Corporatism

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THIS PAPER has two purposes: to define the concept of corporatism and to predict that a corporatist economic system is the most likely development for the United Kingdom over the next five to ten years. While the prediction logically presumes a concept of corporatism, the two parts of the paper are separable; the reasonableness of the definition and the accuracy of the prediction are distinct issues.

An Etymological Preface.

At present, the concept of corporatism is entangled in multiple associations that have given it contradictory meanings and generated apparently inconsistent usage among those who take their political economy seriously, as well as those who just like to talk about current affairs in public. In fact, there is a logic to the contradictions.

Corporatism has many historical precursors dating back at least to mediaeval economies (1), but the term came to modern public consciousness during the 1920s to describe the economic policies of Fascist Italy. The subsequent political, military and social development of Italy and Nazi Germany extinguished any serious consideration of corporatist economics. Corporatism has been subsumed under either of the two dominant interpretations of Fascism and thus become more a pejorative than an analytical concept. The 'political' interpretation has characterised Fascism as a totalitarian mass movement, linking corporatism with authoritarianism, and emasculating any distinct economic content. The alternative 'economic' interpretations have been fundamentally shaped by the effects of

(1) See, for example, S. VILJOEN, *Economic Systems in World History* (London, Longman, 1974), on the concept of 'centrally-directed' economies. Also A. ROCCO, The Syndicates and the Crisis within the State, *in* A. LYTTLETON (ed.), *Italian Fascisms* (London, Cape, 1973).

Arch. europ. sociol., XVII (1976), 100-136.

World War II. Thus, Fascism is sometimes seen as a system of domination by big business, meaning particularly the armament manufacturers and the providers of autarkic necessities for war, who were able to control (for their own profit) regimes bent on military conquest. In this view, corporatism is only an extreme or exceptional form of capitalism (2).

The current revival in discussion of corporatism has involved three more specific associations. Diverse writers have seen the essence of corporatism in (*a*) the process of 'incorporation'; (*b*) the commercial 'corporation'; or (*c*) the 'corporate state'. What is significant for understanding the concept is that, as with Fascism, each of these associations has been interpreted in two contradictory ways.

Incorporation: On the one hand, corporatism has been seen as the co-optation of interest groups into governmental decision-making and the formalisation of their role, because they have become too important to ignore (3). Alternatively, it has been interpreted as the suborning of dissident elements and their conversion into agents of control for a powerful state (4).
Corporation: Corporatism is sometimes seen as a system of self-regulation by autonomous groups, on the model of the mediaeval corporations of producers or the franchised mercantilist corporations (5). By extension to the modern era, corporatism is occasionally thought to have acquired its name because it is effectively a system of rule by business corporations, either in the malign sense of domination by monopoly capital or benignly as socially-responsible managerialism, leadership by corporate managers (6). An alternative conception sees the corporatist society as the modern business corporation expanded to national scale and hence as a comprehensive pyramid of authority controlled from the top (7).
Corporate State: There exists a limited conception of the corporate state as a system of political representation in which geographical parliamentary constituencies are replaced by industrial/occupational/functional groups organised in national syndicates. It is the formalisation of economic interest groups into a political institution (8). An expanded conception sees the corporate state as a 'megabureaucracy' (9), the all-encompassing polity that attempts to control everything.

(2) For variations of this interpretation, see R. Sarti (ed.), *The Ax Within: Italian Fascism in Action* (New York, New Viewpoints, 1974); F. Neumann, *Behemoth* (New York, Harper & Row, 1966); N. Poulantzas, *Fascism and Dictatorship* (London, New Left Books, 1974); and T. Cliff, *State Capitalism in Russia* (London, Pluto Press, 1974), chs. v and vii on Nazi Germany.

(3) O. Ruin, Participatory Democracy and Corporativism: the case of Sweden, *Scandanavian Political Studies*, Yearbook 1974.

(4) P. Selznick, *TVA and the Grass Roots* (New York, Harper & Row, 1966). For the particular link to corporatism, see pp. 219-20.

(5) Andrew Shonfield applied this concept of corporatism to British attempts at planning in the 1960s. See his *Modern Capitalism* (Oxford 1965), pp. 160-3 and 230-3.

(6) On the theme of socially responsible capitalism, see T. Nichols, *Ownership, Control and Ideology* (London, Allen and Unwin, 1969). Also R. Dore, *British Factory-Japanese Factory*, (London, Allen & Unwin, 1973), ch. xiii, esp. p. 364 ff. on 'hierarchical corporatism'.

(7) C. Reich, *The Greening of America* (Harmondsworth, Penguin, 1972), ch. v.

(8) C. Delzell, *Mediterranean Fascism 1919-1945* (New York, Macmillan, 1970).

(9) R. Marris, Is the Corporate Economy a Corporate State? *American Economic Review*, Papers & Proceedings, 1972.

There is a consistency running through these sets of contradictory interpretations. In each there is a concept of an omnipotent state contrasted with a concept of powerful, independent interest groups. A system of state regulation from above is opposed to a system of autonomous self-regulation by economic associations. Corporatism means alternatively state domination or institutionalised pluralism (10). The difference concerns the locus of power, control and decision-making. In some cases, these various meanings of corporatism are advanced by separate analysts, sometimes they are jumbled together in a single interpretation (11). Such regularity in contradiction commands attention. The ways in which corporatism has been differently interpreted reflect the essence of the system, that it involves a unique role for the state in a privately-owned economy.

But the very coexistence of two elements, an activist state and organised private interests, opens the possibility of differing interpretations about where power really lies, who is controlling whom. This is the principle source of the contrasting conceptions of corporatism. Empirical assessments of historical Fascist regimes and putative corporatist ones today have been made the bases for theoretical definitions of corporatism.

It is important to keep a clear distinction between corporatism as a concept of an economic system and the economic practice of specific governments. It is important precisely because changes in the structure of advanced capitalist economies (the subject of the second half of the paper) have made the concept of a corporatist economic system more relevant to understanding the prospects for capitalist political economy than it was in the interwar period. Thus, the argument here is not an attempt to create an analogy between the current situation in Britain and that of Italy or Germany in the 1920s and 1930s. Rather, it is an attempt to extract from many historical antecedents, from trends in current economic policy, and from theoretical discussions of politicised economies past and present, the elements for a rigorous and consistent definition of corporatism as an economic system. Such an exercise in theoretical definition is of practical value. Many discussions of political economy begin from an assump-

(10) These contrasting conceptions of corporatism would appear to be grounded, in British academic life at least, in different disciplines, the state domination version being sponsored by sociologists and economists, the pluralism-plus view by political scientists. The need for some conceptual clarification first became apparent to me after participating in several long and fruitless discussions in which representatives of these disciplines talked past one another because they were using these different definitions of the concept.

(11) S. BRITTAN, The Corporate State: danger or delusion? *Encounter*, XLIV (1975) 5, 58-63.

tion that only two pure forms of economy are possible under conditions of advanced industrialisation, capitalism or socialism. This is nothing more than a reflection of the fact that the Axis powers lost the Second World War. A theoretical corrective is necessary to understand what is happening in Britain today.

The Definition of Corporatism.

An economic system in industrialised societies may be conceived of as a pattern of production, distribution and exchange characterisable by its structures of ownership and control (its relations of production). *Corporatism is an economic system in which the state directs and controls predominantly privately-owned business according to four principles : unity, order, nationalism and success.*

The crux of that definition, the essence of the theoretical concept of corporatism, concerns the role of the state in privately-owned economies, that is, the *nature* of state intervention, what economic functions the state undertakes relative to the private sector. Commonly, discussions of state economic activity focus on the *extent* of intervention, treating it implicitly, at least, as a quantitative variable, something of which there is simply more or less. This is an over-simplification that obscures the fundamental point. Some increases in intervention involve the state taking on new and different economic functions, a *qualitative* change in its role. Stripped to its essentials, corporatism is principally defined by one particularly important qualitative change, the shift from a supportive to a directive role for the state in the economy.

In a strict sense, there never has been such a thing as a *laissez-faire* capitalist economy. *Laissez-faire* is a relative term (12). The state always performs some economic functions, always at a minimum plays a facilitative role towards existing economic institutions. That any state sustains the institutions of dominant economic groups is true in an elemental sense as well as a profound one. The additional economic functions that a state might undertake are many and typologies of them could be extensive (13). For the purposes of clarifying

(12) For some recent reassessments of what *laissez-faire* actually meant in the British economy, see A. TAYLOR, *Laissez-faire and State Intervention in 19th Century Britain* (London, Macmillan, 1972); P. CORRIGAN, The State as a 'Market Relation': the 'economy' of politics, University of Durham, 1974 (mimeo); and B. SUPPLE, The State and the Industrial Revolution, 1700-1914, *in* C. CIPOLLA (ed.) *The Industrial Revolution*, Vol. III, (London, The Fontana Economic History of Europe, Collins, 1972).

(13) See R. MURRAY, The International Company and the State, *The Spokesman*, No. 10, March 1971. Reprinted as Spokesman Offprint No. 7 (Nottingham, Bertrand Russell Peace Foundation, 1973);

the concept of corporatism, however, it is necessary to make only the simple, but important distinctions between the *facilitative*, *supportive* and *directive roles* of the state.

Facilitative : the role of the state envisaged in classical economics. The state performs regulatory and supplementary functions, e.g. it maintains property laws, enforces the rules of fair competition, establishes a currency, a system of weights and measures, provides elements of infrastructure not attractive to private enterprise. In short, it makes private economic activity possible. It is the base line from which conceptions of state 'intervention' begin.
Supportive : the state offers protection, subvention and, if necessary, therapy to private business. It provides incentives and subsidies to stimulate activity, manages aggregate demand, offers welfare services to the casualties of a competitive system, trains manpower, undertakes technological development, etc. It attempts to aid, even influence private economic activity, but not to prescribe it. Ultimately, the initiative remains with the private owner, who controls his own economic affairs. From his point of view, the state intervenes, but does not interfere. A system emerges of state support and private control.
Directive : the state tells private business what it must do and may not do. The state establishes national goals, controls the allocation of resources, provides some co-ordination of supply and demand for important goods and services, regulates the distribution of rewards. How much private economic activity is controlled, and how rigidly, may vary, but the economic initiative shifts to the state. A capitalist state in a major war illustrates the directive role in extreme form.

