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# THE TRANSITIONAL EPOCH, FINANCE CAPITAL AND BRITAIN

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## PART 1 THE POLITICAL ECONOMY OF DECLINING CAPITALISM

*Hillel H. Ticktin*

The purpose of this article is to place the decline of capitalism in Britain within a general theoretical framework. Its essential argument is that all capitalism must proceed through a process of formation, maturity and decline, and that Britain is effectively leading that decline. Britain is not to be understood as that unfortunate country which is now having to cope for the first time without an empire, as so many people see it, rather it is to be understood as a country which evolved a particular form of the class relationship with consequent specific forms of accumulation, which are now of a declining nature. Resurrection or a return to its mature form, is just as impossible as it is for the human corpse. The declining form of capital is finance capital. The corresponding form of labour which is also specific, though only in the generalized nature of that form, has been the degree of collective control over the labour process. This in turn has led to a particular politics: that of a non-political Labour Party, with non-political unions.

This article will discuss finance capital in the context both of a declining capitalism and of a capitalism in transition. First we discuss the former concept and thereafter the latter, and from there we proceed to a discussion of finance capital itself. The discussion on the national and global views of political economy is still alive; there are those who still insist that the laws of world capitalism are the only proper subject of political economy, and for that reason it becomes necessary to introduce the discussion with an examination of what a Marxist political economy should really be. This naturally leads into a discussion of the interaction of the above concepts and the reasons for the absence of an adequate Marxism.

### *Nature of Political Economy*

Political economy has received a series of definitions from various Marxists depending on their school of thought, always remaining at the level of definition. Thus to "lay bare the laws of motion of modern

society" may have been clear enough to Marx and his friends but it is as clear as mud to modern political economists<sup>1</sup>. What is a law? If we use the new left review as a guide to Marxist thought then it would appear as if the concept of 'law' has been abandoned<sup>2</sup>. But even for those who continue to use the term, muddle is the commonest result. The most usual understanding of law is the non-marxist one of a constant regularity or pattern of events<sup>3</sup>. This classical empiricist conception would make a nonsense of "laws of motion". Simply to describe a pattern of efficient causes cannot give the reason or driving force behind the motion; it can only describe a sequence of events in which there is no necessity. This is the current conception of the political economy of development or the sociology of change, but it is not Marxist political economy. What is required to describe the necessary cause and development of that motion. Why is the reserve army of labour necessary for capitalism, for instance? Why does it necessarily tend to grow? What consequences follow if it does not grow or is indeed greatly diminished? The source of this motion (to unemployment) must be found in the contradictions of capitalist society, which give rise to the general law of capital accumulation.

1. E. Mandel: *Marxist Economic Theory*: Merlin, London, 1968. Mandel has no definition of political economy in his 797 pages. The only conclusion that one can draw from his introduction and his final chapter on the history of economic thought is that Marxist economics is the economics of Karl Marx.  
P. Sweezy: *The Theory of Capitalist Development* quotes Marx in the above terms, taken from the Preface to the German edition, of *Capital Vol. 1.*, Moscow, 1961, p.10, but reduces them to the class relations, with no clear link.  
E. Mandel: Introduction to the Penguin translation of *Capital*, 1976 Vol. 1., p.12 uses the same quote paraphrased put in the context of origin, growth and decline and then concentrates on the historical nature of laws. Nowhere does he explain the nature of law, category or contradiction although the terms are extensively used.  
M. Dobb's considerable body of work is best passed over in silence as the highest point of scholasticism. In his *On Economic Theory and Socialism: A Lecture on Karl Marx*, RKP, London, p.186, he virtually reduces the laws of capitalism to the law of value. He conveniently found a bridge between the concerns of orthodox economics and the need to maintain the socialist character of the USSR. In his later work: *Theories of Value and Distribution since Adam Smith*, Cambridge, pp137ff., 1973, the institutional aspect particularly ownership, p.144, are stressed. Ben Fine in his *Marx's Capital*, Macmillan, London, 1975 has no reference to his subject except on page 19, where he refers sagely to the social science nature of Marxist economics. What is required is a discussion of the nature of the subject in relation to the present. Mandel who is like a colossus in comparison to the rest as usual never gets to grips with the question even indirectly in his *Late Capitalism*.
2. See for instance P. Anderson's catalogue of Marx's errors in *Considerations On Western Marxism*, NLB, London 1976. p115. Once the concept of essence is abandoned so must 'law' and hence the Althusserians logically have to drop the law of value. Anderson is just responsible for importing Althusser not for his ideas. Anderson appears to agree on an empiricist basis.
3. G. Hodgson: *NLR 84*: The Falling Rate of Profit, p.79:"laws are real social facts."

Since the source of the movement lies in contradiction, and the unfolding of that contradiction constitutes the content of that law, we have some understanding of law. We may say that a law describes the unfolding of the contradiction or the unfolding of the process of interpenetration of the polar opposites of that contradiction. It is thus the task of political economy to discuss and describe this process both in its particularity and in general. In other words, the particular categories of concrete and abstract labour, must find specific mediations (as temporary solutions) unless the system is to proceed to its supersession, which it has not, of course, done. Since capitalism has not succumbed to its contradictions it becomes the particular task of modern political economy to describe the full evolution of these laws in all their concrete richness.

