Notes on Ralph Miliband’s *The State in Capitalist Society* (1969)

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**Overview**

A ‘pro-business climate’ is simultaneously one of the most ill-defined and fervently pursued goals of capitalist states. This pursuit has spawned a wide range of policies. In Britain, measures range from privatisations and liberalisation, to various employment measures such as the coercion of jobseekers or the diminishment of workers’ rights. Sometimes, it is obvious how these kinds of policies can be of benefit to private enterprise. But, though it would be easy to explain them as the actions of a government in thrall to the material demands of business elites, it is also true that some of the more radical measures were met with an indifferent or sceptical response from the ‘business community’.

Surveys of employers reveal that unfair dismissal bureaucracy is very low on the list of hiring disincentives, and George Osborne’s ‘shares for rights’ scheme mustered little enthusiasm even among organisations like the Institute of Directors. On such occasions it almost seems as if the coalition government is trying too hard to impress business. It was with this thought in mind that I read *The State in Capitalist Society* (1969), by Ralph Miliband; one of the most interesting attempts to explain state behaviour from a Marxist perspective.

The book seeks firstly to expose and secondly to explain the imbalances and biases that rig the governance of capitalist states in the favour of private economic elites. It is framed as a direct rebuke to the ‘polyarchy’ thesis of writers such as Robert Dahl, a contemporary orthodoxy which Miliband saw as flimsy and disingenuous. According to this view, the power of the state is contested by a plurality of different groups—business, unions, consumers, agricultural interests, and so on—in which context no actor can decisively dominate others. In the long term, the democratic polyarchy ensures that ‘all the active and legitimate groups in the population can make themselves heard at some stage in the process of decision’ (Dahl cited Miliband, 1969:2-3). Clearly, this is starkly opposed to the Marxist notion of the capitalist class as *the* ruling class. But despite his adherence to the latter perspective, Miliband also believed it had been poorly articulated. With this book, he hoped to develop a Marxist theory of the state which was capable of putting polyarchy in its place.

The first thing to say about the book is that it is immensely readable. Unlike a lot of Marxist theory, *The State in Capitalist Society* is written in a highly accessible style, reflecting a genuine desire to communicate important ideas as straightforwardly as possible. The book is also filled with interesting empirical vignettes, although given the scope of his discussion (which encompasses all of the ‘Western-style’ democracies) these can sometimes seem a little broad-brush. Often he will offer an observation about European or American policy, and then make some remark along the lines of ‘this, of course, applies to every capitalist state’. Nonetheless, his discussion of contemporary politics and discourse is often insightful and entertainingly polemical.

Despite its undoubted strengths there are well-known criticisms of the book, the most notable being those made by Nicos Poulantzas who came from a very different branch of the Marxist tradition. Miliband places great emphasis on the attitudes, ideologies and prejudices of elites as a means of explaining the behaviour of capitalist states. Unlike Poulantzas, I do not write this off as irrelevant idealism. However, I do think that by taking this focus Miliband underdevelops his analysis of the economic structures underlying capitalist society, and the actual mechanisms by which they
translate into pressures on state policy. Moreover he often refers somewhat sweepingly to ‘business’ and ‘business interests’, a generalisation which obscures important differences. In particular, the increasing importance of financial capital influences state behaviour in ways which can be only partially explained by Miliband’s depiction of a state apparatus enslaved to the strategic objectives of private interests. That said, I really appreciated the overall tone of the book: it is one of annoyed disbelief that people cannot see how obviously the governance of capitalist states is rigged against workers. This seems perfectly appropriate to the present situation.

Summary of the book

Miliband’s overall argument is quite straightforward. Contrary to the polyarchy thesis, he asserts that the power exerted by business and its allies is not one of various competing influences on the state, but instead is the decisive one. Moreover, far from this dominance being open to challenge by the democratic process, the system is entirely biased in favour of the perpetuation of its power.¹ One crude but effective explanation he offers for this is that business and state elites tend demographically to be drawn from the ‘upper classes’ and consequently have an interest in maintaining the status quo. This leads him to fierce discussions of topics such as the rigging of educational and career opportunities against working class youth, and the importance of ‘connections’. A second, more fundamental, reason is that dissenting voices (for example from radical politicians or trade unionists) come under irresistible pressure to remain within the confines of ‘respectable’ opinion the more they are integrated into state structures. So, even if capitalism could be made perfectly meritocratic,² this process of ‘bourgeoisification’ (p44) would still ensure that state institutions serve the purpose of conservatism.

