

Unmasking the State

Session 5 commentary

There is a division of labour in society between economic and political power. While capitalists hold economic and financial power through corporations, shares and financial institutions, the exercise of political power is through the state.

Each day in thousands of ways, the state interacts with business, financial and commercial interests. The precise nature of its role changes through history: from the laissez-faire of the early 19th century, to promoting imperialism, to regulation and the welfare state after 1945 And today – a seeming return to a 21st century version of laissez-faire, also known as neoliberalism.

In the last session we discussed the three major theoretical frameworks for studying the state and what it does. In my view, the Marxist approach is the most fruitful for understanding how the state is structured and functions within capitalist society. But as we also saw, there isn't and can't be a general, catch-all Marxist theory of the state, let alone one that can stand the test of time. What we are looking at is an approach, a way of understanding the state in its relationships with capitalism, with civil society and the world at large.

Before we look concretely at how, when and why the UK is governed by a capitalist type of state, it's useful to have an overview of the origins of the economic system. Capitalist production in factories, mines and mills first appeared in the last quarter of the 18th century as the industrial revolution got under way. At that point, the state as we know it today did not exist.

Parliament was dominated by the landowning aristocracy, unchallenged by a population where only one in 10 adults had the vote. Parliament was at this point more powerful than the executive and the House of Lords a block on any real change.

Advocates of democratic reform were ruthlessly suppressed during the war between Britain and revolutionary France. Thomas Paine, who had played a key role in the American war of independence, was driven out of the country to France. Newspapers were banned and oath taking made illegal following a mutiny in the navy. Workers like silk weavers in Spitalfields, Liverpool shipwrights and Norwich wool combers had "combined" to protect their wages and other conditions. These early forms of trade unionism were outlawed by the Combination Acts of 1799 and 1800.

The next half a century saw the rising industrial class win a share of political power through electoral reform and the extension of the franchise, which we have talked about in earlier sessions. A state-sponsored disciplining of labour, ideologically and legally began. The modern state took shape and by mid-century, there was a police force in every town. Working-class campaigns for the vote organised by the Chartist movement had been rejected. and the movement defeated. We will look at the significance of the Chartism in future sessions.

Although the Combination Acts were repealed, other laws were used to repress trade unionism. In 1834, six agricultural workers in Dorset were convicted of swearing an illegal oath when they formed a trade union, convicted and transported to Australia.

The Master and Servant Law of 1823 gave employers remedies for a breach of contract. A worker who broke a contract could be summarily sentenced by a local magistrate to jail and hard labour for up to three months. The Act remained in force until last quarter of the 19th century.

The abolition of the Elizabethan poor law - which provided state relief for the destitute - and the introduction of the workhouse in the New Poor Law of 1834 was far-reaching, both in daily practice and in the evolution of social consciousness

John Savile in his book *The Consolidation of the Capitalist State*, says that the "Acceptance of parish relief became an article of shame for many sections of the working population ... the social stigma and fear of the workhouse went some way towards creating the ethos and ideas which industrial capitalism required of its work force."

A significant step forward for capitalism came with the legalisation of joint stock ownership of banks in 1826. Then in 1855 and 1856 new laws introduced limited liability for shareholders and extended joint stock ownership to industrial enterprises.

The significance of the invention of limited liability has been compared to that of the steam engine. It was as an essential precondition for the development of shareholding corporations, stock markets and capitalist economies.

In 1846, the corn laws - which kept prices high and restricted imports - and were backed by the landed classes, were abolished. The Tories were persuaded to do away with them following a campaign by the middle class with the support of the industrial working class. Free trade was now the mantra and the state had now hitched its existence and future to capitalism.

Which leads us on to consider when, how and why the UK's state is capitalist

A good place to start is the fact that economic and political activities are separated in an institutional sense. It's a kind of division of labour, the phrase first coined by Adam Smith, the 18th century philosopher and founder of economics as a social science. As we have already seen, the 19th century state created the legal, monetary and social framework for the development of a market economy.