The category of motion is also unclear to many people. To some it would seem that motion simply means onwards and upwards. Thus there are many in Italy and some in Britain who see the present as nothing but a yet more mature and developed capitalism. This has led Panzieri<sup>4</sup>, for example, to speak of planning as the highest form of capitalism, and indeed it has led the state-capitalist school to deduce all laws from a necessary global state-capitalism. Yet it was none other than a certain Karl Marx who quoted with approval the view that: "There are special laws which govern the origin, existence, development, death of a given social organism and its replacement"<sup>5</sup>. Unfortunately, the same Karl Marx could not have expected that many of his modern followers would have succumbed to these self-same laws of decay and produce theories without concrete factual analysis or genuine thought. The laws of a mature capitalism are the laws of the system itself, but there are special laws applying to its decay or decline as well to its process of transition. It must follow that it becomes particularly important to distinguish between mature capitalism and its forms of decay, as well as forms of transition of "the invading socialist society" to use the phrase of Engels. These three different forms of motion require concrete analysis both in time and place.

It follows that only concrete analysis will yield the particular contradictions and so the particular forms existing at any one time or place. Disentangling these particular forms of the present becomes particularly complex precisely because one is dealing with three different sets of forms, or laws. This complexity, due to the fact that laws

4. Raniero Panzieri: *Surplus Value and Planning*, p.22: "Marxist thought has failed to grasp the fundamental characteristic of modern-day capitalism, which lies in its capacity for salvaging the fundamental expression of the law of surplus value, i.e. planning, both at the level of the factory and at the social level." CSE: *Labour Process and Class Strategies*, Stage 1, London, 1976.
5. Karl Marx, *Capital*: Vol. 1, p.19 (Moscow 1961) L. Trotsky: *The First Five Years of the Comintern*, Vol. 1, p. 272, New Park, 1973 has a similar formulation. Mandel has another referred to in footnote 1.

are contradicting one another, (contradictions contradicting one another), is characteristic of any mode of production in the process of decline and supersession. It is this that enables one to speak of there being a higher level of contradiction in the present than in the mature phase of capitalism.

A clear distinction has to be drawn between this form of complexity and the empiricist form, where reality is reduced to an accidental plurality of causes, none of which plays a driving role. Such empiricist complexity renders the history or sociology inexplicable. Marxist complexity is quite different. Ultimately, all the forms and laws can be traced back to the process of overcoming the capital-labour contradiction, and in a sense they are necessary consequences of the law of value, since decline and supersession must follow maturity. In any period of transition there has to be both the old and new orders and hence not just the contradiction within the old form of extraction of the surplus product but also between the old form and the new form, which in turn has its contradictions. However, it is particularly complex under conditions where both capitalism and socialism can only really exist as world orders. Thus socialism cannot come into existence, as *socialism*, as opposed to surrogate forms, usually monstrous forms, until capitalism has effectively been defeated on a world scale. As a result, all sorts of combinations of the old order and limited forms of its negation must first exist before the new order can in fact be born. Capitalism contains and employs its own negations such as the welfare state and nationalisations so that it appeared to flourish for a time. But, the necessary contradictions showed themselves and the new policy of monetarism has attempted a rollback.

Just as Marx adduced a law of early capitalism: the more developed merchant capital the less developed is capitalism; so we may state that the further developed is the process of the socialisation of labour the more limited is the operation of the law of value. The problem is that since each system can only exist as a total system any partial form tends to negate both itself and the other form. Under feudalism the bourgeoisie could come into being like a chrysalis in the old order, but even the partial forms of nationalisation, control over the work-process, right to work etc., tend to reduce the efficiency of capitalism without bringing into being socialism. It is this peculiarity of the transitional epoch that makes it so opaque, permitting the bourgeoisie to turn the masses against both nationalisation and the concept of socialism by pointing to their obvious failure in the social democracies and under Stalinism.

Since the processes are necessarily uneven in time and space many different combinations can come into existence and each one has to be analysed concretely in order to produce any theoretical analysis. The short cut of deductive reasoning from an assumed posture has produced

much rubbish, which has given Marxism a bad name<sup>6</sup>. The reasons for this decadent Marxism have much to do with the isolation of the writers and their groups in an environment of almost total intellectual decadence. It is most unfortunate that so many Marxists have succumbed. That the USSR and its external supporters should write apologetics is to be expected, but that those critical of Stalinism should have degenerated in the same way, though nowhere to the same degree, is testimony to both the complexity of the task and the harshness of the atmosphere for the genuine Marxist.

### *Capitalism in Decline*

Concretely, modern political economy has to deal with the forms by which the extraction of the surplus product from the direct producers is systematically reproduced. This accumulation of capital under capitalism in the past century has changed by acquiring the specific form of finance capital, analysed by Lenin as parasitic capital. On the other hand a large sector of the surplus product now goes through a form of centralised economic administration. It still operates within the law of value but in contradictory ways. Education, health, the arms industry, heavily subsidized industries, all testify to negations of the law of value.