Within this basic argument, there is a lot to be elaborated. First, Miliband’s definition of ‘the state’ is important. ‘Government’ is not ‘the state’. If it were, then an electoral conquest by left-wing parties would be sufficient for the ending of capitalism. Instead, the state is a diffuse and nebulous complex of intertwining institutions of which elected government is only one, alongside the civil service, the military, the police, the judiciary, and local authorities (see pages 53-54). All of these institutions, in different ways, are dominated by people whose views fit into a narrow spectrum- i.e. one which does not challenge the primacy of private property. The fact that within these constraints there may be fierce disagreement only perpetuates the fiction that a genuinely wide-ranging exchange of views is permitted. Anyone who believes that policies which infringe on the interests of private business can be pursued through these channels is destined for grave disappointment.

This ties to a second definitional issue which is even more fundamental- Miliband’s characterisation of capitalism itself. He defines his subjects- the ‘advanced capitalist’ states- as follows:

‘These are societies with a large, complex, highly integrated and technologically advanced economic base, with industrial production accounting for the largest part by far of their gross national product... and they are also societies in which the main part of economic activity is conducted on the basis of private ownership and control of the means to such activity’ (p8)

¹ Presumably conscious of the reality of the Soviet system, he is explicit about not rejecting the freedoms of ‘Western-type’ societies, but insists that they are far too shallow to enable genuine democracy.
² For Miliband it obviously can’t, but hypothetically...
So capitalism is characterised essentially as the dominance of private ownership within an industrial system. He asserts this quite forcefully, in contrast to his arch-enemies; those pluralist theorists who believed that, with the ascent to ‘influence’ of working class parties and unions, Western democracies had actually transcended capitalism. This definition initially seems obvious but it runs counter to many other Marxists who believed that capitalism was defined by the wage relationship. By the latter definition, the Soviet Union could be designated ‘State Capitalist’ (see Tony Cliff and his followers), but for Miliband this doesn’t work. Miliband’s definition does bring some problems in the sense that it is quite general. His emphasis on the dominance of private business leads him to some rather glib statements about ‘what business wants’, which might be avoided by a stronger analysis of the material structure of production. And his emphasis on the industrial character of advanced capitalist states seems worth revisiting, given the acceleration of ‘financialisation’ since his time of writing. But, I will return to these points later.

How, exactly, do business interests gain and retain such a stranglehold? One might suggest that it is to do with the economic power they wield in a society defined by the pre-eminence of private ownership- in other words, the nature of the system itself gives business elites a direct coercive power over state actors. Miliband does allude to this coercive power in passing and appears to accept it (see p173), but he is far more interested in the ideological dimensions of the question. Why isn’t this power challenged? Here, two points are key. Firstly, business has been very skilled at establishing its own values as the point from which all ‘sensible’ political debate must begin:

‘Businessmen themselves have often tended to stress their remoteness from, even their distaste for, “politics”; and they have also tended to have a poor view of politicians as men who, in the hallowed phrase, have never had to meet a payroll, and who therefore do know what the world is about. What this means is that businessmen, like administrators, wish to “depoliticise” highly contentious issues and to have these issues judged according to the criteria favoured by business. This may look like an avoidance of politics and ideology: it is in fact their clandestine importation into public affairs’ (p56)

Miliband doesn’t accept that businessmen really stay out of politics anyway, and cites empirical surveys to this effect. But regardless of whether they do or don’t, this ‘depoliticisation’ leads to a second point: the implicit conflation of business interests with the national interest, to which pretty much everyone of consequence within the state apparatus subscribes. Already, we can see him placing an unusual (by Marxist standards) weight on the attitudes and disposition of the actual people involved in running the country. He sees capitalism maintained by an unshakeable political consensus rooted in the deep conservatism of anyone who has a degree of power in the state.