To be precise, the control envisaged in the definition of corporatism is control over the *internal decision-making* of privately-owned businesses. The state does not just attempt to influence decisions, it prescribes or limits the range of choice open to capitalist owners or managers.

The Planning Agreements System, now being introduced by the Labour government, is an instrument of directive state intervention which illustrates the principle. As originally conceived, the system provided for regular agreements between major companies and the government covering prices, investment, productivity (including both choice of technology and employment levels), exports, import saving, industrial relations, product development, consumer protection (i.e. product quality) and environmental protection (14). These subject areas may be translated into the terms of business decision-

C. OFFE, The Theory of the Capitalist State and the Problem of Policy Formation. Paper to the Second International Conference of Marxist Studies, Florence, March 1975. See also Appendix.

(14) *The Regeneration of British Industry*, H.M.S.O., 1974, paras. 11-22. The original concept of planning agreements, formulated by Labour Party economic committees while in opposition, was severely emasculated during the translation into law in the Industry Act 1975, but it is used here only to illustrate internal business decision-making controlled by the state. For a history of the gelding process, see: Scaled-down Version, *The Guardian*, 3 November 1975, p. 14. For the most comprehensive statement of the original strategy, see *The Socialist Challenge* (London, Quartet, 1975), by Stuart HOLLAND, an economist who was a member of the committees.

making. If fully implemented, such agreements would prescribe or significantly limit the discretion of the capitalist owner and/or manager concerning, *inter alia*, what he produces, how he produces it, from what materials, to what standards, where he sells it, at what price, how much capital he employs, and haw many people he employs. Thus, in theory, the government would have control over most of the important decisions, which a private owner/manager can make about his business (15).

The crucial theoretical distinction for the understanding of corporatism is that between the state influencing and the state controlling the internal decisions of private firms (16). While in practice there will obviously be considerable bargaining between the parties and hence overlap between the categories, at the conceptual level this is the line that distinguishes two qualitatively different forms of state intervention—supportive and directive. Directive state intervention is the principal defining characteristic of corporatism. It is perhaps worth repeating here, that the concern at this stage is not with the practicalities of any state making such control effective, but with clarifying what is meant by corporatism.

Such a definition immediately raises two theoretical questions: 'What is the state?' and 'Does the state have enough independence from the constituent classes, interests and groups in society to make "control" in the corporatist sense even conceivable?' These are substantial issues, so in order not to interrupt the train of argument, they are considered briefly in an appendix.

The second defining characteristic of corporatism is *unity*. The corporatist principle is that economic goals are best achieved through cooperative effort rather than competitive processes. This principle derives from the broader corporatist theory of society. Society is seen as consisting of diverse elements unified into one body, forming one *corpus*, hence the word corporatism. These elements are united

(15) Conspicuously absent from the list of items covered by planning agreements are wages, that is, the 'decision' about what the owner/manager pays his workers is left to collective bargaining. The omission is, of course, illogical; to control all else and leave wages unconstrained is to risk undermining the entire corporatist strategy. It is to be explained only by the trade unions' success in breaking both the previous Labour and Conservative governments' attempts at statutory controls. In the event, while the planning agreements system has been considerably weakened, wage controls have been rather promptly and easily reinstituted in a 'voluntary' counter-inflation programme.

(16) N. Harris, *Competition and the Corporate Society* (London, Methuen, 1972), for a history of corporatist thought in Britain in the twentieth century. The distinction in decision-making here is in essence the same as that he used to distinguish between 'etatist corporatism' and 'pluralist corporatism'. The labels are, however, confusing and I think the point is more clearly conceptualised in terms of the role of the state.

because they are reciprocally interdependent, each performs tasks which the others require; independent survival is impossible. Hence, society is characterised not by the conflict of multiple interests, but by a shared interest in collective existence. The natural expression of that interest is collaboration with others for the common good, not struggle for individual advantage. Those who see conflict as endemic to society lack the broader vision of interdependence. The fundamental process of life is cooperation.

Competition is not seen as stimulating supply or innovation, but merely as duplication generating waste. It produces a dissipation of effort, not its invigoration. It necessitates compromises, not the fulfilment of principles. This view of competition, corporatism shares with socialism. Indeed, in the 1920s, when the Fascist parties were still concerned with economic ideas rather than military practicalities, they were even more anti-capitalist than anti-Bolshevik. Where corporatism takes theoretical leave of socialism is in its acceptance of the inevitability of distinct class and functional interests, which must be made to collaborate (17). The theoretical mechanism for achieving unity is not pluralistic bargaining or compromise, but cooperation organised by the state.

The co-operative principle has two important practical implications. First, corporatism sees no merit in price competition or indeed in a price mechanism at all, and thus favours a system of price controls. Neither does it find advantages in competing sources of supply. This means in a minimum, passive sense that a corporatist regime would have no anti-monopoly policy for breaking up large units of production. But it is also likely to have a more active policy of industrial reorganisation and/or state-initiated and controlled cartels (18).

The third corporatist principle is *order*. Market economies are seen as inherently anarchic. The corrective required is more fundamental than manipulation or amelioration of the trade cycle. Stability must be positively created through state organisation and individual

(17) On the organicist background to corporatist thought, see G. MOSSE, The Genesis of Fascism, *Journal of Contemporary History*, I (1967), n° 1.

(18) In Italy there was the distinction between voluntary and involuntary cartels, that is, between those spontaneously organised by companies themselves and those initiated and controlled by the state. See SARTI, *op. cit.* pp. 132-7. The distinction is important for determining whether corporatism is a system of state control or self-regulation by producers. See ROCCO, Minister of Justice in the Italian regime, *op. cit.*, and also his 'The Formation and Functions of the Corporations', in the same volume, where he says, 'the so-called self-government of the various groups of producers can perfectly easily be reconciled with state intervention. The self-interest of the producers is not in fact an end but a means, an instrument employed by the state to achieve its own ends, as the representative of the whole collectivity'.

self-restraint. Co-operation is more than a theoretical alternative; it is a duty. Workers have a duty to work, employers to provide work, and both have an obligation to collaborate at work. This is expressed concretely in prohibitions on strikes and lock-outs and compulsory arbitration of disputes. The corporatist value is discipline, not liberty. The corporatist vice is licence, not compulsion. Corporatism trusts neither in the spontaneous agreement of individual goals, nor in their reconciliation by an invisible hand. Collaboration must be organised and enforced. The moral justification for this compulsion was well expressed by Einzig: 'One of the basic principles of Fascism is that production is not the private affair of the individuals who are engaged in it, whether as workmen or employers, but an affair which concerns the nation as a whole' (19). The cooperative duty is owed to the greater unity. This leads to the fourth principle.

Corporatism is *nationalist*, in a dual sense. First, it is a collectivist system, not an individualist one. The collectivity on which concern focuses is the nation, not the class, family, religion, caste, or ethnic group. The aim is national economic well-being, not personal affluence or mobility. The general welfare has moral primacy over individual preferences or rights. 'Individualism' is a label for stigmatising recalcitrance, not eulogising freedom.

However, collectivism is not necessarily egalitarianism. In accepting the inevitability of sectional interests, corporatism also accepts that different functions may be differently rewarded. In any case, there is no principle favouring redistribution or equality. Moralistic Fascists excoriated the sybaritic indulgences of the capitalist rich, not wealth and income differentials as such. However, corporatism is in principle hierarchical, that is, one of the fundamental distinctions in economic tasks which it recognises is between those who direct work and those who carry it out. The collaborative duty of workers means concretely an obligation to obey managers, whose orders are presumed to further the collective good. Thus, in principle, corporatism supports an inegalitarian distribution of power, if not inevitably of material rewards. But given that sociological regularity, a high correlation between level of authority and level of remuneration, there is a reasonable likelihood that the one will lead to the other. The range of differentials may vary, of course; the degree of inequality may be one of the variables distinguishing among types of corporatism, just as between High Tory and meritocratic variants of capitalism or between market socialism and pure communism.

(19) P. Einzig, *The Economic Foundations of Fascism* (London, Macmillan, 1933), p. 63.

Corporatism is also nationalist in a second sense, economically nationalist towards the rest of the world. The index of success is national performance, comparatively as well as internally. This entails the aggressive protection and furtherance of national economic interests in all contexts; specifically, it means a mercantilist approach to trade, an autarkic provisioning policy, a home industries purchasing preference, and xenophobia towards foreign operations within the country. The point is that such policies are not just instrumental adaptations, but justified by moral arguments as well. Liberal free trade doctrine is rejected as simply exposing the nation to competitive anarchy on an expanded scale, to the caprices of the world market, not just the domestic one. Protectionism is a positive principle, not just a defensive strategy; trade creates dependence on foreign powers. Self-reliance is a virtue; self-sufficiency becomes a goal of economic policy, including import substitution investment programmes, import restrictions on non-requisites, and conservation of domestic resources. Foreign owners are doubly suspect; they cannot be relied on to act in the collective (national) interest and they have international means of escape from state control of the economy.

The final corporatist principle is *success*, that is, efficacy in the attainment of collective goals. The emphasis is more an effectiveness than efficiency, on results rather than economising. This has two aspects. First, corporatism is an ends-oriented system rather than a means-oriented one. It puts greater value on goal achievement than on the maintenance of legal rights or processes. This is not just a glorification of pragmatism, but a genuine antinomianism, a rejection of the rule of law.

