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State Monopoly Capitalism

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Chapter 1. The Origin of State Monopoly Capitalism

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Since the beginning of the world-wide financial and economic crisis of 2007/8 and the state-rescue, worth billions, of the bankrupt major banks, the criticism of capitalism has again become stronger. In addition, the concept of *state monopoly capitalism* (SMC) is again arising, to characterise the current social system, since in all leading capitalist countries the state is intervening directly in the economy with its economic and political power, in order to overcome the crisis. Ultimately it is a matter of the existence of this system, but primarily of the preservation of monopoly power. These are sufficient grounds again to pay more attention to the close relationships between the state and the monopolies from a Marxist perspective.

1.1 Monopoly Capitalism, Imperialism and the General Crisis of Capitalism

In the Marxist Left the theory of state monopoly capitalism was for decades a strong scientific component of the argument with capitalism. Its theoretical structure, with the contradictory interrelationship of *state and monopolies* as central point, and with its impact on the whole of society, originated with the changes in the capitalist relations of production in the last quarter of the 19th century, with the transition to monopoly capitalism. It is the historical stage which replaced the capitalism of free competition. This period was marked by the founding of large corporations in industry, trade and finance in the wake of the concentration and centralisation of production and capital. As a reaction to the rapid development of productivity through the use of scientific and technical advances, the capital

structures in the leading states of the time changed. With the development of joint-stock companies, trusts and cartels, as well as with the increasing role of credit, capital accumulation gained new possibilities for development, which had a serious effect on the total economic and political make-up of society. The transition to monopoly capitalism may be considered as a significant break in the development of capitalism. The development of monopoly power in Germany has been represented up to the present day by company names such as Bayer, BASF, Siemens, AEG, Krupp, Thyssen, Deutsche Bank, Commerzbank, Daimler, Allianz etc.

From the beginning this radical change occurred with the use of state powers or, as Georg Fülberth[1] writes, via “self-organisation of capital” and “support by the state for this self-organisation”. The involvement of the state became a factor in connection with the establishment of powerful monopolies. At the same time these corporations built interest groups – such as, in Germany, the *Centralverband Deutscher Industrieller* (Central Group of German Industries), founded in 1876, or the *Bund der Industriellen* (League of Industries), born in 1895. They were anxious to influence the state towards the enforcement of their demands. The German Patent Law of 1877 bears witness to this.[2]

Marxist theoreticians analysed this development as a consequence of the internal contradictions of capital utilisation, which forced capitalism to adjust ever more strongly to the growing social character of productive forces with forms of “social capital”, *without overcoming the existing social order*. Marx had pointed out that, in connection with the establishment of joint-stock companies, the capitalist mode of production would itself be cancelled inside the mode of production itself, that this contradiction produces monopoly in certain spheres and therefore provokes “state interference”. [3]

In 1890 Frederick Engels examined the interaction between the state and economic development, and observed “Might (ie state power) is also an economic force!” [4]

Two decades later Rudolf Hilferding characterised the relationship of monopoly and the state in connection with the further development of finance capital:

“Finance capital signifies the unification of capital. The earlier separated spheres of industrial, commercial and bank capital are now under the joint management of high finance, to which the masters of industry and of the banks are joined in intimate personal union. This unification itself has as basis the abolition of free competition of individual capitalists by the big monopolistic corporations. Through that the relationship of the capitalist class to the state power naturally also changes.” [5]

Vladimir Ilyich Lenin supported himself on these findings. He described economic monopoly as the core of the whole matter and at the same time identified the transition of

monopoly into state monopoly capitalism as

“combining the colossal power of capitalism with the colossal power of the state into a single mechanism and bringing tens of millions of people within the single organisation of state capitalism.”[6]

In this period, and afterwards, other Marxist theoreticians also devoted themselves to investigating the network of connections between the economy and politics. Karl Kautsky, Nikolai Bukharin, Rosa Luxemburg and – after the First World War – Antonio Gramsci and Eugen S Varga all entered into theoretical studies on the role of the state in the self-developing capitalist social system.

The fact that, in the network of connections between the economy and politics, the specific relation of monopolies and the state becomes the decisive nodal point in the development of capitalism, is closely connected with the three historical strands of development of this system since the beginning of the 20th century: monopoly capitalism, imperialism and the general crisis of capitalism.