Note that Miliband does not preclude the possibility of people with ‘anti-business’ attitudes getting into the state- most obviously through the election of radical politicians. But this doesn’t really matter because even the most authentic radicals will find themselves embedded in a wider apparatus dominated either by business elites themselves or by their sycophants in the judiciary or the civil service. Moreover, because historically radical parties tend to get elected at times of crisis, he argues that they are often even more susceptible than conservative ones to the ‘national interest’ pitfall. Even governments popularly associated with transformative left-wing policies, such as Attlee’s in Britain, he argues, fell a very long way short of challenging the supremacy of business
interests. Whoever is in power, be it Leon Blum, Harold Wilson or even Adolf Hitler, the same people win over and over again.

‘The trouble does not lie in the wishes and intentions of power-holders, but in the fact that the reformers, with or without inverted commas, are the prisoners, and usually the willing prisoners, of an economic and social framework which necessarily turns their reforming proclamations, however sincerely meant, into verbiage’ (p270)

It is interesting to speculate, therefore, on what would have happened if, say, SYRIZA had gained a few more percentage points in the Greek elections of 2012. Would Miliband argue that their radicalism would have crumbled, simply as an inevitable consequence of entanglement with the state apparatus? Sometimes the language he uses leaves the answer to this question unclear. Look on page 101, for example.

‘There is more than one way to deal with the adverse conditions that [radical governments entering power at times of crisis] encounter on their assumption of office. One of them is to treat these conditions as a challenge to greater boldness, as an opportunity to greater radicalism... This, however, is not how these governments have chosen to embark upon their tasks. On the contrary, they have found in the difficult conditions they inevitably faced a ready and convenient excuse for the conciliation of the very economic and social forces they were pledged to oppose’ (my italics)

Here, with his contemptuous reference to the ‘choices’ and ‘excuses’ of supposed radicals, he comes across as somewhat misanthropic, leaving open the question of whether sufficient willpower and bravery would really enable a challenge to business supremacy or not. Elsewhere, he argues that this kind of willpower can, indeed, yield great results, but he also believes that conservative influences over the state ensure that it is very rarely exercised. See, for example, his discussion of organised labour.

‘The one important weapon which labour, as an “interest”, does have is the strike; and where it has been used with real determination its effectiveness as a means of pressure has often been clearly demonstrated... On innumerable occasions, demands which, the unions and workers were told, could not conceivably be granted... have somehow become acceptable when organised labour has shown in practice that it would not desist.

Determination, however, is the problem. For labour, as a pressure group, is extremely vulnerable to many internal and external influences calculated to erode its will and persistence. Because of the effectiveness of these influences, governments have generally found it unnecessary to treat labour with anything like the deference with which they have accorded to business’ (p156)

These disruptive influences include internal divisions in the labour movement and, of course, the conservatism of officials which inevitably increases as one rises through the ranks to greater influence (Miliband is a clear believer in the ‘Iron Law of Oligarchy’). But they also include the naked class prejudice and ‘connections’ which, in Miliband’s argument, are so critical to the perpetuation of elite power.
‘Businessmen and their representatives normally have a rapport with ministers, civil servants and other members of the state elite which is very different from that of labour and its representatives. Given the influences which affect political office-holders and administrators... social provenance, personal ties and connections, class situation, self-interest, ideological inclinations, conceptions of the “national interest”– business pressure groups may reasonably expect that their views and demands will meet with an initial degree of comprehension, sympathy or at least respect of a kind entirely different from that accorded to their labour equivalents’ (p161-162)

Miliband’s book is at its most insightful when picking apart these attitudinal and ideological biases.

In the latter chapters, he comes to a more systematic analysis of ‘the process of legitimation’, or, put more strongly, of indoctrination. Aware that the latter term could appear hyperbolic, he distances himself from the brutal vision of indoctrination as practiced in totalitarian societies. Instead-

‘for indoctrination to occur it is not necessary that there should be monopolistic control and the prohibition of opposition: it is only necessary that an ideological competition should be so unequal as to give a crushing advantage to one side’ (p182)

From here, Miliband runs through the various institutions- most obviously the media, but also extending to primary and secondary education, as well as the nascent business school industry- that narrow down the limits of acceptable discourse. From leaving the nursery, people are exposed to a ‘pot pourri’ (p190) of conservative ideology, crystallised in a whole range of notions ranging from a particular definition of ‘freedom’ through to nationalism, patriotism, the notion of financial stability, and the illusion of supposed radicalism. The latter finds particularly healthy voice in the press, which likes nothing more than to rail against the ‘establishment’ while, in reality, being an integral part of it. As he writes of oppositional newspapers: ‘the noise is considerable but the battle is bogus’ (p223). This is another of his insights into the power structures of capitalist states which continues to have important relevance.

