COMPETITION IN THE MARXIST TRADITION :

its changing nature in relation to the monopoly stage of capitalism and to the operation of the law of value

by

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SUMMARY

There is a strong theme in contemporary marxism which argues that the monopoly stage of capitalism requires a different analysis from that provided by Marx, who is seen as essentially examining a competitive stage. Such a view leads to a questioning of the law of value as a law of regulation of capitalism, operating through the formation of an average profit rate. It is important to ask how far modern marxists have been able to return to, develop and make use of Marx's analytical categories and this is something that to date has not been comprehensively done. Using a history of thought approach is an obvious method for achieving this. My prime concern will be to spell out the changing forms that competition takes with the development of capitalism from the competitive to the monopoly stage. Structural changes brought about by the accumulation process (the growth of large-scale enterprise and of finance capital) are paralleled by changing competitive strategies, which can in turn be linked with developments in the law of surplus value as the regulatory process for 'many capitals'.

Chapter 1 clears the ground with an assessment of methodology in Marx, followed by a consideration of the contribution that the marxist paradigm has to make to a study of competition and monopoly. It then lays the foundations for later chapters by examining two cornerstones of Marx's methodology, his periodisation of history and his theory of value. Both are of crucial concern to the changing nature of competition in relation to the monopoly stage of capitalism and to the operation of the law of value.

The second chapter provides an interpretation of the role of competition in Marx's economic writings. This means, in the first place, bringing together what Marx had to say about competition, for his analysis of competition is scattered throughout 'Das Kapital' (in particular Volume III) as well as certain comments made in the Grundrisse and elsewhere. Although Marx never dealt with

competition between 'many capitals' in a comprehensive fashion, it seems probable that he intended to do so, since there are references to such an intention at many points in his economic writings. Such a task means that I emphasize the laws for 'many capitals' in competition as derivative from those for 'capital in general' in the process of showing the connection between competition and the law of value. The ambivalent and contradictory nature of competition are important themes for Marx in his analysis of competition operating at two levels to establish an average rate of profit (competition within sectors and between sectors).

Chapter 3 considers the transitional elements in Marx's thoughts: elements which examine the interface between competition and monopoly. Firstly there are his brief but graphic references to the possibilities for the growth of large scale enterprise. Then there is his consideration of the 'fractions' of capital (banking, industrial and commercial) and the growth of the credit system. Finally, no writers that I am aware of make reference to Marx's analysis of extra surplus profits arising at the level of competition between sectors. To what extent does Marx provide any basis here for analysing the monopoly stage of capitalism?

The next chapter considers the changing nature of competition as seen by the marxist theorists of imperialism. In what ways do these writers see the regulatory processes of capitalism changing with the development of the monopoly stage? As the nature of competition changes and new forms develop are there corresponding changes in the mode of operation of the law of surplus value? The chapter argues for a certain disjuncture between Marx and Lenin, but identifies Hilferding as providing the basis for a possible synthesis between Marx and the imperialists.

Chapters 5 and 6 examine the modern debate within marxism on the role of competition. The former sets the scene by providing an overview of the themes in the current literature and then looking in more detail at the contemporary debate on some long standing themes: periodisation, competition and the role of the market and prices. I argue that contemporary marxism shows a richness and diversity of approach to the theme of competition and its implications which is not very easy to follow. Chapter 6 pin-points some relatively new approaches to the debate, looking at corporate organization and the growth of monopoly capital, at finance capital, at the role of profits and also of the state. Both chapters are concerned to ask how far modern marxists have been able to return to and develop Marx's analytical ideas on competition and the regulation of capitalism through the law of surplus value. It is particularly in Chapter 6 that I develop my own ideas that the strength of the marxist paradigm in a study of competition and monopoly lies in the institutional and developmental elements that it can contribute to the tendency to form an average profit rate. Marxist theory has, therefore, an important contribution to make in its ability to link the changing nature of the adjustment mechanism with the dynamic aspects of capitalism. The changing forms taken by the law of surplus value in other words link in with what Marx called the 'laws of motion' of capitalism, the way in which accumulation has influenced the development of capitalism. Changes in the nature of competition indicate changing forms taken by the law of surplus value, which in turn is expressed through the distribution of surplus value within the capitalist class.

INTRODUCTION

A. Why this topic?

My essential concern is with competition and its relation to monopoly as an aspect of the history of economic thought within the marxist tradition. This is a topic about which much has been written in the orthodox tradition, but I am not aware that this has been done in any comprehensive way for marxism. My aim is to clarify the contribution of a specifically marxist approach to the examination of this area of study. The history of thought has shown the marxian paradigm as being distinct from orthodox developments in the discipline of economics and I would hope in the course of this thesis to pinpoint aspects of the marxist tradition which have a genuine contribution to make to the theory of competition and monopoly, as well as its inadequacies in this respect. Such a task should also be useful in providing some basis for a theoretical outline or framework which could be used for the further development within marxist political economy of a theory of competition and monopoly of relevance for the capitalism of the end of the twentieth century.

For from the beginning of this century it has been common for critics of Marx to point out that in "Das Kapital" a competitive system had been analysed. Thus Louis Boudin, a distinguished American critic of Marx writing in 1906 was emphatic on this point. "The Marxian analysis of the capitalist system and his deductions as to the laws of its development proceed upon the assumption of the absolute reign of the principle of competition."(1) More recently, P.A. Baran and P.M. Sweezy tell us that "we must recognise that competition, which was the predominant form of market relations in nineteenth century Britain, has ceased to occupy that position, not only in Britain but everywhere in the capitalist world."(2) They consider that the marxian analysis of capitalism still ultimately rests on the assumption of a competitive economy.

Amongst modern marxist authors calling for a reappraisal of marxist political economy on the grounds that competitive analysis is insufficient are Sweezy and Poulantzas. Paul Sweezy in an essay on the "Theory of Monopoly Capitalism", written in 1971, asks for a significant contribution to be made to the theory of monopoly capitalism in the belief that traditional marxists (with the exception of Lenin and Hilferding) have failed in this respect. "They [the traditional marxists] have their economic theory from 'Capital' which they consider equally applicable to the capitalism of today as it was to the capitalism of the mid-nineteenth century ... On another level, the traditionalists of course embrace Lenin's theory of imperialism with its emphasis on monopoly and state action, but there is no effort to integrate this with the economics Marx expounded in the three volumes of Capital. And when it comes to the features which most strikingly differentiate the capitalism of Marx's day from that of our own, the traditionalists usually do not get much beyond commonplace description."(3) Poulantzas, in a book in which he analyses the class structure of contemporary capitalism specifically calls for further analysis of developed capitalism, arguing that the effects of imperialism on underdeveloped capitalism have received more attention.(4) This work will be related to developed rather than underdeveloped capitalist formations.

This study then, is a response to the call for a contribution to the theory of the monopoly stage of capitalism, and is an attempt to provide a groundwork from the history of marxist ideas. There are of course many possible aspects of the theory of the monopoly stage which could be chosen: the role of the state, class structure, internationalisation of capital, capital accumulation or under-development. I have chosen to deal with one aspect of theory: the relationship between changes in the nature of competition and monopoly and its implications for the labour theory of value. What is the significance of this area of theory? In the first place many marxist and neo-marxist authors have seen in the development of the monopoly stage of capitalism the possibility that the law of value is no longer relevant. They have further been lead to question the theoretical validity of the labour theory of value. Now, as I shall show when I deal with these criticisms in detail, there is often a considerable vagueness and imprecision in these claims. Indeed, many marxist authors restrict themselves to an almost rhetorical assertion that the monopoly stage of capitalism is likely to contradict the law of value. The arguments of each author taken alone could be considered as not worthy of reply. I feel, however, that enough Marxist authors make this kind of assertion to necessitate a more systematic investigation of the relationship between the changing nature of competition and value theory. There are in fact few marxist political economists who do not consider this as a problem.(5) A crucial question in my examination of marxist ideas of competition and monopoly is to ask what status the labour theory of value has under the monopoly phase of capitalism.

Secondly, it is surely important to show how the laws which Marx deduced for the competitive stage of capitalism apply to a later stage. The mechanical transfer of such laws to new circumstances is unjustified. Preobrazhensky raised this point clearly in 1926, when in a section of "The New Economics" entitled 'The Law of Value and Monopoly Capitalism' he says that it is not sufficient to assert that the prerequisite for the law of value to be able to operate is the existence of a system of commodity production. "Commodity production takes place in the very divergent conditions of a society of independent producers working for the market; early capitalism with survivals of craft regulation of production, and interference of the feudal state in the production process; classical capitalism in the period of free competition; monopoly capitalism and the state capitalism of war time economies. "But," asks Preobrazhensky, "Would anyone undertake to affirm that under all these four types of commodity production the law of value was able to operate in the same way and to display all of its most characteristic features?".(6) Meek too would support this attitude: in a section of his "Studies in the Labour Theory of Value" in which he spells out a conceptual framework within which he suggests that research into the operation of the law of value in different historical systems might proceed, emphasises that "Marx's theory of value cannot be <u>mechanically</u> extended to the new historical circumstances.

Marx's theory was developed in the context of a given stage in the development of capitalism and a given set of problems and the essence of what he said has to be disentangled from this context".(7)

A third consideration, although one which is of less relevance to an academic thesis, is the implications for political strategy of any additions to, or modifications of, marxist political economy which might arise from consideration of the changing nature of competition and monopoly. Whilst my emphasis throughout this study is on capitalist competition, this may also lead to insights into the possibilities for political change on a society-wide basis. One of the central features of the marxist methodology is its 'theory of liberation', and I would hope that this thesis is not irrelevant to the process of political and social change.

A concern with competition and monopoly is inevitably a concern with what Rosdolsky calls the relationship between 'many capitals'. As will be shown in the second chapter, an understanding of the nature of 'capital in general' is an essential prerequisite for grasping the relationship between 'many capitals'. Nevertheless the primary focus of this thesis is on capitalist competition, rather than on class struggle. The relationship between 'many capitals' in turn involves an understanding of what Aglietta calls the 'regulatory processes' of capitalism, themselves expressed in their connection with the law of value. Changes in the forms of competition, changes from competition to monopoly, will change the capitalist regulatory process and will further lead to changes in the forms of value. As Aglietta puts it "The forms of competition are historically modified to the extent that the expanded reproduction of capital in general imposes its demands on social relations as a whole".(8) Much of this thesis will be concerned with these changing forms, including their reflection in changes in the institutional structure of capitalism.

Ben Fine and J.M. Chevalier are both writers who point to ways in which a marxist approach to competition and monopoly may prove useful. For Fine "the circuit of capital is an excellent framework in which to examine all aspects of monopoly, defined as a barrier to capital in general ... Entry to the circuit at all is always a barrier to the proletariat; a monopoly of finance capital extends this barrier to industrial capitalists".(9) In the conclusion to his study of the financial structure of American industry, Chevalier sees his own study as a first step towards a better understanding of the relation between the financial structure and the behaviour of firms, which could usefully be extended. "Notre étude est une première étape vers une meilleure connaissance des relations qui existent entre la structure financière et le comportement des firmes; elle pourrait être complétée utilement par une analyse théorique des transformations structurelles du capitalism monopolite qui devrait avoir des implications importantes, notamment en ce qui concerne les mécanismes de formation des prix et d'accumulation du capital".(10) I propose to consider the marxist contribution to the theory of competition and monopoly through an examination of the history of economic thought.

B. The history of economic thought approach

Taking a history of thought approach to a problem is of course strongly rooted in marxist methodology. A critique of existing theories is part of Marx's dialectical analysis, as will be shown in the opening section of the next chapter which examines methodology. Thus Marx took a detailed critique of his predecessors as a basis for developing his own conceptions, particularly in "Theories of Surplus Value", although also in his other works on political economy.

My avowed intention then is to use the method of the history of economic thought. What does this involve and what are the merits of the method as such? Not surprisingly, there are differences of opinion over the answers to these questions. A crucial controversy is that of the role of ideology in the history of thought. "Is the history of economics a history of ideologies?" asks Schumpeter.(11) If the answer is in the affirmative, then this whole approach could be dismissed, and it is for this reason that I want to focus in this section on ideology and the history of economic thought. Such a focus will do much to clarify what the method involves, and its merits. Next, is there a specifically marxist history of thought and if so what does it consist of? Finally, how does the method of the history of economic thought inform and illuminate my subject matter? Why is it appropriate?

It was Freud who first exposed people's propensity for rationalisation, whilst Marx was important in showing how our ideas spring from ideology. The seeds sown by these two thinkers have had lasting intellectual effects, and it is now a commonplace to ask "why do I believe what I believe?" It seems to me that four ways of treating the role of ideology can be identified.

In the first, ideology is contrasted with the scientific core of the subject. Positive economics is seen as economic theory cleansed of value judgements. Normative economics deals in contrast with policy, where value judgements enter in.(12) It is worth noting in criticism here, however, that values are not individual, but are determined by society. An obvious example is changing attitudes to women. In addition many so-called facts are not free of values. But to return to the main point: economics has a scientific core. What is 'scientific' about it? One modern view would argue that economics uses the 'scientific method'. According to Karl Popper certain assumptions are made, and then statistically testable hypotheses are formulated, as for example in astronomy.(13) Values in such a view only play a part in choosing the area of investigation. This means therefore that economists can choose to ignore the important issues of the day and for example, it is often asked why it took so long for a theory of effective demand for unemployment to be developed. Similarly (as I point out later), marxist theory turned its attention to the development of monopoly elements within capitalism from the 1870's onwards far more promptly than did the orthodox neoclassical school of thought.

An alternative view of science is that of Kuhn, where science consists of solving the puzzles generated by a paradigm or 'world view'.(14) Examples would be Newton's three laws before Einstein or Marshallian supply and demand. Thus research programmes will be based on for example, the classical or the neo-classical paradigm. A build up of unsolved puzzles leads to the introduction of a new paradigm, a scientific revolution. Notice that in the view of positive economics this latter is what a science consists of. Kuhn in contrast, argues that outside of the occasional scientific revolution, empirical work doesn't test the hypothesis, but matters of detail only. Be that as it may, the Kuhnian view leaves no role for ideology. Let me interject that, as already stated, my study is made within the marxist paradigm. How adequate is that paradigm to the puzzles posed by late twentieth century capitalism? Is a 'scientific revolution' necessary in the light of the autonomous changes in the problem situation with regard to competition and monopoly since Marx was writing? Put more concretely, is the development of the monopoly phase of capitalism adequately characterized by Marx's concepts, or is there a need for conceptual innovation? Such questions are at the heart of this thesis, and whilst a thesis is scarcely the place for categorical answers to matters of such moment, some general directions for a response will be indicated.

Secondly, there is the Schumpeterian view of ideology. As indicated in the title of his monumental work, Schumpeter insisted on distinguishing 'economic analysis' from 'economic thought'. He looked for progress in 'analysis' between Smith and J.S. Mill and saw Walras' schema as a supreme achievement. Yet Schumpeter pointed out that "the historical or 'evolutionary' nature of the economic process unquestionably limits the scope of general relations between [the economic laws] that economists may be able to formulate"(15) saying that Marx and Engels recognised the fact that people's ideas tend to glory the interests and acts of the ascendant classes. For Schumpeter there is a pre-analytic cognitive act, which he names 'vision' (a coloured perspective), so that ideology enters into economics on the ground floor. However, Schumpeter then defines 'economic analysis' as independent and objective: a core of formal techniques. In this respect he could not admire Joan Robinson enough: economic theory as a box of tools is an "insurpassably felicitous phrase".(16)

This brings me on to the 'box of tools' view where economics is seen as purely instrumental. It is a set of techniques capable of application. Undoubtedly, the growth of mathematical economics has encouraged such a distinction. But, although a mathematical model can be examined in its purely formal aspects, the very way in which it is drawn up is relevant to the statement it makes about reality. In other words, increasing formalisation is not identical with neutralisation, as Dobb points out.(17) He shows that policy ends cannot be dismissed from economics, for economics is an applied science. When we look at the history of economic thought, we find that theory is closely linked with advocating policy, and this is no less true within the marxist paradigm than within the orthodox one. Thus, for example, the theory of state monopoly capitalism is linked with the economic and foreign policy of the Soviet Union from the 1930's onwards. An alternative way of expressing this is to say that thinking is shaped by the problems thrown up from a particular social context. As already suggested, analysis of a monopoly stage of capitalism is unlikely to pre-date the historical development of such a stage within capitalism, any more than a general equilibrium model is likely until the growth of market relations and economic mobility reached the level that they did in the mid-nineteenth century. Meek pinpoints this relation aptly when he says, "as so often happens in the history of thought, the emergence of a new theoretical problem was accompanied by the emergence of a new set of principles and concepts capable of solving it."(18)

Let me draw together the points that have been made so far on the method of the history of economic thought. Firstly, one cannot simply examine theories in terms of their logical structure: I would concur with Schumpeter that 'vision' enters on the ground floor, but disagree that it is then possible to separate off 'economic analysis' as such. Doctrines need to be assessed in terms of the problems they were supposed to illuminate. The competitive capitalism of Marx's day has undergone historical development since he was writing, and it is necessary both to appreciate the original circumstances in which Marx wrote, and the changes that have since taken place. On the other hand the Kuhnian paradigm approach suggests that it is also important to assess theories in terms of the ideas of the times, placing them, as it were, in the context of the central thrust of the paradigm.

The final view of ideology is the marxist one, that ideology reflects the mode of production underlying the economy. In other words, economic ideas are not born in a vacuum, but often arise directly out of social conflicts and class struggle. As expressed rather starkly by Rubin, economists forge "the ideological weapons for defending the interests of particular social groups".(19) The marxist would see all learning as arising from practice, and given the practical application of the social sciences, they have a class character. It is important to realise however, that it is not only 'bourgeois' economics that possesses this class nature, but 'proletarian' economics too. Bukharin's aptly named "Economic Theory of the Leisure Class" provides a critique of the former, in its analysis of the Austrian School, which however runs the danger of a rather mechanical interpretation of class interest. Thus Bukharin characterises this school as a consistent carrying out of the point of view of consumption, based on the social consciousness of the rentier, who he argues has become important at this date. To summarise the school as "the scientific implement of the international bourgeoisie of rentiers, regardless of their domicile"(20) is surely too sweeping. Nevertheless the ideological implications of the concept of, for example, 'consumer sovereignty' for capitalism can be readily appreciated. Or, as Joan Robinson puts it, economic terminology is coloured, so that "bigger is close to better; equal to equitable; goods sound good; exploitation wicked; and abnormal profits, rather sad."(21).

Ideology then, (and Dobb sees it this way) refers to the historically relative character of ideas, implying a philosophical standpoint. Such a relativity will be present in marxist political economy itself, seeing as it does, the proletariat as the most advanced class. Marxists however would reject the fact/value (or positive/normative) dichotomy. There are always practical implications involved in an economic theory so that facts will be perceived through theories. It would nevertheless be possible to marry a marxist and a Kuhnian approach, where for example, one could argue that Keynesianism was not simply a Kuhnian scientific revolution or paradigm change, but also a (limited) resolution for capital of the contradictions inherent in the capitalist mode of production.

Such a view of ideology does not entail a rejection of theoretical meaning, it is important to realise. There are both historical conditions out of which economic doctrines arise and develop, as well as theoretical meanings (although one must in the latter case be aware of the inherited framework of thought or Khunian paradigm). Intellectual and pedagogical value is found in pursuing the history of economic ideas. As Rubin points out: "we do not analyse the doctrines of Smith simply to gaze at a vivid page from the history of social ideology, but because it permits us to gain a deeper understanding of theoretical problems."(22) Whilst not contradicting a Kuhnian view of science, the marxist analysis of ideology does entail rejection of the 'positive' view, but it is not marxists alone who see problems with this latter. Gunnar Myrdal is no marxist, yet he expresses himself trenchantly on the issue: "Implicit belief in the existence of a body of scientific knowledge acquired independently of all valuations is, as I now see it, naive empiricism. Facts do not organise themselves into concepts just by being looked at; indeed, except within the framework of concepts and theories, there are no scientific facts but only chaos."(23)

A detailed criticism of the positivist approach to economics can be found in Hollis and Nell's "Rational Economic Man", whilst in the next chapter I contrast orthodox and marxist approaches to the study of competition and monopoly. It may however be useful at this juncture to point to the general characteristics of a positivist approach, and to the problems this gives rise to. A logical positivist distinguishes two kinds of statements: analytic statements are statements of language which cannot be denied without contradiction, whilst synthetic statements are matters of fact, so that there are possible circumstances in which they may be false. For the positivist, all statements fall in to these two categories. In addition, the test of any theory lies in the success of its predictions. There is, however, a problem in the relation between theory and facts in an empirical science. From their definitions, synthetic statements, being refutable, cannot be known a priori, but analytic statements have no factual content. The problem with testing theories is that one has no means of knowing whether the theory should be rejected, or the facts re-interpreted. There are indeed extensive disputes in economic theory, which testing has been unable to settle. How can the predictions of economists be tested, when economic effects do not have exclusively economic causes? Economists attempt to escape this catch-22 situation by 'ceteris paribus' clauses, but they are then caught in circular arguments. As Hollis and Nell put it with regard to one of the examples they consider: "The whole idea of testing the marginal analysis is absurd ... Negative results only show that the market is defective."(24)

As I have already pointed out, taking a history of thought perspective is an important element in Marx's methodology. Thus it is through a minute study of the theories of Rodbertus, Smith, Ricardo and others that Marx initially develops his own theories of surplus value in Volume IV of "Capital". For instance Marx shows that Ricardo sees only differential rents and so fails to credit the ownership of land with any economic effect. Yet Marx sees the Ricardian mode of investigation as a necessary stage in the development of political economy. Smith, it is true, first grasps the problem of value in its inner relationships and then in its reverse form, as it appears in competition, but in Smith's work these are in contradiction without his even knowing it according to Marx. Ricardo consciously abstracts from the form of competition to comprehend the laws as such. In Marx's own flamboyant language: "But at last Ricardo steps in and calls to science: 'Halt! The basis, the starting point for the physiology of the bourgeois system ... is the determination of value by labour-time'".(25) But although Ricardo gets "science out of its rut", Marx develops his own theory of surplus value from his critique of Ricardo. For Marx, Ricardo on the one hand does not abstract enough whilst on the other he regards the phenomenal form as immediate and direct proof of general laws. I shall have more to say on Marx's method in the next chapter. Meanwhile, it is perhaps surprising in view of the implicit importance of the historical dimension in the marxist paradigm that there have not been more marxist historians of economic thought. Rubin and Bukharin have already been mentioned, and in Britain, Meek and Dobb are names that immediately spring to mind. Whilst I follow Marx in taking a history of thought approach, I shall not be examining the roots of marxist approaches to competition and monopoly in Marx's predecessors. For reasons of space I shall restrict myself to a consideration of what Marx and his marxist followers have to say on the subject.

What then is specific to a marxist history of thought? One would expect the links between the development of thought with economic development and its concommitant class struggles to be made. Rubin does indeed attempt this in his textbook, and each section whether on the ideas of the mercantalists or of Smith or Ricardo is prefaced by an historical chapter. This is also helpful because the exigencies of economic policy can influence economic theory. Yet other marxist historians of thought have not lived up to Rubin's ideals, and it is noticeable that Marx himself did not deal with economic development or the historical class struggle in his "Theories of Surplus Value". There are several possible reasons for such omissions. One obvious one is the sheer enormity of the task: if a history of twentieth century economic thought also requires a background history of the period, this does indeed demand much of the potential historian of ideas. A second important reason arises from what I have already said about ideology. Whilst it is true that the social and economic context influences the development of theory, there is also a theoretical meaning which may stand alone. Economic theories do not always fulfil the direct interests of a particular social class. What, say, are the 'interests' of finance capital in the 1980's in Britain? If we could be clear on what these interests are, is 'finance capital' itself clear? To what extent, one might then ask, do the policies of the Thatcher government fulfil these interests? Finally, how far are Thatcher policies in line with monetarist theories? Many a slip twixt cup and lip is possible in the thread linking theories, policies and class interests. Such difficulties in a marxist history of thought go some way to explaining why there have been few such historians, and that there has been a tendency to concentrate on the development of ideas, with the historical background often merely implicit.

How, finally, does the methodology of marxist history of thought inform and illuminate my subject matter as outlined in the first section of this chapter? My first aim is to tease out the strands of thought within the marxist tradition on competition and monopoly: where do these strands contradict each other, and where is there continuity? I shall for instance argue that there is continuity between Marx and Lenin in the descriptive analysis of the development of large scale enterprise, but that Lenin does not make any use of Marx's analysis in terms of the average rate of profit. This exercise will, I hope, help to clarify the current state of marxist discussion on competition and monopoly, where, as I shall argue in Chapter 5, there is a confusing diversity of approach.

Secondly I want to ask whether the changes in the nature of capitalism that have taken place since Marx was writing necessitate conceptual innovation within the marxist paradigm. Are we now experiencing a new stage of capitalism - a monopoly stage, rather than the competitive stage that Marx was writing about? This is the point at which an historical background to the development of ideas is needed. I will not pretend to be able to tackle such a vast subject as twentieth century capitalist development, and will restrict myself to sketching an outline of views of what the concept of a stage of capitalism involves. This historical background will thus fall short of Rubin's more comprehensive efforts. My central concern on the thought side is to ask how far marxists' concepts have changed in response to changes in the problem situation and then to ask how far they need to have changed. Have changes in the nature of competition and monopoly justified a change in the concepts and if they have, does this entail a revision of the labour theory of value, central as this is to the marxist paradigm? Does the law of value remain a fruitful concept?

There is, finally, a negative reason for using a history of thought approach to my subject. The dearth of empirical studies using marxist categories makes it difficult to take an empirical approach to competition and monopoly in its relation to the labour theory of value.

C. Parameters of the work

The comprehensive coverage of marxist methodology inevitably makes it difficult to define the limits for any study done within the paradigm. This is also the case for looking at competition. The parameters of my work can be more readily understood by defining the level at which my investigation of competition is taking place. Both Uno and Fine and Harris propose methods of distinguishing levels of investigation which are helpful here.

Kozo Uno identifies three levels of investigation in his "Principles of Political Economy". The study of political economy can, he argues, be structured as follows: firstly, there is the pure theory of capitalism which presupposes an abstract context and deals with basic concepts; secondly, the process of capitalist development in which the economic phenomena representing the abstract principles of capital appear in concrete and stage-characteristic forms, while the third and ultimate aim is an analysis of the actual state of capitalism.(26) My study of competition and monopoly is at the second level.

