The totalising market and the Marxist theory of the state

NB: This is a shorter follow-up to ‘The Totalising Market in Marxist Thought’. It is a work in progress and any comments/criticisms are welcome: c.umney@greenwich.ac.uk

This article is intended as a follow-up to my previous paper on the ‘totalising market’ (Umney, 2013). In the latter, I looked at the development of the concept of ‘the market’ in Marxist writing. I distinguished between ‘strategic’ and ‘alien power’ interpretations of its role. In the first case, the market is understood as something which can be extended or retracted to suit the strategic interests of the capitalist class. In the latter case, it is understood to have a coercive power of its own, as a ‘mystified’ force irreducible to the rational objectives of individual participants. I then argued that under conditions of financialisation these aspects of the market intertwine. What starts out as the ‘strategic’ extension of market mechanisms to overcome crisis becomes increasingly ‘disembedded’. The disembedded market, via coercive competition, then creates powerful new imperatives for its participants, including states. I used the term ‘totalising market’ to refer to this intertwining.

The most conspicuous omission from the paper was the state. This was intentional, because the objective was to consider in a more abstract way the role of the market under capitalism. But when we come to the ‘how?’ of the totalising market, then some discussion of state theory is essential. In what way does ‘the market’, as supposedly an abstract coercive force, influence states? I am not referring so much to the concrete policy demands elicited: this would be too broad and empirical a question to discuss here. Instead, my concern is the ways through which the state is cajoled into acting in support of ‘the market’.

In putting the issue this way, I am slightly re-focusing the central question of Marxist state theory. The latter’s concern has always been ‘what is the relationship between the capitalist class and the state?’ Here, I am asking ‘what is the relationship between “the market” and the state?’ As noted in the previous paper, this could be construed as entirely missing the point of Marxist theory. Focusing on the market itself rather than class relationships in production surely fetishes the former and obscures the roots of exploitation in the latter. But as Marxists are well aware, just because something is mystical does not mean it cannot exercise power over the behaviour of people and institutions. The marketplace may well be the realm of fetishism in which productive relations are obscured, but this does not prevent it from exerting a coercive force on its participants, as Marx (1973:196-197) made clear. The argument made below will be that the ‘totalising market’ as described in my previous article has led to a ‘quasi-rational’ relationship between the state and the
market. It has its roots in ‘strategic’ class interest, but results in the replacement, on the part of the state, of rational planning by the attempted prediction of opaque criteria.

**The Marxist theory of the state**

In the *Communist Manifesto*, Marx and Engels characterised the role of the state as ‘but a committee for managing the common affairs of the whole bourgeoisie’. This line bluntly but effectively encapsulates most Marxist thinking on the state: it is not a neutral arbiter, but instead acts in the interest of the capitalist class. In this sense, it the most important part of the ‘superstructure’; where the competing material forces comprising the ‘base’ of capitalist society are manifested in the form of institutions and interests. Things which go on in the state, such as the comings-and-goings of political parties and movements, are therefore obviously not autonomous from these forces, and to a great degree are determined by them. But if we are to avoid the crude statement that the state is nothing more than a reflection of class conflict in the realm of production, then we have to allow it some degree of ‘relative autonomy’. There must be at least some scope for actors within the state to pursue concerns based on a whole range of other factors—ideologies, religion, clientelism, or perhaps even moral conviction.

The extent of this autonomy has been one of the key concerns of Marxist state theory, suffering extensive debate in the 20th century. Skocpol (1980) identified some distinct strands of ‘neo’-Marxist state theories which encapsulate the main positions. One is what is (pejoratively) referred to as the ‘instrumentalist’ view, whereby the positioning and influence of key capitalist actors in the state apparatus encourages the adoption of policies favourable to their interests. A second is what Skocpol terms the ‘political functionalist’ view, which firmly rejects the idea that the influence of pro-capitalist advocates within the state apparatus is of analytical importance. Instead, the state is ‘relatively autonomous’ from any individual capitalist, stepping in as a systemic stabilising instrument at moments of crisis when the capitalist class is too divided to act collectively. Note that in this view, the state may be less directly controlled by powerful capitalist influences, but its role is even more constrained, because it is under a systemic obligation to act as ‘basically a vehicle of system maintenance’ (Skocpol, 1980:171).