Despite the sophistication of their terminology, their status in capitalist development and the political assessment of them, the combination of these three processes is characterised by the narrowing of relationships between the state and monopoly – to the crucial feature of state-monopoly capitalism. Each of these phenomena, with the typical characteristics of capital utilisation problems, new competition relations, imperialist rivalries or crisis-ridden processes, places increased requirements for stronger integration of the state into the profit mechanism of capitalism.

A general starting point for state monopolistic development remains *monopoly capitalism*, with which stage of development the foundations for the close connections of monopolies and the state were laid: on the basis of their economic power, big companies dominate the economic connections, the national and international economic relations, and act decisively on politics. Without analysing their strategies we cannot grasp all other social processes up to the current day; with their expansion into new markets and areas, it is a matter of economic and political *conditions* through which capitalism on the one side opens up new possibilities for development, as well as for progress of civilisation, while on the other side creating social conflicts and crises. And, with this development, the increasing tendency towards parasitism and decay in capitalism is unavoidable. Lenin complained that “most of the discussions on this aspect usually attach insufficient importance”. [7] Today, with the accumulation of money capital in the hands of the few, there is quite another dimension of corruption and bribery than in Lenin’s time, and the growing war economy and escalating arms trade make a “parasitism squared” [8] increasingly evident.

Imperialism builds a further approach to the shaping of state monopoly capitalism. Increasingly it is denoted as a new stage, era or phase, as a particularly monopoly-capitalist stage of capitalism. At the end of the 19th century, and the beginning of the 20th, a great number of theoretical discussions, particularly in German social-democracy, were concerned with the concept of 'imperialism', since at that time the political strivings of the rival capitalist big powers, such as England, France and Germany, for spatial-territorial widening of their spheres of control, stood at the centre of disputes. With an eye on protection of the colonies and on new colonial conquests, the ruling elites posed the issue of a strong state with its monopoly of power – as a prerequisite to the realisation and maintenance of imperial power.

In their analysis, the Marxist theoreticians of this time referred particularly to the internal connection of economics and politics. Rudolf Hilferding, Rosa Luxemburg, Karl Kautsky and Nikolai Bukharin saw the basis for imperialism in the monopolistic power structure and economic strength, and particularly emphasised the role of politics and therefore also of the state in what was for them the most recent development of capitalism. They characterised imperialism as a political consequence and concomitant of capitalism. Hilferding wrote in 1910:

“Economic power signifies equally the disposal of the means of power by the state authority. The stronger the concentration in the economic sphere, the more unlimited is the control by the state.”[9]

According to Rosa Luxemburg,

“Imperialism [is] ... the political expression of the process of capital accumulation in its competitive struggle for the rest of the not yet sequestered non-capitalist world milieu.”[10]

And in 1915 Nikolai Bukharin underscored the necessity of investigating the structure of modern capitalism, to which the “policy of expansion”[11] referred:

“We have defined imperialism as the politics of finance capital. Therewith we uncovered the functional significance of that policy. It upholds the structure of finance capital; it subjugates the world to the domination of finance capital”[12].

In the theoretical debates on imperialism before the First World War, there were, as a result of the rivalries of the great powers and the growing danger of war, particular references to the causes lying in the economic foundations. In his 1916 pamphlet, *Imperialism: The Highest Stage of Capitalism*, Lenin referred to Hilferding's analyses and wrote in the

preface:

"I trust that this pamphlet will help the reader to understand the fundamental economic question, that of the economic essence of imperialism, for unless this is studied, it will be impossible to understand and appraise modern war and modern politics."[\[13\]](#)

Lenin summarised the most important characteristics of imperialism in the following short definition:

"Imperialism is that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed."[\[14\]](#)

Lenin also derived changes in politics from the objective economic conditions of this development. He described the political superstructure of the new economics as a "change from democracy to political reaction".[\[15\]](#) According to his view, it is therefore insufficient to fight against the politics of the monopolies,

"because a 'fight' against the policy of the trusts and banks that does not affect the economic basis of the trusts and banks is mere bourgeois reformism and pacifism, the benevolent and innocent expression of pious wishes."[\[16\]](#)