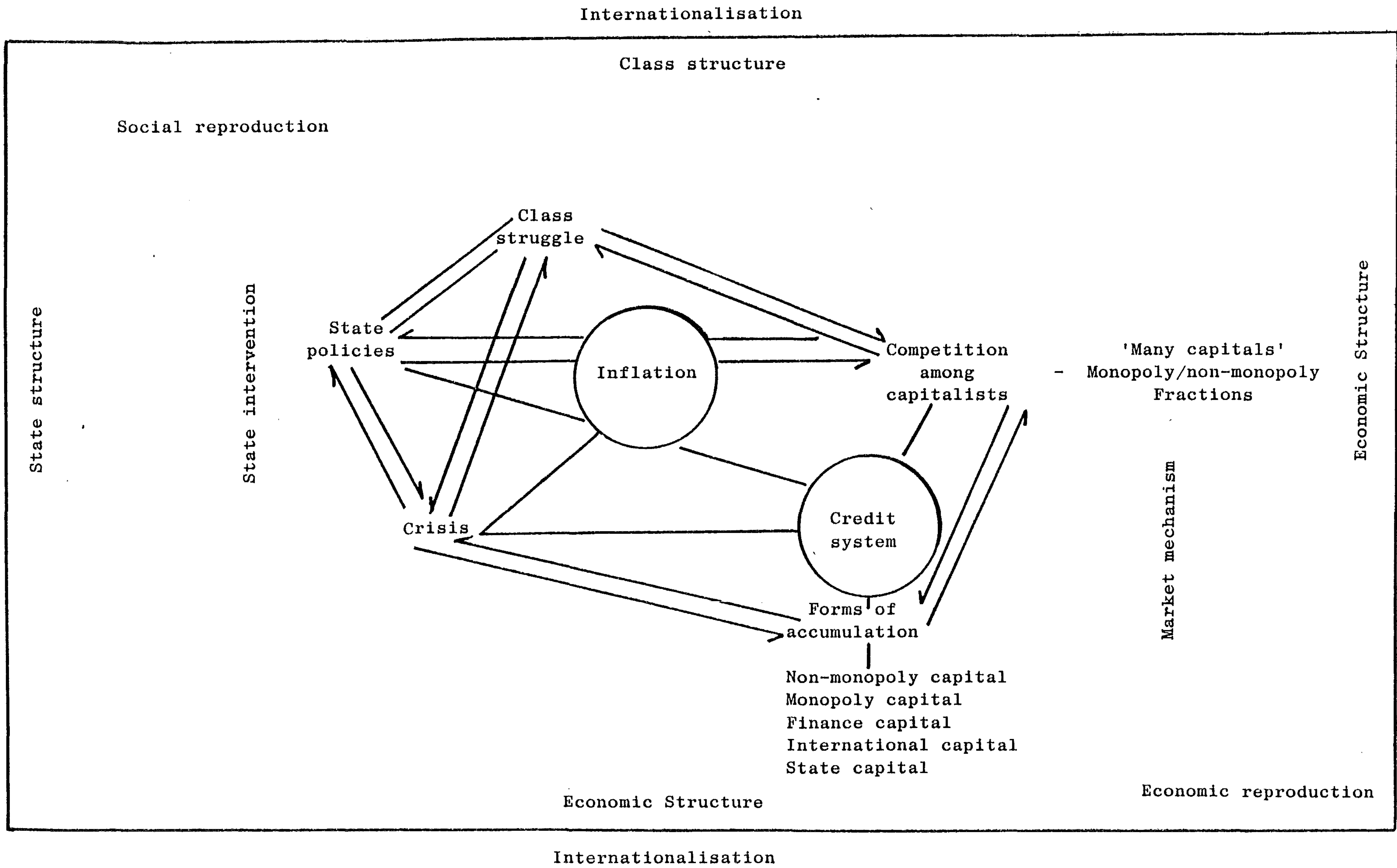
Let me expand a little on what this implies without straying too far into the issue of Marx's methodology, which is the subject of the next chapter. In his critique of political economy Marx was concerned with the theory of capitalism as a specific mode of production, and put forward what he saw as the laws of such a mode. This is at the level of Uno's 'pure theory of capitalism'. There is then the mode of realisation of those laws, and it is at this level that the transformation from free competition to monopoly is located. What is involved in this historical transformation will be discussed in the context of periodising capitalism. What is the monopoly stage? I shall argue that the capitalist mode of production itself is not at issue here. Twentieth century capitalism is still characterised by the prevalence of the capital relation, entailing a specific mechanism for exploitation. Competition, however, is the mechanism which sets the internal laws of capital into motion. What effect have historical changes in the nature of competition had on the concrete form of those laws? Whilst it may be important to demonstrate that capitalism is still capitalism, it is also important to ask what kind of capitalism it is. As Pekka Kosonen argues, theories of new stages in the development of capitalism have their own historical preconditions, and cannot be deduced by 'pure logic' from Capital.(27). At the heart of my concern is the extent to which the laws of twentieth century capitalism can be analysed using the categories from "Das Kapital", based as it is on the operation of nineteenth century capitalism. I will be examining the way in which the economic phenomena representing the abstract principles of capital (the law of surplus value) and the relations between many capitals appear in stage characteristic form through the operation of competition and monopoly.

Like many other marxists, Fine and Harris make a distinction between the capitalist mode of production and a particular social formation.(28) This distinction is one that will be further developed in the next chapter in dealing with periodisation. For present purposes it is sufficient to be aware that the former concept is far more abstract, whilst the society in which we actually live is a social formation. Fine and Harris use this distinction to classify work on the state depending on the levels of abstraction used (29), and a parallel classification can be used for the study of competition and monopoly. Thus the study of a social formation is at Uno's third level of investigation. This level I will not be dealing with.

Now Marx does in fact see competition acting at this third level of analysis when he deals briefly in Chapter 10 of Volume III with the specifics of the movement of market prices. This level of operation of competition has, I would argue, been the predominant level at which orthodox analyses of competition and monopoly have been carried out. (See Chapter 1 section B and Appendix A.) At the level of analysis of market prices it seems to me that the Marxist paradigm has no unique contribution to make. Marx in fact spends substantially more time presenting competition at a general level, as a realisation of the abstract laws of 'capital in general' at the level of the relation between 'many capitals'. This will be my concern too; for which a history of ideas approach seems particularly appropriate. Were I dealing with Uno's third level of analysis, that of a specific social formation, empirical material would be of more relevance.

What of the overall context within which competition takes place? This is represented diagramatically in Diagram I.1. Competition within the capitalist class is the focus of my attention: in Marx's terms, the relationship between 'many capitals'. The capitalist class can however also be divided into fractions: banking, industrial and commercial capital and in the twentieth century is has further often been separated into types: monopoly and non-monopoly. But competition among capitalists both affects and is affected by the institutional forms taken by accumulation (whether non-monopoly, monopoly, finance or international capital). The credit system provides a link here. Accumulation and competition cannot readily be separated and both form a central feature of this study. However state policies, class struggle and crisis are also linked to competition within the capitalist class. These are obviously each huge areas for study and controversy in themselves.

DIAGRAM I.1.   THE CONTEXT FOR CAPITALIST COMPETITION



The diagram contrasts the market mechanism with state intervention, and since these two obviously impose different modes of relating between capitals it seems important to devote some attention to the role of the state in competition. My coverage of the theory of the state however is strictly limited to what is of relevance to capitalist competition. Crisis and class struggle in contrast are not considered separately, although occasional reference is made to the issues raised by each of these. The study of the changing form of the wage relation as a mode of regulation of capitalism is in fact a whole area of study arising out of the labour process debate.

More contentious is the fact that I have not dealt with the international aspects of competition. Many marxists consider that a study of competition must inevitably include a consideration of its internationalisation. Indeed I would myself argue that a specific contribution of the marxist paradigm to a study of competition and monopoly is in terms of its international dimension. My main reason for excluding this dimension relates to the level at which I am conducting my study, for a consideration of internationalisation would entail taking particular national social formations into account. Internationalisation is of course a huge area of controversy. Should internationalisation be seen in terms of United States hegemony or in terms of its decline? Whilst it is true that the debate has certain theoretical underpinnings, much of it must inevitably be conducted at the level of empirical evidence. A further problem is that the internationalisation of competition cannot simply be considered in terms of the relations between the advanced nations, but must also examine the interrelations between these and the Third World. It then becomes impossible to ignore the articulation between the capitalist and other modes of production. In descending from the abstract to the concrete I therefore follow Marx in abstracting from the national state. Internationalisation of competition needs either to be considered at the level of the interrelations between concrete social formations or at the theoretical level of world capitalism as a whole. Neither of these approaches fits in with the level at which I am conducting my analysis.

Footnotes to Introduction

1. Boudin (1907) p. 177.
2. Baran & Sweezy (1966) p. 19.
3. Sweezy (1972) p. 38.
4. "While we are beginning to understand clearly the effects on contemporary imperialist domination on the dominated and dependent social formations, its effect within the imperialist metropolises themselves have received much less study". Poulantzas (1975) p. 38.
5. I.I. Rubin is an example of one who ignores it however. It is not mentioned in his "Essays on Marx's Theory of Value" written in Russia in 1928.
6. Preobrazhensky (1965) p. 150.
7. Meek (1973) p. 287.
8. Aglietta (1979) p. 18.
9. Fine (1975) p. 73.
10. Chevalier (1970) p. 213.
    "Our study is a first step towards a better understanding of the relations which exist between the financial structure and the behaviour of firms; it could usefully be complemented by a theoretical analysis of the structural transformations of monopoly capitalism, which would have important implications, particularly in terms of the mechanisms for the formation of prices and the accumulation of capital".
11. Schumpeter (1954) p. 34.
12. See R.G. Lipsey "Positive Economics" (any edition) for an expression of this view.
13. See Popper (1959).
14. See Kuhn (1969).
15. Schumpeter (1954) p. 34.
16. Ibid p. 15.
17. Dobb (1973) see p. 10.
18. Meek (1973) p. 35.
19. Rubin (1979) p. 9.
20. Bukharin (1972b) p. 34.
21. Robinson (1964) p. 19.

22. Rubin (1969) p. 11.
23. Myrdal (1953) p. vii.
24. Hollis & Nell (1975) p. 34.
25. Marx Vol. IV (1969) Pt. 2, p. 166.
26. Uno (1980) p. xxiii.
27. See Kosonen (1977) p. 383.
28. See Fine & Harris (1979) Ch. 1.
29. Ibid see Ch. 6.

Chapter 1

THE MARXIST PARADIGM IN RELATION TO COMPETITION AND MONOPOLY

A. Methodology in Marx

It is well known that Marx wished to develop a proletarian philosophy as exemplified in that familiar phrase, "Philosophers have only interpreted the world ... the point is to change it." He saw his methodology for achieving this committed philosophy as that of dialectical or historical materialism. An orthodox exposition would see three elements here. The first is the dialectic (drawn from Hegel) which provides a theory of development where the union of opposites leads to change, so that nothing is eternal or unchanging. Materialism is the second element. It was the influence of Fuerbach that lead Marx to declare that Hegel (an idealist philosopher who saw the essence of reality as spiritual) must be inverted. Thus it was that Marx saw class struggle as a dialectical opposition between bourgeoisie and proletariat, providing a basis for his proletarian philosophy. The third element is the historical component. Historical materialism combines the dialectic and materialism, and sees history as made by people, not destiny or the hand of god. Historically, different modes of production succeed each other, each containing such class contradictions as to sow the seeds of its own destruction. Marx's predominant concern was to analyse the historical laws of the specifically capitalist mode of production.

Such a brief resumé of the orthodox view of Marx's methodology runs much danger of caricature. In recent years a lot of detailed work has been done on the subject of methodology in Marx, which has involved arguments of considerable subtlety and sophistication. This section will emphatically not provide a detailed critique of these developments and will rather be restricted to some comments on what has been seen as significant in Marx's methodology, aimed particularly at putting my ensuing exposition in perspective.

(My consideration of periodisation and of the labour theory of value both arise directly from Marx's methodology.)

A recurring theme in Marx is his concern that 'appearance' belies 'reality' so that political economy is a science explaining 'reality' rather than mere 'appearance'. Commentators have seen this distinction between appearance and essence as a crucial one in Marx's methodology, though alternative terms have been used in the attempt to clarify their significance. For instance Sayer refers to 'phenomenal forms' and 'essential relations', while Zeleny uses the term 'substantial relations' to refer to essence.

Marx, then, saw his method as penetrating beyond the "surface of phenomena", enabling us to free ourselves of "vulgar thinking", as Bukharin puts it.(1) Time and again he emphasises that the appearance of phenomena belies their reality, so that for example with respect to the wages form of the value of labour power Marx has this to say: "This phenomenal form, which makes the actual relation invisible, and indeed shows the direct opposite of that relation, forms the basis of all the juridical notions of both labourer and capitalist and, of all the mystifications of the capitalistic mode of production, of all its illusions as to liberty, of all the apologetic shifts of the vulgar economists".(2) This is also the case, as I shall be concerned to argue during the course of this thesis, for the nature of competition, the main object of investigation here. "<u>Everything appears upside down in competition</u>. The existing conformation of economic conditions as seen in reality on the surface of things ... are not only different from the internal and disguised essence of these conditions, and from the conceptions corresponding to their essence, but actually opposed to them or their reverse."(3) The fact that competition seems to contradict the determination of value by labour time is an important contradiction between appearance and reality which I shall be dealing with. For Marx then, the capitalist mode of production is frequently opaque, and a substantial part of his method involves laying bare the reality.

What then is the nature of this distinction between 'appearance' and 'reality'? In the "Logic of Capital", Zeleny contrasts the thought of Ricardo and Marx, arguing that they have a similar approach to relations at the level of appearances, but that Marx paid far more attention to 'substantial relations'. Essence for Ricardo is something qualitatively fixed, but for Marx it is historically transitory, having phases of development. "As opposed to Ricardo, Marx perceives the elasticity and alterability of concepts, in that he considers transitory, qualitatively different forms of distribution as aspects of qualitatively different modes of production."(4)

How does Marx obtain the "essential relations" lying behind the level of appearances? Derek Sayer argues that the derivation of essential relations must be historically specific. True, Marx makes use of some 'transhistorical' categories. When for example he starts his General Introduction of 1857 with material production, production in general is an abstraction, and use-value too is a transhistorical category, although these simple abstractions are historical in their reference. Marx starts, as do all scientists, from material reality, from phenomenal forms, but as we have already seen, Marx sees no straightforward relation between what experience shows to be the case and essential relations. It is through his specification of social forms that Marx moves from reality to essence. Thus Marx's approach to the value form allows him to distinguish the economic phenomena of a particular mode of production which are not shared by counterparts elsewhere. Yet there is a problem here. As Sayer puts it "To give an adequate explanation of social forms, it is necessary to grasp them historically, while to grasp economic phenomena historically is necessarily to apprehend them in their specific social form."(15) How then does Marx initially identify the social forms? It is obviously impossible to derive historical from transhistorical categories, but at the same time the analysis of production in general is basic to the identification of social forms. The conclusion that Sayer draws is that Marx does not apply a pre-constituted theory to phenomena, but derives adequate concepts from their analysis.

Marx therefore doesn't provide a theory of value, but an investigation of the concrete social forms of value as will be demonstrated more fully in section D below. Marx does indeed start from phenomena, from the commodity as a concrete social form, and not from concepts or abstractions. Marx then reasons towards the essential relations which explain why the phenomena isolated take the form they do.

Such a relationship between concrete phenomena and essential relations implies a particular notion of causation which can perhaps best be seen as an application of the dialectic. Zeleny argues that dialectical derivation departs most noticeably from traditional derivation in the theory of value and the transitions of the value form, which of course is an important area of concern in this thesis. Zeleny characterises this derivation as 'logical-historical' in character, rather than simply 'logical'. "Marx interprets the development of the forms of value as an expression of a particular necessity."(6) The genesis of a particular form is not identical with its historical origin; it is the ideal expression of that genesis, a process which is neither purely historical, nor purely logical. Again using Zeleny's words: "To formulate the 'ideal expression' means for Marx 'to discover the inner necessary connection'. 'To trace logically the inner connection of the historical process' is only another expression for 'uncovering the inner necessary connection'".(7)

Sayer expresses this notion of causal relation in Marx somewhat differently. Essential relations explain why phenomena take the form they do. "They are essential, therefore, not in any mystical or immanentist sense, but simply as conditions for the existence of the phenomenal forms themselves."(8) Marx's analytic entails a dialectic of establishing the 'extent and limits' of categories. Put another way, Marx reasons from the phenomenal to its grounds of possibility, the conditions that must prevail if experience of that kind is to be possible. This reasoning is neither deductive from transhistorical covering laws, nor is it inductive, inference of general laws simply from observed empirical realities, since these can be misleading. For Sayer the logic of Marx's analytic is essentially a logic of hypothesis formation, and he uses Hanson's term 'retroduction' to describe it. For Zeleny too, the marxian dialectical derivation presupposes a new form of the relationship between cause and effect. This is because Marx's notion of cause and effect is based on essence as self-developing, rather than on the concept of a fixed essence. "Marx works with <u>different forms of effect</u> from those recognised by Galilean causality. Everything that exists ... <u>has an effect</u> of some sort; to exist equals to have an effect. Marx's conception of the different forms of effect is inseparably linked with two principles ... the principle of the unity of the world and the principle of self-development."(9) This means that cause turns into effect and effect into cause. For example, money is a presupposition in the process of development of capital, but is also a fruit of that development.

Further examination of Marx's distinction between essence and reality has helped us to understand the nature of the marxian dialectic and to be clearer about the role of the historical dimension. Marx's emphasis on phenomenal forms is obviously crucial in this context andthis methodological discussion has helped to demonstrate the importance of an analysis of the transitions in the forms of value. My concern with the changing nature of competition and its relation to the labour theory of value is thus firmly rooted in Marx's methodological procedure. "Capital's exposition is organised as an ascent, albeit by way of analysis of phenomenal forms, from the essential relations of capitalism to the diverse concrete forms in which they manifest themselves 'on the surface of society', its underlying structure of that of a hierarchy of conditions of possibility" concludes Sayer.(10) What alterations do changes in the nature of competition make to the phenomenal forms of value, and do the concrete forms found in monopoly capitalism justify alteration or adjustment in the essential relations of capitalism?

Before leaving the subject of methodology I would like to return briefly to marxism as a 'theory of liberation'. A committed philosophy sees people as able to change the way they interact with nature and to transform it. The ability to change is obstructed by class conflict and by alienation, but in reaching an intellectual understanding of the problem it is possible to start to overcome them. For Marx class structure and social relations are dominated by crisis rather than equilibrium, and lead to revolutionary change. Yet despite his prognostications, capitalism has survived, at least in the Western world. It has proved more resilient and adaptable than he anticipated. The reasons are varied and controversial, but the changing nature of competition and the development of the monopoly stage are one contributing factor. To understand the way something works is the first step on the road to changing it. Capitalist competition has a profound effect on the functioning of capitalist society. An understanding of how it operates at the monopoly stage of capitalism is a precondition for liberating oneself and society from its influence. In placing my emphasis on capitalist competition, I am in no way asserting that class conflict is no longer important. I do, however, wish to focus my attention on intra-capitalist struggle, since it may throw light on the question of how capitalism has survived, even if it cannot decisively answer why it should have done so. Consideration of the changing nature of competition and monopoly within a marxist paradigm may also provide implications which provide support for a particular approach to political strategy. There is however always the danger in a 'committed philosophy' of a religious-type appeal. Let me now therefore move to more concrete ground, and provide an assessment of the place of the marxist paradigm in the study of competition and monopoly.

B. The place of the marxist paradigm in a study of competition and monopoly

In this section I want to make a broad comparison between the marxist and the orthodox paradigms with particular reference to their differing approach to the study of competition and monopoly. By no means is this to be a complete or minute detailing of the specific contributions from each paradigm. There is by now a very large literature within the orthodox tradition on these issues, and in one recent survey the authors started with the caveat "We believe that we have ... taken account of most of the relevant literature, but wish to apologise in advance for any unfair omissions."(11) Appendix A proposes a classification of the diverse contributions within the orthodox tradition, whilst of course the variations within the marxist paradigm are the subject of ensuing chapters. Adding to my own caveat, it is important to realise that it is not possible to make a choice between the marxist and the orthodox systems on empirical grounds. Taking the Lakatos view of a paradigm, there is a hard core of unquestioned propositions with a set of procedures for generating and testing a series of refutable hypotheses which form a protective belt around that hard core. Paradigms are thus essentially intellectual tools permitting a concentration on short run questions and restricting the agenda for enquiry. Paradigms therefore need to be judged by their fruitfulness, and not by their truth, since they are in any case abstractions. What then is the context within which competition and monopoly are placed in the two traditions being considered?

Let me set the scene by an initial contrast between their views of political economy. These are well summarised in two diagrams provided by Hollis and Nell, the first of which is familiar to all students on introductory economics courses (see I.1a). In this (neo-classical) schema, equivalents are traded for equivalents in each set of markets. Homogeneous units supply these markets: factor markets are supplied by households, while product markets are supplied by businesses. No exploitation is possible in competitive equilibrium.

The second diagram (the classical/marxist one, see Diagram I.1b) is much less familiar. Household and factor markets disappear and are replaced by a pyramid of social classes. The basic concern is with structure and dependencies between institutions. For the neo-classicist there are consumers and firms, both with optimising behaviour, and the object is to predict such behaviour. The primary

DIAGRAM 1.1a THE NEO-CLASSICAL SCHEMA

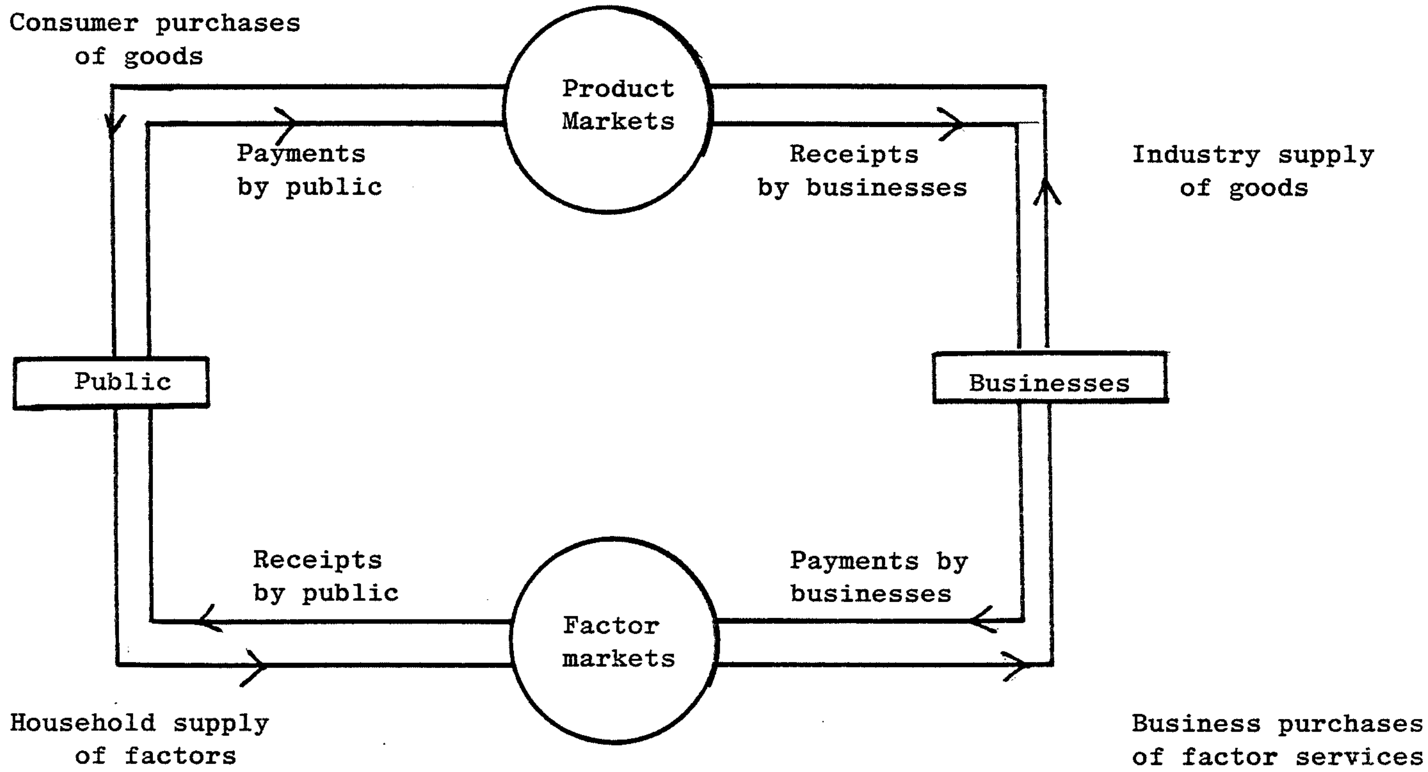
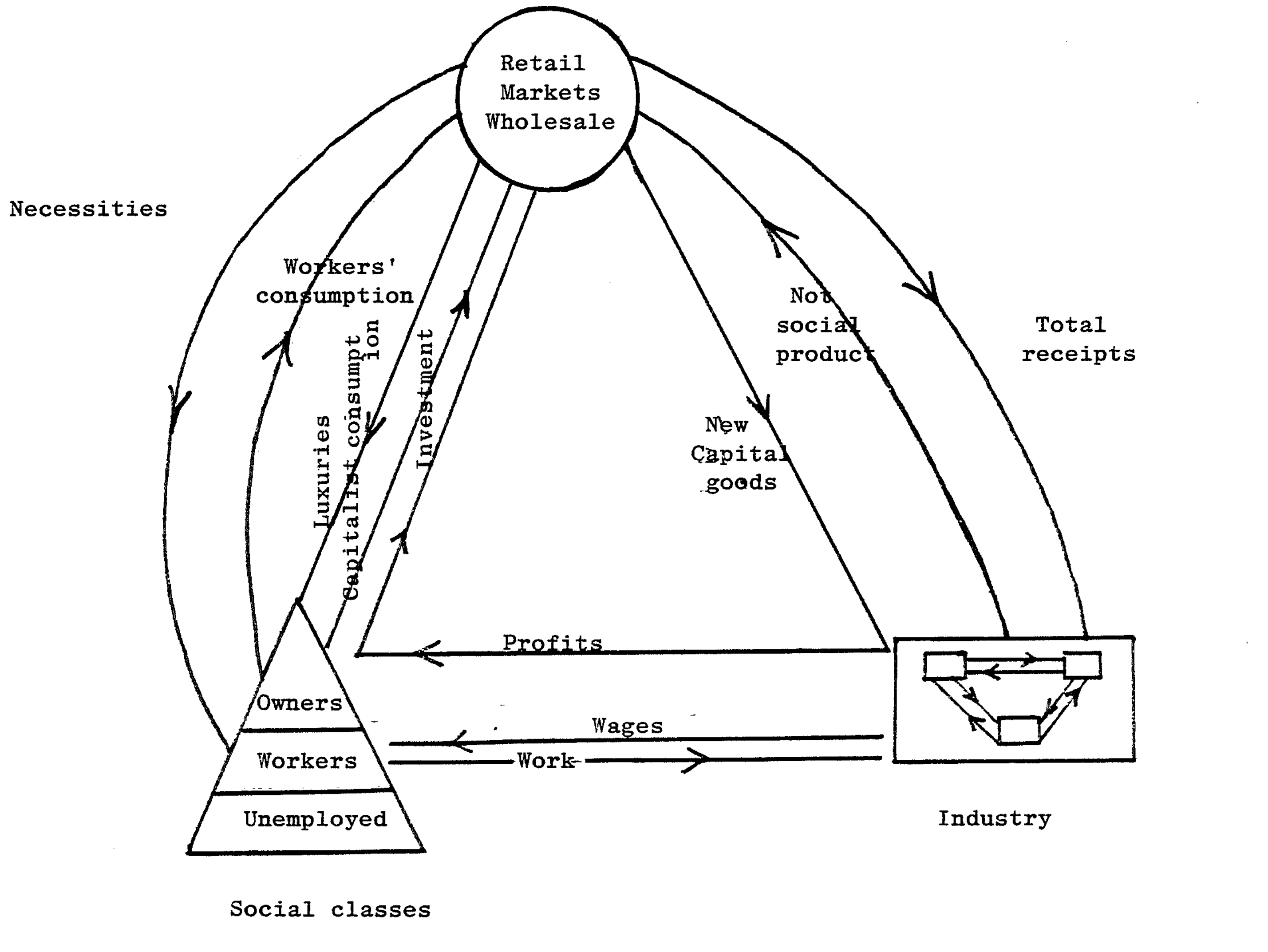


DIAGRAM 1.1b THE MARXIST SCHEMA



Taken from Hollis and Nell. (1975)

factors of production each receive their own reward for the contribution they make to the final product. In the marxist schema, capital has a dual nature: capital as property relates to the distribution of income, while capital as goods relates to the study of production. The distribution of profit is thus not an exchange, "since the only 'service' which the owner of a business ... need supply in return for its profit is that of permitting it to be owned by him."(12)

A fundamental difference between the paradigms is immediately apparent from these diagrams. For the marxist, social classes are seen as crucial to economic analysis, whereas sociological and political dimensions are substantially ignored by the orthodox approach. Property relations for the marxist mean that the capitalist class is in a position to exercise power over the working class through the extraction of surplus value in a process of exploitation. Implicit in the factor of production nomenclature of neo-classical economics is the idea that land, labour and capital are qualitatively similar, and an exchange between equals is seen to take place in the market. Preiser points out that conventional economics denies that the possession of property can influence distribution between the factors of production. The theory of distribution is concerned with shares appropriate to the productive importance of each factor, based on its marginal product. Under perfect competition, the owner of each factor receives the marginal product. The possession of property does indeed affect distribution between persons, but not amongst factors, and the former is seen as sociology, with only the latter as economics.(13) It goes without saying that each paradigm involves an ideological perspective: for the marxist a class structure is inherent in economic relations, while for the orthodox economist there is a basic assumption of equality in the relations between economic agents.