These opposed perspectives are associated with one of the more renowned episodes in 20th Century Marxist theory, the Miliband-Poulantzas debate conducted in the pages of *New Left Review* (see Miliband, 1969, 1970, 1973; Poulantzas, 1969, 1976). As Barrow (2002) points out, the way in which the debate has been discussed by observers has defined the fault lines within Marxist state theory, even though both authors’ positions within it have arguably been caricatured. Indeed, Poulantzas
(1976) was furious that his exchange with Miliband had been interpreted as a debate between his own ‘structuralism’ and the latter’s ‘instrumentalism’. Moreover, Miliband (1973) explicitly disavowed the instrumentalist idea that the state works at the behest of the capitalist class, interpreting Marx and Engels’s ‘managing committee’ remarks as indicating precisely that the state could detach from these individual interests and act to bolster the class as a whole.

For Miliband, there is, indeed, an objective coercion operating on states deriving from the simple fact that economic power is concentrated in private hands. The state cannot function without private investment, and it is the capitalist class that decides how much of that goes on. This means that, in Przeworski and Wallerstein’s (1988) terminology, the state is structurally dependent on capital. But Miliband dwells at greater length on the question of the ideologies and actors at play within the state. The structural power of capital can be challenged, so why isn’t it? For Miliband, the reason is because the state apparatus (not just government but the civil service, judiciary, military, local government, etc) is infested with people that have attitudinal biases towards the status quo. It was the emphasis on personal attitudes that (among other things) so offended Poulantzas.

Miliband’s argument therefore justifies to some degree the ‘instrumentalist’ tag, because the agency of pro-capitalist actors, unable to see beyond the ideological conflation of the ‘business interest’ with ‘the national interest’, becomes a central explanatory factor in his theory. For Poulantzas, by contrast, state behaviour should not be explained with reference to the views and motives of powerful actors, but rather as means of organising the different levels of the social formation as a whole to maintain capitalist stability. The ‘structuralist’ accusations to which Poulantzas (1976) so objected stem from the negligible role that the agency of influential individuals has in this process.

Barrow (2002), in his interesting commentary on the debate, observes that it boils down not so much to ‘instrumentalism versus structuralism’ as institutionalism versus functionalism. Poulantzas’s ‘functionalism’ is easy to miss because so much of his line of attack concerns the need to reject the terms of bourgeois theory and to embrace the ‘Marxist method’. Despite this, Barrow argues that much of Poulantzas’s own theory can trace its lineage to the work of mainstream functionalists like Talcott Parsons. The state’s role, essentially, is to integrate and stabilise capitalism as a system.

Despite their differences both Miliband and Poulantzas, in looking at the relationship between the state and capital, are seeking to explain why state power is exercised in support of the capitalist class. When we rephrase the question to consider the relationship between the state and the market, it seems that both of these perspectives might be aligned with what I have termed the ‘strategic’ market. The state’s governance of the market is a means towards the end of greater profits or stability. My own argument therefore sits at an awkward angle to their debate. In my
previous article I suggested that during the crises immediately preceding neoliberalism, the partially de-commodified post-War capitalism needed to be undermined by the extension of market mechanisms. This would provide stability and opportunities for greater profits to the ruling class. This is a fairly simple observation which invalidates neither the instrumentalist nor the functionalist view, depending on how we see this extension being executed. However, I also argued that in extending these market mechanisms a coercive competition is intensified, which is irreducible to individual agencies and which exercises power over them. For individual capitals seeking to extend the market, ‘their own collisions with one another produce an alien social power standing above them’ (Marx, 1973:196-197). By considering the relationship between the state and the market, we are able to better explore the quasi-rational subservience of the state in the face of this ‘alien power’. Are there other Marxist theories which can help us apply this idea to the state?

For Skocpol (1980), there is a third perspective which she finds more interesting than the preceding two, and which may be more helpful for our own purposes as well. This is the argument advanced in Fred Block’s The Ruling Class Does not Rule (1977). Block explores the idea of ‘rationality’ as it functions in a capitalist society. For Block, the attempt by previous Marxist state theorists to root the ‘rationalisation’ of capitalist systems in the agency of a class conscious ruling class is mistaken. Instead, one must look to the state as a class of ‘managers’, entirely distinct from the capitalist class. The latter cannot be aware of the long-term interests of the system; only the short-term interests of its individual constituents. By contrast the ‘managers’ of the state apparatus ‘are forced to concern themselves to a greater degree with the reproduction of the social order’ (1977:10). But because their jobs depend on the maintenance of a ‘healthy economic climate’, they are nonetheless strongly averse to any policies which might jeopardise capitalists’ willingness to invest. This mirrors developments within the private firm, where there has long been a tension recognised between market investors and ‘organisational man’ (Baran and Sweezy, 1966).