The law is, in several senses, a fetter on goal achievement. The formal procedures of legal enactment are a source of delay, hindering the prompt response to problems. Codified laws and administrative rules are constraints, a source of interdiction on the state as well as the subject, preventing an adaptive response to changing situations. Faced with resistance or conflict, the technicalities of due process may impede the restoration of normal productive activity. Corporatism seeks to avoid these restrictions of law by adopting an enabling act model of statute, discretionary formulae in administration, and an inquisitorial (as opposed to adjudicatory) format in its courts and tribunals. This diminution in the use of law is justified in the name of urgent, flexible and effective responses to problems (20). Such an

(20) For a fuller exposition of the effects of corporatism on law and administration, see my article: Law, State and Economy: The Industry Act 1975 in Context, *British Journal of Law and Society*, II (1975), 103-28. See also T. DAINTITH, Public Law

orientation is strengthened because the assumption of a directive role by the state is frequently a response to perceived inadequacy or failure in national economic performance, so the purpose of the intervention is to reinvigorate activity.

However, corporatist state control is not exerted merely as a corrective to existing deficiencies, but positively, as the best means for the achievement of collective success. Corporatism is a mobilisation system. It operates from the belief that goals are better achieved through the purposive organisation of collective effort than through spontaneous individual responses to perceived opportunities. Concretely, this means a corporatist regime would attempt to establish control over the investment process (an allocative function) and assume some degree of responsibility for economic planning (a co-ordinative function). This is more than conventional state intervention, more than Keynesian demand management, indicative planning, technocracy or socially responsible capitalism. It is a planned, organised and controlled economic system, justified by its ability to achieve collective ends.

The preceding has been a statement of what corporatism is, in theory. Practical questions abound. Can the Civil Service administer an economy? Is 'co-operation' a euphemism for union-bashing? Will it produce higher growth than the mixed market system Britain has at present? Which classes and social groups will gain, which lose? What will be the black market price of an extra import allocation? Can business or union interests covertly manipulate an apparently corporatist regime? Will the state's control of the economy be real or merely formal? Is it to be all cheddar and no brie? Etc. These are all legitimate questions, relevant for what corporatism will mean in practice. But they are empirical issues and, as suggested earlier, the conceptualisation of corporatism has already suffered from an excess of empiricism. The first two sections have attempted to disentangle some of the etymological and conceptual spaghetti in which the subject has thereby become enwrapped. The aim has been to give a clear, theoretical definition of corporatism against which any historical or contemporary regime may be assessed empirically. In a summary phrase, corporatism is an economic system of private ownership and state control.

and Economic Policy, *Journal of Business Law*, (1974), 9-22; G. Ganz, The Control of Industry by Administrative Process, *Public Law*, Summer 1967, 93-106; and A. S. Miller, The Legal Foundations of the oCrporate State, *Journal of Economic Issues*, VI (1972), 59-79. Mihaïl Manoïlesco dramatically summarised the corporatist attitude to law in *Le siècle du corporatisme* (Paris 1936 [rev. ed.]), p. 110: 'All that conforms to the national interest is just; all that is contrary to that interest is unjust'.

Corporatism Compared.

Interspersed in the foregoing definition were several theoretical comparisons of corporatism, socialism and capitalism. As a final part of the conceptual clarification, it may be useful to bring these similarities and differences together briefly.

Corporatism today is generally viewed as an economic system of the Right, so the idea of theoretical affinity with socialism may seem questionable. Both the principal Fascist movements had intellectual and personal origins in socialism (21), and their ideologues were protesting quasi socialist intent well after both came to power. The idea of the 'second revolution', the socialist one following the nationalist, continued strong enough among the Nazis to require a purge (22). A contemporary British enthusiast concluded that 'Fascism can be regarded as a compromise between pure individualistic capitalism and socialism, but it is decidedly nearer to the latter than the former. Their common enemy is *laissez-faire*' (23). Hayes, in retrospect, goes further, defining corporatism as 'a combination of nationalism and socialism' (24).

Socialism and corporatism share a common resentment against the fluctuations, waste, and excesses of capitalism. They are both collectivist systems. Both envisage state organisation and direction of the economy. However, while conceptions of socialism differ, corporatism includes none of its three most common defining characteristics, neither public ownership, nor egalitarianism, nor workers' control. It is a disciplinarian, not a libertarian system; not a world movement, but a nationalist one. It premises the continued existence of divergent interests, not their eradication.

The interpretation that corporatism is really only a form of capitalism derives principally from a comparison of the stream of benefits that flowed to various economic groups in the two most prominent Fascist regimes; in particular, from comparing the rapid growth in corporate profits with the stagnation, decline, or only very slow growth in real wages (25). A system that so benefited the capitalists must be capitalism. Asking 'Who benefits?' is a realistic antidote to politicians' rationalisations. But two cases is a limited sample for empirical generalisation, most importantly because the economic

(21) See DELZELL, *op. cit.* on the socialist elements in Fascism.

(22) See W. SHIRER, *The Rise and Fall of the Third Reich* (New York, Simon and Schuster, 1960).

(23) EINZIG, *op. cit.* pp. 108-9.

(24) P. HAYES, *Fascism* (London, Allen & Unwin, 1973). See esp. chs VI and VIII.

(25) For Italy, see C. VANNUTELLI, The Living Standard of Italian Workers, 1929-1939, and SARTI's own essay, Fascist Reforms and the Industrial Leadership *in* SARTI, *op. cit.* For Germany, see NEUMANN, *op. cit.*

policies of both were fundamentally influenced by preparations for war. These worked to the disadvantage as well as the benefit of industrialists. The stimulus of rearmament initially raised industrial activity and profits. But the autarkic policies required for military self-sufficiency eventually led to increased costs, restrictions on imports, the rationing of capital, labour shortages, and the elimination of export markets. The balance of advantage turned against capitalists, in Germany, during the summer of 1936. By 1938, profits were falling and wage controls had broken down (26). The comparison of corporatism and capitalism cannot rest on such special examples. At the level of theory, corporatism is antithetical to some of the central institutions of a capitalist economy—the market, profit, and private property.

Corporatism is an anti-market system, and not merely in the sense of seeing market competition as the generic source of economic problems. Corporatist controls destroy the autonomy of economic actors technically necessary for a market to operate—the ability to employ or withdraw resources as one sees fit, to adjust asking or offering prices, to buy from and sell to whom one chooses, to consume, invest or save as one prefers.

In a full corporatist system, the state would effectively control all the major variables a capitalist owner/manager can manipulate to increase his profit or revenue—prices, costs, volume and product assortment. Profit becomes not a maximand, but a residual, what is left in the till after the corporatist plan or agreement has been successfully fulfilled. One might still call this residual 'profit', as they speak in the Soviet Union of 'planned profit', but it would be more commonly conceptualised in contemporary western management terms as 'cash flow'. Corporatism is a cash flow system, not a profit system.

The same point may be expressed in terms of economic power. However one conceptualises power, it always involves control over discretion. Since corporatism theoretically involves control over the internal decision-making of private firms, it represents a prima facie shift in power away from private capital towards the state. Kaysen, considering American corporate capitalism in the 1950s, posed the issue as: 'How does the giant corporation manifest its power? Most

(26) W. Carr, *Arms, Autarky and Aggression* (London, Edward Arnold, 1972). The series data on which the profits *v.* wages comparisons are based naturally break off with the war and hence do not adequately reflect the negative effects of Nazi policy on industrialists. Carr concludes, '[...] up to 1936 the interests of German industry more or less coincided with those of the party and the army. This fragile "coalition", if that is not too strong a word for it, was shattered by the economic crisis of the summer' (p. 62).

directly, in economic terms, the noteworthy dimensions of choice open to it include prices and price-cost relations, investment, location, research and innovation, and product character and selling effort' (27). It is precisely these areas that corporatism in general, and the planning agreements system in particular, attempts to control. Can it still be capitalism, if the capitalists have no options? (28)

The most obvious theoretical link between capitalism and corporatism is that both systems involve the private ownership of business. However, the concept of private property is significantly altered by corporatist controls. Sociologically, private property is more than the possession of title deeds or share certificates; it consists in certain rights in scarce goods, four being crucial: the right to use the goods owned, the right to direct their use if one does not wish to use them oneself, the right to appropriate the fruits of their use, and the right to transfer the property to another owner. The enforceability of these rights rests ultimately on the state's monopoly of legitimate coercion. But corporatist controls, initiated by the same state, immediately constrain the rights of private owners to use or direct the use of their property. Further, as any corporatist regime gained effective control of the investment process, and thereby absorbed the risks, it would almost certainly squeeze down the rate of return on invested capital and eliminate capital gains. Equities would be transformed into fixed-interest bonds and investors into rentiers. In the process the right of owners to appropriate the fruits of their property would be controlled and diminished. The right of transfer would remain, in the same sense that one can always cash in National Savings Certificates.

The distinction between juridicial ownership and effective control of property may prove significant for interpreting the future development of advanced capitalist societies. Miller, considering American

(27) C. KAYSEN, The Corporation, How Much Power? What Scope? *in* M. GILBERT (ed.), *The Modern Business Corporation*, (Harmondsworth, Penguin, 1972).

(28) With achnowledgements to Seymour Melman. See his 'The Peaceful World of Economics I', *Journal of Economic Issues*, VI, 1972, 35-41. After a study of a particular type of Company, the armaments manufacturer, and its relations with the U.S. government, he concludes, 'the military-industrial firm is not an autonomous entity. The managements of such corporations are not the final decision-makers with respect to obtaining capital, or determining the product, the quantity to be produced, the ways of carrying out production, the product price, and the distribution of the output. Final decisions in these spheres are demonstrably reserved to the state management [...] What sorts of firms are these, whose managements have no options?' They are corporatist firms, privately-owned, but controlled by the state. Galbraith generalises Melman's point, seeing the contract (i.e. the government prime contract and the subsequent proliferating sub-contracts) as a distinct mechanism of economic co-ordination, replacing the market in this sector of industry. See his *Economics and the Public Purpose* (London, Deutsch, 1975), ch. XIII.