Lenin used the concept of *imperialism* synonymously for monopoly capitalism, *ie* for the economic basis as well as for the politics in the new stage of capitalism. Nikolai Bukharin however defined it as "the policy of finance capitalism, *ie* a highly developed capitalism implying a considerable ripeness in the organisation of production",[\[17\]](#) and equally as "a form of the competitive struggle ... in the epoch of finance capitalism" with utilisation of state power as the method of struggle.[\[18\]](#) The essential Marxist discovery is thereby won, that the power politics for securing and widening the domination of the capitalist great powers is on the basis of monopoly power with its disposal over mighty economic potentials and of its drive towards outward expansion of imperialism. And so it has remained up to the present day with its new wars, in its present manifestation as the 'new imperialism'.

The *general crisis of capitalism* is a third strand of the theoretical derivation of SMC. Many Marxists of the past century saw it as a historical crisis of capitalism in its totality, as a long-lasting crisis of the social system. Its beginning was accounted for by the formation of monopoly capitalism as a 'process of decline' of capitalist social formations; its emergence was associated with the consequences of uneven economic and political development - since these were expressed in the sharpening of contradictions, of the increase in crisis-ridden

developments and of the class struggle, and thereby generally in the decay of capitalism as a system. SMC, with its function of securing capital accumulation, hence serves to adapt imperialism to the changed overall situation.

The general crisis in capitalist development openly emerged for the first time with the utmost sharpening of imperialist opposition in the First World War, with the revolutionary struggles of the working class and principally with the Russian Revolution of 1917, as well as the construction of the first socialist state. From there on, particularly however after the Second World War with the establishment of the socialist world-system and with the break-up of the colonial system, the general crisis was derived over a few decades in the Marxist theoretical construction, not only from the internal contradictions of capitalism but principally from the interplay of the struggle of both world-systems.

The Hungarian Marxist economist Eugen Varga, who was active in the Soviet Union from 1920, is considered to be the originator of the theory of general crisis. He studied the ways in which this crisis was distinguished from the regular capitalist crises, whether it is a temporary phenomenon or a step towards complete destruction of the capitalist social order, what differences there are from cyclical or usual crises of overproduction and what the long-term changes are in the overall condition of world capitalism.

In his article, *The Decline Period of Capitalism*,[\[19\]](#) from the year 1922, Varga sketches the main features and essence of the decline. He sees it in the decay of the world economy, in consequence of the anarchical development of the capitalist mode of production; and designates the characteristics of a long continuous crisis as the chronic excess of fixed capital, the emergence of chronic unemployment, the replacement of accumulation by progressive depletion, the break-up of the credit system and the deformation of the cycle of crises. With the analysis of *restabilisation of capitalism* in the 1920s and with the world economic crisis of 1929-33, Varga integrated the international conditions, the changed world situation, into the determination of the essence of the general crisis. According to his definition the general crisis is “that period in imperialism in which the dying capitalism has changed into an already partly dead capitalism”. He pointed out that the decline process of capitalism has “as consequence a continuous political crisis” – with a splintering of parliamentary parties, their incapability for independent politics. “Only the necessity of keeping the revolutionary proletariat down, unites for a time the squabbling layers and parties.”[\[20\]](#)

Varga’s statements on the general crisis – he also influenced its concept – found their way into further Marxist elaborations. In a monograph from the Institute for International Politics and Economy (IPW) in Berlin,[\[21\]](#) the general crisis is described as *a particular historical period in the process of decline of capitalism*, in which the conditions for the historical replacement of capitalism emerge. It is therefore not a new stage, but rather a *system crisis* of capitalism, which embraces all sides of social life, the economy, politics,

ideology and culture. Hence it can also not be overcome through the powers of the ruling system, rather only through a fundamental socio-economic transformation towards establishment of socialist relations of production. The *first* decisive condition for that is a revolutionary transition and a corresponding strength of the subjective factor. As long as these are not present, capitalism will continue to exist. It will find possibilities to adapt itself to the changing conditions with new movement patterns of monopoly capital. Included there are the further deepening of economic and political contradictions, new social conflicts and the increasing fragility and degeneracy of capitalism. As a *second* particular condition for the historical removal of capitalism, the close interplay of internal and external contradictions is highlighted. Above all, a premier status is assigned to the revolutionary world-process, especially to the development of socialism, since this acts both as a factor towards strengthening the fighting position of the working class in the capitalist countries and also as the driving force for crisis and disintegration of the imperialist colonial system.