The scope of that early relationship developed apace. The new industrialists required workers who could read and write. But they were in no position to provide schools or teachers. Schools for poor children were financed from the 1830s and from 1876 all parents were legally obliged to send their children to school.

Similarly, it fell to the state to provide minimum health standards. Edwin Chadwick's pioneering 1842 report on the Sanitary Conditions of the Labouring Population concluded that much poverty and ill-health was caused by terrible living conditions. Cholera outbreaks over the next few years prompted the Public Health Act of 1848. Within a decade, most towns had sewers, clean water and rubbish collections. Thus the supply of relatively educated and healthy workers which was required by capitalists was achieved by the state and this continues to be the case today.

Other functions that capitalists cannot and do not want to perform are also undertaken by the state. For example, the building of transport and energy

infrastructure are state projects, even if today they are privately financed. New communications networks require state approval and licensing.

As more and more workers achieved the right to vote, their unions became powerful and in 1875 won full legal immunity from prosecution by employers and the state. The same year saw new public health legislation and councils given slum clearance powers. You might be surprised to learn that this happened under a Tory government led by Benjamin Disraeli.

The Tories, who had opposed the extension of the franchise in 1832, had adapted to the needs of the dominant industrial class. They were now managing the consequences of capitalist exploitation in wider society through a series of reforms. So by the last quarter of the 19th century, the state itself was in effect a form of class compromise, trying to overcome the contradictions of capitalism itself.

In different forms, this role for the UK capitalist state has continued to the present day. In the post-1945 period, major reforms were achieved in the shape of the health service, social housing and social security benefits. However, this social and class compromise underpinned by representative democracy is under tremendous stress and strain, as we shall see in future sessions.

The other points on this slide are self-explanatory. In the 19th century the state defended not just the space within Britain but also colonial markets established by force and protected by the armed forces. When corporate rule in India got out of hand, the state nationalised the East India Company and in 1858 made it part of the British empire. In contemporary times, enforceable trade agreements that cover goods arriving and leaving the UK's territory are negotiated and implemented by the state.

We have seen why capitalism needs the state. When you turn the question round and ask how the state supports capitalism, the interdependency becomes clear. The economic and the political may be notionally separate but they also have a unity of purpose.

Private ownership of corporations, land, finance and other resources is backed by common and statute law and enforced by the courts as well as the police. So too is ownership of what is produced in terms of goods and services. A worker is free to labour for an agreed wage but has no claim on what is produced or on any profits that may result from her work.

We have already seen how education and health systems provided by the state ensure a plentiful supply of workers for the labour market. Today, an obligation to be in employment or looking for work is reinforced by a sanctions-driven benefits system.

Market failures are a regular occurrence for capitalism. The state will step in and take action on behalf of the system as a whole. This in turn can lead to a major political crisis as it did in 1931 when the Wall Street crash led to global contagion. A minority Labour government collapsed and a section formed a national government with the Tories. After a snap election, public sector wages and unemployment pay were cut and trade tariffs introduced. The economy only began to recover when preparations began for World War Two. During the 2008 financial crash, the state bailed out and nationalised some banks while others were allowed to go to the wall. A decade and more of austerity imposed to pay back the debt included the running down of essential local services, education

and the NHS. During the Covid pandemic, the state bailed out whole sectors of industry by paying their workers and other measures.

Managing consumer demand through fiscal and monetary devices such as taxation is now not as significant as it was before the onset of corporate-driven globalisation. We will look at the role of the capitalist state in the neoliberal period in the next session. Interest rates are set by the state-owned Bank of England, which also organised the supply of credit known as quantitative easing during and after the 2008 crisis.

All these activities and frameworks go towards reproducing the existing social relations that underpin capitalism. So the state apparatus feeds back into a society its contribution to the regeneration of class relations that formed it. It reproduces these relations for succeeding generations. They add to a general sense of permanence and that there is no alternative. This is the only system. Learn to love it. Or come up with something better!