'neo-capitalism' of the 1970s, describes substantial changes in economic structure, but finds the system unaltered because 'the essential forms of capitalism, e.g. private property' continue. 'How economic issues are resolved [...] take on a particular character because the industrial and financial components of the economy are in private hands' (29). This is too legalistic, too unsociological an approach to the subject, which may lead to the overlooking of important developments. The substance of property relations may change, while the form remains the same. If Britain, and perhaps other advanced capitalist economies, are indeed developing towards corporatism, this is exactly the direction we may expect change to take—the state will attempt to exercise control without directly challenging the legal form of private property (30). Whether it will succeed in the attempt or whether real property rights will continue to reside with owners are empirical questions and the answers may be empirically variable. But once one recognises the theoretical possibility of a directive role for the state, then the simple equation, private property means private power, will no longer suffice (31).

From the foregoing comparison, it should be clear that corporatism shares theoretical elements with both capitalism and socialism. In that light, corporatism could be interpreted as a sub-category of capitalism, a sub-category of socialism, a hybrid, or as a distinct economic system. If the latter, the principal economic systems of advanced industrial societies may be categorised in terms of their ownership and control variables:

		Ownership	
		public	private
Control	public	Socialism	Corporatism
	private	Syndicalism	Capitalism

(29) S.M. Miller, Notes on Neo-Capitalism, *Theory and Society*, II (1975).

(30) For an epochal overview of the sometimes very dramatic shifts in the relationship between law, private property and the state, see F. Neumann, *The Democratic and Authoritarian State* (New York, Free Press, 1965), ch. II. For a subtle analysis of the interrelation of law and property in the contemporary United States, see A.S. Miller, *op. cit.*

(31) Any comparison of capitalism and corporatism depends as much on one's definition of capitalism as on the concept of corporatism. The market, profit, and private property are core elements in most conceptions of capitalism, but one could extend the list of defining characteristics in

The argument here is that corporatism is sufficiently different from both capitalism and socialism to be considered an economic system in its own right. But this is a matter of definition and taxonomy, of how to use words, of which conceptual distinctions are most significant, and of where to draw lines across continua. On such questions there can be more or less agreement, but never an indisputable resolution. The point is not classificatory exactitude, but to draw attention to certain ways in which Britain's economy appears to be changing, to the increasing attempts by recent governments to control and direct private business activity in the name of unity, order, nationalism and success. The trend seems likely to continue.

The Prediction of Corporatism.

A corporatist economic system similar to that just defined is likely to be instituted in Britain during the life of the present government and its successor (whatever its political complexion), that is, over the next five to ten years. This is not a determinist prediction, but a statement of the most probable line of response to the country's economic problems. Other alternatives are open and are considered briefly at the very end of the paper.

This prediction derives from two different types of analysis, the pragmatic and the structural. The first is a projection from a clear trend manifest in the economic policy of recent British governments and from the way those currently active in the political arena perceive their options. The second develops the implications of certain changes in the structure of the British economy, and might be considered a theory of the genesis of corporatism in conditions of advanced capitalism.

The Pragmatic Theory of Corporatism.

Somewhere around the beginning of the 1960s (32), the Conservative party and government shifted its thinking on economic matters in a fundamental way, towards acceptance of the need for some type

both Marxist and neo-classical terms. Surplus value, exchange value and accumulation would not be significantly altered by a move toward corporatism. The law of value, commodity production, appropriation, entrepreneurship and freedom of contract would. For an analysis of what aspects of capitalism were and were not changed by the Nazi economic system, in Marxist terms, see CLIFF, *op. cit.* esp. ch. V and pp. 198-202.

(32) SHONFIELD, *op. cit.*, dates the change from the early 1960s, HARRIS, *op. cit.*, from the late 1950s. Harris sees it as a reversion to corporatist thinking that prevailed in the party from the interwar period through to 1948.

of economic planning. This led to the establishment in 1962 of the National Economic Development Organisation and four subsequent exercises in what has come to be known as 'consensus planning', the Four Percent Plan (1961-62), the National Plan (1964-65), the Task Ahead (1968-69) and the Industrial Review 1977 (1971-72). From that beginning there has emerged a clear trend of increasing attempts by successive governments to control the economy through directive state intervention. Chronologically, the main events in this development have been, by the Labour government 1964-70, the creation of the Industrial Reorganisation Corporation, the imposition of price and wage controls, and an unsuccessful attempt at the legal regulation of industrial relations. This was followed, under the subsequent Heath government, by the successful passage of an Industrial Relations Act. The Conservatives initially suspended the other controls on economic activity (the Selsdon phase 1970-72), but felt compelled to reintroduce them and several more by 1972, establishing legal regulation of prices, profit margins, dividends, wages, capital movements and office rents. Several new statutory instruments of state intervention in the economy were passed (including the Industry Act, Insurance Companies Act, Rolls Royce Act, Housing Finance Act, and others) which the Labour Opposition called 'the most comprehensive armoury of Government control that has ever been assembled for use over private industry, far exceeding all the powers thought to be necessary by the last Labour Government' (33). At the two 1974 elections all three major political parties were committed to various sets of statutory controls on economic activity. The Labour victors repealed legal controls on industrial relations and wages, substituted housing rent controls for those on offices, and kept the rest. Within a year and a half, wage control was reinstituted under a 'voluntary' counter-inflation programme. The government is now attempting to reinvigorate British industry through, inter alia, the prevention of foreign takeovers if this is deemed to be against the national interest, and the establishment of two new institutions of private ownership and state control: the Planning Agreements System (the extensive set of controls described earlier) and the National Enterprise Board, which will take shareholdings in private companies up to the level (about 30 %) which conventional stock market wisdom and various theorists of managerialism have felt necessary to guarantee 'effective control', but which stops well short of conventional public ownership. In sum, for the past fifteen years, with the exception of

(33) A.W. Benn, Heath's Spadework for Socialism, *Sunday Times*, 25 March 1973, p. 61.

the brief Selsdon phase, British governments have been moving toward a corporatist economic system.

Contemporary British political rhetoric suggests that corporatist concepts have become part of the intellectual framework of most mainstream political actors (34). The 1970s have seen increasing revulsion, amongst Conservatives as well as more established critics, against the 'anarchy' of the market which could simultaneously force the bankruptcy of several major companies and banks, yet generate 'excessive' profits for property speculators; put over one million out of work, yet allow certain strong unions to 'hold the nation to ransom'; cause an unprecedented inflation in retail prices and an historic collapse in share prices. What was once called 'free collective bargaining' became, even to Labour politicians, the 'wages free-for-all'. Conservatives spoke of the 'unacceptable face of capitalism', called for 'new forms of government intervention' and exhorted businessmen to 'make a profit for Britain'. General denunciation of 'extremism, sectionalism, and militancy' coalesced to make 'national unity' the common theme among all three parties at the two recent elections, the need to pull together to get Britain 'moving again' in a time of trouble. The perception of national failure has been increased by an obsessional concern with the country's deteriorating standings in various international league tables for growth, investment, *per capita* income, payments deficits, or most recently, inflation. While there was considerable dispute about whether Britain should become a member of the European Economic Community at all, the extremely instrumental, nationalist policy both recent governments have pursued within it ('the new Gaullism') has been approved almost without dissent. The principal issue in the referendum was whether Britain was getting enough out of the Community. Import controls and/or anti-dumping regulations, 'synchronised national wage agreements', a 'Buy British' policy, a new 'industrial strategy', and even 'socially responsible investment' by City institutions have all entered the political agenda within the past year. In short, contemporary rhetoric abundantly expresses the corporatist themes of unity, order, nationalism and success. Talk is easy, but taken together with the consistent trend in economic policy, it is suggestive of how politicians are likely to respond to problems over the medium term ahead. It becomes more than suggestive on recognising that this agreement on themes is not

(34) The most conspicuous exception, in part, is Sir Keith Joseph. See his collection of recent speeches, *Reserving The Trend* (Chichester, Barry Rose, 1975). The trend in question is that toward increased state intervention.

just a peculiar coincidence in economic philosophy among the current crop of political leaders.

The Structural Genesis of Corporatism.

Corporatism is a response to changes in the structure of the British economy. As capitalism changes, a changed role for the state is being evoked. Four structural conditions may be seen as generative: industrial concentration, declining profitability, technological development, and international competition. These are all long-standing, basic trends in the British economy, unlikely to be reversed in the immediate future. The corporatist response to the problems they create is being precipitated by the current economic crisis.

(*a*) *Crisis as precipitating cause.* The preception of a crisis, markedly-falling aggregate economic performance, appears historically to be a precipitating cause in many major phases of state intervention in economic affairs (35). This is understandable. In times of trouble, men of business turn to their leaders and ask them to 'do something'. Such a natural response would hardly be worth commenting upon were it not for the enormous body of literature which claims that market economies are self-equilibrating systems. In practice, men frequently do not wait to test the truth of this proposition. They seek government action to limit downward fluctuations, by partially suspending the market to create stability. What businessmen want in this situation is a form of state intervention at the extreme limits of what was described earlier as the 'supportive' role of the state. They want protection, subsidization and first aid, all in good measure, but they want to be left free to make their own business decisions. For the duration of the trouble, they want capitalism without competition, profit without risk, and no government 'interference'. When the crisis passes, they want the government to reduce its level of intervention. Whatever their economic ideology, governmnts are generally responsive to these appeals, for practical reasons. An economic crisis brings a slump in government tax revenue, leading to an

(35) See H. MISKIMIN, *The Economy of Early Renaissance Europe, 1300-1460* (Englewood Cliffs, Prentice Hall, 1969), esp. pp. 105-12 and 164-70, for an analysis of mediaeval France in many ways similar to the current situation in Britain. Also E. MILLER, Government Economic Policies and Public Finance 1000-1500, *in* C. CIPOLLA (ed.), *The Middle Ages*, Vol. I of The Fontana Economic History of Europe (London, Collins, 1972). On the mercantilist period, for some recent interpretations, see D.C. COLEMAN (ed.), *Revisions in Mercantilism* (London, Methuen, 1969).

attempt to prop up business in order to sustain their own finances. If Britain were at present merely in the trough of a trade cycle, we might expect state intervention to follow this pattern. It would not be corporatism; it would end in a return to managerial capitalism. But the other, more fundamental changes that have occurred in the structure of the economy are evoking a genuinely directive and enduring state intervention. Corporatism is more than a coping response to crisis. This time there will be no going back.