Another way of expressing this difference is that the orthodox approach tends to ignore power relations. Monopoly, however, provides an exception, and it is interesting to examine the way in which this undeniable power phenomenon is dealt with. For monopoly is a relation between persons and not between factors, demonstrating that the marginal product, as the essence of the functional distribution of income, is obtained by a factor of production only by virtue of the existence of a particular market form, perfect competition. In the eyes of the neo-classical economist, imperfections in market structure lead to 'abnormal' profits. The monopolist or oligopolist is in an exceptional situation which allows him to gain an additional form of profit which is seen as quite different from the 'normal' or 'equilibrium' profit. For the orthodox economist, only monopoly profits are based on exploitation, whilst for the marxist all profits have this basis. It is monopoly power that allows of this exploitation, based on market imperfections, and leading to the earning of a surplus often called monopoly rent. Monopoly highlights the fact that businesses are not the homogeneous units they are assumed to be in the basic model, and the existence of oligopolies and monopolies raises the issue of how profits are distributed amongst business units. Galbraith for instance lambasts the great fortunes earned by monopolies and the resulting inequalities of income in a chapter entitled 'The unseemly economics of opulence'.(14) Nevertheless, as we shall see in a moment, the distributional aspects of monopoly receive far less attention from the orthodox economist than do the allocative implications. Summing up the contrast between the two paradigms on the issue of monopoly and profits, I would argue that in the orthodox schema monopoly rent is introduced as a kind of theoretical afterthought, necessitated by the lack of correspondence between the abstract model of perfect competition and the real world of large scale business enterprise. For Marx in contrast, profit has a unitary explanation. Profit, whether 'monopoly profit' or the 'normal' profit of competitive industry, derives from surplus value and the power relationship between capitalists and workers based on their ownership of the means of production. (The theory of surplus value is examined in more detail in section D.) Distribution for marxists is therefore related to class and class power in the first instance. Power is a later addition for the neoclassical economist, introduced only when it has become an unavoidable economic issue, but excluded from a fundamental framework which evades dealing with the sociological and political dimensions of class in its basic model.

An associated contrast arises from differing treatment of the institutional framework. This framework is largely ignored by the neo-classicist. General equilibrium theory has a very simple classificatory system which consists of individuals (whether they be households or firms) on the one hand and the economy on the other. As Brian Loasby puts it: "In a fundamental sense, the general equilibrium theorist is not concerned with the organisation of the economic system, but only with the working of a system that has been designed by someone else."(15) Economic agents, households and firms, are seen as more or less homogeneous units. Each unit is then assumed to pursue a maximising goal: maximising utility in the case of households and profits in the case of firms. Neo-classical thought predicates the behavioral functions of individual decision makers, paying little attention to institutional detail, except where it can be expressed in behavioral functions. We have already seen that this is the case when market imperfections arise (e.g. the downward sloping demand curve of imperfect competition or the kinked oligopoly demand curve). Such cases however are the exception rather than the rule. Consumers and producers have to be identifiable agents for neo-classical economics, but they are actually organisations whose institutional form is largely ignored. As Hollis and Nell put it, there are in fact no 'bearers' of economic variables in neo-classical economics, and they argue that, for instance, the law of diminishing marginal utility is formulated quite independently of consumers. Yet in the real world, neither firms nor households are homogeneous entities. The marxist paradigm does not assume individual decision-making units determining their behaviour by maximising. Maximising behaviour by business is rather the result of the exigencies of a capitalist system. For the marxist the institutional framework is of fundamental importance.

It is not surprising given their predilection for homogeneous economic agents, that orthodox economists should give pride of place to the market and to market price. This emphasis is not present for the marxist, whose criticism of the market would start by pointing out that at the level of exchange individuals are indeed free and equal, and it is only when the institutional power and class framework lying behind the market are examined that inequality becomes apparent. Orthodox economics has concentrated on market phenomena, especially price and income components, despite the fact that the price system is but a fragment of the whole economic system. This preference is understandable given the possibilities of model building that derive from price theory. Yet a distinction can be made between the logic of price formation and the sociology of price formation. It is the logic of planning or decision making that predominates in neo-classical economics. Now of course marginalism and equilibrium thinking have an important place in decision making, but they have little to do with social market phenomena. As Albert puts it "The central problem of classical economics, the search for the laws of price determination, is looked upon by Walras - in common with the two other founders of the marginal utility school - as a purely economic problem i.e. as a value problem to be solved on the basis of a principle of rational action".(16) This does indeed lead to some impressive economic model building, but it ignores the social reality of the conflict between persons who in their varied social roles occupy positions of power. The market place for the orthodox economist is an orderly shopping centre, while for the marxist it is a battlefield!

The bias of neo-classical economics towards the problem of the market and particularly price formation gives 'rational economic man' an important role. (The alternative phrase 'homo economicus' is sexist too!) Economic agents are pressured by neo-classical economics to pursue economic rationality. Who is this rational economic being? "We do not know what he wants. But we do know that, whatever it is, he will maximise ruthlessly to get it." As a producer she will maximise market share or profit, "As a consumer he maximises utility by omnicient and improbable comparison of, for instance, marginal strawberries with marginal cement".(17) The predictions of neo-classical economics are thus not the predictions of what any agent would do, but of what a rational economic person would do. In the classical and marxist tradition, it is classes who compete for the net social product, and not individual decision makers exercising choice in the market. It is significant that there is no danger of empirically testing rational economic behaviour. Any test of an economic theory against the actual behaviour of the rational producer or consumer is impossible, since they are rational precisely insofar as they behave as predicted, and the test only shows how rational they are. We are caught in a circular argument, and irrational behaviour would simply make prediction impossible. This is not to deny that neo-classical economics has developed more sophisticated models of what economic rationality includes. The shift from small scale to large scale enterprise has lead to a shift from simple to complex maximising models. As Hollis and Nell see it, "what is economically rational depends on time and place". For Marx, however, maximising behaviour is a consequence rather than as assumption of the system.

Within their predominant concern with the market and the logic of price formation, neo-classical economists pay more attention to demand, and consumer variables than to supply or production variables. This derives from their view of the paramount importance of the exchange system as an allocative mechanism for scarce resources. Marxists on the other hand, as has already been suggested, see capitalist exchange as a means for achieving social reproduction and exploitation at the same time, so that the market place becomes an arena for the exercise of economic power between classes and subclasses. Marx therefore focusses on the primacy of the production process. The formation of individual preferences which lies at the heart of neo-classical economics does moreover depend on what is produced and how it is produced: it is employers who make this choice and choose the place of production, the timing of production, the nature of the product. Preferences depend on work habits which are dictated by technology, which is chosen by business. Tastes then, are not given, but are determined by an inter-dependency between the process of consumption and the process of production. This is acknowledged in the specific case of advertising, on those occasions when orthodox economists recognise that advertising may indeed persuade wage earners (or householders) to consume more than they otherwise would have done.

Andrews considers that the introduction of the individual demand curve for the firm distinguishes the theoretical methodology which has dominated post-Chamberlin economics.(18) Two main types of demand curve have been introduced - the particular demand curve of a firm, either of the monopolistic kind or of the more elastic kind when an oligopolist changes his prices whilst his rivals do not; and the share of the market demand curve when oligopolist rivals change prices simultaneously. The exception to this concern with demand conditions are limit-pricing theories, which look to cost structures for an explanation of barriers to entry in terms (for Bain) of absolute cost advantages, product differentiation advantages and economies of scale advantage of existing firms. Non-marxist models thus relate almost entirely to market demand conditions, and this emphasis on the state of demand means that competition, oligopoly and monopoly are conceived of as opposing forms. Poulantzas picks up the resulting confusion which occurs when a non-Marxist economist is faced with the theory of monopoly capitalism, for the result of the emphasis on market classification is that non-Marxists see competition and monopoly as polar opposites. "The existence of monopolies with a dominant market position does not abolish market competition, but merely reproduces it at a different level. The objections to the theory of monopoly capitalism that are put forward from the standpoint of the market, claiming that there are in fact no such things as monopolies but merely "oligopolies", that there is no abolition of competition but rather an "imperfect competition", are both situated on a different terrain from Marxist theory and attribute to it positions that are foreign to it."(19) The Marxist approaches the problem of monopoly and oligopoly structures from the viewpoint of the production process. The capitalist production process is dependent on the production of surplus-value, and as will be seen in Chapter 3, monopoly analysis rests on the ideas of exclusion from the formation of the average profit rate. Within the orthodox approach there is a danger that economic theory dissolves either into a logically exhaustive classification of possible market forms and market behaviour patterns or into empirical case analyses.

In orthodox theory the problems of monopoly and oligopoly are largely considered within that branch of economics known as the theory of the firm, whose methodology is predominantly microstatic equilibrium theory. This, as has already been seen, leads to concentration on the problems of pricing and output decisions of the individual firm. True, elements of non-price competition, such as invention, innovation, information gathering and dissemination are considered in the more recent literature, but the problem of new types of organization for instance have been incompletely dealt with.

Only a limited number of attempts have been made to incorporate this essentially micro-economic tradition into a macro-economic context. Yet Howard J. Sherman points to the characteristics of modern economics in these terms: "For several years economists have discussed the necessity of basing the analysis of economic stability on something more than a few indicators of aggregate economic activity. What is needed is a theory of the working of the economy as a whole derived from knowledge of the behaviour of individual enterprise units and of the industries formed of these units. Yet specialists in the investigation of enterprise behaviour and industrial structure (micro economics) and specialists in long-run and cyclical behaviour of the economy as a whole (macro-economics) seldom co-ordinate their findings."(20) Such a split within the subject matter of economics is not conducive to a full understanding of the phenomena of the growth of monopoly structures, described as long ago as the turn of the century, although certain economists do recognise that if monopolistic situations are diffuse the price-distortions which the theory of the firm analyses are superseded by the interactions between the strategy of the firm and the dynamics of the economy. Thus Siro Lombardini: "In my opinion the pattern (and even the criteria) of firm behaviour cannot be studied independently of the total system."(21)

Whilst the base of the theory of the firm in micro-economic static equilibrium theory has allowed of definite advances in the sophistication of the analysis of the behaviour of the firm, this method also imposes limitations by its lack of integration with macro-economic analysis. This lack of breadth is linked with the essentially non-dynamic and a-historical approach of traditional economic theory in this area. I have already suggested that the theory of the firm tends not to go beyond comparative statics, for as P.W.S. Andrews has it, "one does not get a dynamic theory merely by writing time into a static analysis".(22) Schumpeter is of course one of the most vigorous proponents of a theory which takes account of economic change. The a-historical approach of say, a Stigler or a Prais, is attacked by Schumpeter when he talks of economists looking at the behaviour of oligopolistic industry: "They accept the data of the momentary situation as if there were no past or future to it." Behaviour, Schumpeter continues, is never seen as the result of past behaviour or as an attempt to deal with a situation which will change later. "In other words, the problem that is usually being vizualised is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroys them."(23) Andrews links the need for a dynamic analysis with the need to integrate micro and macro analyses: "We should thus hope for a framework of further work on individual industries of a truly analytical kind, in which relevant factors in the internal structure of the firm would be linked with the analysis of the external circumstances in the industry, where again, a structured theory would tie onto the analysis of theeconomy as a whole. And, from the other end, macro theories could be linked with classifications of industries which would be operationally significant,"(24) and concludes by saying that the individual firm is so very much in a changing world that static micro-equilibrium analyses might turn out to be invalid. I would agree with commentators such as Schumpeter, Lombardini and Andrews that orthodox theory is indeed limited by its methodological base in micro-static equilibrium theory, this being one of the essential features of the orthodox approach. Loasby indeed goes so far as to suggest that the theory of the firm was developed, in accord with Sraffa's advice, to preserve the static equilibrium method of analysis.(25)

In this comparison of the orthodox and marxist paradigms I have attempted to concentrate on what I see as the fundamental attitudes of each to the issues of competition and monopoly. It is inevitable that in such a broad review many of the details of each tradition have been omitted. The appendix classifying orthodox approaches to competition and monopoly covers some of the more sophisticated mainstream studies, whilst the following chapters deal in more detail with the various marxist analyses. Some might wish to use these developments as ammunition to refute the broad distinctions I have drawn. For example, it might be argued that the existence of studies in the tradition of Edith Penrose's "Theory of the Growth of the Firm"(26) contradict my assertions that static price theory is the major concern of the orthodox approach, whilst from the other side, R.L. Meek's marxist "Studies in the Labour Theory of Value" shows considerable theoretical concern with the pricing policies of monopolies.(27) To me such examples do not disprove the essential approach of a paradigm, but rather show awareness of its limitations from within each tradition.

Let me now attempt a summary by pointing to a range of aspects of the study of competition and monopoly which are inherent within a marxist paradigm, but which are exogenous for the orthodox approach. Firstly, consideration of the state and its role in the competitive struggle is inevitable within a paradigm which starts from political economy, whilst the state is introduced (if at all) as an exogenous variable by neo-classical economics, whose homogeneous units are ill-suited to accommodating the institutional fact of the state. Secondly, the marxist paradigm has always seen the internationalising tendencies of capitalism as one of its fundamental features. The non-dynamic, a-historical approach of the orthodox paradigm also leads to a general failure to link the behaviour of monopolies to how and why they grow. Also, whilst both paradigms are attentive to the technology of production, marxists see the relations of production as important. Finally, as I shall argue in the next chapter, competition is primarily a process for the marxist, whilst it is usually taken as a situation in the orthodox approach.

I want finally to argue that an essential feature of the orthodox approach is its assumption of perfect competition. I would like to bring out some of the implications of this model within the orthodox paradigm, contrasting it with the marxist approach which is of course not without its own ideological perspective. In discussing orthodox theories of the origin of monopoly profit we saw that monopoly profits are seen as 'abnormal'. The orthodox economist is thus implying a value judgement of the profits which the monopolist receives. But why should a change in the market situation lead to an undesirable result? If perfect competition is simply an abstraction made to allow of more manageable analysis of whatever form of market imperfections may be analysed, it is just that the assumptions of perfect competition have been modified, and a modification of assumptions can hardly be seen as anything undesirable.

Perfect competition is, however, more than a set of abstract assumptions, it is also seen as politically desirable since free competition is not merely a scientific explanation, but also ensures, it is felt, the greatest possible satisfaction of needs in society as a whole, with optimum allocation of society's resources. Perfect competition thus serves the purpose of reconciling the interests of the individual with those of society: the invisible hand is the competitive market. "In a free enterprise system competition is viewed as the most generally effective device for limiting the economic power of privileged individuals or groups to exploit others, the process whereby individuals can gain economic rewards to the extent they satisfy the wants of others".(28) Perfect competition ensures harmony in the interests of society, and provides an ideal solution to the problems of social control in the economic realm.

Why is perfect competition required to fill this normative role in economics in addition to constituting a set of abstractions? Gunnar Myrdal in his respected work, "The Political Element in the Development of Economic Theory" offers a convincing explanation when he goes into the origins of economic theory in utilitarianism, itself derived from the philosophy of natural law. The utilitarians used the argument of the harmony of interest to resolve the logical difficulty in computing individual quantities of happiness into a social sum. In the development of economic doctrine says Myrdal, "the terminology changes, special assumptions are introduced for the treatment of special problems, but there is always the same notion of measurable amounts of utility which are later openly called 'values'. There is always the attempt to add these subjective amounts of value into a social sum which is to be maximised. Usually there is also the assumption of a social harmony of interests".(29) Orthodox economics, despite the initial appearance of being value free, in fact serves an ideological purpose, and this ideological purpose is clearly visible in the case of perfect competition. As Perroux points out, liberalism is no longer (if it ever has been) the natural order. "The domination effect, far from being a rarity found only after long searching, can be discerned almost anywhere in the relations between individual units and unified groups of production and trade. Competition is not a regime which leaves out economic domination, but one where the domination effect is kept in check, directed and utilized, with the object of achieving a better economic result".(30)

The growth of monopoly structures was really embarrassing for the Neo-classical school then. Not merely did the assumptions of perfect competition tend to look irrelevant and even ridiculous in face of reality, but the very foundations of the postulated equity and efficiency of the allocation of resources in society were undermined. The spread of monopolistic structures reverses the tendency to favour maximum productive performance which is seen as associated with perfect competition. Orthodox economists thus devote much theoretical effort to ascertaining degrees of departure from the perfectly competitive model, on the basis of which policies for the control of monopolies are put forward. Thus oligopoly structures become the bogeymen of the system, and the attempt to nullify the noxious aspects of each individual monopoly replaces any attempt at systematic understanding of a monopoly system. Monopolies were once the exception, but when they become the rule, non-Marxist economists are also hampered by their a-historical approach to the subject matter. The economist looking at the behaviour of an oligopolistic industry asks what current behaviour is and does not pose the question of how such a structure comes about in the first place. The existence of anti-trust legislation in the USA and of monopolies legislation in Britain testifies to a general concern to control monopolies but whilst analgesics suppress pain, they do not eliminate any disease which is at its source. Legislation may mitigate monopoly price increases, but this ignores the dynamic in capitalism which leads to the development of monopoly. Anti-trust legislation attempts to turn the clock of history back, and this attempt is made because perfect competition is not merely an analytical abstraction for economists, it is also a political desideratum.

In no way do I wish to belittle the undoubted contributions of the orthodox paradigm to the study of competition and monopoly. What this section has attempted to show is that the marxist paradigm is different, and that those differences open the possibility of fruitful insight into the nature of competition and domination in the modern world where, as I have suggested, it is difficult to ignore the constraints of class, institutions (including the state), international and dynamic factors. The growth of monopoly capitalism challenges not only the orthodox model, rooted as it is in an assumption of a perfectly competitive system, but also Marx's model which examined a competitive capitalism. The marxist paradigm has proved extremely fertile in relation to development economics for example, and at least some contribution to the study of competition and monopoly seems likely to arise from the differences in approach that have been brought out in this section. My next task, then, is to consider the contribution of periodisation within marxism, before clarifying the role of the value theory of labour in Marx's political economy. These preliminary tasks are essential prerequisites for studying the changing nature of competition within the Marxist paradigm and considering its relation to the law of value and to the monopoly stage of capitalism.

Concluding on the marxist paradigm, the perspective lying behind my study is that economic life is a network of forces, rather than a network of exchanges; that power, domination and asymmetries within the economic system are the rule rather than the exception. For the marxist, class inequalities are of prime importance and this study takes these as given. I am examining inequalities within the capitalist class, intra-class struggle, rather than inter class struggle, for collaboration between equals in free exchange is as mythical in the relations within the capitalist class as it is between classes. I nevertheless feel that such a study will not be without its implications for class political strategy.

C. Periodisation

It must be apparent by now that a study of competition and monopoly within the marxist paradigm needs to include an analysis of stages within capitalism. It was pointed out in the introduction that many marxists have raised the question of how far Marx's laws are applicable to twentieth century capitalism. The changing nature of competition needs to be placed in a context of historical change. What basis for historical periodisation is provided by Marx and the marxist tradition? What historical framework does marxism furnish for a consideration of competition and the changes it undergoes?

As was suggested in the section on methodology, the study of historical change is firmly rooted in Marx's methodology, based as it is on a materialist conception of history. One would therefore expect Marx and his followers to have a good deal to say about periodisation. It must however be remembered that the heart of Marx's life work was the analysis of a pure capitalist mode of production. Marx thus concerns himself with previous modes of production only insofar as they provide the foundation for capitalism, and primarily concerned with the problem of how capitalism arose. As Mandel puts it: "Marx only spends time on the 'pre-capitalist forms of production' in order to show up, negatively, the factors which in Europe have led, positively, to the flowering of capital and capitalism".(31)

In Das Kapital, Marx provided (to use Zeleny's term) a 'logical-historical' analysis of mid-nineteenth century capitalism. This means that an analysis of historical change in terms of theories of new stages in the development of capitalism cannot be derived by pure logic from Marx's magnum opus. Indeed can twentieth century capitalism be analysed at all by using the categories and laws that Marx derived? Marx, as we shall see, did not clearly forsee any new stages of capitalism, and his focus was rather on socialism as the mode of production which would succeed the capitalism that he was analysing. Indeed Bernstein's revisionism at the turn of the century was based on the argument that capitalism was actually likely to last longer than Marx had predicted.

Taking these reservations into account then, how can Marx's pure theory of capitalism be linked to his historical method? Here I think it is useful to recall Uno's three levels of abstraction in the study of political economy: the pure theory of capitalism, the process of capitalist development in which the economic phenomena representing the abstract principles of capital appear in stage-characteristic forms and the empirical analysis of the actual state of capitalism.(32) As Zeleny suggests, Marx's analysis operates at two levels - theoretical development, and real historical events. "Theoretical work constantly touches on the facts of historical reality".(33) The critique of political economy is the theory of capitalism as a specific mode of production, and moves from abstract to concrete. These levels are on the one hand, the internal laws of capitalism and on the other, their mode of realization. In a major recent work concerned with periodisation Mandel attempts to explain post-war capitalism in terms of Marx's basic laws of motion. He does not accept "that these economic laws of motion are so 'abstract' that they cannot manifest themselves in 'real history' at all, and that therefore the only function of the economist is to show how and why they become distorted or deviated by accidental factors in its actual development - not to show how they are manifested and confirmed in concrete and visible processes".(34) What is at issue then in developing a schema for periodisation, is the need to forge links between abstract and concrete levels of analysis. Mandel also puts this task in terms of the relationship between essence and appearance, terms which were used extensively in the section on methodology. " Marx did not see the task of science solely as the discovery of the essence of relations obscured by their superficial appearances, but also as the explanation of these appearances themselves, in other words as the discovery of the intermediate links, or mediations which enable essence and appearance to be reintegrated in a unity once again".(35) Whilst Marx gave a theory of capitalism in the abstract, he well knew that the real world could not be reduced to the play of pure economic abstractions. "The creative tension between theory and historical specificity in Marx's writings", says Brewer, "is one mark of his greatness".(36) As Kosonen points out, competition is itself a concept bridging abstract laws and their realization in the world.(37)

It will be shown in the next chapter that Marx distinguished the internal nature of capital (innate laws) and competition (the realization of those laws). Competition is in fact the mechanism which sets the internal laws of 'capital in general' into motion in the form of 'many capitals', thus providing a link between levels of abstraction.

Our task then in periodising, is in some sense, to meld abstract and concrete levels of analysis. What methods of periodising can be adopted? How can one classify historical change? This will entail distinguishing between a mode of production, stages within modes of production and specific social formations. There is of course a huge literature covering the mode of production debate looking at it both from the historical and the developmental perspective. Relatively little however has been written on periodisation into stages. Poulantzas, Braverman and Mandel are here the main authors who spring to mind, but both Poulantzas and

Braverman are concerned with the class dimensions of monopoly capitalism, with Braverman concentrating on the changing forms of the working class.(38) It is rare to find an explicit discussion of periodisation into stages as opposed to an analysis of monopoly capitalism, and Fine and Harris provide a welcome exception. They suggest two methods of periodising history, the first a highly abstract division into the stages of a mode of production, the second involving the far more complex concepts of the stages of a social formation.(39)

However, before examining the current state of the debate on periodisation, what of Marx's own views on the matter? Whilst he had a lot to say, his comments are scattered throughout his writings.(40) I can identify five aspects of his thought here: his concept of the mode of production, his discussion of the social forms of socialism, capitalism, serfdom, slavery and the asiatic mode, his periodisation of feudalism, his discussion of the transition to capitalism, and his identification of stages in the development of capitalism.

