose. Reaching the limit of peasant exploitation, the peasant and communist revolutions take place (1967).

capitalism, going from mercantile capitalism, which also did not fully develop there, directly to state monopoly capitalism. This phenomenon also implies a technological jump. Veblen noted this very clearly when he stated:

> Germany combines the results of English experience in the development of modern technology with a state of the other arts of life more nearly equivalent to what prevailed in England before the modern industrial regime came on; so that the German people have been enabled to take up the technological heritage of the English without having paid for it in the habits of thought... (1915: 86).

Veblen also extended this observation to other western countries and to Japan. In the case of Russia, technobureaucratic capitalism did not succeed in developing fully, as the result of the disparagement of a socialist revolution and eventually the dominance of a statist social formation, where the state and civil society are again mixed. In any case, it is important to emphasize that the stages of development of the state that we are identifying in this brief analysis are not necessary stages. On the contrary, as less technologically advanced economic systems enter in relation to more advanced ones, they may skip stages, as we have just seen. Besides, the state in the peripheral societies tends to have particular characteristics[13].

2. State Regulation and the Market

Technobureaucratic capitalism combines state regulation with the market. It is monopolistic because of the large monopolistic or oligopolistic corporations, and because price competition was partially replaced by technological and advertising competition. It is technobureaucratic because the technobureaucratic class assumes a decisive role by acting through the state and the corporations. The economic and social functions of the state grew incredibly. This process began at the end of last century, when the industrial revolutions took place in Germany, Japan and Russia and the role of the state, even as entrepreneur, was preponderant. The other central countries needed World War I and the great depression of the 1930s for Keynes and the theory on the chronic insufficiency of aggregate demand to appear.[14] It was then that it was verified that the profit

[13] Recent surveys of the particular characteristic of the state in Latin America were made by Alain Touraine (1988) and Enzo Faletto (1989).

[14] In the same way that the classical and neoclassical economists were the theorists of competitive capitalism and the ideologues of the liberal state, the Keynesians are the theorists of technobureaucratic capitalism and the ideologues

rate of the private sector depended on large expenditures by the state for sustaining aggregate demand. Thus the path was open for the state, with the first timid, then ostensive, sanction of the dominant bourgeois class, to definitely broaden its functions and to begin to intervene decisively in the economy.

Baran and Sweezy prefer to call this social formation simply monopoly capitalism. They argue that

> ...the state has always played a crucial role in the development of capitalism, and while this role has certainly increased quantitatively we find the evidence of a qualitative change in recent decades unconvincing (1968:66-67).

By using the expression "monopoly capitalism," they recognize that there was a qualitative change in relation to competitive capitalism from the middle of last century. However, they should recognize that this modification at the level of competition, this tendency towards the concentration of capital and towards the oligopolization of the markets, was accompanied by increased intervention by the state in the economy. Boccara (1971) used the expression "state monopoly capitalism".[15] Some used only "state capitalism". A large group of social scientists that cannot even be called neo-Marxist call this mixed social formation "corporatism".[16] I prefer to call it "technobureaucratic capitalism" to emphasize two fundamental social and political phenomena of contemporary capitalism: the role of a new class - the technobureaucracy or the new middle class, acting within the state and the big corporations -, and the enlarged role of the state in the coordination of the economy: the technobureaucratic state.

Technobureaucratic capitalism is a dominantly capitalist social formation, but one in which the state took on a fundamental role, not only in politics, but also in regulating the economy and promoting its economic and technological development. By means of indicative economic planning, macroeconomic policy, microeconomic regulation and - in the early phases of development - through direct investments in the state owned enterprises, the state, in its regulating function, partially substitutes the market. It partially controls prices, wages and the interest rate; it establishes a taxation system that besides

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of the technobureaucratic capitalist state, as they developed a theory to legitimize limited state intervention in the economy.

[15] I will discuss Boccara's view, as the intellectual leader of a group united around the French Communist Party - the Capitalism Monopoliste d'Etat group - in Chapter 18.

[16] See, among others, Phillipe Schmitter (1974, 1977), Streeck and Schmitter (1985), Winkler (1977), Colin Crouch (1979), James Simmie (1981), and Alan Cawson (1985, 1986).

financing the activities of the state, also promotes income distribution; it establishes priorities for private investment; and it subsidizes technological and scientific development. Only the state is able to promote forced savings, that are essential in the early phases of industrialization.

The new functions of the state become necessary not only because society is no longer willing to accept the excessively deep fluctuations of the economy, typical of competitive capitalism, but also because, as private cartelized oligopolies are formed, the market necessarily tends to be partially substituted by regulation and planning - that are performed not only by the state but also and increasingly by the corporations.

Galbraith divided the modern capitalist system into a market system and a planning system (1967, 1973). The former is made up of the small companies left over from competitive capitalism. The latter is the large oligopolistic corporation. While the market system is relatively independent, "the planning system ...exists in the closest association with the state" (1973: 155). James O'Connor (1973) added a third sector - the state sector - where he included the major private suppliers of the state. But, as in Galbraith's analysis, he underlined the close association between the monopolist sector and the state sector.

Thus contemporary capitalism depends on the government expenditures, on technological development sponsored by the state, on educational system mounted by the state to supply the large corporations with labor, and on long term state financing. There is, however, another reason, not directly related to the needs of the oligopolistic corporation, that leads the state in the central capitalist countries to grow, making it play an even more decisive role in the definition of the prevailing social formation in contemporary capitalism. I refer to the social demands on the state, leading to the establishment of the welfare state. Since the second part of last century, the workers have organized themselves into powerful trade unions. Although the prevailing democratic system does not jeopardize the economic bases of the system, it forces the politicians to cope with the demands of their constituencies for social services in the areas of education, culture, health and recreation. This means that social spending, administered by the state, had to grow decisively.

Last but not least, the military expenditures of the state grow. The increase in these expenses does not simply come from the need of the capitalist system for large purchases by the state to maintain sustained aggregate demand. It also comes from the fact that while military technology became more sophisticated, it became extraordinarily more onerous. As the world divided itself into large, aggressive, imperialist blocks, there was no other alternative than to decisively increase spending on arms. However, the theory that spending

on arms is a necessary consequence of a chronic insufficiency of demand needs to be reformulated. If it is true that the insufficiency exists, it becomes increasingly clear that this technobureaucratic capitalist state has alternative ways of making large public expenditures. On the other had, this kind of analysis is clearly inadequate for explaining the large expenditures on arms in a country like the Soviet Union, where the technobureaucratic social formation which was dominating till recently did not have the problem of insufficiency of demand. Actually the recent trend towards the reduction of expenditures armaments started with the realization by Soviet Union that these expenditures were a major obstacle to economic growth and to an increase in internal consumption.

Szimon Chodak wrote a recent book on "the statization of Western societies", where he makes a comprehensive analysis of state intervention in contemporary capitalist and develops a theory on the emergence of the "New State". In this book he says that the new state appeared in response to the public's desire of greater social and economic security, and that:

Under present conditions, capitalism is feasible only under the patronage of the New State... Far too long, critical and academic theorizing has confined itself to the schematic dichotomy: capitalism versus socialism. New conditions, under the New State, are taking shape regardless of theoretical recognition (1989: 296-298).

3. The Corporativist Approach

I do not adopt the expression "corporatism" to define the character of contemporary capitalism, but it must be recognized that the corporativist or neo-corporativist approach is very helpful in explaining the character of contemporary capitalism. It is very difficult to classify this approach in theoretical terms. Marxist and Weberian influences are quite clear, as are clear influences of modern liberal pluralism (as defined by Robert Dahl, 1971). These authors intend to characterize contemporary society as corporativist. They say that "corporatism is an economic system" (Winkler, 1977: 44), that "all capitalist societies are corporatist" (Colin Crouch, 1979:17), and that is "a system of interest representation" (Schmitter, 1974: 3). Streeck and Schmitter (1985) go as far as, in a very interesting way, proposing the existence of "four models of social order": (1) the community, (2) the market, (3) the state, and (4) the association, that would have as respective "guiding principles", (1) spontaneous solidarity, (2) dispersed competition, (3) hierarchical control and (inter and intra- organization concentration) and as "predominant actors", respectively, (1)

families, (2) firms/parties, (3) bureaucracies, and (4) functionally defined interest associations. According to Streeck and Schmitter:

We suggest that there exists, in advanced industrial/capitalist societies, institutional basis of order which is more than a transient and expedient amalgam of the three others and, hence, capable of making a lasting and autonomous contribution to rendering the behavior of social actors reciprocally adjusting and predictable. If we labeled this additional source of social order after its embodying institution, we would call it ‘the association’ - in contrast to ‘the community’, ‘the market’ and ‘the state’. (1985: 2)

The "associations", the big organizations, the corporations, the unions, the state, the interest groups of all types, define the corporatist system. The coordination of the whole economy would be the result of their interplay. However, among the corporatist themselves there is no consensus about "whether the strategic task for the development of corporatist theory should be concerned with a holistic explanation of political system, or with the formulation of middle range generalizations about political processes" (Alan Cawson, 1985:1).

There are many definitions of corporativism. I choose James Simmie's because it is quite clear and comprehensive:

> Corporatism is defined as a politico-economic system characterized by the exercise of power through functionally differentiated organizations seeking to achieve compromises in economically and politically approved actions which are as favorable to their particular interests as possible and which are often legitimate by their incorporation in the objectives of the state (1981: 105).

From this definition and from the large amount of theory and research developed by the corporatist theory, it is impossible to derive a global and alternative analysis of society. The mode of production, the dominant economic and political model of social organization, continues to be capitalism. Corporatism is not an alternative to capitalism. It is a form through which capitalism express itself. The associations, the several bureaucratic organizations, are not really an alternative to the market and to capitalism. The alternative to the market as the "guiding principle", as the coordinate element of the economic system, is the state. The alternative to capitalism is technobureaucratism. But, as we know very well today, these "alternatives" are quite theoretical. In practice, there is no capitalism without a state, nor technobureaucratism without a market. Pure capitalism and pure technobureaucratism are just models, not realities. The alternative of "community" is a real one, but only for the past. It existed in the primitive societies. It is not viable in modern societies. Utopian socialism has much to do with the solidarity of communities. The corporatist alternative of "association" is

not really an alternative, it is just a form of coordination where not only the state plays a role, but also the organizations, the associations of civil society, play a bargaining role that may be, in many ways, independent from the state and from the market. In most cases, however, the role of the state and the market will continue be crucial in the bargaining or coordinate process. I call the contemporary social formations of the advanced industrialized countries "technobureaucratic capitalism". Corporatists may use "corporatist capitalism", but we are describing the same phenomena, in a quite similar way. We are just stressing the decisive role of the state and of the large bureaucratic organizations - the private corporations and the public non-governmental associations - in defining contemporary capitalism.

4. The Technobureaucratic State and Democracy

The regulating state maintains and develops the democratic institutions of the liberal state. The greater intervention of the state in the economy does not imply less participation of civil society in the decisions, nor in a reduction of individual freedoms. On the contrary, what has been seen in the central countries, after the fascist adventure, is a continuing perfection of the democratic parliamentary system. Full democracy has not been reached, as the differences in power in a class society are very pronounced. However, we also do not have a merely formal democracy, as claimed by the radical left.

The base of the civil society was enlarged. Aside from the bourgeoisie and the private and state technobureaucracy, other classes and fractions of classes have gained participation in power. Trade unions have become politically stronger, first in industry, and more recently, in private services and in government. As the number of industrial workers is decreasing in relative and even in absolute terms, industrial unions lost relative power, but total organized labor, including middle class labor, increased their influence in government. The same is true in relation to intellectuals, artists and students. Their voices, particularly the voices of the students, have a cyclical behavior, but tend to have larger audiences as the democratic process develops.

The political parties can be divided between the left and right, or between "liberals," in the American sense of the term, and conservatives, but their messages and practices tend towards the center, in order to be able to capture the vote of the "middle class", or, more precisely, of the middle classes, made up of technobureaucrats, the small and middle bourgeoisie and skilled workers. As the votes of the left and the right are already guaranteed by their respective parties, these parties are forced to take moderate positions in order to win the votes of

the center. Thus parliamentary democracy gains great political stability, accompanied by a slow, but continual, reformism, of a social-democratic character. It is still far from a socialist democracy, from the democracy of our dreams, but represents an enormous advancement in relation to the liberal state, where civil society was much smaller and democracy more limited.

The question of democracy will be treated only marginally in this book. It is, however, an extraordinarily important subject. Not only because in the twentieth century it has become a final political objective for a growing group of people, together with two final economic objectives - development and income distribution -, but also because it has become very clear that democracy has a powerful revolutionary content.[17]

[17] For the debate on contemporary democracy see, among many other, the works of Norberto Bobbio (1976, 1981, 1984), Claude Leffort (1981, 1986) and C. B. Macpherson (1965, 1973, 1977). On the revolutionary content of democracy see Goran Therborn (1977) and Francisco Weffort (1984), Laclau and Mouffe (1985), Bowles and Gintis (1986), John Keane (1988).

CHAPTER 4
THE CRISIS OF THE STATE

Crises of the state are usually cyclical. The present world wide crisis of the state began at the early 1970s. After the enormous growth of the state apparatus, beginning at the end of last century, that led to the formation of technobureaucratic, mixed, capitalism in the industrialized countries and of quasi-pure statist social formations in the Soviet Union, the state and the technobureaucratic class became the object of intense criticism from the conservative right and also from the democratic left. If it is true that the growth of the state follows a cyclical pattern, the present crises of the state and of the technobureaucratic class corresponds to the declining phases of the cyclical.[18] In the last twenty years - in the 1970s and 1980s - we find ourselves in the presence of one of these crises. The state is being challenged by its critics. The politicians and the technobureaucrats that form the state apparatus are under attack. Meanwhile, effective, but limited, measures are being taken all over the world to reform and reduce the size of the state.

The critics are of vary different origins. They may be conservatives or neo-liberals, as is the case of the new right, represented by the Austrian school, the monetarists, the neoclassical and public choice theorists; but they may also be progressives, coming from neo-Marxist origins, from the German "logics of the capital" school or from the French school of regulation. Lastly, they may have origin in sectors of the technobureaucracy itself, as in Soviet Union's current glasnost and perestroika.

It should be noted that the crisis of the state I am referring to, although related, should be distinguished from the crisis of technobureaucratic or welfare capitalism and from the crisis of statist social formations. There is, specifically, a crisis of the state apparatus. The dimension, the structure, the roles or functions and the power of the state have been under attack since the 1970s all over the world. The crisis began in the advanced countries, where mature technobureaucratic capitalism prevails. In the 1980s it spread to the industrialized but still underdeveloped countries of the periphery, swamped by the wave of the foreign debt crisis. The spread of this crisis into the statists countries has been recognized by Gorbachev's initiatives - glasnost and perestroika - and culminated with Eastern Europe's 1989 democratic revolution and the collapse of communism.

The present crisis of the state is directly related to the overall economic crisis of the 1970s and 1980s. This economic crisis, however, is mild when

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[18] I examined the cyclical pattern of state intervention in Bresser-Pereira (1989).

compared with previous economic crisis in the 1930s;[19] whereas the crisis of the state is much deeper. The response to the great depression was an intensification of state intervention; whereas the present crisis is leading to its reduction. Mostly due to the intervention techniques developed by the Keynesian and neo-Keynesian economists between the 1930s and the 1960s, the slowdown of the world economy which began in the early 1970s has been quite moderate. In contrast, the crisis of the state, translated into the attack on Keynesian economics, on social-democratic social policies and on technobureaucratic state intervention strategies, is quite serious.

In this chapter I will discuss the recent debate on the state - particularly on state intervention - using this cyclical crisis of the state as background. It is impossible to understand the relative success of the new right in presenting its arguments and even in winning votes in the parliamentary democracies if we do not take into account that their arguments are pro-cyclical. The welfare state or the social-democratic state that the reformist left, the social-democrats, the Keynesians, the "liberals" in the American meaning of the word, were extremely successful in building - a state that, with the increasing participation of technobureaucrats, was able to promote high rates of economic growth and improved income distribution - is now under attack, because it was not able to permanently fulfill its promises.

In the 1970s, the Keynesian and the social-democratic consensus of a pluralist, continuously developing and increasingly more equal society began to fall apart. Moreover, in the 1960s, the statist (communist) utopia of a democratic, fully state controlled society began to fall apart due to the repression of democratic reforms in Czechoslovakia. Today we face a mild economic crisis and a structural political crisis, a crisis of the state.

Yet, this distinction between the economic and the political, between the market and the state, is misleading. The state and the market are always closely interwoven. There is no market without a state that regulates it, nor a state without a market (and a civil society) that allows it to exist. The present crisis of the state intervention pattern was, at first, a consequence of the early positive outcomes of this intervention. Expectations were raised, leading to further intervention, which became increasingly inefficient and ineffective. While the state was successful in promoting capital accumulation and technical progress, while capital accumulation could be made consistent with a certain degree of

[19] Except for the highly indebted countries of Latin America, whose crisis in the 80s (a debt crisis that turned into a fiscal crisis) is much more harmful than the depression of the 30s.

income distribution, there was little conservative or radical criticism of it; the moment this functionality was partially lost, the crisis began.

1. The Slowdown of the World Economy

World economic growth has been shrinking so gradually in the last twenty years that many economists and politicians may not be aware of the fact. On the contrary, in their wonder and admiration for the incredible - although uneven - wealth already achieved by the First World, the economic slowdown may pass unnoticed or be accepted as being "in accordance with the nature of things", as conservatives like to say.[20] Yet, if we add up the numbers and compare them with past performances, there is no doubt about the unsatisfactory rates of growth and - in Europe - high rates of unemployment.

Today it is widely recognized among the students of the long cyclical waves that the end of the ascending phase of the fourth long cycle and the beginning of its declining phase took place in the period from 1971 to 1973. In 1971 the United States decided to suspend the conversion of dollars into gold and in 1973 the first oil shock occurred. For almost twenty five years after World War II, the world economy had been growing at extremely high rates. The 1970s, however, were the years of stagflation, and the 1980s, the years of relatively low growth rates (see Table 3.1).[21] If the pattern of long cycles continues to be maintained, the present decline should end in mid 1990s.

Some early studies such as Ignácio Rangel's analysis (1972) already predicted that the downturn of the forth Kondratieff cycle would occur. The timely study of Ernest Mandel (1980) on the long waves, demonstrating that

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[20] James O'Connor observes that, as for conservative economists and social scientists "economy, society, and the state are not seen as a `concrete reality' but as separate spheres of social action", they tend to have a very partial view of the economic process. "Economists ‘explain’ economic crisis tendencies wholly or partly in terms of the politicization of the economy on motivations and incentives" (1987: 47).

[21] The periods of the previous long cycles may vary slightly from author to author, but, in general, we have the following dates: first cycle, 1790 to 1844/45, downturn in 1814/20; second cycle, 1844/45 to 1890/96, downturn in 1870/73; third cycle, 1892/96 to 1940/45, downturn in 1913/14; fourth cycle, 1940/45 to ..., downturn in 1971/73. See Ernest Mandel, 1980; Bresser-Pereira, 1986; Giorgio Gattei, 1989.

Kondratieff's (1925) and Schumpeter's (1939) analyses of the long cycles had a strong predictive power, generated much greater interest on the subject, including a series of international conferences.[22]

[22] Since the work of Mandel, the debate on long waves was intensified with the organization of a series of international conferences, whose proceedings are being published [Viena: Frisch and Gahlen, eds. (1984); Weimar: Tibor Vasko, ed. (1985); Siena: Di Matteo, Goodwin and Vercelli, eds. (1986); Brussels: 1989, not yet published].

Table 4.1 The Slow Down in the 1970s and 1980s
(% GDP)

	U.S.	Japan	W. Germany	France	Britain
1960-68	4.4	10.4	4.1	5.4	3.1
1968-73	3.2	8.4	4.9	5.9	3.2
1973-79	2.4	3.6	2.3	3.1	1.5
1979-85	2.5	4.0	1.3	1.1	1.2
1986	3.0	2.5	2.3	2.1	3.1
1987	3.6	4.2	1.9	2.2	3.8
1988	3.0	7.7	3.5	3.7	6.0
1989*	2.8	5.0	2.2	2.7	3.9

Sources: OECD (Historical Statistics 1960-1987, Paris, 1989).
IMF (World Economic Outlook, April 1989),for the data and projections after 1987.

This is not the moment for a discussion of long cycles or long waves. It is also not the moment to discuss the reasons for the stagflation of the 1970s and why the rates of productivity and of GDP growth remained hopelessly low after the rates of inflation were again under control in the early 1980s. I am only registering these economic facts here in order to use them to draw the more general political and social consequences in which I am interested in pointing out in this book.

Many explanations may be given for the downturn of the long cycle. Two of them are particularly significant: the exhaustion of the wave of innovations that came with World War II, and the exhaustion of the authoritarian Taylorist (or Fordist, according to the French regulation school) techniques of managing personnel in business enterprises.[23] Both explanations are based on the limitations of the productive capacity of the private sector. Both emphasize the relative decline of productivity. A third explanation usually adopted by

[23] On this explanation, which has been adopted by the French regulation school, see, in particular, Robert Boyer (1986a, 1986b) and Benjamin Coriat (1976).

conservative economists, but also shared by some economists of the left, relates the slow down with the excessive and distorted growth of the state.

The first is based on the classical Schumpeterian analysis of the business cycle. In the declining phase of the cycle there are inventions; in the expansion phase, the innovations, the wave of investments. The second explanation originated in studies developed by the business administration schools in the U.S., particularly the pioneering studies made in the 1920s and 1930s by the School of Human Relations headed by Elton Mayo.[24] However, corporations in the U.S. and Europe have not been able to effectively introduce the changes proposed by this school of thought. Only in Japan - as a result of its quite different culture - has a significant development in this direction occurred. The ability of the Japanese corporations to win participation and cooperation from workers, while effectively increasing their real wages and reducing income differential, is most likely one of the main reasons why they were able to overcome the resistance of workers to the old Taylorist methods of the West and achieve extremely high rates of growth in productivity.

The third explanation, which is implicit in the theory of the cyclical pattern of state intervention, suggests that the piling up of regulative measures after the Great Depression and World War II, in response to particular interests of lobbies, provoked allocative distortions and a fiscal crisis that had negative consequences on the rate of growth. The new right reason along the same lines, but tends to think in absolute rather than in relative and historical terms: according to it, state intervention is an evil in itself. Whereas for the cyclical approach new forms of state intervention will replace the old ones, for the new right the goal to be achieved is the minimal state.

These three explanations are complementary. A fourth explanation for the slowdown - the Keynesian theory of a structural or long run insufficiency of demand - is not applicable to the present case. Keynes was probably the greatest economist of this century. His theory was extremely successful in explaining the depression of the 1930s and in offering a way out of it, and continues to be helpful in explaining the normal business cycle. But, given the fiscal crisis of the state and the slowdown in productivity rates, the idea that demand management policies based on temporary budget deficits (when these deficits are already chronic) may be effective for overcoming the present crisis is not acceptable. On the other hand, as Lester Thurow (1983) observed, as the problems and anxieties of the Great Depression were forgotten and inflation became an acute public concern in the 1970s, mainstream economics turned conservative, toppling

[24] See Elton Mayo (1946), Roethlisberger and Dickson (1939), Georges Friedman (1946), Chester Barnard (1958) and Douglas McGregor (1960).

Keynesianism after fifty years. It should be added that this was the result of the tendency of the economists to be ideologues of the establishment and to hide themselves from the uncertainties of the real economy - uncertainties that the post-Keynesians, following Davidson's (1972) and Minsk's (1975) contributions, analyzed so well. It is also a consequence of the inability of the original Keynesian analysis to explain and offer solutions for the present slowdown.

It is true that some industrialized countries - particularly West Germany and Japan - have been fighting inflation at the expense of growth. The aversion of West Germans to inflation since their experience of hyperinflation is well known, and they may have exaggerated their concern for a balanced budget. However, it is worthwhile to notice that it is precisely these two countries that have been the more successful in terms of growth rates.

On the other hand, in spite of this orthodoxy - or because it was not strong enough in the U.S. -, the enormous budget and trade deficits, leading to increasing international indebtedness, represent a serious threat of a new and acute crisis in the developed world today. A second threat comes from the absurd estimate of stock prices, particularly in Japan. The September 1987 stock market crash, which was almost repeated in October 1989, did not develop into a much deeper crisis only because of the decisive intervention of the central banks of the seven industrialized countries, that supplied huge amounts of liquidity to the economic agents interested in sustaining the stock prices. The coordination of macroeconomic policies among the G7 countries, regardless of their limitations, has been successful in maintaining a precarious equilibrium.

Sweezy and Magdoff (1987, 1988) believe that mature monopoly capitalist economies are subject to contradictions that, in the absence of sufficiently powerful forces, will lead to stagnation. The counteracting force par excellence to this tendency is an explosive increase in indebtedness by the state, corporations and individuals, which began in the 1960s and gained momentum after the recession of mid-1970s.[25] Actually, the debts of households and corporations should be distinguished from those of the state. First, private debts are offset by private credit, whereas public debt is not offset by other types of public credit. Hyman Minsky stressed that the emergence of financial instability in the U.S., starting around the mid-60s was directly related to the increase in overall indebtedness, and particularly to private indebtedness (1986: 68-95). Indeed, private debts are a major source of instability and uncertainty in monetary economies. But they are not a cause for general bankruptcy, whereas the indebtedness of the state, is. High indebtedness is always a cause of

[25] According to Sweezy and Magdoff (1988: 14), the ratio of outstanding debt to GNP, that was around 1.5 in the 50s and 60s, reached 2.25 in 1987.

uncertainty in monetary economies, but the unbalancing and distorting effects of a high public debt are more serious than the same effects of a high private debt. A major increase of the public debt is the consequence of an increase of state expenditures and of chronic and increasing public deficits. The resulting fiscal crisis has profoundly distorting effects on the whole economy. It feeds stagflation or prompts chronic - and often incomplete - adjustment policies that reduce growth rates without effectively resolving the fiscal crisis.

2. The New Right Attack on the State

The slowdown of the growth rates in the 70s was a consequence of the fiscal crisis of the state, of the exhaustion of the wave of innovations during immediate post-World War II period, and of the increasing resistance of workers to the Taylorist methods of production. These are endogenous causes of the downturn of the long cycle. The two oil shocks (1973 and 1979) are relatively exogenous factors that play also an important part in explaining the slowdown, that is the origin of the crisis of the state. On the other hand, because it undermined the Keynesian consensus, this slowdown opened the way for the rise of a new right intellectually well equipped for fighting the state. Thus the crisis of the state gained a new fount: the relatively successful attack from the new right.

The new right may be defined and classified in several ways. Dunleavy and O'Leary used this expression to designate a group of theorists whose intellectual origins lie in liberal and conservative philosophy, but who added novelty and rigor to their ideological positions (1987). Although it is a political view of contemporary capitalism, it was developed basically by three groups of economists in the 60s: the monetarist, the neoclassical and the public choice schools. A fourth group could be added, the Austrian school of Hayek and Von Mises, given the large audience that their ideas have received in recent years, but their original contributions were made somewhat earlier.

This is not the moment for a survey of the ideas of the new right[26], nor for a survey of the endless debate between monetarist and neoclassical on one side, and post-Keynesians and Marxists on the other.[27] The monetarists led by Milton

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[26] For a critical survey see Nick Bosanquet (1983), Ruth Levitas, ed. (1986) and Dunleavy and O'Leary (1987); for an favorable survey, see Norman Barry (1987).

[27] See, among many others, Brian Morgan (1978), Sidney Weintraub (1978), Milford and Peel (1983), Lester Thurow (1984), Jerome Stein (1984), George

Friedman, as early as the 60s, and the neoclassicals of the rational expectations theory, led by Robert Lucas and Thomas Sargent developed an alternative macroeconomic theory to the Keynesian model in the 70s. They adopted the macroeconomic approach introduced by Keynes, but looked for its micro-foundations. They restored the classical macroeconomics implicit in Say's law ("supply creates its own demand") and in the quantitative theory of money based on the old exchange equation (MV = Yp).[28] With his proposal of a "positive economics" (1953), in which the realism of assumptions was not important, Milton Friedman initiated the restoration of the highly formalized and abstract - and thus highly ideological and disconnected from reality - neoclassical economics.

The full restoration of this type of economic thinking was completed by the "new classical" school, with its assumption of rational expectations that, tautologically, conform to the old neoclassical hypotheses of economic behavior. Their basic conclusion is that monetary and fiscal policy do not produce real effects, given a perfect market-clearing hypothesis and the capacity of economic agents to anticipate the consequences of economic policy. The analysis of the monetarists and new classicals, however, remain basically in the realm of macroeconomics - a supposedly "positive" macroeconomics. The political problem of the state is not directly addressed except by Milton and Rose Friedman's manifestos in favor of a "free society" (1962 and 1979). Monetarist and rational expectations schools criticize Keynesian economics instead of the state. The criticism of the state is a consequence of the critique of Keynes' ideas.

The question of the state is directly tackled by the public choice school, that has a Nobel Prize in Economics that was awarded to James Buchanan, and also Mancur Olson, Gordon Tullock and William Niskanen as their best known representatives. Their starting point is a radical individualistic, pessimistic view of mankind. Buchanan is quite clear when he says: "My approach is profoundly individualistic" (1975: 1). All social actors - voters, politicians, bureaucrats, businessmen, workers - are seen as utility-maximizing individuals, unable or uninterested in organizing themselves for collective action. Their pessimism, that reminds very much of the classical Hobbesanian "homo homini lupus" view of human nature, is clearly recognizable:

The public choice perspective... is pessimistic in extreme. The perspective, full of insight as it is, is driven by the most despairing vision of

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Feiwel (1985), Michael Bleaney (1985), Hyman Minsky (1986), Stanley Fischer (1988).

[28] Money (M) times income velocity of money (V) equals real income (Y) times the level of prices (p).

mankind, in that wealth-maximizing agents universally and relentlessly engage in wealth destruction, locked, apparently unescapablely, into a horrendous prisoners' dilemma. (Monaco and Rowley, 1987: 229)

Public choice theorists are American economists and political scientists who write about contemporary Western parliamentary capitalism. They take pluralist and democratic societies for granted, where there is a "poliarchy", in Robert Dahl's sense of the word (1971, 1985). It is this type of society, where the state would be an arbiter among the individuals and groups represented in it,[29] which the public choice theorists criticize. They are not particularly interested in authoritarian societies, which they obviously repudiate. They are interested in pluralist societies, whose problems would derive from the increasing size of the state, or, more broadly, from the impossibility of collective action.

Mancur Olson (1965, 1982) developed "the logic of collective action". The individual in large groups will only get a very small share of the gains derived from collective action, no matter what sacrifices he/she makes to achieve the common goal. Thus individuals will only support collective action through lobbies for other reasons than the public goods they provide - for the "selective incentives" the individual will be able to receive privately. This condition limits collective action to small groups with very special interests, groups where the gains can be shared directly among the participants. Classes or political parties that will defend the interests of many are practically out of the question. Only special interest groups will be able to form "distributional coalitions", whose objective will be to increase the income of its members by lobbying for legislation to raise certain prices or wages, or to tax some types of income at lower rates. It does not matter if the results of this action will reduce the efficiency and output of society:

The organizations for collective action within societies that we are considering are therefore overwhelmingly oriented to struggles over the distribution of income and wealth rather than to the production of additional

[29] Observe that this pluralist view of the state has quite interesting connections with Poulantzas' approach. The difference is that Poulantzas, as a neo-Marxist, emphasizes classes as political actors (state policies would be a condensation of class interests), while pluralist (and public choice theorists) underline the role of individual voters.

output - they are ‘distributional coalitions’ (or organizations engaged what, in one valuable literature, is called `rent seeking'). (Olson, 1982: 44).[30]

Adam Przeworski, studying the rational choice or public choice approach, observed that if this methodological individualism is correct, the working class will never be able to transform itself into a collective historical actor (1985b). Worse than that, however, men and women will never be able to form states and elect governments that will strive for the common interest. The state will always be the Leviathan, the evil. The prisoners' dilemma and the free rider's attitude govern all actions. Solidarity among men and women is believed to be impossible. Actually, the public choice theory, besides being extremely pessimistic, also disregards or minimizes the "selective incentives" (using their own terminology) accrued by the leaders of large groups. Their analysis is void of all historical meaning. Classes, dominant classes, and dominated classes, do not exist. History is not taken into consideration, only individuals and lobbies.

This pessimism and this methodological individualism has, however, a very clear ideological purpose: to advocate the minimal state. The action of the state is necessarily inefficient and counterproductive. A government can be "representative" as long as its politicians are elected by the people in free elections. But this means very little. Voters are rent-seekers, and politicians are vote-maximizers, always thinking in the short term. Thus, governments will tend to spend more resources than are available. They will tend to adopt populist attitudes. On the other hand, voters are poorly informed. The cost of information tends to be greater than the benefits derived by being informed on public matters. Thus, James Buchanan argues that the existence of a majority voting system will not guarantee that the production of public goods by the state will be assured, even if a cost-benefit criterion (gross benefits must exceed gross projected costs) has to be satisfied. Most likely a dominant coalition of voters will be formed to protect setorial interests by using the state budget. As a consequence, "budgetary excess will emerge from democratic process, even if overt exploitation is avoided" (Buchanan, 1975: 162).

The rational or public choice analysis is basically non-historical. It is an individualistic, pessimistic method of viewing political economy. According to its approach, state intervention, productive state, "big government", the Leviathan are evil in themselves. However, they sometimes reason in historical terms, meaning that the state can be maintained under control. According their

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[30] Olson is referring to a basic tenet of the public choice school: individuals are rent-seekers rather than producers. According to him, this theory was developed originally by Gordon Tullock and Anne Krueger. The more significant papers on the subject are in Buchanan, Tollinson and Tullock, eds. (1980).

analysis, for the century and a half before the onset of the Great Depression, U.S. budget deficits were created only in response to the needs of war and recession. Then in the 30s the constraints on public deficits began to be eliminated. The first to go was the progressive weakening of the gold standard, starting in 1933. The second was the slackening of "the moral resistance inculcated specially by the Victorians against the burdening of future generations with a rising national debt". The third constraint - the constraint of the economists - was a result of the emergence of Keynesian economics. Freed from these constraints, "deficits arise... because politicians in Congress, and the President responding to Executive pressure, find it to be in their respective self-interest to take the easy way out in budgetary politics" (Buchanan, Rowley and Tollinson, 1987: 3-5). In consequence, "modern American politics operates in accordance with a set of rules that makes effective resolution of the deficit issue almost impossible" (Buchanan, 1989: 8). After the sophisticated analysis developed by the public choice school, this simple conclusion may help explain the huge budget deficits in the U.S., but it does not explain why a reasonable fiscal balance was achieved in other industrialized democratic countries.

The aim of the public choice school is to revive classical liberalism. Their neoliberalism is radical. Buchanan says quite plainly that his utopia is anarchy, where "the state does indeed wither away" (1975: 3). Essentially, it is a utopia very similar to that of Marx and Engels of the communist mode of production. But, in contrast to the bureaucratic followers of Marx and Engels, for whom ending the state has resulted in the creation of an all encompassing state, the public choice school wants a minimal state, that, according to them, would be "between anarchy and Leviathan"[31]. The minimal state is one whose "role is one of enforcing rights to property, to exchanges of property, and of policing the simple and complex exchange process among contracting free men" (Buchanan, 1975: 163). Why this minimal state is in between anarchy and Leviathan, rather than very near anarchy - an anarchy of the wealthy and the strong limitedly contrived by imperfect market - is a question to which the public choice theorists cannot respond. Their liberalism, their individualism and their pessimism is too great to allow for a "positive" judgment, moderately free of ideology.

Yet it must be said that the attack on the state led by the new right was successful. Today criticism of the state is widespread. Denationalization and deregulation are on the agenda of practically all governments. To be sure, this attack was reinforced by the slow down of the economy and the size of a state that had lost functionality. Monetarist, new classical, and rational choice

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[31] This is the subtitle of Buchanan's book, The Limits of Liberty (1975). For a survey of Buchanan's work see Agnar Sandmo (1990).

theorists developed their ideas a favorable environment. Yet there is no doubt that they were intellectually competent in pointing out the inefficiencies and distributive imbalances of the technobureaucratic or welfare state.

The new right criticized the state successfully, but it was not able to provide a real alternative. As Claus Offe observed:

The basic fault I see in this (conservative) analysis has less to do with what it explicitly states than with what it leaves out of consideration... It is extremely hard today in Western Europe to conceive a promising political strategy that would aim even partially at the established institutional components of the welfare state... Even more significant, however, is the second failure of the conservative analysis: its failure to demonstrate that `advanced-capitalism-minus-the-welfare-state' would actually be a workable model. (1980: 152-153)

According to Peter Flora, that led an extensive research on the welfare state in Europe, the late 70s witnessed the "golden age" of the welfare state.[32] After that the strong growth trend was broken, the relative growth (to GDP) of the state was interrupted, but the relative one was not. The growth of the welfare state reached a kind of "limit", as the social security systems, the health and education systems experienced an enormous expansion. Considering the long distance the welfare state has come, Flora says that its major advances are certainly behind it. The growth rates of the past seem unnecessary. However, he adds, survey results across Europe create the image of a still vast and often overwhelming support for the welfare state. In spite of the neo-liberal economic philosophy, "the articulated enemies of the welfare state have remained in the minority" (1988: XXV). It remained in the minority because it did not offered a real alternative to the welfare state.

Actually neoliberalism is rather a rhetoric than an effective practice. Alain Lipietz (1989) suggests in his last book that technobureaucratic capitalism - or, according to the terminology of the French regulation school, "Fordism" - has been replaced by "liberal-productivism". The industrialized countries would had replaced the old welfare-state by a new form of economic organization based in neo-liberal policies. This new form of capitalist organization would be based in an enormous emphasis in competition among firms and nations, on a great emphasis in technological development, on the reduction of the state and of all

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[32] - According to Flora (1988: XXII), around 1930 average expenditure on social insurance amounted probably less than 3 percent of GDP. by 1950 it had increased to 5 percent, by 1960 to 7 percent and by 1974 to 13 percent. Social expenditures that around 1950 varied between 10 and 20 per cent of GDP, had grown by mid-1970s to between 25 and 33 per cent of GDP.

types of collective action, on a strengthened or renewed individualism. Although some of these features indeed appeared in the 80s, they are very far from representing a real alternative to technobureaucratic capitalism. The welfare policies were only slightly reduced, the state remains an extremely important actor and is assuming new and very important roles, particularly in promoting technological growth and international competitiveness. Lipietz himself, that adopts a critical view of "liberal-productivism", is not sure about the effective possibilities of this form of organization of capitalism, that, "far from representing a positive consensus, is nothing but the signal of the absence of such consensus" (1989: 69).

Shapiro and Taylor, after surveying the role of the state in industrial strategy, observe that:

> In contrast to their predecessors, the legacy of the 1980s-vintage development economists will be the documentation of imperfect policy-making. The operating assumption of imperfect markets has been replaced by the presumed inevitability of imperfect states. Many have concluded that the former is the lesser of two evils... This perspective only reinforces the profession's economistic tendency to view economics and politics as distinct spheres. When economists finally discovered the state, they found it wanting, and tried to reason it away" (1989: 41).

The attack of the new right to the state is clearly an attempt to "reason it away" the state. Is to say that government should get away from the economy. The problem, however, as the two authors emphasize, is not "a choice between evils". Imperfect markets and imperfect policy-making are essential characteristic of contemporary technobureaucratic capitalism. The real problem is how to live with theses problems.

3. The Attack From the Left

The crisis of the contemporary technobureaucratic state was also reinforced by the criticism from the left. There is a common belief that the left favors state intervention and that the right is against it. This is misleading. Indeed, in the past, reform-minded socialists tended to think that nationalization would be part of the gradual transition to socialism. The bureaucratic left, usually associated with the communist parties, used to be statist almost by definition. The social democrats and pragmatic conservatives built the welfare state by supporting mild but effective state intervention. On the other hand, the rhetoric of the right was always radically against state intervention. Yet when their representatives are in government they seldom reduce state intervention. They just try to reorient the intervention in favor of accumulation rather than of consumption, in favor of profits rather than of indirect wages and in favor of the consumption by the rich rather than of the consumption by the poor.

The left's attack on the state has a long tradition. However, we are only interested here in the recent attack on the technobureaucratic state. Claus Offe summarized the socialist criticism welfare state:

> The welfare state is said to be: (1) ineffective and inefficient; (2) repressive; (3) conditioning a false (`ideological') understanding of social and political reality within the working class. In sum, it is a device to stabilize, rather than a step in the transformation of capitalist society. (1980: 154)

The state was ineffective because it had done little or nothing to alter income distribution in favor of labor. Moreover, the welfare state does not eliminate the causes of social disparities; it just partially compensates for the injustices. The state is inefficient because bureaucracies absorb a large part of the resources that are reserved for social policies. It is repressive because the customers of the social services must prove not only their "need" but also that his merit of the help. Lastly, the state is "ideological" because it performs "a political-ideological control function" that is a "source of false conceptions about historical reality which have damaging effects for working-class consciousness, organization and struggle" (Offe, 1980: 154-156).