(*b*) *Industrial concentration.* The most important change in the British economy relevant for corporatism is the extent of industrial concentration. The problems of measurement are numerous (36), but the trend and current level of concentration are crudely clear. It takes two forms: market concentration (the number of firms controlling an individual industrial sector or product market) and aggregate concentration (the number of firms accounting for a major proportion of total national output). Both have been increasing; both have reached the point where they are generating corporatism.

The latest comprehensive study of *market concentration* measured the control of net assets in each of the 22 main industrial classifications at the end of 1957 and 1967 (adjusted for mergers in 1968) (37). The index of concentration was how many firms were required to account for at least 50 % of the assets in a classification. The results are summarised in the following table:

Industry	*end 1967*	*end 1957*
Tobacco	1	1
Clothing, Footwear	1	3
Other manufacturing	1	2
Chemicals, Allied industries	2	2
Vehicles	2	5
Metal Goods n.e.s.	2	2
Electrical engineering	3	5
Shipbuilding, Marine engineering	3	4
Textiles	3	8
Leather, Leathergoods, Fur	3	3
Paper, Printing, Publishing	3	6
Transport, Communications	3	4
Food	4	7
Drink	4	12
Metal manufacture	4	6

(36) For a concise summary of the main issues, see M. UTTON, *Industrial Concentration* (Harmondsworth, Penguin, 1970).

(37) Monopolies Commission, Department of Trade and Industry, *A Survey of Mergers 1958-1968*, H.M.S.O., 1970.

Construction	5	7
Miscellaneous services	5	4
Bricks, Pottery, Glass, Cement, etc.	6	6
Timber, Furniture, etc.	6	5
Retail distribution	6	6
Wholesale distribution	14	21
Non-electrical engineering	19	23

In twenty of the industries, an average of just over three firms controlled half or more of the market, sometimes exceeding 90 %. This is, in a technical sense, a state of oligopoly. But these figures underestimate the current situation. The largest continuous phase of merger and take-over activity in Britain's history occurred between 1967 and 1973 (38). The extent of market concentration is almost certainly greater now. Such a level of concentration in so many basic industries has two important consequences for public economic policy. The state cannot let such companies fail and it cannot let them succeed.

No failure: The nation's productive assets in a given industry are tied up in one or a very few companies. Indeed, we have reached the point where a few more mergers would create a privately-owned British national company in each sector (39). These companies are vital in meeting the nation's needs for particular products, in providing employment, in contributing to the balance of payments and for defence. The state cannot let them fail, nor let them fall under foreign control. It effectively has to accept responsibility for the continued existence of these companies. It may do so either by nationalising them, protecting them, or rescuing them. Both recent governments have relied on the *post hoc* redemption of lame ducks. One may anticipate a shift to preventive corporatist controls. Planning agreements provide a vehicle for such precautionary intervention. In the last resort, exchange controls and the new Industry Act can prevent foreign usurpers.

No success: Concentration to this level makes the notion of a 'market' and of 'competition' within that market unreal. If profit or revenue maximisation remains the goal of these firms, then we truly have the institutionalisation of monopoly capitalism. For the state to tolerate (and in some cases to sponsor) concentration to this level and still allow profit maximisation would be to licence corporate plunder, to issue a permit to hold the nation to ransom. This is an intolerable

(38) See G.D. Newbould *and* A.S. Jackson, *The Receding Ideal* (Liverpool, Guthstead, 1972).

(39) See Newbould *and* Jackson, *op. cit.* for some speculation about how such companies might be formed, through divestments as well as acquisitions, and rearrangements based on 'industrial logic' rather than 'financial logic'.

situation, not just in political terms, but economically to the other customer and supplier firms of the dominants. The state has two options in this situation: to restore competition through breaking up the oligopolies or to constrain the profit maximisation goal. For technological reasons, deconcentration seems unlikely. The managerialist hope of corporate self-regulation is no longer tenable. The choice is state control on profit. This is what we have arrived at presently, with statutory controls on prices and margins. Those who see such regulation as manifestation of socialist anti-profit dogma are anachronistic, as well as simply mistaken. It is a response to changes in the economic structure, which affect all governments, regardless of party. Another response is the emergence of serious discussion within 'progressive' business circles of a non-profit private enterprise economic system (40). This may be seen as an ideological adjustment to the changes in the economic substructure.

Concerning *aggregate concentration*, the most recent estimates indicate that the largest 100 manufacturing enterprises in Britain now account for just about half of all output, compared with 16 % in 1909. By 1983, their share may reach two-thirds (41). This does not mean, of course, that only large companies exist. There are at present over 640,000 companies in the country. Most are very small. They must be, if half manufacturing output is controlled by one hundred. This documents the now reasonably well-accepted description of the economic structures of Britain and the United States; that they consist of two sectors: first and most conspicuously, a system of large, oligopolistic and relatively successful firms, and second, a system of small firms operating in something approximating market conditions with varying fortunes (42).

Faced with such a dual structure, Galbraith advocates a 'new socialism', a policy of nationalising the underdeveloped depths of the economy rather than its commanding heights. Whatever its merits, such a policy is unlikely to be adopted, because the increases in aggregate concentration make a corporatist response so much easier. The

(40) See J. Robertson, *Profit Or People? The New Social Role of Money* (London, Calder & Boyars, 1974). Also *Practical Implications of a Non-Profit Economy*, Proceedings of a Symposium co-sponsored by *The Sunday Times* and The Science Policy Foundation, 26 June 1974, available from the Foundation and summarised in *Sunday Times*, 30 June 1974, p. 62.

(41) S. Prais, A New Look at the Growth of Industrial Concentration, *Oxford Economic Papers*, XXVI (1964), 273-88.

(42) Galbraith, *op. cit.* has put the best known labels on the two sectors, the 'planning system, and the 'market system' respectively, but he acknowledges his debt to J. Meade. Holland, *op. cit.* calls them the mesoeconomic sector and the microeconomic sector; S.M. Miller, *op. cit.*, refers to an oligopolistic sector and small business (interjecting medium business between them as well).

state can now influence aggregate national performance by controlling only a small number of very large firms. This has the apparently liberal side-effect of allowing it to leave the great majority of firms, the small ones in the market sector, free from state regulation. Administrative economy favours corporatism. In popular discussion, state intervention in the economy is synonymous with bureaucracy—detailed, centralised administration from Whitehall. The consequence of aggregate concentration, on the contrary, is to make a vast civil service regulatory apparatus redundant. Corporatist control would be exercised through continuous, informal bargaining between the state and the principal corporate empires.

In sum, long-term changes in the structure of the British economy are evoking a changed role for the state. Market concentration makes state control mandatory; aggregate concentration makes it feasible.

(*c*) *Declining profitability*. There is substantial agreement among economists both sympathetic and antagonistic to capitalism that the profitability of British industry has been declining consistently since at least 1950 and that post-tax profitability has fallen particularly rapidly since the late 1960s (43). The problems of definition and measurement are even more complex than those concerning industrial concentration, but again the trend is crudely clear (44). Two consequences of this decline are of particular importance for the role of the state in the economy.

First, some companies will fail, probably increasing the pace of market concentration described above. Bankruptcies and liquidations reached the highest levels in British history during 1974 and 1975, and the rate of failure is accelerating (45).

Second, it will reduce companies' ability to finance their activity out of retained earnings, forcing them into dependence on outside

(43) The principal articles in this discussion are: A. GLYN *and* B. SUTCLIFFE, The Critical Condition of British Capital, *New Left Review*, LXVI (1971), 3-33; D. YAFFE, The Crisis of Profitability, *New Left Review*, LXXX (1973), 45-62; M. PANIC *and* R. CLOSE, The Profitability of British Manufacturing Industry, *Lloyds Bank Review*, (1973), 17-30; G. BURGESS *and* A. WEBB, Rates of Return and Profit Shares in the United Kingdom, *Lloyds Bank Review*, April 1974; M. KING, The United Kingdom Profits Crisis: Myth or Reality?, *Economic Journal*, LXXXV (1975), 33-54; S. HOLLAND, *op. cit.* Appendix. King is a partial dissenter concerning the length of the post-tax decline.

(44) The principal problems concern how one accounts for depreciation and stock appreciation, how to measure assets if the concern is rate of profit, or how to deal with wage movements if the focus is share of profits, and which measure is appropriate for which questions. All estimates have to begin from reported profits, and post-tax figures are affected by innovations in corporate tax avoidance.

(45) Series data on bankruptcies and liquidations are published regularly in *Trade and Industry Journal*.

sources of funds, including the government. Companies have been insulated from the financial consequences of their falling profitability because both the principal liens on their income have been reduced simultaneously: the government's effective rate of tax has declined consistently for most of the post-war period and companies themselves have lowered the proportion of profits paid out to shareholders in dividends (46). But the recent sharp fall in profitability has become apparent in the sources of corporate funds. Internal funds as a proportion of the total have fallen from 78 % in 1967 to 63 % in 1974 (47). If one is concerned with companies' ability to finance growth rather than just keep their business ticking over (that is, if one looks at internal funds net of stock appreciation and depreciation at current replacement cost), then the fall has been much more dramatic. 'Indeed real profit retentions are completely eliminated [in every year since 1967, except 1972]. This means that for deficit years companies' gross incomes were insufficient to meet all claims on that income quite apart from providing further funds for expansion' (48). The broad conclusion of the most comprehensive recent survey of company financing is that 'the proportion of total funds used to finance the real growth [...] accounted for by internal funds has clearly declined since 1968 [...] while external funds have increased in importance' (49).