Nowadays a mode of production is usually defined by the forces of production on the one hand and the relations of production on the other and the articulation between the two.(41) As Cohen points out, Marx used the term in three ways: a 'material mode' referring to the technique of production, a 'social mode' denoting the social properties of the production process, including the purpose of production, the form of producers' surplus labour and the mode of exploitation, and a 'mixed mode' giving a comprehensive cover to include the other two.(42) I do not propose to discuss Marx's analysis of different specific modes of production. (As already mentioned, there is an enormous literature on this.) Cohen suggests that the most important task is to determine how to distinguish between socialism, capitalism, feudalism, slavery and the asiatic mode. He feels that this is best done by correlating them with types of economic structure, as "the entire set of production relations obtaining in it".(43) It is important also to realize that the main socioeconomic formations that Marx considers are analytic rather than chronological stages.

What contribution does Marx have to make to periodising within a specific mode of production and to the transition between one mode and another? In Volume III of Capital Marx periodises feudalism according to the institutional arrangements through which surplus labour is appropriated, as labour services or as rent. Part VIII of Volume I examines the classical development of capitalism in Britain. As Cohen points out, Marx is here not concerned with the demise of serfdom proper, but with the transformation of the independent peasant producers (who arose as feudalism broke down) into a proletariat. Crucial in this process for Marx was the conversion to private property in land. Despite its limited historical coverage Marx's analysis of the transition to capitalism is a complex and detailed one, in which the concept of primitive accumulation plays an important role. (Primitive accumulation is the process whereby means of production and labour-power which were not previously capital are converted into it, but also including plunder and mercantile wealth as well as the role of the state in supressing the new working class.)

Perhaps most importantly for our purpose of periodising a mode of production into stages, is Marx's own division of the stages of the development of capitalism.(44) During the first stage, merchant capital predominates and the methods of production are essentially those of pre-capitalist times. This stage can itself be divided into two: the stage of 'co-operation', in which the only change in technique is that of massing a large number of workers in a single place of work; and the stage of 'manufacturing' where the process of production involves detail division of labour carried out with specialised tools, but with no genuine mechanisation. The next stage Marx variously calls 'modern industry' or 'machinofacture'. Tools are now moved and regulated directly by machine, and capitalist production has a decisive productivity advantage. Pre-capitalist modes of production and merchant capital decay very rapidly. But as Brewer points out, the transition to 'modern industry' was a long one. "The transition to modern industry, generating these great disproportions between different industries, lasted for a whole historical epoch, broadly, the whole nineteenth century".(45) As I shall show in Chapter 3, Marx did also point to the tendency towards centralisation and concentration of capital in contemporary capitalism, but did not identify it with a new stage of the capitalist mode of production.

It would seem from this brief overview of Marx's analysis of historical change that the historical progress of social formation can be understood as the effect of three possible transformations in the mode of production. These are: the supersession of one mode by another (e.g. feudalism by capitalism), the articulation of different modes in the process of transition, and within one mode, from one stage to another (e.g. manufacture to machinofacture).(46) To have the tools to periodise capitalism adequately for a study of competition, a number of problems of definition now need to be clarified. Firstly, what is the distinction between a mode of production and a social formation? Secondly, how does one define a new mode of production? Since it is important to be sure that the late twentieth century mode of production is indeed capitalist, how is the capitalist mode of production defined? Finally, how does one define stages within a mode of production?

It is first of all important to be clear that a mode of production is an abstraction, whilst a social formation is more concrete. The capitalist mode of production concerns the theory of the relations between two classes (bourgeoisie and proletariat), but a social formation may contain other classes as well, such as peasants. Unlike modes of production, social formations unfold over a scale of chronological time. A social formation is an articulation of different modes of production, so that a capitalist social formation will have the capitalist mode of production dominating, but with other mode(s) present. Now Poulantzas would argue that you can only have stages of a concrete social formation. The problem here is that periodising will then be a highly complex matter, and will need to be closely related to the real world at the level of appearance. More appropriate for the theoretical study of the changing nature of competition is Fine and Harris's more abstract method of periodising history into stages.

It now becomes crucial to distinguish between stages within a mode and new modes of production. For Fine and Harris (as indeed for most marxists) a new mode is characterised by basic changes in the relations of production, including any change in the possession or control of the means of production. A change in the form of social relations on the other hand indicates a distinct stage. But before looking at the types of change in the form of social relations involved in a new stage, let me pause for a moment to clarify what is involved in the capitalist mode of production.

Cohen provides two definitions of the capitalist mode of production, a 'structural' and a 'modal' one, and then demonstrates that each definition also satisfies the other.(47) The structural definition refers to the dominant production relation in capitalism; that the immediate producers own their own labour power, and no other productive force.. This is the economy of the 'free' labourer with the double meaning expounded by Marx. The modal definition refers to the purpose of capitalist production, where production serves the needs of the accumulation of capital, involving the production of exchange value to produce more exchange value. In what sense then, do late twentieth century social formations remain capitalist? First of all capitalism must feature the dominance of the capitalist mode of production, although this does not exclude the continued existence of non-capitalist modes of production. In the third world non-capitalist modes of production may be quite significant, and although this thesis is concerned with developed capitalist formations, even there housework and childcare are important examples of productive activities which remain substantially outside the capitalist mode of production. What then are the features of this capitalist mode of production? Neither the existence of exploitation nor the existence of classes are features of capitalism alone: other modes of production, such as feudalism, also depend on exploitation and contain different social classes. Unique to capitalism, however, is the law of value as it will be described in the next sections, and the prevalence of the capital relation. What is individual to the capitalist mode of production is then the form taken by class relations, and the mechanism whereby exploitation takes place.

Having determined, at least in principle, that advanced economies today are capitalist social formations, let us now turn to the types of changes in the form of social relations which might indicate a distinct stage of capitalism. Here different authors see different aspects of the social relations of capitalism as of crucial importance. Braverman in emphasising the need to understand the historical evolution producing modern social forms is concerned with the changing forms of the working class which "presents itself in history as the progressive alienation of the process of production from the worker".(48) For Mandel, in contrast, the world economy is an articulated system of capitalist, semi-capitalist and pre-capitalist relations of production, and he periodises on the basis of phases in this articulation. The form taken by uneven development is Mandel's major concern, although this in turn is dependent on the accumulation process of capital.(49) Wright also places considerable emphasis on the accumulation process, though in particular its effects on the form of capitalist crisis. "The point of an analysis of contradictions in and impediments to the accumulation process is not to prove the inevitability of the collapse of capitalism, but to understand the kinds of adaptations and institutional reorderings that are likely to be attempted in the efforts to counteract those contradictions".(50) What is important for Wright, then, becomes changing structural and institutional forms.

Fine and Harris provide the most extensive cover of changes in the form of social relations. Capitalism for them increasingly socializes production and "it is the reflection of this in the development of social relations that we will use to periodise capitalism".(51) In particular such a periodisation will come about through changes in the methods of appropriating surplus value (as profit or as interest with the development of the credit mechanism and as tax with the growth of the state) and controlling it (through new forms of control of the production process). Also of importance are the forms taken by accumulation, by class struggle and by capitalist crisis as well as the forms taken by political relations and in particular the state.

How can one assess the relative merits of the difference of emphasis amongst these authors? It seems to me that this will depend, at least in part, on the purpose which the author has in mind. Returning to the two methods of periodising history which Fine and Harris suggest (the abstract stages of a mode of production or the complex concept of the stages of a social formation), I have already rejected the Poulantzas approach of stages of a social formation as too complex and too close to the real world as a framework for examining the changing nature of competition. Since I am pitching my study at an essentially theoretical level using the method of the history of economic thought, the more abstract method of periodising history into stages is appropriate. The broad sweep of analysis involved in Mandel's "Late Capitalism" explains his use of a method of periodisation which lies mid-way between the two methods proposed by Fine and Harris. Mandel's taste requires a melding of the abstract and the concrete that embraces both specific historical detail and abstract laws. Braverman can embrace these two aspects of the dialectic by concentrating on a particular facet of the changing nature of capitalism, notably labour.

I would suggest, then, that it very much depends on perspective and the purposes for which periodisation is undertaken as to just what stages are identified within capitalism. The names given to stages are often indicative: Braverman uses manufacture, machinofacture and scientific-technical; Mandel names freely competitive capitalism, foreign railway production, imperialism and late capitalism; Fine and Harris identify laissez-faire, monopoly and state monopoly capitalism while Wright has six divisions (primitive accumulation, manufacture, machinofacture, monopoly capitalism, advanced and state directed monopoly capitalism). Given that my perspective is a study of competition, some periodisation of capitalism is indeed required, but as I shall be arguing in Chapter 5, not a very detailed one. This section, however, has simply aimed at identifying the marxist principles involved in periodisation. Chapter 5 will be concerned with the state of the modern debate on the stages within capitalism, purporting what is of relevance to a study of competition. As has already been suggested, changing forms of competition are linked with changes in the form of value through the capitalist regulatory process. This section has spelled out how changes in the form of social relations (which include value relations) underlie the periodisation of the capitalist mode of production. The final sections of this chapter will therefore examine Marx's theory of value.

D. Marx's theory of value

Marx's labour theory of value is usually regarded as the theoretical hard-core of his critique of political economy. As the methodological section pointed out, however, Marx rather than providing a pre-constituted theory, was making an investigation of the concrete social forms of value. This section demonstrates that such an approach does indeed provide the most satisfactory interpretation of Marx's labour theory. It also relates well to the concerns of this thesis for in later chapters I shall be asking how changes in the nature of competition alter the phenomenal forms of value. To assist in the exposition of Marx's value theory of labour in this section, I will be posing the question, 'why have a theory of value', and more particularly, 'why have a labour theory of value'? A series of possible answers will be proposed, which aim to show the importance of considering above all, the forms that value takes. The discussion will be geared towards those within the academic marxist tradition and nearest to it, including the Neo-Ricardians. This is firstly because the criticisms of those closest to a particular view are often the most telling and secondly because I have already put the arguments for a marxist rather than an orthodox paradigm in section B. This discussion will, it is hoped be further illuminated by what follows, in the next chapter, developing the relation between 'capital in general' and 'many capitals', but some initial drawing together will be done in clarifying what is meant by the 'law of value' (see section E) in the light of what has been said of the labour theory of value.

I do not anticipate being able to 'prove' the labour theory of value as an irrefutable fact of life in the course of these sections. Rather what I hope to do is to show the sympathetic reader that a marxist approach to the problem of value is a potentially fruitful one, and that there is a prima facie case for considering that insofar as the labour theory of value is accepted as a useful tool for analysis of the competitive stage of capitalism, it will also be useful for the monopoly stage.

(a) Proof of exploitation

Frequently the labour theory of value is seen as providing a proof of the exploitation of labour under capitalism. Marx points out that the study of exchange relations makes it impossible to observe exploitation, and he is seen as turning to production relations to achieve a rigid explanatory proof. Now it is true that a cost theory of value is superior to a demand theory in that it gives the concept of surplus a meaning. As Dobb puts it "A principle which interprets value purely in terms of demand can define the productive 'contribution' of a person of a class according to the value of what eventuates: it cannot define this contribution according to the activity or process in which the contribution originates, since it includes no statement about any productive relationship of this kind".(52) But is a labour theory of value therefore providing a proof of exploitation as for example Armstrong, Glyn and Harrison see it? "Any concept of surplus labour which is not derived from the position that labour is the source of all value is utterly trivial".(53) The answer must surely be no.

This is because Marx's concern is centred around the form which exploitation takes. Hence the example that Marx gives of slavery: in this case exploitation is direct, and so doesn't have to take the value form. Thus the labour theory of value is directed towards showing how exploitation works, what might be called 'exploitation in process', for under capitalism surplus labour can only be appropriated when its product has been sold for money. If the labour theory of value is seen in this light we do not loose sight of the fact that it is able to politicise economic processes. Thus Morishima is essentially correct when he sees Marx's theory of exploitation as a postulate. The 'Fundamental Marxian Theorum' says Morishima is "that the exploitation of labourers by capitalists is necessary and sufficient for the existence of a price-wage set yielding positive profits or, in other words, for the possibility of conserving the capitalist economy".(54)

(b) Making political economy 'scientific'

It must be clear to the reader by now that I see Marx as taking a particular moral stance in relation to the problems of political economy which he is analysing. This leads on to a second possible purpose for the labour theory of value: namely that it should make political economy 'scientific'. There is no doubt that Marx saw this as a most important contribution. For instance in "Theories of Surplus Value", as I have already pointed out, Marx hails Ricardo for getting science out of its rut. "But at last Ricardo steps in and calls to science: 'Halt! The basis, the starting point for the physiology of the bourgeois system ... is the determination of value by labour time'".(55) In arguing that Marx postulates exploitation, I am resisting Marx's ideas of political economy as 'scientific'.

But just what is meant by this term 'scientific'? Without even entering into the controversy as to whether the social sciences are sciences in the same sense as the natural sciences, it can easily be seen that the term is one which may mean all things to all people. Insofar as Marx used 'scientific' to mean non-judgemental, I would disagree with him. His economic writings are full of rhetoric arguing that this or that ought to be the case, and powerful rhetoric it is too. Thus Marx doesn't hesitate to use the term 'rate of exploitation' for the ratio of surplus to necessary labour. There are those who argue for a change between the young Marx concerned with moral judgements on alienation and so on, whilst the older Marx has become 'scientific'. I do not feel that there is such a dichotomy. The argument against it is cogently put, for instance by I.I. Rubin (whose work is considered in more detail below) when he sees commodity fetishism as lying at the root of all Marx's economics. Marx, in other words, is uniformly a 'humanist' who makes value judgements about exploitation, and to this extent he is no 'scientist'.

Whilst I would therefore not agree with Marx's own conception of the labour theory of value as 'scientific', Steedman and Morishima see his value theory as non-scientific in ways which I would wish to argue against. Steedman sees Marx as unscientific firstly in that his value reasoning is internally inconsistent and secondly that some of it is wrong. The charge of internal inconsistency is largely levelled at Marx's resolution of the transformation procedure, whilst value analysis is seen as wrong in being either redundant or indeterminate.(56)

Steedman (and Sraffa) deny the importance of the social relations underlying capitalist production in their assertion that it is sufficient to start from the physical conditions of production and the real wage to derive values (i.e. total labour embodied). I shall be arguing in relation to the transformation procedure that it is not the technical correctness of Marx's solution (it was actually incorrect!) that is the important point. What is important is that Marx's understanding of value requires its solution. As Himmelweit and Mohun put it: "The 'transformation problem' is therefore a necessary result of the contradictory nature of capitalist production relations, and not at all a problem with Marx's theory, which recognizes this result".(57) Since Steedman's argument centres round the transformation debate, this is the obvious angle from which to deal with it.

Morishima is more sympathetic to Marx than is Steedman, and characterises the labour theory of value as pragmatic, seeing one of its purposes as allowing Marx to aggregate his micro-theory of price determination and thus reach his two-department macro-theory of output determination. Perhaps the mistake which both Morishima and Steedman make is to see Marx's value theory as an empirical fact, when it is actually a conceptual fact. Thus value theory is a logical fact which aids our thought in understanding the actual realities of economic life. In other words the theory offers elucidation, but could not ever explain in the scientific meaning of the word. I would thus agree with Croce when he cites Labriola the Italian Marxist: "The theory of value does not denote an empirical <u>factum</u> nor does it express a merely <u>logical proposition</u>, as some have imagined, but it is the <u>typical premise</u> without which all the rest would be unthinkable".(58) As already emphasised, Marx's method is one of abstraction, rather than being a model built on assumptions. For the positivists, on the other hand, since nothing can be deduced from assumptions which is not already contained in them, theory becomes tautologous. I hope to show that precisely one of the most important aspects of the labour theory of value is that it is not narrowly deterministic in this fashion.

(c) Explaining prices

The third function which the labour theory of value is seen as fulfilling is that of explaining prices. Yet Marx is frequently attacked for failing to provide a theory of prices. Is this justified? Marx starts from production relations, arguing that the study of exchange relations as superficial phenomena masks the exploitation process. This does not mean that Marx ignores exchange relations, but rather that he explains exchange relations in terms of production relations, and it is this method which necessitates emphasis on value relations, with labour as the point of departure. As Rubin puts it: "the labour theory of value is not based on the analysis of exchange transactions as such in their material form but on the analysis of the social production relations expressed in the transactions".(59) Thus Marx does not ignore theories of relative price or of resource allocation; it is simply that they are not his starting point. Analysis can be at the level of prices or of value: Marx started with the latter, but in fact a correct theory of prices may be built without any specific proposition on the origin or nature of prices. It is here that the debate centres: if a theory of prices can be constructed without reference to the value framework, why bother with values at all? The advantage of value theory is that it allowed Marx to unmask social relationships, and thereby to examine the process of the formation of profits. Thus for Medio: "In particular value analysis enabled Marx to investigate the process of formation of profits, which belongs to the relationships between capitalists and labourers, neglecting as a first approximation the complications arising from the equalization of the rate of profit all over the system, which refers to the relations among capitalists".(60) It is of course around this theoretical question that the "transformation debate" revolves, to which considerable attention will be devoted in the next chapter. With Salama and other authors I would insist that it is essential to start at the value level to understand prices of production.

Maurice Dobb and Ronald Meek both saw this function (the explanation of prices) of the labour theory of value as an important one, so that as we shall see in Chapter 5, the determination of prices under the monopoly stage of capitalism becomes an important issue for Meek. The Neo-Ricardians of course argue that their 'common standard' allows of an explanation of prices without the detour through value. However, the reduction of commodities to a common standard depends on the profit rate, so that the production function cannot actually be constructed from technological data alone. Once more, what is at issue here is what Neo-Ricardian theory does not explain. In similar fashion to orthodox theory, Ricardian analysis can only answer questions about relative prices, it cannot deal so easily with the problem of accumulation nor the dynamic laws of capitalism.

In conclusion perhaps it is helpful to point out that what Marx is actually doing is to explain how prices inevitably differ from values in a capitalist society so that 'equality of labour' is transposed into 'equality between capitals'. Marx in other words reconciles the existence of surplus value with the reign of competition. As Morishima puts it: "It is now evident that the aim of Marx was not to establish the proportionality of prices and values in a capitalist economy, but, on the contrary, to explain why they may differ from each other when the workers cease to possess the means of production, so that they have to sell their labour power in the market".(61) We have in fact here a clue to the 'upsidedown' nature of competition which Marx was so emphatic about.

(d) The social distribution of labour

Rubin places considerable emphasis on the labour theory of value explaining the social distribution of labour, as for instance when he says "Value is the transmission belt which transfers the movement of working processes from one point of society to another, making that society a functioning whole".(62) This view is attacked by Steedman and the Neo-Ricardians when they put forward the idea of reducing all commodities to a common standard, which they argue makes value categories redundant.

It cannot be denied that Marx's argument in Chapter 1 of Volume 1 of Capital is weak when he is arguing that exchange value must be based on a common something (unlike use value which is limited by the physical characteristics of the commodity) and then proceeds to state that human labour in the abstract is what equivalent commodities have in common. "That which determines the magnitude of the value of any article is the amount of labour-time socially necessary for its production" asserts Marx.(63)

I think it is useful here to keep in mind the distinction that Makato Itoh makes between the substance and the form of value. Itoh points out that the notion of value is inseparable from the form of value. Deducing that the substance of value is crystals of abstract labour (as I have just showed Marx doing) relies on the exchangeability of commodities. It is also a common property of commodities that they have a price-form, the completed form of value. Itoh concludes: "Thus exchange-value as the form of value now appears as indispensable to the notion of value".(64) A double-bind situation develops so that in a capitalist economy, labour-time embodied occurs through value relations, so that the forms and substance of value are inextricably connected. It must be remembered that the social labour-process is common to all forms of society. But even under capitalism, labour power is not a labour product. For labour power is the subject of production and not its object. Labour power therefore lacks the substance of value as the embodiment of labour-time, although it is regulated by the substance of value as the labour-time embodied in the necessary means of subsistence. Talking thus of the importance of the forms of value points towards the lack of a narrow determinism in Marx and demonstrates the importance of seeing labour as the subject and not simply the object of production.

(e) Understanding the 'laws of motion'

A further function of the labour theory of value is that it provides a basis for understanding the laws of motion of capitalism. By laws of motion is meant such features as the theory of crisis, the tendency of the rate of profit to fall, and the replacement of competitive by monopoly capitalism. As we shall see in the next chapter the process of formation of relative surplus value lies at the root of Marx's shift in exposition from dealing with what the individual capitalist does, to the way in which this affects the whole capitalist system. Closely associated with the formation of relative surplus value is the process of capitalist innovation. (This is something that is well dealt with in "The Results of the Immediate Process of Production".(65)) This in turn is tied to crisis theory and the tendency of the profit rate to fall.

Once more, a comparison with the Neo-Ricardian approach is helpful here. This latter takes an essentially static approach, where the concept of the improvement in the productivity of labour becomes external to the system. Thus for example Glyn and Sutcliffe's analysis of the crisis of British capitalism in the 1970's relies on a rise in wages which is seen as contingent, as unrelated to a rise in the organic composition of capital. Amin sees the defect of the Sraffian system in the substitution of prices, which depend on distribution, for values, which do not. For Sraffians then, production techniques are external to the economic problem. In broader terms, Rowthorne argues that what is lacking for the Neo-Ricardians is a view of capitalism as a mode of distribution.(66) I shall be arguing later in this thesis that in providing a basis for understanding the process of accumulation, the labour theory of value shows the mechanisms by which competitive capitalism becomes monopoly capitalism.

(f) Social aspects of production

This brief discussion of the laws of motion of capitalism leads almost imperceptibly towards a sixth area: that of the ability of the labour theory of value to capture the social aspects of production. It has just been shown that for Rowthorne it is important to see capitalism as a mode of production. This emphasis on the social aspects of production is a common one. Thus for example Rubin argues that the theory of fetishism is the basis of Marx's entire economic system, especially his theory of value. Rubin is much concerned to reach the reality behind the appearance. "In capitalist society ... direct production relations between determined persons who are owners of different factors of production, do not exist. The capitalist, the wage labourer, as well as the landowner, are commodity owners who are formally independent of each other". It is only through purchase and sale that direct production relations are established. "The agents of production are combined through the factors of production; production bonds among people are established through the movement of things".(67) Earlier we characterised Rubin seeing value as a transmission belt explaining the social distribution of labour. This is perhaps rather unfair, since underlying this somewhat crude conclusion is an emphasis on the theory of value as being a result of the form that production-work relations must take under capitalism; that social labour must take the material form of value. The concluding section will take up this issue of the form of value.

That the Sraffians in the nature of their argument omit the social aspects of production, must be a major criticism of their approach. Profits on this account are the direct consequence of two factors: the socio-technical conditions of production and the real wage paid to workers. For Marxists surplus labour is the determinant of profits, and it is only indirectly, via their effect on surplus value, that real wages and technical conditions have their effect. E.O. Wright points to the Sraffian account being based on a mathematical analysis of the necessary conditions for formally calculating profits. Thus Neo-Ricardian critiques of Marx are heavily based on transformation procedure calculations. Wright dubs this as "thought-experiment": in other words mathematical calculation is given the status of proof about a process of causation.(68)

As has been emphasised at several points already, Marx's theory, based as it is on the social relations of production can theorise about class relations. In contrast, for the Ricardians the primacy of the class struggle is an arbitrary assumption. The advantage of a labour theory of value in capturing the social aspects of production is that it politicises economics. But let

Marx himself state how he sees the social nature of value: "Hence when we bring the products of our labour into relation with each other as values; it is not because we see in these articles the material receptacles of homogeneous human labour. Quite the contrary: whenever by an act of exchange, we equate as values our different products, by that very act, we also equate as human labour, the different kinds of labour expended upon them. We are not aware of this, nevertheless we do it. Value, therefore, does not stalk about with a label describing what it is. It is value, rather, that converts every product into a social hieroglyphic, to get behind the secret of our own social products; for to stamp an object of utility as value, is just as much a social product as language".(69)

(g) The value controversy in retrospect

What I want to emphasise in concluding this section on the labour theory of value is the extent to which there has been a movement away from earlier narrowly deterministic models. This shift is reflected in the work of people like Makato Itoh, Diane Elson and Erik Olin Wright, but this is not to say that such views were not visible much earlier in the marxist tradition. Without presenting any thorough analysis of why these changes have occurred, it is not difficult to suggest the stultifying effects of the dogmatic style of marxism which became the rule under Stalinism. What is so encouraging about this new approach to the labour theory of value is precisely its lack of dogmatism. Perhaps its most important result is that space is available for political action, but as I shall show in later chapters, this shift away from a narrowly deterministic view of the labour theory of value does much to confirm its continuing relevance in the analysis of the monopoly stage of capitalism.

Let me characterise what I have called this new, non-dogmatic approach. It is based on emphasising the importance of the forms of value. Earlier it was pointed out that Itoh saw the substance of the value of labour power as inevitably the subject and not the object of production in any form of society. Elson expresses this in a somewhat different way when she sees labour as 'fluidity', as 'potential'. Labour is both abstract and concrete, both social and private; labour thus has four different aspects, four 'potentia' which do not exist on their own. She is here making the same point as Itoh when he sees the substance of value as human self-activity. Elson draws a useful analogy between labour and energy: energy is not an absolute entity and cannot be rendered distinct from the particular form of energy. "In my view, Marx poses commodities as substantially equivalent in the same way that in natural science, light heat and mechanical motion are posed as substantially equivalent, as forms which are interchangeable as embodiments of a common substance, which is self activating, in the sense of not requiring some outside intervention, some 'prime mover' to sustain and transform it, i.e. as forms of energy".(70)

Under these circumstances the correlation between the form and the substance of value does not need to be that of direct proportionality, and Marx's concept of determination is thus not seen as deterministic. Such a view is expanded upon by Wright when he argues that the marxian account of profits requires a more complex notion of causation, and in clarifying this he distinguishes two modes of determination. The first of these is 'structural limitation', in which one element sets limits of another element, but with variations between. The second is selection of specific outcomes within the above range. "Surplus value, then, would remain the 'origin' of profits, not in the sense that it is the <u>only</u> determinant of profits, but in the sense that the effectivity of all other determinants of profits occurs either by virtue of their effects on surplus value or within limits established by surplus value".(71) It is easy to see that such a view fits in readily Marx's notion of causation as discussed in the section on methodology.