The criticism that Offe attributes to the left in general are consistent with his own vision of the capitalist state:

> The state is neither a `servant' nor an `instrument' of any class. While it does not defend the specific interests of a single class, the state nevertheless seeks to implement and guarantee the collective interests of all members of a class society dominated by capital (1975: 120, italics my own).

Thus, according to Offe, there is an essential contradiction in the welfare state. It is explicitly oriented to protect the workers and the poor, but it is basically an institution of a society dominated by capital. The social actions of the state are a form of legitimizing the capitalist system, but the limits of this action are set by the basic function of the state: "securing the commodity form of labor" (1973: 139).

This could be called a "Marxist contradiction" of the contemporary state. Offe sees a second contradiction in the welfare state that could be called a "Weberian contradiction". The logic of the legal-bureaucratic administration is essentially different from that of the welfare state, but both are present in the contemporary technobureaucratic capitalist state. In the legal-bureaucratic administration, efficiency means consistency of inputs and outputs, the observance of calculable legal norms, routines, and organizational programs. The inputs, the condition of following rules, is basic. In contrast, in the welfare state, "administrative action is rationalized with respect to specific results... efficiency is no longer defined as `following the rules', but `causing effects'" (1974: 304-305). As the welfare state loses the protection of the bureaucratic

action programs, the heterogeneity of interests involved and the tendency to demand overload on the part of interest groups may lead to the ineffectiveness of its welfare action.

James O'Connor, with his timely book The Fiscal Crisis of the State (1973), has probably written the most exhaustive critical analysis of the state to come from the left. According to O'Connor, "the capitalistic state must try to fulfill two basic and often mutually contradictory functions - accumulation and legitimation" (1973: 6). In other words, the state is supposed to promote economic growth and social harmony. Contemporary capitalist economies are divided into three sectors: the competitive sector, the monopoly sector and the state sector, which includes the large private corporations that preferentially supply the state. In order to perform its function of accumulation, the state tends to be close associated to the monopoly sector. In its attempt to perform its contradictory functions of accumulation and legitimation, the state is to a fiscal crisis:

> The growth of the state sector and state spending is functioning increasingly as the basis for the growth of the monopoly sector... Although the state has socialized more and more capital costs, the social surplus (including profits) continues to be appropriated privately. The socialization of costs and the private appropriation of profits creates a fiscal crisis, or a `structural gap', between the state expenditures and the state revenues... The fiscal crisis of the state is exacerbated by the private appropriation of state power for particularistic ends. A host of `special interests' - corporations, industries, regional and other business interests - make claims on the budget for various kinds of social investment. (1973: 7-9)

The criticism of the French regulation school is directed against the regulation mode ("mode de regulation") rather than directly of the state. The regulation mode is a broader concept than the concept of the state. For each accumulation regime, i.e., for each systematic form of organizing production and distribution predominant over a relatively long period, there is a corresponding regulation mode, i.e., a collection of institutions, procedures, values and habits with coercive power over private agents (Lipietz, 1985b; Boyer, 1987). As Aglietta emphasizes, this concept rejects both the neoclassical idea of a self-regulating market independent from the social environment and the concept of a regulating state which would be external to the fundamental economic relations (1982: III-V). The state is viewed as an intrinsic part of the regulation mode. The crisis of Fordism, i.e., of the regulation mode that has prevailed over the last fifty years, is also a crisis of the state. De Bernis observes that the specific form the state assumes changes according to the different modes of regulation, but "the role of the state is always questioned during the initial phase of the crisis; this is normal because the form of the state depends on the nature of the dominant forces" (1990: 36).

The Fordist crisis, defined in terms of the reduction of the rate of productivity is, as we saw at the beginning of this chapter, explained in terms of: (1) the increase in the organic composition of capital due to the adoption of increasingly capital-intensive methods of production; and, particularly, (2) the exhaustion of the authoritarian labor relations implicit in the Taylorist and Fordist systems of production. This crisis of the "Fordist-Keynesian state", according to the more representative members of the regulation school[33], is not a crisis of overproduction or underconsumption, as the Great Depression of the 30s was. Instead, it is similar to the Great Depression of 1873-1895 (actually, the declining phase of the second Kondratieff cycle), when there was an exhaustion of the wave of innovations that had been led by England and a deterioration of labor relations due to the organization of strong unions. The Keynesian or the social-democratic state, that was successful in overcoming the great crisis of the 30s, was finally defeated by the reduction of productivity and the intensification of the class struggles. After the victory of a social-democratic party in France, Alain Lipietz wrote a book criticizing this experience, and concluded that the leaders of the Socialist Party were unable to face the crisis of Fordism:

They were confident that the old progressive alliance of the welfare state with economic growth was still possible. Disturbed by the crisis and the impotence of state voluntarism, they try today the salvation though a new modernist alliance, that of the technological transformations and of entrepreuneurship (1984: 354).

The quotation above emphasizes not only the crisis of the state but also the crisis of the left - a crisis that is well illustrated in Adam Przeworsky's analysis of social-democracy (1985). After a very critical analysis of the social-democratic parties and governments, he demonstrates and explains why, when they were in power, social-democrats did not nationalize the economy, and why their reforms, even when successful in improving working conditions and reducing inequality, did not lead to socialism.

This means that the technobureaucratic or social-democratic or Keynesian, or welfare state - the name we use for the state in contemporary

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[33] See Aglietta (1982, 1986), Robert Boyer (1986a, 1986b, 1986c), Alain Lipietz (1985a, 1985b), Glynn, Lipietz et al. (1988), de Bernis (1990). See also the books edited by Boyer (1986 and 1986c). For a survey see Daniel Cataife (1989) and David Klots (1990) that includes also Gordon's, Bowles' and Weisskopf "social structure of accumulation theory". See also the special issue on the subject of the International Journal of Political Economy, vol.18, no.2, Summer 1988.

capitalism does not matter - is quite limited in its capacity to reform society. The state is an intrinsic part of society. It is possible to separate the state from civil society, but it is not possible to put the state above and independent from the economic and social system. The economic and social crises are reflected on the state. Moderate reformism, the moderate state intervention strategy of the social-democrats - as well as of conservative parties, in many circumstances - was successful for a time, while the state was not too big in relation to the civil society, and while the several forms of state intervention were new and had not been distorted by time and special interests. However, when the state, under the external pressure of demands and the internal pressure of technobureaucrats, grew too much, it also became increasingly inefficient and ineffective. The crisis of the state erupted - a crisis that the criticism coming from an aggressive right and a perplexed left only deepened.

3. The Colapse of Statism

Nothing has underscored the crisis of the state more dramatically in the last quarter of this century than the perestroika and glasnost - the reorganization of the Soviet economy and the democratization of the Soviet authoritarian regime - launched by Mikhail Gorbachev, the General Secretary of the Communist Party of U.S.S.R., in 1985. For conservatives the perestroika means the acknowledgement of the failure of socialism; for the bureaucratic-left, a new, decisive step in the direction of socialism; for the democratic "revolutionary" left, a "response of the modernist wing of the bureaucracy to the threat to the stability of its rule" (Mandel, 1989: XI); and for social-democrats, a confirmation of their reformist proposals. In his book (1987) and in his speeches, Gorbachev insists that the perestroika does not mean giving up the socialist goals. But, as it proposes to transform the Soviet economy into a market oriented economy, it is a definite acknowledgement of the failure of statist strategy. Finally, the perestroika reformist approach failed. The crisis of the communist regimes, starting in Poland, spread itself to the rest of Eastern Europe and to Soviet Union.

The expression "real socialism" used to describe the Soviet system does not make sense. The Soviet Union and China are or were statist social formations not socialist countries. Statism - which I will examine at length later in this book - was present in the Soviet Union in its almost pure form. If we imagine something like a "pure capitalism", a system fully controlled by a self-regulating market, we can also imagine its opposite - "pure statism" - a social formation where the state regulates the whole economy in market co-ordination

practically absent. The Soviet Union was very close to this model. The collapse of statism represented a major blow in the state.

Gorbachev and his associates used to say that they are changing the economic and political regime, not the economic system (Baynac, 1988: 14). They intended that the Soviet Union would remain socialist. Actually, perestroika and glasnost were a revolution that failed in reforming statism, but were successful in precipitating its collapse. The end result will be a middle of the road position between pure capitalism and pure technobureaucratism.

Obviously, pure capitalism and pure statism do not exist. If we consider a scale of state intervention going from pure capitalism, where there is very little state intervention, to pure statism, where market coordination is very weak, the Soviet Union will be located in the third quarter of this scale, while technobureaucratic or oligopolistic capitalism will be in the second quarter. In the last century, competitive capitalism would have been in the first quarter, and the present Soviet social formation in the forth quarter.

This gradation does not mean that the difference between the two systems is just a question of ranking. On the contrary, capitalist and statist relations of production are quite different. Changes in the "quantity" or intensity of state intervention - or its complement, market coordination - lead to a qualitative change. The success the revolution in Soviet Union that followed perestroika does not mean that the Soviet Union will be transmuted into a typical capitalist social formation, but it will definitely bring its Soviet statism much closer to contemporary technobureaucratic capitalism.

Some authors, such as Zinoviev (1981) believe that the statist system in the Soviet Union is so closed and self-sufficient that it is immutable.[34] The obstacles to the current democratic revolution are certainly enormous. Problems are not only related to the resistance of the technobureaucracy. Workers are also afraid of transformation. Adam Przeworsky and Michael Wallerstein (1985), when discussing the difficulties inherent to the transition to socialism, observed that a major obstacle was worker resistance to the loss of income that will necessarily occur during this transition. Revolutions always produce turbulence in which the economy suffers.

This revolution is taking place in the Soviet Union and in Eastern Europe. It is an economic and political revolution. Up to now, the political revolution has been more successful than the economic revolution. In 1989 a democratic

[34] Consistent with his previous ideas, Zinoviev expressed this belief in a lecture at the University of Campinas in July 1988.

revolution took place in Eastern Europe. In this year, for the first time a statist regime - Poland - had a non-communist party in power. The Berlin Wall was turned down. Czechoslovakia and Romania have also non communist governments. In Hungary and East Germany the communists, under the pressure of the masses, are introduced profound democratic reforms and finally were out of government. In Romania a real democratic revolution supported by Soviet Union ended with a ruthless dictatorship. Nonetheless, the results of economic restructuring in these countries are still uncertain. To introduce democracy is easier than to make successful market oriented reforms. In the first case, free elections and a free press are the essential elements, whereas in the second it is necessary to change the price relations or the exchange relations between economic agents. It is true that that it was the attempt of a democratic revolution in China that ended in bloodshed in May 1989. In Eastern Europe the democratic revolutions are taking place, but the economic revolutions will take more time. The communist parties may lose power, but the technobureaucrats that belong or belonged to the communist parties will remain necessary to make the economies work. Economic liberalization, the increase of the market role will be the main objective. But the market cannot be created from nothing. If in the capitalist countries we have, as Galbraith pointed out so well many years ago (1967), a market sector and a planed or industrial sector, these economies will have also to divide themselves between an increasing market sector and a planed or state controlled one.

What is quite clear, however, is that this revolution represents the worse moment of the crisis of the state. Capitalism may emerge victorious from this revolution, or democratic socialism may have a new, decisive chance, but, in any case, statism is dead. This revolution is a political rather than economic revolution. Glasnost is more important than perestroika in the long run, which for the moment has been more successful. When millions of Chinese, Czechs, Polish, East Germans, Bulgarians and Romanians demonstrate for democracy, they are repudiating statism or technobureaucratism as an economic system and especially as an authoritarian political system.

It is very common to hear today that we are living at the "end of utopias". This is a new term for Bell's "end of ideology" and it is as ideological as its predecessor. However, we do not live end of utopias, but the crisis of utopias. Neo-liberal utopia is, most certainly no alternative for socialist utopia. It is not even an alternative to the welfare state that neo-liberals criticize so severely. On the contrary, the basic weakness of the neo-liberals' minimal state proposal is that it does not present a real alternative for society.

The theory of the cyclical pattern of state intervention may help to solve the enigma that the state represents for society. A global attack on the state, as

we see it today, is as irrational as a defense of statism without reserves. The state is an essential part of capitalism. The market alone will never be able to coordinate a capitalist economy. The same is true for socialism. It is a utopia that will sooner or later be transformed into reality. Yet in democratic socialism will the coordination of the economy be shared by the market and the state? In what proportion? Given the cyclical character of state intervention, there is no precise answer to this question.

CHAPTER 5
THE CYCLICAL PATTERN OF STATE INTERVENTION

A basic stand of this book, that will be discussed at length in Part II, is that bureaucratic organizations have a long term tendency to grow. Thus the state, as the largest and most important bureaucratic organization, will tend to grow in the long run. This tendency, however, should be not exaggerated, nor made linear. The state tends to grow absolutely, as societies become richer and more complex, but it does not necessarily tend to grow relatively. The share of public expenditures or the share of the state controlled production of goods and services in the GDP may increase, but moderately and, as I will propose in this paper, in a cyclical and changing way.

There are economic and political limits to the growth of the state. The relations between the state and civil society, or between the state and the market are not arbitrary. A state that grows too much in relation to civil society may cause economic and political problems that, sooner or later, will limit the expansion of the state. In this paper I will suggest that the state grows cyclically. I will propose that, in the same way as, in the strictly economic realm, there are the business cycles and the Kondratieff cycles and, in the private/public interest alternative, there is the Hirschman cycle, in the economic-political realm there are "the cycles of state intervention".

The relative size of the state, the intensity and the effectiveness of State intervention expands and contracts cyclically. In each new cycle the pattern of intervention changes. During the expansion phase state intervention increases, the state assumes an increasing role in the coordination of the economic system, in the allocation of resources, in managing aggregate demand and supply, in influencing the distribution of income among social classes and among sectors of the economy. Initially this expansion is intense because it the state is being successful, because it is supplementing efficiently the role of the market. The state grows because it responds to real demands of society.

But sooner or later the intervention will tend to become dysfunctional. Excess regulation, creating obstacles to the well functioning of the market, and public deficits are the typical symptoms that intervention went too far. This is the moment when the cycle reverts, when state control contracts and market control expands. It is the time for some de-regulation and privatization.

The present historical process of a relative reduction of the economic role of the state, initiated in the mid-1970s must be viewed as a phase of the cyclical pattern of state intervention. On the other hand, state intervention tends to change. In each cycle or historical moment, the pattern of state intervention is different.

Although Polanyi (1944) was probably correct when he said that a self-regulating market system was an exceptional moment in the history of mankind, the opposite idea of a state-controlled economy may occur successfully only during a short period. Actually, mixed situations, combining market and state coordination, are the long term and general rule. As modern economies become more and more complex, the need for coordination by the market and by the state is bigger and bigger. In order to perform its role smoothly and efficiently the market must be regulated and complemented by the state. But, whereas market coordination is supposed to be self-regulating, state coordination is not. In theory, the market automatically regulates the economy, whereas the coordination performed by the state is dependent on design. But, given market failures coordination and the intrinsic limitation of state coordination, new coordination challenges appear everyday for the state. State intervention, however, also implies increasing coordination failures. Old forms of state intervention must be eliminated and new ones, introduced. Often this process is lagging, only taking place after a an economic and fiscal crisis breaks-up. As a result, what we see is a cyclical and ever changing pattern of expansion and contraction of state intervention.

1. Between Neo-liberal and Statist Rhetoric

It is common to hear phrases like: "Economics is the study of the market, political science, the study of power", or "Economics is the realm of civil society, and political science is the realm of the state". These definitions are simple and clear, but misleading. They have a bit of truth because the basic concern of economists is indeed the market, and that of political scientists, state power. But actually these statements are an example of conservative ideological thinking, as they are an attempt to mystify reality, reducing the scope of economic analysis to "positive economics" (Friedman: 1953) and avoiding a broader, historical discussion of the internal nature and dialectical character of capitalism.

The classical economists who founded our science understood the impossibility of a radical separation between the market and the state very well. That is why they called our science Political Economy and not Economics[35].

[35] Political economy is the original name of economics. It was abandoned when the neoclassical economists decides "to purge economics from politics and ideology". The tradition, however, was maintained by Marxists, Keynesians and structuralists. More recently, it has appeared in the universities of the advanced

Political Economy is the science that studies the wealth of nations, that examines production and distribution in a market which obeys the law of value but is regulated and warranted by the state. There is no production, much less distribution, without power: private power and political power are permanently present in the market. As Altvater reminds us, the existence of capital depends on the existence of the state (1972).

It is significant, however, that a basic criterion that is commonly used to distinguish conservative economists from progressive ones is the role they attribute to state intervention in the economic coordination of the capitalist system. The former are in principle against, and the latter in favor, of some degree of state intervention. Conservatives are against state intervention primarily because they fear socialism.[36] Radicals traditionally favor it because they believe the nationalization of large corporations is the road to socialism. For a long time, socialist or social-democratic parties supported nationalization initiatives in name of the way to socialism. In Britain, with the Labor Party after Word War II, and more recently in France with the Socialist Party, a nationalization process took place. More recently, however, it is becoming increasingly clear that nationalizations are not an essential part of a socialist agenda. The left generally favors limited state intervention, but sometimes may well favor privatization and de-regulation, because it accepts that the creation of state-owned enterprises and regulation may have gone too far. It does not accept the conservative thesis of the minimal state, but has abandoned altogether the old idea that nationalization is the road to socialism.

There is an old left - or a bureaucratic or statist left - that still favors nationalization. This left is as radical as the neo-liberal right. After the economic failure of the statist soviet model, however, the sponsors of the statist ideology fell into a deep crisis. They did not disappear, but adopted a low profile. On the other hand, neo-liberals, warmed by the naive and widespread support their thesis received, became outspoken and frequently aggressive in their condemnation of any state intervention.

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countries, generally outside the departments of economics, in a field called political economy, or, contradictorily, political economics (see Alt and Chrystal, 1983, a mixture of survey and text book on the subject).

[36] Note that not all conservatives are for laissez-faire even in theory. Many "old" conservatives, following Edmund Burke, favor state intervention to preserve tradition and family. In practice, they will support state intervention wherever it promotes accumulation and stabilizes the economy.

2. The Optimum Degree of State Intervention

If the neo-liberal and statist rhetoric are definitely ideological, this does not mean that the solution is simply to opt for an intermediate alternative. Alec Nove also does not believe in this kind of solution to the problem. He observes that "the vision of perfect competition and perfect markets, as well as `full communism', are... inherently unrealistic" (1978: 237). Yet this does not mean that solution is to be "in the middle", between pure capitalism and pure statism or technobureaucratism. Such an intermediate alternative is obvious but does not give any real indication of the ideal level of state intervention. In another text Nove underlines:

> It would be nice to imagine the waste inherent in a competitive market and the waste caused by centralized `Stalinist' planning could both be eliminated. No one has yet found such optimum (1977: 157).

My proposal is not to determine the localization of such an intermediary optimum between market and state control of the economy - an optimum that does not exist. In every stage of the growth of a country, and at every moment of the cyclical development of the state, there is a spectrum of efficient combinations of market and state coordination of the economy. Today it may be assumed that the centralized state controlled systems in the Soviet Union and in China are inefficient. This is the system that the Chinese and Gorbachev are trying to reform. But we know that these countries experienced high rates of economic development in their first stage of industrialization, that, in the case of the Soviet Union, lasted for a long time.

On the other hand, it is important not to confuse the statist social formations with contemporary capitalism where the welfare state was established, generally, but not necessarily, under the sponsorship of social-democratic governments. State intervention in the welfare state has been mostly successful. According to research conducted with extreme methodological rigor by Kurt Rothschild (1986) between 1960 and 1984 in the advanced European economies, the rate of economic growth tended to be higher and the rate of unemployment lower when countries were governed by left-wing (social-democratic) parties or coalitions of parties, that favored a higher degree of state intervention. Although statistically demonstrated, this superiority has not been stable over time: in some periods it is clear, in others not so clear. Actually, although reasoning or historical experience support a middle-of-the-road strategy, they cannot tell us "how much" state intervention should be used.

Thus, rather than falling into an endless discussion about a doubtful optimum, I propose that there is a cyclical, ever-changing pattern of state intervention. If I am minimally successful in demonstrating this hypothesis, I

hope that the ideological content of the debate on the economic intervention of the state will in some way be reduced.

My basic contention is that state intervention expands and contracts cyclically, and that, in each new cycle the mode of state intervention changes. For a while, state intervention increases, the state assumes an increasing role in the coordination of the economic system, in the micro-allocation of resources, in the macro- definition of the level of savings and investments (or of the equilibrium between aggregate demand and supply), and in the micro-macro determination of income distribution among social classes and among sectors of the economy. It increases because it is being successful, because the state is performing a role that the market is unable or inefficient in performing. It is increasing because it responds in a fairly effective way to the demands of society.

But as state intervention increases, be it in terms of its share in GDP, or in terms of the degree of regulation the economy is submitted to, intervention starts to become dysfunctional. The two basic symptoms indicating that the expansion of the state went too far are excess regulation, that hinders rather than stimulates and guides economic activity, and huge public deficits in place of forced savings. This is the moment when the cycle reverts, when the state control contracts and market control expands. It is the time for some de-regulation and denationalization.

This hypothesis of the cyclical nature of state intervention conflicts both with the static theories, that assume a given level of state intervention as ideal, and with the historical theories that claim a long term tendency toward the nationalization of the economy. For the neo-liberals, the ideal level of state intervention is very low, for the statists, very high, and for the pragmatists, intermediary. Although closer to the pragmatists (Bresser-Pereira 1989), I would say that these three positions are unacceptable as long as they assume a given relation between market and state control as ideal or optimum. My hypothesis is that this ideal relation will necessarily vary historically and according to a cyclical pattern of state intervention.

3. The Growth of the State

Although a historical tendency can be traced that shows increasing state intervention, I propose that this tendency is limited and not linear. It was implicit in Marx and explicitly developed by Adolph Wagner (1893), according to whom, as per capita income increases nations will spend a larger part of their

national product through government. Wagner presented several reasons for that increase (see Wildavsky, 1985): additional complexity of legal relationships introduced by the increased specialization and division of labor, an increase in social friction due to an increasing density of urban areas, insufficiency of private savings for investments requiring large sums of capital, increasing demand (income-elasticity in excess of one) for investments in the production of certain goods whose benefits can not be strictly appropriated to the private investor (public goods in modern terminology), and the need to regulate private monopolies.

Marxist economists explain state growth as a counter-tendency to the law of the falling rate of profit. The state nationalizes the low profit industries in order to assure a satisfactory average rate of profit for the private sector. Keynesians emphasize the need for state regulation to complement the market's regulating function and the insufficiency of demand problem. Social-democrats underline the welfare, income-distributing function of the state.

The conservative public choice theory explains the growth of the state in terms of the demands of special interest groups. Mueller and Murrell, who are adherents of this school, underlined that the assumption behind Wagner's law is that the income elasticity of a nation’s demand for public goods exceeds the income elasticity of its demand for private goods. This leads to state growth because "the formation of bargains between parties and interest groups lead to an increase in government size" (1985: 31). Mueller (1987) enumerates five basic explanations for state growth: the demand of public goods, distribution of income, inducement of interest groups, interests of the state bureaucracy, fiscal illusion about the true size of the state.

I would say that all these reasons or explanations are compelling. The statistical evidence supporting Wagner's thesis is overwhelming. Borcherding, for instance, found that in the United States government expenditures (federal, state and local) increased from 7.7 to 21.4 per cent of GNP from 1902 to 1933, decreased to 20.4 per cent of GNP up to 1940; and then increased steadily, reaching 35 per cent of GNP in 1978 (1985: 361). In Germany, total public expenditure as a proportion of GDP increased steadily from 15.7 to 42.5 per cent of GDP from 1913 to 1969 (see Mandel, 1972: 488). In the OECD countries, general government expenditures as a percentage of GDP increased from 26.3 per cent (unweighted average) in 1960 to 47.0 per cent in 1982 (Saunders and Klau, 1985).

But neither the theoretical arguments nor the empirical evidence can be taken as definitive. Wagner wrote his work in Germany at the end of last century when the state assumed a decisive role in the late industrialization there.

However, after its industrial take off, German state intervention, following a pattern similar to other latecomers in the process of industrialization, tended to diminish in the productive and financial areas while increased in regulatory and welfare matters.

4. A Historical View

This cyclical pattern of expansion and contraction of state intervention can be seen in a broad historical perspective and can also be examined from the standpoint of the changing economic role of the state. In each cycle new modes of state intervention are introduced. The state expands and contracts, but in doing so it also continuously changes the forms of its intervention.

From a broad historical perspective, taking Britain, France and United States (the first industrial countries) as references, in the first stage of capitalism - the mercantilist period - the state strongly intervened to support the process of primitive accumulation is very strong. The distortions provoked by the excessive regulations and by the royal monopolies gave rise to the criticism of the classical economists and, during and after the Industrial Revolution, to a sharp reduction in state intervention. Competitive capitalism reigned during the nineteenth century, but around 1870 the growth of the big corporations and of the big unions were the signs that a new phase - that of monopoly capitalism, where state intervention was again required - would soon start. The capitalist political system resists state intervention, but finally it started to increase again at the beginning of the twentieth century.

It was only after the great depression of the thirties and the revolutionary criticism of Keynes to neoclassical liberalism that a more clear cut and deliberate process of state intervention evolved. This was the great moment of the welfare state and of Keynesian macroeconomics. The prosperity of the 1950s and 1960s, a true Golden Age of economic performance, to use the expression coined by Glyn, Hughes, Lipietz and Singh (1988), was accompanied by increasing state intervention - and also by mounting social demands from the workers. In Europe, transfer payments and households subsidies rose from around 8 per cent of GDP in l955-57 to around 16 per cent by mid the 1970s (Glyn et al., 1988: 23).

In the 1970s, however, the world economy faced a new long term slow down. This crisis, that was examined in the previous chapter, may be defined in economic terms, by large public deficits, by the generalized reduction of the growth rates and by stagflation; and in ideological terms, by the end of the

Keynesian consensus and the rise of neo-liberal - monetarist, rational expectation, public choice - theories. Denationalization, de-regulation and market control were the new tenets of the conservative wave. State intervention ceased increasing and there were some signals that it was slowly being reduced. The cyclical contraction of the state, however, is much less accentuated than its previous expansion was.[37]

5. Economic Long Cycles and Political Cycles

This cyclical process of expansion and contraction of the state can probably be examined in another dimension, using the long Kondratieff cycles or the long waves approach.[38] The hypothesis is that in the expansion phases of the long cycles, state intervention would increase, while in the contraction ones, it would be reduced. This was precisely what happened in the last long cycle: from 1940/45 to 1970, state intervention increased, and since then - or, rather, with a delay of around a decade - it has slowly been being reduced.

Starting with this hypothesis, clearly supported by evidence from the present long wave, I went on a look for further confirmation in the previous long cycle. If the same pattern was observed, state intervention should have increased between approximately 1895 and 1920, and then decreased or relatively decelerated until 1940. Wallis' data on the percentage of non-military expenditure in GNP in the United States (Figure 5.1) show that, with a certain lag, this was precisely what happened (1984)[39]. This percentage increased steadily up to 1932, then declined up to 1943 and finally resumed growth up to 1968, the last year examined. In France, the correlation between the Kondratieff

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[37] In Britain, where the process of de-regulation and denationalization received full support from the conservative government of Margaret Tatcher, the reduction of state intervention was eventually much smaller than initially intended.

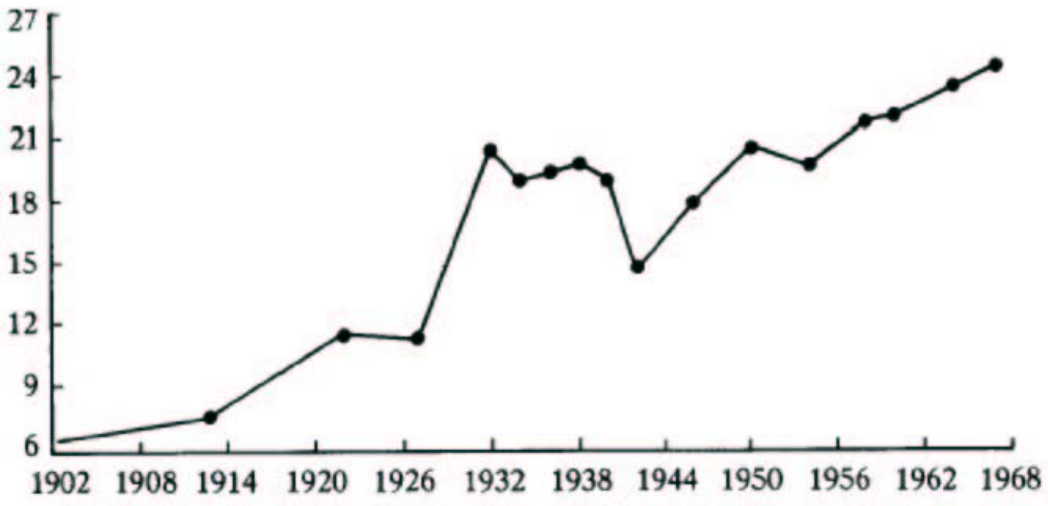
[38] The evidence in favor of the Kondratieff Cycles is very strong. The recent literature on the subject is extensive. See Ernest Mandel (1980), Frisch and Gahlen, eds. (1984), Tibor Vasko, ed. (1985), Di Matteo, Goodwin and Vercelli, eds. (1986), Solomos Solomou (1987), A. Kleinknetch (1987), Joshua Goldstein (1988), David Gordon (1989).I examined the subject in Lucro, Acumulação e Crise (1986: ch.12).

[39] Joseph J. Wallis' data are based on the survey undertaken by the U.S. Department of Commerce, Historical Statistics on Government Finance and Employment (Washington, D.C., 1969).

cycles and public expenditures is again quite clear, but the same delay cannot be observed. According to data of Delorme and Andre (1983: 723), the percentage of total state expenditures in the GDP increased from the beginning of the century until 1922 then declined until 1934, increased sharply up to 1969; and the next year begins a moderate decline up to 1974, the last year examined.

When he, examined the Kondratieff cycles, David Gordon identified them with "stages of accumulation", that would be characterized by "a full set of integrated institutions... necessary for individual capitalist accumulation to continue.... The institutional integrity of a stage of accumulation will begin to dissolve after a period of prosperity" (1978: 27-28). If we accept that among these institutions, a major, and dominating one is the state, it is not difficult to establish the relation between the long cycles and changes in the pattern and intensity of state intervention.

Figure 5.1 U.S. GOVERNMENT NON-MILITARY EXPENDITURES (% OF GNP)



Source: Wallis (1984).

Thus, the proposal of the existence of cycles of state intervention may be directly related to the long cycles analysis. Another relation that can be made it to the political and historical and political cycles proposed respectively by Albert Hirschman and by the two Schlesinger, Senior and Junior.

Hirschman, in a extraordinary book, *Shifting Involvements* (1982), proposes that societies oscillate "between periods of intense preoccupation with public issues and of almost total concentration on individual improvement and private welfare goals" (1982: 3). He defines public action as the action in the public interest, striving for public happiness. In the past this was the only

legitimate type of behavior. The alternative to public action was the withdrawal for purposes of reflection, was the vita contemplativa. With capitalism and liberalism pursuing the private interest became also legitimate, giving rise to generation cycles of preoccupation with the public and the private.

Cyclical theories are supposed to have an endogenous mechanism for the cycle. In the case of state intervention, the endogenous mechanism is accumulation of distortions deriving from state intervention and from market regulation. In Hirschman's political cycle, the endogenous mechanism is disappointment: pursuing the private interest, increasing individual consumption, as well as acts of participation in public affairs, which are undertaken because they are expected to yield satisfaction, also yield disappointment. Given this fact, Hirschman says that it is a mistake to think in terms of fixed goals. "Men think they want one thing, and then, upon getting it, find out to their dismay that they don't want it nearly as much as they thought" (1982: 21). Specifically, Hirschman criticizes Mancur Olson's neo-liberal critique of collective action (1965). Collective action is only unlikely when individuals are disappointed with public action. History proved endlessly - and it was confirming in the 1960s, when Olson first presented his theory - that collective action may be very strong. After the disappointment faced by the generation of the 1960s, the turn to private action in the 70s and 80s could be predicted in terms of a cyclical theory, never in terms of Olson's absolute an a-historical proposal.

Arthur Schlesinger, Jr., following the tradition of his father, that developed a cyclical analysis of American history according to a conservatism versus liberalism approach,[40] and adopting Hirschman's theory, proposes that the political cycles are defined by a "continuing shift in national involvement between public purpose and private interest" (1986: 27). He observes that "it is the generational experience that serves as the mainspring of the political cycle... each new generation, when it attains power, tends to repudiate the work of the generation is has displaced" (1986: 29-30). On the other hand, he does not see correlation between the political cycle and the business cycle: the depression of the 1930s ushered the New Deal; in contrast, the Progressive Era, 1901-1919, began in a time of general prosperity. I would add that the recent conservative wave began with the economic crisis of the 1970s; it will probably end in the early 90s.

Actually our proposal of a cycle of state intervention is the middle between Kondratieff's economic long waves a Hirschman's political cycles. The cycles of state intervention are both an economic and a political phenomenon.

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[40] See Arthur Schlesinger, Sr. (1949).

They share characteristics of both types of cycles. The changes from market coordination to state intervention and vice-versa are means to confront an economic crisis. If the failures of market coordination are behind the crisis, increased state intervention is necessary; if the economic crisis may be related to excess state intervention, reduction of the state apparatus will be unavoidable. On the other hand, the political cycle may also be related to the basic nature of the economic crisis. If it tied to the failures of the market, a progressive phase may prevail, as was the New Deal. In contrast, if the crisis may be attributed to excess or distorted state intervention, a conservative criticism and a conservative wave may occur, as it was the case in the last twenty years. We should, however, abstain to establish an economicist relation of economic crisis to the political cycle. The collective disappointment stressed by Hirschman may have strictly political origins, as, for instance, the excesses of authoritarian rule or the disorder of revolutions.

5. Types and Intensity of State Intervention

State intervention assumes many forms. It is possible to distinguish four of them: (1) macroeconomic regulation, (2) normative microeconomic regulation, (3) administrative microeconomic regulation (including all kinds of subsidies, and (4) nationalizations or direct production. Its intensity will vary according to the moment and the situation.

It is possible to define the theoretical limit for each type of intervention. The limit of macro regulation is centralized planning; normative micro regulation may limit itself to some health and safety regulations for the production and distribution of given goods or to extend itself to practically all types of economic activities. Administrative micro regulation - specific, case by case regulation whose application depends on a given public official or of a government committee - may also be very extensive at the expense of the normative micro regulation, or very limited. Finally, the limit of nationalizations is the abolition of private ownership of the means of production.

State intervention will also vary according to the type of relation that the state establishes with business. It can be limitative, supportive, or neutral. Taxation and the regulation of health, safety and the environment are typically limitative. Subsidies and tax exemptions are the classical examples of supportive state intervention. Macroeconomic policy can eventually be neutral, although we know very well that distributive neutrality in state intervention is almost impossible.

The intensity of state intervention is very difficult to measure. The simplest way is to measure the share of state expenditures in the GDP, but this does not take the state owned enterprises into account. An entirely different and very relevant form of measuring state intervention is by the degree of regulation, but there is no established quantitative technique for measuring the intensity of state regulation. In this paper, I use a loose combination of both criteria.

6. A Cyclical and Changing Pattern

The reason why state intervention shows a cyclical pattern is more or less obvious once the idea is established. The market is clearly unable to guarantee capitalist accumulation by itself, nor does it possess an endogenous mechanism to promote a socially acceptable distribution of income. Given these two assumptions, state intervention is necessary for both accumulation and distribution. Thus, state intervention will take place in spite of the permanent criticism from the right (as well as the left). As it tends to increase in intensity during the expansion phase of the cycle, it will necessarily provoke distortions that can only be corrected in the declining phase.

During the expansion phase of the cycle - that should not be confused with the normal business cycle, but may coincide with the long economic cycles - the intensity of all forms of state intervention will tend to increase. Starting from a low level of state and from a high level of market coordination of economic activity, state intervention will try to correct the distortions caused by the market.

In the initial stage of the cycle regulatory policies will be successful in coordinating the economy, (1) stimulating national production through an increase of state expenditures and modernization of given industries through several types of subsidies and tax exemptions, (2) distributing income through taxation and welfare expenditures, (3) limiting abuses through many forms of regulation. On the other hand, the state will make direct investments by creating state-owned enterprises, particularly if the country is in the initial stage of industrialization.

However, after a while, state intervention will begin to give rise to its own distortions. The increase of state expenditures resulting from increasing pressure from businessmen and consumers will tend to cause serious imbalances in the public budget. As excess regulation implies cost increases, it will increasingly pose obstacles to the international competitiveness of the business enterprises. Criticism of these distortions will mount as the rate of inflation increases or as

balance of payment problems appear. State-owned enterprises, that had a major role in promoting forced savings, will show inefficient management and poor economic results. Then it is time for fiscal adjustment, de-regulation and denationalization.

The logic behind the cycles of state intervention is quite simple. It is similar to the logic of all cyclical processes. The expansion phase may be considered as a sound growth process, and also as an intumescence or inflammatory process. Everything increases - investments, profits, wages, consumption, state expenditures, regulations - but this growth is not necessarily balanced. If it were, if growth followed always the equilibrium path, we would not have cycles; just a golden path of growth. As a rule growth is an unbalanced process. The successful experiences of the expansion phase tend to be overdone. If the increase of state expenditures and of state regulation are successful, economic agents do not know when to stop. They will increase state intervention until it becomes dysfunctional, with the negative consequences of intervention overcoming the positive ones. This lack of functionality of state intervention will become particularly obvious if the increase of state expenditures ends in a fiscal crisis. After a period of continuous failures under increasing criticism, it will be time to reduce state intervention, opening space for more market control of the economy.

However this is not the end of the story. After a while, the process of de-regulation and denationalization will come to an end and a new process of state intervention will begin. It will be different from the previous expansion, as the state will assume new roles demanded by capitalists and, increasingly, by the technobureaucratic salaried middle class and by the workers. As Ignácio Rangel, whose dialectical vision of the intervention process is quite clear, says:

At a given moment in the cycle the debate between privatists and statists, that never ceases completely, tends to assume acute forms, preparing a new distribution of the activities that form the economic system... Always, after the battle, the privatists seem to be the winners because the state had to renounce to certain activities. However, in a second moment - more a question of concept than of chronology - the social and economic system will force the state to assume new responsibilities (1984: 153-154).

The new wave of state intervention will respond to the instabilities inherent to the market system together with the increasing demands of society for better standards of living, for more security and predictability, for continuous technological development, for a enhanced protection of the environment. This new intervention will be different from the previous one because some of the problems that had to be faced in the previous expansion of state intervention

have now been solved, because new problems or new challenges have emerged, and because old mistakes should not be repeated.

7. Intervention as an Industrializing Strategy

The cyclical character of state intervention can also be viewed from the stand point of the process of economic development. State intervention will vary historically according to the stage of economic growth, but not linearly as Rostow (1960) believed. After the classical contribution of Gerschenkron (1962), it became established that the later the industrialization takes place in relation to the first industrial countries, the larger the tendency for the state to initially play a major economic role. Taking this theory to its limit, the Soviet Union may be considered not as an unsuccessful socialist experience, but rather as a case of successful (in the first phase) statist industrialization strategy (see Bahro, 1978). Germany and Japan at the end of last century and Brazil and Korea this century would be intermediate situations where an alliance between the bourgeoisie and the state technobureaucracy backed the initial industrialization process.

Nationalizations during the first phase of late industrialization are necessary because only the state has the ability to extract the required forced savings from society. However, once this phase of primitive accumulation is over, forced savings cease to be the essential element of the growth strategy. The classical problem of an efficient allocation of resources becomes fully relevant because economic development can no longer be based on an internal market protected from foreign competition. Growth now depends on increasing productivity and on the international competitiveness of national production. Both capital accumulation and innovation - the permanent introduction of technical progress - assume a decisive role in the process of economic development.

At this point, the limitations of economic planning as compared to market coordination become evident. Business enterprises coordinated by the market and moderately regulated by the state tend to and must be more flexible, more creative and more efficient. In contrast, state-owned enterprises not only do not have as much incentive to innovate, but they are also often the victims of contradictory political demands. As a result, the process of state intervention will tend to be reduced after the initial phase of late industrialization. This was exactly what happened at the beginning of this century in Germany and Japan, and is presently taking place in Brazil, Korea, Mexico, and, in a different (because it is revolutionary) way, in China and the Soviet Union. Perestroika is

not only an attempt by Michael Gorbachev to reduce state intervention and increase the role of the market in coordinating the Soviet economy, but is also an attempt to change the nature of the Soviet statist social formation.

8. Conclusion

Thus, for the latecomers in the process of industrialization, the long term tendency should be to reduce state intervention. However, the experience of countries like Germany, Japan and Austria shows that there was a new wave of state intervention when these countries reached levels of growth comparable to those of the more developed countries. In this second cycle of state expansion, however, the emphasis was no longer concentrated on nationalization. Since World War II, state intervention has been directed to building up the welfare state, and to macro and micro regulation of private business enterprises.