The sources of outside funds to which companies have turned have been principally foreign parent companies, banks and the government. The Stock Exchange has become a relatively insignificant source, despite the splurge of rights issues in early 1975. Net bank borrowings (loans loss deposits) have risen rapidly throughout the 1970s to reach about one-third of all corporate funds in 1974. A stream of companies have been going to the government for emergency assistance under sections 7 & 8 of the Industry Act 1972. These constitute 'drastic changes in the way British industry is financed [...] The result, in blunt terms, has been to make any British industry

(46) On the decline of the effective rate of corporate tax from 38% in 1951 to 11.6% in 1973, see KING, *op. cit.* On the decline in dividends, see series data in *Financial Statistics*, H.M.S.O., Table 79. Dividends on ordinary shares as a percentage of total corporate income have declined from 20% in 1964 to 7% in 1974 (taking cognizance of the changed basis for recording dividends since the 1973 adjustments).

(47) See J.L. WALKER, Structure of Company Financing, *Economic Trends*, No. 263, September 1975, H.M.S.O. The figures are taken from the more comprehensive national accounts data section of the summary table on p. 101.

(48) National Economic Development Office: *Financial Performance and Inflation* (London 1975), p. 6. See also WALKER, *op. cit.* In 1974, depreciation and stock appreciation absorbed *all* internally-generated revenues. Internal funds accounted for 0% of growth capital in that year as compared with 55% in 1964. But 1974 was an extraordinary year, as explained below in the text, so importance should not be attached to the percentages, only to the trends.

(49) WALKER, *op. cit.* p. 102.

which is in need of money the creature of the banks and of Government credit' (50).

The role of the government in corporate finance is bound to grow in the immediate future. The National Enterprise Board, while smaller than originally envisaged, will still account for a significant increase through equity investments. Expenditure under the old Industry Act 1972 was growing rapidly (51), and the new Industry Act 1975 expands the government's role as lender of last resort and as provider of expansion finance. The government has recently undertaken to support capital re-equipment programmes for whole industries (ferrous foundries, machine tools, clothing, textiles, footwear) and envisages this activity will also expand. Several new investment institutions are under discussion which may involve direct or indirect government participation. More broadly, in announcing its 'new industrial strategy' in November 1975 the government declared its intention to alter the pattern of public spending and policy, 'giving priority to industrial development over consumption or even our social objectives' (52). But direct capital transfers between government and industry will probably be the less significant mechanism of government control over corporate finance.

The year 1974 was an unusual one. While corporate finance is always cyclical, this was the year of an historically extraordinary liquidity crisis, with companies in cash deficit to the extent of £3.3 billion (compared with small cash surpluses for most of the post war period) (53). As such, it was uniquely favourable to the hypothesis being presented here. It would be misleading and unprincipled to base any argument about the long-term development of the British economy on trend data ending in 1974. It would be equally mistaken, however, to dismiss it simply as a special case. Rather, one must examine the causes of the liquidity crisis, especially the government's role in creating and responding to it.

(50) The Great Stock Market Crash, *Sunday Times*, 25 August 1974, p. 13.

(51) *Industry Act 1972, Annual Report by the Secretary of State for Industry for the year ended 31 March 1975*, H.M.S.O.

(52) Strategy for Survival [Transcript], *The Guardian*, 6 November 1975.

(53) Series data on corporate liquidity are published regularly in *Market Review*, the monthly publication of stockbrokers Philips and Drew. The massive cash deficit is merely the obverse way of expressing the point made by Walker (see footnote 48) that internal funds were entirely absorbed in just maintaining the physical assets of companies. Both calculations are re-workings of raw data published monthly in *Financial Statistics*, H.M.S.O., Tables 79 and 81. The author would like to thank Martin Gibbs, Research Director of Philips and Drew, for his repeated assistance on questions of corporate finance, notwithstanding rather different estimations of what is likely to happen to the British economy. See his paper: Private Industry Can Survive Inflation, to the *British Association Meeting*, Guildford, 1 September 1975.

On the one hand, the government was diminishing the net inflow of corporate revenues by controlling price increases in a time of high inflation, while simultaneously raising its take of funds through a new system of advance payments on corporation tax—the upper and nether millstones of business finance, if one can envisage such a metaphor as the grinding down of liquidity. Others called it the Doomsday Machine. If the present Labour government had been pursuing a socialist strategy toward the economy, here was a unique opportunity for the rapid and inexpensive extension of public ownership, by the unusual mechanism of driving private industry bankrupt. In fact, it nationalised only three companies in this way (Leyland, Ferranti, and Alfred Herbert). Rather, it responded by sufficiently loosening price control and the tax assessment of stock appreciation, so that industry has been in substantial cash deficit for 1975 but not to the level of crisis.

Price controls were originally applied as a desperate attempt to cope with inflation. Their latent consequence was to establish a very effective regulator over corporate liquidity. This effect was made manifest to all by the crisis and is now being systematically integrated into the set of state controls over industry. The Secretary of State for Prices has indicated she would use the capacity to regulate prices as an inducement for companies to negotiate planning agreements with the government (54). Specific relaxations of price control would be bargained for specific obligations by companies. Here in outline is a corporatist strategy for the control of finance: business remains in private ownership, but the government regulates its ability to generate retained earnings and how it uses them, without any direct transfer of public funds. In addition, the government has repeatedly declared its intention to dispense public financial assistance selectively with a similar bargaining intent. In adjusting the rules governing stock appreciation, the government has transformed what was heretofore a principle of accountancy into an additional, new regulator of corporate finance, much like depreciation allowances. Whether the will and capacity exist to use these new instruments and carry through a full corporatist financial strategy is another, and empirical, question.

This represents one side of a broader programme for state control of the investment process, a prerequisite for any corporatist system. In addition to the control of internally-generated funds, there must

(54) See, for example, Codifying Industry's Investment Needs, *Financial Times*, 8 August 1975, p. 15.

logically be some direction of external sources. Under the past two governments, numerous schemes have been floated to stimulate the volume and channel the flow of investment capital. These have included government sponsorship of banking-industrial mergers, public participation in major insurance companies and pension funds, an investment tax, investment certificates, new quasi-private investment institutions with substantial government money, state allocation of a proportion of institutional investors' funds, collaboration between investors and the National Enterprise Board, and a programme to allign City investment programmes with national objectives—all corporatist solutions to the problem. The exact institutional form that investment direction will take is uncertain at the time of writing, but something is clearly emerging.

To summarise: the capacity to generate retained earnings is one of the principal bases of corporate autonomy and power. A long-term decline in the profitability of British industry has weakened that capacity, creating dependence on government financial relaxations. The current crisis is evoking a further increased role for the state in providing corporate funds, both directly and indirectly. Traditional government powers to tax, lend, subsidise, purchase, and regulate money supply, supplemented by new instruments for controlling prices and investment, provide the potential for corporatist financial control over private business. Essentially, it would come down to bartering increases in cash flow for all manner of 'agreements' with industry.

(*d*) *Technological development.* Certain forms of technological change may evoke a more directive role for the state. Not all new technology involves significant increases in productiveness, complexity, or cost, but some do and they may lead to increased state intervention in three ways. First, they may have greater effects on the physical and social environment in the form of increased pollution or reduced employment, particularly in the event of technical malfunction or commercial failure. A wide spectrum of social groups is increasingly demanding state protection against the harmful consequences of increased technological potency (55).

This issue is related to more general ecological questions. Various theories have predicted impending resource shortages for the indus-

(55) For an analysis of the role of the state in the economy that uses technology as a major variable, both in the genesis of capitalism and at present, see E. GELLNER, The Social Contract in Search of an Idiom: the death of the Danegeld State, *Political Quarterly*, XLVI (1975), 127-52.

trialised world. If these prove accurate, both the principal responses would involve a significant increase in state intervention in the economy. If resource constraints become severe, then there would have to be state controls on consumption, including the establishment of priority users and the regulation of related investment. If, alternatively, shortages are capable of being overcome by technological development, then there would probably have to be state subsidisation of research and even more probably, state facilitation and enforcement of a mass conversion to new forms of technology. 'Eco-Doom, and 'The Technological Fix' both imply state intervention. It might take the form of public ownership; it might be corporatist.

Second, as the productiveness of technology increases, so does the size of plants (measured in terms of output), hence the nation's productive capacity in a given field becomes concentrated in fewer establishments. This is the plant-level equivalent of the company-level market concentration discussed above. The same logic of state intervention applies—as one puts one's eggs in fewer baskets, one must guard those baskets more carefully.

Third, some industrial innovations require substantial technological development which is not only extremely costly, but uncertain in its outcome, both commercially and technically. Banks, entrepreneurs, institutional and private investors, and the companies themselves are frequently unwilling to undertake the large and open-ended capital commitment in view of the uncertainties. They seek the aid of the state not only in subsidising research and development costs and in providing capital investment, but in guaranteeing a market for the eventual product. Concorde, nuclear reactors, electronic telephone exchanges, and North Sea oil platforms are only four of the more conspicuous examples in Britain. The point is that for certain crucial forms of large-scale technological development, normal market processes cannot cope and a corporatist intervention from the state is evoked (56).

(*e*) *International competition.* In the world market, as opposed to the national one, it is not only companies which stand at risk, but countries as well. Changing patterns of international trade have affected Britain severely, in the form of chronic balance of payments deficits, a declining currency and the increasing take-over of the

(56) See GALBRAITH, *op. cit.* ch. XIII. For a practicing businessman's viewpoint, see Sir Frank McFadzean, retiring chairman of Shell : « I now feel strongly that when you look at these very advanced technologies, the money and the risks are becoming to great for private industry to bear », *Sunday Times*, 11 April 1976, p. 58.

nation's markets and companies by foreign competitors. The recent increase in oil prices merely exacerbated longstanding problems. Government attempts to cope with these problems through aggregate demand management produced the Stop-Go cycle. Attempts to increase the international competitiveness of British industry (e.g. through industrial reorganisation) have proved insufficient. Corporatism is, in part, a response to these developments. At present, policies for the more direct protection of British companies are emerging, justified in the name of safeguarding the national economy. So far, these have taken four forms: demands for import restrictions, increased powers to prevent foreign acquisitions, new institutions to direct business to British firms, and increasing suspicion of multinational companies.