We put forward the view that the natural form of a declining capitalism is that of finance capitalism and that its natural tendency is to separate itself off from productive capital to constitute a free-floating abstract capital. But its natural tendency is to extract a maximum return from its investment at the same time as it is dependent on those investments for the source of surplus value. On the one hand it would reduce productive capital, industry, transport, construction, mining etc., to shadows through the redeployment of its investment in more profitable places inside and outside the country of origin not to speak of the high rate of

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6. The most ridiculous example of starting with the result is given by modern state-capitalism. Thus in *International Socialism 19*, Peter Binns explicitly starts from a world capitalist economy in order to explain the present cold war. Mike Haynes follows arguing effectively that world capitalism develops ever new developed and complex forms. Since Marx did not foresee state capitalism he is found lacking in knowledge of what was to come. "He was therefore ignorant . . . of the forms that these tendencies would take after his death" (p.56). Poor Marx who argued: Capital "posits itself only in its adequate forms, insofar as and to the extent that free competition develops." *Grundrisse*, p.65, Penguin 1973. Marx failed to foresee that the development of the world state-capitalist economy was a further development of the laws which he said could not adequately express themselves in such forms, according to the modern state-capitalist theorists. If they were honest they would just state that Marx was wrong. The circularity of the argument: arguing that the world is state-capitalist because states compete through war and thereafter that war arises because capitalist states compete escapes its authors. It has to be said that the authors named have done a heroic job with a silly theory.

interest, which would squeeze these sources of surplus value. On the other hand, it would cease to exist in the absence of productive labour so that finance capital is both parasitic and like any parasite dependent on its host. It is thus a weakened form of capital in that it has to vacillate between pure parasitism and a retreat to enable productive capital to rebuild itself. It is also weak in that it must exercise its control at a distance, often in opposition to its partner, industrial capital.

The Comintern consistently used the term finance capital to denote modern capitalism, not monopoly capitalism, and for good reason. Thus we read in the *Manifesto of the Communist International*:

"If the complete subjection of the state power to the power of finance capital had led mankind into the imperialist slaughter, then through this slaughter finance capital has succeeded in completely militarizing not only the state but also itself; and it is no longer capable of fulfilling its basic economic functions otherwise than by means of blood and iron."

It is clear that the term used is 'finance capital' but the statement is also being made that finance capital has gone beyond the stage of monopolies and trusts to "state-ized production". This statement is explicitly made further on in the same manifesto. That such a capitalism, which had to resort to direct force, war and physical controls over a disrupted economy was in decline was obvious and stated in that form by both the author of the manifesto, Trotsky, and by Lenin.

What has made all talk of a decline of capitalism look silly has been both the long post-war boom and Stalinist publications. The latter emanating from the USSR stated unequivocally that capitalism was still declining as witness the decline in the standard of living following from the law of increasing misery. That is still the official doctrine in the USSR<sup>8</sup>. Western Communist Parties could not churn out such rubbish after the death of Stalin but then bereft of an alternative they repudiated what they saw as Marxism: a theory of absolute decline of the productive forces, and were left with a sanguine view of the development of capitalism. The influence of Soviet style Marxism cannot be underrated,

7. L. Trotsky: *The First Five Years of the Comintern*, Vol. 1. p 22-3. Pioneer Press, 1945, and pp46-7 of the edition earlier quoted.
8. The view that the West has a continuous impoverishment is held by all Soviet writers, although lately questioned in specialist journals. Thus Dragilev and Rudenko: *Monopolisticheskii Kapital*, Sotsekrig, Moscow, 1961, p.363. *Kurs Politicheskoi Ekonomii*, Vol. 1, Tsagolov (ed.) Moscow, 1963, p.251. These two examples are actually better as they were printed in the relatively progressive Khrushchev period, and the authors were able to make modifications to explain reality. The Soviet Union holds that capitalism is in a process of decay and hence the law of absolute impoverishment holds. They see the forces of production being retarded though not simply held in check. The *Ekonomicheskaya Entsiklopediya: Politicheskaya Ekonomiya*, Moscow 1972, has an extensive entry on this subject in the first volume pp10-12. To deal with reality the argument is that there is an intensification of work, increase in accidents, more women working, mass unemployment etc.

but independent Marxists also succumbed once the anticipated world depression failed to appear. The contemporary situation was fetishized to the point where we were told that capitalism could always get out of its own crisis or that the basic contradiction of capitalism lay in the difference between expectations and performance<sup>9</sup>. It is a sign of health when such as Mandel and Cliff can reach theoretical agreement and adapt theory to actuality, but it is unfortunate that the agreement is on something mistaken.

Worse was the case of Colletti and his followers who traced all troubles to the mechanical nature of Second International Marxism if not to that author who in the post World War II period has become the greatest failure, Frederick Engels<sup>10</sup>. The expectation of an end to capitalism was certainly the view of the centre-left of the Second International and they were not wrong in the actual evolution of capitalism in the period from 1914 - 1940, when capitalism was unable to avoid war, revolution and permanent depression. They would have been wrong if they saw capitalist evolution in the mechanical form of a declining standard of living leading to its overthrow, but this was then a discredited viewpoint held only by opponents of Marxism. Capitalism would last as long as it was not overthrown. This was the view of Kautsky,

9. T. Cliff: *Economic Roots of Reformism*, in *A Socialist Review* p. 67, International Socialism, London, 1965, originally published, June 1957 in the journal of that name. "To the extent that past reforms are accepted as necessities, a series of new reforms becomes the expected course of events. With the eating comes the appetite. When capitalism, however, decays to the extent that any serious demands of the working-class reach beyond its limits, the bell will toll for Reformism." Mandel's discussion of crisis is functionalist, as in the above cited work: *Marxist Economic Theory*, p. 343 ff.
10. L. Colletti: *From Rousseau to Lenin*, NLB, London, 1972, pp.45ff.