Discussion- the role of financialisation

The State in Capitalist Society is a powerful book, forcefully exposing and critiquing the obvious and shameless biases involved in the running of capitalist states. It is highly readable and even, at times, quite funny. See, for example, page 255, where he discusses the ‘tortured hesitations’ (p255) of liberals as to whether Marxists should be allowed to teach in universities or not.

However, there are also some important grounds for criticism of the book. Perhaps the most obvious one from a Marxist perspective is Miliband’s emphasis on attitudes and prejudices. This was the line of attack taken by Poulantzas (1969, 1976), with whom Miliband debated in the pages of New Left Review. Put briefly, Poulantzas believed that the constraints imposed on the state are objective: the personal attitudes of elites are largely irrelevant, because the structural relationship upon which capitalism is founded dictates a certain role for the state anyway. Poulantzas (1969:71) attacked the idea that one’s position within state or business elites implies a specific ‘aim of action’, and believed that in making this argument Miliband had become embroiled in a ‘false problem of managerialism’. Miliband (1970) defended himself from this charge, arguing that he had in fact recognised and discussed the objective structural constraints on governments. As I have noted
above, this is true- see page 173 where he refers to the ‘real economic power’ of business. But even if in some respects I sympathise with Miliband over Poulantzas, I also felt that an analysis of the economic structure of capitalist society is underplayed in the book. It receives little attention, outside of his introductory definition of his objects of enquiry as industrial economies dominated by the private sector.

This gap has some consequences which I think are important. Firstly, while Miliband is very strong on how conservative ideology self-perpetuates, he is weaker on the mechanisms by which the somewhat abstract ‘needs of business’ are translated into empirical government policies. Were he around, he might justifiably counter that this question is too empirically broad to seriously address in a single theoretical volume. However, this leads to a point of theory. Should we expect much variation and divergence in the production regimes which inform the state apparatus, and if so how do such changes affect the ways in which states are placed under pressure? Both of these questions require a more detailed engagement with the economic structure of capitalist society, and the way in which it has changed since Miliband’s time of writing.

In particular, it is interesting to consider how financial and industrial capital might lead to different kinds of pressures on states. While the content of these different pressures is too big a question to consider here, the means by which they are exerted and translated into state policy may also differ, and this is one area where we need to move beyond Miliband’s analysis. Miliband seems to consider ‘conservative’ and ‘pro-business’ attitudes to be largely synonymous, and this may reflect how, at his time of writing, the state was seeking to defend industrial capital from left-wing radicalism and labour militancy. However, the hypermobility of financial capital which has taken root since the publication of The State in Capitalist Society has placed capital on the offensive, shaping the behaviour of governments in more aggressive and proactive ways.

So, before finishing, the question I want to discuss is not how the exposure of national states to financialisation leads to a new set of policy demands, but rather how this shift has altered the manner in which ‘business interests’ are imputed into state action. Particularly relevant here is Timothy Sinclair’s work (1994a; 1994b; 2000). Sinclair argues that one of the key developments associated with financialisation is ‘disintermediation’; where the role of the bank as intermediary between suppliers and users of credit - an important source of stability and predictability in lending transactions- is diminished. As a result, a ‘knowledge problem’ is created for lenders regarding the creditworthiness of users, leading to the development of ‘embedded knowledge networks’ of which credit ratings agencies are the clearest example. Ratings agencies may use both quantitative and qualitative criteria to develop judgements, the importance of which has a profound impact on the ‘thought and actions of those trying to borrow funds’ (1994a:447)- including states themselves.

For our purposes, these changes in the structures and institutions of global capitalism have important consequences. The following list is one I assembled myself, but it is informed by Sinclair’s research and analysis (some of the conclusions I draw differ from his).

1. Opacity. Under financialisation, states pursue ‘business friendly’ policies according to criteria about which they have little understanding, and which is ‘largely opaque to the outside world’ (Sinclair, 1994a:454). Because governments are so dependent on financial markets for borrowing and investment, a significant amount of power is invested in new transnational institutions such as credit ratings agencies. Sinclair has shown how the
variables taken into account by such organisations in rating states’ creditworthiness can be highly subjective and sometimes hard to discern. Necessarily so, because of the vast complexity of the organisations involved which comprise social and political factors as well as raw economic indicators.