There is a considerable body of economic thought which suggests that such policies will be self-defeating, if not positively suicidal. The popular, neo-classical version is that the post-war prosperity of the West has been built on a large and relatively unimpeded increase in world trade. The introduction of 'protectionism' now would start a downward spiral of retaliation, stagnation and recession. The radical version is that capitalism is a world economic system in which national enterprises are ineluctably driven by competitive pressure and their own productive capacity into international expansion. Both assume that the world of developed capitalist nations is and will remain something like an open market. This is too simple, both as description and as prediction.

First, the apparent existence of 'free trade' is in substantial measure illusory. The illusion exists because present restraints on trade have not taken the form of conventional tariff barriers. These have been dismantled because they are increasingly ineffective, being vulnerable to 'multinational operations', that is, to foreign competitors establishing manufacturing operations in the home country, thereby getting inside tariff walls (57). In consequence, new forms of protection have been developed, notably, the subsidising of high technology import-substitution and export-growth industries, competitive exchange rate manipulations, subsidies to finance exports, insistence on stringent, peculiar or frequently changing standards of quality to exclude foreign products, giving home industries preference in state purchasing, and most significantly, creating so-called 'free trade areas' to provide protected outlets for exports. The Common Market, far from being a liberal, internationalist attempt to open

(57) Canada is the extreme example. See K. LEVITT, *Silent Surrender: The Multinational Corporation in Canada*, (Toronto, Macmillan, 1970).

up trade, is first and foremost a shield against the Americans and the Japanese. Its essentially protective character is revealed in the incessant nationalist bickering on all issues, one field in which Britain has aggressively seized the initiative since joining. The EEC Commission devotes a considerable part of its effort to 'harmonisation', which is to say to trying to break down the panoply of 'non-tariff barriers to trade' among member-states.

To this existing set of partially-concealed protective devices, the government has added two new ones in the past year. Its programme of capital re-equipment grants for whole industries was initiated with the explicit rationale of preventing foreign companies from capturing too large a share of the domestic market in the next anticipated upturn of the business cycle. Further, spurred by the recognition that only 40-45 % of the capital equipment for North Sea oil development has been purchased from British firms, the Department of Energy's Offshore Supplies Office will now intercept all North Sea related contracts being awarded to foreign companies and institute its own search and tendering process to find a British supplier (58). In sum, by substituting these other measures for straightforward tariffs, countries are effectively pursuing an economically nationalist policy behind a pretence of free trade. Johnson calls this disguised strategy 'the new mercantilism' (59). In Britain's case it has so far proved insufficient, but set in this context, the movement toward more openly corporatist measures does not seem such a dramatic reversal of the whole recent economic history of the western world, but rather a few additions to an already substantial armoury of protectionist devices.

There is also a second, more fundamental way in which 'free trade' and the 'world market' are not what they appear. The traditional theoretical case for free trade policies is grounded in the Ricardian argument that, no matter what their relative prices and productivities, any two nations would benefit from trade. Protectionism creates losses for the protected as well as the excluded; it is positively masochistic, not just ethnocentric. Why, in the face of such mathematical truth, asked Robinson, do so many nations persist in nationalist trade policies, measuring their success in the balance of payments? (60).

(58) See the Memorandum of Agreement and Code of Practice between the OSO and the United Kingdom Offshore Operators Association, November 1975. This was described by the OSO as a 'voluntary' agreement. 'Voluntary' is set fair to become the euphemism of the corporatist economy, in the same way as 'free' is for a market economy.

(59) H. Johnson (ed.), *The New Mercantilism* (London, Macmillan, 1975).

(60) J. Robinson, *The New Mercantilism* (London, Cambridge U.P., 1965); Levitt, *op. cit.*, also calls the spread of the multinational corporation 'the new mercantilism'. The definitions behind the label vary, but the theme remains the same.

The answer, in effect, is that the economists have used too simplified a model which omits from the calculations any other consequences of international trading, which may produce gains for some countries, but also losses for others. 'The economists' argument for free trade is made by reference to a model from which all relevant considerations have been excluded in advance'. It assumes, among other things, full employment, fixed exchange rates, no labour migration, no international capital movements, but free mobility of the factors of production within countries, and balances of payments that are easily brought into equilibrium. 'All this must be conceded before the argument can begin'.

In fact, international trade does have 'side-effects' in all these areas. Indeed, they form a catalogue of some of Britain's more enduring economic problems: persistent balance of payments deficits; unemployment of workers displaced by imports and foreign competition; the multiple economic, political, technical and social difficulties and costs of moving factors of production out of 'declining' industries/regions and into others; and enormous capital movements, not only in the form of multinational acquisition and manipulation of British exporters, but of speculative flows in and out of London as a world financial centre (in response to announcements of trade figures among many other factors). If economic theoreticians may ignore such associated consequences of trade, politicians cannot (61). They respond by attempting to skew the world market to their country's advantage by various forms of nationalist protection and subvention. This process is universal, but those countries suffering the greatest costs have a relatively greater interest in intervention. Contrariwise, the economically powerful stand to gain from more open trade (62). Both are techniques of competition, means to advantage. 'Free trade' is a policy advocated by businessmen and politicians when it is to the advantage of their companies and their countries to do so, that is, when it produces profits and trade surpluses. The point is readily acknowledged in development studies, where 'free trade' is clearly a post-colonial technique of economic penetration by developed

(61) This is a variant of the standard argument about 'externalities'. What is omitted in this case are not the costs external to a selected economic unit (i.e. a company), but to a selected economic process (i.e international trade). The mathematical demonstration of universal gains-from-trade, like the positive balances at the bottom of many Profit-and-Loss Statements, is sustainable only because certain real costs are artificially excluded from the calculation.

(62) It is not coincidence that the major capitalist countries most vociferous about maintaining free trade at the time of writing are those with the largest trade surpluses, West Germany, Japan and the United States, and those taking action to protect home industry are those with trade deficits, Italy and the United Kingdom.

countries and multinational companies in the Third World. It applies equally well to relations between developed capitalist countries. Indeed, Calleo and Rowland explicitly interpret the 'economic liberalism' of the United States during its post-world war II hegemony in the Atlantic community as 'liberal or free-trade imperialism' (63). The difference is that Britain has more resources with which to pursue alternatives than most developing countries. 'Free trade' is a tactic of capitalists, not a fundament of capitalism. It is just as economically nationalist a policy as protection. Britain used to benefit by pursuing it, but for some time has been suffering and is now in the process of changing tactics. Corporatism, therefore, does not represent an irrational rejection of economic first principles, but merely a shift to a different form of trade nationalism.

Questions of trade, it is often alleged, have now in any case been superseded by the growth of the multinational corporation, which represents a more substantial threat to state sovereignty through its capacity to subvert or circumvent national economic policies. If so, corporatist economic nationalism would not be so much theoretically impossible as practically ineffective. This has led to various extrapolationist theories, that by the year *X* (e.g. 1990, 2025), only *Y* companies (100, 200, 300) will control *Z* per cent (40, 50, 60) of total world output. The writer fills in the numbers according to the depth of his fatalism or zeal.

The multinationals appear so powerful, in part, because the nationalist backlash against them is only just beginning to take concrete form. Many are, in fact, vulnerable for a very Durkheimian reason. They have pursued, in one of two ways, an international division of labour, thereby creating interdependence between their subsidiaries in different countries, and leaving themselves open to disruption by national economic intervention. On the one hand, some companies manufacture different parts of a complex finished product in different countries and must ship across boundaries before final assembly. (Ford operates this way in the British motor market). They are vulnerable to national disruption of production in the same way that local shop stewards' committees have been able to stop output of entirely domestic manufacturers (64). Alternatively, some

(63) D. P. Calleo *and* B. M. Rowland, *America and the World Political Economy* (Bloomington, Indiana U. P., 1973). The U. S. 'has become addicted to the rhetoric of a specious internationalism which uses "interdependence" as a euphemism for imperialism. Given our postwar position of hegemony, an ideology stressing "outward-looking" transatlantic "interdependence" and denigrating "inward-looking nationalism" is transparently convenient for imperialist purposes' (p. 7).

(64) On forms of interdependence, see J. Thompson, *Organisations in Action* (New

companies have chosen to concentrate production at one high-capacity, capital-intensive plant to serve several adjacent national markets. (This is Chrysler's proposed approach to the United Kingdom and is a particularly common strategy within the EEC). The economics of the investment depend on the ability to export a major proportion of output. Such companies are vulnerable to national disruption of their marketing. In both cases, the ability to control trade provides the bargaining leverage for the nation state.

As a result, one anticipates controls on, at least, multinationals' tax avoidance, short-term capital movements and investment blackmail. The manipulation of intra-company transfer pricing to avoid taxation is not an impregnable labyrinth of international accountancy (65). It will be dealt with, almost certainly, not by attempting to clarify what proper 'arms-length' pricing and hence 'true' profits would be, but by avoiding the problem altogether. This may be accomplished, for example, by establishing a system of nominal prices for tax purposes, by imputing a profit rate from comparison with some national firm, or by shifting from a profit-based corporate taxation system to one based on revenue or value-added (66). There seems no reason why countries could not or should not enforce stringent control on the short-term capital movements of multinational companies that have in the past helped to undermine exchange rate policies. In resisting multinational threats to shift investment elsewhere, Britain is more favourably placed than most countries.

York, McGraw-Hill, 1967). Most mass manufacturing operations involve *sequential interdependence*, the outputs of any given stage of the production process depend on inputs from a previous stage. Multinational operation sometimes involves a stronger form, *reciprocal interdependence*, the outputs of both units depend on inputs from each other. Ford U.K. and Ford Germany are linked in this way.

(65) Transfer prices are those on sales of goods and services between different national subsidiaries of the same multinational corporation. These may be manipulated, among other purposes, to avoid taxation in high-tax countries. This may involve either the artificial raising of the prices paid by British subsidiaries on intra-company purchases or the lowering of the prices for their exports to these other national subsidiaries. Both serve to reduce the profit made and the taxes paid in the U.K., shifting both to other countries where lower tax rates apply.