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Lenin and Trotsky, of course, but also of Luxemburg<sup>11</sup>. That did not mean that capitalism as a mode of production did not have a limited life. In decline, it had fewer possibilities for manoeuvre.

In effect, the whole theory of the outmoded nature of the capitalist form was abandoned in favour of a voluntarism which co-habited with the most unlikely bed-fellows. The boldest spirits have taken the logical step of abandoning the concept of the working-class as the universal class in favour of partial movements such as feminism, disarmament, civil rights, ecology etc. The working-class is dethroned and confusion reigns in the guise of concepts which are unintelligible because there is nothing to understand in them. That is often the best case, for the common solution is to abandon all theory and utter the platitudes first so clearly expressed by Bernstein almost a century ago, of the wrongness

11. Karl Kautsky: *The Class Struggle*, Norton, New York, 1971, p.185: The economic struggle demands political rights and these will not fall from heaven. To secure and maintain them the most vigorous political action is necessary. "The problem with the Colletti type interpretation of Kautsky is that it oversimplifies the ambiguities in Kautsky. To make the issue clearer here again is Kautsky, p.90: "Patiently to yield to what may seem unavoidable is not to allow the social revolution to take its course, but to bring it to a standstill."

L. Trotsky: In his report to the Third World Congress of the Comintern: "Capitalism thus possesses a dynamic equilibrium, one which is always in the process of either disruption or restoration." *The First Five Years*, New Park edition, p.226. In a less rigid way he is stressing the same inter-relation of the finiteness of capitalism with the necessity for its overthrow.

Rosa Luxemburg put it differently: "But even before this natural economic impasse of capital's own creating is properly reached it becomes a necessity for the international working-class to revolt against the rule of capital." *The Accumulation of Capital*, London, RKP, 1951, p.467. Lenin argued both aspects by pointing to the decay of capitalism in its last stage, but at the same demanding the existence of a party, which would act as the instrument of change. It is this balance of a decaying capitalism and the need for a subjective overthrow of the system which has been obscured. Colletti is really projecting backwards the Stalinist interpretation of an absolute decline which is furthered by a controlled party, controlled from Moscow. None of the persons mentioned had such a silly interpretation but they all held to a view of the finiteness of capitalism, bound only in Cliff's psychological contradictions, it has no reason to be superceded. That it may hang on, as did the Roman Empire or feudalism until it is physically overthrown is another matter.

of a "caricatured Marxist theory"<sup>12</sup>.

The theory of the decline of capitalism involves a number of elements. The first is that the productive forces are being progressively less developed in relation to their potential. This is emphatically not a statement of absolute decline in the productive forces although this might take place on a cyclical basis, as it has, in certain aspects, in Britain in the last three years, with the absolute decline of manufacturing industry. In the second place, the relative underdevelopment of the productive forces exists in more than one dimension. Thus, the presence of powerful computers in the United States may not be generalised to all parts of capitalism. This is the spatial aspect. We may add limited use of these same productive forces to supply human needs in the same country becoming relatively more limited in relation to its potential over time. The growth of excess capacity bears witness to this point. Then there is the growth of irrational spending or waste on advertising, the military etc. This whole field is well documented and discussed, though not usually under this title. A declining capitalism increasingly creates the potential for man's emancipation while at the same time employing a decreasing fraction of the potential.

The third point is that capitalism is finite. Even if it continues to exist as long as it is not overthrown, its fundamental contradictions can only grow. While we discuss their nature below, the essential argument is that the strength of labour tends to grow for objective reasons, whatever the subjective intent of the ruling class. Under these conditions the room for manoeuvre for the ruling class becomes progressively more limited. In the absence of such alternatives as Imperialism, Wars, Fascism and a rapidly rising standard of living for the workers they are left only with the traditional depression. However, the very strength of labour makes the depression necessarily protracted. Furthermore it is wrong to look at crises taking the form of depressions as functional to the system. Rather they are the expression of the breakdown of the system, which may or may not lead to its recovery. Each of the downturns in the longwave has been deeper than the last and we may say that it was the combination of

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12. E. Bernstein, *Evolutionary Socialism*, Schocken, New York, 1961. There is no superior anti-Marxist text, containing as it does all the usual criticisms although written in 1896. Perry Anderson's attack in terms of the law of value, polarisation of classes and declining rate of profit is there. Given that he wrote in 1896 it is now obvious that his predictions, not that of Marx, are falsified. Thus he dismissively quotes Engels' perceptive comment that crises are extending in time and that it might be expected that the next crisis would be a "new world crash of unheard of violence". (p.79) Engels was right and Bernstein wrong. Given the prediction on the expansion of the middle class we should all now be middle class, instead of the white collar group being proletarianised as it is, however lacking in consciousness some people may find them. There is almost not a word new against Marx, since Bernstein.

Stalinism, Fascism, War and the long depression which tamed the working-class last time. This time only the last aspect appears on the horizon. Massive unemployment for a long period would appear as essential for the recovery of the capitalist system.

In other words, the survival of the system requires progressively more contradictory solutions of the immediate crisis. There is only a limited choice available. When the traditional economic mode of control breaks down, involving, as it does, atomisation and unemployment, then there remains only direct force and/or concessions. Imperialism was both a method of forcible extraction of the surplus product as well as one of concessions to the metropolitan working class in whole or in part. Fascism and war are similar mixtures of force and concessions. The problem with these measures is that they simultaneously politicise the whole population and create the means for their rejection, whether they be internal or external. Thus, today, imperialism is everywhere on the retreat, while war is ever more unacceptable. The development of capitalism has made the conditions for Fascism, the existence of a mass petite bourgeoisie and a Stalinised workers' movement, less and less propitious. The welfare state in turn has broken down.