This pattern of state intervention has been facing a crisis since the 1970s. This crisis, still in progress, will first mean a reduction of the economic role of the state, but will most likely make the state ready for a new historical phase of expansion. Given the ever-changing character of state intervention, this new phase, intervention will necessarily take on new forms, responding to new or newly-defined needs of society. In this phase, the emphasis of state intervention will most likely be the promotion of technological development and the defense of the environment. The first strategy was adopted in Japan some time ago. The European Economic Community is clearly working in this direction, and the United States will have no alternative but to follow its competitors. The state is now operating on the frontier of the national states, as an weapon to assure their international competitiveness. The protection of the environment, that in the 1970s was as banner of the green movement, in the last ten years became a dominant worry all over the world. State regulation is already playing a major role in this realm, and it will to be more accentuated in the future.

In very broad terms, it can be said that, the first stage of state intervention was oriented towards primitive accumulation, forced savings that allowed to begin the industrialization; the second towards installing the welfare state: the third will probably support scientific development and technological progress and environmental protection. These phases or stages may be correlated with the successive expansion phases of the long cycles.

PART 2
CAPITALISM AND TECHNOBUREAUCRATISM

CHAPTER 6
FACTS THAT CHANGED CAPITALISM

Over the last fifty years a new class has made its appearance on the stage of history. This class may be called the new middle class, salaried middle class, bureaucratic class, technobureaucratic class or just technobureaucracy. It originally emerged in capitalist countries, but rose to political power in the Soviet Union and later in countries under communist parties' rule. In developing countries, this new class grew in power and influence by asserting its control over the armed forces and the state apparatus. It is a considerable force even in capitalist countries, holding sway in government and corporate enterprise. These new actors on the historical scene are the outcome of new relations of production. In contrast to classical capitalism, I will call the abstract economic system, which corresponds to these new forms of property and organization, the technobureaucratic mode of production.

It is only in the Soviet bloc and in China that this technobureaucratic mode of production has become dominant. For a while it seemed that this mode of production would become dominant all over the world. Fears and the sensation of insecurity were enormous for many years in the capitalist societies. More recently these fears proved unreal as the slackening in the rate of economic growth in Soviet Union and Eastern European countries has led this form of domination to a deep crisis. The perestroika and glasnost in the Soviet Union were the first consequences of this crisis. The 1989 democratic revolution in Eastern Europe is the signal of the failure of statism or communism. As a long term form of economic organization of society technobureaucratism proved not viable.

There is no doubt as to the strength of capitalism in the western world today, but it is also quite obvious that this system is changing very rapidly. Changing in such way that the classical characteristic of capitalism are disappearing. Yet it is quite likely that long after the capitalist mode of production has disappeared from the face of the earth, there will still be those who affirm that we are in the heyday of capitalism, though it may be a "capitalism" with neither capital nor bourgeoisie, neither profit nor market.

It is clear today that technobureaucratism is not a real alternative to capitalism.[41] As an economic system, it only showed effectiveness in the first stages of economic growth. Politically, it was not able to incorporate democracy,

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[41] As observes Adam Przeworski (1989), if capitalism is economically irrational, socialism (that he dos not distinguish from statism) is unfeasible. The failure of statism, however, does not invalidate the socialist critique to capitalism.

while capitalism was. But the concept of technobureaucratism and of technobureaucracy remain essential not only if we want to understand the statist, the self-called communist societies, but also contemporary capitalism - a capitalism that quite appropriately could be called technobureaucratic capitalism.

In this part of the book I will present the theory of the technobureaucratic mode of production. It represents a theoretical tool for the understanding of capitalism, as long as we acknowledge that there is no such a thing as "pure capitalism", that contemporary capitalism is the mixed reality of capitalism and technobureaucratism. In this chapter I will examine the historical facts are behind the theory of the technobureaucratic middle class. These historical facts are changing or already changed capitalism in a profound manner.

1. The facts behind the theory

The historical facts that in this century changed the face of the world and are in the basis of the theory of technobureaucratic capitalism can be classified or enumerated in many ways. Six of them, however, are worth emphasizing:

1. Economic development has become on explicit goal of modern societies, and the state has taken on the main responsibility for the fulfillment of this goal. Marx once said that historically people establish objectives for themselves when they have a chance of achieving them. This is particularly true in relation to economic development. It was only in the second part of this century that economic growth became an explicit and major objective of societies. This was possible when modern society understood that, through the deliberate action of the state, through long term economic and social policy it was possible to promote growth and welfare.

Before that, in the end of last century, the major role of the state in promoting capitalist economic growth was demonstrated in the cases of Germany and Japan. Analyzing the backward industrialization of Eastern Europe in this period, Gerschenkron (1965) developed a theory that said: the later the industrialization in relation to England's and United States' industrial revolution, the larger will be the role of the state. In the 1930s the rise of Keynesian economic theory and policy together with the successful experiences of Soviet planning established the decisive role of state bureaucracy in promoting economic growth and social welfare.

The neo-liberal challenge to state intervention in the 1970s and 1980s is a consequence of the cyclical character of the growth of the state. It is a sign that

state intervention went too far. The neo-liberal governments in Britain, United States and Germany were then successful in establishing limits to the growth of the state, but did not succeed, or succeed in a very limited way, in reducing the state bureaucracy and the welfare functions of the state[42].

6. The "socialist" revolutions were initially successful in developing a new strategy of industrialization, but the statist mode of production finally proved not viable as a long term form of organization of society. In statist social formations, i.e., in "existing socialism", there were no Schumpeterian entrepreneurs, but industrialization was initially successful. A group of technobureaucrats occupying the state apparatus was able to act as capitalists in accumulating the means of production. As opposed to the previous historical facts, in this case the state did not limit itself to stimulating and guiding the process of industrialization. Through its bureaucracy, the state was directly responsible for the process of economic development.

Soviet Union and the other statist countries were able to promote rapid industrialization through forced savings and economic planning. When, after World War II, it became clear to all nations that economic development was desirable and possible, and that the takeoff of capitalist industrialization depended on the conjunction of many aleatory variables, and when Soviet industrialization proved initially successful, a new and eventually attractive road to economic development was open.

Rudolf Bahro, the East German sociologist who, according to Herbert Marcuse, wrote "the most important contribution to Marxist theory and practice to appear in several decades" (1978: 25), gave special emphasis to the industrializing strategy of Soviet Union. As he said,

> The specific task of these revolutions is the restructuring of the pre-capitalist countries for their own road to industrialization, the non-capitalist one that involves a different social formation from that of the European road (1978: 126)

For him, the political repression in actually existing socialism is the result of the industrial underdevelopment prevailing in these countries. The state is supposed to be authoritarian and bureaucratic given the fact that the objective to be achieved is rapid industrialization (1978: 127-128).

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[42] State expenditure as a percentage of GDP increased in the United States under Reagan and decreased slightly in Britain under Tatcher. Social expenditures were basically maintained in spite of the promise of slashing social programs. As Reg Whitaker observes, "the failure of neo-conservative `revolutionaries' to reverse significantly the existing patterns of warfare/welfare functions is nevertheless a telling confirmation of the tenacity of the welfare state" (1987: 4).

Initially, the Soviet Union's experience in economic planning and industrial development demonstrated two things: (1) that deliberated industrialization was possible, so that it was not necessary to wait for a conjunction of favorable circumstances (a previous agricultural revolution, the primitive accumulation of capital in the hands of a group of mercantile capitalists, the capacity and motivation of this group of capitalist to turn themselves into industrial entrepreneurs, the existence of an internal market, the opportunity to reach external markets); and (2) that this industrialization could be conducted by a group of bureaucrats or technocrats who had control over the state.

However, the Soviet strategy of industrialization did not prove to be more efficient than the classical capitalist strategy, or the mixed strategy, initially state oriented and then capitalist controlled. On the contrary, in the last twenty years economic growth and the improving of standards living was quite unsatisfactory in statist countries. In some of them, particularly Poland, Hungary and Yugoslavia - that, like most Latin American countries, were caught up by the debt crisis of the 1980s - the economic crisis has been very serious. It is no coincidence that the 1989 democratic revolution in East Europe began in two highly indebted countries: Poland and Hungary.

In the Soviet Union Gorbachev, who succeeded Brezhenev as head of the government in 1985, decided on a market-oriented economic revolution, the perestroika, and on a democratically oriented political revolution, the glasnost, that triggered a unexpected and profound political transformation. In this way the Soviet government acknowledged the economic failure of statism. In China, Deng Chao Ping moved in the same direction in the early 1980s. The economic transformations, however, show a slower pace than the political transformation. In Poland, in Czechoslovakia, in Hungary, in East Germany, in Romania and Bulgaria the communist parties lost power after the 1989 democratic revolution. Paradoxically this revolution was supported by Soviet Union. As observes Michael Howard, "the liberation of Eastern Europe occurred not in face of objections from Moscow, but with positive Soviet support (1990: 23). This means that the Soviet authorities understood that, together with statism, the Soviet empire had lost "raison d'être".

In Soviet Union the results of the glasnost are also profound. The monopoly of the Communist Party was eliminated from the constitution. A democratic revolution is also under way. The amplitude of the economic transformations, however, is still limited, not only for the technobureaucratic interests and privileges that are endangered, but also because technobureaucratism is deeply rooted in these social formations. Change is needed, but the price of this change in terms of inflation and unemployment will

be very high. A revolutionary change in direction of capitalism, however, already began. The result will be a mixed economic system, that we probably will call capitalism. Business entrepreneurs are already appearing and they will increase their influence. But the basic economic and political power will remain with the technobureaucrats. In all Eastern European countries this already became quite clear. The new people in government are as technobureaucrats as they predecessors. The difference is that they profess a democratic and often a capitalist attitude, in opposition to the authoritarian and statist ideologies of the communists.

In a recent paper, Adam Przeworski says that the incapacity of anticipating the 1989 democratic revolution in Eastern Europe "was the greatest failure in the history of political science". Since the 1970s "socialism" lost its revolutionary character, the communist leadership became "bourgeoisified":

> What had developed was "goulash communism", "Kadarism", "Brezhnevism": an implicit social pact in which elites offered the prospect of material welfare in exchange for silence. And the tacit premise of this pact was that socialism was no longer a model of a new future but an underdeveloped something else (1990: 1).

Sweezy and Magdoff admit that the option for a market oriented economy in Soviet Union was the consequence of the failure of the command economic system, where comparative international statistics suggest that a great deal of waste and inefficiency in the use of material inputs. Besides, investment was always oriented to the creation of addition capacity, with the neglect of the replacement of old equipment. But to this explanation for perestroika, that is consensual, they add a second one:

> reformers (in Soviet Union)... reflecting the values and aspirations of the relatively privileged stratum of Soviet society to which they belong, feel in their hearts that their place in the world is with the better-off, more privileged intelligentsia of the West. (1990: 12-13).

The privileged stratum in the statist social formation is the technobureaucracy. Reform in Soviet Union was the decision of this ruling class, as their members recognized that the best way of taking part of the high-tech consumption culture of technobureaucratic capitalism was to copy it. The 1989 revolution in Eastern Europe was a broader social and political movement, as it was the result of the frustration of the masses rather than of the elites. But even there the technobureaucratic elite played and continues to play a major role in their road to some form of capitalism.

1. Economic development has become on explicit goal of modern societies, and the state has taken on the main responsibility for the fulfillment of this goal. Marx once said that historically people establish objectives for themselves when they have a chance of achieving them. This is particularly true

in relation to economic development. It was only in the second part of this century that economic growth became an explicit and major objective of societies. This was possible when modern society understood that, through the deliberate action of the state, through long term economic and social policy it was possible to promote growth and welfare.

Before that, in the end of last century, the major role of the state in promoting capitalist economic growth was demonstrated in the cases of Germany and Japan. Analyzing the backward industrialization of Eastern Europe in this period, Gerschenkron (1965) developed a theory that said: the later the industrialization in relation to England's and United States' industrial revolution, the larger will be the role of the state. In the 1930s the rise of Keynesian economic theory and policy together with the successful experiences of Soviet planning established the decisive role of state bureaucracy in promoting economic growth and social welfare.

The neo-liberal challenge to state intervention in the 1970s and 1980s is a consequence of the cyclical character of the growth of the state. It is a sign that state intervention went too far. The neo-liberal governments in Britain, United States and Germany were then successful in establishing limits to the growth of the state, but did not succeed, or succeed in a very limited way, in reducing the state bureaucracy and the welfare functions of the state.[43]

2. The "socialist" revolutions were initially successful in developing a new strategy of industrialization, but the statist mode of production finally proved not viable as a long term form of organization of society. In statist social formations, i.e., in "existing socialism", there were no Schumpeterian entrepreneurs, but industrialization was initially successful. A group of technobureaucrats occupying the state apparatus was able to act as capitalists in accumulating the means of production. As opposed to the previous historical facts, in this case the state did not limit itself to stimulating and guiding the process of industrialization. Through its bureaucracy, the state was directly responsible for the process of economic development.

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In Soviet Union the results of the glasnost are also profound. The monopoly of the Communist Party was eliminated from the constitution. A democratic revolution is also under way. The amplitude of the economic transformations, however, is still limited, not only for the technobureaucratic interests and privileges that are endangered, but also because technobureaucratism is deeply rooted in these social formations. Change is needed, but the price of this change in terms of inflation and unemployment will be very high. A revolutionary change in direction of capitalism, however, already began. The result will be a mixed economic system, that we probably will call capitalism. Business entrepreneurs are already appearing and they will increase their influence. But the basic economic and political power will remain with the technobureaucrats. In all Eastern European countries this already became quite clear. The new people in government are as technobureaucrats as they predecessors. The difference is that they profess a democratic and often a capitalist attitude, in opposition to the authoritarian and statist ideologies of the communists.

In a recent paper, Adam Przeworski says that the incapacity of anticipating the 1989 democratic revolution in Eastern Europe "was the greatest failure in the history of political science". Since the 1970s "socialism" lost its revolutionary character, the communist leadership became "bourgeoisified":

> What had developed was "goulash communism", "Kadarism", "Brezhnevism": an implicit social pact in which elites offered the prospect of material welfare in exchange for silence. And the tacit premise of this pact was that socialism was no longer a model of a new future but an underdeveloped something else (1990: 1).

3. The bureaucratic organizations take control of production and technological development guarantees economies of scale in production. A fundamental characteristic of the system of production of goods and services in the second half of the twentieth century is that it is no longer mainly carried out by family businesses, having been taken over by bureaucratic organizations. In

terms of the market, this has represented a change from the competitive capitalism of "firms" to the oligopolistic capitalism of "corporations". In sociological terms, this means that most production, except agricultural, is no longer conducted mainly by informal social systems - the family itself or family businesses. Now it is carried out mainly by bureaucratic organizations administered according to criteria of efficiency by professional managers. Bureaucratic organizations have not only become the main parties responsible for production - except agricultural production - for distribution and for financing, but also, through the state apparatus, they have assumed major responsibility in the overall coordination of the economy.

The predominance of the bureaucratic organizations could only be possible if there were a series of technical and administrative developments that would make large scale production more efficient. This is exactly what has happened: (1) through the development of productions techniques such as the assembly line, automated production by continuous process, automated production controlled by computers, the Japanese "just in time" system (see Daniel and Wormack, l985), or robotized production; (2) through the introduction of specific technologies, such as blast furnaces in modern steel production that demand very high minimal investments; (3) through the development of organizational techniques such as the model of functional-decentralized organization described by Chandler (1962); (4) through administrative techniques such as decentralization and control by objectives, or integration between assembly companies and suppliers developed in Japan (see Crisciuma, 1986); or (6) through the development of information systems based on computers.

All of these technological and administrative developments made the big corporations more efficient, and increased the scope of the bureaucratic organizations. Some cases, such as the development of crude monopoly power or the establishment of internationally known brands through advertising, were not exactly achieved through the use of economies of scale, but the result has been the same: to make viable or favor large scale production carried out by bureaucratic organizations.

4. Technical and organizational development have become new strategic factors for production, supported by theoretical rather than empirical knowledge. Galbraith (1967) noticed that capital is had begun to no longer be the strategic factor for production. According to him, power belongs to whomever has control over the factor of production that is scarce at the margin. Given this definition the new strategic factor of production is, or tends to be, technical and organizational knowledge. Daniel Bell (1973), in turn, noted that technological innovation no longer has a dominant empirical foundation. Theoretical or

scientific knowledge now has become more important for entrepreneurial decision-making. These two new historical facts are linked. On the one hand, new techniques save more and more capital and are more technologically sophisticated. As a result, the law of the falling rate of profit formulated by Marx no longer holds in practice (see Bresser-Pereira, 1986). The price of capital goods falls in relation to their productive capacity at the same time that the technical knowledge incorporated in them becomes more sophisticated. In the computer industry, for instance, hardware has become cheaper while software has become more important. On the other hand, this technical development begins to no longer have only empirical bases. Until the end of the nineteenth century, for example, decisive innovations such as electricity and the telephone had only an empirical base. Today, it is almost impossible to have an important technological advance without a solid scientific base.

5. In large capitalist corporations, the growth of shareholder control has led to a separation between control and ownership. This historical fact was first observed by Berle and Means (1932). Subsequent empirical research, such as that of Goldsmith and Parmelee (1941), Robert Larner (1966), John Palmer (1972), and Edward Herman (1981), confirmed the empirical observations of Berle and Means, and have shown that management control tends to be increasingly dominant as time goes by. Other studies, such as those of Maurice Zeitlin (1974), which emphasizes minority control, of Jorge Niosi (1980) on Canadian companies, and of John Scott (1979) on Scottish ones, reject the managerial thesis but do not succeed in demonstrating the general tendency shown by Berle and Means to be incorrect. Some writers like S. Menshikov (1969), Jean Marie Chevalier (1970) and David Kotz (1978) tried to go back to the old ideas of Hilferding (1910) and Lenin (1917) on finance capital - the fusion of banking capital and industrial capital under the hegemony of the former -, developed for Germany at the beginning of the century. The theory of finance capital, however, was not confirmed in practice, being dismissed by Baran and Sweezy (1968), and definitely rejected by Jorge Niosi (1978).

Lastly, Marxist or neo-Marxist economists and sociologists, such as Paul Sweezy (1942), Wright Mills and Gerth (1942), and Gabriel Kolko (1962), tried to collect alternative data. The weight of the empirical evidence, however, became so great that in 1975, a representative of the theory of capitalist society, Michel De Vroey, practically admitted the separation between ownership and control, and, clearly as a fall back position, choose to emphasize the limits of the managerialist interpretation, saying that this fact would not represent a major change in capitalism. As De Vroey says:

> The separation of ownership and control... in no way alters the fundamental dynamics of the capitalist mode of production. Marx's view was rather that it renders exploitation more evident since it helps to avoid confusion between profits and the owner's salary as manager. (1975:4)

In the last part of the article, De Vroey also tries to disqualify the research carried out in the United States that shows the increase of management control and therefore the reduction of stockholders' control. However the basic idea in his paper is that the empirical fact of an increasing separation between ownership and control was accepted.

The separation of ownership and control in the large American corporations is indisputable. In other capitalist countries this separation is not so advanced - in Brazil, it is only beginning (see Bresser-Pereira, 1974) - but everything indicates that in all capitalist countries it is growing. Once this fact is established, it is hard to support the statement that the separation of ownership and control in no way alters the fundamental dynamics of the capitalist mode of production. Doubtlessly the hurried conclusion of the managerialists, according to which the capitalists have lost all their power to their managers, is untenable. As Scott and Zeitlin both emphasize, control through a "constellation of interests" and through minority control, where a group of shareholders maintains effective control of the corporation, is still very important. Even when there is effective management control, the managers are still the representatives of the shareholders. Moreover, the logic of their action does not essentially change, since their corporations operate in a capitalist market, profits continue to be their basic motivation and the top managers eventually become capitalists themselves. But when professional managers instead of owners directly control the corporations, it is hard to believe that they remain the same, that the relations of production are not partially changed - that the way they are managed, their objectives, and, specially, the social formation in which they operate remain the same. The basic idea that I will try to develop is that contemporary capitalism is a mixed social formation, dominantly capitalist but increasingly statist. Consequently corporations are mixed social systems. They should obey two logics: the profit-oriented logic of capital and the expansion oriented logics of bureaucratic organization.

2. The limits of the organization

If we put together these six historical facts, they have in common that a bureaucratic or technobureaucratic group has assumed a decisive role in the management of the economy and society, as bureaucratic organizations and technological progress become more and more important: this can be seen in the advanced capitalist countries, through the control of the large corporations and of the state, in the underdeveloped capitalist economies through the orienting and stimulating action of the state, and in existing socialism, through the direct control of the state. The state bureaucratic organization has partially replaced

market coordination everywhere. In the advanced capitalist countries corporations also participate in this process of market substitution. The "visible hand" of management, in the words of Alfred Chandler (1977) has partially replaced the visible hand of the market. What happened was "the bureaucratization of the world", according to Henry Jacoby's (1969) exaggerated but significant expression.

This substitution was possible because of the techniques of social organization - the capacity to develop and manage large state or private bureaucratic organizations - increased extraordinarily. Every time that new techniques of administration, communication and control were developed, it was possible to expand the scope of management and to diminish the role of the market.

The limits of this movement, however, also became quite clear in recent years, as we saw in the last chapter the growth of the state has a cyclical character. There is no automatic control system for the growth of the bureaucratic organization. They tend to grow beyond what is economically efficient. After the first positive results the excesses of technobureaucratic control soon begin to appear. If this is true for the growth of the state, it is also true for the modern corporations. After all economies of scale are not so big. After all the myth that management can assure stable growth for the large corporations and for capitalism is just a myth, as it was a myth that communist technobureaucrats would assure stability for the growth of statist economies.

CHAPTER 7
HISTORICAL STAGES: A CRITIQUE

Over the course of this century, humanity has multiplied its knowledge of and control over nature and society many times. At the same time, it has also multiplied its degree of uncertainty in respect to its own destiny, values and fundamental beliefs. On the one hand, it has raised rationalism and humanism to heights never before attained. On the other, it has involved itself in extremely bloody, irrational wars and utilized mass extermination, from bacterial and chemical warfare to nuclear war and the gas chamber. It has developed a democratic conception of the world, based on liberty, respect for basic individual rights and political representation, while establishing overtly dictatorial and totalitarian regimes in almost every country in the world. It struggled for broad, democratic socialism, marked by equal opportunity and the full realization of human potential, but and instead established narrow, bureaucratic regimes. It has reached levels of economic and technological development never before imagined and nevertheless maintains two-thirds of the world's population in misery. It urged cooperation, but international relations continue to be dominated by conflict.

In this world, at the same time rational and irrational, the dominant social formation is today technobureaucratic capitalism, where a new class - the technobureaucracy - shares power with the bourgeoisie. In order to understand this new class, it is essential to examine the profound technological transformations that made technical and organizational knowledge the new strategic factor of production.

1. The Strategic Factors of Production

The technical development of the means of production is always a new historical fact that forces society to reorganize its system of production. New technology implies new organization of production, new systems of authority and obedience. As a consequence, the entire social and political system changes. Social organization and institutions are transformed. New systems of domination emerge, as well as the need for new values and beliefs, new ideologies which legitimize the position of the new holders of power.

The development of the means of communication, from the creation of language and alphabets to electronic mass communication - film, radio, television - and the means of communication for decision-making - the computer - play also a decisive role in history. They permit an ever-growing spread of

knowledge and information. They also expand the potential for social control, on the level of society as a whole and on the level of the bureaucratic organizations, increasing the relations of power in favor of the dominant groups, who control the means of communication.

The control of these means and of the means of production are interdependent. Whoever controls one controls the other. The basic nature of the social structure will be defined by the factor of production which is historically strategic in relation to technological development. Political power and the system of domination will be defined in keeping with the control of the strategic means of production.

The idea of a strategic factor of production as a major factor in the definition of social and political structures was developed by John K. Galbraith. The strategic nature of a factor of production depends on its relative scarcity, be it induced or natural. In this respect Galbraith affirms:

It will now be clear what accords power to a factor of production or to those who own or control it. Power goes to the factor which is hardest to obtain or hardest to replace. In precise language it adheres to the one that has the greatest inelasticity of supply at the margin (1967: 51).

This is another, rather unorthodox way to express Marx's theory that technological development determines the relations of production or of power within a society. A factor is strategic or not depending on the level of development of the productive forces. When technological development results in a shift in the relative importance of determined factors of production, changes in the existing relations of production occur at the same time. Since society is governed by the economic principle of scarcity, relations of production dominate and determine all other social relations, including power relations. A modification in a strategic factor of production then, implies a change in the system of power within society. History enters a new stage, with new bosses, new institutions and new ideologies.

2. Stages of History

Marx stated that human history could be divided into eight great phases: primitive communism, the Asiatic mode of production, slavery, feudalism, capitalism, socialism and communism. The transitions from primitive communism to slavery, feudalism and capitalism may be clearly related to changes in strategic factors of production.

The transition from primitive communism to the Asiatic mode of production (the ancient river empires) and to slavery (Greece and Rome) was possible once farming and breeding techniques made it possible to create an economic surplus. When a worker was able to produce more than necessary for his own survival, slavery became possible: labor was the strategic factor of production.

As agricultural techniques continued to develop, the best lands were occupied, and production became more and more dependent on a minimum of motivation on the workers' part, feudalism emerged. At this point the strategic factor of production, the factor scarce at the margin, was no longer labor; it was land. Slave labor ceased to be economically advantageous and was replaced by serfdom. Landholding then became the source of power and wealth. The power granted to landowners continued throughout the Middle Ages.

By the end of the Middle Ages a new class and a new economic system were arising which would change the face of the earth - the bourgeoisie and capitalism. Technological development was now increasingly incorporated into the means of production. The process of capital accumulation was becoming decisive. Initially, technological development in transportation permitted commercial capitalism to develop. However the new system only become dominant in Western Europe and the United States with the Industrial Revolution at the beginning of the nineteenth century.

Beginning in England in the middle of the preceding century and later extending to France, the United States, Belgium and Germany, the Industrial Revolution represents dramatic evidence that history is not a continual, step-by-step process of evolution. It effectively revolutionized the world. Once production became mechanized, labor productivity multiplied. Just as slave labor was replaced by serfdom, we now see the latter replaced by wage labor. The strategic factor of production was no longer land. That sector which was secondary now gains precedence over agricultural and mining in terms of its share in the national income. Aside from this, while primary production was divided up among a large group of landowners, industrial production is concentrated in a relatively small number of capitalist entrepreneurs who control factories and industrial equipment. The strategic factor of production is no longer land, but capital. Political power is transferred from the land-holding aristocracy to the industrial bourgeoisie. We are now in the phase of capitalism. Politically, this stage tends toward guaranteeing a reasonable degree of individual freedom as well as flexibility for the political system, while maintaining political power firmly in the hands of the capitalist class. When he described primitive communism, slavery, feudalism and capitalism, Marx was

writing on history. Though we may criticize the high level of abstraction with which his analysis was carried out, his basic insight cannot be disputed.

3. From Capitalism to What?

The division of history into steps is beyond a doubt remarkable. However, up to capitalism, Marx was only analyzing the past. When he began to define the historical stages of communism and socialism, he was no longer examining past history, but rather venturing into the future. This foresight, through partially loyal to his historical method and endowed with an internal logic, was to a large extent also profoundly influenced by the generosity of those who dedicated themselves to creating utopias.

In Critique of the Gotha Program (1875), Marx foresaw that the communist society which would follow capitalism would be effectively divided into two stages. The first would be the socialist or (in the terminology Marx preferred) simply the first phase of communism, that would be initiated by the proletariat's take-over of power, the abolition of private ownership of the means of production and the establishment of dictatorship of the proletariat. The state and the law would remain, since bourgeois values and interests would continue to exist and would need to be controlled. Wages would still be paid according to labor productivity, not only because there would not yet be abundance but also because deep-rooted bourgeois habits would persist. In this phase, equality would prevail, based on the fact that each would receive in accordance with what he or she produced. But this is an unfair equality, according to Marx, because men and women are not equal. Some are stronger, some more able, and others weaker, or with more children to support, so that the final result of equality in wages is, in fact, inequality.

This stage would at some point be replaced by communism, characterized by abundance, by the absence of the state, by liberty, by the full realization of human potential and by remuneration in accordance to the needs of each individual. In the words of Marx:

> In the higher phase of communist society, when the enslaving subordination of the individual to the division of labor, and with it the antithesis between mental and physical labor, has vanished; when labor is no longer merely a means of life but has become life's principal need; when the productive forces have also increased with the all-round development of the individual, and all the springs of cooperative wealth flow more abundantly - only then will it be possible completely to transcend the narrow outlook of bourgeois right, and only then will society be able to inscribe on its banner. From each according to his ability, to each according to his needs" (1875: 258).

This paragraph is the synthesis of a Marxist utopia. The distinction between manual and intellectual labor and the fundamental basis of class distinctions would disappear. The other essential element, private ownership of the means of production would have already disappeared in the socialist stage. Economic development would proceed so that we would reach a level of abundance. Labor continues to be necessary, but more than a social necessity, it is also an individual necessity, a means par excellence for personal fulfillment. The state and the law would gradually fade in importance until they disappeared, replaced by each citizen's self-discipline. Men and women, whose nature is essentially good, would fully realize their human potential (we see Marx following Rousseau here, as opposed to Hobbes' homo lupus homini). True equality would prevail, defined by the division of the social product in accordance with each member's needs. The withering away of the state would finally guarantee freedom, as it is incompatible with the state. Democracy itself is a form of government in which freedom is limited by the existence of the state, so that when it disappears, freedom will be possible. This will occur as a result of each member's self-discipline, made possible by the prevailing abundance, the disappearance of social classes and the loosening of ties to the egotistic, individualistic habits of past epochs.

One cannot categorically state that Marx was in error his prediction of a communist society. It is an optimistic dream, a utopia, and it is always possible to say that its time has not yet come. But the same cannot be said in relation to socialism. For Marx, socialism would directly follow capitalism. It was from this perspective that the Bolshevik revolution of 1917 was carried out. But in not one of the countries where the private ownership of the means of production was done away with has socialism as envisioned by Marx been established.

4. A "Third" Class

Marx failed in his vision of the coming of socialism because he was not entirely true to his own method of historical analysis. He did not take into account that, historically, the dominated class has never become the dominant class in the following mode of production. In other words, the "internal" class struggle of a system has never reached the point of being revolutionary. Slaves did not become masters after feudalism, nor did serfs become entrepreneurs in the capitalist mode of production. Thus it would be strange if the workers directly linked to production in the capitalist mode of production become the dominant group in the immediately following mode. The new dominant group generally arises from the dominated group. But it arises as a group apart, as a "third" group, which manages to differentiate itself from the rest of the dominated class.

These few assume control over the new strategic factor of production which the technological development of the moment determines. In other words, the new class which will dispute power with the ruling class and finally assume it is not the previously dominated class as a whole, but rather a subgroup. Its origins are in the dominated class, but has differentiated itself over time and constituted a group separated from either the dominant or the dominated class. To the extent which this new group assumes control over the new strategic factor of production which new technological advances will determine, this group tends to assume political and economic power, giving rise to a new mode of production and therefore a new stage in history.

That is what happened in the passage form feudalism to capitalism. The bourgeoisie probably originated in the serfs of the feudal estate, who made up the dominated class under feudal rule. However, in the Middle Ages, the bourgeoisie set itself apart from the serfs, creating a differentiated socio-economic group, adopting values, beliefs, customs and patterns of its own, defining its own area within the structure of production and creating an intermediate group between the dominant and the dominated classes. It remained in this way for centuries. Although bourgeoisie was not the dominant class, it was far from being the dominated class. It served the aristocracy at the same time that it strengthened itself politically and economically. Economic interests naturally took precedence over political ones, but both finally became dominant. Without a doubt, a class struggle took place between the emerging bourgeoisie and the decadent aristocracy, but this struggle was not always clear or well-defined. On many occasions, the bourgeoisie actively cooperated with the aristocracy, or with sectors of the same, to the extent that this cooperation served its self-interest. The clearest observable case of this was the great support the absolute monarchs received from the bourgeoisie during the struggles against feudal privileges in the seventeenth and eighteenth centuries.

Another characteristic related to the historical process of change in dominant elites, or modification of the relations of production, is that the dominated class is an integral part of the existing mode of production, growing or entering into decline together with its respective elite, whereas the new class that assumes power represents an innovation or break within the system. Thus, in the case of the passage from feudalism to capitalism, the serfs constituted an integral part of the feudal system. Serfs as well as artisans rose and fell with the rise and fall of feudalism itself.

The same phenomenon is occurring today as capitalism tends toward some form of technobureaucratic control. The working class, the urban proletariat that performs manual labor in industry, also tends to be gradually disappearing. The industrial proletariat was a specific creation of industrial

capitalism. The rise of the industrial bourgeoisie to power corresponds to the emergence of the working class, that immediately assumed the role of dominated class, par excellence , excluding the rural working class and peasants from the new system. As capitalism begins to be surpassed by a new system with automation as one of its essential characteristics, the number of unskilled manual laborers in industry is beginning to diminish, in relative and absolute terms, principally in the developed countries, but also in the developing nations.

So we see that in the same way that the serfs and artisans disappeared as the traditional society was replaced by capitalism, we now witness the decline of the working class as capitalism is replaced another economic and social order, that will probably be called capitalism for lack of another name.

Marx's prediction that capitalism would be superseded by socialism was based on the idea of class struggle and the rise to power of the urban proletariat. According to what we have just seen: (a) the dominated class in a given mode of production never becomes the dominant class in the mode of production which follows, that role belonging to an external group, who differentiates itself from the oppressed class to play this revolutionary role; (b) the dominated class within the mode of production rises and falls within this mode, as happened with the artisan class and is now happening with the industrial proletariat; (c) the working class has to some extent become a beneficiary of the capitalist mode of production and has reached a stage of more political accommodation.

In the countries which maintain private ownership of the means of production as well as in those which have abolished it, what we see throughout the world today is that political and economic power are being concentrated in a new socio-economic group - the technobureaucrats who derive their power from control of the new strategic factor of production: technological and managerial capability. In state societies technobureaucrats derive their power only from the state; in capitalist societies, they derive their power from the state and from large private organizations and divide their power with capitalists, who conserve their dominant role.

It does not follow from this analysis, however, that statism will eventually follow capitalism. The technobureaucratic is increasingly powerful, but this does not mean that statism will replace capitalism. In the last years what we have seen was just the contrary: the withdraw of statism and finally, in the second part of the 1980s, a profound crisis in the statist countries.

In the class struggle between the capitalists and the workers, technobureaucrats tend to associate themselves to the capitalists rather than to the workers. As the bourgeoisie was for centuries an ally of the landlords, the salaried middle class maintains a permanently dialectical relation of conflict and

cooperation with the bourgeoisie. In a certain sense, in technobureaucratic capitalism, they are part of same group, the "business class", that is composed of capitalists and professional managers.

However, we should not forget that in the last century and a half, the most generous and morally legitimate aspirations of a great number of youth, intellectuals, and workers have been directly devoted to the cause of socialism. As we will see further in this book, the idea of socialism is far from dead. It permeates the protest movements against the established order; in one way or another, the "counterculture" and the student revolution of the 1960s' were socialist. However, this socialism is quite different from that envisioned by Marx, and absolutely opposed to that which is or was called socialism in the Soviet Union.

CHAPTER 8
TECHNICAL EXPERTISE, THE NEW STRATEGIC FACTOR

If Marx had been loyal to core his historical method, he probably would not have predicted that the industrial proletariat would overthrow the bourgeoisie and establish socialism throughout the world. But in any case it would have been difficult for him to foresee that capitalism would change so much during the twentieth century and that a new class - the technobureaucracy - would emerge in association and conflict with the bourgeoisie. His predictions would have been very different and much less optimistic if at least part of the data we have at our disposal today were available at his time.

Today it is relatively easy to substantiate the rise of technobureaucracy's influence. It is a historical phenomenon in our times which can be empirically validated. Nevertheless, it is the inability to distinguish Marx's historical-dialectical method from his analysis of the political and social phenomena of his time that leads a large part of the left throughout the world to deny the emergence of a new class and the definition of a new mode of production.

1. Technical knowledge: the new strategic factor.

The application of the historical-dialectical method to demonstrate the advance of the new technobureaucratic class was performed by an economist who, though influenced by Marx, is strictly heterodox in relation to Marxism. I have already referred to Galbraith's concept of the "strategic factor of production". Applying this notion, Galbraith showed that capitalism became the dominant system throughout the world when, as a result of the Industrial Revolution, capital replaced land as the strategic factor of production. More recently, due to the immense technological progress which is occurring, technical knowledge has begun to replace capital in the role of the strategic factor of production. As the strategic factor of production changes, so does the political and economic system. Capitalist entrepreneurs are being replaced by the "technostructure", that is, by a new class of managers and technical experts.

The relative abundance of capital in the highly developed countries is the basic reason why capital is losing its strategic role. First Galbraith argues that there is a tendency of investments (the demand for capital) to be lower than savings (the supply of capital). This tendency is not merely circumstantial but rather is intrinsic to capitalism. Secondly, access to capital is completely under the control of the enterprises. Contrary of what all orthodox economic theories propose, capital markets have only secondary importance in the capitalization of

enterprises. In general, as more than three-quarters of the capital of modern corporations originates from their own profits, they are self-financing.

A third argument which could have been added by Galbraith to explain the relative abundance of capital in modern industrial society is capital-saving technological progress. Most of this century's innovations do not merely represent savings in labor costs; they also mean savings in capital. Many modern machines not only save labor, but also present a higher ratio between the physical product and the machine, that is to say, a higher product-capital ratio. In extreme, but not uncommon cases, the high level of technological sophistication incorporated in a new machine permits it to increase production, while reducing its costs in absolute terms. This is what happened, for example, with third-generation computers in comparison with second generation ones[44].

Due to this, capital is losing its strategic character and capitalists are losing relative power and prestige. However, the decline in the importance of capital is a relative phenomenon. It only makes itself felt to the extent that another factor of production becomes strategic. The rise of a new strategic factor, which gains increasing importance in the process of production in the so-called modern industrial societies, is one of the most significant phenomenon of the twentieth century. This new strategic factor is technical and organizational knowledge. Galbraith calls the new strategic factor "specialized talents" and "organized information" (1967: 52). From the emergence of the new strategic factor of production, he concludes:

> "This has, indeed, occurred. It is a shift of power as between the factors of production which matches that which occurred from land to capital in the advanced countries beginning two centuries ago. It is an occurrence of the last fifty years and is still going on" (1967: 52).

The division of labour, the increasing specialization and profissionalization of society are the vehicle to the transformation of technical and organizational knowledge into political power. The division of labour is the foundation of markets, but it is also of organizational and political power. The knowledge experts dominate is not an `objective' reflection of reality, but a selection and interpretation, saying what is and what should be; groups or individuals that control knowledge, control power (Rueschemeyer,c 1986).

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[44] - For a discussion of the capital-saving - as well as besides labor-saving - character of recent technological progress, see Bresser-Pereira (1986).

2. A Technological Development Without Precedents

Why is technical-organizational knowledge becoming the strategic factor of production in modern industrial society? On the technical level, the answer is obvious. The world, is this century, is seeing unprecedented technological development. The pace of scientific discovery applicable to production is increasing geometrically. Since mankind harnessed electrical-power, we have entered into a process of exploiting all the potentials of this seemingly inexhaustible new energy source, not only in its enormous power, but also in its immense adaptability. Electricity directly furnishes an enormous quantity of energy, which multiplies many times over not only the human and animal energy of the pre-industrial period, but also that of the mechanical energy which ushered in the Industrial Revolution. In addition, as electricity is extremely sensitive to control, it gave rise to the combustion engine, radio, television, computers, and atomic energy. Just as the steam engine marked the mechanical phase of the first Industrial Revolution, electrical energy marks the second Industrial Revolution at the end of the nineteenth century. Beginning in the mid of the twentieth century we live now the Third Industrial marked by the electronic revolution. This revolution is not limited to computers. In the last twenty years manufacturing is under a profound revolution. New production techniques employing more flexible microelectronic based automation technologies and Just-in-Time devices led to reorganization and transformation of production processes across many industries (Kaounides, 1990).

This geometrical advance in technical knowledge, beginning with man's domination of electrical energy, has naturally make technological knowledge more and more important to production. Whereas at the beginning of the First Industrial Revolution machines were simple imitations of manual production processes, and production techniques were extremely simplified, so that mechanics with only the most elementary education could master them, after the second Industrial Revolution, the machine and control over it have become extremely complex. It is no longer enough to have an old experienced mechanic who learned his profession on the job, to build and run them. Often not even engineers educated in institutes of higher education are equal to the task. To control the most modern technology, highly specialized engineers and scientists are required who continue on in post-graduate study. But even these men alone are unable to construct and operate the new machines, due to their degree of complexity. Rather, this the is the task of a team of technical experts.

The recognition of technology as the most decisive factor in economic development is a recent phenomenon. A century ago, this type of analysis could not ordinarily have occurred for the simple reason that technological advances were not as important at that time. We were in the zenith of capitalism. Capital

was essentially and effectively the strategic factor of production and the accumulation of capital was the dynamic factor of development. A century later however, economic conditions have changed. Technology has made so many advances that it has surpassed capital itself in importance. The introduction of electronic technology represented a qualitative leap which was decisive in relation to the old mechanical technology. The increase in efficiency and complexity incorporated into the new technology was so significant that technology itself became the new relatively scarce factor of production. The mastery of technology by a relatively reduced number of men and women conferred increasing importance upon their highly specialized work. The new electronic technology, or simply technical knowledge, has become the new strategic factor of production. Technobureaucratic capitalism is the capitalism of high technology, where technocrats and scientist play a major role.