In one of his last articles, after the Second World War, Varga had already made a characterisation of three stages of the general crisis, based on its main driving forces.[\[22\]](#) This determination of stages, which was of significance in Marxist researches into capitalism up to the 1980s, can only be indicated briefly here:[\[23\]](#)

- The first stage began with the First World War and the October Revolution and ended with the Second World War. Capitalism lost one sixth of the Earth as sphere of influence, the crisis of the imperialist colonial system was initiated, and the economic contradictions became sharper. At the beginning of the first stage the *system of state monopoly war capitalism* was at the same time formed.
- The second stage, from the end of the Second World War up to the middle of the 1950s, was characterised by the break-out of more countries from the capitalist world-system and the open decay of the colonial system. In the West people spoke of a “Golden Age” since “recovering from the war was the overwhelming priority for the European countries and Japan”.[\[24\]](#) In this period the state instruments for regulation of the economy were expanded. International organisations against turbulence in world economic relations were formed.
- The beginning of the third stage was said to start at the end of the 1950s – ie without a preceding world war, and although a highly developed domination of capital could aspire to economic and political stabilisation through extensive state intervention. However, from the beginning of the 1970s there was talk of a ‘particular qualitative sharpening’ of the crisis.
- Decisive for the new phase was the long-lasting crisis of over-accumulation, setting in from the beginning of the 1970s, with its social consequences for increasing political instability, for growing cultural and moral signs of deterioration and sharpened international conflicts. New state activities were now pushing forward as an indispensable necessity for the functioning of capitalism, particularly for the changed competition conditions due to monopoly capital, with the rapid scientific-technical progress and the problems of energy, raw materials and the environment. State intervention was therefore accelerated in all

developed capitalist countries. Generally it was considered in this period that the transition to the state monopoly system was complete.

At the end of the 1980s Marxist research into the phenomenon of the general crisis was aborted. The world situation had gravely changed with the collapse of the socialist system in Europe. At the same time the pronounced euphoric orientation of this theory towards socialism as a primary driving force of the general crisis, often connected with prophesies of an approaching break-up of capitalism, was dropped. This situation called for a political-theoretical reorientation, particularly as other processes for the crisis-ridden development of capitalism are increasing in importance and new fields of conflict are arising within the system. Thus today the competition between the capitalist monopolies and the industrialised countries is strengthening to the utmost; the inner contradictions in the capitalist world are growing, despite the loss of the influence of real socialism on the conditions of struggle for the working class; and the nationally liberated developing countries have been confronted with the fight by the major powers for the redistribution of the world via the most diverse conflicts and wars.

Today, in view of both the frightening crisis-ridden condition of the world, and the visible cultural and moral decay of society, statements are made such as 'a new major crisis', 'system crisis', 'existential crisis', 'organic crisis', "major crisis of global finance market capitalism since 2008"[25] and indeed "the beginning of the final crisis of the capitalist system"[26]. Up to now there has not been a theoretical concept to clarify this 'crisis' reality. Yet it is not *per se* a matter of a recourse to earlier theories, but rather of a scientific analysis of the reality as the basis for an anti-capitalist strategy.

1.2. Monopoly and State Monopoly

The Marxist understanding of the nature of monopoly as a relation of power and domination remains of major significance for the understanding of the further development of capitalism. It is a matter here of the concept of a 'modern' or capitalist monopoly, which has developed in contrast to the monopolies of all other epochs "to being *the governing phenomenon of the capitalist social order* at a high level of its development";[27] and thereby it is at the same time a matter of the perspective on changes in the capital relation, which in the present-day is simply characterised as *finance capitalist*.

Three essential aspects are hence to be designated:

1. The economic *monopoly* is a *historical category in consequence of capital accumulation, concentration and centralisation of production and capital*. It is a *further developed capital relation* and not just a 'market form', even if it is displayed as an organisation of capital in diverse, 'oligopolistic' forms. Such organised big businesses as corporations, cartels, banks, insurance companies, investment funds and hedge funds are well-known. In their action on

the market it is a matter of development of the competitive struggle by a new order of magnitude; but principally it is a matter of how the appropriation of profit may be maximised with the help of economic and non-economic power.