The focus of attention in the labour theory of value thus shifts from the idea that there is an already determined independent variable in production to a concern with the <u>forms</u> of value. That this was indeed a concern of earlier marxists can be seen in the case of Rubin. Having spelled out that production relations among people necessarily acquire a material form and can be realised only in that form, Rubin states: "The usual short formulation of this theory holds that the value of the commodity depends on the quantity of labour socially necessary for its production: or in a general formulation that labour is hidden behind, or contained in value". He argues that on the contrary, the point of departure is labour, not value. "It is more accurate to express the theory of value inversely: in the commodity capitalist economy, production-work relations among people necessarily acquire the form of the value of things and can appear only in this material form; social labour can only be expressed in value".(72) Diane Elson's term "the value theory of labour" has a long parentage then!

In the course of the next chapter we shall be following various of the forms that value takes - its forms as surplus value, value in the form of capital, and the price form of value. The notion of value cannot be separated from the form of value and it becomes characteristically marxist therefore to attempt clarification of the historical nature of value relations. Given that this thesis is concerned with the changing nature of competition (an historical concern) such "comparative sociological economics" (a term Croce uses to contrast Marxian economics with "general economic science") is of considerable relevance. The Neo-Ricardians in contrast cannot understand the forms of value, concerned as they are with an invariable standard of value on the basis of a technical determinism.

D. <u>The law of (surplus) value</u>

What then is the law of value? It becomes obvious from the preceeding discussion of the value theory of labour that the law of value is not something rigid and deterministic, nor is the law of value simply concerned with the relation between value and price. Indeed those who emphasise the problems of transforming values into prices might reflect on the fact that with the growth of monopolies price is in many respects no longer the indicator to capitalists that it was under competitive capitalism. Whilst the issues raised by the monopoly stage of capitalism will be considered in more detail in Chapters 5 and 6 it is apparent that the problem of the divergence of prices and values may recede in importance under modern capitalism!

Having started with a negative definition of the law of value and saying what it is not, let me turn now to the more difficult task of being positive. Perhaps the simplest picture of the law of value is given by seeing it as the application of the value theory of labour to the real world. This means that the law of value cannot be examined except in the context of the labour theory. The law of value is the regulatory process of capitalism. Before developing this point further, however, what does Marx himself have to say about the law of value?

Marx appears to emphasise two aspects (thus providing an example of his dialectical analysis, since they comprise opposing aspects contained within a single concept). On the one hand, Marx sees the law of value as a permanent law, and yet it is also a law which changes with changing historical circumstances.

Dealing with the 'eternal' aspects of the law first of all, Marx talks of the law of value as a 'natural law'; it is the law of the necessity of distributing social labour in definite proportions, a law which Marx clarifies in a wellknown letter of July 11th 1868. "Every child knows that a country which ceased to work, I will not say for a year, but for a few weeks, would die. Every child knows too that the mass of products corresponding to the different needs require different and qualitatively determined masses of the total labour of society. That this necessity of distributing social labour cannot be done away with by the particular form of social production, but can only change the form it assumes is self-evident. No natural laws can be done away with".(73) Engels too took up this aspect, when he wrote in 1895 that the law of value is more than a mere hypothesis; it is in fact a logical process, with a historical process arising from the latter.(74) The law of value, as Marx explains in a section of "Theories of Surplus Value" when he is criticising Adam Smith for thinking that the law of value can be suspended, is the law of the exchange of equal quantities of labour. "He, Adam Smith, senses that somehow, whatever the cause may be, and he does not grasp what it is - in the actual result the law of value is suspended: more labour is exchanged for less labour (from the labourer's standpoint), less labour is exchanged for more labour (from the capitalist's standpoint)".(75) It must however be emphasised that Marx and Engels see the law of value as uniquely associated with questions of commodity production since when exploitation is direct as under slavery it does not have to take the value form.

However the characteristics of the law of value as a law of nature are by no means the most significant for Marx. Far more important than the law of value per se, is the form in which the law operates, a form which changes with changing historical circumstances. Marx puts it in the following terms: "The nonsense about the necessity of proving the concept of value arises from complete ignorance both of the subject dealt with and the method of science ... The science consists precisely in working out how the law of value operates".(76) The criticisms that Marx makes of Adam Smith in the section of "Theories of Surplus Value" which was cited above is that the latter allows his confidence in the law of value to be shaken when this law appears to change into its opposite with the accumulation of capital and private property in land. What Smith failed to recognise was that we have here a specific development which the law of value undergoes when commodities are exchanged as products of capital, and not simply as products of labour.

As will be argued when the concept of capital in general is considered in the next chapter, certain marxists use the term "law of surplus value", which is a helpful way of emphasising the new form that the law of value takes with the development of the capitalist mode of production. What is obvious however, from this brief discussion of Marx's view of the law of value, is that Marx pinpoints the importance of the changing form that value takes. The law of value then, as the study of the changing form that value takes, is thus the application of the value theory of labour to the real world.

How then does the law of surplus value operate under capitalism, as opposed to simple commodity production? The question will be answered in more detail in the next chapter on the transformation debate, but a brief pre-view is provided here. The modification is that the law operates through the formation of an average profit rate, by regulating prices of production. Prices of production show us the concrete form of the law of value, which must nevertheless be understood at the general level first of all. Prices of production become the law of value operating at a level nearer to reality. The law of value thus continues in the modified form of the average rate of profit, to dominate the movement of prices.

It must not be forgotten however that there is a flexibility in the substance of value as the labour-time embodied in each commodity. To repeat: the law of value is not something rigid and deterministic, but is instead elastic in its nature. The flexibility arises from the distinction between the substance and the form of value. As I have already pointed out, Itoh pinpoints this flexibility as arising from asking what the substance of the value of labour power is. On the one hand, labour lacks the substance of value as the embodiment of labour-time since it is the subject of production and not its object. On the other hand, labour is regulated by the substance of value as the labour-time embodied in the necessary means of subsistence. In the space between the two, surplus value is produced. "The correlations between the form and the substance of value need not be a matter of direct proportionality. The standard prices of commodities can stably represent quantities of embodied labour-time which are not directly proportional. In contrast, in the case of labour-power, a sort of equal exchange of labour-time should take place between labour-power as a commodity and the necessary means of subsistence". So Itoh contrasts the reproduction of commodity products with that of labour, and concludes: "The substance of value as the labour-time embodied in each commodity has a sort of elasticity in its regulation of the exchange-ratios with other commodities within the range of s. [i.e. surplus value] "(77)

It will be argued in the section on the transformation debate in Chapter 2 that the difference between the substance and the form of value can be further developed in an interpretation of that debate. What is interesting to point out here is that (as was shown above) Wright's idea of two 'modes of determination' leads to similar conclusions on the 'elasticity of regulation' as does Itoh. Marx himself is emphatic on the approximate nature and elasticity of the law of value when he says: "In short, under capitalist production, the general law of value asserts itself merely as the prevailing tendency, in a very complicated and approximate manner, as a never ascertainable average of ceaseless fluctuations".(78)

Anticipating what will be explained in the ensuing chapter enables conclusions to be drawn on the relationship between the labour theory of value and the law of surplus value. In overall terms it can be said that the former relates to capital in general. In other words, the labour theory of value comprises the abstract analysis, while the law of surplus value relates to many capitals, at a level nearer to reality. It is at this latter level that competition becomes important. The task associated with the law of surplus value is that of showing how it operates, to show how a society made up of many capitals becomes a functioning whole and how it fulfils the characteristics of capital in general. Thus, consonant with the method of abstraction which it was argued above Marx makes use of, the law of value is concerned with the changing <u>forms</u> of value resulting from the process of capitalist regulation. Marx in "Das Kapital" was contrasting simple commodity production with competitive capitalism and the ensuing change in the mode of operation of the law of value. The concern of this thesis is to contrast the basic characteristics of commodity production under the monopoly stage of capitalism and under the competitive stage. It is important to be aware of the fact that the law of value was not seen as rigidly deterministic by Marx even when applying it to the competitive capitalism of his day.

Footnotes to Chapter 1

1. Bukharin (1971) p. 135.
2. Marx Vol. I (1912) p. 550.
3. Marx Vol. III (1909) p. 244. See also Marx (1973b) p. 657.
4. Zeleny (1980) p. 19.
5. Sayer (1979) p. 109.
6. Zeleny (1980) p. 49.
7. Ibid p. 52.
8. Sayer (1979) p. 9.
9. Zeleny (1980) p. 75.
10. Sayer (1979) p. 143.
11. Marris & Mueller (1980) p. 32.
12. Hollis & Nell (1975) p. 15.
13. See Preiser in Rothschild (1971).
14. Galbraith (1952).
15. Loasby (1976) p. 132.
16. Albert in Rothschild (1971) p. 26.
17. Hollis & Nell (1975) p. 54.
18. See Andrews (1964).
19. Poulantzas (1975) p. 113.
20. Sherman (1968) p. vii.
21. Lombardini in Marris & Wood (1971) p. 247.
22. Andrews (1964) p. 91.
23. Schumpeter (1952) p. 84.
24. Andrews (1964) p. 91.
25. See Loasby (1976) Ch. 11 Progress and Paradigms.
26. Penrose (1959).
27. Meek (1973).
28. Kaplan (1954) p. 42.
29. Myrdal (1953) pp. 52-53.
30. Perroux in Rothschild (1971) pp. 72-73.
31. Mandel (1977) p. 137.
32. See Uno (1980) Introduction.
33. Zeleny (1980) p. 36.
34. Mandel (1975) p. 10.
35. Ibid p. 15.

36. Brewer (1980) p. 55.
37. See Kosonen (1977) pp. 373-374.
38. See Mandel (1975), Poulantzas (1975), Braverman (1974).
39. See Fine & Harris (1979) Ch. 7.
40. It is for this reason, and for reasons of space that I do not propose to provide a textual review of Marx on this subject.
41. See Fine & Harris (1979) p. 13.
42. See Cohen (1978) pp. 79-84.
43. Ibid p. 77.
44. See Brewer (1980) Ch. 2.
45. Ibid p. 50.
46. See Fine & Harris (1979) p. 105.
47. See Cohen (1978) pp. 180-193.
48. Braverman (1974) p. 58.
49. See Mandel (1975) Chs. 2 & 3.
50. Wright (1978) p. 124.
51. Fine & Harris (1979) p. 109.
52. Dobb (1937) p. 30.
53. Armstrong, Glyn & Harrison (1979) p. 21.
54. Morishima (1973) p. 53. See also p. 25.
55. Marx Vol. IV (1969) Pt. II p. 166.
56. See Steedman (1977).
57. Himmelweit & Mohun (1978) p. 78.
58. Croce (1981) p. 55.
59. Rubin (1972) p. 62.
60. Medio in Hunt & Schwartz (1972) p. 321.
61. Morishima (1973) p. 39.
62. Rubin (1972) p. 81.
63. Marx Vol. I (1912) p. 6.
64. Itoh (1976) p. 311.
65. See Marx Vol. I (1976).
66. See Rowthorne (1974).
67. Rubin (1972) p. 18.
68. See Wright (1979).
69. Marx Vol. I (1912) p. 45.
70. Elson (1979) p. 158.
71. Wright (1979) p. 61.

72. Rubin (1972) p. 61.
73. Marx (n.d.) pp. 73-74.
74. See Engels (n.d.) p. 100.
75. Marx Vol. IV (1969) Pt. I pp. 87-88.
76. Marx (n.d.) p. 74.
77. Itoh (1976) p. 326.
78. Marx Vol. III (1909) p. 190.

Chapter 2

AN INTERPRETATION OF THE ROLE OF COMPETITION IN MARX'S ECONOMIC WRITINGS

A. Introduction

"Conceptually", says Marx in the Grundrisse, "competition is nothing other than the inner nature of capital, its essential character appearing and realised as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity".(1) To examine the nature of competition in a Marxist framework, therefore, the relation between 'capital in general' and 'many capitals' needs clarification. As I shall argue, competition for Marx is part of the inner nature of capital, and for this reason competition is not simply under consideration when Marx deals with the interrelations between different capitals (Volume III's 'many capitals'), but it is also implicit in Volume I's analysis of the general concept of capital. This link between 'capital in general' and 'many capitals' will be one of the chief concerns of this chapter, in all its ramifications. I shall take the stand that an analysis of value must be the starting point for understanding the nature of 'capital in general'. This being so, the bridge from there to 'many capitals' will lead me through consideration of the role of the average profit rate to the transformation procedure. This will lay the foundation for examining the changing forms of value and of competition that result from the development of monopoly in the following chapters.

In addition to the main purposes just outlined, this chapter will also bring together Marx's many comments on competition (scattered throughout Das Kapital, and in particular Volume III, as well as certain comments in the Grundrisse and elsewhere). This aim has an importance of its own. Let me expand here on what was said in the introduction where I suggested that Marx intended to deal comprehensively with competition at some point. Did Marx actually have such an intention? An answer requires entering the controversy over whether Marx changed the plan for his work on political economy. I propose to make a brief presentation of Rosdolsky's argument that Marx abandoned his original proposal for a separate treatment of competition and dropped his previous fundamental separation of the analysis of 'capital in general' and competition. Rosdolsky was of course interested in tracing the changes in Marx's outline to draw attention to their methodological importance. I too would argue that the scope of analysis of 'capital in general' can be expanded to include the more superficial phenomena of the relations between capitals.

Rosdolsky distinguishes the 1857 Plan (as contained in Marx's correspondence) from that of 1866 (the latter being of course the four volumes of Capital), and then looks at the material dealt with in the Rough Draft (i.e. the Grundrisse, written 1857-58) and in the manuscript of 1861-63 (that part dealing with the Theories of Surplus Value was published by Kautsky). The 1857 outline was as follows:

I The Book on Capital
- (a) Capital in general
  1. Production process of capital
  2. Circulation process of capital
  3. Profit and interest
- (b) Section on the competition
- (c) Section on the credit system
- (d) Section on share-capital

II The Book on Landed Property

III The Book on Wage Labour

IV The Book on the State

V The Book on Foreign Trade

VI The Book on the World Market and Crises

whilst the 1866 outline, as Capital was eventually published was:

Book I Production Process of Capital

Book II Circulation Process of Capital

Book III Forms of the Process as a Whole

Book IV The History of the Theory

What happens to the section on competition (I(b)) of the 1857 outline? Rosdolsky argues for a narrowing down of the original outline, which however corresponds to an expansion of the part which remained. In the Grundrisse, Rosdolsky sees Marx sticking precisely to his original outline, without dealing with the phenomenon or competition. "We can see then, that the Rough Draft does not fundamentally go beyond points I(a)1-3 ... its structure corresponds exactly to Marx's original outline".(2) Rosdolsky feels that the manuscript of 1861-63 also has the same coverage, but that there is a change in emphasis which culminates in the outline published by Kautsky and written by Marx in 1863 when he had almost finished the manuscript of the Theories of Surplus Value. This outline dispenses with a separate treatment of competition. Rosdolsky sees the Grundrisse as repeatedly stressing that a later analysis of competition will allow full treatment of the problem of the average rate of profit and prices of production. In the 'Theories' however, to deal with Smith and Ricardo's theories of value and surplus value, Marx had to deal with these topics, although several questions are still assigned to the separate section on competition. Rosdolsky predicts: "However, the fact that so much of the material originally destined for the special section on competition was already anticipated in the Manuscript of 1861-63 finally lead ... to the complete elimination of this section".(3) The transition from the old to the new outline then finally takes place when Volume III of Capital was written in 1864-65. True, Marx still assigns certain specific problems to a separate section on competition in Volume III, but Rosdolsky sees this as dealing with the movement of market prices only. (I have already explained that I do not propose to deal with competition at this level.) The key is provided in Marx's own statement in the first page of that volume: "The conformations of the capitals evolved in this third volume approach step by step that form which they assume on the surface of society, in their mutual interactions, in competition, and in the ordinary consciousness of the human agencies in this process."

To summarize with a contrast: whilst the original plan for a separate section on competition is dropped due to its inclusion within the scope of the analysis of 'capital in general', the intention of writing separate books on the state, foreign trade and the world market and crises is not abandoned, but held back for eventual continuation.

Rosdolsky provides a convincing argument that Marx no longer held to the idea of treating competition separately, unless perhaps in very narrow terms at the level of the market between supply and demand. I nevertheless hold that a useful purpose is fulfilled in bringing together what Marx had to say about competition overall. Firstly such a task is justified in its own terms, since as far as I am aware it has not been done before. In addition, since I am attempting in this thesis to sketch out the lines for the development of a specifically Marxist framework for the analysis of competition and monopoly, it is important to clarify what Marx himself had to say, as a basis for ensuing chapters. The approach through the history of ideas is fundamental to the object that I have in mind.

What is proposed for the remainder of this chapter is to provide a critical exposition of what Marx had to say, essentially in Volumes I and III of Capital, on the relation between 'capital in general' and 'many capitals'. As this is done, Marx's comments on competition will be brought together, and the interconnections between competition and the law of value will be brought out through the medium of examination of the changing forms of value, so that conclusions can be drawn at the end of the chapter. Let me provide a preview of the arguments.

The law of surplus value is seen in operation at the level of many capitals and their action upon one another in competition, which is analysed by Marx in Volume III of Capital. In Volume I, he deals with 'capital in general' and shows how value is determined by the total labour performed (paid and unpaid, comprising variable and surplus respectively) in producing a commodity, and by the amount of value transferred from the constant capital consumed (comprising a portion of fixed capital and the circulating capital). Volume I thus shows that the mass of profit available to the whole capitalist class is determined by the mass of surplus value appropriated by that class, but the distribution of that surplus is determined by competition which makes the laws of motion of capitalist society felt by the individual capitalist, as described in Volume III. In examining the application of the law of value via the competitive process, one must however remain aware of what lies behind this process: "What competition does not show is the way in which value is determined and the movement of production dominated by this determination. It does not show that the values that lie behind the prices of production determine them in the last instance".(4) As already emphasised, the appearance of phenomena may deny their reality. The reasons for the contradictions between the appearance and the reality with respect to competition and the law of value will be brought out in the course of this chapter, as I deal with the determination of the average profit rate, and how it affects the individual capitalist in Volume III of Capital.

Given, as has already been stated, that Marx sees competition as "the inner nature of capital" the proposal is to start from 'capital in general', and thereby to demonstrate what Marx means by this proposition. In the concern of this thesis to analyse the nature of competition, there will be a need to give a practical demonstration of penetrating beyond the "surface of phenomena" by bringing out not merely the nature of capital, but also by explaining what Marx meant by the average rate of profit, for it is this that provides the basis for the interaction between "many capitals". I shall be making clear that capitalism is a system of distributed capitals, but that it is also a system of distributed labour. Rubin sums this up in his chapter on "Value and Production Price": "The capitalist economy is a system of distributed capitals which are in a dynamic equilibrium, but this economy does not cease to be a system of distributed labour which is in dynamic equilibrium, as is true of any economy based on a division of labour. It is only necessary to see under the visible process of the distribution of capital the invisible process of the distribution of social labour". (5). So equality of capitals hides equality of labour from view, and thus it is not possible to consider competition until the nature of capital is fully understood. Only then can it be understood that the laws immanent in capitalist production assert themselves for individual capitals as coercive laws of competition.

Thus it is that, in Volume I of Capital, Marx makes very few direct references to competition as he explains in the following passage: "It is not our intention to consider, here, the way in which the laws, immanent in capitalist production, manifest themselves in the movements of individual masses of capital, where they assert themselves as coercive laws of competition, and are brought home to the mind and consciousness of the individual capitalist as the directing motives of his operations. But thus much is clear; a scientific analysis of competition is not possible, before we have a conception of the inner nature of capital, just as the apparent motions of the heavenly bodies are not intelligible to any but him, who is acquainted with their real motions, motions which are not directly perceptible by the senses".(6)

B. '<u>Capital in general</u>'

Let me provide a critical summary of Marx's arguments on the nature of capital in general, and the changing forms of value, which incidentally provide an example of the "process of abstraction" at work. It will be familiar to many that Marx derives his labour theory of value in the first instance from an analysis of the dual nature of commodities, which on the one hand have a use value limited by the physical nature of the commodity, and on the other have an exchange value. This latter Marx argues, must be based on something which all commodities have in common, i.e. abstract human labour, which is at the same time socially necessary labour. As was argued earlier, Marx undoubtedly here provides an assertion rather than an argument, based on a confusion between the substance of value and its forms.

In the first chapter of Das Kapital, Marx proposes to trace the genesis of the money form of value by examining the forms which value takes. Keeping in mind that Marx is showing how exploitation works, but not that he is proving exploitation, these changing forms can be followed. "The simplest value relation is evidently that of one commodity to some one other commodity of a different kind".(7) The simplest form of value is thus the elementary form where the value of one commodity, for example linen, is expressed relative to a second, say a coat. The coat is then the equivalent. The relative form of value indicates that the value of a commodity is something wholly different from its substance and properties: a social relation in fact lies at the bottom of it. A second peculiarity of the equivalent form is that concrete labour becomes the form in which its opposite, abstract human labour, manifests itself. "The body of the commodity that serves as the equivalent (the coat) figures in the abstract, and is at the same time the product of some specifically useful concrete labour (tailoring). This concrete labour becomes therefore the medium for expressing abstract human labour".(8) Summing up on the elementary form of value Marx draws attention to the crucial fact that exchange value is not the starting point for value. "Our analysis has shown that the form or expression of the value of a commodity originates in the nature of the value, and not that value and its magnitude originates in the mode of their expression as exchange value".(9) Rubin expresses the same thing rather differently when he says: "The labour theory of value is not based on an analysis of exchange transactions as such in their material form, but on the analysis of those social production relations expressed in the transactions".(10)

The second form which value takes is the total or expanded form in which linen is expressed in terms of many commodities. The linen is now seen as a citizen of the world of commodities, and it becomes plain that it is not the accident of exchange that determines value, but vice versa. All commodities appear at the equivalent of the linen. By reversing this series we obtain what Marx called the general form of value. "By this form commodities are for the first time effectively brought into relation with one another as values, or made to appear as exchange values".(11) This results from the joint action of all commodities. Linen becomes the "universal equivalent", and all kinds of actual labour, tailoring, weaving, steel smelting or upholstering are reduced to their common character of being expenditure of human labour power. One commodity is excluded from the rest, "and from the moment that this exclusion becomes finally restricted to one particular commodity, from that moment only, the general form of relative value of the world of commodities obtains real consistence and general social validity".(12) It is thus that the money form of value is born.

Perhaps it is worth interposing at this point a brief note of opposition to Ronald Meek's proposition (also voiced by Engels) that Capital was written in some sort of 'historical order'. It is true that Marx's style of exposition tends to encourage the idea that the simple form of value came into real historical existence prior to the extended form, and only later did the money form develop. Any such implication, should it seems to me, be seen simply as a reflection of Marx's expository style, itself a function of his method of abstraction.

Marx closes this first, and most abstract chapter of Capital with an analysis of what he calls the "fetishism of commodities", a section which sums up the foregoing argument by showing how the appearance of a commodity belies its reality. To the producers the relations connecting the labour of one individual with that of the rest appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and social relations between things. The social nature of value for Marx has already been underlined in the last chapter on the labour theory of value. Indeed, Rubin sees the theory of fetishism as the basis of Marx's entire economic system, and this view has much to recommend it. He expresses the objective basis for commodity fetishism in the following terms: "The thing acquires the property of value, money, capital, etc., not because of its natural properties, but because of those social production relations with which it is connected in the property economy. Thus social production relations are not only 'symbolised' by things, but are realised through things".(13)

Having analysed money as the universal equivalent, Marx then raises the question of how money becomes capital. The contradictions of the self-expansion of value lead to the concept of surplus value, the original labour theory of value being now the basis of this more complex theory. The process of exchange of commodities, which Marx exemplifies as C-M-C (commodity - money - commodity) is the unity of selling in order to buy. The reciprocal alienation necessary for exchange requires private owners of commodities. The circulation of commodities is a process of the circulation of materialised labour in which qualitatively different use values are exchanged.

It is important to realise that Marx here sees a theory of price as being distinct from a theory of value, something that has already been emphasised in the previous chapter. Price is a purely ideal or mental form of value: "Although invisible, the value of iron, linen and corn has actual existence in these very articles: it is ideally made perceptible by their equality with gold, a relation that, so to say, exists only in their own heads. Their owner must therefore, lend them his tongue, or hang a ticket on them, before their prices can be communicated to the outside world".(14) Marx says that prices are merely "wooing glances cast at money by commodities"(15) and thus arises an initial possibility of a divergence between value and price. Since this possibility becomes of crucial importance in the controversies over Volume III of Capital, it is well to realise that Marx points to this very possibility in Volume I. "The possibility, therefore, of quantitative incongruity between prices and the magnitude of value, or the derivation of the former from the latter, is inherent in the price form itself".(16).

To return, however, to the question of how money becomes capital; money as capital has a different mode of circulation from the circulation of commodities. M-C-M appears purposeless, for money simply becomes money. Value becomes value in process, and as such capital. Whence this self-expansion? The secret is that "Moneybags" the capitalist is a consumer of labour, he is able to extract value from the consumption of a commodity, labour power. Labour power itself has a value determined by the socially necessary labour-time for its production and reproduction, but the labourer works longer, producing surplus labour, the basis for profit. Marx's labour theory of value thus becomes a surplus theory, leading in turn to a theory showing the operation of exploitation. It seems to me important to emphasise that Marx's theory deals with the mechanism for exploitation in capitalist society, and this can be underlined by using the term, the "law of surplus value" (as has already been done) to describe how value theory operates in the real world.

It becomes clear at this point that Marx's theory of value contains within it a theory of classes. Capitalist production, relying as it does on the production of surplus-labour, presupposes a new form of class society, presupposes that the owner of money meets a 'free' labourer in the market, a labourer completely separated from all property by means of which he can realise his labour. "Primitive accumulation" was the term used by Marx for the historical process of divorcing the producer from the means of production during the dissolution of feudal society. Once the two new classes of wage labourer and capitalist have developed, they continually recreate themselves as classes. "The labourer therefore constantly produces material, objective wealth, but in the form of capital, an alien power that dominates and exploits him; and the capitalist constantly produces labour-power but in the form of subjective wealth, separated from the objects in and by which, it alone can be realised: in short he produces the labourer but as wage labourer".(17) The capitalist too, is the agent of capital. "It is only insofar as the appropriation of ever more and more wealth in the abstract becomes the sole motive of his operations, that he functions as a capitalist, that is as capital personified and endowed with a consciousness and a will".(18) Notice that accumulation is here seen as inherent in the nature of capital.