3. Organizational Knowledge

Not only strictly technical and scientific knowledge, but also organizational knowledge, the knowledge of bureaucrats, define the new strategic factor of production. It would be possible to include organizational knowledge within the concept of technical and scientific knowledge. There is really no essential difference between the two. But it is preferable to include organizational knowledge separately in order to duly emphasize its importance.

I understand organizational knowledge to be the technology needed to administer large modern bureaucratic organizations on the micro-social level of corporations as well as on the macro-social level of the modern state. This includes not only economics and management, which make up its operational nucleus, but also, sociology and psychology, as well as the formal sciences of mathematics, statistics, and operational research. Respectively they represent the social and methodological bases of organizational knowledge.

One of the transformations which the modern world has undergone and which frequently has not received adequate attention is the emergence of the bureaucratic organization as a dominant social phenomenon. The organizational revolution is a process which, in the last one hundred years, has transformed the bureaucratic organization into the dominant type of social system in industrial societies. Throughout the entire pre-industrial period, until the First Industrial Revolution, bureaucratic organizations played only a secondary role within the social system. Traditional, non-rational types of social systems prevailed, such as the tribe, the clan, the feud, the family production unit. Since the existing technology did not demand it, bureaucratic organizations were not necessary.

Of course, there are some classic exceptions. The pharaohs of Egypt and the mandarins of China built large state bureaucracies. The Catholic Church is a renowned example of bureaucracy that has endured for centuries. In the seventeenth and eighteenth centuries, when the first nation-states appeared, their civil services and armies were also examples of bureaucracies. But these bureaucracies had limited economic and social relevance as long as production was not bureaucratically organized. The family unit of production was practically the only system of production known up to mid-nineteenth century.

It was only after the Second Industrial Revolution that the growth of production units determined the rise of large bureaucratic organizations. The economies of scale brought by innovations such as the assembly line, integrated flow production and automation forced enterprises to become larger and more complex. On the other hand, the development of the means of communication, with the computer as its culmination, made efficient administration of larger and larger social systems viable. In this way, the new production technology forced corporations to grow, while the new communications technology allowed these organizations to be managed efficiently. Before the advent of the electronic means of communication, the centralized administration of large organizations was extremely difficult. The system of production was necessarily formed by an infinite number of small, independent production units. Now, with electronic technology, it has become both possible and necessary to concentrate production in large corporations.

Thus the ideal type of bureaucracy, so brilliantly developed by Max Weber (1922), is becoming the dominant system at all levels of social life. Bureaucratic organization - defined as a rational social system administered according the criterion of efficiency, in which precise objectives are identified and the most adequate and efficient means are chosen to achieve then - is becoming the basic form of social organization in our century.

A bureaucratic organization, to the extent that it is a rational social system, is a technical organization which can only be managed by technical experts. To efficiently administer bureaucratic organizations, a great deal of technical knowledge is necessary which is becoming increasingly monopolized by professional managers. On the other hand, to administer society as a whole keeping with economic development, the state takes on a strategic role, and another kind of specialized knowledge is needed which progressively becomes monopolized by economists. Thus, in the bureaucratic world we live in, the management of both bureaucratic organizations and society as a whole falls to professional administrators and economists.

4. Technique as the Dominant Principle of Our Age

In conclusion, we are witnessing a historic process of transformation, in which one factor of production, capital, is becoming less and less strategic, while another factor, technical and organizational knowledge, is acquiring that character. Technology, embodied in other factors of production, always existed. The differentiating element in land, labor, and capital was always technology. The continuous and progressive development of technology, however, has shown a qualitative leap. Technology has ceased to be a mere appendage; it has gained a life and substance of its own.

Technical expertise or know-how has not only become more complex, but also more decisive in the process of economic development. It is not only the new strategic factor of production but has also succeeded in becoming the dominant factor in the age we live in. It has been incorporated to modern life to such an extent that it has acquired an overwhelming role as the determinant of our lives.

Jacques Ellul (1954), in a pioneering work on this question, showed how technical expertise has taken charge of the modern world, becoming the principle formative element in our civilization.

There are two alternative ways to look at technical know-how. According to an optimistic conception, it can be conceived as a neutral element, which has always been utilized by mankind, in accordance with its own free will. From this point of view, know-how would merely be a relation between the worker and his instruments of production. It would be the form by which men and women create and use the means of production. Technical knowledge evolved throughout history, but always under the control of the human will, to which it was always subjugated.

The other alternative is to consider technical expertise as an entity in itself, autonomous from the individual who created it, bringing with it objective characteristics which, far from making it neutral, transform it into a decisive element in history. Jacques Ellul opts decisively for the second alternative, affirming:

> "In fact, technique has taken substance, has become a reality in itself. It is no longer merely a means and an intermediary. It is an object in itself, an independent reality with which we must reckon". (1954: 63)

This option is not taken up abstractly but rather from an historical analysis of the problem. While technical expertise has always existed, it has never had the importance it does today. It is only since the beginning of the Modern Age, with the advent of commercial capital, and especially since the Industrial

Revolution, that production techniques have began to lose their traditional nature and gain more rational characteristics. These skills then began to develop at an incredibly faster than in the times of magical or traditional techniques. The development of technical know-how has progressed geometrically.

Know-how, through its quantitative development, has finally taken a qualitative leap. It has gained critical mass and its own logic. It has become universalized and autonomous in relation to man himself, being transforming into the principle formative agent of the world we live in, necessarily progressing geometrically. It has changed from a mere servant of mankind to become its tyrant. Again, in the words of Jacques Ellul, who defines the problem dramatically:

> "Herein lies the inversion we are witnessing. Without exception in the course of history, technique belonged to a civilization and was merely an element among a host of non-technical activities. Today technique has taken over the whole of civilization". (1954: 128)

Thus technical skill has become not only the strategic factor of production, but also the defining element in the world in which we live (see, among many others, Chesneaux, 1989). In developing technical skill, mankind created its own little monster; it grew, became independent and ended up devouring its creator. Initially, know-how, though never quite accidental, was a secondary element which modified labor and capital. Yet technological progress was of such power and importance, reaching so far, and technological development achieved such autonomy, that a qualitative leap occurred. Technical skill assumed its own reality. It became an independent factor of production like labor or capital. It has become the most important factor, the relatively scarcest, the strategic factor of production in our times. But even more than this, it has become the principle element in the configuration of the economic infrastructure and cultural superstructure of technobureaucratic capitalism.

CHAPTER 9
THE NEW RELATIONS OF PRODUCTION

I have been speaking of speaking in this book about a new class and a new mode of production. I have been calling contemporary society technobureaucratic capitalism and saying that this is a mixed social formation, where capital remains the basic relation of production, but where new - technobureaucratic - relations of production are emerging. I examined the historical evolution of the state, that was conditioned by the emergence of new relations of production, and the technological transformations that are in the basis of this new relations of production. It is time now to define more precisely this new mode of production and the corresponding relations of production.

A fundamental difference between technobureaucratic and capitalist modes of production lies in the concept of capital itself. Capital is a relation of production which was defined when workers were separated from the instruments of production by the bourgeoisie. This historic event gave rise to the capitalist mode of production. Capital in this specific sense ceases to exist in statism to the extent that private ownership of the means of production and the bourgeoisie as a class fade away. Capital could be defined as the monetary value of the instruments of production, raw materials and working capital. This is the most common meaning of the term, yet it is inadequate because it reifies the concept, making it useless in defining the capitalist mode of production and establishing a clear distinction from other modes.[45]

Another alternative would be to define capital as a relation of production which grew out of workers' separation from the means of production, but without specifying it as an essential part of this relation - its appropriation by the bourgeoisie. If this definition is accepted, then "capital" is an integral part of the Soviet social formation and our argument - the existence of a statist mode of production - would lose considerable force. However, this would bring our reasoning to such a level of abstraction as to empty the definition of capital of its historical content. One would have to imagine capital without private property, or capitalism without the bourgeoisie. Yet nothing could more strongly jeopardize the historical method than to accept such an abstract generalization, taking the all specific qualities away from the historical facts and phenomena.

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[45] - When Marx refers to Wakefied's analysis of the colonies, he says: "Property in money, means of subsistence, machines and other means of production does not as yet stamp a man as capitalist if the essential complement to these things is missing: the wage-laborer, the other man who is compelled to sell himself of his own free will... Capital is not a thing, but a social relation between persons which is mediated through things" (1867: 932).

When and if capital is eliminated by the nationalization of the means of production, capitalism disappears and statism takes its place. The disappearance of private property does not necessarily imply socialism because, as Cornelius Castoriadis points out, "nationalized property has socialist meaning only when the proletariat is the ruling class" (1949: 227).[46]

Technobureaucratism basically signifies the transfer of power from the bourgeoisie to the technobureaucratic class, which also assumes the social role of ruling class. The change of ruling class is not an isolated super-structural phenomenon, but the outcome of deep transformations in the relations of production within society which distinguish the new mode of production from capitalism as well as from socialism. In this new mode of production the state continues to be a class state, now serving the interests of the technobureaucracy, and workers still remain a dominated class.

1. Bureaucratic Organization Versus Capital

The basic difference between pure capitalism and pure statism as distinct modes of production will be expressed in the nature of their respective relations of production. These can be better understood when the kind of property in each system is duly analyzed. Property, ownership, according to Marx, is the legal form in which relations of production present themselves. Modes of production are historical categories where the form of property or, more precisely, the relations of production defined by property, constitute its essential characteristics. Thus each kind of property will correspond to its respective mode of production, be it primitive property, common property, ancient property, German, feudal, capitalist, etc. These arguments stand out clearly in the Grundrisse (1858) where pre-capitalist formations are analyzed.

Each type of property corresponds both to relations of production and to different social classes. The bourgeoisie is the dominant class in a capitalist society and capitalist property is the private ownership of capital by the bourgeoisie. This is a specific social class, historically rooted in the emergence of capitalism which will disappear when statism in its pure form is established.

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[46] Herbert Marcuse has a convergent position on the subject: "Nationalization, the abolition of private property in the means of production, does not, by itself, constitute an essential distinction as long as production is centralized and controlled over and above the population" (1958: 81). It should be noted that both Castoriadis and Marcuse are trying to distinguish nationalization from socialism. The responsibility of defining a new mode of production is mine.

Statism corresponds to technobureaucratic, organizational or state property. The means of production are owned by the state so that we can define this relationship as state property. However, it is controlled by and serves a new class, the technobureaucratic class, which also implies technobureaucratic property. Thus a new technobureaucratic relation of production appears, corresponding to the rise of the new class of technobureaucrats. Their control of the means of production is exercised by filling administrative positions in the state apparatus and in state enterprises with members of this new class, especially in the most strategic and influential positions. Thus technobureaucratic relations of production are fundamentally different from capitalist relations because in statism, means of production are collectively owned by the technobureaucrats that control the state, whereas in capitalism they are owned by the bourgeoisie.

This distinction will become clearer if the concept of organizational property is used. A technobureaucrat is a bureaucrat, a type of expert, who manages bureaucratic organizations. The bureaucrat's own existence and power are dependent upon the bureaucratic organization. The bureaucratic organization precedes the emergence of technobureaucracy. Bureaucratic or semi-bureaucratic organizations first appeared under patrimonial control and they are an essential part of capitalism.

It is essential to point out that in statism the bureaucratic organization emerges as a necessary intermediary between technobureaucrats and the instruments of production. In contrast to what happened in classical nineteenth century capitalism, where the capitalist directly owned the means of production, that is, capital, without mediation, in statism the technobureaucrat owns not the means of production but the bureaucratic organization itself.[47] It is the bureaucratic organization that owns the means of production, the raw materials and the working capital necessary to create jobs, manufacture goods and deliver services. Moreover, the technobureaucrats' ownership, that is, their effective control over the organization, is not exercised individually as in classic capitalism, but collectively, by a group of technobureaucrats.

Within this framework, organizational property becomes state property when the technobureaucratic mode of production prevails and the technobureaucratic class takes control over the largest bureaucratic organization of all, that which encompasses all others, i.e., the state. The essential distinction

[47] It should be noted that the corporation made up of an increasing number of stockholders separated from control of the means of production by private bureaucratic organizations already constitutes a significant phenomenon defining a mixed social formation such as that of state monopoly capitalism.

between capitalism and statism as modes of production lies in the very nature of the relations of production. In capitalism, property is private and the dominant class is the bourgeoisie, whereas in statism, property is collectivized and the dominant class is made up of technobureaucrats-bureaucrats. More precisely, the technobureaucratic relation of production is based on state property, where collective control is exercised by a modern, bureaucratically organized state. There are other kinds of "collective" property, in contrast to private property, such as Asiatic property, where a bureaucratic traditional state mediates between conflicting interests, or "communal" property as in pre-capitalistic Europe, which co-existed with feudal private accumulation, or also socialist property.

In statism, the fundamental relation of production is no longer capital but rather the bureaucratic organization. The technobureaucrats' strategy, which permits them to attain the position of a class, taking power in order to share in the economic surplus, is that of always forming and enlarging the bureaucratic organization. Whereas the capitalist's raison d'être is to accumulate capital and extract more surplus value, the technobureaucrat's basic motivation is to create and expand the organization, especially the large state organization which encompasses all others.

The organization is an abstract-concrete reality, a web of relations between people and things formally established according to a rational criteria of economic efficiency, an arena for labor and a power platform for technobureaucrats. If the foundation on which the capitalist mode of production rests is the reified, fetishized commodity, transformed into a phantasmagoric object, the foundation of the technobureaucratic mode of production is organizational and legal-rational authority. This authority, as also happens with a commodity, is transformed into a fetish, a phantasmagoric object, in spite of all its pretense of rationality. Technobureaucratic alienation is fundamentally an alienation to formal authority. The worker is alienated from his instruments of labor, control of this labor and its fruits, not only because his labor was transformed into a commodity, as in the capitalist mode of production, but mainly because he is submitted to bureaucratic, fetishized authority. His labor is no longer a commodity but rather a productive input to be used in the logistic of production. His alienation is founded on the fetish-like nature of authority, which leads the subordinate to obey the boss more or less independently of the established system of incentives and sanctions. It is significant to observe, however, that this bureaucratic alienation is not limited to production workers. They are its greatest victims. But to a lesser extent, low and middle level technobureaucrats are also victims of the fetishist nature of authority, to the extent in which they obey without knowing why, accepting even irrational superior authority as long as it is "rationally" (legally, formally) defined.

I have chosen to omit a discussion on what the characteristics of socialist property would be, since I view socialism as a project as yet unfulfilled rather than a reality. Suffice it to say that socialism implies a classless society, where the means of production are collectively owned, and where no state mediation between interests is necessary. In socialism, if the state does not disappear, it also does not serve as an instrument for the domination of either the bourgeoisie or the technobureaucrats. It is an egalitarian and democratic society where all have equal participation in the economic surplus and the governing of society. Human rights are fully respected; labor ceases to be a commodity; production is not geared towards producing goods for their exchange value or towards guaranteeing the power of a ruling class, but rather to satisfy human needs.

Socialism has not yet become a true reality anywhere. In the countries that proclaim themselves to be socialist, and particularly in those countries adopting the Soviet model, none of these characteristics prevail. The only similarity between the socialist and the technobureaucratic mode of production is collective property. But the similarity immediately fades away when one realizes that in the Soviet model, property belongs to the state or technobureaucracy whereas in a socialist society property belongs to all its members. It is easier to find socialist characteristics in capitalist countries where social democrat parties have governed for a long time, or even in Japan, where income distribution is very well distributed, than in statist countries.

2. Planning versus Market

A second essential distinction between pure capitalism and pure statism lies in the basic coordination of the economy. Capitalism is coordinated by the market and statism by planning. The process of generalization of commodities, that is, the transformation of all goods into commodities endowed with an exchange value to be sold in the market - an essential feature of capitalism - ceases to exist in the technobureaucratic mode of production.[48] Of course, this does not mean a return to a subsistence economy. Instead, statist social formations tend to be

[48] Based on Marx, Yoshiaki Nakano states that "capitalist production comes into existence only when commodity production becomes generalized and two classes of commodity owners come face to face and establish an exchange relation: owners of capital (money finance, means of production and means of subsistence) eager to increase the sum of values they own (employing labor and undertaking production) and wage-laborers with nothing to sell but their capacity to work" (1974: Chapter III, 6).

industrial economies with a great degree of specialization and division of labor, demanding a complex system of exchanges. But, in order for these exchanges to constitute a "market" where "commodities" in the capitalist sense of the word are bought and sold, it is essential that the prices of the goods exchanged correspond to their value. These prices should also reflect the short-term fluctuations in supply and demand, so that the price mechanism operating in the market would regulate the economy. In other words, the generalization of commodities existing in the capitalist system means that goods are traded for their respective exchange values in a market which coordinates the economy.

In the technobureaucratic mode of production, prices do not necessarily correspond to their respective values, nor do they serve as fundamental regulators of the economy. Prices are administered according to economic and political principles which reflect the goals of economic planners. The economy is coordinated by the plan rather than by the market or the price system. These, along with quantitative production goals, are centrally established. Thus we no longer have market prices, but merely ledger prices, whose nature is entirely different. Csikos-Nagy observes accordingly:

> Price is, by its nature, a market category and as such has a regulatory function. We may speak of a market price if this role of price is enforced also in practice, i.e., if the price regulates economic processes. Industrial producer's prices cannot be considered as market prices if they do not regulate industrial production. In such a case the price operates only as an accounting price; it is a tool for accounting and controlling economic processes (1966: 261-2).

In the technobureaucratic mode of production, prices basically serve this accounting function. Their regulatory nature is only secondary. In the Soviet Union, prices should be based on the average cost of production, but this is only a general rule. Starting from this point, prices can be set higher or lower, implying large profits for some industrial sectors and losses for others, depending upon the economic policy adopted. Thus N.A. Lubimstev states, with particular reference to the Soviet Union:

> The establishment of prices has an important place in the economic planning of socialist countries. Through planning, the state fixes prices which are not subject to uncontrollable fluctuations, but are based on the inter-relations the plan establishes in the national economy. In general, the production price is determined based on the average primary industrial costs and on the quantity of accumulation established for the industry in question. (1958: 140).

Aside from their use for accounting purposes, prices also have a function in the allocation of resources, favoring those sectors which are targeted to develop most rapidly. On the other hand, prices can also function in the redistribution of income, serving as a sort of tax on luxury items. This last function is less important for the system, as distribution can be directly controlled through the regulation of wages. Its role in the allocation of resources may be more important.

However, the operationality of the price system as an allocator of resources is also limited. Actually the whole planning system proved quite limited in statist social formations. Rather than planned economies they are command economies - economic systems where the allocation or resources is not defined by the market nor is the result of a consistent plan, but is the consequence of relatively arbitrary and uncoordinated decisions. It was the excessive use of this kind of "planning" that led the Soviet economy and those of other communist countries to a series of distortions and reforms in the second half of the 1960s, and finally to perestroika in the 1980s.

The reforms of the 1960s, that failed to change the statist economies, were aimed at developing a socialist market economy in these countries. Commenting on the Hungarian situation, where this policy was most fully implemented, one of its most vehement defenders stated:

"The basic idea of the reform is that we should abandon the `directive model' as a whole. Instead of setting detailed obligatory targets for every economic activity in detail we have to direct and plan our economic development by means of such economic regulators (prices, taxes, duties, foreign exchange rates, interest, money incentives, market, supply and demand, etc) as are in accordance with our commodity-market economic environment." (L.Csapo¢, 1966: 238-9).

However, the limitations of this kind of reform are obvious. In the final analysis, the market price system can be introduced effectively in these economies only if the planning system is sacrificed. This goes against the basic principle of the technobureaucratic mode of production - that planning is a system of economic coordination which is superior to and more efficient than the price system. Of course, for the sponsors of statism, the price system can be utilized in the framework of a general planning system to help detail the plan. Despite the great advances that computers have made possible, the limitations of the administrative information system lead to the use of prices as an additional economic regulator. But this regulatory function is strictly secondary to the greater system of economic coordination and planning. This is why Alec Nove, in evaluating the Soviet reforms, states:

> The reformers, mathematicians or not, have been repulsed... the old system, whether of ideas or of economic-organizational substance, has survived without fundamental change. (1972: 354)

In Hungary, the reforms of the 1960s were profound, but never reached the point of producing the generalization of commodities of classical capitalism. The Hungarian case is a good confirmation of a simple idea: a statist system cannot be reformed. Either the market oriented reforms fail, because they are inconsistent with the statist mode of production, or we have a revolution that end

with the statist system. The second alternative is what is taking place in Eastern Europe since 1989: revolution instead of reform. This revolution, however, will not generate liberal capitalism, but technobureaucratic capitalism, a capitalism where the state and the technobureaucracy will continue to play a major role.

CHAPTER 10
WAGES AND SALARIES

The third distinction between capitalism and statism refers to the ways economic agents share in the total income of an economy. In capitalism, income is divide into wages and profits; in statism, into "wages" and salaries. Surplus is appropriated in capitalism in the form of profits, while in statism, in the form of salaries received by technobureaucrats.

1. The disappearance of wage labor

Wage labor is a essential outcome of the generalization of commodities in the capitalist system. In capitalism the labor force becomes a commodity, which, like any other commodity, has its price: wages. In technobureaucratic capitalism, commodities tend not to correspond to their respective values, either due to the oligopolistic nature of the economy or to a differential tax system and the administrative control of prices by the state. Wages also tend to lose their nature as a commodity, as unions succeed in raising wages above the subsistence level, that is, above the historically determined cost of the reproduction of labor-power (Bresser-Pereira, 1986).

However, our present concern is not the mixed social formation. In capitalism, in its pure form, labor is a commodity; in statism, it no longer is. Workers' remuneration is not determined in the market by the cost of the reproduction of the labor force, but rather is politically determined by the state technobureaucracy. It is based on the needs of state accumulation, the share in economic surplus that technobureaucrats intend to reserve for themselves in the form of direct or indirect salaries, and the volume of social consumption that the state decides to directly control.

Strictly speaking, in statism wages should have another name, since they are no longer the price of labor as a commodity. However, for the lack of a more adequate term, I will continue to use the word "wage". It is determined by state economic planning and comes from a general wage fund. This fund is then divided among the various economic sectors and geographic regions of the country, and finally subdivided until it reaches the individual enterprises. The market has no significant role in this process. In describing the Soviet Union, Alec Nove states:

> "All workers are divided into grades; the government settles the wage of grade one (the lowest), each step upwards is calculated by co-coefficients which are also laid down by the government..." (1961: 116).

Thus wages are rigorously controlled by the state. The market plays a secondary role. Its presence is felt only in that workers who have the freedom to change jobs. However, wage labor in the strict capitalist sense of the word does not exist in statism.

2. Definition and distribution of income

The concept of income and its distribution are quite different in capitalism and statism. When the capitalist mode of production appears in its pure form, income, Yk, is equal to the sum of profits, R, and wages, W. Wages correspond to the production of basic consumer goods, B, whereas profits correspond to the production of luxury goods, V, and the production of capital goods, J. Thus surplus is equal to profits:

$$Yk = W + R$$

$$W = B$$

$$R = V + J$$

In contrast, if Soviet Union is taken as prototype for statism, it may be seen that income, Y, is made up of state "profits", Re, salaries, O, and wages, W. Wages still correspond to the output of basic goods, although it should be recognized that workers consume a small portion, nV, of the output of luxury goods. The salaries that technobureaucrats receive are determined by political and economic criteria, and basically correspond to the consumption of luxury goods, since in a fully technobureaucratized society the consumption of basic goods may be assumed as minor. State profit, Re, is utilized for the accumulation of capital, AK, corresponding to the production of capital goods, J.

$$Y = Re + O + W$$

$$W = B + nV$$

$$O = (1 - n) V$$

$$Re = J$$

For the purposes of national accounting, a country's output can be defined in terms of product, YP, expenses, YD, or income, YR. These three values are strictly equivalent. In both modes of production, YP is the sum of the production of capital goods, consumer goods and luxury goods. The corresponding total

expenses, YD, are similarly defined, as investment, I, consumption of luxury goods, Cv and consumption of basic goods, Cb.

$$YP = J + V + B$$

$$YP = I + Cv + Cb$$

Actually income should have a different definition in the two modes of production; in capitalism, it is made up of wages and profits, whereas in statism it is made up of wages, salaries and state profits.

In an intermediate situation such as technobureaucratic capitalism, the dominant social formation is capitalist, but it is modified by technobureaucratic characteristics. This is the present stage of development of the capitalist system, where income, Y, is no longer made up of two elements, profit and wages, but rather three, profits, wages and salaries. Profits are not only utilized for the accumulation of capital, but also for the consumption of luxury goods. Salaries are not only used for this same conspicuous consumption, but also (in the case of the higher salaries) for investing in financial assets. At this point, capitalists and technobureaucrats, who are already allies, become partially indistinguishable.

3. Salaries and wages

It is important to clearly distinguish the workers' wage from the technobureaucrats' salary. A superficial analysis might lead one to state that both salaries and wages are remuneration for labor performed, and that there is no substantial difference between them. However, they are first distinguished by the nature of the labor performed. The worker is directly involved in the production of goods and services. Technobureaucrats are included among those who perform "unproductive labor", in Adam Smith's terminology (1776: Vol.1, p.294). Actually I will suggest that a category more relevant to the definition of the technobureaucracy is the category of "coordinative labor" in opposition to "operative labor".[49] They are not directly responsible for production. As administrators, engineers and technical experts, they coordinate and give technical orientation to productive labor.

[49] For the discussion of the concepts of productive and unproductive labor and for the proposal of a new distinction between "coordinative" and "operative labor", that is more relevant to the analysis of contemporary technobureaucratic capitalism, see chapters 20 and 21.

The worker operates the instruments of production, whereas the technobureaucrat controls them by means of the bureaucratic organization. It is the technobureaucrats' privileged position, controlling the instruments of production from an authoritative position within the bureaucratic organization, that makes salaries inherently different from wages.

Wages are remuneration for productive labor. In classical capitalism and industrialized underdevelopment, wages are determined in the long run by the costs of the reproduction of the labor force, and in the short run, by the increase or decrease in the demand for workers, as the rate of accumulation of capital increases or decreases. In technobureaucratic capitalism, wages are determined in the long run by the cost of the reproduction of the labor force plus a share of the surplus that organized workers win for themselves in labor struggles. In the technobureaucratic mode of production, wages are also determined by the cost of the reproduction of labor force plus a part of the surplus that workers obtain gradually. However, this participation in the surplus is not obtained by the power of the unions but rather, as a result of the technobureaucrats' need to legitimate themselves by making concessions to workers, increasing the latter's standard of living. Though the system tends to be authoritarian, technobureaucrats still need to legitimate their power. This is based on the ideological stand that they exercise their power in the name of the workers. In this way, even though technobureaucrats exercise power in their own name and for their own benefit, they have no other alternative but to give workers a share in the economic surplus.

At any rate, wages are directly related to production. They represent a variable cost which increases or decreases as production varies. Salaries are a different question. They have no direct relation to production. The average salary (obtained by dividing the sum of total salaries by the number of technobureaucrats) can not be justified by the costs of the reproduction of technobureaucrats' labor force. The concept of marginal productivity, which provided little assistance in explaining the general wage level, provides even less in explaining the general salary rate, or even differences in salaries. There is nothing more difficult than trying to determine the marginal output of a technobureaucrat.

The average salary basically depends upon the total volume of salaries and on the number of technobureaucrats. The total volume of salaries will in turn depend upon the total economic surplus. The amount of economic surplus will depend upon the level of technological development of the productive forces and upon the level of accumulation of capital of the society as a whole, regardless of the mode of production.

The appropriation and sharing of the surplus will vary according to the mode of production. In classical capitalism, surplus is entirely appropriated by the capitalist class, and technobureaucrats do not exist. In technobureaucratic capitalism, technobureaucrats and capitalists divide the greater part of economic surplus between salaries and profits; workers also have a share in the surplus. In the technobureaucratic mode of production, both capitalists and private profits disappear. The state and state enterprises reserve a part of the surplus for the accumulation of capital, which in turn permits the reproduction and increase of surplus. They should also reserve a part of surplus for workers, in order to legitimize their own power. What is left will be divided among technobureaucrats in relation to the relative scarcity of the various functions they exercise and to the political power they exert individually or as a group within the system.

Given the volume of surplus and the need to accumulate capital, the determination of salaries is a highly political decision. The needs of accumulation are also politically defined, and the portion of surplus which goes to the workers depends on their ability to demand higher wages, or to express this in another way, on the technobureaucrats' need to legitimate themselves.

The legitimation of technobureaucrats not only depends on their skills in organizing production and promoting economic development, but also upon an entire ideological system set up to maintain their positions. This ideological system puts economic development that is, an increase in surplus through a more efficient utilization of the productive factors as society's main goal.

Another aspect of the question is that technobureaucrats play a necessary role in social control, according to the logic of production, many technobureaucrats could be eliminated. Yet the logic of social control, the need to keep workers firmly subordinated as well as the effort required to appropriate a part of economic surplus, leads to recruitment of new technobureaucrats.[50]

Nevertheless although their number are always increasing, they are, by definition, always in short supply. Since it is not possible to precisely determine the demand for technobureaucrats in terms of the needs of production, this demand comes to depend partially on an ideological factor: the hidden belief that the efficiency of an organization will always grow as a result of the work of

[50] See analysis of Herbert Gintis (1972) and Stephen A. Marglin (1974 and 1975) concerning the function of hierarchy in capitalist organizations.

an increased number of technobureaucrats. This belief is obviously a strong source of inefficiency[51].

It is not only in the form of the appropriation of economic surplus that capitalism differs from statism, but also in of the distribution of this surplus. In the capitalist mode of production, surplus is divided among capitalists according to a simple basic rule: the volume of capital held by each individual capitalist. This criterion originated in the elementary fact of economic theory that the rate of profit in capitalism tends to be equal in all sectors due to competition. As a result, profits are divided among the capitalists according to their capital. In statism, the division of the total of salaries among technobureaucrats has nothing to do with the capital they control. Rather, it depends upon the position that each technobureaucrat occupies within the organizational hierarchy. Again, organization, and not capital, is the determining element in this mode of production.

[51] The great authority of bureaucratic managers in the technobureaucratic ideology is well-documented. It is significant, however, to recall this terse statement made by Stalin's 1935, emphasizing the importance of cadres capable of utilizing technique, an emphasis that did not exist in the first years after the Bolshevik revolution: "Formerly we used to say that 'technique decides everything'... That is very good. But it is not enough, it is not enough by far. In order to get technique going and to utilize it to the full, we need people that have mastered technique' (quoted in Central Committee of the Communist Party of Soviet Union, 1939: 337).

CHAPTER 11
FURTHER DISTINCTIONS

Having compared statism with capitalism in their pure forms, in this chapter I will establish the relations and differences between the technobureaucratic and Asiatic modes of production as well as between bureaucracy and technobureaucracy. I will also discuss the concept of state capitalism as a false alternative to statism, present two classical views of statism and the new middle class, and conclude with a summary of the theory.

1. The Asiatic Mode of Production and Statism

Marxists possess a powerful tool for analyzing society - historical materialism -, but it is extremely difficult for them accept a new dominant class that is not the working class, and a new mode of production that is not socialism. Classical Marxism proposed that after capitalism would come socialism. To deny this historical determinism and to say that after capitalism - or instead of capitalism - we may have a mode of production that is not socialism sounds like a heresy to them. We have made some advances. Umberto Melotti (1977), for instance, takes the expression "bureaucratic collectivism" from Bruno Rizzi and defines it as a new mode of production that follows the Asiatic mode of production in Eastern societies, parallel to capitalism which took place in the West after feudalism. I do not accept this geographic dichotomy and necessary parallelism, but there is no doubt that statism has a strong relation to the Asiatic despotism studied by Wittfogel (1957) in the lines originally proposed by Marx in the Grundrisse, where he defined the Asiatic mode of production.

The common characteristics of the Asiatic and technobureaucratic modes of production are related to the state ownership and to the traditional bureaucratic nature of the class-state that dominated the Asiatic mode of production.[52] The Asiatic mode of production was the most generalized and permanent form of evolution of the primitive community when it had managed to produce a surplus. The slave, the Germanic and feudal modes of production can be considered exceptions in relation to the Asiatic mode, that was the dominant mode in Asia, Africa, and the pre-Columbian civilizations of the Americas. One of its key characteristics is the appropriation of economic surplus

[52] The classical analysis of the Asiatic mode of production was made by Wittfogel (1957). See Maurício Tragtenberg's contribution (1974) concerning the relations between bureaucracy and the Asiatic mode of production.

by means of tributes. This is why Samir Amin (1973: 448) prefers to call it the tributary mode of production.

It found its greatest expression in the hydraulic civilizations of the Nile, the Ganges, the Indus, the Tigris and Euphrates, and the Yellow river, where there was a need for government bureaucracy to regulate the utilization of the waters. Here the sedentary populations were organized in subordination to the class-state, a permanent, stable "all-embracing unity". Property belonged to the community, but the class-state appropriated the surplus that was produced through tribute. This system is justified militarily by defense; bureaucratically by organization; or theocratically by divinity. In Pre-capitalist Economic Formations, Marx states:

"in most Asiatic fundamental forms it is quite compatible with the fact that the all-embracing unity which stands above and all these small common bodies may appear as the higher or sole proprietor, the real communities as hereditary possessions... Oriental despotism therefore appears to lead to a legal absence of property. In fact, however, its foundation is tribal or common property" (1857: 69-70).

Thus there is nothing new about a class which, although it does not have private ownership of the means of production, manages to assume the dominant position in society and appropriate economic surplus. This was the most generalized form of social organization throughout the long pre-capitalist period. The differences in relation to the technobureaucratic mode of production are important: production of goods is still controlled by workers, technological development and the process of the division of labor are incipient, and neither wage labor nor salaries exist. Yet the similarities are also impressive. In both models, the bureaucratic class assumes control of the state in its own name. Its source of power rests in its administrative control of society. This control is cloaked in juridical-religious forms in some cases, and juridical-technical terms in others. The fact that private property does not exist does not prevent the dominant classes in each mode of production from appropriating the surplus produced. Nor should the authoritarianism in each model be forgotten. Sometimes it is based on religion, other times, on political ideologies, but it is also based upon efficientist bureaucratic and military power.

2. Bureaucracy and Technobureaucracy

The technobureaucratic mode of production is characterized by rational, impersonal administration, and by hierarchical, formal structure. However,

bureaucracy should not be confused with technobureaucracy. As an ideal type bureaucracy is a historical model. It exists in all antagonistic modes of production and is dominant in the Asiatic and the technobureaucratic modes. If this concept of bureaucracy is restricted to the bureaucratic model studied by Weber (that is, the state bureaucracy that developed in capitalist countries in the 19th century), the distinction becomes clearer. The foundation of bureaucratic domination is rational-legal. Juridical norms define the authority of officials and legitimate their power. The bureaucrat's career is rigidly defined in juridical terms. Positions are hierarchically arranged, each with its respective responsibilities and authority. The efficiency of the organization is the final goal of bureaucrats and also their final legitimation. Yet this objective becomes easily lost in the implicated tangle of juridical forms. From Weber's point of view, the bureaucracy was not yet a class, but merely a status group.

The technobureaucracy can be viewed as a more modern or more technical form of the bureaucracy. Its authority is also rational-legal but its juridical legitimation gives way to technical legitimation.[53] The efficiency of the organization is considered the most important goal. Technical competence is no longer acknowledged by means of entrance examinations and diplomas, as in Weber's model, but rather depends upon the effective performance of the technobureaucrat. Whereas the bureaucratic organization tends toward rigidity, based on the principle of unity of command and administrative centralization, the technobureaucratic organization is much more flexible, abandoning the principle of unity of command to adopt various overlapping combinations for line and functional authority. The decision-making process tends to be decentralized. Large numbers of committees are formed which take charge of coordinating activities and making decisions. The career system is not rigidly defined for a technobureaucrat, his/her function is defined in terms of the needs of the system and of his/her personal characteristics. Thus the impersonal character of the bureaucratic organization is reduced, the level of managers' participation in decision-making is increased, and in this way, the system's efficiency further developed.

This does not mean that the technobureaucratic organization is necessarily efficient. There is always an assumption concerning the technobureaucrats'/technobureaucracy's efficiency and technical competence, but this is often merely a legitimation for power, not necessarily based in reality. While bureaucracy is a mere status group at the service of the dominant class,

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[53] Manuel Garcia-Pelayo (1974) proposes a similar distinction in contrasting bureaucracy and technocracy. However I prefer the term technobureaucracy to make clear the fundamental bureaucratic nature of this mode of production.

technobureaucracy assumes the character of a social class, working in association with the bourgeoisie in technobureaucratic capitalism, and becoming dominant in statism.

3. State Capitalism?

According to several interpretations, the Soviet Union would be a case of state capitalism. If the question were simply that of a name, state capitalism signifying a mode of production where the technobureaucratic class (or state bourgeoisie) controls instruments of production through bureaucratic domination, I would have no objection. I would merely observe that the expression state capitalism was being used incorrectly. The use of this expression, however, reveals a basic inability to define the Soviet state.

In its original meaning, this term was used very differently by Lenin[54]. State capitalism was understood as the capitalist system of the large private enterprises where the state exercised strong control. Lenin used Germany of the Junkers and of Bismark as a model for state capitalism. In order to characterize contemporary capitalism, I am using the expression technobureaucratic capitalism in order to emphasizes the role of the new class. On the other hand, statism, or the technobureaucratic mode of production, seems to be a much more appropriate term to describe the phenomenon presently analyzed.

The expression "state bourgeoisie" which Charles Bettelheim uses to characterize the betrayal of the socialist revolution in the Soviet Union is clearly inadequate.[55] The bourgeoisie is a historically well defined and established class. I could use the term state capitalism if I wanted to show that the Soviet Union is a society where the capitalist mode of production is dominant. But this would be

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[54] - See the highly explanatory work of Leôncio Martins Rodrigues and Octaviano de Fiore on Lenin's vision of state capitalism and of the bureaucracy in state society (1976).

[55] Charles Bettelheim defines the state bourgeoisie as follows: "The concept of a `State bourgeoisie' (or State bureaucratic bourgeoisie) cannot be expanded here. It will merely say that it refers to those agents of social reproduction, rather than the immediate producers, who, by virtue of the existing system of social relations and prevailing social practice, have de facto at their disposition the means of production and their products which, formally speaking, belong to the state" (1974: 53-54, note 52). The author introduced this expression previously (1970: 22 and 64).

a capitalism with no bourgeois capitalist class, no private ownership of instruments of production, no private appropriation of surplus through profit, no economic coordination through the market... In synthesis, it would be a capitalist mode of production with neither capitalists nor capitalist relations of production.

Another curious idea is that in a system like the Soviet one, the "state bourgeoisie" would function at the top level of the system and appropriate the majority of its benefits, whereas the bureaucracy would serve this state bourgeoisie. The only merit this theory has is that it reminds us that technobureaucrats are hierarchically organized. There are technobureaucrats on various levels of the bureaucratic pyramid, but there is no reason to make a qualitative distinction among them.

4. Trotsky critique and Socialism or Barbarie

To finish this Part of the book, it is necessary to refer to Trotsky's critique of the Soviet bureaucracy in the 30's and also to the innovative work of the group who published *Socialisme ou Barbarie* in France from 1949 to 1965. Both make an important contribution to the analysis of the relations of production in the Soviet Union, although they never reached entirely satisfactory conclusions in terms of this question.

Trotsky's critical analysis of the Soviet revolution and Soviet bureaucracy originated at a time when a series of contradictions made it difficult to clearly define the nature of the relations of production in the Soviet Union. Isaac Deustcher analyses these contradictions in his extraordinary biography of Trotsky (1963: 461-480). On one hand, he firmly denies that the capitalist system had been restored in the Soviet Union, since the means of production continued to be nationalized and the planning system was maintained. However, he admitted that the threat of a restoration of capitalism existed if those conquests of the revolution were not defended. The State continued to be a workers' state. What had occurred was a "bureaucratic deformation" caused by the backwardness of the world socialist movement and by the weak and backward position of the Soviet workers and peasants due to the low level of development of the productive forces there. This bureaucratic deformation gave rise to a "caste" of Stalinist bureaucrats. He used this term since he could not speak of a class, as he could not yet define the basis for a new mode of production.[56] It was important for Trotsky to affirm that the State continued to

[56] It should be pointed out that Trotsky never confused the bureaucracy with the bourgeoisie. This is especially clear in the preface of The Revolution Betrayed,

be a workers' state because he feared a return to capitalism, yet at the same time he proposed and nurtured hopes for a new workers' revolution (Trotsky, 1940).