Grasping economic monopoly in its developing form is always a prerequisite for determining more precisely *the socio-economic basic structure* of capitalism. This makes it possible to analyse the way in which the power of big capital impacts on the total situation of society, on the development of productive forces, on the social position of working people, on political configurations and class relations as well as on international relationships. In the framework of the changing forms of organisation of monopoly capital, there develops the oppressive power of finance capital, the extension of its mechanism of control and the shaping of its dictatorship towards the enforcement of the state's imperial goals.

2. *Economic monopoly embodies property development in capitalism* and that in close symbiosis with the *necessary processes of appropriation for the further accumulation of capital*. In Volume 3 of *Capital*, Marx spoke of expropriation "as appropriation of social property by a few".[28] Only the power of disposing over increasing, powerful social capitals allows the monopolies a further development of productive forces, the mastery of material and knowledge resources, the disposal over the organisation of production and the appropriation of its outcomes, and thereby the realisation of profits. This Marxist concept of monopoly thereby contains at the same time the expropriation process of all other property-owners, necessary for further accumulation, a more and more centralised disposal over capitalist property.[29] *Without new forms of such capitalist expropriation processes capitalism cannot maintain itself and develop further.*

Accumulation and expropriation are hence continuously two sides of one and the same process in the development of over-ripe capitalism. Since its origin, economic monopoly has constantly been constituted from this symbiosis. Thus the monopolistic centralisation of ownership in joint-stock companies accomplishes ever new measures, and the power over the *socialised capital* on the part of a small number of large owners is secured by various forms of capital disposal among hundreds of thousands of small shareholders. At the same time all other property owners are cut out of the monopoly property sphere in their entitlements to income or property. That affects the income of the working class, and of the strata removed from the working class, such as small and medium-sized businesses. It is precisely in the last decade that this process has reached such a force, that the Marxist scholar David Harvey characterises the 'new' imperialism as *accumulation through dispossession*. [30]

3. *Monopoly is the initiator of polarising competition.* It essentially constitutes the relations of competition. On the one side, on the basis of its power, it indeed breaks through the competition mechanism of capitals; on the other side, however, it under no circumstances negates competition as the "inner nature of capital"[31], since capital can only exist as a

large number of capitals in interaction upon one another. With the monopolist further development of capital relations a synthesis of monopoly and competition arises, which leads to an extraordinary sharpening of competition. Jörg Huffs Schmid wrote:

“Monopolies are not established in competition; however, as a manifestation of concentrated and centralised capital, they are, like all other capitals, the outcome of competition, an element and instrument of competition.”[\[32\]](#)

This competition occurs between the big corporations on the national and international scale for the mastery of science and technology, and for resources of finance and raw materials. It occurs between the different size classes of capitalist businesses for existence and for expansion towards the securing of profits. At the international level it principally stimulates the fight for new spheres of investment and resources in complicity with the big powers representing the corporations, and it also takes place with regard to both intensity and the ways and means of state intervention for the benefit of the conditions of capital utilisation and location as well as for the shaping of national and international spheres of influence for the benefit of capital. Hence the shaping of the relationship between economics and politics, towards the realisation of corporate strategies, is determined by monopoly competition.

Altogether, monopoly always includes a mechanism for placing and overcoming the barriers to accumulation, immanent to ‘private’ capital. In this way it is a form of adapting capital to the changing conditions of existence. With economic and non-economic force, it breaks through the barriers to profitable capital investment and pushes through a redistribution of surplus value and surplus products of society to the advantage of the corporations dominating the economy. The capitalist system therefore continues to be monopoly capitalism, throughout all stages of its development up to today. At the same time, however, this *process of adaptation* to monopolising shows a changing character: it becomes defined as *state-monopolistic* since, with the effective cooperation of both leading elements of the capitalist power structure – monopolies and the state – many possibilities are created for the further development of monopoly and therefore at the same time for capitalism as a whole.

In the Marxist view, the essence of the state as political class rule through its dependence on the economic basis of the respective social formation is well grounded, and both the type and form of the state are determined by the production and property relations. *State monopoly* presents a new quality in the development of capitalism, as, with the development of productive forces, the scale of ‘private’ monopolising alone is no longer sufficient to secure accumulation. The rapid scientific-technical progress, changes in the political power relations and the increasing effects of long-term crisis processes require ever greater efforts to preserve the foundations of the system. State interventions to regulate the economy

become therefore an unavoidable prerequisite of capital utilisation.