Now that Marx's theory of value has become a theory of classes, what mechanisms are available to the capitalist to achieve an increase in surplus value? Marx postulates two: absolute and relative surplus value. Although it is the latter that is of most relevance to competition, it will be useful to provide a brief exposition of the former. Without forgetting what was said earlier of the 'fluidity' of labour, the situation can be presented in a simplified form as follows.

The value of labour power (its costs of production and reproduction, which we should note Marx saw as historically variable) and the value which labour-power creates in the productive process are two different things, labour power as a commodity being not only a source of value, but of more value than it has in itself. But by the very act of adding new value, the labourer also preserves or transfers the value of the means of production to the product, due to the two-fold nature of labour, the particular form of labour preserving value whilst socially necessary labour time (general labour) adds value. Thus Marx distinguishes between constant capital (c, the means of production, raw material, auxilliary material and instruments of labour) and variable capital (v, labour power) the latter undergoing an alteration of value in the productive process. On the basis of these definitions Marx then introduces the concept of the rate of surplus value, which he defines as the relative increase in the value of variable capital, $\frac{s}{v} = \frac{\text{surplus labour}}{\text{necessary labour}}$. It has already been pointed out that Marx is here making a moral proposition: whilst the law of surplus value does indeed show how exploitation takes place, it does not prove that exploitation, but takes it as a postulate. Note that the rate of surplus value is not the amount by which the value of the product exceeds its constituent elements, for although constant capital has to be advanced, it bears no relation to the creation of value which derives rather from the fact that the capitalist has only to pay for its cost of production in purchasing variable capital. From this can be seen the crucial importance of the length of the working day in the class struggle, for by extending it, the capitalist can increase the rate of surplus value, creating what Marx calls absolute surplus value. Marx expresses this in his usual dramatically moral fashion as follows: "It is now no longer the labourer that employs the means of production, but the means of production that employs the labourer. Instead of being consumed by him, as material elements of his productive activity, they consume him as the ferment necessary to their own life process, and the life-process of capital consists only in its movement as value constantly expanding, constantly multiplying itself. Furnaces and workshops that stand idle by night and absorb no living labour are a mere 'loss' to the capitalist. Hence, furnaces and workshops constitute a lawful claim upon the night labour of the work people".(19) Again notice that capital is typified as being a process of accumulation, of self expanding value.

From Part IV of Volume I, the "Production of Relative Surplus Value" Marx's analysis moves onto a new plane and the laws of motion of capitalism begin to be explained. It is necessary to start distinguishing between what the individual capitalist does, and the way in which this affects the whole capitalist system, although the threads of the argument will be fully brought together in Volume III. It is thus from this point that Marx makes direct reference to the process of competition. Marx moves into the dynamics of capitalist production through the concept of relative surplus value, pointing out that the expansion of capital possible through lenthening of the working day (absolute surplus-value) has a natural limit. Relative surplus value is increased by a fall in the value of labour-power, that is, through a cheapening of the necessaries of life. To effect such a fall in the value of labour power, productiveness must increase in those industries providing basic necessities. But why should productiveness increase in such industries? The concept of relative surplus value has not the same quality of being immediately applied to the real world as has the absolute form, although it is derived from the world. "The general and necessary tendencies of capital must be distinguished from their forms of manifestation".(20)

There is in fact a motive for each individual capitalist to cheapen his commodities by increasing the productiveness of labour, since by doing so the individual value of the articles produced is below their social value. The capitalist can be sure of selling the articles by naming a price below their social value, but provided he is still selling them at above their individual value, he obtains an extra surplus value from each article sold, "Hence the capitalist who applies the improved method of production, appropriates to surplus-labour a greater proportion of the working day, than the other capitalists in the same trade. He does individually, what the whole body of capitalists, engaged in producing relative surplus-v lue, do collectively".(21) Incidentally, it should be realised that the concept of 'extra surplus value' is an important one for Marx, and in Chapter 3 it will be shown how this concept is used in relation to the formation of monopoly profits.

It must be quite clear what provides the motivating force for the individual capitalist to obtain this 'extra surplus value', for it is <u>not</u> competition, as might first appear. The capitalist as capital personified must make value expand itself, and if we turn to Chapter 24 we find further elucidation of this. "Only as personified capital is the capitalist respectable. As such, he shares with the miser the passion for wealth as wealth. But that which in the miser is a mere idiosyncracy is, in the capitalist, the effect of the social mechanism, of which he is but one of the wheels".(22) What is melodramatically phrased in Capital, "Accumulate, Accumulate. That is Moses and the prophets!"(23) is more soberly expressed in the Grundrisse, "The goal determining activity of capital can only be that of growing wealthier, i.e. of magnification, of increasing itself. A specific sum of money can entirely suffice for a specific consumption in which it ceases to be money. But as a representative of general wealth it cannot do so".(24) Thus, competition reinforces something which is in any case inherent in capital: the need for self-expansion. The meaning of the passage from the Grundrisse cited at the opening of this chapter can now be clearly seen. "Conceptually, competition is nothing other than the inner nature of capital, its essential character appearing and realised as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity". It is indeed impossible to understand the nature of competition unless the nature of capital is also understood, although in competition the inner tendency of capital appears as a compulsion exercised by other capitals. By summing up with a more extensive quotation from the Grundrisse, I hope Marx's view can be made quite clear: "Competition merely expresses as real, posits as an external necessity, that which lies within the nature of capital; competition is nothing more than the way in which many capitals force the inherent determinants of capital upon one another and upon themselves. Hence not a single category of the Bourgeois economy, not even the most basic, e.g. the determination of value, becomes real through free competition alone".(25)

Before concluding the section, may I briefly develop the point that relative surplus value involves a distinction between what the individual capitalist does, and the way in which this affects the capitalist system. It provides an indication of the links between the law of surplus value and the laws of motion of capitalism. The increase of relative surplus value is a result of the process of increasing productivity of labour, when such an increased productivity has seized on those branches of production connected with the means of subsistence. Whilst he cheapens commodities, the capitalist also augments relative surplus value, and he is thus ironically continually striving to depress exchange value. In adopting labour saving techniques which increase relative surplus value, the capitalist process of accumulation produces a progressive decrease of variable as against constant capital and thus a continually rising organic composition of capital (the term Marx uses for the proportion of constant to variable capital, $\frac{c}{v}$).

As Marx describes the process of the increase of the productivity of labour, particularly in the long chapter on Machinery and Modern Industry, he uses vivid images for the dynamism inherent in capitalism as production of surplus value. It is a dynamism which has its progressive aspects: "Fanatically bent on making value expand itself the capitalist forces the human race to produce for production's sake, he thus forces the development of the productive powers of society, and creates those material conditions, which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle".(26)

It has been shown in this section that the motive to increase productivity lies in the nature of capital, but that it is reinforced by the effects of competition between individual capitals. In Volume I of Capital, the emphasis has been on the struggle between capital and labour, the class struggle, as expressed in the concept of the rate of exploitation, but in the third volume this struggle becomes transposed into a struggle between capital and capital, as Marx turns his consideration from capital in general to that of the interaction between capitals. "Capital passes through the cycle of its metaporphoses. Finally, it steps so to say, forth out of the internal organism of its life and enters into external conditions of existence, into conditions in which the opposites are not capital and labour, but capital and capital in one case, and individual buyers and sellers in another. The original form in which capital and wage-labour meet one another is disguised by the interference of conditions which seem to be independent of them".(27) In Volume III competition enters Marx's analysis.

Does this mean that in Volume I competition has been abstracted from? I would argue the contrary. I have shown that Marx sees competition as inherent in the nature of capital, so that in his concern to analyse the latter in Volume I of Capital, he is inevitably considering the former. Nevertheless, the central concern of the first volume is to examine the class struggle, and to this extent the focus of attention does not rest on competition between capitals, it is rather present incidentally.

In conclusion, I would like to clarify one further point. In "Wage Labour and Capital", Marx suggests that the class struggle is a form of competition: "Industry leads two armies into the field against each other, each of which carried on a battle within its own ranks, among its own troops".(28) It seems to me that this is the only evidence which Meszaros could present for his argument that Marx and Engels see two types of competition: subjective competition between workers on the one hand or between capitalists and capitalists on the other, and objective or fundamental competition between workers and property owners.(29) Meszaros provides no documentation for this distinction, and I would argue that it is an unhelpful one, that the class struggle should not be seen as a form of competition.

This is not to deny that the class struggle between capital and labour takes place in a framework determined by market competition (between capitals), or to deny that the class struggle at the same time influences competition between capitals. After all, competition has been shown to be inherent in nature of capital. This also means that we cannot simply say that the class struggle 'lies behind' competition, and that the latter is subsidiary to the former. What is important is to realise that competition can mask the class struggle, can make it appear as something other than it is. As Volume III becomes the centre of attention, so will the process of competition. The antagonism between capital and labour will remain present despite the concern of a thesis which relates to competition and monopoly, to the interactions within the capitalist class.

C. Volume III: 'many capitals' and the average rate of profit

From the start of Volume III the 'upsidedown' nature of competition referred to at the start of this chapter begins to become apparent. As the book opens, it appears that competition contradicts the determination of value by labour time. Competition shows "average profits, independent of the organic composition of capital in the different spheres of production and therefore independent of the mass of living labour appropriated by any given capital in any particular sphere of exploitation".(30) Under competitive capitalism, the average rate of profit figures as an already existing magnitude for the calculations of the individual capitalist, determining the transfer of capital from one sphere to another. Under these circumstances the average rate of profit "does not present itself as a result of a division of value, but rather as a magnitude independent of the value of the produced commodities, as existing from the start and determining the average price of commodities, that is as a creator of value".(31) How are these contradictions resolved? Up till this point, it is the concept of 'capital in general' that has been considered, although it has been pointed out that competition is inherent in that concept. Extending this idea, it becomes clear that the existence of a single capital would be contradictory, and that capital must exist in the form of many capitals. Just as the creation of surplus value under capitalism was located in the nature of capital as self-expanding value, so it is possible to deduce that many capitals must exist because of the nature of capital as realised exchange value. "Since value forms the foundation of capital, and since it therefore necessarily exists only through exchange for counter-value, it thus necessarily repels itself from itself. A universal capital, one without alien capitals confronting it, with which it exchanges ... is therefore a non-thing. The reciprocal repulsion between capitals is already contained in capital as realised exchange value".(32)

The question that such a view immediately invites is: what regulates the relationship between these inevitably many capitals? How is it that the movement of 'many capitals' forms a homogeneous whole?

Marx was not satisfied with the orthodox response that competition should be assumed as some sort of driving force external to the system itself. For the 'bourgeois' economist, "competition comes in everywhere", Marx tells us in the Economic and Philosophical Manuscripts, and what is more, it is explained by external circumstances. "As to how far these external and apparently accidental circumstances are but the expression of a necessary course of development, political economy teaches us nothing ... The only wheels which political economy sets in motion are greed and the war amongst the greedy - competition".(33) But it is not the egoism of the capitalist, his psychological nature, which explains the process of accumulation, but rather the nature of capital as such, and indeed the capitalist inevitably functions as exploiter, just as the labourer must produce surplus-value. "It is not because he is a leader of industry that a man is a capitalist; on the contrary, he is a leader of industry because he is a capitalist".(34) Competition, then, is no 'deus ex machina' for Marx. For Marx it is unnecessary to assume competition, since competition is inherent in capital anyway.

Tracing the argument that will be followed there is a need to clarify three points: firstly, the nature of the average profit rate and its connection with competition, secondly the nature of the regulatory process and thirdly, to continue to pursue the forms of value. The first point will be developed in this section, which will conclude with the dialectical features of the competitive process, providing an overall picture of competition in a way that I feel Marx himself failed to do. This will be discussed accepting Marx's transformation of value into prices, a summary of which will be provided. The two latter points however, can only be discussed in the context of taking a specific stand on the transformation debate, and will therefore be tackled in the next section.

To understand what Marx meant by the average rate of profit, it is important to know what he means by the term profit, and to achieve this it will be useful to provide a brief exposition of the opening sections of Volume III. Here Marx shows that the concept of profit mystifies the nature of surplus value, hiding the real relations of production and the real nature of capital, thus giving rise to illusions both amongst capitalists and amongst political economists. "Profit is a transformed kind of surplus value, a form in which the origin and the secret of its nature are obscured and extinguished. Profit, is, therefore that disguise of surplus value which must be removed before the real nature of surplus value can be discovered".(35) There are two layers to this disguise as uncovered in Volume III, the first taking the form of cost prices, the second that of prices of production. The concept of market value provides the link between prices of production and market prices. Profit itself can then take on the different forms of rate of interest, profit of enterprise and rent. However, let me deal with cost price first of all.

The cost of a commodity to the capitalist and its actual cost are two vastly different amounts. "That portion of the value of the commodity which consists of surplus value does not cost the capitalist anything for the reason that it costs the labourers unpaid labour".(36) In algebraic terms the value of a commodity = k (cost price) + s (surplus value). "The capitalist cost of the commodity is measured by the expenditure of capital (c+v=k), while the actual cost of the commodity is measured by the expenditure of labour".(37) The capitalist sees his profit as a return on his total capital since he makes no distinction between constant (c) and variable (v) capital in his cost price, so that the surplus value changes its form and the formula becomes = k+p (profit). "The profit such as it presents itself here, is the same as the surplus value, only it has a mystified form which is a necessary outgrowth of capitalist modes of production".(38) Marx thus demonstrates the illusions which arise when political economy takes the category of profit as its starting point, for it then appears that profit is created in the circulation process. "The surplus-value realised by the sale of a certain commodity appears to the capitalist as an excess of its selling price over its value, instead of an excess of its selling price over its cost price, so that accordingly the surplus-value in a commodity is not realised by its sale, but arises out of the sale itself".(39) This semblance appears all the more real for the fact that it depends on market conditions whether the surplus value is realised or not. As Marx puts it, "The surplus value realised by the individual capitalist depends as much on the outcome of the mutual endeavour to outwit one another as on the direct exploitation of labour".(40) So the distribution of surplus value is determined by competition.

And now to the second disguise: the price of production. Marx warns us, "to the extent that we follow up the process of self-expansion of capital, the nature of the relation of surplus-value to capital becomes more and more mystifying, and it becomes increasingly difficult to discover the secret of its internal organism".(41) This further mystification is brought out in Part 2 of Volume III 'The conversion of Profit into Average Profit'. Here it is shown that different lines of industry cannot have different rates of profit corresponding to the different organic composition of their capitals. The organic composition of capital is the relation between constant and variable capital so that capitals with different o.c.c's set in motion unequal quantities of labour and thus surplus labour. In contrast with this conclusion "there is no doubt that aside from inessential, accidental and mutually compensating distinctions, a difference of the average rate of profit of the various lines of industry does not exist in reality, and could not exist without abolishing the entire system of capitalist production".(42) The labour theory of value seems irreconcilable with the real phenomena of production. As I put it in the opening paragraph of this section, competition appears to contradict the determination of value by labour time.

But Marx points out that up to now it has been assumed that commodities are sold at their value. The apparent contradiction is resolved by realising that cost prices are the same for the products of different spheres of production, regardless of the organic composition of such capitals. "The equality of cost prices is the basis for the competition of the invested capitals, by which an average rate of profit is brought about".(43) The price of production of a commodity is then its cost price with a percentage of profit added according to the average profit. Thus, "a capitalist selling his commodities at their price of production recovers money in proportion to the value of the capital consumed in their production and secures profits in proportion to the aliquot part which his capital represents in the total social capital".(44)

This has of course been an exposition of the famous transformation procedure of values into prices of production. To summarize, Marx is saying that the mass of profit available to the whole capitalist class is determined by the mass of surplus value appropriated by that class, but that the distribution of this surplus value is determined by competition. The relation between total social capital and total social surplus value in other words, is expressed in the average rate of profit, which regulates the process of exchange. In a fully developed capitalist economy equality of labour is hidden by equality of capital. As Marx puts it: "The whole difficulty arises from the fact that commodities are not exchanged simply as commodities, but as products of capitals, which claim equal shares of the total amount of surplus value if they are of equal magnitude, or shares proportional to their different magnitude".(45)

For the rest of this section I propose to leave aside the controversy over the transformation process as such. I want the reader to provisionally accept Marx's propositions, so that I can develop the implications for the average rate of profit, examining the role that competition plays in regulating the relationship between 'many capitals', for this is something that Marx himself did not make altogether clear. In the next section the validity of the transformation procedure will be considered, but meantime, how adequate is the procedure put forward by Marx as a means of explaining the contradictory appearance of competition with which I opened this section?

In examining the nature of the average rate of profit, immediate difficulties arise. Prices of production are conditioned on the existence of an average rate of profit, yet as Marx points out, the average rate of profit "is evidently a result, not a point of departure".(46) This section was opened with this contradiction, and it has already been seen that the problem here arises from the fact that equality of capitals means inequality of labours. It will simplify matters to start from the point where commodities exchange at their values. This is indeed the expository device that Marx uses: "The exchange of commodities at their value is the rational way, the natural law of their equilibrium. It must be the point of departure for the explanation of deviations from it, not vice versa, the deviations the basis on which this law is explained".(47) Now in those spheres with an average organic composition of capital, the price of production of commodities will coincide with their value, and the mass of profit is here identical with the mass of surplus value. Marx argues that for spheres of production with above or below average organic compositions of capital there are tendencies towards equalisation, and that these tendencies "seek to bring about the ideal average, which does not really exist, so that there is a trend towards crystallisation round the ideal".(48) What is meant by this 'ideal' which itself does not exist? Marx is surely being rather confusing at this point, and the confusion isn't helped by his use of two terms to denote this 'crystallisation': the general rate of profit and the average rate of profit.

In my own understanding, at its simplest, the general rate of profit can be associated with the general level of productive forces reached in the whole economy, so that it is the overall result of the formation of the average rate of profit. This latter exists as a tendency, and it is competition between capitalists "which is itself a movement towards this equilibrium",(49) which enforces this tendency. Given that on occasions Marx seems to use the terms interchangeably, I propose to use only the average rate of profit and to ignore the term 'general rate'.

The sphere of competition considered in each individual case is dominated by accident, says Marx, and this explains how it is that the individual capitalist is mystified about the source of his own profit. The law of value with respect to individual capitals which "enforces itself in these accidents and regulates them, does not become visible until large numbers of these accidents are grouped together".(50)

There is then, according to these assertions (and I think that as yet they can only be labelled as assertions), an intimate link between competition and the formation of the average rate of profit. If the nature of the processes at work can be clarified, the assertions can be substantiated as argument.

Marx actually sees the process of competition establishing an average rate of profit taking place on two levels. In the first place an average rate of profit is established in each sphere of production, depending on the organic composition of capital, its rate of turnover and the rate of surplus value. Competition here averages the different individual values of a given commodity into one social value, what Marx calls the market value, this being determined by average conditions of social production in that sphere. Market value thus exerts a social sanction on the individual enterprise.(50) (In a moment it will be seen how the favoured position of the entrepreneur producing under conditions of production above the average induces each capitalist to seek such a position.) The market price of a commodity may deviate from its market value, due to fluctuations in supply and demand, but the market value will be the centre around which market prices fluctuate. In other words, market prices fluctuate because the total quantity of social labour utilised in the production of a commodity cannot be guaranteed to correspond at each moment to society's total needs for that commodity. (As I have already mentioned Marx does also see competition acting at the level of market prices, but I am not concerned to develop an analysis of a level which has been so exhaustively covered by orthodox economics.)

The second level of competition is that at which an overall average rate of profit is formed, and this obvously depends on the relative weight of the different spheres of production within which an average rate has been established. This second level results in the establishment of prices of production, a process which only takes place when capitalism is fully developed in contrast with the pre-capitalist competition which establishes a single market value. It can thus be seen that the average rate of profit does indeed always exist as a mere tendency, for within each sphere there is, as it were, a space within which the rate of profit may fluctuate, and the same is true within the economy as a whole. "A change in the average rate of profit is, as a rule, the belated work of a long series of fluctuations extending over very long periods of time, fluctuations which require much time before they will consolidate and compensate one another so as to bring about a change in the average rate of profit".(52)

It is however important to notice that each level of competition actually requires that differences in profit level exist before competition can act to eliminate those differences. How do these differences come about? Not merely is there a tendency for profits to be equalized as has been shown up till now, but there is also a tendency towards differentiation of profit levels. I want to look more closely at the individual capitalist in his relation with the average rate of profit to develop this point. For the average rate of profit is present as a regulating element for the individual capitalist in the form of a wish to place himself in an exceptional situation. " The determination of values as such interests him only to the extent that it raises or lowers the cost of production for himself, in other words only to the extent that it places him in an exceptional situation".(53) The average rate of profit is an actual given for the individual capitalist, and the aim is to overreach it and make what Marx called an 'extra' or a 'surplus' profit. I have already shown this process at work in the analysis of relative surplus value, concluding that competition here enforces a characteristic already inherent in capital as such. An exceptional position can also be achieved through, for example, an increase in the rate of exploitation of workers or through an increase in the time of turnover of his capital by the individual capitalist. "Market value ... implies a surplus profit for those who produce in any particular sphere of production under the most favourable circumstances".(54) Most importantly, the realization of surplus profit depends on the process of circulation in the market: "In short, given the surplus value for a certain capital, it depends still very much on the individual business ability of the capitalist ... whether this same surplus value realises a greater or smaller rate of profit and thus yields a greater or smaller mass of profit".(55) In the Grundrisse also, Marx points out how wide open is the field of exchange. "Into the determination of prices ... there also enters - fraud reciprocal chicanery. One party can win in exchange what the other loses; all they can distribute among themselves is the surplus value - capital as a class. But these proportions open a field for individual deception etc., ... which has nothing to do with the determination of values as such".(56)

There are two other possibilities for the achievement of surplus profits which have not yet been mentioned; when certain spheres of production are in a position to evade reduction of their profits to the average profit as with ground rent, and surplus profits due to monopolies.(57) I will return to these cases in more detail in the next chapter, for they belong with the scattered comments that Marx had to make about the development of the forces of monopoly within competitive capitalism. They are therefore crucial to a consideration of what Marx had to say about the changing nature of competition.

What is the overall result of the individual capitalist's effort to place himself in an exceptional situation? It appears as though deviation from the average profit is the rule. "The abnormal exploitation, or even the average exploitation under exceptionally favourable conditions, seems to determine only the deviations from the average profit, not this profit itself".(58) Yet in fact this is a further example of reality being contradicted by appearance, and of the upsidedown nature of competition. The exceptional situation cannot last, since other capitalists will be driven to adopt the same methods and in the very process of seeking to transcend the average rate of profit, that average is actually effected and becomes a reality. "The special productivity of labour in any particular sphere, or in any individual business of this sphere, interests only those capitalists who are directly engaged in it, since it enables that particular sphere or that individual capitalist to make an extra profit over that of the total capital. Here, then, we have the mathematically exact demonstration how it is that the capitalists form a veritable freemason society arrayed against the whole working class, however much they may treat each other as false brothers in the competition among themselves".(59)

I want to conclude this section by drawing together what might be called the 'dialectical characteristics' of the relation between competition and the average profit rate, for this is something that Marx himself fails to emphasise sufficiently I feel.

This 'dialectical characteristic' is perhaps most visible in the process of formation of the average profit rate. It can be concluded that two contradictory tendencies subsist together here: the tendency towards equalization of profit rates, and the tendency towards their differentiation. Capital moves, tending to level rates of profit since competition then starts functioning, but differences in levels of profit also tend to reproduce themselves. As Salama puts it: "Surprofits dans certaines branches, sous-profits dans d'autres ... constituent <u>la base</u> à partir de laquelle <u>la concurrence</u> pourra jouer. Cette concurrence tout en deplacant les capitaux des branches les moins rentables vers celle qui le sont plus, suscitera parallèlement des modifications des combinaisons productives".(60) What is found here is a dialectical unity of equilibrium and disequilibrium. 'Extra' or 'surplus' profits actually give rise to average profits. Competition thus becomes an ambivalent reality. Deviation is the rule, and competition actually requires differences in profit levels before it can start to act. Thus the average profit rate is the result of both a movement towards the average and a movement away from it. Marx himself, it seems to me, failed to emphasise this two-fold nature of the formation of the average profit rate, and had he done so the confusion about 'ideal averages' which I criticised earlier could have been avoided. This is not of course to deny that Marx pointed out the two aspects of the formation of the average profit rate; it is probably the unfinished nature of Volume III that explains the rather unsatisfactory nature of the exposition. It will be very important to grasp the ambivalent nature of competition, because in the following chapters a further manifestation of this dual nature will become apparent. Through an examination of the contradictory nature of barriers to entry to a firm or an industry, it will be seen that competition both produces monopoly and that monopoly produces competition.

The second dialectical feature is one which Marx did deal with, but I think that it is valuable to spell it out. This is that the average rate of profit represents both solidarity of the capitalist class and its differentiation. The average rate of profit represents a "practical brotherhood of the capitalist class" (as Marx puts it) in that each individual capitalist shares in the common pool of surplus value in proportion to his share of the investment. Competition thus enforces common action on the capitalist class, and in so doing regulates the process of interaction within the class. Competition is thus anarchic, and yet it contains a regulatory force. The precise nature of the regulatory process will be discussed in the next section, although some indication was given in the section in the last chapter on value theory.

Meanwhile, it is now perhaps clearer why I asked the reader to accept the transformation procedure as given for this section. For whilst competition regulates the process of interaction within the capitalist class, it is not itself responsible for that class being the capitalist class in the first place. The transformation from value to price is necessary to show how capitalists comprise a single class, together exploiting the working class. In the next section I shall want to argue this case, but for the moment it remains clear that the individual capitalist will be mystified, for the determination of the average profit rate takes place behind his back as it were, and he neither sees nor understands it. True "at the bottom of all conceptions lies that of the average profit, to wit, that capitals of the same magnitude must yield the same profits in the same time",(61) for each capitalist is a share holder in the total social enterprise. But the mass of the surplus value produced in any particular sphere of production "has any importance to the individual capitalist only to the extent that the quantity of surplus-value produced in his line plays a determining role in regulating the average profit".(62)

What can regulation mean under these circumstances? To this question I now turn.

D. The Transformation Procedure: A Critique

This section can, I hope, be a relatively brief explanation of my own stand on this issue, given that I have already expounded at some length on the transformation procedure as presented by Marx. The labour theory of value, too, has also received consideration, and I have suggested that this law undergoes a specific development when commodities are exchanged as products of capital. The transformation procedure is of course an issue which has been the subject of many articles, doctorates, and books; I do not intend to provide any comprehensive survey of what has already been done, but rather to present a relatively brief rationale for my own position.(63) Given the concern of this thesis with the law of value and the changing nature of competition it is incumbent upon me to take a stand on this thorny matter.