Now, seventy years later, neither of these possibilities have materialized. It is hardly to describe this phenomenon as a mere transitory bureaucratic deformation in a socialist society. It is true that the great crisis of the 1980s, triggered by the glasnost and the perestroika, is a threat to the power of the technobureaucrats. But it is unlikely that, after this crisis, the dominant class in the presently statist countries will be either the working or the capitalist class. A more probable outcome will be a pluralist social formation, where technobureaucrats, workers and capitalists will share power in some way. On the other hand, Trotsky was correct in denying that capitalism had been restored in the Soviet Union. Thus there is no other alternative but to critically define as statist the new relations of production that have taken shape in the Soviet Union, which originated in the Stalinist thermidor.

Cornelius Castoriadis and Claude Lefort were key figures in the *Socialisme ou Barbarie* group. They developed a socialist critique of the Soviet Union, denouncing the distortion of both Marxism and socialism there. Castoriadis' 1949 study, "Les Rapports de Production in Russie", not only criticizes Stalinism, but also Trotsky's position. The latter was opposed to both Stalin and the Stalinist bureaucracy, and did not consider the distribution of income to be socialist in the Soviet Union. However, he defined the bases of Soviet society as socialist, because the state had ownership of the means of production, planned the economy and monopolized foreign commerce. Castoriadis' analysis points out how socialism differs from state control where workers do not command the state apparatus. He shows how this power was assumed by the bureaucracy in the Soviet Union; how the power of the soviets atrophied because their base - workers' self-management of the production process - was never developed; how, as new relations of production were defined based on production management, a new form for the division of the social product was also automatically defined; how the bureaucracy came to be the dominant class, to the extent that it had the means of production and control of the State entirely at its disposal; and how this bureaucracy determines wages based on the necessities of accumulation and of their own unproductive consumption.

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where he criticizes the bureaucracy for allowing the emergence of a petty bourgeoisie, especially in the countryside (1937). Later, the Stalinist repression of the kulaks takes place, and Trotsky does not take up the issue again.

However, despite this brilliant analysis, Castoriadis is unable to make a precise definition of the relations of production in the Soviet Union. He merely speaks of a "bureaucratic capitalism" and states:

"Due to the simple fact that one part of the population, the bureaucracy, has the means of production at its disposal, the relations of production result in a class structure. On this level of thinking, the absence of `private property' has no importance; the bureaucracy has the means of production at its collective disposal, has the right to use, take advantage of and misuse them (being able to create factories, destroy them, hand them over to foreign capital, determine their production and control their output) playing the same role in relation to Russian social capital as stockholders do in relation to a corporation's capital" (1949: 251).

This statement is contradictory and imprecise. How can the bureaucracy be a social class, and the Soviet Union still be a capitalist (bureaucratic) society? On the other hand, the comparison between technobureaucrats and the stockholders of a large corporation is particularly inadequate because the stockholders in this case do not administer the enterprise. Rather, in modern capitalism they are a type of rentier capitalists who invest their capital in a business in exchange for dividends, leaving the management of the enterprise to a group of active capitalists associated with technobureaucrats or professional managers, whose level of autonomy varies within the different enterprises. In a later work, Castoriadis also rejects the term "State bourgeoisie", because it "evades the question of the bureaucracy" (1973: 315). Nevertheless he continues to conceptualize the existence of capitalism in the Soviet Union. From one perspective, it could be said that in using the term "bureaucratic capitalism" he would be voiding capitalism of its specific meaning and thus, could be making reference to a new mode of production. However this argument probably doesn't correspond to Castoriadis' intentions. It seems more correct to conclude that he and the Socialisme ou Barbarie group were unable to bring their argument to its final consequences, to the extent that they were unable to lay the foundation for an analysis of the new relation of production. In particular, they could not identify the role of the bureaucratic state organization as the intermediary between technobureaucrats as a group and the instruments of production. Nor did they recognize the specific form of the appropriation of surplus through salaries in this new mode of production. By their failure to identify these economic characteristics specific to the relation of production, they focused on a more politically based interpretation of the question.

5. Conclusion

The distinction between the Asiatic and technobureaucratic modes of production and between the bureaucracy and technobureaucracy suggest that the general concept of bureaucracy has at least three basic forms. These are: Asiatic bureaucracy, characterized by theocratic-military administration; capitalist bureaucracy, defined by juridical rational-legal administration, and the technobureaucracy, marked by techno-efficientist administration; and the Asiatic bureaucracy participated in the dominant class and tended to be indistinguishable from it; the bureaucrat in classical capitalism is merely a subordinate or consultant to bourgeoisie; the technobureaucrat constitutes the dominant class, in the context of a specific mode of production, and an associate of the bourgeoisie in modern technobureaucratic capitalism.

In this part of the book I analyzed the basic characteristics of a new mode of production that tries to assert its power in conflict with capitalism. Statism is in crisis today all over the world, but this conflict is far from a real resolution. Pure statism is as inefficient as pure capitalism. Pure statism is rather a tool for analysis, that, among other things, will lead us to the definition of a new class - the technobureaucratic middle class - and will lead us to a better understanding of contemporary capitalism, where many statist or technobureaucratic characteristics are found.

Summing up the distinctions between capitalism and statism, we can see that capital - the private ownership of means of production by the bourgeoisie - is the relation of production in capitalism; and that organization - the collective ownership of the means of production by the technobureaucracy through the control of the bureaucratic apparatus of the state - is the relation of production in statism. While the reason of existence - la raison d'être - of the capitalist is to accumulate capital, the permanent goal of the technobureaucrat is to expand the organization. In capitalism, there is the accumulation of capital, while in statism it is accumulation of the means of production and expansion of the organization. While in capitalism the productive-unproductive labor dichotomy, where productive labor produces surplus value, served eventually as a criterion to distinguish social classes and as way to describe the transition to capitalism, in statism the relevant dichotomy is that of coordinative-operate work, where coordinative work is performed by technobureaucrats. While wage labor was an eventual characteristic of capitalism, in statism there is only an appearance of wage labor: operative workers are paid according to their productivity, after a deduction for the salaries of technobureaucrats and for the accumulation of means of production. While the capitalist mode of production is based on the commodity relation of production, the labor force itself being a commodity, the basis of the technobureaucratic mode of production is organizational authority.

While the capitalist appropriates surplus privately through profits, the technobureaucrat does the same through high direct and indirect salaries. While alienation in capitalism is based on the fetish form of the commodity, alienation in statism derives from the fetish form of authority. While labor force is a commodity in capitalism, it is an organizational input in statism. While the coordination of the economic system is achieved though the market in capitalism, it is the result of management and planning in statism. While civil society and the state, the private and the political realms, are clearly distinguished in capitalism, they are mixed up in statism. While ideology in capitalism is based on individualism, competition and the profit motive, in statism it is based on collectivism, cooperation and efficiency. Capitalism establishes a rational goal to economic action - profit - and leaves the choice of the means for achieving this objective to the market and the entrepreneurs; statism is a step further in the in the process of rationalization: it establishes the expansion of organization as its objective and, efficient management as means for achieving this objective. Efficiency, the maximum economy of effort to achieve a given objective, then becomes the basic tenet of technobureaucratic ideology.

CHAPTER 12
THE SOVIET SOCIAL FORMATION

By now it must be clear that the expression "existing socialism" often used to designate the Soviet social formation does not make sense. The Soviet Union and China are not socialist countries. They are statist social formations, where the statist or technobureaucratic mode of production is dominant. They are not market economies, but also they are not planned economies, since the scope of planing proved quite limited in these countries. They are rather command economies, or, as Jacques Sapir (1990) suggested, they are "mobilized economies", that work well as long as they are able to function as war economies.

The writings about the Soviet Union before perestroika and glasnost make it possible to define four alternative theories about the nature of the social formation prevailing in countries like the Soviet Union and China:

(1) The Socialist theory: existing socialism is real socialism, is a transitional phase to communism (Stalin, official Soviet theory, David Laibman).

(2) The state-capitalist theory: existing socialism maintains the basic characteristics of capitalism (a wage labor force, for instance), the social formation continues to be a class society, in which the dominant class is the state-bourgeoisie (Kautsky, Bettelheim, Tony Cliff).

(3) The bureaucratic degeneration theory of the transition to socialism: existing socialism is an effective step in the direction of socialism which was degenerated or betrayed by a state bureaucracy, which is not a new class but a "caste", a "stratum", or a "privileged group" (Trotsky, Ernest Mandel, Rudolf Bahro, Paul Bellis).

(4) The manifestation of a new mode of production: the theory I develop systematically in this book, particularly in Part II, but whose origins are in the works of Bruno Rizzi, James Burnham, Max Shachtman, Castoriadis and Milovan Djilas.

1. The Transition to Socialism Theory

The first two theories are not worth discussing. The non-socialist character of existing socialism is self evident. It is an authoritarian regime, based on the politization of the economy and characterized by political privilege based on the

hierarchical position each person holds in the state bureaucracy. Only a strong need for political legitimation can explain calling this type of social formation socialist, or even a transition to socialism. As the Hungarian philosopher Mihaly Vadja says about existing socialism:

"This form of society is no longer capitalism, nor can it be termed socialism... There does not exist a state which could `bring in' socialism: such an idea contradicts the very essence of socialism, for socialism, not as a state of affairs but as a movement of society, means human self-determination and implies a radical restructuring, not a repolitization, of civil society" (1981: 144).

Surprisingly, a contemporary Marxist like David Laibman must be included in those supporting socialist theory. After refuting the state-capitalist theory, and admitting that the "exploitative bureaucracy hypothesis is better off," he says that evidence on the class background of the occupants of administrative posts dues support the concept of a self-reproducing elite"; but as Laibman is not able to see new relations of productions in the Soviet Union that were not forecast by Marx "unless one succumbs to the illusion that power resides in the `office' itself", he concludes that "the evidence, then, when evaluated in a consistent Marxist way, appears to be at least consistent with the view that the Soviet social formation is socialist" (1978: 31-33).

It is certainly always possible to say that what is found in the Soviet Union is a transition to socialism, but this means nothing. Capitalism also would be a "transition" from feudalism to socialism. On the other hand, since perestroika and the reforms in Eastern Europe represent a direct rejection of statism, how can it be called "existing socialism" or even "a transition to socialism"?

2. The State-Capitalist Theory

The state-capitalist theory commits the opposite mistake. All basic traits of capitalism have been destroyed in existing socialism (private property, private appropriation of surplus value, the profit motive, market control, etc.) and yet some Marxist and the majority of non-Marxist critics of the Soviet Union insist in calling the bureaucracy a "state-bourgeoisie". This position, that may be identified with Bettelheim, although loosely espoused by many others, can only be sustained if one is not acquainted with Marx's classical conception of capitalism. Otherwise it is untenable. In the words of Lucio Lombardo Radice:

Bettelheim's position, like that of so many others, is based on a series of linguistic abuses that makes it propagandistically rather than effective, but

scientifically inconsistent. Privilege becomes `profit', state functionaries who direct a whole state economy become the 'bourgeoisie', state socialism becomes state `capitalism' (1980: 140).

3. The Bureaucratic Degeneration Theory

The main advocate of the theory of the bureaucratic degeneration of the transition to socialism was Trotsky. As early as 1927, he was criticizing the bureaucratization of Soviet society. For him, "the question of Soviet bureaucratism is not only a question of red tape and swollen staffs. At bottom it is a question of the class role played by the bureaucracy" (1927: 58). However, Trotsky never too this analysis to the end. On the contrary, as he was always hoping that a political (not a social) revolution would overthrow the ruling bureaucracy, he insisted in calling the Soviet Union a "worker's state", and on seeing the bureaucracy either as a caste or as a stratum (1) that caused the degeneration of the socialist revolution, (2) that expropriated the proletariat, (3) that assumed the role of the "owner" of the state, (4) that enjoyed privileges under the form of abuse of power, but, nevertheless, and (5) that acted as guardian of the socialist relations of production established by the October Revolution.

All of Trotsky's followers and most of his critics, including those who wanted to develop a theory of a new mode of production, were not able to solve the contradictions intrinsic to Trotsky's basic position. The first proponents of a new mode of production, such as Rizzi, Burnham, Shachtman and Castoriadis, were former followers of Trotsky. They rejected the "worker's state" thesis, and eventually abandoned Marxism to become fierce critics of the Soviet Union. However, as long as they remained Marxists or neo-Marxists, they were not able to develop an effective theory of the new mode of production.

Others, such as Paul Sweezy, who has nothing to do with Trotsky, went as far as finally recognizing the class character of the Soviet bureaucracy (1980). Although Rudolf Bahro, on the other hand, spoke of a specific social formation and related it to the Asiatic mode of production, he limited himself to defining it as "proto-socialist" (1978: 161), along a line not far from Trotsky's. A very interesting contribution to the definition of the nature of existing socialism was made by Umberto Melotti (1977), but his rigid parallelism of capitalism and "bureaucratic collectivism" cannot be accepted.

4. A Statist Social Formation

Our contention is that existing socialism, whose prototype is the Soviet Union, is a statist social formation - a social formation in which statism is the dominant mode of production. I should just call these social formations statism because the statist mode of production appears in its almost pure form. Although technoburocratic capitalism is a mixed social formation in which capitalism is dominant but statism is present, capitalism was practically abolished in the statist social formation . Given the abolishment of private property and a more equal distribution of income, we can see traits of the socialist mode of production, but they are very dim. The pre-eminence of the state, the class character of the technobureaucracy and the authoritarian political regime prevailing in these societies make capitalism and socialism very distant. Branko Horvat also used the expression statism (actually, "etatism") to characterize the Soviet type of social formation. But he defined statism in a descriptive way as "a society where its ruling strata profess the basic tenets of traditional socialist ideology", but where, contradictorily, "a strong, centralized, authoritarian state becomes the pivot of society". (1982: 21)

In this social formation, the technobureaucracy is the dominant class not only because of its privileges and because it is clearly separate from the rest of society, but also because it owns the state bureaucratic organization collectively. It is important, however, to recognize that the class differentiation there is not as clear as in capitalism. The technobureaucracy is not an elite that reproduces itself easily. It developed certain techniques of social reproduction, but all accounts of the Soviet Union show that these mechanisms are weak. Social mobility in statist social formations is intense. There is a dominant class, but it is not always easy to distinguish the dominant and dominated classes. In statism, as in capitalism, there are two classes: the technobureaucracy and operative workers. There is a system of stratification dependent on the intrinsically hierarchical character of statism, that also makes the adoption of strata or layers a helpful way of describing this type of society. Western funcionalist sociologists use the stratification approach as a substitute for the class system. This is a way of playing down the class character of technobureaucratic capitalism, but is also a realistic recognition that in contemporary capitalism the presence of technobureaucratic elements is quite clear.

5. An Authoritarian Regime

Statist social formations tend to be more egalitarian than technobureaucratic capitalism, but on the other hand they are much more authoritarian. Actually, the

Soviet regime is monolitically authoritarian. Gorbachev's glasnost, that began to change this situation in mid 1980s, is, together with perestroika, a true revolution that is seeking to change the essential character of this social formation. Despite the old official Soviet discourse that insistently spoke about democracy, the regime was definitively dictatorial before glasnost.

The "Soviet democracy" is guaranteed by the Constitution and its principles are equality before the law, equal rights for women, the equality of nations and ethnic groups and the right to participate in the government at all levels. This has been confirmed in a book which presents the official position of the Soviet government regarding the issue: "...at the root of socialist democracy lies the conception of socialist property and the socialist system of the economy, together with the increasing social homogeneity of the Soviet people as a new historical community" (D.A. Kerimov, 1979: 6). The official Soviet discourse is democratic, but for seventy years it was a fictional democracy. This contradiction is in fact common to all dictatorial regimes, as the recent authoritarian experience in Brazil demonstrated. Yet while the authoritarian regime was a relatively foreign element within Brazilian society, in the Soviet Union it was profoundly integrated into social formation.

The non-existence of democracy in the Soviet Union for 70 years and the authoritarian regime that continue to prevail in China are obviously no accident. In the same way that differences in class and wealth are structural elements in capitalism, the dictatorship of a technobureaucratic class is inherent to statist social formations - to social formations where the technobureaucratic mode of production is dominant. The entire society tends do be reduced to a bureaucratic organization. In the limit, the bureaucratic organization or state apparatus embraces society as a whole. As a consequence, two correlated essentially anti-democratic principles - centralization and hierarchy - are spread throughout the society. Decentralization is insistently spoken of in the bureaucratic organizations, yet it is nothing more than a strategy for maintaining the ultimate power concentrated at the top of the hierarchical pyramid. Centralization or "democratic centralism", and hierarchy or "discipline and monolithic unity of the people", are the two basic principles of power in a statist regime.

Glasnost is changing or changed all this is the Soviet Union. In Eastern Europe the authoritarian regimes came to an end and the statist social formations are in full process of transformation. The foreign debt crisis, that hit most of the Eastern European countries severely, deepened the economic crisis and hastened the political transformations that glasnost and perestroika triggered. In theses countries, a complete transition to a technobureaucratic capitalist social formation is under way. In the Soviet Union, changes will tend to be less dramatic, but it is difficult to know how far they will go.

Howard Sherman says that:

> "The first Soviet Revolution took place in 1917; the second is presently under way. If it succeeds, the Soviet Union will undergo a profound transition from a statist political-economic system to a democratic socialist political-economic system... Socialism is public or collective ownership and control, where the public institutions (the government) and the collectives (or cooperatives) are democratically governed" (1990: 14).

This view is shared in a utopian way by democratic socialists, as Sherman, and in a pragmatic way by communist political leaders and ideologues in the capitalist countries, that try to see in the developments of the perestroika a victory instead of a defeat. Actually there is no doubt that in Soviet Union as in Eastern Europe statism was defeated and socialism remains an utopia. Not, however, an impossible utopia.

Soviet Union, in early 1990s, faces a terrible economic crisis. The perestroika, for the moment, only deepened this crisis. The result of all this will be a mixed democratic society where, possibly, given the remaining power of the Communist Party, socialists characteristics may prevail over capitalist and technobureaucratic ones. Instead of technobureaucratic capitalism we could have a market oriented technobureaucratic socialism, where capitalistic features would be most important. Anyway, no reliable prediction are possible in this area.

PART 3
CLASSES IN TECHNOBUREAUCRATIC CAPITALISM

CHAPTER 13
THE THEORY OF SOCIAL CLASSES

The technobureaucracy constitutes a social class to the extent to which it takes on all the specific characteristics of this social category in the twentieth century. It is no longer a status group, as the bureaucracy was under feudalism and in the competitive phase of capitalism. The technobureaucracy is the dominant class in statism and the rising class in technobureaucratic capitalism. In a social formation which is basically state controlled like the Soviet Union or China, the technobureaucracy is the dominant class. In mixed social formations such as United States, France or Brazil, where the capitalist mode of production is dominant, the technobureaucracy is increasing both in strength and numbers, although it is subordinated to the bourgeoisie.

According to the Marxist tradition, that I basically adopt in defining social classes, they are large social groups defined by their insertion in the fundamental relations of production within a particular mode of production. Two basic classes exist within every antagonistic mode of production: the dominant class which controls the state and appropriates economic surplus, and the dominated class. These two classes are defined by the roles they play in production, the direct result of the social division of labor. Aside from the various smaller subdivisions, there is a fundamental division between those who own the means of production, and consequently control them, and those who do not.

It is this basic relation of production which gives a structural definition to social classes. It establishes the essential functions that social agents fulfill in the productive process as well as the corresponding forms of participation in the social product. Supported by the state apparatus which it controls, the dominant class in each mode of production appropriates surplus for itself. This appropriation takes the form of tributes in the Asiatic mode of production, slave labor in slavery, the corvee in feudalism, speculative profit or primitive accumulation in mercantile capitalism, and surplus value in capitalism.

Until almost the end of the nineteenth century, workers were forced to accept remuneration for their labor which corresponded to mere subsistence. Surplus was fully appropriated by the dominant class. Classical economists and Marx defined wage labor precisely as the subsistence level. They developed a theory of income distribution in which wages were given as this subsistence level, yet historically determined, while profits appeared as the residuum, as the consequence of the increase (or decrease, in the stagnation theories of Ricardo and Marx) of productivity. The tremendous increase in productivity brought by capitalism and the increasing organizational capacity of workers changed this picture. Wages began to increase above the subsistence level, in proportion to

the increase in productivity, while profits remained relatively constant in the long run, only fluctuating cyclically.[57] Thus today, in technobureaucratic or contemporary capitalism, part of the surplus is appropriated by the workers.

To define dominant and dominated social classes in terms of appropriation and no appropriation of surplus does not make sense anymore. But to define classes in terms of their position in the relations of production continues to be valid, as long as we do not translate relations of productions into levels of income. Society today is much more complex, and the division of labor is much more advanced than in the past. The division of society into classes according to the position of each individual in the relations of production is not direct as it was in the past. But this position continues to be essential in defining social classes. You either directly own means of production, you control the bureaucratic organization that owns the means of production, or you perform direct labor. According to these possibilities, you will belong either to the capitalist, to the technobureaucratic middle class or to the working class.

1. Major actors in history

The structural definition of the social classes based on their participation in the relations of production is not meant to be merely descriptive. In terms of the Marxist thought which underlies the argument, social classes are the privileged players in history, their action taking place through the process of class struggle. Social classes define themselves in terms on conflict, in terms of struggle for state power and in terms of the dispute over the appropriation of surplus. In Marx and Engels' words:

> The separate individuals form a class only insofar as they have to carry on a common battle against another class... (1846: 82)

Yet, aside from class struggle, the conflicts between nations and between fractions within the dominant class must also be considered. Basically, war is a strategy of the dominant classes, a form of appropriating external surplus and also a form of neutralizing internal class conflict. Struggles among fractions of the dominant class take place primarily when the dominant class is so hegemonic that it can afford internal conflicts. Although they are still significant

[57] I formally developed this inversion of the classical theory of distribution, making profits the independent variable and wages the dependent one, varying according to the increase of productivity in another book (1986).

today, these struggles were more important in the past, when the balance of forces between the dominant and dominated classes greatly favored the former.

According to the Marxist tradition it is impossible to understand society and history if we do not use social classes as basic tools. Yet, conservative sociology always underestimated the role of classes in history. In denying class struggle as a basic motor of history, functionalist sociology must, as a consequence, to play down the role of social classes. Marxist and neo-Marxist class theory resisted quite well this type of attack up to the 1970s. Following, however, the general crisis of the left and of Marxism, "the past decade witnessed, as it were, the erosion of class theory and of other fundamentals of traditional Marxism" (Uwe Becker, 1989: 128).

A basic reason for this, besides the conservative wave of the last ten or twenty years, lies in the emergence of the new class: the technobureaucracy. As we shall see in this part of the book, the social structure of modern technobureaucratic capitalism became much more gradual, much less dichotomic, than the existing one in classical capitalism - the capitalism that Marx described. Social classes remain the basic actors in history. Capitalists and workers continue to act according to their own logic: the logic of profit and accumulation for capitalists, the logic of wage demands for workers. Class struggle and class consciousness continue to be essential factors in history, but the existence of a new middle class between capitalists and workers demand a different type of analysis.

Erik Olin Wright (1989) observes that Marxist class analysis may adopt two strategies. One is to keep the concept of class structure as simple and polarized as possible. The other, that he adopts, is to increase the complexity of the class structural concept in order to, realistically, include the middle class. This strategy, that is also adopted in this book, allows a more comprehensive picture of contemporary technobureaucratic capitalism, but it obviously deviates from what could be called "orthodox Marxism".

2. Class and class consciousness

As class theory must be the object of a reappraisal in the context of technobureaucratic capitalism, the role of class consciousness must also be revised. The process of class struggle involves not only concrete measures aimed at organization and control of the state, but also the definition of class interests in ideological terms. Conservative or revolutionary ideologies are politically oriented systems of values and beliefs. They are expression of class

interests, and their proponents seek to them endow with universal validity. Within this framework, class consciousness is an important, but not necessary, element in the definition of class. All classes possess their respective ideology, but not necessarily class consciousness. The technobureaucratic class is endowed of class consciousness, but this only happens because it has as political project to control the large corporations and the state.

Class consciousness would be a necessary element in the definition of class if we were to adopt Lukcs' conception, in which class consciousness is not the sum or common denominator of what its members think, but rather an "objective possibility". According to Lukcs, class consciousness is constituted of

> ... the thoughts and feelings which men would have in a particular situation if they were able to assess both it and the interests arising from it in their impact on immediate action and on the whole structure of society. Therefore class consciousness exists potentially in everyone - given some specific historic conditions this potential consciousness "could be conscious." (1922: 51-52 and 59).

Although this concept has its merits to the extent that it emphasizes the dialectical relationship between relations of production and class consciousness, we are defining social class here as a concrete historical process originating from that dialectical relationship. The dominant class has always had class consciousness and exercised its domain not only through is control of the means of production and the repressive apparatus, but also through ideological hegemony, a direct result at its class consciousness. In order to maintain its dominant position, the dominant class transmits its ideology to the dominated, using the ideological apparatus controlled by civil society[58]. In Marx and Engels' words:

> The ideas for the ruling class are in every epoch the ruling ideas... The class which has the means of material production at its disposal, has control at the same time over the means of mental production... (1846: 64).

In the pre-capitalist period, religion was the main ideological apparatus. In capitalism, educational institutions, political parties, the press, television and radio have performed this function. If the dominant class can achieve full ideological hegemony, it can annul or neutralize the class consciousness of the dominated class. For this reason, the attainment of class consciousness by the dominated is a recent historical phenomenon, and only a partial one. It appears with capitalism, taking shape when workers organized into unions and political parties, and acquiring stability through the spread of socialist and Marxist ideas. Yet this attainment of class consciousness is still only partial because the dominant class constantly seeks to impose its own ideology, securing new

[58] For the concept of civil society, see Chapter 19.

means to promote its way of thinking. Another factor that limits the class consciousness of the dominated classes is the success achieved by the dominant classes of the central capitalist countries in increasing productivity since the middle of the last century. Through the pressure exerted by unions and left wing political parties, in the developed capitalist countries, these increases in productivity have been passed on to workers in the form of higher wages. It would be difficult to maintain the capitalist system if the workers' class consciousness was not only partial.

It is important that revolutionary consciousness not be confused with a readiness for insurrection. The working class has shown little inclination towards insurgency. In Lukcs' terms, class consciousness is inherently revolutionary because it is the potential consciousness of a dominated class. If workers were to fully assume class consciousness, based on the roles they play in the relations of production, they would probably take a revolutionary position. However, besides the ideological hegemony of the bourgeoisie and partly due to it, they doubt their own capacity to manage the economy and the state. When workers vote for conservative parties, as they often do, they are manifesting this doubt or this conviction of their own inability.

Thus class consciousness is not an essential element in defining a class if the class to be defined is the dominated class, a class without a political project. Yet it is clear that the dominated class participates in the relations of production as an exploited class. It is a real class, it possess its own collective interests and ideology in opposition to the dominant class. But it cannot be considered an effective actor in history. A class only becomes an effective historical force once it attains some degree of class consciousness, organizes itself politically and fights for state power. For Therborn (1980: 60), the acceptance or the resistance to class exploitation is not essential to the definition of the ideology of the dominated classes. He explains his position with the concept of "class alter-ideologies"[59]. Actually a purely dominated class is endowed with an ideology based on the ideas of authority and obedience. Class struggle will take place, but will tend to be minor, since it will not be based on class consciousness.

In pre-capitalist social formations the dominant class was the only effective historical factor. Fractions of the dominant class disputed state control, but only very rarely did the exploited class take part in these struggles. The latter may have revolted or escaped, or even gained more political space. Dominant class power, however, only suffers a threat with the advent of capitalism and the working class, precisely because the working class is the first exploited class

[59] Therborn says that alter-ideologies "constitute the subject of class struggle and class collaboration..." (1980: 61)

that has ever become organized and developed a consciousness of its own interests.[60] The economic success of capitalism, however, did not permit that this threat did not turn into revolution. On the contrary, revolution turned increasingly into an unrealistic alternative in contemporary capitalism.

3. Class and social strata

A fundamental question in class theory is "the middle class question". According to the Marxist class theory there are no middle classes, but rather middle strata. Marx and Engels certainly used the expression "middle class", but this was a way to designate the bourgeoisie, that was in the middle of the social structure, between the working class and the land-owning aristocracy.[61] In this way, Marx and Engels were basically coherent with their own conception of social class, defined by the role large social groups play in the relations of production.

The concepts of social layers or social strata have been utilized as synonyms for class by functionalist sociologists. They consider social class to be a question of social stratification, which, according to Talcot Parsons, is a hierarchical ranking of the individuals of a particular social system. It is the way that individuals occupy positions in the social structure in terms of status. In Parsons words:

> "social stratification is regarded here as the differential ranking of the human individuals who compose a given social system their treatment as superior and inferior relative to one another in certain socially important respects" (1940: 841).

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[60] According to Lucks, "... for pre-capitalist epochs and for the behavior of many strata within capitalism whose economic roots lie in pre-capitalism, class consciousness is unable to achieve complete clarity and to influence the course of history consciously". (1922: 55)

[61] Engels, for example, states: "Soon came the time where it appeared as an unavoidable need a capitalist middle class (a bourgeoisie, according to the French), that, fighting against the aristocracy of landowners, destroyed its political power and became, in its turn, economically and politically dominant." (1881:13). Just as Engels uses the term "capitalist middle class" as a synonym for bourgeoisie, so we can speak of a "technobureaucratic middle class" as synonymous with technobureaucracy. What makes no sense is to speak simply of the middle class, since then we confuse social classes with social strata.

If we understand social classes as part of a system of stratification, the concept of class is no longer derived from relations of production. Instead, it becomes a mere expedient for the hierarchical division of society into strata in order to better describe it. It is also possible, more or less arbitrarily, to increase the number of strata, as Lloyd Warner did, so that we have an upper upper class, a lower upper class, an upper middle class, a lower middle class, an upper lower class and lower lower class (1941).[62]

Nonetheless it is important to point out that the concept of middle class is not merely a functionalist notion. Social scientists from various theoretical perspectives, including Marxists, have utilized it. It prevails because it forms part of our everyday language, and because it is frequently used to describe reasonably well-defined sectors of society.

Strictly speaking, it is more correct to speak of upper, lower and middle strata, rather than upper, lower and middle classes. The former constitutes a criterion for social classification which is distinct from that of class, and are valid and useful as a tool for sociological analysis.

We could define a stratum as a portion of society sectioned off horizontally in accordance with a series of criteria which allow us to establish a hierarchical order. These more or less arbitrary criteria refer to individuals economic power and social prestige. The functionalists who examine this in depth endeavor to show the correlations which are present and those lacking between social prestige and wealth, occupation, education, race and religion. It is not appropriate to discuss these issues here. Nor is this the moment to comment on the obviously ideological nature of this kind of analysis which omits or gives only secondary importance to the question of relations of production.

Suffice it to say that first of all, the concept of social stratum is a useful one for social analysis as long as we do not confuse it with class, or use it to replace class. Second, we can use the social strata concept within a social class. For example there is an upper bourgeoisie and a middle bourgeoisie.[63] In the

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[62] For the methodology used in making this type of analysis, see Lloyd Warner, Marcha Meeker and Kenneth Eels (1949). I used these concepts myself in my earliest academic work, to some extent influenced by functionalism. See "The Rise of the Middle Class and Middle Management in Brazil" (1962).

[63] Note that if we define the bourgeoisie as comprised of small owners who employ wage workers while performing manual labor themselves, it constitutes another class, specific to the relation of production which originated in small

same way we can distinguish an upper, middle and lower technobureaucracy, as well as a hierarchical division of workers comprised of skilled, semi-skilled and unskilled workers.

Figure 13.1 shows how we can combine the concepts of social class and social strata within a given social structure. This example refers to pure or classical capitalism, in which there are only two classes: the bourgeoisie and the proletariat.[64] The upper stratum consists exclusively of the bourgeoisie, and the lower is comprised solely of workers. The middle stratum, though principally made up of the bourgeoisie, also includes a number of specialized or skilled workers.

Figure 13.1 Strata and Classes in Classical Capitalism

If this is the case, it is important to ask if the primary determinant of social and political action is identification as social class or as social strata? In other words, we need to know to what extent the fact that a worker belong to a middle stratum has sufficient weight to result in his adopting bourgeois or

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scale mercantile production. The petty bourgeoisie is always included in the middle stratum.

[64] It is clear that in this case, as in fact in any case where we use the mode of production concept, we are over-simplifying. We are generalizing and reducing a historical reality to an abstraction. Even in the middle of the last century, when classical capitalism reached its purest form, there were more than two classes. The aristocracy, peasants and small bourgeoisie continued to exist as manifestations of the previous mode of production.

technobureaucratic ideology and patterns of consumption. The answer to this question is probably positive, though the worker is still strongly influenced by his class condition. Hence we have a very clear indication that social strata, though expressly distinct from class, also serves as an important tool for political and sociological analysis.

4. Conditions for a new class

If we ask ourselves which are the conditions for the emergence of a new class the important is to define the corresponding relations of production. It may or may not have class consciousness, but it is essential that it is not confused with social strata. In principle we only have a dominant and a dominated class. The "middle class" either will correspond to the less rich fractions of the dominant class and the richer fractions of the dominated one, or they will represent the emergence new relations of production and of corresponding social relations. The technobureaucratic middle class that emerges in technobureaucratic capitalism falls in the second category. Small and medium sized capitalist on one hand and skilled workers in the other fall in the first category.

This notion of social class has little in common with the functionalist theories of social stratification. Nor is it the same as the Weberian theories of social class that emphasize purchasing power or market position. It also differs significantly from those Weberian theories developed by Dahrendorf (1957) and Lenski (1966) which focus on power rather than on relations of production to delineate social class. While these theories have a certain utility, especially from a functionalist perspective in terms of a descriptive and static view of society, they obviously do not meet our needs as a theory that helps to explain the historical process of social and political change.

Rather we are interested in a theory of social class which provides us with tools for the analysis of contemporary capitalism, where the technobureaucratic middle class plays an increasingly decisive role. Social classes are social groups that are defined by the roles they play, dominant or dominated, within society's basic relations of production. Through the inherent process of class struggle, they became the prime players of history. On one hand, this can be explained by the development of the productive forces which establishes new material conditions for the relations of production, and on the other, as a function of class struggles which originates in each class' insertion in the relations of production and their resulting class consciousness.

Therefore, in order for a new class to establish itself, it is essential that this class take part in new emerging relations of production, that these new relations of production be basic to the definition of a new mode of production, and that, as a result, the new social group be of sufficient size or critical mass to formulate a historical project designed to eventually make it the new dominant class.

CHAPTER 14
CASTES, STATUS GROUPS AND SOCIAL CLASSES

The emerging technobureaucratic class, that will define technobureaucratic capitalism, fully meets these requirements. In the second part of this book I discussed the concept of class in terms of pure modes of production rather than in terms of concrete social formations. The capitalist mode of production in its purest form (that of England in the nineteenth century) was compared with the technobureaucratic mode of production dominant in the Soviet social formation. Adopting this strategy I was able to define the technobureaucratic relation of production and identify the technobureaucracy as the dominant class in this mode of production.

In the technobureaucratic mode of production, capital - defined here as a relation of production - ceases to exist to the extent that private ownership of the means of production disappears; capital is replaced by the technobureaucratic relation of production, which we call organization or bureaucratic organization. The means of production are now the technobureaucrats' collective property, as a result of their effective control of the bureaucratic organization. While they do not hold legal ownership of the means of production as capitalists do, they are similar to the latter in that they hold effective ownership of the means of production and administrates them. The most important difference, however, does not concern legal ownership since what is essential is effective ownership, the capacity to administer and make the best use of given means of production. The fundamental difference lies in the fact that with capitalism property is private, individual, whereas in the technobureaucratic mode of production property is collective. With capitalism, each capitalist either directly owns the means of production, or a proportion of them directly in the form of stocks, or indirectly in the form of credits. On the other hand, the technobureaucrats cannot say that they own a business enterprise or even a given part of it. Rather, the technobureaucrats own the bureaucratic organization to the extent that the occupy a position in its organizational hierarchy, and use the organization's resources for their own benefit.[65]

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[65] João Bernardo has a similar point of view concerning technobureaucrats' collective ownership of the means of production. Nevertheless, he speaks of a "state bourgeoisie" and "state capitalism": "What we have here is collective ownership of the state, which cannot be transferred on an individual basis...Collective ownership is maintained within the same social group and its descendants by total control over public education and by the fact that the children of the state bourgeoisie will have, in their childhood, a lengthy education within the family." (1975: 175)

It is clear that technobureaucratic mode of production, being so different from the capitalist mode of production in its classical or competitive form (though not so different from technobureacratic capitalism), necessarily exhibits a very different class structure as well.

1. Capitalism: the dominant economic aspect

This suggests the need to reexamine the concept of social class, putting it in historical perspective. We have seen that social classes are the agents par excellence of history. Yet we have also observed that they are the product of relations of production which change with history. Consequently, the concept of social class varies through different historical periods and keeping with of different modes of production.

Classes exist in all antagonistic modes of production where a minority, initially through force or coercion, appropriates effective control of the means of production. Relations of production are the determinant factor, so that the economic base is what underlies the essential split between classes. However, it is only in the capitalist mode of production that classes take on such a clear and explicit economic character, with political and religious aspects as only secondary concerns.

Thus it is correct to say that social classes, in the strict sense of the word, are a phenomenon specific to capitalism. It is only in a broad sense that Marx and Engels may use this term when they affirm that "the history of all hitherto existing society is the history of class struggles" (1848: 2). In many other writings, however, it is clear that they use the concept of class as a theoretical tool which is particularly useful in explaining how the capitalist mode of production functions. This is the basis for stating that social class, in the strictest sense of the word, is a historical phenomenon specific to capitalism, to the extent that our definition of social class is rooted in economic criterion, and that we emphasize its insertion in the relations of production.

In fact, it is only with the rise of capitalism that the dominant class can appropriate surplus through explicitly economic means: the mechanism of surplus value. In this way relations between classes defined as economic groups become much clearer, no longer clouded by tradition or religion. Capitalism postulates equal treatment before the law. What this signifies in terms of the capitalist ideology is that class distinction have no legitimation based in the legal and ideological superstructure of society. Thus the economic basis of class

becomes more apparent. Some sell and others buy labor in the market; this is where class differences originate.

2. Pre-capitalism: the economic aspect is less important

In pre-capitalist modes of production, it was always necessary for the dominant class to use direct force either alone or joined with tradition and religion, in order to extract surplus. With capitalism the use of force occurs indirectly. To the extent that capitalism is based on the generalization of commodities, the capitalist can appropriate surplus through an essentially economic mechanism, surplus value. While in pre-capitalist modes of production the dominant class's appropriation of surplus had a decisively economic component, it always implied a kind of violence or use of power which is not market power, nor power derived from capital. The tribute imposed by the sovereign in the Asiatic mode of production is clearly a violent means of appropriating surplus. The same can be said for slavery, where the violence is even more apparent. The feudal corvee is not without violence, though it is mitigated by the master's reciprocal obligation of military protection and justified by a strong ideological apparatus.

When surplus is appropriated in these pre-capitalist situations, the economic aspect by which classes are defined tends to be weakened or obscured. The dominant class finds it more important to develop political, legal and religious justifications to legitimate the coercion and violence by which it appropriates surplus. It is also essential to set up institutional mechanisms which divide and stratify the dominated classes in order to facilitate their domination. The basically economic nature of social class is thus doubly obscured: on one hand by the introduction of ideological elements and on the other by dividing up society into castes or status groups which would replace classes in terms of social structure. As Luk cs so keenly notes:

> "this is true above all because class interests in pre-capitalist society never achieve full (economic) articulation. Hence the structuring of society into castes and estates means that economic elements are inextricably joined to political and religious factors. In contrast to this, the rule of the bourgeoisie means the abolition of the estates-system and this leads to the organization of society along class lines." (1922: 55).

3. Castes and status groups

It is characteristic of pre-capitalist social formations to establish castes and status groups or some other kind of social division of labor which are hereditary, rigid and backed up by religious values and the law. We are often led to believe that castes and status groups replaced social classes in pre-capitalist economic formations.[66] But this is not correct, or it is not the whole truth. India's castes and countless sub-castes and the many types and sizes of status groups or estates in feudal society are not real alternatives to classes, but rather a strategy of the dominant class to hierarchically order and regulate the social system[67]. Basic social classes still exist, based on their participation in production. But they are further divided into smaller and more stable groups for which rights, and more importantly, responsibilities and limitations are defined. It is said that on the eve of the French Revolution society was divided into three estates: the nobility, the clergy and the people. But the people were further divided into smaller sub-status groups. The situation is similar among the castes in India. On the other hand, status groups are also a form of stratifying the dominant class. Accordingly Hans Freyer observes:

> "The military, the priesthood, public office and landholding are ordinarily sectors which the dominant status groups reserve for themselves" (1931: 169).

Weber was correct in comparing status groups with castes: "a caste is doubtless a closed status group".(1916: 39). Nevertheless he was one of those responsible for the proposition spread widely today that social classes and status groups are alternative forms of social organization. For example, he states "classes are groups of people who, from the standpoint of specific interests, have the same economic position", while status group are a "quality of social honor or the lack of it." (1916: 39). In the same vein, he calls Chapter IV of the First Part of Economy and Society, "Status and Classes." Here he defines class in function of market position, that is, based on "a probability which derives from the relative control over goods and skills and from their income producing uses within a given economic order", whereas "status (standische lage) shall mean an

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[66] This is the position taken by Sedi Hirano (1975). I took a similar position in *Empresários e Administradores no Brasil* (1974).