As an instrument of the ruling class the state overall has to secure the conditions for reproduction of capital. To that end, in addition to instruments of discipline and repression for securing the ruling power structure, we may count in conditions for the reproduction of labour power – such as education and health, legislated regulations for the arrangement of working conditions or measures for the protection of health. In this way the classical separation of economics and politics is broken and the state changes its character. With the help of the state, and by numerous fiscal methods, the barriers to private capital's ability to cope with new social challenges can be broken through and capital concentration and accumulation driven forward. The state in this way takes over the role of a 'growth factor'. That means also that it has to preserve, as an 'ideal total capitalist' for its territory, the strategic interests both internally and externally of the relevant monopolies, whose growing power it makes possible and promotes via the state apparatus and new state practices. And the more that monopoly power expands under new requirements, the stronger the state is drawn into the totality of economic events. This is a characteristic tendency in the total development of capitalism, at each of its stages.

A few *characteristics* of state monopoly capitalism are:

- State interventions have become a *permanent* phenomenon. Discussions about 'more' or 'less' state in political discourse do not match reality. Indeed, contrary to all propaganda, there is scarcely one country in which the ratio of government spending to gross domestic product, the 'state quota', has fallen back in the last decades. With increasing monopolisation of the economy, especially with the growing power of finance capital, the scope and intensity of state interventions in the economy have constantly increased. At all levels – whether local, regional, national or international – there arise new structures, institutions and mechanisms for interweaving state, civil societal and monopolist forms of organisation, to realise profit strategies. If the state 'draws back', it only changes the direction of its regulation. Measures of denationalisation or privatisation predominantly benefit a lucrative monopoly capital utilisation.
- The forms of state intervention are very many-sided and show considerable differences. All the instruments of state economic policy of subventions, state contracts, fiscal measures, financing of research and development, promotion of exports up to direct state interventions in company structures and the ever closer personnel network of state apparatus and corporations is managed variably. State property itself is a very flexibly applied retention of power, since nationalisation in this context is not a socialist measure. It can be applied according to the profit-securing requirements of particular monopoly groups, or generally for securing the existence of the system. Privatisation of public property on the one side, and state participation in ailing big banks on the other, marks out the organisational abilities of the state to regulate the economy in the interests of the dominating big capital.
- There are *special features of state monopoly*. They arise from the fact that state monopoly

development affects not only the economy, but also the whole of society under the influence of the most distinct factors or historical conditions. Thus the regulation of *social processes* for the maintenance of capitalist power becomes ever more important. It takes place in the turbulent tensions between redistribution in favour of the monopolies and social activities in the interests of maintaining the system, corresponding to the political power balance. In addition *external* factors also contribute ever more strongly to the development of state monopoly – such as the revolutionary movements in various countries, the international shift in the balance of forces and sharpened conditions of competition in the world, and the many global problems such as climate change, poverty and protection of the environment. And increasingly state monopoly also displays a comprehensive *ideological* aspect. Thus the regulating function of the state in the interests of monopoly capital appears to the general public not as a state capitalist form of profit regulation, but rather – especially as imparted by the media – as an action functioning in the interests of the whole society, at present under the slogan of ‘international competitiveness’.

- An important central point of state monopoly is *the contradictory character of the relationship of monopoly and the state, its ambivalence*. The state is still relatively independent in its activity, also with respect to economic processes and political influences. The *institutional* separation of state and society makes it possible “to contribute to the repeated problematic regulation of expanded reproduction.”[33] Hence the state is in no way *just* an organ of power of monopoly capital. As a central component of the political system it is subject to the social relations of forces, has to take account of other classes and layers in the internal class conflicts, bind them into the system as a whole and do this to maintain a political class basis for monopoly capital. The state can only do justice to its contradictory functions if it maintains a relative independence. It is not subject to the compulsion of capital utilisation, it can mobilise social capital in the interests of the monopolies, launch state laws in their favour or torpedo democratic decisions, it can above all level the ground internationally for the realisation of profit of its ‘domestically anchored’ monopolies.