(66) The first solution was employed by oil producing countries with the 'posted price' system, before OPEC became an effective cartel; the second is that proposed by Sweden for taxing multinational oil companies as if they made the same rate of profit as the local Swedish co-operative; the third has been instituted by Guyana. Multinationals are not the only companies that escape taxation, of course. Phillips and Drew monitors the performance of 115 of the largest British companies, which account for 75% of the market capitalisation on the London Stock Exchange. Of these 43% pay virtually no U.K. tax whatsoever. And since, as suggested earlier, corporatism is a cash flow system, not a profit system, a corporatist regime might be inclined to a revenue/value added taxation system, in general. It would be feasible. See A. PAKENHAM-WALSH [Trinity College, Dublin], *Systems Accounts* (forthcoming).

It is, after all, one of only six large and affluent capitalist markets in the world (with the United States, Germany, France, Italy and the less penetrable Japan). Thereafter, the possible markets for multinational operation are either considerably smaller (e.g. Sweden, Switzerland, Canada, Australia) or less affluent (Indonesia, Pakistan, Brazil) or both. For a multinational to renounce its British operations in any substantial measure is to open itself to national disruptive intervention and risk one of its major markets.

The point is not to suggest that multinationals are paper tigers, but simply that national governments have considerable resources for dealing with them. In Britain, at least, we may expect that these resources will be used increasingly in the coming five to ten years. The aim of corporatist intervention would not be to eliminate international exchange altogether, but to restrain its effects and shape it to the national interest. A corporatist resolution of international economic relations among the developed countries would involve each national government securing for its own companies a guaranteed majority share of its domestic market and tolerating foreign penetration for the remainder, in a combination of imports and controlled multinational operations. A long-term deterioration in Britain's international trading position, accentuated by the rise in oil prices and the current world economic recession, is leading the country in this direction.

Alternatives and Practicalities.

The principal concerns of this paper have been to say what corporatism is and why it is likely to come to Britain. There was no intention to suggest that this is the only option available or that there will be no resistance to such an economic system. This is not the place to make a full assessment of the case against the advent of corporatism, but the other major alternatives can be indicated briefly.

One of the structural situations to which corporatism is a response is the combination of oligopoly with continued profit maximisation. An alternative strategy is to restore a competitive market economy. This might be done by (*a*) a vigourous anti-monopoly policy to reduce industrial concentration; (*b*) a genuine openess to international competition; (*c*) a shift through diversification to finance capitalism, that is, a system of large financial groups, with many smaller subsidiaries operating in many markets and engaged in real competition; (*d*) trusting to spontaneous disintegration of oligopolies through recognition of the diseconomies of scale; or (*e*) political decentralisation and local control.

A third option is a set of minor adjustments or coping responses. They include (*a*) doing nothing, on the rationale that what industry needs is benign neglect and left to itself it will do the coping; (*b*) more rational macro-economic management through more and better government advisors, increased research and expenditure; (*c*) ameliorating the oligopolies from within by involving employees and consumer groups in consultative management or 'participation'; (*d*) legal regulation of new forms of social responsibility for business; and (*e*) hanging on until North Sea oil begins to relieve the financial situation. Another Selsdon phase is a possibility for the early 1980s if a certain section of the Conservative leadership were elected to government at a time of expansion in the business cycle and rapid growth in oil revenues. It might then have enough new resources and residual ideology to attempt to carry on in the post-war style of a mixed economy.

Finally, there are socialist alternatives. These include not just straightforward revolution or massive nationalisation, but also the incremental extension of public ownership through liquidity pressures on the private sector and a syndicalist attempt to build workers' controlled organisations through rank-and-file action.

In many ways corporatism represents the soft option for British governments in the current situation. It involves less drastic effects, both politically and economically, than either liberal deflation or extensive public appropriation. This is particularly true when one recognizes that the institutional structure of corporatism will not involve a massive expansion of the central bureaucracy. Once business recognizes this as well, its reaction will, overall, probably be favourable. Despite ideological objections, it needs and wants help in the current crisis. Thereafter, the large oligopolies, already used to planning, cartelisation and close relations with governments, will not be troubled by the theory of corporatism if they have access to the processes of state decision-making and, thus, a real opportunity to exert influence over the substance of controls and the volume of financial supports. Other companies will not be subject to direct regulation, though their access to capital may be indirectly restricted. Considerable scope will remain for small-scale entrepreneurship and artisan operations. Small business may feel little has changed. The major attractions of corporatism for business, in theory, are that it offers some prospect for stability and for control of its labour problems and wage costs.

It is here that resistance is most likely to emerge. Any British corporatist regime would almost certainly not attempt to break the union movement, in Nazi style, but rather to co-opt it into corporatist institutions. Union officialdom may acquiesce if it is offered a sufficiently significant role in the planning system to replace a lost collective bargaining role. The rank and file will probably be the principal source of opposition. Their incorporation will depend on (*a*) the attractiveness of the controlled-wages-plus-welfare package they will be offered; (*b*) how grim the alternatives, unemployment and inflation, look at the time; (*c*) the willingness of the government to coerce; and (*d*) the realism of any socialist alternative.

In view of recent trends in British government economic policy and changes in the structure of British capitalism, the corporatist option seems the most likely to be tried first.

Appendix: The State and its Autonomy.

Earlier (p. 105), two issues were postponed: the conceptualisation of the state and the extent of its autonomy, whether the state has enough independence from economic interests in society to exercise corporatist control over them.

The state may be conceived of, alternatively, in terms of what it is and what it does. In common sense terms, institutional definitions seem the most natural. This approach has been prominent lately in the debate between Miliband, Poulantzas and others (67), where the state is seen as a set of objective institutions performing governmental, political, administrative, coercive, judicial, and some ideological tasks. The problem with this type of definition is that states commonly act through a variety of institutional forms, and these may be ranged along continua of publicness and permanence. The main categories include: the conventional Civil Service, quasi-governmental organisations (e.g. the universities, the Bank of England or the Horserace Betting Levy Board), quasi-non-governmental organisations (e.g. government-prodded 'self-regulated' bodies like the Press Council, British Board of Film Censors, or National Housebuilders' Registration Council), and, ultimately, private organisations which act as government enforcement agents (e.g. private security firms or The Family Fund) or government operating arms (e.g. companies which derive a major part of their business from the government, like dis-

(67) The starting points for this debate were R. MILIBAND, *The State in Capitalist Society* (London, Weidenfeld and Nicolson, 1969), and N. POULANTZAS, *Political Power and Social Classes* (London, New Left Books, 1973).

count houses defence contractors) (68). The institutional form of a state activity may be moved along these continua (as most recently with the Post Office). The difficulty of distinguishing the state in institutional terms becomes greater, the more one is committed to an idea of close interrelation between private interests and the state. This mitigates the idea of the state as something objectively identifiable. The issue is an important one for corporatism, where the state would attempt economic control through nominally autonomous, 'self-regulating' private bodies, that is, shift the institutional form of its activity toward the more indirect or disguised end of the continuum.

An alternative approach, with its own problems, is to conceive the state in terms of the activities it undertakes. This may be done at a very abstract level, as in the conceptions of Spinoza or Hobbes, where the state acts to prevent men from degenerating into mass barbarism or internecine conflict. The approach here is at a lower level of generality, conceiving the state in terms of the economic tasks it undertakes, its roles in the economy, irrespective of the institutional forms in which it may carry them through. See also the works of Corrigan, Geller, Harris, Murray, Neumann, and Offe cited in footnotes. A full definition of the state in these terms would depend upon comprehensive historical and comparative study of state activities in many different economies, and rigorous abstraction therefrom.

The question of autonomy has conventionally been framed in terms of two polarities: on the one hand, the liberal vision of the economy as a realm independent of the state because it is a self-equilibrating, inherently efficient system, and on the other, what Poulantzas calls the 'instrumentalist' construction put on Marxist theory, that the state is merely the agent of the dominant class. The autonomy of the state is thus not problematic for neo-classical economists, nor indeed for practising businessmen. The main thrust of the recent expansion in Marxist theory on the state is that under capitalism

(68) Indirect forms of government administration have recently been the subject of an extended Anglo-American research project. See, for Britain, D.C. HAGUE, W.J.M. MACKENZIE, *and* A. BARKER (eds.), *Public Policy and Private Interests: The Institutions of Compromise* (London, Macmillan, 1975), and, for the United States, B.L.R. SMITH (ed.), *The New Political Economy: the Public Use of the Private Sector* (London, Macmillan, 1975). For a short theoretical statement, see C. HOOD, The Rise and Rise of the British Quango, *New Society*, 16 August 1973. For an extension of the argument, that what is happening is the delegation of the enforcement of state control to private organisations, see the second half of my article, The Corporatist Economy: theory and administration *in* R. SCASE (ed.), *Cleavage and Constraint: studies in industrial society* (London, Allen and Unwin 1976).

it always enjoys significant autonomy from economic interests. Indeed, Poulantzas' latest formulation makes the relative independence of the economy and the polity a defining characteristic of the capitalist state (69). The basis for this autonomy is, interestingly, the same in the liberal and neo-Marxist theories: the state's ability to play off distinct sections of the economy against one another. For liberal pluralists, these are 'interest groups', for Marxists, classes and fractions within the dominant class. The real issue is not whether the state has autonomy, but whether it has the means to use such autonomy as it does possess; in short, whether corporatism will be translated from an implicit strategy of recent British governments into a full economic system.

(69) The fullest statement of Miliband's position on the autonomy issue is in Marx and the State, *Socialist Register 1965*, *reprinted in* T. Bottomore (ed.), *Karl Marx* (Englewood Cliffs Prentice Hall), 1973, and in his review of Poulantzas: Poultantzas and the Capitalist State, *New Left Review* (1973), n° 82, pp. 83-92. Poulantzas is clearest on this point in *Fascism and Dictatorship, op. cit.*