The state's reliance on the status quo of capitalism takes many forms. The UK state's spending totals around £850 billion pounds a year. That is almost half the total value of all goods and services, or what is known as gross domestic product. Where does the money for this come from? You won't be surprised to know that income tax and national insurance contributions are the largest sources. VAT, which is a tax on consumers, comes next. Corporations are near the bottom, contributing just £53 billion pounds of the total in 2020-21.

What these figures demonstrate is that the UK state is dependent on economic activity and, above all, having people in work paying taxes and spending money as consumers. The bulk of that employment is provided by the private sector, by capitalist enterprises. So the state, whatever government is in power, is committed to creating the conditions for the private sector to flourish.

And not just to flourish, but for economic activity to grow year on year. Each year, millions more join the labour force after finishing education at school, college or university. While some work for state sector employers like the NHS or schools, most will have to find jobs in the private sector.

As Martin Carnoy notes in his book, *The state and political theory* "Economic activity produces state revenues and ... public support for a regime will decline unless accumulation continues to take place. State managers willingly do what they know they must to facilitate capital accumulation... Such managers are particularly sensitive to overall 'business confidence'."

Finally, the state is utterly reliant on financial markets for borrowing. The loans are used to fund services throughout the year as tax is collected gradually rather than at one go. The state also borrows to fund spending deficits and, significantly, to pay for bail-outs, as in the wake of the 2008 crash, and to fund other emergencies like the Covid furloughs. Naturally, loans attach interest which will move depending on circumstances like inflation or political instability.

To sum up, when the state acts to promote the interests of capital, whether it's by ensuring a plentiful supply of labour or through deregulation in the construction industry, we can characterise it as capitalist state, whose primary function is to maintain existing social relations.

Contrary to popular perceptions, the UK state is not some all-powerful, monolithic body that works harmoniously with capitalism to keep us under their thumb. In real life, it is unstable and full of contradictions. These are the source of conflicts that figure in the mainstream media on a daily basis.

These conflicts can be turned to our advantage and open possibilities for achieving real democracy, as we shall see later in the course.

An obvious contradiction is that the state cannot serve all capitalist interests at the same time. Depending on political and other considerations, the state may favour one or more sectors over others. This was the case when successive governments deregulated the financial sector in the period running up to the crash of 2008. In 2021, smaller energy providers were allowed to go to the wall as the wholesale price of gas soared.

On occasions, political considerations take precedence over the economy. Such was the case with Brexit. The high risk involved in withdrawing from the European Union with its tariff-free single market led to widespread opposition from global corporations with a UK presence as well as British firms. "For the last five years business and government have been at odds. Brexit was very divisive," Confederation of British Industry director general Tony Danker admitted in 2021.

With its dependence on economic growth, a state which claims to rule in the common interest, cannot in practice do so. This is really important, for example, in relation to climate change. If economic growth is both a state as well as business imperative, what are the chances for success in tackling CO2 emissions? Not very good, as we saw at the COP26 in Glasgow.

A problem, this time mainly for capitalism itself, is that control of the state by their political supporters is not always guaranteed. Although the Tories seem to have been for a lifetime, there are occasionally governments that are more hostile to business interests. Unfortunately, you'd probably have to go back to the 1960s for a Labour government with radical policies. However, the desperation with which the media and the Tories rubbish and undermined Jeremy Corbyn when he was Labour leader showed how fearful they were of him becoming prime minister. Needless to say, the same fear is not on display when it come to Keir Starmer.

While the type of state that we live under is tied to capitalism in so many ways, as we have seen, it also has to reassert its claim to legitimacy on more or less a constant basis. Its appeal is framed to the population as a whole in a bid to create a what is claimed to be a common interest. We will talk more about this process in the session on hegemony later in the course.

Finally, there are other stress points in the institutionalised relationship between the state and capital which are perhaps the most significant. I am referring to the globalised market economy and financial markets. These have reshaped the functioning of the modern capitalist state in extraordinary fashion. In some respects, these changes have helped to undermine and weaken a political system that has taken centuries to build. We'll talk more about this in the next session on the neoliberal state.