It is not accidental, therefore, that the system has returned to its traditional mode of control: unemployment. Under conditions of high levels of socialisation of production: nationalisation, concentration and integration of production, not to speak of the effects of the welfare state in terms of education, health and limited forms of factory level control etc., the defeat required would have to be epochal. The only solution does appear to be unemployment, but to achieve the objective it would have to be at enormous levels. Such a depression is already showing its character: with the alternatives of the destruction of industry and/or large scale nationalisations particularly of the finance sector, as in Mexico. With such alternatives it seems that the solution for capital is the destruction of the capitalist class.

Our concern was to show the progressively more contradictory solutions required to maintain the system. The effects of these solutions are two-fold. Either they show themselves as part of a decline in that there is a growing divergence of actual and potential production, i.e., the system patently declines as a mode of utilisation of social labour, or the measures adopted contradict their essences as capitalist. Measures such as nationalisation may shore up the system but only at considerable cost to the capitalist class itself. There is no advance to socialism involved but the law of value is increasingly circumscribed. Control over investments becomes itself an arena of struggle. The direction of investment in nationalised industries, the investment policy of pension funds all become the subject of political debate. That is why we argue that finance capital is, in fact, the final form of private capital and hence of capital.

*The Question of Transition*

Thus Karl Marx: "As soon as it (capital - HHT) begins to sense itself and become conscious of itself as a barrier to development it seeks refuge in forms which, by restricting competition, seem to make the rule of capital more complete, but which are at the same time the heralds of its dissolution and that of the mode of production resting on it."<sup>13</sup> Thus the decline of capitalism is indissolubly linked to its transition to the new society. The history of capital is one of movement from competition to concentration of capital and thence to finance capital, from which we have statised capital. Each of these three forms apparently strengthens the capitalist class against the working-class, but in fact does two new things. It increases the degree of socialisation of production and hence the potential for planning the society on the basis of need, as well as the power of the working-class over production. This we may regard as the aspect of transition. It also, however, necessarily progressively negates the nature of the law of value, which is the essence of capitalism. We will discuss these aspects in turn. Before doing so, however, we must turn to the new aspect of the last sixty or so years: that of the overthrow of capitalism itself. Areas of the world today no longer have the market at all, or if they do it is in a subordinate aspect of the economy. It is this above all which has made the whole epoch different from the classical period of finance capital and given rise to what is better termed a transitional epoch rather than the further development of capitalism.

The 1848 Revolutions, the Paris Commune of 1871 and the Russian Revolution of October 1917 proved to the bourgeoisie that it could lose power. The problem that developed for it was that although the Soviet revolution was, in effect, defeated, the bourgeoisie did not itself regain power. It was forced to accept a series of forms which either abolished or greatly limited the market. This obviously applied to certain countries but also to particular aspects of the developed countries. The stabilisation achieved after 1921 in Europe, was only rendered more permanent through the welfare states fully established after the Second World War. The economy then established is regarded by some as the Keynesian-Fordist-Taylorist strategy of the bourgeoisie<sup>14</sup>. There is no need to invoke such a conspiracy or conscious strategy, since historically it is clear that the bourgeoisie had no alternative but to make substantial concessions in order to maintain itself in power. Nor are these concessions functional to the regime in the sense of simply allowing its inner expansion. On the contrary, they are highly contradictory to the nature of the system.

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13. Karl Marx: *Grundrisse*, p. 651.

14. Michael Aglietta: *A Theory of Capitalist Regulation*, NLB, London, 1976, p.111 ff.

In a similar way, the USSR permits the continued existence of capitalism by controlling its workers, preventing revolutions elsewhere, and acting as a market for industrial goods, but it is also contradictory to capitalism in withdrawing a sector of the world from the world market. To the extent that money cannot function as world money it is not fully money. In other words, to the extent that the world market is broken up and the law of value is limited in its applications, neither the market nor the law of value have their full nature. We thus return to the point mentioned above of the progressive negation of the law of value.

The transitional epoch may be defined as the epoch in which the bourgeoisie cannot re-assert itself in the manner in which it requires and in which it ruled before the twenties of this century, but the working-class cannot itself take power. The tendencies to which Marx referred are reinforced, indeed greatly reinforced, by the partial loss of power suffered by the ruling class so that a number of processes are occurring at the same time. On the one hand there is the objective tendency to increased socialisation of production, reinforced as a result of necessary concessions in the transitional epoch; on the other hand the forms of capital continue progressively to decline. The interaction of these two processes has limited and changed the forms of existence of finance capital. In other words, while Lenin saw finance capital as the final form of capital, in the transitional epoch the need to maintain full employment and a rising standard of living necessarily limited the sphere of action of finance capital. Whereas before the First World War industrial capital was subordinate to finance capital everywhere, Britain included, the situation changed thereafter, most particularly after the Second World War. Thus Lenin is not wrong in his argument on finance capital. It would have been the final form of capital had there not been such a prolonged period of transition, with the existence of a permanent war between the law of value or market forms as against the proto-planning forms, which necessarily have to relate to physical forms, which in turn ultimately go back to needs.