On the other side big capital also acts relatively independently. Thanks to their state-promoted positions of power the monopolies have through their associations significant possibilities for political influence on state policies, on the distribution of economic resources or on foreign policy aspirations. On the one hand, big business lobbies, in competition with each other, exert influence on state decisions; on the other hand, this is the way in which conflicts between monopolies and the state develop. Transnational corporations, as relatively independent international economic complexes with their own price and profit mechanisms, can circumvent national state measures and laws, they can make them unworkable.

The relations between monopolies and the state, definitely not free of contradictions, must prove themselves particularly in crises. Hence they are also subject to constraints of adaptation, and are free to change according to the changing interests of the respective ruling bourgeoisie. On the other hand the interventions of the state are continually reshaped depending on the political balances of power, through which possibilities also arise objectively for changes in social development. This does not just mean the degree of

‘subjugation of the state to the interests of capital’. The function of the state in the awareness of overall societal tasks also opens up opportunities for democratic forces to exert influence, by political pressure, on the direction of state monopoly regulation.

- *There are very distinct state monopoly variants.* Due to the unequal development of the capitalist system, they aim directly at the shaping of the economy for securing the existence of the system, as well as at the maintenance and extension of the competitive position. In this way, all other social areas such as politics, ideology and culture are affected.

Variant formation has occurred at different levels:

a) *Nationally* different ‘models’ in the developed states have emerged corresponding to the historical and cultural traditions of their countries, their political class relations, their position in the world economy and in the financial markets.

The system of ‘*planification*’ in *France* is relatively well-known. It referred to a form of whole-economy long-term economic planning developed after 1945. On the basis of 5-year plans an active state structural policy taking into consideration regional political aspects was operated, which signified for French big business an essential improvement of its capital utilisation.

On the other hand, for the *USA* as the dominant imperialist centre of power, the factor of military strength, and thereby the close connection of security policy with political and economic questions, had a particular significance in the formation of its state monopoly system on a continental scale – the building, to an extremely high level, of monopoly power concentration in industrial and finance capital, of an effective organisation in the area of science and research at a state-promoted high technological level.^[34] The military-industrial complex as a state monopoly form of organisation acts up to the present-day as stimulus for the US strategy of world power.

In *Japan* during the post-war period, the MITI^[35], founded in 1949, played a particular role in economic development, aligned with a high tempo of capital accumulation as well as with a support system directed at technology, innovation and export.

In the Scandinavian countries, after the world economic crisis of 1929, the ‘Swedish Model’ of a welfare state arose as *a specific form of national state monopoly economic and social policy* on the basis of *a social compromise between labour, capital and the state*. It was oriented towards promotion of research, comprehensive social services and an intensive policy of education, and was connected with a higher burden of taxation on earned income and tax incentives for businesses,

In the *Federal Republic of Germany* the state monopoly system achieved particular characteristics through specifically targeted legislation: thus in 1952, with the Law of

Assistance for Investment, leading to massive promotion of investment; in 1967, with the Law on Stability, as an anticyclical instrument, with comprehensive subventions; and, since the 2007-8 crisis, with a packet of legislative measures aiming to save the dominance of the finance sector.[36]

b) *Internationally* above all, state monopoly capitalism develops with the rapid tempo of the internationalisation of economic life, the expansion of transnational corporations and finance institutes and the sharpened competition, with at the same time contradictory tendencies in various forms in the economic and political relations of the states with each other. The basis of these developments is the common interests of international monopoly capital and of the leading states in the functioning of the capitalist system. They are realised:

- via the activity of such institutions as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (the World Bank) and the World Trade Organisation (WTO), with mechanisms for the maintenance and extension of the positions of the monopolies and leading states over the granting of credit or investment protection agreements;
- via the state monopoly regulations of the European Union (EU), by means of which an economically strong core exercises power over a weak European periphery;[37]
- via the growing number of state monopoly strategic fora, such as the World Economic Forum in Davos (WEF), the internationally active lobby groups of different complexions such as the European Round Table (ERT), the Lateinamerika Verein[38], or the Goldman Sachs Group, chosen by the ruling elites to provide a 'government of experts'.