2. Anticipation. Because financial markets and the institutions which guide them have the power to severely obstruct the flow of resources to states, ‘their views on what is acceptable shape the actions of those seeking positive responses from them’ (Sinclair, 2000:496). Hence rather than seeking to react to and solve specific problems, states need to predict in advance what will impress financial markets. Sinclair calls this the ‘anticipation effect’.

3. Constriction. The operation of financial markets requires some form of knowledge, even where it can only be imperfect, sketchy and subjective. The need to impose imperfect knowledge on an uncertain environment has led to a ‘one-size fits all’ repertoire of solutions along the lines of what Gill (cited in Sinclair, 1994a:458) terms ‘new constitutionalism’. This means the guarantee of freedom of market entry and exit at all costs regardless of the wishes of electorates.

The drivers and beneficiaries of this process for Sinclair (2000) are the ‘globalizing elites’ - what might today be termed ‘the 1%’. This may well be true, but for the purpose of this blog the more interesting thing is how, when taken together, these factors make the aims and success criteria of state action highly abstract. It becomes easier to explain why, to return to the opening paragraph, government might find itself ‘trying too hard’ to produce a ‘business-friendly’ environment. They have a limited repertoire of tools, with which to anticipate the judgement of highly opaque entities.

I would connect these points to an argument I have made elsewhere (Umney, 2013) about the role of ‘the market’ in capitalist societies. In the era of what Baran and Sweezy (1966) termed ‘monopoly capital’ free competition was to a large extent subordinated to the strategic needs of business. In this context it makes sense to depict, as Miliband does, a business class rooted in industrial production with a tight grip over government policy as a means of defending its interests. When discussing the neoliberal decades, we also need to add that the expansion of financial markets has led to a more abstract force irreducible to the strategic objectives of identifiable business elites with the ear of conservative officials. The points above drawn from Sinclair’s work show how this ‘mystification’ takes shape. It reaches its apogee in in the distillation of a vast complex of social relations into a single credit rating score, the maintenance or improvement of which becomes a primary government concern. Because of the opaque, anticipatory and constricted nature of this pursuit, state policy can appear decidedly ‘anti-rational’, founded on hopeful ignorance about the effects of policies on ‘the markets’. These qualities are important but, perhaps because of the circumstances in which it was written, do not really shine through in The State in Capitalist Society.

**Conclusion: Marketisation and the Marxist theory of the state**

Miliband’s book is essential reading for those wishing to demystify the biases and blinkers characterising the governance of capitalist societies. But, as I have argued above, his emphasis on the strategic interests of business elites over the state does not explain the way in which institutions such as financial markets can impute an anti-rational character to state action, based on the anticipation of opaque criteria. This is not a new idea- see for example Kalecki’s (1943) discussion of ‘confidence’. It is, however, one which becomes all the more important given the progress of
financialisation since Miliband’s time of writing. Indeed, Miliband’s very definition of his subjects stressed their character as primarily industrial economies, and it is therefore unsurprising that gravitational shifts towards the financial sector should challenge his arguments.

These are important points for the study of marketization. As noted above, Miliband suggests that the business interest is served by narrowing down discourse to within ‘acceptable’ conservative parameters. But marketization is today a more radical force which itself does the disrupting. This means it has been easy for its advocates to paint its opponents as the conservatives who are out of step with the times. Countering this discourse necessitates an understanding of the ways in which the interests of economic elites shape public policy, including an appreciation of the gap between the confidence with which policymakers refer to a ‘business friendly’ climate, and the certainty with which the existence of such a thing can be measured.

It is interesting to speculate on what Miliband would have made of the TEMS project. My guess is one of two things. It’s possible that he might predict that, as business school academics working with Research Council money, our findings will inevitably have to be packaged in a way which state elites deem to be at least partially houstrained. More likely, he might observe the complete lack of serious challenge to marketization, and surmise that a project critical of it can easily be tolerated, even serving a legitimising purpose as evidence of the tolerance of opposing perspectives.

Bibliography


Other sources