Thus the Keynesian epoch is one in which the need to concede to the working-class necessarily required a high industrial growth rate, and consequently a rapid rise in the production of consumer goods, including agricultural goods. This reversed the relation of consumer goods growth to that of producer goods and so changed the nature of accumulation in that it became dependent on direct demand for consumer goods, rather than on the expansion of fixed capital. Thus the industrial capitalist became directly dependent on demand for consumer goods, and hence on permanent expansion. Finance capital, on the other hand, which was based originally on the need to finance fixed capital requirements, has found itself the guardian of funds which are no longer private capital and which relate to consumption rather than production. In origin, finance capital was either privately owned

capital or in the form of trusts, banks etc., which received money from private capitalists. Today, increasingly it takes the form of merchant banks taking care of pension fund, insurance or charitable trust monies, all of which relate to consumption, even if deferred, and which are ultimately for the benefit of pensioners. This is surely the declining form of a declining form.

#### *Finance Capital and Consciousness*

There is another aspect of the present which is crucial in understanding the nature of finance capital today. That is the increasingly important role of consciousness. It arises in two ways. In the first place, as pointed out above, the bourgeoisie as it is threatened with loss of power, becomes increasingly conscious. In the second place the increasing socialisation of production demands planning, which can only be performed consciously. As the economy has developed, the areas affected have increased, both at the level of the whole economy as well as within the huge firms or cartels, and trusts etc., that come into existence.

These two aspects then merge with the feature of the transitional epoch: the accession to power of governments nominally dedicated to changing the society in the direction of socialism. Whether the governments are social-democratic or Stalinist, they construct either a society or parts of a society to which the working-class attaches importance. Thus the USSR unfortunately is today associated with socialism, and the industrial nationalisation of social-democracy is associated with failure. These specific conscious attempts to organise the economy have generated disbelief and cynicism about the project of conscious organisation of the economy in general. Since these latter call themselves socialists, Marxists and communists, the failure of these institutions is associated with socialism. The subjective attempts of a group in power to 'plan' are objectified in a society or institution, which acts as a barrier to change in working-class consciousness. The subjective becomes objective, which, in turn, is subjective. On the one hand the very existence of these institutions depends today on political decisions and working-class consciousness, while on the other, any further change is barred because the failure of those institutions seems to prove the impossibility of further change.

Under socialism it is clear that consciousness will play a much bigger role since it is a planned and therefore consciously directed society. The closer society comes to that stage the greater must be the role of consciousness. In our present epoch that consciousness must be highly complex. In the first place the bourgeoisie becomes both highly class conscious and able to organise itself on a grander scale than any ruling class in history. The very instruments potentially usable by the working-class can be employed by the ruling-class against the working-class. The state apparatus, the economic administration, the nature of industry

and of social life can all be so arranged that change becomes increasingly difficult. In contrast, the workers are subject to this form of change and have a much lower level of understanding of the operations of the society. The increasingly possible change becomes less possible because the very instruments brought into being to facilitate this change are turned into their opposite by the bourgeoisie. Unfortunately, this applies as much to the left as it does to the workers, as the left is as fetishized by the system as everyone else outside the bourgeoisie itself.

Finance capital unites in itself both the need to control the working-class consciously and the ability to act as the organiser of capital. It is precisely as abstract capital, capital without specific commitments to concrete production, that it is able to shift itself rapidly on an organised basis. To do so, however, it must have organised sources of information and the possibility of organisation itself. Hilferding correctly noted its nature as abstract capital, but he failed to see its contradictions as capital. He saw it as the ultimate organiser of production, without seeing that it was not in fact interested in production per se or that it could only exist in a form of competing capitals<sup>15</sup>. It is only with the development of nationalisation and increasing involvement of government with economic administration that centralised economic organisation becomes possible. Nonetheless, the role of finance capital is not to organise *production* but *capital*. In this role it is able to defend the interests of capital against the working-class on an international basis and to ensure that the long-term development of the particular national capital is in its interests.

It is finance capital, and not so-called 'multi-national' capital, which is truly international. The multi-nationals are always based on particular countries with a particular headquarters country; and this is of necessity since production requires physical space. The same is not true of finance capital, though its international dimensions are constantly limited by exchange controls, controls over investment etc., which ultimately are an expression of the importance of the local industrial bourgeoisie and the particular arrangements made with the working-class. In the present time, finance capital is clearly playing an increasing international role through international banking and various organisations of an international character. Still, it is clear that its potential international role has been curtailed by the existence of local industrial or other bourgeoisies. Britain, however, was and is different. Its imperial network was based on finance capital and its present situation is still far more international than any other country.

The important point, however, is that finance capital is the only section

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15. Hilferding: *Finance Capital*.

of capital which could act as the organiser of capital and hence as its tactical and strategic planner but, limited as it was before, it is even more limited today. It is far more conscious than before, but its room for action is more confined. It will be argued that it acts through the government, but only in countries without bourgeois democracy is it able to do so unhindered and directly. Long ago, Engels, speaking of Bismark, concluded that the bourgeoisie did not have the stomach for governing directly<sup>16</sup>. It preferred a bonapartist form in his judgement.