Block’s argument raises some important points. Firstly, it suggests that state managers must necessarily take a broader and longer-term view than capitalists. This makes them apparently more ‘rational’ from the perspective of the survival of capitalism: it ‘increases the likelihood that [their] policies will be in the general interest of capital’. Secondly, it also introduces the concept of ‘business confidence’- an entirely intangible variable which nonetheless scares state managers away from introducing policies which might upset short-termist capital too greatly. There is thus an important tension between the short-termist capitalist and the supposedly more rational state manager, with the latter fulfilling an essential stabilising role but nonetheless forced to respond to the intangible factor that is the former. ‘Business confidence’, for Block, is very different from ‘class
consciousness’ because it is rooted in short-sighted individualism, rather than long-term ruling class interest.

In the next section, I expand on these issues. My key question is as follows: how is the rationality of the state manager affected by the extension of market mechanisms under neoliberal financialisation. In other words, how is the state manager affected by the totalising market?

**Neoliberal financialisation and state rationality**

The need to bring the question of marketization into Marxist state theory becomes clearer when we pick up some ideas from Block (1977). If we reject the idea that state behaviour is led by influential pro-capitalist actors and the functionalist view that it enters to stabilise structures, then we are left with the question of rationality. What rationales do state managers use to interpret the needs required for continued investment? And here the market as understood in Marxist thought is extremely important because of its effects on rationality. In Marxism, ‘the market’ is simultaneously rational and irrational. The atoms comprising it are rationally self-interested, but the totality into which they merge under conditions of coercive competition is a mystical entity: an ‘alien power’ making demands of these individuals which may be unsustainable or counter to human needs. In the previous paper, one objective was to historicise the ebb and flow of the market, viewed through the lens of Marxist theory. Looking at the crises of the 1970s that precipitated neoliberalism, I argued that the *strategic* extension of market mechanisms as a response to crisis intensified coercive competition and led to the disembedding of a more abstract global ‘market’ (implying an important distinction between market mechanisms and the market). In this section I explore what this means for the state. In particular, this means considering how financialisation has affected the decision-making rationality of state managers.

One of the most important aspects of neoliberalism from this perspective is the increasing weight given to shareholder value and the vastly expanded role of the institutional investor (Aglietta, 2000a, 2000b; Lazonick and O’Sullivan, 2000). These developments go hand-in-hand with an intensification of market mechanisms, which had been partially suppressed in the period of post-War ‘monopoly capital’. This intensification has three aspects, with important implications for state managers.

The first aspect of market intensification is *acceleration*. The rise of institutional investors occurred at the expense of the ‘retain and reinvest’ model that had characterised the giant corporations of the post-War era (Lazonick and O’Connor, 2000). In other words, the ‘patient’ relationships between companies and investors have been marginalised in favour of a sharper focus on immediate market returns (Aglietta, 2000a). Thus, the manager of the firm is required to become more responsive to
these immediate external demands than the internal life of the company. These observations relating to the private sector also apply more broadly to state managers. The faster investment moves, the more ‘confidence’ will be lost unless the state can guarantee unimpeded exit for capitals. Clearly, in these circumstances the time horizons of economic planning are reduced. In a more abstract sense, this is the argument made by Altvater et al (1997:456). The ‘historical time span’ of the market

‘...is reduced to a single point in time whose coordinates are to be found in the economic rather than the natural domain of reason. Even within non-economic social sub-systems, the market economization of transactions has meant forgetting the past, just as it has meant losing the future as a project.’ (italics added)

Clearly, there is little hope for the rational state manager if the future is ‘lost as a project’. To return to Block’s division, this acceleration therefore diminishes the capacity of the state manager to act in the interests of longer-term stability, where they infringe the demands of ‘business confidence’.

The second aspect is the increasing opacity of decision-making criteria under these conditions. As Aglietta (2000b:149) writes, where financial markets are in the ascendency, much depends on their ‘collective power of opinion’. But such a thing cannot be gauged in advance through observation and polling. Because investment moves so quickly, the concrete reality of these collective opinions can only be discerned in the moment, and can be subject to rapid fluctuations. Policies which have pleased or displeased ‘the market’ can only be judged by their results and rarely predicted with accuracy. This latter point is made especially clear in Sinclair’s (1994a, 1994b, 2000) work. What Sinclair calls ‘disintermediation’- i.e. the abrogation of banks’ roles as ‘patient’ investors who can offer clear knowledge about business prospects- creates a knowledge gap for investors regarding the creditworthiness of recipients of investment. This is only partially addressed by the proliferation of institutions such as credit ratings agencies, whose judgements come to hold great sway over state managers’ pursuit of investment. 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. Inevitably so, because of the vast complexity of the social formations which find themselves encapsulated in a letter rating. Hence 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).