The crucial question which I propose to address is, do prices of production involve a revision of the law of value? I shall be concluding that prices of production do not involve a revision of the law of value. In essence, I wish to argue that prices of production are a metamorphosed form of value, but of this more in a moment.

Participants in the controversy over the so-called transformation 'problem' have tended to centre their arguments around the tables used by Marx to illustrate the transformation of values into prices of production through the average rate of profit. This type of criticism was initiated by L. von Bortkiewicz with his article

"On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of Capital" originally published in 1907. It cannot be denied that Marx presented his calculations wrongly, and indeed Desai points out that appropriate mathematical tools were not available either to Marx or to Bortkiewicz (64). It seems important, however, to realise that Marx did not intend his mathematical formulations as a proof of his argument, but rather as an illustration. Marx makes use of mathematical examples in a number of places in Capital besides this chapter; another prominent example being the reproduction schema of Volume II, which are also essentially explanatory devices. Thus those concerned to demonstrate and eradicate errors in the tables provided by Marx in Chapter 9 are indeed assisting in the clarification of an argument, but they are neither proving nor disproving the underlying theory. Pierre Salama is someone who feels it is impossible for the transformation procedure to be viewed as simply a mathematic problem (however complex the maths involved might be) "L'analyse de la transformation, est nécessaire parce qu'elle traduit la nécessité d'analyser d'abord la loi de la valeur au niveau du capital en général. En ce sens, elle ne peut être une simple opération mathématique".(65) Wright, as was shown in the previous chapter goes a step further in attacking the Neo-Ricardian "thought-experiment" where mathematical calculation is given the status of proof about a process of causation. I take the view then, that it is not possible to take an "arithromorphic" approach to the transformation procedure, despite the impression that Marx gives by presenting his tables in Chapter 9 of Volume III. It is for this reason that I make no further comment on the mathematical contributions to the transformation debate, many as they are, and valid in their own right.

There can, however, be no doubt that capitalists calculate in the "neo-classical calculus" as Desai puts it. Competition, as a surface phenomenon, is to be seen tending to equalize the money rate of profit, not the value rate. Value calculus thus becomes a device to lay bare class relations, a device which is used ex-post, in other words a calculation which cannot be undertaken 'before' capitals have acted in terms of price relations. Why use the value method then?

In the section on the labour theory of value I argued that it is important to distinguish the form of value from the substance of value. If this is done, prices of production as the form of value, and the substance of value as embodied labour time are in different categories; they are incommensurable. It follows that although Marx saw it as important that the total surplus value of society equalled the total profits, such a statement should not actually be taken at its face value, since a strict parallel between surplus value (as the substance of value, embodied labour time) and profits (as the form value takes in a capitalist society) cannot be made; surplus value and prices being of different orders. But before spelling out the implications of this distinction between form and value, let me briefly put the transformation procedure in a firmer context.

Prices of production depart from values, and there is no possibility of prices equalling values, unless under very exceptional circumstances. Marx's understanding of value in other words requires the solution of the transformation problem. Indeed, as I have already shown, the possibility of incongruity between price and value was pointed out by Marx in Volume I of Capital. The transformation procedure then represents the relation between the individual capital and the class as a whole. The aggregate of society's capitals are in reality innumerable fragments made up of individual capitals, and yet the movement of capitals forms an homogeneous whole. In the last section, I showed the mechanism for the average rate of profit governing "the seemingly independent motions of capital", to use Rosa Luxemburg's words. In demonstrating the dual mode of formation of the average profit rate I hope that I have provided a sound basis for grasping an understanding of the regulative mechanism, but there is now a need to place this mechanism in the context of the transformation procedure.

The transformation from value to price is necessary to show that capitals comprise a single class, together exploiting the working class. Hilferding, for instance, (using Marx's notation, which was explained earlier) argues that the subordination of labour to capital is shown by the freedom and equality of capitalists. "The capitalists are free and equal; their equality is displayed in the price of production = k + p, where p is proportional to k. The dependent position of the labour is shown by his appearance as one of the constituents of k, side by side with machinery, lubricating oil and dumb beats; this is all he is worth to capitalists as soon as he has left the market and has taken his place in the factory to create surplus value".(66)

It has already suggested however, that it is illegitimate to see competition as the bridge from values to prices. There is not one world in which values operate and another in which prices operate. Competition cannot be introduced from outside the system, since it is inherent in the nature of capital as I argued earlier. The solution lies in seeing that prices of production do not involve a revision of the law of value, but rather constitute the law of value at a level nearer to reality. I do not apologise for quoting Salama at length, since he expresses this point so well. "La concurrence ne peut donc constituer la clé de passage des valeurs aux prix des production. L'analyse de la valeur se situe au niveau du capital en général (Livre I), celle des prix de production au niveau des capitaux nombreux (Livre III) où joue la concurrence. Mais pour expliquer cette concurrence encore faut il connaître au préalable les lois internes du capital definies au Livre I. Il n'existe donc pas un monde ou jouerait la valeur et un autre ou joueraient les prix de production, le pont étant constitué par la concurrence. L'analyse de la valeur est donc un préalable theorique necessaire pour comprendre les prix de production et de la l'evolution des prix de marché. Elle constitue donc un niveau d'abstraction necessaire pour saisir par la suite l'unité de cette diversité apparente des phenomenes. Les prix de production ne constituent que l'application de la loi de la valeur au niveau, plus proche du réel, des capitaux nombreux en concurrence".(67)

The regulative mechanism which operates to bring many capitals into relation with each other is not the relation of a dependent to an independent variable, price being the dependent, and socially necessary labour time being the independent variable. The law of surplus value is the process by which abstract labour is objectified, and not the relation between value and price. The inner character of the form of value regulates its representation at the level of reality. Universal social labour is thus an emerging result, a result which cannot be determined independently of the price form, since the price form provides the signals for the actors. The law of value thus asserts itself for individual capitals as a coercive law of competition. Equality of profit levels indicates a social sanction concerned with the general level of productivity in the whole economy. Nevertheless, as I have indicated already, the law of value is not simply the relation between value and price, and marxism is fortunately moving away from dogmatic and determinist interpretations of value.

Earlier, the different forms that value takes were followed: the price-form of value, value in the form of capital, involving the law of surplus value. I then showed Marx arguing the price-form of surplus value as profit appearing as an excess of the selling price of a commodity beyond its cost price. This price-form of surplus value as profit is the basic form of the capitalistic principle of the distribution of the surplus product. The price of production (cost price plus average profit) as a concrete form of value can be measured directly in money terms. However, it also represents the concrete form of the regulation of price by the substance of value, as the embodiment of labour time. I also argued that surplus value is the origin of profits, in that other determinants of profit act either due to their effect on surplus value, or within limits established by surplus value. If all sectors had the same organic composition of capital, prices of course would be directly proportional to values and the upper and lower bounds on profits would coincide. In the real world, organic compositions are not the same in all sectors, and this determines the actual profits made, but the total amount of surplus labour performed still defines the limits of what can be converted into profits in each sector.

The actual mechanism of regulation then, is brought about through competition, the law of surplus value expressing itself through the tendency towards the average profit rate. This regulation is indeed approximate; competition is a striving to divide the surplus value available. The 'striving to divide' however does not take the form of a pool of surplus value which is _first_ available to the whole capitalist class, and is _then_ divided between individual capitals. As I have described it the process of competition is inevitably guided _both_ by the 'underlying' substance of value _and_ by the 'neo-classical calculus' of the money rate of profit, and the popular image of a kind of melting-pot of surplus value from which each capital then takes a share is a misleading one. The laws immanent for the capitalist system as a whole assert themselves as coercive laws of competition for the individual capital.

A useful way of concluding this section on the transformation procedure is to consider the relationships between Volume I and Volume III of Capital. These have been seen from a number of perspectives, many of which I feel to be complementary. Thus Morishima is emphatic that the two volumes are not in contradiction, but that there is rather a development of the model in Volume III. This is frequently put in terms of the different levels of abstraction that Marx is concerned with. Rubin sees Volume I as primarily concerned with the relations between capitalists and workers, while Volume III looks more concretely at the relations between particular groups of industrial capitals. Banaji puts this in another way: the former volume looks at the laws of motion of capitalism at the level of the enterprise, while the latter examines these laws at the level of the social totality of enterprises.(68) Diane Elson criticises Rodolsky's characterisation (which I have made considerable use of) of Volume I as concerned with 'capital in general' and Volume III with 'many capitals', on the grounds that it is confusing to imply that Marx abstracts from competition in Volume I. She argues that Volume I actually abstracts from the consideration of social relations that imply that prices cannot directly represent magnitudes of values. For my part, I would prefer to emphasise Rosdolsky's distinction, advocating that the nature of 'capital in general' must be understood first of all, before the relations between 'many capitals' can be understood. Competition, as I've argued, is not thereby abstracted from, since competition is seen as something inherent in the nature of capital, but in starting with the emphasis on 'capital in general', the importance that value takes becomes clear.

Prices of production then are seen as a form of value nearer to reality. The regulatory process is indeed an approximate one, the equalization of profit rates being but a tendency, but which can nevertheless be seen as operating within limits set by total surplus value.

E. Conclusions

This chapter has placed considerable emphasis on elucidating the apparently contradictory nature of competition in relation to the labour theory of value. Summarising on the arguments used to solve these contradictions, it was pointed out that the concept of 'capital in general' contains the idea of competition, which in turn embraces the existence of 'many capitals'. From 'capital in general' the law of surplus value can be understood, which however appears to be contradicted in the real world of 'many capitals'. This contradiction can nevertheless be resolved if prices of production are seen as the form that value takes when commodities exchange as products of capital. The law of value as realised through the process of competition then provides the regulative mechanism whereby the immanent nature of capital becomes apparent, with the tendency to form an average profit rate as the regulative principle.

Marx was criticised at certain points for his lack of clarity in expounding this regulatory process. Thus I have tried to emphasise the dialectical nature of competition as both movement towards an average rate of profit (in terms of competition between capitals, at the level of competition between spheres); and movement away from that average, with capitals seeking normal surplus profits within a sphere, albeit on an inevitably temporary basis. Marx talks rather abruptly on the 'formation of the average profit rate'; in view of the approximate nature of this process, I would prefer to emphasise it as a <u>tendency</u> to form an average profit rate.

In line, then, with the conclusion drawn in Chapter 1 that the law of value cannot be seen as rigidly deterministic, this chapter has indicated that the law of value finds expression in a <u>tendency</u> to form an average profit rate. What status can be afforded to a tendency? It is certainly very difficult to provide empirical proof of a tendency to form an average profit rate. I do not however propose to enter into a full discussion on this issue until possible barriers to the tendency have been considered, which they will be in ensuing chapters. It is however undeniable that the law of value, even under the competitive stage of capitalism as considered by Marx has a certain elasticity. The first point I would like to make in defence of the law is that it makes no pretence to be anything but a broad and general law. A general law cannot, in its nature provide tight and particularised statements. Let me contrast the law of value with the laws of supply and demand; the latter make detailed predictions of price movements possible, but this does not invalidate the status of a more general law covering the wider aspects of economic phenomena.

Value theory provides then, a conceptual rather than an empirical framework. As has been argued during the course of this and the previous chapters, the labour theory of value does not provide a rigidly determined independent variable on the basis of which prices can be derived. A second important point which follows is that the law of value therefore leaves space for political action. Thus if one is arguing for prices being rigidly determined by the socially necessary labour embodied in a commodity, class struggle and political action must be external to economic processes. The approach taken here, in contrast, sees labour as the subject of production, and not simply its object. The individual is firmly present in terms of their labour contribution, what Marx calls the 'life activity'. The possibility of a mechanistic view of the automatic production of surplus labour giving rise to surplus value is thus muted. The substance of value is human self-activity, and we have an economic view of people which also encompasses their political and personal aspects.

Samir Amin seems to be making a similar point in "The Law of Value and Historical Materialism" when he sets himself the task of overcoming the appearance of a divide in Marx's work between his economic and his political writings. In the former "it would appear that Marx is setting forth a series of economic laws explaining the way that capitalism functions, treating these laws as objective ... and articulating all these laws around a single 'backbone' - the law of value", whilst the political writings seem to be about clashes between social classes organised around political aims.(69) Amin thus opposes both the idea that class struggle is powerless to change economic laws and the idea that class struggle can obtain anything; instead he is concerned to examine how economic laws and class struggle are interlinked. "My own thesis asserts that class struggle does not reveal the 'necessary economic equilibrium', but determines one possible equilibrium among others".(70) Whilst Amin is sensitive to the importance of integrating political and economic categories, he does not centre that integration in an analysis of the forms of value, but rather introduces the 'space' for the political element in the interrelation between the law of value and the class struggle. "In short, the class struggle operates on an economic base and shapes the way this base is transformed within the framework of the immanent laws of the capitalist mode".(71) In contrast, I have argued that this integration takes place through the forms that value takes, the law of value being the expression of the form in relation to 'many capitals'.

Despite the fact that I have argued that the value theory of labour allows 'space' for the political component, competition cannot of course be equated with freedom. The law of value subjects individuals to the rule of their relations of production. As Rosdolsky puts it: "Human beings, having been liberated from earlier limitations are subject to a new fetter under capitalism, namely the reified rule of their relations of production, which have grown up over them, the blind power of competition and chance. In one respect they have become freer, but in another they have become less free.(72) Nevertheless, this subjection is not absolute.

In conclusion however, let us look to the future forms of capitalism; to the future beyond the competitive stage of capitalism that Marx himself analysed. As a result of the consideration of the role of competition in Marx's theory of value I draw an initial conclusion that the law of surplus value is unlikely to become invalid through a change in the nature of competition with the development of the monopoly stage, since competition is not a driving force external to the system, but rather one which is inherent in it. I have shown that the law of surplus value is a general law which governs the distribution of surplus value between capitals through the tendency to form an average profit rate. However I have not yet examined the cases Marx put forward of 'capitals not submitting' to the average rate of profit, nor the other pointers which Marx provides towards the development of a monopoly stage of capitalism. To what extent might such developments modify these initial conclusions based on the analysis of a competitive capitalism?

Footnotes to Chapter 2

1. Marx (1973b) p. 414.
2. Rosdolsky (1977) pp. 12-13.
3. Ibid p. 19.
4. Marx Vol. III (1909) p. 244.
5. Rubin (1972) p. 223.
6. Marx Vol. I (1912) p. 305.
7. Ibid p. 15.
8. Ibid p. 27.
9. Ibid p. 30.
10. Rubin (1972) p. 62.
11. Marx Vol. I (1912) p. 35.
12. Ibid p. 40.
13. Rubin (1972) p. 11.
14. Marx Vol. I (1912) p. 67.
15. Ibid p. 83.
16. Ibid pp. 74-75.
17. Ibid p. 583.
18. Ibid p. 130.
19. Ibid p. 297.
20. Ibid p. 305.
21. Ibid p. 308.
22. Ibid p. 603.
23. Ibid p. 606.
24. Marx (1973b) p. 270.
25. Ibid p. 651.
26. Marx Vol. I (1912) p. 603.
27. Marx Vol. III (1909) p. 57.
28. Marx (1970) pp. 22-23.
29. Meszaros (1970) see p. 143.
30. Marx Vol. III (1909) p. 244.
31. Ibid p. 1015.
32. Marx (1973b) p. 421 fn.
33. Marx (1973a) p. 107.
34. Marx Vol. I (1912) p. 323.
35. Marx Vol. III (1909) p. 62.

36. Ibid p. 38.
37. Ibid p. 39.
38. Ibid p. 49.
39. Ibid p. 50.
40. Ibid p. 57.
41. Ibid p. 62.
42. Ibid p. 181.
43. Ibid p. 182.
44. Ibid p. 187.
45. Ibid p. 206.
46. Ibid p. 205.
47. Ibid p. 221.
48. Ibid p. 204.
49. Ibid p. 430.
50. Ibid p. 964.
51. Ibid see pp. 210-216.
52. Ibid p. 196.
53. Ibid p. 1018.
54. Ibid p. 234.
55. Ibid p. 163.
56. Marx (1973b) p. 433.
57. Marx Vol. III (1909) see p. 234.
58. Ibid p. 965.
59. Ibid p. 233.
60. Salama (1975) p. 246. "Surplus profits in some branches, below-average profits in others ... provide the basis from which competition can come into play. This competition, whilst displacing capitals from the least profitable branches towards those that are more profitable, also gives rise to modifications in the productive combinations".
61. Marx Vol. III (1909) p. 245.
62. Ibid p. 244.
63. See Benetti, Berthomieu & Cartelier (1975) for one thorough bibliography.
64. See Desai (1974).
65. Salama (1975) p. 245. "The analysis of the transformation procedure is necessary because it indicates the necessity of

first of all analysing the law of value at the level of capital in general. In this sense it cannot be a simple mathematical operation".

66. Hilferding in Sweezy (1975) p. 190.
67. Salama (1975) pp. 223-234. "Competition thus cannot constitute the key to the passage from values to prices of production. The analysis of value is situated at the level of capital in general (Volume I), that of prices of production at the level of many capitals (Volume III) where competition operates. But to explain this competition, it is still necessary to know at the outset the internal laws of capital as defined in Volume I. There is thus not one world where value operates and another where prices of production operate, with competition providing the bridge. The analysis of value is thus a theoretical starting point requisite for understanding prices of production, and thence the evolution of market prices. This analysis thus constitutes a level of abstraction necessary for afterwards grasping the unity of this apparent diversity of phenomena. Prices of production merely constitute the application of the law of value at the level nearer reality, of many capitals in competition".
68. See Banaji (1977).
69. Amin (1978) p. 1.
70. Ibid p. 5.
71. Ibid p. 34.
72. Rosdolsky (1977) p. 418.

Chapter 3

A CRITIQUE OF MARX'S VIEWS OF THE CHANGING NATURE OF COMPETITION

A. Introduction

This chapter will complete bringing together what Marx had to say about competition by pinpointing the transitional elements in Marx's thought, and examining the seeds of change noted by Marx which might be seen as pointing towards the monopoly stage of capitalism, as the concept was developed by later writers. Putting it another way, the interface between competition and monopoly as portrayed by Marx will here be the focus of attention.

Three aspects of this interface will be identified. The first can be seen as the descriptive aspect - Marx's well known, if rather brief references to the process of concentration and centralisation of capital. The second relates to Marx's examination of the sub-divisions within the capitalist class (what have been called the fractions of capital) between commercial, industrial and banking capital and the development of the credit system. The third analytical aspect, and what I shall be dealing with here, are the cases of 'extra' surplus value which Marx examines. These cases contrast with the 'normal' surplus profits identified in the last chapter, where the tendency to form an average profit rate was seen as a function of both movement towards and away from that average with the latter as the incentive for particular capitals (reinforced by competition) to gain extra surplus value within the sector. Competition was thus seen at one level operating within the sector to ensure that the commodity had the same market value for all producers regardless of the method of production used, which meant 'surplus' or 'extra' profits for those who produced the commodity with 'above average' production methods. These 'extra' profits were nevertheless inevitably temporary (earned only until other producers in the sector adopted similarly advanced methods), giving the picture of a relatively straightforward tendency for the establishment of an average profit rate, this average profit rate being the basis for the interaction between capitals - both the starting point for competition and its result. It was also mentioned in the last chapter that competition takes place at a second level, that between sectors, and it is this second level of competition that will be more closely examined in this chapter. Marx talks here of the possibility of a series of special cases of 'exclusions' from the average profit rate taking place at the intersectoral level.

The chapter will conclude by pointing to a dichotomy between Marx's treatment of the descriptive and the analytical aspects of the changing nature of competition, as well as identifying a number of inadequacies in what Marx had to say. How far, then, did Marx anticipate further developments in the competitive process?

B. Concentration and Centralisation of Capital

Marx saw these two processes as inevitably taking place alongside capitalist accumulation. Talking of primitive accumulation in the chapter of Volume I entitled "The General Law of Capitalist Accumulation", Marx shows that not only is a certain degree of accumulation of capital a precondition for the capitalist mode of production, but also that this mode of production itself causes an accelerated accumulation of capital. This growth of social capital must be effected through the growth of individual capitals (paralleling the fact mentioned in the previous chapter that capital must exist in the form of many capitals). Marx calls this 'concentration' of capital; it goes along with accumulation. As he says in the "Economic and Philosophic Manuscripts": "The formation of many capital investments is only possible as a result of multilateral accumulation, since capital comes into being only by accumulation; and multilateral accumulation necessarily turns into unilateral accumulation".(1) Concentration is limited on the one hand by the rate of increase of social wealth and on the other by repulsion between individual capitals where "the increase of each functioning capitalist is thwarted by the formation of new and the subdivision of old capitals".(2) In other words, if accumulation is proceeding rapidly the possibility of particular capitals expanding is correspondingly greater, while acting counter to this is the fact that a greater rate of accumulation stimulates growth in the number of particular capitals, thus restricting concentration of existing capitals. (We shall see that this double tendency exists also in the case of the formation of barriers to entry by monopoly capital and their supersession in ensuing chapters.)

Repulsion between capitals is countered by their attraction. Centralisation "is concentration of capitals already formed, destruction of their individual independence, expropriation of capitalist by capitalist, transformation of many small into few large capitals".(3) Marx says that he cannot here develop the laws of the centralisation of capital (these are of course taken up in later chapters of this thesis), but he briefly indicated that the "battle of competition" is based, via the productiveness of labour, on the scale of production. In other words, centralisation comes about through the action of the immanent laws of capitalist production itself. "One capitalist always kills many".(4) It can only be concluded that in the very battle of competition, competition is destroying itself. The contradictory manifestation of competition is something that Marx does not develop, but it will be seen as a problem which marxist writers on the monopoly stage of capitalism must perforce confront. Concentration is inevitable "and it is precisely through competition that the way is cleared for this natural destination of capital".(5) This expropriation takes place on an enormous scale in which "both success and failure lead now simultaneously to a centralisation of capital".(6)

It is precisely in this process of concentration and centralisation that Marx anticipates the demise of capitalism, and I here cite one of the purple passages of Volume I 'in extenso':
"Along with the constantly diminishing numbers of the magnates of capital, who usurp and monopolise all advantages of this process of

transformation into large scale units grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated".(7) It can be seen from this passage that Marx visualises the process of concentration and centralisation as leading to the demise of capitalism, rather than as giving rise to a new phase of the existing mode of production.

There are further hints of the possible mode of this transition in Volume III when Marx is concerned to analyse the credit system in Part 5. In Volume I he has already remarked on the credit system as the specific mechanism for the centralisation of capital, so that the laws of centralisation of capital depend on the development of the credit system. As the credit system develops 'fictitious' capital is formed, based on 'capitalising' any money income on the basis of the rate of interest.(8) The existence of fictitious capital means that all connection with the actual process of self-expansion of capital is lost, opening the way for rapid depreciation in times of crisis, and thus contributing to the process of centralisation.(9) But the credit system also implies "the latent abolition of capitalist property".(10) In the joint stock company, enterprises assume the form of social enterprises, involving "the abolition of private property within the boundaries of capitalist production itself".(11) With hindsight, this sort of analysis has many affinities with the ideas of the managerial revolution as initially propounded by Berle and Means in the 1930's: ideas that the separation of ownership and control in the large enterprise lead to some kind of supersession of capitalism. This approach will be criticised in later chapters, but meanwhile it seems justified to see Marx as being rather naive at this juncture.

The credit system as Marx presents it, conforms to a dual nature: it centralises social wealth, but at the same time constitutes the transition to a new mode of production. "There is no doubt that the credit system will serve as a powerful lever in the transition from the capitalist mode of production to the production by means of associated labour".(12) This view of the transition to socialism is a somewhat mechanistic one, which makes little allowance for capitalism's ability to be flexible, and to mould social and economic change to its own continuing existence, although it must be allowed that Marx is proffering a few comments here rather than providing a considered line of argument. Once more we see Marx anticipating a new mode of production rather than a new stage within the existing mode.

Summarising then, Marx was obviously aware of the process of concentration and centralisation of capital, seeing it as significant for future evolution. Yet he does not provide a systematic development of the theme. Rather, certain pointers on the nature of the then-current development of capitalism are given, with the generalised implication that this will hasten the arrival of the new mode of production, socialism. It should perhaps be noted that only a few years later, Engels, as the editor of Volume III, saw fit to intervene in Marx's description of the joint stock company, interjecting the subsequent development of cartels, and the fact that monopoly can replace competition in an entire line of industry.(13) Marx himself points to the fact that large industry and large agriculture reinforce each other to promote extension of their large-scale nature.(14) This change in the nature of competition is of central concern to marxist writers from the beginning of the following century.

C. The fractions of capital

Up till now, the capitalist class has been presented as consisting of an undifferentiated group of 'many capitals'. Since the changing nature of competition and the law of value with the development of the monopoly stage of capitalism are considered in later chapters, it will be helpful to be aware of the fact that Marx distinguished different sections within the capitalist class. The previous chapter followed the intricacies of profit as a mystified form of surplus value, but profit itself can, in Marx's terminology, take on the different forms of rate of interest, profit of enterprise and rent. These different forms of profit are associated on the one hand with different fractions (this seems the best term to use) within the capitalist class, notably industrial, banking and commercial capital, and on the other with the landowning class. It is also interesting to see that Marx contrasts the nature of the determination of the rate of interest with that of the average profit rate, since this highlights the approximate nature of the latter.

As I mentioned at the beginning of my exegesis of Volume III, the existence of different subdivisions within the category of profit further mystifies the nature of surplus value. The three classes of capital, merchant's capital, interest-bearing or banking capital and industrial capital differ in the form of their circulation. It will be recalled that Marx saw capital as taking the circulation form M - C - M', which in Volume II he specifies more precisely as $M - C \genfrac{}{}{0pt}{}{\nearrow LP}{\searrow MP} \ldots P \ldots C' - M'$, where C is the means of production including labour-power, the production process P intervening before the commodity capital C' incorporating surplus labour can finally be sold with an increment M' added to the original money capital ventured.

The circulation of merchant's capital takes the form of M - C - M' where the same commodity changes place twice, merchant's capital being necessary due to the specific form of capitalist production which presupposes the circulation of commodities. The exclusive function of merchant's capital is to convert commodity capital into money capital, and thus commercial capital forms an independent fraction of capital. As such it plays a determining role in the formation of the average rate of profit, for although merchant's capital does not take part in the production of the surplus value which is converted to an average rate of profit, costs of circulation are an essential part of the total process of reproduction.(15) Marx deals with merchant's capital in Part 4 of Volume III, to which the interested reader is referred for further details.