*Finance Capital, The Transitional Epoch and the State*

The conclusion to be drawn is necessarily complex. Greater mobility, more international and informed understanding of the workings of the system, and more integrated forms of control give finance capital possibilities of planning capitalism in its own favour. On the one hand, it can attempt to reduce the nature of the socialisation of production by reducing the size of factories, maintain uneconomic agriculture, transfer capital to industries, regions and countries which are more pliable, divide workers by nationality or race, separate mental and manual workers by a conscious strategy of investment and investment control. While it seldom implements these actions directly, it can compel customers to do so. It naturally tends therefore to become the brains of the system. It is abstract capital opposing abstract labour. As abstract capital, therefore, it is able consciously to perceive the failure of the USSR and of social-democracy and take advantage of it. It can control countries with centralised production through its policies on lending, and it can ensure that they are led back into the world market. It can control social-democracies like Mitterand's France or the Labour Party's Britain, not simply because it controls the money flows, but because it is able consciously to outmanoeuvre the governments involved. It is already international in a way the working-class can only aspire to become, and has research and information systems far beyond what is required for purposes of control. It is not just bodies like the IMF or the World Bank, but rather the research organisations and secret files kept by large firms and employers organisations, which in turn can be made available to the financial institutions. They thus have knowledge, global forms of action and speed on their side. Against them social democracy appears as clumsy peasants attached to one nation and with the horizon of village idiots.

On the other hand, abstract capital possesses the abstract possibility of controlling production in its own interests. Here, however, it stands mute before social-democracy, for the more it attempts to plan the more

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16. Engels to Marx, Letter 86, p.205-6, *Marx-Engels Selected Correspondence*, LW, London, 1936.

it must plan production for growth with the growth in consumption, welfare-state and low unemployment levels. Abstract capital like abstract labour can only exist in and through its concrete forms. When finance capital tries to elevate itself into an independent entity, it loses its connection with its source, which is of course abstract labour, which can only exist in production, concretely. It is thus always brought back to ground normally through the traditional method of crisis. As a result finance capital is bound within transitional forms of proto-planning of production normally of a centralised character. It is hemmed in all sides through nationalisations, exchange control, and the direction of investment required for growth in production. The end result is to reinforce the earlier point that the bourgeoisie cannot ensure its own pre-eminence. For the finance capitalist can only prevent the working-class taking power, but he cannot restore the dictatorship of the capitalist class. The state has thus a particular role to play.

We have pointed out that capital and surplus value take on forms specific to the epoch of decline and transition, and that the same is true of labour and the state. For Lenin the state had become a national imperialist state dedicated to war. This aspect had amply displayed itself, but it had been checked by the pressing need to survive, given the modern contradictions of war both in the sense of causing revolution and in the direct sense of the technical obsolescence of total war. Fearing the charge of reformism, many have refused to face the obvious fact that universal suffrage (only granted in Britain in 1927 for men and women, and effectively operative for men only from 1918) has had important consequences. It has meant that the bourgeoisie has had to permit various forms of indirect rule with the concessions that are entailed. Three entities have come into existence, the state, government and centralised economic administration.

It is clear that the state has remained exclusively, and without any sharing, in the hands of the bourgeoisie. Thus the present actions of the police have shown that they are not accountable to their supposed employers, the local authorities in Britain. Harold Wilson has recounted his shock at the actions of the army in its wargames around Heathrow airport. The government has more leeway, often acting against the immediate interests of the industrial or financial bourgeoisie, in its taxation policy, direction of investment, protection of labour or the terrorisation of labour. Fear is a necessary instrument of the state, but under modern conditions of production it is counterproductive if the purpose of production is to produce reliable, technologically advanced products. The instability of the bourgeoisie forces it to permit, and indeed to support, governments not of its own choosing. Thus the financial bourgeoisie can probably never ensure a government of its own kind, even in coalition with its industrial partner. A dictatorship simply would not work. (That does not mean that it may not be tried, for

as finance capital declines it will be forced to try whatever means are to hand, even if that same means is no more than a palliative, and even if that palliative may turn into a poison.)

We consider that the economic administration performed by the central government should be understood as a separate entity in its own right. To regard it as part of the state is to imply the ludicrous statements that it is an apparatus of force and that the state will always exist, since centralised economic administration is a necessary feature of socialist society, but the state is not. The important point, in relation to finance capital, is that the economic administration of nationalised industries, banking, taxation and subsidisation, stands in inherent contradiction to the interests of finance capital, however favourable the government. This apparatus does the planning, and twist and turn as any government might, it can only seek to increase its own economic power. Education, health, social services, utilities, transport all have an inherent and necessary tendency to be communally based. Where they are not actually administered centrally, they have to be regulated. Health and safety inspectorates, pollution control and the general support required to maintain production under conditions of unprofitability, or alternatively price and volume regulation, ensure a rising level of government interference.

Only an economy based on gold could be said to operate independently, for as long as government has a nationalised form of money it necessarily has a measure of control and intervention in the economy. The Thatcher government has actually been more interventionist than its predecessors precisely because it can only achieve its goals through intervention, even if in a different direction and using monetary instruments more than previously. It is precisely this control over money which puts the economic administration in competition with finance capital. The flows of money under the law of value are not under the control of any centre, for firms with large amounts of money can always arrange lending to whomsoever they prefer at favourable rates of interest. The large institutionalised forms of finance capital, however, like banks, have, as the Comintern pointed out, been "statised"<sup>17</sup>, meaning here not that they are part of the coercive apparatus or state proper, but that they have to report and respond to the directions of governments or the central economic organs. In Britain they are not nationalised, but the extensive system of controls over interest rates, however liberalised, the volume controls over lending, checks on solvency and government-guaranteed loans, have ensured that the banks are compelled to be an arm of policy. Finance capital thus

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17. see note 7.

finds itself dichotomised between sectors of finance which cannot be controlled, such as the merchant banks or large companies with enormous liquid assets, and the controls over its essential nerve centres. It has then to operate in a climate which is not of its own choosing. It accepts the system as long as it continues to be defended against the ultimate enemy, which threatens to eliminate the law of value.