[67] According to Ferdinand Toennies, "Today the castes in India number in the thousands if one includes the sub-castes. In the central provinces which have about sixteen million inhabitants, the census of 1901 identified nearly nine hundred caste names which were subsumed, however, by classification under two hundred real castes." (1931:15).

effective claim to social esteem in terms of positive or negative privileges." (1922: 302-305).

The notion of social honor, which forms part of the concept of a status group, in fact refers principally to the higher status groups formed by the dominant class and its associates as the pre-capitalist bureaucracy. For a member of the lower class to belong to a professional status group is also viewed by the dominant class and accepted by the dominated class as an indication of social honor. It is an "honor" and a "privilege" to belong to the status group of masons or butchers, especially if we consider that the monopoly over this distinction derives from "appropriation of political or hierocratic powers." (Weber, 1922: 306). The strategic importance that this kind of distinction holds for the dominant class is apparent.

By establishing castes and status groups, the dominant class neutralizes class struggle. Thus some authors view as a fundamental difference between the two the presence of conflict in relations between classes versus the absence of conflict between status group. Toennies states that "estates change over into classes, when they engage in hostile actions or engage one another in war." (1931: 12). In fact status groups never reach the point of questioning the class structure itself. The farthest they go is to engage in local or private clashes with other status groups in order to win certain rights or limit those of others.

What is important to remember is that the status group is a subdivision of a class, not an alternative to it. More precisely, it is a subdivision of classes, an internal ranking of the dominant and dominated class. Social classes here are understood in their broad sense as derived from the insertion of social groups in antagonistic relations of production. The status group would be an alternative to the class if we limit the latter concept to the capitalist mode of production. This limited conception of class has a certain historical foundation to the extent that classes only appeared in their purest form with capitalism, but we should not lose sight of the more general nature of class and class struggle throughout history.

Nevertheless it is conceivable for a status group to become a class. On one hand there would have to be new relations of production which place the status group in a strategic position, and on the other, this social group, as a result would have to gain critical mass, a universal nature and finally, a vocation for both conflict and domination. This is what happened with the bourgeoisie in the transition from feudalism to capitalism, and is what is occurring today with the bureaucracy or technobureaucracy in the long and contradictory transition from capitalism to the technobureaucratism.

Marx and Engels are quite clear about the bourgeoisie's transformation from a status group to a class when they state that:

> "By the mere fact that it is a class and no longer an estate, the bourgeoisie is forced to organize itself no longer locally, but nationally, and to give a general form to its mean average interest" (1846: 80).

This transformation took place when the relations of production for which the bourgeoisie served as vehicle became dominant in society while this new class was gaining critical mass and consciousness of its own interests. The transformation of the bureaucratic status group into the technobureaucratic class is occurring through a similar process in the second half of the twentieth century.

Thus estates or status groups do not constitute an alternative to the class structure since social classes and status groups are common to all antagonistic modes of production, but on a lower level of abstraction, they can be considered as the feudal alternative to the capitalist class structure. This is why status groups, when contrasted with specific classes in the capitalist mode of production, become a useful theoretical tool. This tool helps us to understand the historical differences not only between pre-capitalist and capitalist class structures, but also between the latter and the specific class structure of the technobureaucratic mode of production. While a class structure is common to all antagonistic modes of production, each mode structures classes in its own particular way. Status groups played a fundamental role in feudalism, while with capitalism classes tend to appear in a pure form and in statism we will see that the concept of "layer" or "social stratum" is essential to understanding its class system.

CHAPTER 15
CLASS IN STATIST SOCIAL FORMATIONS

If the concept of social class only makes sense from a historical perspective, as we just saw in last chapter, this means that the dichotomic social class structure existing in classical or competitive capitalism, as defined by Marx, is different from the one in contemporary or technobureaucratic capitalism. The class structure of classical capitalism was based on the existence of two classes specific to capitalism - the bourgeosie and the working class - and of a residual class - the landowners or the old aristocracy. In technobureacratic capitalism, the landowners are mixed with the rentier bourgeosie. More important than that, however, is the appearance of a new middle class - the technobureaucratic class - that blurs the clear cut distinction between capitalists and workers.

In order to understand this, in this chapter I will discuss the class structure of the technobureaucratic mode of production. I will suggest that in statism the distinction among social classes is gradual rather than dichotomic. Given that contemporary capitalism is a mixed social formation in which capitalism is dominant but statism or technobureaucratism is already present, this type of analysis will serve as a theoretical tool for understanding the social classes in technobureaucratic capitalism.

1. Social Mobility and Class Structure

The class structure in pre-capitalist modes of production was not only characterized by strong political and religious elements, but also by extremely limited social mobility. In the caste system - a rigid status group system to the nth degree - there is no social mobility, not even from generation to generation. Caste is hereditary. Although mobility was possible in other pre-capitalist social stratification systems, it existed only to a limited extent, given the political and religious definition.

Mobility increases considerably with capitalism. Social classes lose many of their ideological trappings to take on an explicitly economic nature. Legal obstacles to social mobility disappear and ideological obstacles are substantially weakened. This in fact becomes one of the escape valves par excellence for reducing the social conflict that has tended to deepen in capitalism with the increase in the political organization of workers. Yet social mobility is far from complete. Private ownership of capital passed from father to son continues to be

a decisive barrier. Mobility - "the American dream"[68] - is rather an ideology than a reality. The relative degree of social mobility attained under capitalism thus becomes the main ideological instrument for legitimizing the existing class structure. "Widespread" or "increasing" social mobility are expressions utilized as an implicit alternative to the classless society of socialism.[69]

With the emergence of statism in the Soviet Union, two movements in opposite directions take place. On one hand, we see that classes again lose their clear-cut economic character, while on the other, mobility increases. The two classes of the state mode of production are the technobureaucracy and the working class. However, there is no sharp distinction between these classes. The technobureaucratic or statist society tends to be organized in a hierarchical social continuum. The official ideology of contemporary statist social formations condemns any distinction based on class in the name of the socialism it claims to represent. In addition to this, the foundation of the social structure is no longer private but rather a form of collective property owned or controlled by technobureaucrats. Technobureaucratic ownership is far less direct and secure than capitalist ownership. Consequently we see less distinction between classes and greater social mobility.

The distinctions between the technobureaucracy and the working class remain clear, to the extent that the former have control over the organization, particularly over the state apparatus, while the latter do not, and to the extent that technobureaucrats enjoy the power and privilege that form part and parcel of their ownership of the state bureaucratic organization. Nevertheless, statism tends to be more egalitarian and present greater social mobility than its capitalist counterparts. In the Soviet Union, China, Cuba, Vietnam and the countries of Eastern Europe, the situation is basically the same. Differences in income are always quite small, with the highest occupations paying no more than five times more than the lowest. The exceptions which exceed this limit only serve to

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[68] For example, William Lloyd Warner, one of the most notable functionalist sociologists writes: "The American story both dream and reality, is essentially that of a great democracy trying to remain or become democratic and equalitarian while solving the problems of unifying vast populations and diverse enterprises." (1953: vii).

[69] The question of social mobility is dealt with extensively in *Empresários e Administradores no Brasil* (1974). However I neglected to analyze the ideological nature of social mobility, probably because I was influenced myself by the dominant ideology.

confirm the rule.[70] Social inequality is considerably less than in capitalist countries, with the exception of certain countries such as Austria or the Scandinavian nations where social-democratic parties are or have been in power for long with substantial union support. Social equality (in terms of disposable income rather than wealth) in these countries is comparable to that in statist social formations if we exclude the earnings of the top-level bourgeoisie. However, in statism there is always a group of upper level technobureaucrats who exercise authoritarian power and enjoy privileges.

Thus in the technobureaucratic mode of production, the class structure exists, but it underwent profound changes. Classes lost their clear-cut economic nature. Instead of ideology being used to reinforce and deepen class distinctions, as in pre-capitalist and even in the capitalist mode of production, it makes these distinctions more difficult, given its socialist origin. That being the case, material differences in terms of standard of living are reduced. The result is not an egalitarian society, but one which is considerably more so than in average capitalist social formations. At the same time, social mobility increases, though not much, since the relative degree of equality discourages mobility.

2. Class Structure Derived From Power

First glance, the distinction between manual labor and intellectual labor differentiates the two classes in statism. Technobureaucrats are engaged in intellectual work, being managers, technicians, public officials, clergy, office clerks, teachers, judges, or security agents. Their counterparts are the workers: production line workers, rural workers, service workers. Yet even this distinction is only relative as the distinction between intellectual and manual labor becomes more and more relative. Specialized production workers are becoming increasingly more like technicians. Office clerks perform many routine tasks similar to manual activity. Also, in statist countries, as in some capitalist countries, manual laborers often earn more than office clerks. Actually, in the statist social formations production workers often receive wages equal to or higher than those earned by technicians with college degrees and several years of experience.

Therefore, in order to distinguish workers from technobureaucrats in a society with these characteristics, the role that each individual plays in the

[70] The deep crisis of some highly indebted Eastern European countries during the 1980s, particularly of Poland and Hungary, led to a sharp increase in income concentration.

relations of production becomes more important than the distinction between intellectual and manual labor. That is to say, who has control over the organization and who does not, who coordinates production and who actually carries it out.

The criterion used to answer these questions is power. Organizational property belongs to those who control the bureaucratic organizations, especially the most far-reaching bureaucratic organization of all - the state. Thus it follows that in statist society, technobureaucrats are those who participate in the bureaucratic organizations' decision-making processes, performing coordinating functions. A self-managed society would be a socialist society precisely because all members would participate in its decision-making. This is obviously not what occurs in statist society. Only a minority are involved in planning, organizing and coordinating. Only a minority make decisions or are consulted directly or indirectly. This minority is made up of technobureaucrats; the rest are workers.

Consequently, the class structure of statist or technobureaucratic society is based on power, which becomes an essential element in the relations of production. With capitalism, power derives from the ownership of capital and, in the final analysis, those who have power are those who are rich. The relation of production is capital; one of its outcomes, though not necessarily in perfect correlation, is power. In statism, the collective ownership of the bureaucratic organization is what determines power and control over the productive process. Actually, while in capitalism capital may be correlated with but cannot be identified with power, in statism organization and power are practically the same.

In capitalism, there is a clear distinction between economic power and political power, though the latter tends to derive from the former. This distinction often makes the correlation between the two an uncertain one. In statism, however, political power and economic power are difficult to separate. Political power does not derive from economic power, nor does the latter depend upon the former. Strictly speaking, there is no longer a distinction between the two; power is economic and political at the same time. The new dominant relation of production - organization - is a direct relation of power. The economic and the political are necessarily intertwined. If not, the administration flounders.

Weberian sociologists' concern with power as the basis for class structure begins to make more sense in this light. Yet they apply a theory to capitalism which is not appropriate to this mode of production, but rather to statism. This can be explained by the fact that these sociologists are not seeking to describe a purely capitalist society, but rather contemporary capitalist formations which

already show strong traces of the state mode of production. An extensive technobureaucratic class already exists in technobureaucratic capitalism, a mixed social formations where this class is already defined in terms of power rather than in economic terms.

3. Gradualism and the Functionalist Approach

It is important to point out that power and prestige is statist social formations are not derived from direct ownership of the means of production, but rather from position in the organizational hierarchy. Technobureaucratic property is collective. In order for it to be transformed in terms of the effective fruition of goods, it must be mediated by the position occupied by the technobureaucrat in the organizational hierarchy. Power then becomes intertwined with position in the hierarchical organization or is derived from it. The greater the power (and the scale) of the organization itself, and the higher the technobureaucrat's position in the organizational hierarchy, the greater his personal power will be. This power will be the source of access to materials goods and not vice-versa, as occurs in capitalism, where it is direct ownership of capital which determines social position.

3. A Gradual Class System

It is important to point out that the vision we are presenting statism's class structure tends to be somewhat gradual, some what similar to that described by functionalist sociologists. In fact, it is rather difficult to imagine a dichotomic structure such as the one existing in classical capitalism where there are only capitalists and workers, owners and non-owners of the means of production. There is no middle term in classical or competitive capitalism; one either is or is not a capitalist. Clearly it is possible to be a capitalist on a small, moderate or large scale, just as it is possible to perform unskilled, semi-skilled or skilled labor. These criteria establish strata within each class. Yet the distinction between the classes remains clear-cut. In statism, however, where class is based on a relation of production which is a direct relation of power at the same time, organizational ownership is intrinsically a question of degree. The class definition of each person depends on his or her individual position in the organizational hierarchy. As a consequence, the distinction between the classes becomes far less rigid. Whereas we continue to speak of two classes, the grey area between them increases considerably.

While basically incorrect for an analysis of capitalism because it ignores or obscures relations of production, the question of degree in class structure presented by the functionalists is quite reasonable when we examine statism. We can better understand the theories of class based on relations of power if we note that they were developed within the context of a mixed social formation - technobureaucratic capitalism - where the technobureaucratic class already plays a significant role. Nevertheless, these theories do not constitute alternatives to Marxist class theory. Their inadequate analysis of the economic aspect in the definition of social classes as well as their insufficient emphasis on the political conflict inherent in antagonistic relations of production, results in a static description of society.

Bahro follows the same time of reasoning about the usefulness of the functionalist, stratification approach, for the understanding the Soviet prototype of social formation:

"Our social structure - and this is why stratification models are a far more appropriate description in our own case - is precisely the subjective mode of existence of the modern production forces". (1978: 163)

4. The Level of Economic Egalitarism

Actually, the level of economic egalitarism existing in Soviet Union is probably similar or higher than in the more developed social democrat countries as Sweden and Austria, while the level of political egalitarism is much smaller. The economic differences between operative workers and the majority of intellectual workers are very small. Since educational costs are assumed by the state, it is not considered an additional expense for an individual to continue in his studies. For this reason, university entrance exams continue to be highly competitive. Wages of operative workers and salaries of middle level technobureaucrats do not differ very much. Technobureaucrats have opportunities for a greater social mobility, but the mobility of workers is higher than in capitalist countries. A good measure for that is the percentage of university students with working class origin (Horvat, 1982). Technobureaucrats in statist social formations are able to secure a higher income and much more power than workers. But the differences in terms of income are smaller than in capitalist countries.

Based on data collected by S. Jain for the World Bank, Branko Horvat, who is very critical of the statist regimes, concludes that "etatist societies have become more egalitarian" (1982: 51). Jain's data are summarized in Table 15.1.

Both the Gini coefficient and the percentage share of top 5 per cent in income show clearly that income is more evenly distributed in the statist countries.

Table 15.1 Distribution of Income in Capitalist and Statist Countries

	Gini coef. median)	% Share of top 5%
Statist countries (a)	0.21	10.9
Welfare countries (b)	0.36	15.1
Advanced capit. countr. (c)	0.40	17.4

Source: J. Nain, Size Distribution of Income. Washington: World Bank, 1975.
a - Including: Czechoslovakia, Hungary, Poland, Bulgaria and German Democratic Republic.
b - Including: Sweden, Denmark, Norway, New Zealand, United Kingdom, Finland, Israel.
c - Including: United States, Canada, France, Australia, Netherlands and Federal Republic of Germany.

The economic privileges obtained by this class are small in comparison with those of the upper bourgeoisie in the capitalist countries and also with the upper technobureaucracy in these countries. As the upper technobureaucracy helps or replaces the bourgeoisie in managing the businesses enterprises, it feels entitled to a standard of living similar to that of the bourgeoisie. In countries like the Soviet Union and China, where the bourgeoisie was eliminated, the upper technobureaucracy does not have this argument supporting a much higher share of income than workers. On the other hand, the egalitarian ideology of socialism, condemning the distinction between manual and intellectual labor, make this differentiation difficult. Whereas the ideology which values intellectual labor over manual labor is deeply entrenched in capitalist countries, in statist social formations this ideology is officially condemned. There is no ideological legitimation for high income differential.

This dos not mean that an egalitarian society exists in the Soviet Union. In 1972, when the minimum wage was 60-70 rubles and the average wage 130 rubles per month, Mervyn Mathews estimated that close to 0,2% of the labor force was made up of an elite who earned salaries higher than 450 rubles per month (1978: 22).

These differences, which include indirect earnings, are sufficient to demonstrate that class differences have not disappeared in the Soviet Union. Yet they reveal that the differences are smaller than in capitalist countries. Mervyn

Mathews' explicit objective is this research was "to prove that political, economic and social privileges exist under communism" (1978: 7). Yet, at the end of the book, the author admits that "the family of the Soviet elite in the beginning of the seventies has a standard of living approximately equal or perhaps a bit lower than the average North american family" (1978: 177).

It is beyond all doubt that we can speak of classes in the Soviet Union: a dominant class of technobureaucrats and a class of manual laborers. From the economic point of view, these class differences are minor. Within the technobureaucracy, only small percentage of the top-level administrators of the Communist Party, the government and the large State enterprises attain a standard of living clearly differentiated from that of manual laborers. Yet even in this case the differences are considerable smaller than in capitalist countries. On the other hand, social mobility, though limited, is greater in the Soviet Union and China than in the capitalist countries.

5. Classes as Fluid Layers

These considerations make it clear that theories of social class formulated to explain capitalist societies should only be applied with the utmost care in the analysis of a social situation like the Soviet Union. In fact, in the statist social formations we can only speak of social classes in a broad sense, to the extent that we can identify technobureaucratic relations of production, and divide the society into a dominant class who has, in varying degrees, control of the bureaucratic state organization, and a dominated class, formed by operative workers. Whereas the workers receive wages directly related to their productivity, the technobureaucrats receive salaries which depend upon their hierarchical position in the state organization.

However these distinctions based on the insertion of the two groups in the relations of production should not be too much emphasized, because, to the contrary of capitalism, which is a class society in the strict sense, where the economic element is fundamental, in statist societies, the classes, broadly defined, take on the nature of relatively fluid social layers, characterized by great social mobility, where the political factor plays a fundamental role. More specifically, we have a technobureaucratic class which should be divided into at least two layers - the upper and the middle technobureaucracy - and a class of workers which also can be divided into layers. The differences between the middle technobureaucracy and the workers, in terms of income, prestige and power, are few. Even the differences in terms of income between the upper technobureaucracy and the other layers of society are small. What fundamentally

distinguishes the upper technobureaucracy from the rest of society is the fact that prestige and power are concentrated in its members.

CHAPTER 16
CLASSES IN CLASSICAL AND CONTEMPORARY CAPITALISM

Up to this point I have been examining the concept of social class within the bounds of pure modes of production. At this level of abstraction, each mode of production only allows for two classes, the dominant and the dominated. In these terms, the aristocracy is the dominant class in feudalism and can only be found in this mode of production, just as the bourgeoisie and technobureaucracy are respectively the dominant classes in capitalism and technobureaucratism, and only can be understood in this context.

However, if we move from this level of abstraction to that of the social formations, of the existing social systems, the rigid dual character disappears. Whereas a mode of production is an abstract model of how societies historically organize the production and circulation of goods as well as the appropriation of economic surplus, social formations are a much more concrete representation of social reality. When we make use of the concept of social formation, we are still dealing with an abstraction, though to a considerably lesser degree than with modes of production. A social formation is a concept which giving us an opportunity for a more precise description and analysis of a giving social system than the concept of mode of production. For example, we can talk about the English social formation at the beginning of the nineteenth century or the Brazilian social formation of today, and try to describe them in detail. Although very different, capitalism is dominant in each. If we restrict ourselves to the basic characteristics of the capitalist mode of production, our analysis will not go very far.

A social formation is a historical reality in its own right as well as a model of this reality at a relatively low level of abstraction. A mode of production is also a historical reality, but conceived at a much higher level of abstraction. A concrete social formation involves overlapping modes of production. It is hard to find a social formation in which only the dominant mode of production exists. That is to say, it is hard to find a mode of production in its pure form. Social formations are always mixed. In each social formation, we encounter vestiges of one or more previous modes of production, a clear evidence of the dominant mode of production and signs of an emerging mode of production.

For example, England at the beginning of the last century can be defined as a social formation which was already dominantly capitalist, although it still displayed strong traces of feudalism. Ricardo's description and analysis of this society identifies three classes: landowners, capitalists and workers. The landowners were clearly holdovers from a previous mode of production. If we

want to be more specific, we could describe the English social formation of that time as a transition from mercantile capitalism to industrial capitalism. Furthermore we could note the existence of a petty bourgeoisie made up of craftsmen and peasants as vestiges of simple commodity production.[71] Today the social formation in the industrialized countries is technobureaucratic capitalism.

If we were to describe the Brazilian social formation of the last quarter of the twentieth century, we would define it as dominantly capitalist but with considerable technobureaucratic control. Thus it is also a case of technobureaucratic capitalism. State intervention and the growth of large corporations increased consistently between the 1930s and the 1970s but, with the deep economic and fiscal crisis of the 1980s, a reversion of this tendency was observed, accentuating the cyclical character of state intervention. There are still vestiges of pre-capitalism in Brazil; the marginalized sectors of society are functionally integrated in the process of capitalist accumulation; a technobureaucratic class, which assumed political power during the authoritarian regime (1964-1984) has lost a considerable part of its influence to the dominant capitalist class since the process of redemocratization began, but in the long run it will probably continue to grow in the public and private sectors of Brazilian society.

1. Landowners, capitalist and workers in classical capitalism

Since social formations have a mixed character, we cannot speak of only two classes. The origin of the concept of class in Marx's writings probably comes

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[71] Concerning simple commodity production, see Kevin D. Kelly's analysis (1979). The author maintains that an "independent mode of production" exists in which people produce primarily for their own consumption and only incidentally for the market. The difficulty in accepting this idea lies in the fact that there has been no historical identification of a society that has been integrally organized in such a way. If this is not a non-antagonistic mode of production like the primitive community, then where is the state and its corresponding classes? The existence of small scale commodity production in the Asiatic mode of production, in feudalism and in capitalism is beyond question. This suggests that in addition to modes of production, we can also consider special forms of production which do not specifically belong to any general mode of production, but are useful for understanding and analyzing concrete social formations.

from Saint Simon and Ricardo.[72] The latter's influence on both Marxist political economics and class theory is apparent. When he writes on the question of social classes in his last, unfinished chapter of the third volume of Capital, Marx states that there are three classes in capitalism, defined, as in Ricardo, by their role in the relations of production, and thus by the revenues they receive:

> The owners of mere labour-power, the owners of capital and the landowners, whose respective sources of income are wages, profit and ground-rent - in other words wage-laborers, capitalist and landowners - form the three great classes of modern society based on the capitalist mode of production (1894: 1025).

In other words, in the English social formation that Marx was acquainted with - the social formation that in this book we are calling classical or competitive capitalism -, "modern society" was dominantly capitalist (since it was based on this mode of production) and yet divided in three fundamental classes - the bourgeoisie, the proletariat and the landowners. Though it existed, the technobureaucracy, or the bureaucracy, is not mentioned by Marx, since it was inexpressive as a class. At that time, it was no more than a status group with no real social definition. The bourgeoisie and proletariat are classes specific to the capitalist mode of production, whereas the landed class was a legacy of feudalism. If we were to look at the English social formation of the sixteenth century, on the other hand, we would probably also see three classes: landowners, serfs and bourgeoisie. The first two correspond to the dominant mode of production, feudalism, while the latter was already signaling the emergence of a new mode of production.

2. Three basic classes in contemporary capitalism.

In contemporary technobureaucratic capitalism, these are also three basic social classes. The social formations in the central rich countries and also in the ones characterized by industrialized underdevelopment are dominantly capitalist, but increasingly technobureaucratic. "Increasingly technobureaucratic" does not mean increasingly statist, although we are using the words "technobureaucratic" and "statist" indifferently to define the mode of production where the only bureaucratic organization is the state in ideal terms. A new technobureaucratic class is emerging in these social formations, both at the level of large private enterprise and the state. The bureaucracy is no longer a status group made up of

[72] See Anthony Giddens (1973: 23-25) regarding the influence of Saint Simon on Marx's theory of class.

state officials, but rather a private and state technobureaucracy, involved in military and civil life, working for the state and for the big corporations.

This new class is becoming the heart of the new "middle class" in contemporary society, or more precisely, the new middle strata. Just as the bourgeoisie was the middle stratum par excellence of the eighteenth and nineteenth centuries, the technobureaucracy is in the contemporary middle strata. When capitalism was coming into its own as the dominant mode of production, the middle sectors of the emerging bourgeoisie as well as small-scale commodity producers, peasants and craftsmen made up the middle strata, many of whom became members of the bourgeoisie.

In his fundamental work on American middle strata, C. Wright Mills identifies these two groups as the "old middle class" and the "new middle class". The latter basically corresponds to the technobureaucracy, since Wright Mills defines the new middle class in broad terms:

> The great bulk of the new middle class are of the lower middle-income brackets, but regardless of how social stature is measured, types of white-collar men and women range from almost the top to almost the bottom of modern society (1951: 64).

Today we see a certain number of technobureaucrats at the lowest strata and other at the highest ranks of the social ladder, together with the top level of the bourgeoisie, but most of the technobureaucrats are in the middle strata.

These new middle strata have increased at an extraordinary pace. In referring to the United States, Mills states:

> In the early nineteenth century, although there are no exact figures, probably four-fifths of the occupied population were self-employed enterprises; by 1870, only about one-third, and in 1940, only about one-fifth, were still in this old middle class. Many of the remaining four-fifths of the people who now earn a living do so by working for the 2 or 3 per cent of the population who now own 40 or 50 per cent of the private property in the United States. Among these workers are the members of the new middle class, white-collar people on salary (1951: 63).

In 1870, excluding the upper bourgeoisie, the old middle class corresponded to 33% of the population, the new middle class to 6%, and the workers to 61%; in 1940 these percentages changed to 20, 25 and 55% respectively (1951: 63). As the ranks of the old middle strata as well as wage workers decreased, those of the technobureaucrats who received monthly salaries increased.

Based on these data for 1870 and 1940 and on Erik Olin Wright's data for 1969, we can tentatively reconstruct the evolution of social classes in the United States (Table 16.1). The old middle class and the new middle class, according to Wright Mills' classification, correspond basically to the bourgeoisie and the

technobureaucracy. Olin Wright (1978: 56) used somewhat different criteria to divide American society, but actually they are consistent with Wright Mill's or mine. He built a social matrix, using two columns ("self employed" and "wage earners") and two lines ("mental labour" and "manual labour"). If we consider all the manual laborers as the workers, the self-employed mental laborers as the bourgeoisie, and the wage-earners (actually salary-earners) mental laborers as the technobureaucracy, for 1969 we will have only 8 per cent for the bourgeoisie, 51 per cent for the workers and already 41 per cent for the technobureaucracy. As can be seen in Table 16.1, while the workers and specially the bourgeoisie relatively diminished, the technobureaucracy increased sharply from 1870 to 1969.

Table 16.1 Evolution of Social Classes in the U.S.A.

	1870	1940	1969
Bourgeoisie	33	20	8
Workers	61	55	51
Technobureaucracy	6	25	41
Total	100%	100%	100%

Source: C. Wright Mills (1951: 63) and Erick Olin Wright (1978: 56). Bourgeoisie corresponds to the "old middle class" in Wright Mills and to the "self-employed mental laborers" in Olin Wright; technobureaucracy corresponds to the "new middle class" in Wright Mills and to the "wage earners mental workers" in Olin Wright.

Val Burris (1980) has also conducted a study on the development of the technobureaucracy or new middle class. The results are more modest, but perhaps more precise. He classifies the new middle class according to two criteria: whether one works in the public or private sector, and the type of activity performed. He divides the latter into four categories: the supervision and control of the labor process (managers, foremen, technical supervisors, etc.), the reproduction of capitalist social relations (teachers, social workers, health professionals, state administrators, lawyers, cultural workers, etc.) the accounting and realization of value (professionals, sales, accounting, banking, finance, insurance, etc.), and the transformations of the technical means of production (scientists, engineers, research technicians, etc.) (1980: 29). The results of his study, based on the United States census, appear in Table 16.2. They show that the new middle class positions accounted for 6 per cent of the U.S. labor force in 1900 and for twenty-five per cent in 1978.

Table 16.2 New Middle Class Positions Within the U.S. Labor Force: 1900 to 1978

	1900	1920	1940	1960	1978
Total (in thousands)	1,605	3,785	6,026	12,240	23,885
% of Labor Force	6.0	9.5	13.3	18.9	25.3
Sector (% of labor force)					
Private	3.7	6.8	9.6	14.1	18.3
State	2.3	2.7	3.7	4.9	7.1
Function (% of labor force)					
Supervision	1.6	3.1	4.1	6.3	7.9
Reproduction	3.2	3.9	5.2	6.2	9.6
Realization	0.9	2.0	3.3	4.1	5.2
Technological innovat.	0.3	0.5	0.7	2.2	2.6

Source: Val Burris (1980:30)

Daniel Bell (1979) divides employment in the United States into three groups: white collar (professional, technical, sales and clerical), blue collar, and service workers (private household and other services). He shows the enormous growth of the white collar sector, which is roughly equivalent to the new class under consideration. According to his projection, white collar workers would represent 51.5% of the American work force by 1985 (Table 16.3).

Whatever the criteria is used for classification and inclusion in this new class, we can see that the growth of the technobureaucracy in contemporary social formations that are still predominantly capitalist has been extraordinary.

Table 16.3 Employment by Major Occupational Groups in U.S.

	1940	1974	1985 projected
White Collar Workers	31.0	48.6	51.5
Blue Collar Workers	35.8	34.6	32.6
Services Workers	11.7	13.2	14.1
	100.0	100.0	100.0

Source: Daniel Bell (1979).

Following the same basic structure used in Figure 1, we go on to describe a mixed contemporary social formation - technobureaucratic capitalism - in Figure 2. In terms of social strata, we see a marked increase in the middle strata, which now includes some workers. In terms of social class, we see the technobureaucracy emerging as a third class, since we are not analyzing a pure mode of production but rather a social formation. This new class extends into both the upper and lower strata. The bourgeoisie and the working class have made way for the increasing numbers of the technobureaucrats as the arrows indicate. The middle strata and the technobureaucracy are expanding. The former are largely made up of the new middle class, white collar workers, but middle-level bourgeois and skilled workers also constitute part of this strata.

Figure 16.1 Strata and Class in Technobureaucratic Capitalism

The upper technobureaucratic stratum is formed by what Galbraith (1967) called the "technoestruture". Becker and Sklar called it a "managerial bourgeoisie" or a "corporate and international class", mixing capitalist and technobureaucratic social actors. According to them the new social class encompasses "the entrepreneurial elite, managers of firms, senior state functionaires, leading politicians, members of learned professions and similar standing in all spheres of society" (1987: 7). The alternative that I am presenting in this book is on one hand to clearly distinguish the upper bourgeoisie from the upper technobureaucracy and on the other hand to register that in technobureaucratic capitalism the two social classes are associates.

Becker's and Sklar's "postimperialist approach", however, is very interesting first, as it realistic acknowledges the emergence of the new class in the industrialized countries, and second, as they postulate that in the developing countries a "managerial bourgeoisie" is linked by ties of mutual interest with the corporate international bourgeoisie. Jeff Frieden, however, is correct when he warns that the "managerial bourgeoisie" will not necessarily continue to grow in importance and hegemony in the developing countries (1987: 182). In Brazil the technobureaucratic class lost political power since mid 1970s, when the transition to democracy began (Bresser-Pereira, 1978).

CHAPTER 17
THE "MIDDLE CLASS QUESTION"

One motive for defining a technobureaucratic class within contemporary capitalist social formations is to present a coherent theoretical solution to the "question of the middle class" from a neo-Marxist position - the one that is being adopted in this book for the analysis of social classes and the state. This question has been characterized by the theoretical inability of conventional Marxist analysis to come up with a satisfactory explanation regarding for enormous increase of white collar workers this century. Office workers, salespeople, clerks, managers, technicians, a variety of consultants, military officials and administrators on all levels have multiplied at an astonishing pace in contemporary social formations. A "new middle class" has emerged in all the industrialized countries.

The importance of this "new middle class" is fundamental to contemporary technobureaucratic capitalism, so that it becomes extremely difficult to do any economic or political analysis without considering the role of this class. Its identification either with the bourgeoisie or with the proletariat is obviously unacceptable. Those who believe they have embraced the basic principles of Marx's class theory frequently use the term "middle class" to identify this great mass of technobureaucrats or white collar workers. They deny a new class is emerging, but when they speak of the "middle class" of the "new middle class", or of the "salaried middle class", they are actually acknowledging the emergence of a new class and of new relations of production.

Marx did, in fact, at times use the expression "middle class", but only to identify the petite bourgeoisie and sometimes parts the middle level of the bourgeoisie. This enormous number of managers, officials, consultants, and salespeople working in large public and private, civil and military organizations had not yet appeared. Bureaucrats did not constitute a class as yet; they were simply a status group. Consequently, there is no solution for the question of the middle class in Marx's class theory.

Calling this new, immense social grouping the "middle class" or "new middle class" is a solution which is incompatible with class theory that is based on the role social classes play in the relations of production. It's an adequate solution for functionalist sociologists whose aim is simply to identify and describe the various social strata in terms of power, prestige and income. We can use the term middle "class", although in this case it would be more appropriate to use middle strata or middle layer.

Many Marxists are of aware of this, but the theoretical solutions to this problem are either very deceptive or unsatisfactory. We can identify three basic

solutions which in the final analysis only add up to one: incorporate the new class either within the bourgeoisie, or within the proletariat, or divide it in two, with the bottom half forming part of the proletariat, and the top half, of the bourgeoisie.[73]

This "theoretical solution" is implicit or explicit in all "orthodox" Marxist solutions to this question. The highest strata of the bourgeoisie are identified with the bourgeoisie and the rest of the new class, from engineers and middle management to office workers and clerks, is indiscriminately lumped together with the proletariat. As a consequence, the bourgeoisie, working class and technobureaucracy lose their specific character as classes. It is no longer possible to define them as a function of concrete relations of production. The bourgeoisie is no longer made up exclusively of those who own the means of production, since the top level of the technobureaucracy is included in their numbers. The working class is no longer characterized by manual or productive labor as it now includes an enormous mass of workers, from office workers to engineers. This identification of the technobureaucrats as working class is usually based on the fact that they are "wage workers". First of all, they are not exactly wage workers, since they receive salaries rather than wages. Second, if office workers are wage workers, so too are high-level technobureaucrats.

The fact is that this attempt at resolving the "question of the middle class" is untenable. It can be explained only as a poverty of theory or perhaps the desire of many intellectuals and politicians who belong to the technobureaucracy to identify themselves with the working class. In this sense, we can see the incorporation of low and middle-level technobureaucrats to the working class as a political strategy quite common to the left, which not only seeks to identify itself but also potential followers with the class which would hold power in the hold the future: the proletariat.

1. "Proletarianization" of the Middle Class

Thus this poverty of theory is wedded to a strategy for class alliance, which is a mere possibility. The result is the expeditious incorporation of the bulk of the

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[73] As Anthony Giddens observes "Since the turn of the century, when the rate of relative increase in the white-collar sector first became apparent, the idea has been advanced - particularly, of course, by Marxist authors - that this 'new middle class' will become split into two: because it is not really a class at all, since its position, and the outlook and attitudes of its members, cannot be interpreted in terms of property relations." (1973: 192-193).

"new middle class" into the working class. In order to substantiate this position empirically, the constantly recurring though unfounded argument of the proletarianization of the middle class appears once more. Nevertheless, its inadequacy is apparent, a function of the very question that is under examination. If the "middle class question" exists at all, this is because this social group has increased rather than decreased and subsequently has become a fundamental social and political reality of our time, completely distinct from the question of the working class. Though theoretically imprecise, the expression "middle class" has become a tool of common usage for the social scientist or anyone else who wishes to analyze current society in terms of economics and politics. This has occurred precisely because this social group has become a true social class, a "new middle class" (which I prefer to call "technobureaucracy") rather than being proletarianized, or merged with the working class.

It is true that Marx spoke of the "proletarianization of the middle class", but he was referring to that process within the traditional middle class, more precisely the proletarianization of the petite bourgeoisie, characterized by small-scale mercantile production. This really occurred then and still occurs, though the petite bourgeoisie continues to survive as an auxiliary class to the bourgeoisie.[74] What Marx could not predict and therefore could not analyze was the appearance of a new class of technobureaucrats, since the indications of its emergence were only weak and imprecise in his time.

Given the inadequacy of the position on the proletarianization of the middle class, some authors have resorted to another kind of argument in order to incorporate the lower and middle levels of the technobureaucracy within the working class. This is the increasing mechanization of their work as well as their tendency to unionize.[75]

In fact, mechanization is taking place, in certain cases blurring the clear-cut distinction between office workers and production workers. The low-level technobureaucracy is also exploited within the framework of technobureaucratic capitalism and tends to organize itself into unions. Nevertheless there is no reason to believe that unions are the exclusive domain of the working class. In

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[74] According to the calculations made by the Le Capitalisme Monopoliste d'Etat group, the "non wage-earning middle strata", that is, the petty bourgeoisie, made up of small farmers, salesmen, craftsmen and other types of independent workers, has decreased sharply in France. They represented 34,3% of the active population in 1954, but only 21% in 1968. (Paul Boccara et al., 1971)

[75] For an analysis of the mechanization and fragmentation of office work, see Paul Boccara et al. (1971: 242-244).

fact, their unionization does not necessarily imply an increase in working class power. In referring to the unionization of white collar workers, Anthony Giddens observes:

> "Where there are marked divergences and conflicts between manual and non-manual unions, these persist, or may even become accentuated; where there is a higher degree of mutual penetration, the rise in white-collar unionism does not significantly alter such situation". (1973: 193).

2. Office Workers and Production Workers

The fundamental difference between an office worker, that is, a low-level technobureaucrat, and a production worker, is the fact that the former performs coordinative labor while the latter performs productive or operative labor. Even though production workers often need greater technical knowledge than office workers, they work directly in production, whereas the office worker does paperwork. Such labor is not directly involved in production but rather an auxiliary function of coordination and control.

A further basic distinction is that the office worker follows a bureaucratic career, passing though various steps or positions, whereas the production worker's chances for promotion are quite limited. Production workers generally reach their high point in earnings before their thirtieth birthday. Prior to this they had time to develop the specialized skills necessary for the jobs, while still having their youthful vitality. The office workers, on the other hand, have a long wait until they reach the high point in terms of career and salary. We see this evidenced by the greater social mobility between generations among office employees, or in more general terms, among technobureaucrats, than among productive workers. This greater mobility derives precisely from the fact that career is specific to the technobureaucrat.[76]

Office workers tend to behave very differently from production workers. The reason for that may be either the distinct nature of the low-level technobureaucrat's work (coordinative labor) in relation to production work

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[76] Poulantzas empirically confirms the greater social mobility of the "new petty bourgeoisie", that is, the technobureaucracy. He states: "There are almost no manual workers at all who move up into the bourgeoisie in the course of their working lives, while this does occur for some 10 per cent of the male white collar 'employees` who change their position (becoming higher-level managers) and the proportion is still greater for the intermediate staff." (1974: 283). His data refers to France today.

(productive labor), or the existence of a career and social mobility for the former and not the latter. The key point is that by the nature of their labor, production workers are the object of capitalist exploitation, of the extraction of the surplus value that they produce. They feel this, or know this. On the other hand, though the office workers are also exploited, they perform coordinative labor and feel to some extent that they own a share, however small, of the bureaucratic organization. The relations of production are different, and so are the situations of these two classes. As Maurice Halbwachs notes:

> "One of the chief determinants of their behavior (and here they differ radically from workers proper) seems to be their devotion to the business they work for. There are obvious reasons for this... Clerical workers, like civil servants, occupy a different position from workers. Clerical workers are morally concerned with the progress of their firm." (1955: 106-107)

Both conservative theories on the "increasingly bourgeois nature of the working class", and Marxist theories of the "proletarianization of the technobureaucrats", point to the similarity between office workers and production workers. However, Goldthorpe, Lockwood, Bechhofer and Platt's critique of this view is based on extensive research on the British working class in the seventies. They note:

> "The emphasis placed on the increasing comparability of standards of income and consumption and white-collar occupations had led to neglect of the fact that the two categories remain much more clearly differentiated when their members are considered as producers. Despite the possibly leveling effects of some forms of advanced technology and modern employment policies, the work situation of white-collar employees is still generally superior of that of manual wage earners in terms of working conditions and amenities, continuity of employment, fringe benefits, long term income projects and promotion chances." (1969: 24).

What differentiates the low-level technobureaucrats from the production workers is that the technobureaucrats consider themselves to be a part of the bureaucratic organization they work for and in which there is always the perspective of promotion. The technobureaucrats feel in some way to be partners in the organization because in some way they actually own a small part of the organization, whereas the production workers are absolutely denied ownership of any sort.

Actually, the "new working class" made up of technical workers and functionaries is much more a desire, an ideological vision held by certain representatives of the left, than a reality. This is not to say that there are no alliances between fractions of the lower and medium level technobureaucrats and production workers. Communist parties and parties of the left in general throughout the capitalist world are an example of this type of alliance. But it is a far cry from equating the technobureaucracy, and more specifically its lower layer, with the working class. This result can only be arrived at through considerable theoretical machinations.