The final aspect is anticipation. Ultimately, Marxist thought views the need for private investment as the structural device keeping the state in line. In their assessment of this ‘structural dependence’
thesis, Przeworski and Wallerstein (1988) argue that private investment will continue given a wide range of wage-profit distributions. While this appears to contradict the theory, suggesting no trade-off between redistributive policies and investment, they argue that it regains validity when viewed in a dynamic sense. It is the anticipation of the implementation of redistributive policies that sees reductions of investment by capitalists. 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). Sinclair calls this the ‘anticipation effect’. Hence rather than seeking to react to and solve specific problems, states need to predict in advance what will impress financial markets. As noted in relation to the preceding point, under conditions of acceleration and opacity the means by which they can do this become increasingly imprecise. Not only this, but states have to behave in such a way that the market has no reason to suspect that it might have anything to anticipate.

These ideas of acceleration, opacity and anticipation are important for our purposes here. Private investment is the most important motive force in a capitalist economy and must be cultivated by any capitalist state. But the assessment of whether state actions will hinder or stimulate investment is, under conditions of the totalising market, a highly abstract and imprecise one. It is based on the anticipation of opaque criteria, and governed by the short-term priorities of a swarm of individual capitalists. This is the market as alien power; imposing a surreal despotism of guesswork and future denial on state managers, to which the instrumental and functionalist theories discussed above don’t quite do justice.

So the argument here is that the origins of the extension of the market under neoliberalism can be initially viewed in a strategic, perhaps even an instrumentalist way. This is the argument advanced by Van Appeldoorn and Horn (2007), who discuss the transnational class interests that have pushed marketization in Europe. But, as in the Marxist understanding of the ‘mystification’ of the market, marketization morphs from a strategy into an imperative. Van Appeldoorn and Horn (2007) outline the measures states have taken to bolster markets, in particular by facilitating the ‘entry’ and ‘exit’ mechanisms that are essential for market freedom. But while transnational capitalist interests may have been behind this push from states, the need to attract short termist capital in order to maintain private investment then turns these methods into demands. In the absence of a more concrete understanding of how markets will react in particular situations, the need to guarantee entry and exit becomes a universal remedy (Sinclair, 1994). State managers seek to latch on to the concrete ‘knowledge’ of market preferences in the absence of the possibility for a rational assessment of the
situation. Hence from the strategic reassertion of market freedoms, we arrive at a rationality gap, in which the totalizing market assumes its esoteric power.

Conclusion

The core argument of this and the previous paper has been the need to historicise the parameters of state and market throughout capitalist development. In Marx’s descriptions of market competition, there is simultaneously individual rationality and collective irrationality. The individual capitalist’s maximisation of his or her investment becomes irrational when others seeking to join the marketplace are pushed into unsustainable investment and distributive conditions. I have tried to depict these developments on a broader scale, showing how in the post-War era of partial decommodification we can see market mechanisms used and suspended to benefit the ruling class. When it suited capitalists to intensify market mechanisms in response to the crisis of Fordism, neoliberalism was the result. And the result of neoliberalism has been the increasing inability of the state to ‘manage’: its temporal horizons are disrupted, the criteria it seeks to meet become more opaque, and it must attempt to anticipate them rather than observe and learn. In this sense, the market itself, rather than being captive, increasingly dictates the priorities of state policy, because the only way for the state to hope to attract investment in these conditions is to seek to establish the confidence of ‘the market’.

What does the medium-term future hold for the state and the market? Where Block referred to a tension between state managers and ‘business confidence’, the weight of the latter has shifted greatly in recent decades. This clearly has had a destabilising effect. The socialisation of debt after the 2008 crisis has increased this weighting still further. States are not sure how to encourage investment at previous levels, and given the increased pre-eminence of the market, with all that that implies, means that they will compete with each other to introduce ever more extravagant marketising reforms. Opposition to this is likely to remain weak, because the basic capitalist argument is indeed correct: in a system dominated by private ownership and reliant on private investment, the need to assuage the abstract - i.e. business confidence- at the expense of social needs is a concrete one, even if that confidence itself is anything but.

Charles Umney, September 2013

Bibliography


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