This dichotomisation means that finance capital is compelled to act in devious ways to ensure its expansion and hence is driven to increasingly risky adventures. It also means that finance capital has to arrange a partnership with the government of the day. The economic administration necessarily has to maintain levels of employment and to base itself at least in part on levels of need and not effective demand. Finance capital is necessarily a form of money capital and hence it is of its nature necessarily in competition with the development of the central economic administration both in terms of control over the surplus product produced and in terms of the size of each sector. Clearly the partial privatisation of nationalised industries allows finance capital greater levels of control over the surplus value produced through its supply of loans, purchase of shares and consequent direct placement of reliable persons on the board. At the same time, finance capital can then expand itself through the former nationalised industry. On the other hand, greater nationalisation limits its freedom to control and expand. However, all this is relatively unimportant to industrial capital which requires a developed infra-structure and a suitably qualified and healthy workforce. Since this is best developed centrally under nationalised forms there is a necessary conflict, or contradiction with the interests of finance capital. On the other hand finance capital needs to preserve itself both by making concessions to the working class and by obtaining greater productivity from industry. Thus it is both torn at all times and brought back to earth at crucial periods. It is itself the damaged brain of capital, constantly acting in schizophrenic forms.

Housing for the workers was always inferior and administered by the system through its bureaucratic hierarchy. Inevitably, the tenants came into conflict with the administration both over the poor quality of their flats and over their lack of control over their lives. Social democracy then stood condemned and the Conservatives put forward the logical value alternative of commoditising the housing stock. Tenants constantly pushed for better provision based on need as well as devolution of power to themselves, but these aspects could only be provided by a non-capitalist system. Similarly, the educational system had to ensure that the children of the ruling class received the correct education in order to rule, while the rest learnt discipline. There is an inevitable conflict in which compromise is nonsense, for it has only led back to the old system with a deterioration of standards and the conversion of many teachers into part-time policemen keeping the unemployable youth off the streets. It is no different in industry, for the provision of public housing

leads naturally to direct labour departments and the diminution of the private construction sector. It is no accident that the large construction firms are Thatcher's strongest supporters. The awarding of contracts by the public sector, especially in local government, is corrupt the world over, because the interface of public and private property can only take the form of the use of money to ensure the diversion of public resources to private interests. Since the Labour Party has most often been the party of metropolitan city government, corruption of this kind is particularly associated with it. The natural form of ruling class corruption, the old boy network, is untraceable in economic terms. When civil servants retire from public service into private firms to advise them on how to obtain what they require from the public sector, this is regarded as the perfectly natural commoditisation of knowledge. Either way, there occurs a constant conflict between the sectors, only temporarily overcome by official or unofficial corruption.

Above all the incentive system must break down when there is little unemployment and when shop stewards control the production line. Management cannot manage and the inefficiency of the system can only grow. Since new technique disrupts the full employment situation it can be introduced only in certain industries and often only very slowly, particularly in the nationalised industries where control rests with unions to a greater degree than elsewhere. The dynamism of capital peters out, and for a welfare state in a world of more limited welfare states the possibility of competing internationally approaches vanishing point.

These contradictions, the contradictions of the transitional epoch, have to be added to the functioning contradictions of the capitalist economy. This is not the place to go into the particular importance of the rise in the organic composition of capital or of disproportionality and the particular solutions adopted. Suffice it to say that these solutions have now failed, ultimately because the working-class could no longer be disciplined to accept its subordinate position either in relation to control or in relation to the determination of wages. The new post war generation was inevitably going to challenge the system, since it had not had to experience the horrors of war, fascism etc.

How does this relate to finance capital? Simply put, finance capital had to accept a retreat as industry was made the driving force of the economy and investments were directed to production. It was itself controlled, in the manner already described, either through exchange controls or through direction of investment. Keynes was its clear enemy. However, once the danger of the working class passed and the malfunctioning of the British economy resumed its natural course (supplemented by the above contradictions), the controls were relaxed and property speculators, the exchange speculators and the exporters of capital were able to resume their business. It is certainly true that they

accelerated the decline of British industry, but to blame them alone is to blame the dung-beetle for the dung. As long as more money could be made in ways other than productive investment, capital would take those ways. As we will show finance capital amounts to little more than an outflanking operation in relation to the working-class. The problem, however, as we have argued, is that the new forms of finance capital are weaker and more parasitic than ever, while finance capital is more international than ever. Concretely, it has to base itself on the new forms of the welfare state: pension funds or insurance companies providing pensions; third world indigeneous elites and capitalist classes. It is thus forced both to support the welfare state and to oppose it, in so far as the above contradictions limit its sources of surplus value. We are led back to the previous conclusion but at a deeper level; finance capital has become a parody of itself. Superficially, its separation from industrial capital appears ever more complete and its power appears greater than ever on a global scale, but it is threatened today with collapse through crisis and constant nationalisations.