3. Enlarging the concept of working class

Another solution, similar to the incorporation of the lower and middle levels of the technobureaucracy into the working class, is to leave this question unresolved. This approach emphasizes the similarities of the two groups, emphasizing the need for and viability of their alliance. This concept is typified by the group linked to the French Communist Party who wrote Le Capitalisme Monopoliste d'Etat (Paul Boccara et al., 1971).

Instead of dividing society into three classes as a supposedly orthodox Marxist group would do (bourgeoisie, proletariat and petite bourgeoisie [vestiges of small mercantile production in the French social formation]), the CME group divides French society into the four large "classes" or "strata" we see in Table 4. They are the working class, the intermediate wage-earning strata, the non-salaried middle strata, and leaders of capitalist enterprises and consultants to the bourgeoisie.

One of the CME group's primary concerns is to show that the working class has grown not only in absolute terms but also in relative terms. This is evidently a response to the theory widely spread, especially by the North America functionalist sociologists, on the increasingly bourgeois nature of the working class as well as its relative decrease in size. While the CME group's ideological motivation is apparent, so is that of the conservative sociologists.

Who is right or wrong in this argument depends on the concept of working class we employ when examining the facts. If we use working class in a restricted sense, then there is a relative decrease; a broader sense of the term would imply an increase. In accordance with Marxist tradition, the working class is understood in a limited sense, made up of "productive" manual laborers, that is producers of material goods or, rather, producers of surplus value. Paradoxically, it is a limited concept of this sort that conservative sociologists use in concluding that the working class is shrinking in relative terms. Though the CME group claims to be loyal to Marx, it seeks to enlarge the concept of working class as well as of productive labor so that this contingent is not decreased.

The fundamental problem is the inclusion of manual service workers (non-material production) within the working class. There has been an extraordinary growth in their numbers, but if we stick to a strictly Marxist concept of productive labor, service workers would have to be excluded. Marx considered productive labor to be not that which produced only surplus value but also material goods. In fact, the production of surplus value can only be realized through the production of material goods which Marx equated with

wealth, following the tradition of Adam Smith. In principle, services are part of the circulation rather than the production of surplus value.

However it is clear that this kind of analysis becomes less meaningful, both in political and economic terms, in a world in which the service sector submits to the logic of capitalist accumulation. In defining productive labor and limiting his concept of the working class, Marx was much more concerned with defining historical categories which would allow him to evaluate the advance of the capitalist mode of production, and consequently of the industrialization process, than in defining logical abstract categories. At this time trade was still submitted to the principles of speculative mercantile capitalism, and services in general were of a personal nature, located outside of capitalism. Thus it was natural for Marx to exclude workers involved in these activities from his concept of productive labor, even when this involved manual labor.

On this basis it is correct for the CME group to broaden the concept of the working class to include those services which are integrated within capitalism. In their words:

> "Not only new layers of workers are integrated into the working class, but certain activities that were not part of the material production sector now assume a productive character: they become producers of surplus valve. This is the case of certain household functions (urban heating, collective food services, automatic laundry services, household maintenance), of certain public services (garbage collection, public lightening)." (Paul Boccara et al., 1971: 220).

But what is not correct or reasonable is to make a new interpretation of Marx's concept of the productive labor, just because one correctly wants to broaden the concept of working class. It is more reasonable to abandon this concept when we must analyze contemporary society - a society where the transition to capitalism has already been achieved. The concept of productive work was important to Adam Smith and to Marx for explaining the transition to capitalism. It is a rather poor concept to be utilized in technobureaucratic capitalism.

4. The theoretical failure of the CME group

The great political-theoretical question the CME group had to face when they looked at the question of class in technobureaucratic capitalism was that of the new middle strata, or according to their terminology, of the "intermediate wage-earning strata". Its astonishing growth is illustrated in Table 4, where we see its relative participation in the work force move from 21% to 34.3% of the employed French population in the short space of fourteen years, from 1954 to

1968. In absolute terms, this period showed an increase from 4,400,000 middle-level wage earners to 6,375,000 in 1968.

In the first place this growth took place at the expense of the petite bourgeoisie, working in small-scale agricultural, commercial and industrial units as well as independent professions. The concentration and centralization of capital liquidated many small-scale commercial and productive enterprises. Increased agricultural productivity prompted a rural exodus and a decrease of the peasant population in both relative and absolute terms. Lawyers and doctors who previously were independent professionals become salaried workers as capital became concentrated and also as certain new activities tied to the service sector submitted to the logic of capital and bureaucratic organization.

As a second correlated factor, there is the concentration of capital and the creation of large bureaucratic organizations that increasingly absorb a large part of the population into new professions. Engineers, technical experts, managers, consultants and researchers enter the economy with the expectation of earning salaries.

Finally, as the CME group observes, the massive increase in wage workers, particularly service employees, is principally a consequence of the expansion of commercial and financial activities undertaken by capitalist business enterprises. The increase in these activities, in turn, is explained by the growing complexity of sales and distribution systems in advanced capitalist societies, as well as by the need for sophisticated commercial and communications services in order to avoid market crisis.

In light of this enormous growth of the middle strata, the members of the CME group saw themselves faced with a problem. Their desire was just to integrate it into the working class. And at certain points this is almost what they did. In this way the alliance they proposed between these strata and blue collar workers would be automatically achieved, at least theoretically, since the working class and the middle strata would belong to the same class. However, this theoretical leap did not even have a minimum of support in class theory (a much larger theoretical leap would be necessary than that which included service workers among the working class). The group reconsidered and left the question unresolved. Instead of recognizing the existence of a new class - the technobureaucracy, or any other name they prefer - they chose to leave the theoretical question hanging, while at the same time continuing to emphasize the proximity or affinity between the technobureaucracy (excluding the upper strata) and the working class, insisting on the viability of a political alliance between the two groups. According to the CME group:

> "under the standpoint of class analysis, office employees, technical experts, engineers, researchers are located in an intermediary position that makes them each time nearer the working class, but they cannot be mixed with it." (Paul Boccara et al., 1971: 238-239).

Thus engineers, technical experts, middle managers and office employees are excluded from the capitalist class's decision-making process in the CME group's view. But as their "wages" (actually their salaries) are becoming closer and closer to those of production workers, they are as exploited as production workers are. Their place in the hierarchy diminishes with each passing day. Some might even be considered to be production workers in certain situations, such as some engineers and technical workers. But the majority of then are collectors of surplus value, which makes it impossible to include them among the working class:

> "Even if their activity is not directly productive, they are all waged workers, individually and collectively exploited... The conditions for a standing alliance (with workers), opening opportunities for common struggles for democracy and socialism, are now present." (Paul Boccara et al., 1971: 239).

Independent of the existence of political conditions for this alliance, it is obvious that the "theoretical solution" of leaving the question of the middle strata open in regard to social class is of a Franciscan poverty. In summary, the CME group is unable to define the question of the middle class beyond such banal statements as:

> "The class position of the middle strata is complex. Only part of their members can be located in the working class; in their totality they cannot be located in the non waged middle strata." (Boccara et al., 1971: 239).

Table 4 - Social Structure of French Employed Population

	1954	1962	1968
Working Class	40.3	43.0	44.5
Intermediate Wage Earning Strata	20.4	25.6	30.5
Non-Salaried Middle Strata	34.3	26.9	21.0
Leaders of Capitalist Enterprises and Consultants to the Bourgeoisie	5.0	4.5	4.0
Total	100.0	100.0	100.0

Source: Paul Boccara et al. (1971: 253), based on data from the I.N.S.E.E.

CHAPTER 18
THE SEARCH FOR A THEORETICAL SOLUTION

Among Marxist social scientists, it was probably Nicos Poulantzas who came closest to a theoretical solution for the question of the middle class in technobureaucratic capitalism. Nevertheless, his attempt fell short of success. His concern with Marxist orthodoxy led him to a solution which looks to the past rather than analyzing the direction history has taken based on the development of the productive forces as well as the emergence of a new mode of production. Nonetheless, the strength of his theoretical work and his prestige have influenced an increasing number of neo-Marxists to accept the idea of a new emerging class.

Poulantzas was one of the most notable Marxist political scientists of his period. Possessing a remarkable capacity for abstract reasoning, he showed imagination, courage to think freely, and scientific rigor in his contributions to the questions of class and the state. It was this scientific rigor which would not allow him to leave the question of the middle strata unresolved. He saw that their integration into either the bourgeoisie or the working class, as well as their designation as an "intermediate wage-earning strata" or "new middle class" was entirely unsatisfactory from a Marxist point of view. On the other hand, Poulantzas clearly perceived that a new social class existed, and that it was formed of a multitude of bureaucrats or white collar employees (technical experts, engineers, managers, salespeople, and office workers). Although other Marxists had acknowledged this fact prior to Poulantzas, starting with the first contributions of Bruno Rizzi (1939), they were referring to bureaucracies in countries that were already dominantly state-controlled. Poulantzas was in all probability the first Marxist of intellectual prestige to acknowledge the existence of the new class in capitalist countries and to examine it in adequate academic terms. Considering the numbers and social and political presence of the new bureaucrats, it would be useless to deny their class nature. Thus he decided, in Classes in Contemporary Capitalism, to acknowledge this fact, attributing this group the status of social class and calling it the "new petty bourgeoisie" (1974: 195-347).

1. The New Petty Bourgeoisie

To call this new class the "new petty bourgeoisie" may be proof of imaginative thinking, but it is an unacceptable solution. Certainly there are other names besides technobureaucracy that are adequate for the new class appearing in the contemporary capitalism. Since it is a new phenomenon, we may call it whatever

we wish. What is important, however, is to give it an adequate theoretical framework. Poulantzas was unable to do this with the term new petty bourgeoisie. He explained the new class in terms of the past, failing to see new relations of production relative to a new mode of production. Nor did he provide a coherent and integrated solution to explain Soviet-type social formations.

Poulantzas divides the petty bourgeoisie into two classes: traditional petty bourgeoisie and new petty bourgeoisie. However the link he makes between the two classes is a negative one:

> "the traditional petty bourgeoisie (small-scale production and ownership) and the new petty bourgeoisie (non-productive wage earners) both have in common the fact that they neither belong to the bourgeoisie nor the working class." (1974: 206).

Yet manifesting his permanent tendency to favor political factors to the detriment of economic ones, Poulantzas states that this criterion "only appears" to be negative. This is because, given the polarization between the bourgeoisie and the working class and the exclusion of the two petty bourgeoisies, "it actually produces economic 'similarities' which have common political and ideological effects" (1974: 206). In this way, the basic concepts of historical materialism are inverted. The class conflict rather than the relations of production will determine the class structure of society. There is no doubt that economicism is an untenable position. It loses sight of the dialectical nature of the relations between the productive forces and relations of production, as well as of the relations of production with the ideological superstructure. Yet so is Poulantzas' 180-degree turn in the direction of politicism. In doing so he implicitly abandons the basic postulates of historical materialism and Marxist class theory.

Poulantzas never clarifies the economic similarities between crafts people, small-scale agricultural producers and those involved in small-scale commerce, who perform labor directly while at the same time own capital and employ labor - i.e., the petty bourgeoisie - and the technobureaucrats who work in large bureaucratic organizations. Actually they are so different in both economic and professional terms, and the relations of production involved are so dissimilar, that there is no way to find common economic ground between the two groups. Poulantzas soon forsakes the search for economic similarities, but insists on finding points in common on the political level. He states:

> "The latter (the traditional petty bourgeoisie) although it occupies in economic relations a place different from that of the new petty bourgeoisie, is nevertheless characterized at the ideological level by certain analogous features, though there are also still some differences." (1974: 294).

The "analogous features" Poulantzas finds common to both classes are in fact rather obvious. They are the political attitudes typically expressed by the

social strata located between the dominant and the dominated class, such as "fear of proletarianization" or a critical altitude toward "large fortunes."

It is possible to understand why a noted political scientist like Poulantzas would espouse such an odd thesis - that of bringing together the technobureaucracy, a new emerging class, with the petty bourgeoisie, and old class constantly threatened with extinction. He was clear about the existence of a new social class and he needed to give it a name. "New petty bourgeoisie" was convenient, since like the traditional petty bourgeoisie, the new class was a middle stratum. Secondly, it permitted him to subordinate class theory to the political factor, to class struggle, a dominant tendency in his thinking. It's strange to think that class struggle can determine class position, but that is what Poulantzas declares in this passage:

> "If the traditional and the new petty bourgeoisie can be considered as belonging to the same class, this is because social classes are only determined in the class struggle, and because these groupings are precisely both polarized in relation to the bourgeoisie and the proletariat." (1974: 294).

But Poulantzas had a third decisive reason for equating or bringing together what we call the technobureaucracy with the traditional petty bourgeoisie. He admitted that a new class existed, but did not want to admit the historical and ideological consequences of this fact. In this way he is led contradictorily to deny autonomous and long term ideological and political viewpoints to the new class. He states:

> "The petty bourgeoisie actually has, in long run, no autonomous class political position of its own. This simply means that, in a capitalist social formation, there is only the bourgeois way and the proletarian way (the socialist way): there is no such thing as the 'third way', which various theories of the 'middle class' insist on. The two basic classes are the bourgeoisie and the working class; there is no such thing as a 'petty bourgeois mode of production." (1974: 297)

In fact, it is impossible to speak of a petty bourgeois mode of production. It did not exist in the past, as the petty bourgeoisie never became the dominant class, nor even a fundamental class in a given social formation. It could not exist today. The petty bourgeoisie and its respective relations of production have always existed secondarily in capitalist formations. But while the petty bourgeois mode of production has never occurred in history in a dominant way, and the petty bourgeoisie has never been the dominant class, we cannot say the same of the technobureaucracy. It has attained the dominant position in all the "communist" or state-controlled countries and is present - although in a subordinate and very contradictory way - in capitalist countries. Unlike the petty bourgeoisie, the technobureaucracy is a class with a clearly defined vocation for power. This vocation is expressed through attempts to administer the entire social production in rational terms. Poulantzas came close to this fact with his

concept of the new petty bourgeoisie, recognizing the class nature of this new group. But he was unable to take the theoretical step necessary to reach a more general and effectively historical vision of this class in contemporary society.

2. The Acknowledgement of the New Class

Nevertheless, Poulantzas' analysis represents a significant advance in the study of the new class - an analysis that began with Rizzi (1939), Burnham (1941), Castoriadis (1949) and Wright Mills (1951). Another contribution came from Paul Sweezy. He was one of the first to denounce "the illusion of the managerial revolution" (1942), but in The Post-Revolutionary Society he adopted a more realistic position. In this book, where he acknowledges the existence of a new dominant class in the Soviet Union, based on control of the state organization (1980: 147), Sweezy does not make the theoretical link to a corresponding new technobureaucratic middle class in the capitalist countries. Yet it is obvious that once the emergence of a new class is recognized in keeping with of its control of public organization in state societies, there is no reason to deny the existence of a new technobureaucratic middle class in capitalist societies, partially controlling public and private bureaucratic organizations.

In reality, the standard Marxist position which ignores indications of the emergence of the technobureaucratic class seems to be nearing its end. The weight of the evidence finally seems to be prevailing over the orthodox belief that the alternative to the bourgeoisie is the proletariat. An expression of this fact is Val Burris' article "Capital Accumulation and the Rise of the New Middle Class" (1980). He begins his analysis with an implicit critique of Poulantzas, stating that:

> "unlike intermediate groups, such as the petty bourgeoisie, this new middle class does not exist as the receding periphery of capitalist production, but emerges within the very center of capitalist economic relations" (1980: 18).

Given that Val Burris recognizes the existence of a new middle class, to be consistent he should also admit the emergence of new relations of production and consequently a new mode of production. He does observe that the relations of production are different. Taking the same direction indicated by Poulantzas (1974) and Erick Olin Wright (1978), he affirms that the new middle class does not have economically own but rather possesses the means of production, thus occupying a "contradictory location within class relations" (Burris, 1980: 19).

Along these same lines, Harry Braverman, who studied with Baran and Sweezy, has explicitly acknowledged the existence of the new middle class

which occupies an intermediary position between the bourgeoisie and the workers in the process of capital accumulation:

> "This 'new middle class' occupies its intermediate position not because it is outside the process of increasing capital, but because, as a part of this process, it takes its characteristics from both sides." (1974: 407).

Donald Stabile is another Marxist who has already accepted the new middle class that we are calling the technobureaucracy to be a fact. For him:

> "members of the New Class are viewed as sharing a common relationship to the means of production - lack of ownership - with the result that they can be exploited. But members of the New Class have widely differing amounts of control over production." (1983: 69).

Through a process of negation, Stabile, like Val Burris, comes close to defining new relations of production. However his major concern is to show that though this new class shares a common ideology - "scientific professionalism, the promotion of efficiency", it tends to be divided politically, based on an internal split between technocrats and intellectuals.

CHAPTER 19
PRODUCTIVE AND UNPRODUCTIVE LABOR

The distinction between productive and unproductive labor was not developed by Adam Smith and Marx to define the class system. Rather, it was used to describe the rise of capitalism in England. Poulantzas, however, sought to utilize these two concepts in order to define a new class - the new petty bourgeoisie. Capitalists would be the owners of the means of production; the working class, blue-collar employees, the productive workers; and the new class, the new petty bourgeoisie, the unproductive workers. In this chapter I will discuss this attempt, showing that the categories of productive and unproductive labor, not only do not help in the characterization of social classes, but have also lost their usefulness for helping to understand contemporary capitalism. They were important for the analysis of the rise of capitalism, but today, as practically all labor is subjected to capital and produces surplus value, the distinction has lost its historical relevance.

1. Poulantzas' Attempt

Poulantzas used the categories of productive and unproductive labor to distinguish the new class from the working class and the bourgeoisie. Its differentiation from the capitalist class is obvious. The new class does not form part of the bourgeoisie because it does not own the mean of production. Differentiating it from the working class is more difficult, particularly if one does not make a distinction between wages and salaries. Poulantzas observes that the members of the working class and the new class are wages-earners, but, based on Marx, he adds:

> "... if every agent belonging to the working class is a wage earner, this does not necessarily means that every wage-earner belongs to the working class. The working class is not defined by a simple and intrinsic negative criterion, its exclusion from the relations of ownership, but by productive labor". (1974: 210).

In this way, the new petty bourgeoisie would be made up of wage-earning unproductive workers.

Then Poulantzas goes on to make an extensive revision of Marx's concepts concerning productive labor. The objective is to give a theoretical ground to the new class. He obviously encounters enormous difficulties. The most serious problem is that engineers and technical experts perform productive labor, according to Marx. If we follow the general principle that all productive workers are blue-collar workers, then those engineers and technical experts

should form part of the working class. On the other hand, a garbage collector, performing non-productive labor, would not be a member of the working class.

Poulantzas tries to solve the first problem by stating that engineers and technical experts do not belong to the working class since they perform intellectual labor, subordinating workers to capital:

> "If they do not as a group belong to the working class, this is because in their place within the social division of labor, they maintain political and ideological relations of subordination of the working class to capital (the division of mental and manual labor), and because this aspect of their class determination is the dominant one" (1974: 242).

The problem is solved indirectly for Poulantzas, as for Marxists in general, by amplifying the concept of productive labor so that it will include practically all manual laborers.

On the other hand, Poulantzas reexamines the distinction between manual and intellectual labor. After looking at the difficulties inherent to the concept, he comes to a conclusion that deprives the distinction between the two types of labor of all meaning in determining class position. Quoting Gramsci, according to whom, "the worker or the proletarian, for example, is not specifically characterized by his manual or instrumental work, bu by performing this work in specific conditions and in specific social relations" (Gramsci, 1934: 8), Poulantzas concludes that the distinction between these two types of workers is useless in defining the working class, since there are manual workers who do not or would not belong to the working class (1974: 254).

2. The Classical View

This is not the place to review the extensive discussion concerning productive and unproductive labor.[77] This of all meaning was a fundamental concept in economic theory from the physiocrats up until Marx. It was later abandoned by the neoclassical economists who did not consider it to be a useful concept since they viewed all labor which has a positive marginal output and receives corresponding remuneration to be productive. Actually the concept of productive labor is only meaningful to those economists who seek to place Political Economies within a historical context. This concept is becoming less

[77] This question, that had been almost forgotten by Marxist economists, was retrieved by Paul Baran (1957), Joseph Gillman (1957), E.Altvater and Freerkhuisen (1970), Pierre Salama (1978), E.K.Hunt (1979), Paul Singer (1981). Hunt's paper includes an extensive bibliography.

relevant in contemporary capitalism, where all labor, including services, is subordinated to capital, but it continues to be essential in historically distinguishing pre-capitalism and mercantile capitalism from industrial capitalism. It is very helpful in defining the conditions in which the specifically capitalist mode of production arises.

The distinction between productive and unproductive labor has never been clear since this concept contains elements which assign both value and particular characteristics to relations of production. It is true that Marx states that productive labor is not labor which is useful but rather labor which produces surplus value, emphasizing the relations of production aspect. Yet it is certain that Marx as well as the physiocrats and Adam Smith understood productive labor in a general sense as that which produces wealth, and it is difficult to escape a value biased concept of wealth. Thus once one understands what wealth is, the concept of productive labor will be defined. The concept of wealth however, is as difficult as that of productive labor.

For the physiocrats, as expressed by Quesnay:

> "the productive class is the one that cultivating the land causes the rebirth of the annual wealth of the nations" (1766: 45-46).

In an agricultural country such as France in the middle of the eighteenth century, only agriculture produced wealth. Smith amplified this concept decisively, not only because he included industrial production within productive labor, but also because he perceived that productive labor is that which produces surplus, that which adds value to the goods produced:

> "There is a type of labor which adds value to the object upon which it is applied; there is another which does not have that effect. The first, since it produces value can be called productive; the second, unproductive labor" (1776: vol.1, p.294).

Smith was already clear then that productive labor was not the same as useful labor. In referring to the labor of a sovereign and his civil and military personnel, he states:

> "His service, however honorable, useful or necessary, produces nothing which can later be exchanged for an equal quantity of service" (1776: 295).

Thus, productive labor is that which produces exchange value. It is that work which produces wealth with which the capitalist pays wages and accumulates capital. Productive laborers are, therefore, maintained by their own labor, whereas "unproductive laborers, as well as those who do not work are maintained by revenues" (1776: 297), that is, by rents and profits received by landowners and capitalists.

So it was reasonably clear to Smith that the concept of productive labor was fundamentally related to the advance of capitalism, with the generalization of labor which produces exchange value. Smith considered wealth to be the production of exchange value within the framework of the capitalist system. The wealth of nations would depend on the proportion of productive workers (that is, those submitted to capital) in a society. Malthus, as Marx underlines (1864: 240), is more direct. He simply state that the productive worker is the person who, in addition to producing his own wages, also produces profit for the capitalist. In his words:

> "The productive laborers at the same time that they obtain wealth, and the means of accumulation for themselves, furnish a large surplus to that other most important class of society which lives upon the profits of capital." (1836: 41).

3. Marx's View

Marx continues with and deepens this line of reasoning. Rather than debating the issue of productive labor in abstract or philosophical terms, Marx is consistent with his historical method, defining wealth within the framework of the capitalist system. Wealth, therefore, is the production of commodities with exchange value, or more specifically, it is the surplus value realized by the capitalist; labor surplus value is the increase of the capitalist's wealth; it is the basis for the accumulation of capital. Thus productive labor is simply that which produces surplus value. Marx is quite clear on this point:

> "Productive labor, in terms of capitalist production, is that wage labor which, exchanged against the variable portion of capital, reproduces not only this portion of capital (or the value of its own labor power) but which, in addition, produces surplus value for the capitalist. Only that wage labor which produces capital is productive" (1862: 152).

Unproductive labor, on the other hand, would be that which is exchanged against revenue, rather than variable capital. Marx is also very clear on this point. The most typical type of unproductive labor would be that performed by domestic servants. While of use to the master, it does not produce surplus value; it is outside the sphere of capitalist relations. It is not exchanged for capital, but rather for revenue produced by capital, and even for wages. In Marx's words:

> "This also establishes in absolute terms what unproductive labor is. It is labor which is not exchanged against capital, but directly for revenue, that is, wages or profits (which naturally includes the various categories of those who participate as partners in capitalist profit, in terms of interest rent" (1862: 157).

In conceptualizing productive and unproductive labor, drawing upon the classical economists, Marx had one fundamental objective: to analyze the

development of capital and the increasing domain of the capitalist mode of production. The advance of productive labor was the actually advance of capitalist relations of production. Thus he states, again in Theories of Surplus Value, that:

> "these definitions are not derived from the material characteristics of labor (nor in the nature of its output nor the specific nature of labor as concrete labor), but rather in a defined social form, the social relations of production within which labor is realized" (1862: 157).

Also in The Sixth Unpublished Chapter of Capital, Marx emphasizes the transition from the formal subsumption of labor to capital to the real subsumption of labor to capital, the change from speculative, mercantile capitalism to productive, industrial capitalism. He develops the concepts of productive and unproductive labor to study this transition. It is not a coincidence that on the three occasions in which Marx looks at this question, his fundamental concern is to distinguish industrial capital from mercantile capital, production from circulation.[78]

Nevertheless, Marx had another objective in utilizing the concepts of productive and unproductive labor, aside from describing the advance of industrial over mercantile capitalism and the expansion of the production of surplus value. He also wanted to use these categories to distinguish the realm of production from that of circulation. Though fundamental to Marxist thought, much confusion surrounds this distinction. There is no question that the root of the matter is that surplus value is created within the realm of production, not of circulation. Yet what is the realm of production?

It is reasonable to say that the mere exchange of commodities does not produce surplus. Yet when a merchant, employing wage workers adds use value and exchange value to a commodity, storing it, transporting it and making it available to consumers, why do we not consider this labor to be producing surplus value and consequently to be productive labor? In another light, all services which help to produce material goods are commodities like any other. Yet there are passages in Marx in which sales and service in general are considered to be unproductive.[79] These inconsistencies are most likely explained

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[78] Marx studies this question in: Item 6 in The Sixth Unpublished Chapter of Capital, "The Two Historical Phases of the Development of Capitalist Production"; Chapter VI in Volume II of Capital, "The Costs of Circulation"; and Chapter IV of Theories of Surplus Value, where Marx contrasts his theory with that of Adam Smith and the mercantilists.

[79] See Paul Singer (1981) and Hunt (1979) on this question. Though a Marxist, the latter points out the inconsistencies in Marx's discussion of this issue.

by the fact that at the time Marx was writing, the service sector had little economic significance and was largely outside the realm of capitalism. Commerce, on the other hand, was closely tied to speculative, mercantile capital. The key historical question for Marx was to distinguish industrial capital, which is productive and creates surplus value, from speculative, mercantile capital in which profit originates from selling merchandise for a price that is different from its value. The concepts of productive and unproductive labor are useful in making this distinction.

Marx had a third objective which only appears in certain passages, yet is undeniable. He uses these categories to suggest the superiority of socialism, where there would be no unproductive labor, over capitalism. In this perspective, he abandons the use of the two concepts in order to analyze the emergence of industrial capitalism and seeks to apply them to all modes of production. The implication is that, as humanity moves to more advanced modes of production, the proportion of labor which is unproductive, which does not produce wealth, diminishes. Paul Baran (1957, Chapter II) especially emphasizes this aspects of Marx's theory. It is clearly a subsidiary aspect of the question, concerned with ideology.

4. Productive Labor and the Service Industry

The concepts of productive and unproductive labor were useful for Marx's analysis of the emergence of capitalism. But from the perspective of contemporary capitalism, where capital has penetrated practically all areas of society, this distinction has lost most of its meaning. In the days of the physiocrats, of Smith and even of Marx, the advance of capitalism was the decisive historical event, eliminating the vestiges of feudal and peasant formations as well as mercantile capitalism. As such, it was important to define productive labor as that which produced surplus value, distinguishing it from mercantile capital. The latter appropriates surplus through processes of primitive accumulation. Speculative mercantile profit is achieved through the merchant's monopolistic power. It is this power, traditionally tied to long-distance trade, that makes him able to sell his goods for prices which are higher than their respective values. In the case of industrial capital, the process by which surplus is appropriated is entirely different. Surplus value is the result of an exchange of equivalent values, in which capitalists exchange their commodities for labor power sold "freely" as a commodity by the workers, in accordance with their respective values. Once the capitalist has exhausted absolute surplus value as a resource, that is, the lengthening of the workday and the acceleration of the pace of labor, he has no other alternative but to try to realize relative surplus value,

increasing labor productivity by accumulating capital and incorporating technical progress.

Thus it was necessary to distinguish not only pre-capitalist but also mercantile forms of organization of production from the specifically capitalist mode of production. The notions of productive and unproductive labor helped in this job. Today, however, when almost all labor produces surplus value, this distinction is no longer so decisive. Services (which correspond to about 60% of the national product in developed countries) also produce surplus value. This is not only because wage workers are employed and because the capitalist who employs them realizes a profit, but also because, in fact, these workers are adding value to commodities through the utilization of sophisticated techniques and equipment, because productivity is a central concern. The capitalist in modern services is not realizing old mercantile profit, but rather surplus value.

In Volume II of Capital where Marx differentiates between production and circulation, he states that the merchant

> "performs a necessary function because the reproduction process itself includes unproductive functions. He works as well as the next man, but the content of his labour creates neither value nor products. He is himself part of the faux frais of production." (1885: 209)

This position was already difficult to accept in Marx's time. It has become clearly unacceptable in contemporary capitalism where services have not only taken on an extraordinary importance, but have also been absorbed by productive capital, in that their concern is to extract relative surplus value from their workers through the incorporation of technical progress.

In fact, to insist on the importance of the question of productive versus unproductive labor and to tie unproductive labor to the service industry is to ignore the most distinctive characteristic of service industry in technobureaucratic capitalism: the generalization of large-scale capital in the service industry, using highly sophisticated technology. This phenomenon may be observed in department stores, supermarkets, shopping centers, restaurants, fast food and institutional food facilities, entertainment businesses, hospital and health care, insurance and education. Large-scale capital has decisively penetrated these areas, either serving the public directly or through contracts with the state. They employ thousands and thousands of workers. In the United States, for example, not only has the service industry increased at a much higher rate, but it has also increased in absolute volume as compared to the industrial sector. As a result, it no longer makes sense to consider these workers unproductive or to consider their respective capitalists merely as beneficiaries of the circulation of surplus value realized in the production of material goods.

When Adam Smith developed the concept of productive labor, he was concerned with the causes of the wealth of nations. The proportion of productive workers existing in a given society was one of these causes. However, if today we insist in limiting the concept of productive labor to that which produces material goods, we will have to invert the original proposition, affirming that the greater the proportion of productive workers, the less developed the productive forces.

Yet even in terms of the concept of productive labor proposed by Marx, this distinction is not useful in differentiating social classes, and even less so in differentiating between the working class and the new petty bourgeoisie, that is, the technobureaucracy, as Poulantzas tries to do. It is debatable that Marx sought to define the working class through the use of this concept. In The Sixth Unpublished Chapter of Capital, Marx expressly includes directors, engineers, technical experts and supervisors as productive workers. The are considered part of collective labor to the extent that in the specifically capitalist mode of production, the real lever in the labor process is increasingly not the individual worker, but the collective worker. It is the collective worker that is responsible for producing commodities. Some work better with their hands, others with their heads, one as a manager, engineer, technician, the other as overseer, the third as manual laborer or even drudge. An ever increasing number of types of labor are included in the concept of collective labor, and those who perform it are classified as productive workers, workers directly exploited by capital and subordinated to its process of production and expansion.

Poulantzas's solution to this problem is to state that even though they are productive workers, technical experts cannot be considered members of the working class because capital subordinates workers. This is really no solution at all. If technobureaucrats as a whole, or at least some of them, are productive workers, it is clear that this concept cannot be used to differentiate the new petty bourgeoisie from the working class.

On the other hand, if we broaden the concept of productive work to include sales and services in general within a capitalist framework, it is apparent that the categories of productive and unproductive are useless in defining social class, despite Poulantzas' efforts. Yet if Marx considers that "... the capitalist performs a productive function. It consists in the direction and exploitation of productive labour" (1864: 1048), it becomes obvious that it is not with these categories (which he developed especially to demonstrate the move from mercantile, speculative capital to industrial capital), that we can distinguish workers from technobureaucrats or define the working class in contemporary capitalism.

CHAPTER 20
COORDENATIVE AND OPERATIVE LABOR

In the last chapter, we saw that productive and unproductive labor are not useful as categories to distinguish between the working class and the technobureaucracy, since in technobureaucratic capitalism practically all workers, including technobureaucrats, have become "productive", i.e., are subject to the logic of capital and produce surplus value. However the same cannot be said for the categories manual labor and intellectual labor. In the conventional Marxist tradition, only productive manual workers belong to the working class in the strict sense. Thus we could conclude that productive manual workers make up the working class, whereas those productive (and also unproductive workers) who perform intellectual labor would be technobureaucrats. But this apparently obvious solution is also unsatisfactory because it is not grounded in history. Manual and intellectual labor are not historical categories, but are just descriptive categories. Rather than contrasting intellectual versus manual labor or productive versus unproductive labor, I propose that we look at the distinction between "coordinative" labor, performed by technobureaucrats, and "operative" labor, performed by workers.

1. Manual and Intellectual Labor

The distinction between manual and intellectual labor has been fundamental since the beginnings of history. It cuts across the whole history of mankind. Exactly for that reason it is not a historical category that helps to understand historical change. Long before capitalism, this dichotomy was a basic one in differentiating the dominant from the dominated class in each mode of production. While it is difficult to say that the dominant class always exercised strictly intellectual functions, it is clear that the political, religious, administrative and military activities carried out by the dominant class were of a more intellectual than manual nature. Classes were defined by their participation in the relations of production, yet this implies that manual labor will be reserved for the dominated class, intellectual labor for the dominant class.

Rather than say that intellectuals are members of the dominant class, it is more precise to say that they are assistants or consultant to the dominant class. Gramsci's theory of the organic intellectual shows the clearest understanding of this point. He considered intellectuals to be "commissioners" of the dominant group which carry out functions of social hegemony and political governance (1934: 12). Intellectuals are part of civil society, directly responsible for articulating ideological hegemony. The legal and police systems also fall in his

traditional realm. They have an increasing role in organizing production, as technobureaucrats. In statism, they directly assume responsibility for domination. Intellectuals include mainly philosophers, scientists, clergy, and educators, as well as public officers, judges, managers and technical experts. Businessmen, entrepreneurs and independent professionals should also be considered as performing intellectual labor.

This large spectrum indicates the fundamental limitation of the categories of manual and intellectual labor. Employing this term in the broad sense, intellectuals exists in all modes of production. In addition, within each mode of production, we see intellectuals belonging to various classes. The entrepreneur is bourgeois; the independent professional, petty bourgeois; the bureaucrat, a technobureaucrat. There is no reason not to consider certain highly skilled workers or those with strong political consciousness to be intellectuals.

These facts limit decisively the utility of the concept under consideration. Although we know that socialism will be attained only when the distinction between manual and intellectual labor fades out, and that the gap between the two types of labor is fundamental in any society, we must admit that this concept only has a limited role to play in understanding history to the extent that it goes beyond the relations of production.

On the other hand, this distinction is quite relative, allowing for a considerable grey are between the two categories. We could say that intellectual labor implies greater mental exertion, whereas manual labor implies greater physical exertion. Yet there is no labor which does not involve some degree of mental activity, and, on the other hand, that some operative workers merely push buttons or turn levers, exerting less physical force and perhaps less mental effort than office clerks do with pens, typewriters and calculators.

Gramsci understood this when he warned against the error of looking for certain qualities intrinsic to intellectuals rather than looking at their participation in the relations of production:

> "The most widespread error of method seems to be that of having looked for this criterion of distinction in the intrinsic nature of intellectual activities, rather than the ensemble of the system of relations in which theses activities (an therefore the intellectual groups who personify them) have their place within the general complex of social relations". (1934: 8)

Thus what is essential in defining a class is its participation in the relations of production. Carrying out intellectual activity does not identify ones class position, though it may give some indication. This is not only true because it is difficult to distinguish between manual and intellectual labor, but also, and more importantly, because intellectual labor may be carried out by and for different dominant classes.

2. Coordinative and Operative Labor

I propose to use the categories of coordinative/operative labor as an alternative to those of productive/unproductive labor. These categories are specific to the technobureaucratic mode of production. They make it possible to make a clear distinction between the working and the technobureaucratic class not only in statism but also in technobureaucratic capitalism. The advance of technobureaucratic relations of production in contemporary capitalism may be better understood using these categories.

A basic assumption behind this argument is that organic intellectuals, as defined by Gramsci, have increased so much both in number and power as bureaucratic organizations have multiplied and become the basic structure of production, that they have become a class in themselves. Gramsci observed that "in the modern world the category of intellectuals, understood in this sense, has undergone an unprecedented expansion" (1934: 13). However he considered them to be the organic intellectuals of the bourgeoisie. Gramsci gave considerable importance to intellectuals and was, in fact, the first great Marxist to do so. Though he never stated this, perhaps he realized that intellectuals were gaining critical mass, conscious of their own interests and taking on the status of a class within a new emerging mode of production. As long as the bourgeoisie continued to be the dominant class, intellectuals could continue to be an organic part of the bourgeoisie. Yet this organic quality is one of degree.[80] For many technobureaucrats, who are the particular sort of intellectuals of interest here, this organic nature is total, while for others it is dubious. The allegiance of bureaucrats to the capitalist class is a decreasing function of their emergence as an autonomous class. We are witnessing the appearance of an increasing number of intellectuals who are decidedly hostile to the bourgeoisie, even though they have no other alternative but to serve this class in varying degrees, working as technobureaucrats for the state and for private business enterprises.

In order to establish a clear distinction between technobureaucrats and workers, the concepts of coordinative and operative work are fundamental. The technobureaucrat performs coordinative labor, the worker operative labor. Coordinative labor is that which creates, manages, or helps to manage the organization; operative labor is that which makes the organization function on the level of mechanical or manual activities in agriculture, industry and services. As with capitalism, in which productive labor creates surplus value under the capitalist's direction, with statism, both coordinative and operative labor create

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[80] According to Gramsci, "it should be possible to measure the ‘organic’ quality (organicité) of the various intellectual strata and their degree of connection with a fundamental social social group..." (1934: 12)

and expand the organization as well as assure the production of a surplus. One cannot point to operative or coordinative alone as that which creates the organization, since both are intrinsically bound together. Together they produce the bureaucratic organization, and together they collaborate to produce surplus.

Marx was aware of this kind of interaction when he talked about the collective worker, including managers, engineers and technical experts in this category. He was still thinking in terms of the capitalist system, yet it is clear that a new mode of production originates through this process. Marx recognized this fact when he talked about the joint-stock companies, an advanced form of capitalism and a prime example of how the collective worker functions. In describing these companies, he states that though they "still remain trapped within the capitalist barriers" they are

> "the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-abolishing contradiction, which presents itself prima facie as a mere point of transition to a new form of production." (1894: 571 and 569).

Coordinative labor ranges from the executive manager of the bureaucratic organization to the office clerks. Managers, engineers, technical experts, consultants, supervisors, accountants and functionaries on all levels share the work of coordination. They are high, middle and low level technobureaucrats. On the other hand, those workers whose labor only deals with production tasks for goods or services are operative workers. They do not coordinate; they operate. They could be defined in terms of the positive aspect of directly realizing the operations essential to production, or negatively by the absence of coordination tasks. Perhaps this negative criterion is the fundamental one, since coordinative workers collaborate in production, although indirectly, whereas operative workers do not collaborate, even indirectly, in the coordination of production.

The concept of operative labor is a broad one. It includes traditional production workers, as well as a variety of activities not precisely characterized in terms of production, such as cleaners or trash collectors. Operative workers are also those who work in mass transit, water companies, sewer maintenance, those who perform manual labor in health care and entertainment or who stock shelves and bone meat in the supermarket.

Naturally there are still grey areas. Teachers perform certain coordinative tasks, yet are still workers. Salesmen could be considered technobureaucrats because they carry out coordinative activity between the supplier and the buyer, yet at the same time, especially in commercial retail operations, they are the ones who carry out the suppliers' operations par excellence.

These large grey areas concerning the work of the low-level technobureaucracy and the working class exist by virtue of the very nature of the technobureaucratic relation of production. The technobureaucrat is a coordinative worker who has a theoretical share of ownership of the bureaucratic organization. His coordinative labor is precisely the exercise of this ownership, expressed directly in terms of power within the bureaucratic organization and indirectly in terms of control over the means of production held by a given bureaucratic organization. However, a low level technobureaucrat has only very limited power and as such, his coordinative labor is difficult to distinguish from his operative labor.

These concepts are useful in helping to define socialism. Socialism will only exist when the difference between coordinative and operative labor disappears, when the functions of production and coordination are rotated.

2 Two or Three Classes?

In pure capitalism, there are two social classes: the bourgeoisie and the working class; in statism, there are also two classes: the technobureaucracy and the working, or more specifically the operative, class. There is considerable overlap between the working class of capitalism and the operative class of statism. In transitional formations such as technobureaucratic capitalism, they are indistinguishable. If we broaden the concept of productive labor, then productive manual workers correspond to operative workers. Yet it is important to maintain the distinction, because capitalists and workers participate in relations of production which are distinct from those of technobureaucrats and operative workers.