Structures and institutions of this type in no way function independently of the national economic and political forms of organisation and structures, but rather are most closely 'enmeshed' with them.

c) In all developed states *economic and social-political state interventions* play a primary role. With respect to their direction they appear likewise in different variants. According to Jörg Huffs Schmid[39] there are *two principal forms* - the *market radical-authoritarian, anti-state variant* and the *interventionist variant*. They find expression in the economic-political regulation mechanisms of *neoliberalism* and *Keynesianism* respectively. Both variants refer in principle to the same socio-economic basis. With *both it is a matter of the stabilisation of the capitalist economy on account of economic crises* or inadequate accumulation conditions for capital. But they are distinguished in the focus of economic and socio-political interventions by the state. The *neoliberal direction*, prevalent since the 1940s and '50s and particularly strengthened in most capitalist countries since the end of the '70s or the beginning of the '80s, can be described as a radical-confrontational variant of capital utilisation. In its concept for a long-term economic policy it is oriented towards a '*market-based economic system*' with '*free competition*' and a '*strong state*' which sets the '*framework conditions*' for capital utilisation. It includes a whole arsenal of measures

favouring capital expansion such as privatisation of public property and the pension systems, deregulation and cutting back of state investments and controls, as well as destruction of the social security system. It has been dominant in the Federal Republic of Germany since the world economic crisis in the 1970s. The *Keynesian variant*, on the other hand, rests on an anti-cyclical, demand-oriented economic policy, in order to boost the economy. It evolved in the period after the great crisis of 1929 to 1932, in the USA as 'New Deal', and after 1945 in Germany, Italy and other industrialised countries, and was the dominating concept into the 1970s. It includes state-financed investments – through state borrowing also – as well as a range of employment and social policy measures aimed at securing social peace internally.

d) Within the narrow context of both economic policy concepts there stands the model of *private monopolistic regulation* with a relatively independent weight of big capital, by virtue of monopolistic property- and power-structure over highly concentrated economic complexes.[40] Today, by the weight of corporate strategies of big capital, it also has a decisive significance nationally and internationally for the direction of scientific-technical progress, for the shaping of the structures of the economy and businesses, for the distribution of labour in society and for the character and shaping of globalisation. On a massive scale it influences the legislative activities of the state, and with the dictatorship of finance capital it exerts influence upon the whole regulation. Private monopolistic complexes such as the international finance groups or financial services groups, with their political-strategic networks, are considered to be among this variant.

e) In the variants debate, *democratic development variants* have also been put forward, as an alternative to the ruling policies and economy, aiming thereby in a period of unfavourable political and social relations of power for capital to initiate social progress with alternative solutions. Here we may invoke the *Scandinavian* or *Swedish model*, which was for a long time successful, due to a political array of forces with active trade unions, a strong social democracy and an orientation towards more social justice and job creation. However, as was shown, it had no permanence, as the existing power relationships were essentially unchanged.

In 1988, under the term "Reform Alternative", Jörg Huffschmid and Heinz Jung presented a strategic orientation as an alternative to the dominant politics and economics within capitalism. It was at the same time considered to be part of a project which should lead to the overcoming of the basic structure of capitalism. Starting from a now changed world situation, *ie* the lasting existence of two opposing social systems, they saw in the capitalist countries a *perspective of progress for a change in the political power relationship, "which makes possible a different, peaceful, environmentally friendly, socially acceptable development and a broader unfolding of the democratic process in SMC"*. [41] This concept disappeared with the defeat of Eastern European socialism. Looking back, there were critical discussions over the conclusions drawn therein, and the opinions of the authors

diverged. Hufschmid considered a specification of left-reform politics to be necessary, which he claimed needed to include the basic analysis of the main tendencies of the new universal capitalism and the working out of alternative possibilities for development as well as an illusionless analysis of power relations and of the existing array of classes and interests.[42] In Jung's view, however, an opposition to the system, which aims at more than just the reform of capitalism, should under the new conditions of the loss of both socialism and of the route towards it implied by the reform alternative, be distinguished as a fundamental opposition – and this only in criticism of the existing conditions and with theoretically grounded visions of a new non-capitalist society:

“The load-bearing capacity of a strategic orientation of the reform alternative has become an open question for a left opposition movement. Today, it cannot be decided theoretically. The dynamics of the real movement will be the deciding factor.”[43]

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