The social distance between technobureaucrats and operative workers is much less than that between capitalists and workers. The capitalist is the owner of the means of production in both legal and real terms; the technobureaucrat has ownership of the organization, yet in varying degrees and with no guarantees for continuity. The capitalist has the right to ownership whereas the technobureaucrat has only the exercise of ownership. On the other hand, a capitalist may be inactive, living off an income, an idler, a rentier. In contrast, the technobureaucrat must work in order to live. Technobureaucrats only stop working when they retire, a characteristic they share with the operative workers.

In technobureaucratic capitalism, to the extent that it is a transitional social formation, there are three classes: the bourgeoisie, technobureaucracy and workers. The bourgeoisie is constituted by those who own the means of

production; the technobureaucracy shares this ownership with the bourgeoisie to the extent that they both control private and state bureaucratic organizations. They are the coordinative workers. The working class is made up of productive manual laborers, if our definition is more in terms of capitalism, or by operative workers, if we choose to define them in terms of the new emerging mode of production.

Within these three classes, there are high, middle and low strata. Whereas the upper technobureaucracy's interests are much the same as those of the bourgeoisie, the lower technobureaucracy is equally or more exploited than the operative class. The upper bourgeoisie extracts surplus value from workers and from the lower technobureaucracy, while the upper-level technobureaucrats extract high salaries.

This fact, however, should not obscure the identity of the technobureaucracy. Like any other class, it is divided into fractions and strata, making a variety of alliances. Yet it maintains a determined form of participation in the relations of production which distinguishes it from other classes and gives it a particular historical destiny. We have already discussed the tendency of several Marxist analysts to confuse the lower and even middle techno-bureaucracy with the working class, obviously as an attempt to increase the latter's numbers. While in many aspects, equating these two classes is justifiable, the equation of the middle layer of technobureaucrats, who constitute the core of this new class, with the working class is unacceptable. On the other hand, though it is essential to distinguish the upper technobureaucracy from the upper bourgeoisie, it is also necessary to admit their similarities in two respects. First of all, upper technobureaucrats receive such high salaries that soon they become owners and consequently members of the bourgeoisie. Second, when they manage large private organizations and also the state apparatus, they become so close to the upper bourgeoisie, maintaining such direct contact, that the association of interests between the two tends to become quite strong. Nevertheless, these two classes should not be confused. In technobureaucratic capitalism, this relation is a continuously contradictory one of cooperation and conflict. In certain circumstances, conflict prevails, in others, cooperation, the latter often taking on the character of an intimate association between the bourgeoisie and the upper technobureaucracy.

CHAPTER 21
TECHNOBUREAUCRATIC IDEOLOGY

If the technobureaucracy constitutes a new class in contemporary capitalism, if a new relation of production - the organization - has emerged, side by side with capital, and defined a new social class, this class must have a corresponding ideology. More broadly, consistent with the new technobureaucratic class and in conjunction with the traditional capitalist, liberal, individualistic culture and ideology, there must exist a technobureaucratic cultural system.

Culture is the product of all human activity, the product of work, of art and of the intelligence of men and women in every moment throughout the ages. Culture embraces the economic, political, recreational, artistic, scientific, religious and ideological activities of society. The culture of modern industrial society is basically a capitalistic culture, but, to a great extent, is also a technobureaucratic culture. Actually, it is a capitalist-technobureaucratic culture. It is not only the economic system, based on big corporations and a powerful regulating state apparatus, that has assumed technobureaucratic characteristics, nor is it only the political system that can no longer be understood without considering the role of technobureaucrats. To the extent that today the new technobureaucratic middle class has a decisive role in economic, social, political and cultural affairs, society as a whole is no longer purely capitalist, but is also technobureaucratic. Beliefs, values, art and entertainment in contemporary technobureaucratic capitalism have gained clear technobureaucratic connotations.

Technobureaucratism represents the crystallization of rationalistic ideas and actions which define the modern world. It is the sum total of the whole technological, economic and social revolution which has been taking place throughout the world since the Commercial Revolution and especially since the Industrial Revolution within the framework of an utilitarian rationalism. In the words of Theodore Roszak:

> By the technocracy, I mean that social form in which an industrial society reaches the peak of its organizational integration. It is the ideal men usually have in mind when they speak of modernizing, up-dating, rationalizing, planning (l969: 5).

Understood in these terms, statism or technobureaucratism is an essential part of modern civilization. Although essentially dynamic, since it is based on technological development, it is also identified with the status quo, with the preservation and culmination of the existing culture, be it predominantly capitalist, as in almost the whole world today, or predominantly statist, as in the Soviet and Chinese models. In prior chapters, we have looked at the emergence of a new social class - technobureaucracy - and of a new mode of production -

technobureaucratism. In this chapter, we will look at the ideology which naturally serves to legitimate the corresponding social relations of production.

1. The "End of the Ideology" Proposal

The first postulate of technobureaucratic ideology is that it, is not in fact, ideological. In the second half of the twentieth century we should have finally reached the end of the era of ideology. Ideologies of both the left and the right no longer make sense as they lack scientific and technical bases. There is no reason, the technobureaucrats say, for us to waste time in sterile argument about ideologies. Ideologies, whatever they may be - liberalism or interventionism, nationalism or colonialism, totalitarianism, spiritualism, egalitarianism, fascism - are all emotional and irrational, manifesting interests and passions. They are neither scientific nor technically based.

The technobureaucrats say that this kind of political behavior is no longer feasible. Today the advances of science and technology are so great that it is possible to govern nations according to scientific and technical criteria. These are not enough, according to pragmatic criteria. Ideologically neutral technical experts, utilizing exclusively technical and scientific criteria, quantitatively demonstrated whenever possible, are at our disposal to assist in making decisions. Governing is not a political question; it is a technical one. It is the rational and precise analysis of economic and social problems, using available technical expertise to tell us what we should do. To discuss, for example, whether we should distribute more or less of the national revenue, whether there should be more or less freedom, whether some particular economic activity should be managed by the state or by private ownership, whether the vote should be by district or not, whether the currency should be devaluated, if the arts should receive more or less financial support, whether education should this direction or that direction - all these problems can be resolved according to technical criteria.

Well aware of the capacity of the historical Marxist method for unmasking ideologies, technobureaucrats very cleverly maintain that they have no ideology. However, it is obvious that this position is untenable. Its foundations are as much or more ideological as any other. The simple affirmation that any political problem can and should be technically resolved is in itself an ideological proposition. Affirming that we have reached the end of ideology is eminently ideological. Finally, what criteria will technobureaucrats adopt to make their technical decisions? Is it their intention to make decisions without taking values and objectives into consideration? Obviously this is not

the case. So it is important for us to determine the fundamentals of technobureaucratic ideology.

2. Rationalism

One of the reasons that technobureaucrats have attained some degree of success in their attempts to be viewed as neutral, as well as in their efforts to show that ideology has come to an end is the fact that technobureaucratic ideology is extraordinarily widespread. It pervades all sectors of modern life. It adapts itself to the old ideologies in conflict, blends with them and permeates them. Moreover, it coopts them. Unwittingly, both capitalists and communists, the old left and the conservatives have become victims or defenders of technobureaucratic ideology (the difference is unimportant). It is so widespread, so pervasive, the values of modern industrial society having reached such a degree of consensus in nations that are developed or underdeveloped, capitalist or communist, eastern or western, that technobureaucratic ideology almost escapes notice.

Yet a slightly more careful analysis of the question begins to unmask this ideology. This will only be possible if we also approach it critically. It will be very difficult to recognize technocratic ideology if criteria are not available which enable us to analyze the question from the outside.

Technobureaucratic ideology is first and foremost rationalistic. It is the fruit of rationalism, its most perfect expression, its fully developed form. So it behooves us to define our understanding of rationalism.

Rationalism is the dominant ideology of the modern world. It has its origins in the Greek philosophy of Aristotle, but finds its first and greatest spokesman in Descartes. Starting with this French philosopher at the beginning of the seventeenth century, almost all the great philosophies until the end of the nineteenth century have been rationalist. Bacon, Hobbes, Hume or Locke in England, Spinoza in Holland, Descartes, Rousseau, Voltaire or Comte in France, Kant, Hegel, Marx or Weber, in Germany, William James in the United States, all share a rationalist vision of the world.

Rationalism is the philosophy which places reason as the only legitimation of knowledge. It is opposed to tradition and revelation as other possible sources of knowledge. Beyond believing that everything can be understood, that the world's mysteries can be solved through the use of human reason, through research and scientific analysis, rationalism places its hope for the world in the development of human reason. We cannot make an extensive

analysis of rationalism. It is sufficient to bear in mind that it is intimately related to the emergence of the bourgeoisie and capitalist system in the modern world. Since capitalism is a more rational social system than feudalism, it needed the legitimation of rationalist ideologies, such as liberalism and individualism, to become dominant.

Capitalism is more rational, to the extent that, following Max Weber, we conceive of a rational act as a deliberate act, aimed at a defined objective and adopting adequate means to obtain that objective. In these terms, commercial capitalism, that emerged in the sixteenth century, is much more rational than the feudal system, as it defines profit as the goal to be reached by deliberate economic activity. Industrial capitalism in turn, represents progress in relation to commercial capitalism. It defines productivity or technological progress, to be achieved in the market, as the most adequate, most rational means for attaining the goal of maximizing profit. That is why the great ideologists of capitalism, from Adam Smith to the great nineteenth century liberal thinkers like Stuart Mill and Tocqueville, were all rationalists.

But Marx's critique is also eminently rational. The socialism proposed by Marx takes its legitimation from the fact that it intends to be even more rational than industrial capitalism. The fact that socialism would be more egalitarian, more just, is not the basic reason for socialism being more rational. It is more rational mainly because it is more efficient , because the basic objective is no longer profit but maximum production. And the basic criteria for obtaining this maximum production is efficiency through rational, well-organized administration and planning, rather than market competition which is often chaotic and irrational.

3. Efficientism

Although defined by philosophers, the origins of rationalism are basically economic. Rationalism derived from the need to legitimize modern capitalist society, as opposed to traditional society. In technobureaucratic capitalism, it has assumed a decisive ideological role in an efficientist or utilitarian form. The basis of contemporary rationalism is essentially utilitarian and economic. Something is rational if it is economic, and it is economic if it is efficient.

The utilitarianism which is characteristic of technobureaucratic rationalism is clearly evidenced by the basic political goal of technobureaucratism: efficiency. The first and most important objective of the bureaucratic system is economic efficiency, the maximization of results in

relation to the productive resources employed, increased productivity from workers, managers, machines and natural resources. For the technobureaucrat, a rational act is synonymous with an efficient one. If a rational act is that which is consistent with the goals to be attained and an efficient act is that which maximizes results in relation to a determined effort, then a rational act and an efficient act are synonymous with technobureaucratic ideology. The criterion for the rationality of an action is in its economic efficiency, its utility.

This belief is so deeply rooted in modern society that it is difficult to imagine another concept of rationality. Economic efficiency, the maximization of the production of goods and services, given a limited quantity of productive resources, sums up the modern world's entire aspiration to rationality and expresses its materialistic meaning. In practice, economic objectives are placed above all others. It is difficult for the common man and particularly for the technobureaucrat, to imagine any other values exist which perhaps might be more important, such as liberty, love, beauty, truth, justice and personal fulfillment.

The key criterion for bureaucratic activity is efficiency. The goal of every action is improved efficiency or productivity, is economic development, or an increase in per capita production. It does not matter if the resulting income is distributed more or less justly. Income distribution is only significant to the extent that it contributes to economic growth. In these terms, an egalitarian distribution of income may eventually prove inefficient and will thus be rejected. In the same way, an excessive concentration of income will make the creation of a domestic market difficult, and so is also undesirable. For each economic or social situation, there should be an optimal distribution, that is to say, an efficient distribution of income which permits the maximum rate of economic growth.

4. Subordinated Values

This does not mean that the technobureaucratic ideology of modern industrial societies does not allow for other values. They are recognized, but only as subordinate to efficiency and economic development. However this subordination is not made explicit. The technobureaucrats hate discussing values. They are pragmatic, defining themselves as such (Bresser-Pereira, 1989). A dread of ideologies constitutes part of their own ideology. Yet in a subtle and typically technobureaucratic manner, without ever affirming that one set of values is more important than another they make them all dependent upon efficiency and economic development. The method is simple. It is summed up

by stating that all other political aims which mankind might choose to attain depend on economic growth. Economic development is the independent variable which will determine not only the level of well-being, but also the degree of freedom, security, social justice and beauty which exist in a society. Democracy would only be possible in advanced industrial societies. Equality of opportunity increases as the level of economic development increases. The beauty and grace of the environment depend on architectural and landscaping projects. The arts are developed as economic development takes place.

To prove these hypothesis, partial regression analyzes are made between per capita income and the attainment of other political and cultural goals. Obviously, high correlation indexes are obtained. Thus technobureaucratic theses gain the prerogatives of scientific propositions. By these statistical methods, technobureaucrats try to establish cause and effect relationships. Science and ideology merge.

Economic growth thus becomes the preeminent political goal to be attained. Growth means modernization, industrialization, rationalization. Growth is the increase in efficiency and productivity.

On the other hand, efficiency would, according to this ideology, be the distinctive characteristic of technical experts. We have already seen that technical experts are the professionals who act according to criteria of efficiency. It is the efficiency of their action as specialists or managers which legitimate their position as technical experts. Technical experts and development thus join forces through efficiency. The technical expert becomes the principle agent of development, the only element in a society capable of planning and executing this development efficiently, not only at the level of the state but also at the level of the large private bureaucratic organizations. Thus technobureaucratic ideology gains perfect internal logic and becomes a powerful instrument for the seizing of power by the technobureaucracy.

5. Other Values and Characteristics

Aside from efficiency and economic development, which constitute the heart of technobureaucratic ideology, there are other important elements to consider.

In the first place, technobureaucratic ideology emphasizes change. The pace of technical progress made it revolutionary. It provokes profound changes in the economy and society. Change is welcomed by the technobureaucratic ideology, as it increases efficiency, and necessarily implies the introduction of new techniques.

On the other hand, technobureaucratic ideology is conservative. It deals with a new type of conservatism, a reformist conservatism. It is not an immobilist conservatism. Technobureaucrats only permit one kind of revolution: technological revolution. They may take power by a political revolution or a coup d',tat. But once in power, they are not prepared to carry out an economic and social revolution. They prefer to make reforms. It is true that in the communist countries, economic and social revolutions have been profound. But we have noted that the communist revolutions were not at first technobureaucratic revolutions. The true technobureaucrats prefer not to revolutionize the social and economic structures of a country where they have taken or are taking over power. Revolution signifies disorder, insecurity and consequently, inefficiency. For this reason it is preferable to be moderately conservatives. If the structure was capitalist, it will continue to be capitalist; the same if it was supposed to be socialist. It makes no difference to the technobureaucrats. They are sure that, through their reforms and the adoption of technical criteria for planning and management, both systems will, in the long term, proceed in the same direction. And both can be efficient.

Technobureaucratic ideology also emphasizes security. This value is given particular importance by the military technobureaucrats whose very raison d'être is security. The military officers is a security professional and subordinates everything else to this objective. But security is not essential to military technobureaucrats alone. Political technobureaucrats also value it. Security is a pre-condition for the efficiency of the system. Without order, without security, there is no rational government; it is impossible to attain efficiency. Beyond this, an emphasis on security is a way to guarantee the autocratic power of the technobureaucrats, and to justify setting up an entire security system within a country which then covertly or openly observes and controls the activities of the society as a whole.

In other words, security becomes a political objective of prime importance, opening the way for another basic characteristic of technobureaucratic ideology. It is also eminently authoritarian. We have already seen that technobureaucratism does not mix well with democracy. It is, by definition, a species of oligarchy. Thus it is natural that its world view is authoritarian. It begins with the principle that the legitimation of political power is in technical knowledge, in competence. The democratic system does not always guarantee power to those who are most technically competent. In addition, technobureaucrats were formed within a bureaucratic organization which is rigidly hierarchical, where authority always comes from the top down. To reverse the process, as democracy tries to do, appears to irrational them.

Freedom, for the technobureaucrat, is often synonymous of lack of discipline. Freedom is a luxury which can constantly been postponed in the name of efficiency and security. It is a far-off objective which can only be reached once economic development and social order have been attained. Mihajlo Mihajov observes accordingly:

> "If the goal is technical-scientific progress and freedom constitutes only a mere instrument, then it is not too difficult to imagine the convergence of the two social systems (capitalist and socialist) into a mixed society like the one described by Orwell in 1984 and by Huxley in Brave New World" (1971).

Another characteristic which forms part of the foundation of technobureaucratic ideology is the belief that all problems are technical problems and can be technically solved. This belief is based on the typically technobureaucratic world view which presupposes an inherent internal logic that exists in things and situations in an essentially harmonious world. For the technobureaucrats, the world is a system or complex of systems in which each element has its place, its role. The technical experts' role is to understand these system - natural systems like the human organism, mechanical systems, like a machine, or social systems like a family or corporation. They understand their interdependencies and make them function smoothly and efficiently. Conflicts, contradictions or disorder are mere technical defects of the system, malfunctions which can be technically solved. In the words of Henri Lefebvre:

> "Within this vast ideology, it is presupposed that societies and the groups which make them up, are like living being and "beings" in general have necessity of an internal principle which maintains their existence. This principle of cohesion and consistency, whether it is a latent or emerging structure, is the only thing of importance. Destructuralization? It is the threat, the evil side to be quickly done away with, it is the evil itself" (1967: 62).

We see the influences of Parson's functionalist sociology and Levi strauss" structuralist anthropology as well as the whole of neoclassic economic theory in this world view. It is characterized by a conservative, mechanical view which has its origins in Newton's mechanics. The intrinsic harmony of the planetary system is transposed to all other systems, particularly social systems. However, harmony is not innate to these systems. It depends on men and women capable of making the system run correctly. It depends on the social engineers of the modern world, or in a word, on technobureaucrats.

Henri Lefebvre called this world view "new elitism" to emphasize its resistance to change and its conservatism (1967: 53-67). In reality, technobureaucratic ideology is not immobilist because it values the technical and social change which originates from it. However, it is a system which does not take history or its contradictions into account. In these terms, it is an

ideology which repudiates dialectics and a historical view of social progress. This ideology,

> "... does away with history, declaring that it has neither orientation, nor sense and then demonstrating that sense is reached by the rule of rational technology" (Lefebvre, 1967: 64).

Finally, because of its vulgar materialism and its omnipotence (expressed in the affirmation that all problems are technical ones which therefore have technical solutions), technobureaucratic ideology values consumption. Efficiency and economic development are its two basic objectives. It alienates the population through mass consumption. It is a system of privilege and therefore needs a good argument to justify its domination. Consumerism, the valuing of personal consumption, as well as the furnishing of the economic means to realize this consumption, are essential elements of its system of legitimation.

Modern industrial society is a society of mass consumption. It produces in mass; thus it should consume in mass: the third car, several TV sets, more and more sophisticated electronic appliances, another telephone, more and more clothes, leisure equipment. Happiness lies in consuming. The measure of one's personal realization is in his/her consumptive capacity. Everything will be solved as more goods are produced and more goods are consumed. Consumption can be postponed, as the statist countries have been able to do for some time, but it is eventually necessary. Reducing all human aspirations to consumption makes it easier to apply the basic postulate of technobureaucratic ideology: all problems are technical and can be technically solved.

In summary, technobureaucratic ideology values technical expertise itself and its technical experts, efficiency, economic development and the resultant mass consumption. Technobureaucratic ideology place its belief in planning and rational management. More than anything else, it is the fruit of utilitarian economic rationalism. It values security, order and authority which are essential to efficiency. On the other hand, it devalues liberty, social justice, beauty, or when it does value them, makes them a consequence of or subordinate to efficiency. Freedom and social justice are considered to be dangerous and can continually be sacrificed in the name of security and efficiency.

CHAPTER 22
AN UTOPIAN CONCLUSION

We are now in a position to conclude this book. Through its various chapters, we have seen that modern industrial society is defined by an apparently triumphant technobureaucratic capitalism - that contradictorily believes that the times of liberal capitalism is back - and by the crisis of the statist social formations. We have seen that it is impossible to understand contemporary capitalism, that I call "technobureaucratic capitalism", without understanding the concepts and roles of: (1) the large bureaucratic corporations, (2) the modern state, (3) the state or technobureaucratic mode of production, and (4) the technobureaucratic class. These are new, or relatively new, elements that, together with the concepts of capital, market, the bourgeoisie and the working class, define contemporary capitalism.

On the other hand, statism proved to be an effective strategy for industrialization, but each statist country, after setting up heavy industry, failed to maintain the levels of growth required and the flexibility needed for the development of the consumption, the service and high technology industries. The state proved to be inefficient allocator of resources and a hindrance to creativity and innovation. Moreover, statism was not able to coexist with democracy. On the other hand, the technobureaucratic class did not prove able to be a ruling class. It played this role for some time in developing countries and in the statist, Soviet type, social formations, but the present crisis of statism is a consequence of the limitations of the technobureaucratic organization and of state intervention.

The modern world is the world of technobureaucratic capitalism is the contradictory world of capital and organization, of entrepreuneurship and technical/managerial expertise, of the small business firm and the large corporation, of the market and the state, of the capitalist, the working, and technobureaucratic classes, and of liberal individualism and technobureaucratic efficientism. Furthermore, and also contradictorily, the modern world is not only the world of capitalism and technobureaucratism, but also the world of democracy. Democracy has made enormous advances in the last two centuries.

1. A Pessimistic View

Actually, technobureaucratic capitalism expresses the contradictions of the democratic and rationalist ideals of modern industrial society. It is possible to be

very pessimistic about it, like Herbert Marcuse, who believed that modern industrial society was totalitarian:

> "By virtue of the way it has organized its technological base, contemporary industrial society tends to be totalitarian. For 'totalitarian' is not only a terrorist political coordination of society, but also a non-terrorist economic-technical coordination which operates through the manipulation of needs by vested interests". (1964: 3)

This manipulation is carried out by the propagation of an ideology of consumerism which equates consumption with happiness and through the use of a variety of techniques, ranging from mass communication, advertising and public relations, to personal and group adjustment, such as human relations, group therapy and psychoanalysis. Though these can often be instruments for liberation, in the context of technobureaucratic capitalism these techniques can easily become instruments for adaptation and conformism.

This view is very pessimistic, but certainly even worse crimes are committed in contemporary capitalist and in statist social formations in the name of rationalism, efficiency, security, order and well-being. In the name of these values, capitalist and technobureaucratic societies have developed arms in previously unknown proportions and carried out the bloodiest wars in history: atomic bombs, chemical and bacterial warfare and genocide. They impose their will as much through technological persuasion and economic pressure as through tanks and napalm bombs. They make wastefulness a norm and pollute the environment to a degree never before imagined, producing a society that is tense and neurotic.

In other words, modern societies practice irrationality in the name of rationality. Or, in Marcuse's words:

> "We could say that the rationality of society lies in its own madness, and that the madness of society is rational to the extent that it is efficient and delivers commodities" (1968a: 136).

Two other representatives of the Frankfurt School, Horkheimer and Adorno, also address this question:

> "A technological rationale is the rationale of domination itself. It is the coercive nature of society alienated from itself. Automobiles, bombs, and movies keep the whole things together until their leveling elements shows its strength in the very wrong which is furthered" (1944: 121).

According to another somber observation of Marcuse, one of the most perplexing aspects of developed industrial civilization is the "rational nature of its irrationality" (1964: 9). The utilitarian economic rationalism which has dominated western civilization since the end of the feudal period reached its zenith in technobureaucratic capitalism and in the statist social formations. When Bentham identified the rational as the useful, he was simply expressing

the utilitarian ideology of capitalism and was opening the way for the reign of efficiency measured in terms of production. In Daniel Bell's words:

"Utilitarianism furnished a new definition of rationality: not the rule of reason, but the rule of measurement" (1956: 1).

In other words, the technobureaucratic society has become a system of repressive domination as it alienates itself in keeping with a utilitarian concept of rationality. This process of alienation has already taken form in the capitalist system. Marx analyzed it very clearly. With the development of capitalism, society was organized to produce commodities. What is now relevant is the exchange value of commodities, instead of their use value. Commodity production has become so important that it now dominates all social relations. Reification or "objectification" occurs in social relations. Social relations are carried out impersonally in the market place. Commodities and their exchange have become more important than people. The exchange value of commodities has become the dominant factor in human life. Labor itself has been transformed into a commodity, to be exchanged in the market like any other. Thus human life has not only become dominated by commodity production, but has also been transformed into a commodity.

Within this perspective, commodities acquire the nature of a fetish. In Marx's terms:

"A commodity appears at first sight an extremely obvious trivial thing, understood as a reality unto itself. But its analysis brings out that it is a very strange thing, abounding in metaphysical subtleties and theological niceties (...) It is nothing but the definite social relation between men themselves which assumes here, for them, the fantastic form of a relation between things (1867: 163-165).

According to Fritz Pappenheim's (1959) observations, this analysis of Marx powerfully influenced the work of T”nnies and his theory of Gemeinschaft and Gesellschaft. In historic terms, society tends to change from Gemeinschaft, that is, a type of natural society in which social relations are not deliberate, to a type of contractual, individualistic and rationalistic society, Gesellschaft, in which people live separated from each other, each one isolated, resulting in a profound tension.

T”nnies' vision helps us to understand the modern world, but it is only by using Marx's original theory as a tool that we can come to understand the new character of alienation in technobureaucratic capitalism and statism. Under classical capitalism, people were alienated in relation to commodities, by means of the reification of social relations, the transformation of labor into a

commodity and the attribution of commodities with the mysterious characteristics of fetishes. With technobureaucratism, this alienation has become more refined. Besides alienation in respect to commodities, people have also become alienated in respect to technical expertise and organization, that is, to the method of commodity production. Technical expertise has become reified, attributed with intrinsic mass and value to which one must submit.

Through this reification and absolute valorization of technical skill and organization, which also acquire the nature of a fetish, the contemporary societies have become alienated. A utilitarian rationalistic ideology, which equates rational with useful and efficient, subordinates all other human values - liberty, love, beauty, justice, equality of opportunity - to the greater values of efficiency and technical expertise. Within this process of alienation and material progress, the full range of technical and scientific advancement do not contribute to self-realization, but rather generate anguish and uncertainty.

This is a pessimistic picture. The rationalist optimism of the second half of the nineteenth century has died. War, genocide, ideological confusion, anguish and the uncertainty of a world inherently alienated by technical expertise have put an end to this optimism. In the introduction to his autobiography, Bertrand Russell summed up this transformation:

"The last half of my life has been lived in one of those painful epochs of human history during which the world is getting worse, and past victories which seemed to be definitive have turned out to be only temporary. When I was young, Victorian optimism was taken for granted. It was thought that freedom and prosperity would spread gradually throughout the world by an orderly method and it was hoped that cruelty, tyranny and injustice would continually diminish" (1969: 221).

2. An Optimistic View

If pessimism has taken the place of optimism in the modern world, this does not mean that modern humanity has fatalistically given itself up to its fate as an alienated object with respect to technical expertise and utilitarian rationalism. It is also possible to have an optimistic view of the modern world when we see that standards of living are continuously improving (in spite of misery and the famine that are still is the life of so many), differences in wealth and income slowly tend to be reduced, and democracy is advancing everywhere, usually at a faster rate than economic and social progress.

It is true that the utopias are in crisis. The socialist utopia is in crisis, but it is very far from being defeated. It is just in a process of reformulation. The countercultural revolution of the 1960s (Roszak, 1969) has faded out, but its

critique of contemporary capitalism and technobureaucratism is still alive. This revolution exploded in the 1960s and then disappeared with the conservative wave of the 1970s and 1980s. It was the revolution of students, hippies and the new left, the revolution of the underground and of the Beatles, the feminist revolution, the sexual revolution, the black revolution in the U.S., and the political revolution of the Catholic Church. Initially, it was a revolution of the beatniks in the United States and of the existentialists in France. It has disappeared, but it left a powerful heritage.

Today, at the end of the 1990s, we have a new revolution: the democratic revolution in the statist countries. We have also the danger of an authoritarian counter-revolution in the Latin American countries beleaguered by the debt crisis. The technobureaucratic capitalist countries are rich and quiet. Only the ecological or green movement touches the minds and the hearts of the young. The conservative wave is still ideologically dominant, but we may already see signs that it is already fading out. It has been said that after the "the triumph of the West", after "the total exahustion of viable systematic alternatives to Wetern liberalism... what we may be witnessing is... the end of history as such: that is, the end point of makind evolution and the universalization of Western liberal democracy as the final form of human government" (Fukuyiama, 1989a: 3-4). This is non-sense. A conservative non-sense with a Hegelian flavor, given that the author accuses his critics of "the persistent failure to comprehend or accept Hegel's use of the word `history'" (Fukuyama, 1989b: 21). Statism as an ideology is dead, not democratic socialism. Democracy is triumphant, the market proved its superiority over the state, but the debate on the required degree of state intervention is very far from its end. Technobureaucratic capitalism, that Fukuyama calls "Western economic and political liberalism" is the best demonstration that the neo-liberal ideology of the minimum state is as irrealistic as the communist project of a totally state commanded economy.

Actually history is just beginning, as it is accelerating. As Arthur Schlesinger, Jr. noted:

"Humans have lived on earth for possibly eight hundred lifetimes, most of which in caves... The last two lifetimes have seen more scientific and technological achievements than the first 798 put together... The acceleration of change compels us to perceive life as motion, not as order; the universe not as complete but as unfinished" (1986: X-XI).

Thus chances for liberation are increasing, not decreasing. It was not by chance that existentialist philosophy, which views men and women as being intrinsically free and responsible for their actions, arose in this century. It is founded in abstract philosophy, in that it is based on the preeminence of

existence over essence, on existence prior to definition and the basic gratuitous nature of human life. Yet it is clearly situated in a given historical moment: the twentieth century, a time when faith in rationalism has suffered a crisis, but also when the development of education and of systems of mass communication have amplified ideological debate in a way never before imagined.

For long time we have seen the world dominated either by individualistic philosophies, oriented to the legitimation of the existing system of domination, or by determinist philosophies, such as Marxism, that proposed revolution. Apparently neither of these views offered a real solution for in contemporary capitalism. Existentialism arose at this moment. Sartre in particular, though basically accepting the material conditioning of human life in the terms set out by Marxists, postulated the existential freedom of men and women:

"What does it mean to say that existence precedes essence? It means that man first exists, discovers himself, appears in the world, and only afterwards defines himself. Therefore there is no human nature, seeing as how there is no God to imagine it. Man is not only how he imagines himself, but also how he would like to be, how he imagines himself after existence, how he wants to be after his impulse for existence. Man is nothing more than what he does". (1946: 242)

It is from this type of modern thinking that freedom and responsibility originate. Freedom and responsibility as seen from a historical perspective, continually increase, as education develops, the means of communication grow and the sciences, especially the social sciences, enable us to better understand the conditioning of our social life. After Marx, Freud, Weber, Keynes and Sartre, among many others, it is evident that we have improved our understanding of the social and psychological processes to which we are submitted. Technological development and economic growth have meant augmented control over nature. All this means that modern men and women are potentially able to be free and responsible.

3. A Utopian Revolution

The question of the future of statist social formations, now in deep crisis, and of technobureaucratic capitalism, now triumphant, has no simple solution. There is a powerful trend in the direction of the convergence of both social formations on the basis of common technological end organizational progress, but these societies will retain different characteristics for a long time. On the other hand, we have to consider the newly industrialized countries, mostly in Asia and Latin America, the industrialized but underdeveloped ones where

economic and social differences are still so great, and the definitely underdeveloped countries that dominate the African scene. For these countries the road to democracy will be long, and that to socialism, longer.

One fact is certain: socialism will not come automatically from capitalism or from statism. Actually socialism is based on different principles from capitalism or statism. If we take the ideal "social orders" proposed by Streeck and Schimitter (1985b) - community, market, state and association - as reference there is no place for socialism. Actually capitalism is based on capital, statism on state organization and socialism on community. Capitalism means coordination by the market; statism, coordination by managers who are responsible for state planning; socialism means self-management and permanent negotiation. Pure capitalism corresponds to political liberalism; pure technobureaucratism to authoritarian control of society; socialism to democracy.

Democracy is indeed contradictory to technobureaucratism, but it is a mistake to confuse it with liberalism. As Bowles and Gintis reminds us, "capitalism and democracy are not complementary systems" (1986: 3). Economic and political liberalism - the idea that every person should be free to pursue his or her own interests - has been always the basic belief of capitalism. The same cannot be said of democracy. During the nineteenth century, democracy was considered a dangerous egalitarian ideology by the dominant bourgeoisie. The history of universal voting rights, of the secret ballot and of the vote for women has been long. The idea of democracy was finally accepted by the bourgeoisie, but only after a process of cooptation that in part neutralized it. It is not just "formal democracy", as the authoritarian left has long alleged, but it is also not full democracy, that is only possible in more egalitarian societies, in basically socialist societies.

Therborn (1977) demonstrated that the existing parliamentary democracy is not a gift from the bourgeoisie but the result of a long struggle by the working class and the left. More recently, in the last twenty years, the conflict between liberalism and democracy has emerged again, as the capitalist system is feeling threatened by increasing social demands. As Norberto Bobbio puts it:

"Though democracy has, for the last century at least, been considered the natural progression from liberalism, the two ideologies prove to be no longer compatible at all once democracy has taken to its logical extreme as mass democracy, or rather as a democracy, of mass parties, so as to produce the Welfare State" (1981: 129).

The struggle for democracy, like the fight for socialism, has not ended. First, democracy is more dangerous to technobureaucratism than to capitalism. Statist social formations will disappear or will have a much larger capitalist

component when they become democratic, whereas technobureaucratic capitalism is able to coexist with democracy. Second, predominantly statist and the predominantly capitalist social formations existing today are quite distant from socialism, as pure socialism, just as pure democracy, are part of the utopia of humanity.

It is common to hear that we are living at the time of "the end of utopias". I do not believe this is true. Utopias are changing, but not ending. Democracy and socialism remain the two basic utopias of humanity. They are utopias that, through ups and downs, are becoming realities. The degree of egalitarianism existing in some statist societies and the degree of freedom and egalitarianism existing today in some capitalist countries is already considerable. As humanity increases its knowledge of and its control over science and technology, over the economy and society, economic determinism and individualist pessimism lose ground, and utopia turns more and more into a real possibility.

After the crisis of the technobureaucratic class and of the statist social formations, what is left of the ideals of left? Can we speak of a new and an old socialism? Has the socialist ideal died with the democratic revolution in Soviet Union and Eastern Europe or is it being enhanced by it? The answers to these questions, are not easy. In this book, I tried to offer these questions, not definite answers. I definitely did not wrote a normative book. This is a book of critical analysis, not of moral propositions. I cannot resist, however, finishing with some utopian thinking. After all, hope and utopia are essential for the progress of humanity.

The naive belief that socialism will be achieved simply by doing away with the private ownership of the means of production is obviously dead. Socialization of the means of production continues to be a premise of socialism, but it is neither the most important nor the most urgent of the transformations. It certainly cannot be confused with nationalization that has proven to be inefficient and to lead to authoritarian, if not totalitarian, political regimes.

If the socialization of the means of production does not imply nationalization, it has to signify a change in the form of ownership. There are many forms of ownership between, or besides, private and state ownership. Technobureaucratic capitalism represents a transition to "quasi-collective property form" (McDermott, 1988). Actually we can see in contemporary capitalist and statist social formations innumerous forms of ownership. Adam Przerworski identified recently eleven forms of property.[81] Several forms of

[81] Forms of property: (1) the state firm centrally controlled; (2) the administratively but not financially autonomous state firm; (3) the financially

collective property and of self-management will define democratic socialism. A process of economic decentralization, in which market mechanisms are allied to planning in the control of the economy, will be essential. Socialism will have to be market oriented. And the basic content of socialism will be democracy rather than the abolition of private property.[82]

Labor relations will necessarily change. They are already changing in Japan, in the Scandinavian countries. In a first phase we will have improved forms of worker's participation, in a second, self-management. The Taylorist forms of organization of labor, that define technobureaucratic capitalism, show themselves each time more inefficient given the increasing resistance of workers. Giving up old left prejudices, modern unions are increasingly understanding that workers participation, besides leading to the increase of productivity and of wages, is a basic form of desalienation of labor. The form of solving unemployment is not yet clear, since the right to lay out employees is essential for the competitiveness of enterprises. But the problem of mass unemployment will have to be in some way solved through several forms of job flexibilization and the increase of free time. Profits will remain a basic incentive, but the required rate of profit - that assures the continuation of investment - for the large business enterprises will tend to be smaller, whereas the wage and salary share increases. On the other hand, the wage and salary differential will tend to be reduced.

What is essential to this revolution however, is not the reduction of income and wealth differential, nor the transformation of the relations of production or of the forms of property. If a utopian revolution, in the form of a gradual but effective transformation, changes the course of history, if it will

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autonomous firm, that thus can go bankrupt; (4) the "cross-owned" corporations, owned by one another; (5) the "public-bodies" corporation controlled by other organizations and associations of civil society; (6) the "social" corporation, controlled by a board including representatives of the employees, the government and the public; (7) the closed cooperative of employees; (8) the cooperative which employs non-members; (9) the open cooperative, where not only employees are members; (10) the private, privately held, firm; (11) the private, public held, firm (Przeworski, 1989: 11-12).

[82] A classical contribution towards a market oriented socialism is present in Oscar Lange's, On the Economic Theory of Socialism (1938). See also Ota Sik (1972), Mihaly Vadja (1981), Alec Nove (1983), J. Elster and K. Moene, eds. (1989), Adam Przeworski (1989). On the democratic content of socialism see, among others, Francisco Weffort (1984), John Keane (1988) and Alain Lipietz (1989).

limit the power of the capitalists and technobureaucrats, it will demand increasingly the exercise of liberty and responsibility, it will have to be a revolution of consciousness - a profoundly ideological revolution.

In the first place, it will be a critical revolution. It will start with a radical criticism of the existing capitalist and technobureaucratic society. It will have to direct all its weapons against the principle enemy: utilitarian and efficientist rationalism and individualism. Within rationalism alternatives to utilitarianism and individualism do exist. A new conceptualization of rationalism will be necessary.

Rationalism, in the first place, is a philosophy which believes in human reason. The new rationalism will also put its faith in human reason as the main source of knowledge. But it will not be as optimistic as the old rationalists, for the simple reason that today we know that technical and scientific developments can be used to establish a system of domination more rigid and authoritarian than those which came before it. The new rationalism believes in reason, but not without qualification. Reason is not a virtue in itself; it can be good or bad, depending on the way it is used, the objectives established and the means adopted.

Rationalism establishes objectives for social action and looks for the most adequate means to reach these objectives. The old utilitarian rationalism identifies the economic objectives as social objectives: higher profits and wages and increased production. All other objectives were subordinated to or made dependent upon these economic objectives. The new rationalism rejects this false hierarchy. It does not belittle economic objectives and economic efficiency, but considers them as only a few among many others. The old individualism is pessimistic about the possibility of human solidarity. The new rationalism sees solidarity as real possibility as long as the economic and political powers of citizens are relatively balanced.

The basic goal to be attained is that of freedom, of democracy. Not only political and economic freedom, but also each individual's internal freedom. It will be a freedom which has its origins and its only limit in the freedom of others. It is liberty in communion, freedom within a community of friends and companions, liberty based on mutual respect and responsibility, within a legal scheme in which human rights will be solidly assured. Freedom in this sense will not be in contradiction to a reasonable degree of equality, but it will work for it.

Adopting freedom or democracy as its primary objective, the new rationalism will have to define which means are the most consistent for reaching this goal. The sacrifice of today's freedom in the name of efficiency and

economic growth is excluded, because once lost, freedom is only regained at great cost. In the same way, the new rationalism will give other objectives at least as much validity as economic ones: justice, beauty, truth, love, equal opportunity. These are objectives that have an intrinsic validity for the new rationalism and cannot be replaced by any others. They are objectives which, together with freedom and a certain minimum level of economic well-being, guarantee the self-realization of every member of society.

Consequently, this will have to be a profound, a utopian revolution, which will not only transform relations of production, but also and most importantly, transform each member's consciousness. Without a revolution of consciousness, there will be no revolution of any kind. The name of the new regime to be established could be socialism, despite the abuses to which this term has been subjected, by the old left, that confused it with statism, or by the capitalist organic intellectuals, that profited from the confusion. More important than the name, however, is the direction of this revolution. As with any other revolution, its direction is eminently utopian. The transformation of consciousness, or the interior liberation of humanity are not easily obtainable goals. They cannot be attained by a coup d'etat, or an armed revolution. The use of war to establish peace, of terrorism and violence to impose freedom, and of hate to create love, only achieve success with great difficulty. Once politically victorious, the new rulers will tend to impose war rather than peace, totalitarianism rather than freedom and hate rather than love.

This revolution will probably be a slow one, with many stumbling blocks. It will demand patience, dedication, love and confidence. In any case, its success is not guaranteed. It is still only a road to be followed, with a generous and daring youth to blaze the trail.

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