Part 5 deals with the second division of capital, interest bearing capital. This takes the form $M_A - M_B - C - M'_B - M'_A$ where money capital changes hands from A (the owner) to B (the borrower) the latter transforming it into productive capital and returning the realised capital with an increment to A. The outlay of money as capital and its reflux as realised capital are duplicated due to the transfer between borrower and owner. Capital here becomes a commodity as capital, in contrast with the movement of both merchant and industrial capital.

Let us here pause to examine the nature of the rate of interest, for Marx contrasts the determination of this with the formation of the average rate of profit, so that the nature of the latter is further illuminated. The clash between financial and industrial capital is purely empirical, as compared with the two opposing elements, labour and capital. Thus there is no general law by which to determine the limits of the mean rate of interest (as total surplus determines the limits of the average rate of profit) "because it is merely a question of dividing the gross profit between two possessors of capital under different titles"(16), yet the rate of interest appears as a "uniform, definite and tangible magnitude" in a very different manner from the rate of profit. Marx in fact characterises the average rate of profit as a "vanishing shape of mist compared to the definite rate of interest"(17), saying further that "The average rate of profit does not appear as a directly existing fact, but merely as a final result of the compensation of opposite fluctuations to be determined by analysis".(18)

Incidentally, I do not feel that this undoubtedly very brief characterisation of the contrasting nature of the determination of the rate of interest and of the average profit rate contradicts Lawrence Harris's article "On Interest, Credit and Capital".(19) Harris here concerned to show that Marx did consider the rate of interest to be subject to determinate analysable laws - I am not denying this, but simply saying that there is not a general law governing the rate of interest, and Harris indeed agrees that the rate of interest has an indeterminate status within value theory. The conclusion to be drawn is that when a general law is being applied (the law of value deriving from the value theory of labour) the result is a breadth in the statements that can be made. When on the other hand a general law is inapplicable, and the market criteria of supply and demand are used instead, considerable precision is reached. I am not arguing against the usefulness of the latter, but rather saying that general laws also have their place. It is general laws that are my prime concern in this thesis.

Despite this, the money market has a very special character, for capital exists here in the form of independent value money. This means that the social character of capital is here fully expressed, the competition between individual spheres ceasing. "The character worn by industrial capital only in its movement and competition between individual spheres, the character of a common capital of a class comes into evidence here in full force by the demand and supply of capital".(20) Capital in general has appeared up to now only as an abstraction, but capital in general as distinct from the particular real capitals, has itself a real existence, the capital accumulating in banks.(21) We are now able to move full circle from capital in general to particular capitals and back again. The social character of capital as expressed in the average rate of profit can in fact only be promoted and fully realised by the complete development of the credit and banking system, for the credit system allows for the free movement of capital between spheres of production.(22)

What of the third class of capitalist, the industrial capitalist? The functioning capitalist, as a non-owner of capital, sees interest as the mere fruit of owning capital whilst perceiving the remainder of gross profit, what Marx calls the profit of enterprise, as the fruit of his own activity. The two parts of gross profit become ossified and individualised with respect to one another, and this is so even if the employer of capital is actually working with his own capital. Interest bearing capital represents capital as ownership, whilst profit of enterprise represents capital as function, but the latter is dependent on the former, for profit of enterprise relies on the existence of interest as an independent category. The opposition of capital to the wage labourer is obliterated in interest, and at the same time the functioning capitalist is seen as working: the process of exploitation now appears as a simple labour process! "It is the interest which represents the social form of capital, but it does so in a neutral and indifferent way. It is the profit of enterprise which represents the economic function of capital, but it does so in a way which takes no cognisance of the definite capitalist character of this function".(23) The fetishism which we first observed in relation to the exchange of commodities reaches in interest bearing capital its highest stage, for "Instead of the actual transformation of money into capital, only an empty form meets us here". We find money generating money, and this form of self expanding value shows no scars of its origin. "The social relation is perfected into the relation of a thing, of money, to itself".(24) Just as the competition between many capitals masked and obliterated the class struggle between capitalists and workers, so too does the existence of different fractions of capital obscure the nature of exploitation and the source of surplus value.

What is of particular interest in Marx's analysis of the fractions of capital is the foreshadowing of the institutional changes in the forms of those fractions which the theorists of imperialism pinpoint as one of the characteristics of the monopoly stage of capitalism. Since Marx argues that competition between the fractions of capital (industrial and banking) is not subject to the general law of value, this raises the question of how far the merging of these fractions under the monopoly stage brings up new issues in terms of greater determinateness in the distribution of surplus value.

D. The Cases of 'extra surplus profits'

The introduction to this chapter has already provided a brief explanation for the role that these cases play in Marx's analysis. The framework within which he places the cases of extra surplus profit are those of capitals not submitting to the process of profit equalization, so that "a surplus profit may ... arise, when certain spheres of production are in a position to evade the conversion of the values of their commodities into prices of production, and thus a reduction of their profits to the average profit".(25) The bulk of Marx's analysis of these special cases of extra surplus value falls into Part 6 of Volume III, 'The Transformation of Surplus Profit into Ground Rent'. The questions that I want to keep in mind as I trace what Marx has to say are three in number. Does the existence of such special cases alter the nature of competition? Does it disturb the economic analysis of the formation of market values? What kind of barriers lead to capitals not submitting to the average profit rate, or being 'excluded' from the formation of the average profit rate? Marx made descriptive observations of the growth of large-scale enterprise as has already been seen. It is important for the analysis of the changing nature of competition and the corresponding operation of the law of value, to see what analytical comments Marx made that might be of relevance to the growth of large scale enterprise. As I expound on the six cases of extra surplus profits, it will become apparent that Marx concerns himself almost exclusively with one type of monopoly - that of the monopoly ownership of land. Conclusions on the relevance of this approach will be drawn at the end.

(a) Differential rent

This category is of course one that was introduced into political economy by David Ricardo. Marx introduces differential rent by considering the case of a manufacturer who is able to make use of natural water power instead of steam for motive power. In more general terms, by harnessing any relative natural superiority in fertility or power, the farmer (capitalist or otherwise) or manufacturer can gain a surplus profit which does not differ from any other surplus profit. "This surplus profit then, is likewise equal to the difference between the individual price of production of those favoured producers and the general social price of production regulating the market in this entire sphere".(26) Because of private ownership in land, the surplus profit can be transformed into ground rent, but private ownership is not the cause of the creation of this surplus profit. "The property in land is here merely the cause of the transfer of a portion of the price of the product, which arises without any active participation of the landlord in production and resolves itself into surplus profit".(27) This rent is what Marx calls a 'differential' rent since it does not enter as a determining factor into the average price of production of commodities, but is rather based on this average. "It always arises from the difference between the individual price of production of the individual capital having command over monopoly of natural power and the general price of production of the total capital invested in that particular sphere".(28) This surplus product, is limited on the one hand by the difference between the capitalist's individual cost price and the general one and on the other by the magnitude of the general price of production, into which the average rate of profit enters as a regulator. The differential rent is determined on the one side by goods being sold at their general market price "the price brought about by the equalization of individual prices through competition",(29) and on the other by the greater individual productivity of this capitalist's labourers. This rent therefore plays no part in the formation of the prices of agricultural or mining products. Thus the only way in which the existence of differential rent can be considered to modify the law of value as expounded in Chapter 2, is that surplus profits are here of a more durable and lasting character. The change that takes place relates not to the production of extra profit, but to its distribution. Ownership of land leads to surplus profit taking the form of differential rent, payable to the owner of that land. This relative natural superiority can however be broken down, and Marx gives the example of coal becoming cheaper so that the relative advantage of water power decreases. Thus developments in power technology have long left behind eighteenth century disputes over who owns the wind!(30) Massey and Catalano underline this approach when they argue that differential rent need not be the form taken by the process of equalizing profit rates when ownership relations change.(31)

(b) Absolute rent

Marx developed the concept of rent used by Ricardo to show that an absolute rent was payable even on land of the worst quality, on which there was no relative advantage. A crucial question thus becomes, does this rent enter into the price of products as an element independent of their value?(32) Marx made the assumption that the organic composition of capital was lower in agriculture and in the extractive industry than the average. (Whilst Marx was probably justified in such an assumption owing to the relative backwardness of agriculture in his day, that assumption is not valid today, and the implications of this will be considered below.) Such a capital will, in employing more living labour, produce more surplus value than the social average capital. "The value of its products stands, therefore, above their price of production plus the average profit, and the average profit is lower than the profit produced in these commodities".(33) Now normally, as I have already pointed out, surplus profits are only tolerated within a sphere of production, so that the conversion of values into prices of production via the average rate or profit in the economy as a whole isn't affected. But this assumes free movement of capital between sectors and that "no barrier, or at least only a temporary and accidental barrier, interferes with the competition of the capitals, for instance, in some spheres of production ... where the produced surplus value is larger than the average profit".(34)

There may however be conditions under which the general equalization of surplus value into an average profit is wholly or partly prevented. "Private property in land ... is the barrier which does not permit any new investment of capital on hitherto uncultivated or unrented land ... without demanding a rent, although the land may belong to a class which does not produce any differential rent".(35) This rent is formed from the excess of the value of the commodities produced by agricultural capital over their price of production, or a part of it. Absolute rent is thus due to the fact that all or part of the surplus value is withdrawn from the process of equalization to the average profit rate. It depends on market conditions to what extent the surplus value created in agriculture is converted into rent, or enters into the general equalization to an average profit rate. Marx considers it "a matter of course that this tax has certain limits",(36) namely additional investments on old leaseholds, competition of the products of the soil of foreign countries, competition amongst landlords and the wants and solvency of consumers. Marx could also have included prices of substitutes, but perhaps this important factor could be included under wants.

Marx sees absolute rent creating a monopoly price for the products of the soil. This, it seems to me, is not a helpful terminology to adopt. This monopoly price is a special case since normally a monopoly price arises because the price of a product exceeds its value. (This latter case is considered below.) Marx sees the monopoly price of agricultural or mining products as due to the fact that their higher value is not levelled to prices of production. "If the value of commodities is higher than their price of production, then the price of production is k + p, the value k + p + d, so that p + d represents the surplus value contained in it. The difference between the value and the price of production is, therefore, equal to d, the excess of the surplus value created by this capital over the surplus value assigned to it by the average rate of profit".(37) The monopoly price here consists in the fact that either price is equal to value (containing an amount d above the average profit rate), or that price is lower than the price of production (thus containing a proportion of d). The reason for this monopoly price is the monopoly in private ownership of land. The source of absolute rent as a monopoly price is that it is completely created and realised in the branch. Marx is therefore using the term 'monopoly price' for a phenomenon which is the result of monopoly in ownership of land. Private ownership of land is incidental to capitalism, and to use 'monopoly price' in this context, it seems to me, diverts attention away from possible criticisms of capitalism towards an attack on landed property. A parallel can be drawn here with the fact that equally confusingly, mainstream economists often refer to the surplus profits obtained by monopolists as monopoly rent. Whilst it is important to draw attention to similarities between the monopoly ownership of land and the monopoly ownership of capital, it seems clearer to retain the term rent for use in association with the former only, and monopoly with the latter.

In this discussion of absolute rent, I have restricted myself to an almost straight exposition of what Marx had to say. Essentially, as I shall be arguing in the conclusion to this chapter I see Marx's concern with the analysis of the effects of land ownership on the law of value as both anachronistic and of little relevance to monopoly within the capitalist class. Whilst it is true that under certain historical circumstances landowners as capitalists may become a fraction of capital (in the same way that for example merchant or industrial capital are fractions) landowners are essentially a separate class, whose existence is in no sense fundamental to capitalism. What is very noticeable about Marx's analysis of absolute rent is that it once more relies on the idea of a pool of surplus value available to the whole capitalist class, a kind of melting pot of surplus value, only on this occasion there is a dam which sets one part of the pool apart. What would be useful would be if Marx were to discuss barriers between sectors of capital which were not simply a function of the ownership of land.

(c) Monopoly rent

But what of the case where the average composition of capital in agriculture or the extractive industries is above that of the social average capital? "If the average composition of the agricultural capital were the same, or higher than that of social average capital, then absolute rent, in the sense in which we use that term, would disappear".(38) The case of a higher than average organic composition of capital has hardly been considered by Marx. Nevertheless, we find Marx saying, "the rent would create a monopoly price, if grain were sold not merely above its price of production, but also above its value, owing to the barrier erected by the private ownership of land against the investment of capital upon uncultivated soil without the payment of rent".(39) Marx cannot here be talking of absolute rent (since in that case price is either equal to or below value), he is rather referring to what he very briefly calls elsewhere, a "monopoly rent". "Even monopoly rent, to the extent that it is not a deduction from wages, and does not constitute a special category, must be indirectly always a part of surplus value. If it is not a part of the surplus value which is measured by the average profit (as in the case of absolute rent) it is at least a part of the surplus value of other commodities, that is, of commodities which are exchanged for this commodity which has a surplus price".(40) Monopoly rent must thus be comprised of a transfer of surplus value produced in branches with an organic composition of capital below the social average, paralleling the normal profit in any sector with an organic composition of capital above the average. The difference between value and monopoly price is thus made up of two parts: the first is the difference between value and price of production which will be a part of the whole of normal profit, the second is the difference between the price of production and the monopoly market price. Both constitute a transfer of values produced in branches with an organic composition of capital below the social average.

Like absolute rent, monopoly rent provides a basis for a 'monopoly price'. Thus once more, monopoly price is being discussed as a relation of distribution between two classes, the capitalist class and the landowning class. The monopoly price in both these cases is determined by the rent payable to the landowning class, although in one case it is thanks to a lower than average organic composition of capital, whilst in the other it is a higher than average one. But what of monopoly prices themselves, monopoly prices that are not determined by the existence of rent?

(d) Monopoly price

"When we speak of a monopoly price" says Marx, "we mean in a general way a price which is determined only by the eagerness of the purchasers to buy and by their solvency, independently of the price which is determined by the general price of production and by the value of the products".(41) Marx raises the question of a monopoly price in the context of a rent resting on a monopoly price, rather than the opposite case which I have been considering up to now. He deals with it very briefly for "its analysis belongs in the theory of competition, where the actual movement of market prices is considered".(42) (This is Marx's third level of competition, that of market prices, which I have up till now ignored, on the grounds that this level of competition is precisely the level at which it is considered by orthodox economists, so that marxists have here nothing specific to offer.) Thus Marx gives only one example of this type of monopoly price, "a vineyard producing wine of a very extraordinary quality, a wine which can be produced only in a relatively small quantity, carries a monopoly price. The winegrower would realise a considerable surplus profit from this monopoly price, the excess of which over the value of the product would be wholly determined by the wealth and fine appetites of the rich wine drinkers".(43) This example seems to be of an exceptional and decidedly obscure character, calling for some extensive criticism.

Firstly, the example is once more tied to the case of landownership; a vineyard rather than an industrial case is what we are presented with. The causal level for the monopoly price is that of the market interaction of supply and demand, so that what is being considered is market prices, rather than market values. Marx's interest in the case is however based on the possibility of a rent (for the landowner) being derivable from this monopoly price. Secondly, this example of a monopoly price bears no relation to the descriptive analysis that Marx makes of the growth of large scale enterprise. His example of a monopoly product is of a luxury commodity, such that the demand factors influencing market prices are of a highly subjective character. What of the provision of railway services for example, surely of far more economic significance? Although private ownership of land is again an element, there is also here a potential barrier to participation by all members of the capitalist class in terms of the size of capital required. In such an example (of contemporary relevance to Marx) the issue of competition is not here simply tied to the level of market prices, as Marx implies it always will be in the case of a monopoly price, but becomes a matter of barriers within the capitalist class, which will operate at the level of market values. Why does Marx not relate his ideas on monopoly price to his own assessment of the importance of large scale enterprise? Marx limits himself to an outline of what I would like to name 'subjective monopoly price', whereas what I will argue that of greater significance is the 'monopoly transformation' taking place between sections of the capitalist class.

(e) Profit upon alienation

The final category of extra surplus profit which Marx proposes is that of 'profit upon alienation'. As we shall see in Chapter 5, certain marxist writers (44) draw comparisons between and even attempt to equate, monopoly surplus profits with profit upon alienation. For Marx, profit upon alienation is made by the merchant within the process of circulation. This was possible because trade had not yet established equalized individual values of commodities. "It is not supposed to be an exchange of equivalents.

The conception of value is included in it only to the extent that the individual commodities all have a value and are to that extent money. In quality, they are all expressions of social labour but they are not values of equal magnitudes".(45) It is profit made exclusively in the sphere of circulation. In other words, a profit upon alienation can only be obtained at a relatively undeveloped stage of world commodity exchange, and the very activity of the merchant in fact successively reduces the possibility of deriving such a profit since he thereby establishes the equivalence of commodities. It is of little relevance to developed capitalism.

E. Conclusions: lasting surplus profits

Diagram 3.1 provides a summary of Marx's views of competition and its changing nature as spelled out in this and the previous chapters. The labour theory of value shows competition as inherent in the nature of capital at the abstract level of 'capital in general'. Nearer to the real world, the law of surplus value regulates the interaction between 'many capitals'. This is achieved through the process of competition establishing an average rate of profit as the regulative principle for distributing surplus value. Competition acts at two levels for Marx: within a sphere of production and between spheres (1) & (2). In both cases the tendency to form an average profit rate is the outcome of both a movement towards that average and a movement away from it as capitals try to put themselves in a special position. Within sectors the tendency to differentiate takes the form of 'normal surplus profits' (due to technological advantage), whilst between sectors Marx largely sees it as taking the form of rent due to the barrier of landed property. Marx also describes competition taking place at the level of market prices, but since so much work has been done within the orthodox paradigm in relation to this level of competition, I have ignored it in this thesis.

The transformation procedure links 'many capitals' to the formation of prices of production within spheres of production in

DIAGRAM 3. 1

MARX'S VIEWS OF THE CHANGING NATURE OF COMPETITION

Labour theory of value. → 'Capital in general'
Competition inherent in nature of capital.

↓ Nearer to real world

Law of surplus value. → 'Many capitals' and their interaction

Competition establishes an average rate of profit as a regulative principle distributing surplus value

Nearer to real world → Transformation Procedure

Banking capital as 'capital in general' in the real world.

Tendency to equalise ↑

(1) Within a sphere of production
Competition averages different individual values into one social value (market value)

↑ Tendency to differentiate via normal surplus profit

↓

Market Price
Formed through fluctuations of supply and demand

Tendency to equalise ↑

(2) Between spheres of production
Depends on relative weight of different spheres. Formation of prices of production

↑ Tendency to differentiate landed property as barrier
Rent

Further distributions of surplus value required

(3) The fractions of capital
Banking capital (interest)
Industrial capital (profit of enterprise)
Merchant capital (enters formation of average profit rate)

(4) Concentration and Centralisation of Capital
Marx doesn't relate this phenomenon to the issue of distribution of surplus value.

a process which brings 'many capitals' nearer to the real world. 'Many capitals' can also be grouped into 'fractions' (3): merchant capital enters into the formation of the average profit rate, but banking and industrial capital distribute surplus value between them in the form of interest and profit of enterprise respectively. Banking capital then provides a link with Marx's original analytical category as 'capital in general' in the real world. Marx does not relate his description of concentration and centralisation of capital (4) to the rest of his analysis of competition and the distribution of surplus value.

In this chapter I have been relatively brief in the exposition of what Marx had to say with regard to 'exclusions' from the average rate of profit, because I see his remarks on the matter as of limited relevance to my own concern with the changing nature of competition and the application of the law of value. Had I been concerned with land ownership, a more detailed and critical presentation would have been necessary, and there has in fact been a resurgence of interest in Marx's analysis of rent in recent years. Marx can indeed be excused his lack of concern with monopoly within the capitalist class on the grounds that when he died, the growth of large-scale enterprise was at an embryonic stage. Thus Marx was unable to provide an analysis of the form that the working class state would take as a 'dictatorship of the proletariat' until the events of the Paris Commune of 1870 provided evidence for that form.(46) Similarly it could be argued that Marx could do little more than point to the tendency towards concentration and centralisation of capital (as described in section B) at the time when he was drafting "Capital".

I would thus argue that what Marx had to say on the possibility of the development of a monopoly stage of capitalism, as exemplified in his consideration of the phenomena of large scale enterprise and monopoly, needs substantial development, and I would now like to summarise the criticisms I have to make of what is said in "Das Kapital".

The first relates to the dichotomy that seems to exist between the description of the growth of large scale enterprise in terms of concentration and centralisation, and the analysis of exclusions from the tendency to form an average profit rate. The latter, as was seen in section D, relates almost exclusively to land ownership. Thus although Marx mentions the possibility of barriers between capitals, he provides no analysis of the effects on the average rate of profit of anything besides the monopoly barriers of land ownership. As I have already emphasised Marx's references to subjective monopoly price are obscure. Yet the analysis of concentration and centralisation implies the growth of monopoly. I feel that Marx devotes much attention to the issue of rent, something that was substantially of historical interest even in his day, at the expense of a phenomenon that he himself recognises as being of contemporary significance. A second and related criticism is that Marx in his descriptive passages implies a contradictory nature for competition - that competition creates the seeds of its own demise in the growth of large scale enterprise; yet that he does not develop this idea. As already stated the possibility of competition creating monopoly is missing from Marx's exclusions from the tendency towards an average profit rate. Thus an alteration in the nature of competition is described, while its effect on market values is not analysed.

It has been seen however that Marx saw concentration and centralisation of capital as leading to the demise of capitalism. Although Marx was criticised for the naivity of this implication earlier, the fact that he sees the growth of large scale enterprise leading to socialism may explain this lack of interest in the possibility that it might indicate a new stage of capitalism. I have already suggested that had Marx had this latter perspective, he might have been able to link the development of the credit system and the consequent institutional changes in the fractions of capital with industrial monopolisation, as the theorists of imperialism did at the beginning of the twentieth century. As it was, Marx again associated the development of the credit system with the new mode of production, socialism.

Having made these general points of criticism, let me now turn to a more detailed consideration of the significance of the 'exclusions' from the formation of the average profit rate for an analysis of competition. A crucial question: when Marx talks of 'exclusion', does he mean lasting exclusion? Normal surplus profits (obtainable within a sector), despite being a constant feature of capitalism, are not permanent, since the competition inherent in the nature of capital involves a continual process of innovation which both supersedes normal surplus profits and re-establishes them. It has similarly been seen that profit upon alienation is also of temporary duration, although in contrast there is no tendency for such profits to be re-established. Are absolute rent and monopoly rent (when surplus profit is a function of the lack of equalisation of profit rates between sectors, Marx's second level of competition) permanent in contrast to normal surplus profits? If permanent, then competition has ceased to operate. Yet it is surely going to be difficult to answer this question on the basis of "Das Kapital", for as has been seen, Marx's analysis deals only with land as a barrier to the formation of an average rate of profit. True, he mentions the possibility of other barriers, but does not analyse them. What Marx provides us with is an analysis of the source of the income of the landowning class, (a relation of distribution between classes) whilst what is of interest here is whether, on the basis of barriers between capitals, one can distinguish a further division within the capitalist class (this could provisionally be called the division between 'monopoly' and 'non-monopoly' or 'competitive' capitals), adding to Marx's own distinctions between banking, industrial and merchant capital.

In Chapter 2 I tried to show that for Marx the average rate of profit is something which competition urges individual capitals towards and indeed beyond. What then is the significance of 'exclusion from the formation of the average profit rate' when continually recurring, although temporary exclusions in the form of normal surplus profits are the very mode of formation of that average? Thus Mandel correctly points out in his chapter of "Late Capitalism" entitled 'The Three Main Sources of Surplus

Profit' that the capitalist search for profits is in fact a search for surplus profits, "If the accumulation of capital is said to depend on the realisation of surplus value, then ... in the context of 'many capitals' - i.e. of capitalist competition - the latter must ultimately be a problem of the quest for surplus profits".(47)

As I have said, there is the difference that normal surplus profits are created within the sector, and in this respect it is perhaps unjustified to talk of 'exclusion' from the formation of the average profit, for such capitals in fact obtain the average profit and additionally enjoy their temporary surplus profit. Absolute rent and monopoly rent are a function of the lack of competition at an inter-sectorial level, thanks to private ownership of land. To determine whether this can be a permanent lack, the nature of the barriers between capitals under the monopoly stage must be examined. If such barriers can be overcome, is Marx correct to speak of 'exclusions' from the formation of the average profit rate at all?

In a well known passage at the end of Volume III Marx no more than asserts that the law of value still applies when monopolies exist. Although the only barriers to the formation of an average rate of profit to which he specifically refers, are the monopolies in ownership of land, it is here that the possibility of other barriers is mentioned. "Finally if the equalisation of the surplus value into the average profit meets with any obstacles in the various spheres of production in the shape of artificial or natural monopolies, particularly of monopoly of land, so that a monopoly price would be possible, which would rise above the price of production and above the value of the commodities affected by such a monopoly, still the limits imposed by the value of the commodities would not be abolished thereby. The monopoly price of certain commodities would merely transfer a portion of the profit of the other producers of commodities to the commodity with a monopoly price".(48) It is particularly the possibility of 'artificial' barriers to the equalisation of profit rates that must be considered under the monopoly stage of capitalism, asking whether Marx was justified in asserting that such barriers do not affect the law of value. As we have seen, Marx locates the problem of monopoly at the level of market prices, but it seems to me that monopoly rather needs examination at the level of prices and production, in terms of the 'lasting surplus profits' that Marx sees when land-ownership is a barrier. Monopoly at the second level of competition, the level of the sector, would then become a question of a 'monopoly transformation' (along the lines of the transformation of values into prices of production).

In conclusion, what is probably crucial is that Marx simply did not consider the possibility of a new stage of capitalism, despite the fact that he had himself divided early capitalism into the stages of co-operation, manufacturing and machinofacture. Yet it was probably too early in the historical development of the monopoly stage for Marx to provide more than the pointers identified in this chapter. Succeeding chapters will examine marxist writers after Marx in an attempt to clarify whether they make use of these pointers, or whether they develop new approaches to the issue of competition and monopoly which are in line with Marx's own analysis of competition and the law of surplus value.

Footnotes to Chapter 3

1. Marx (1973a) p. 83.
2. Marx Vol. I (1912) p. 640.
3. Ibid p. 640.
4. Ibid p. 788.
5. Marx (1973a) p. 83.
6. Marx Vol. III (1909) p. 520.
7. Marx Vol. I (1912) p. 789.
8. The idea of fictitious capital is also developed by Thornstein Veblen who uses the term 'capitalized prospective gain'. See his "Theory of Business Enterprise" (1904) or "The Vested Interest" (1919). Veblen makes a clear distinction between a money economy and a credit economy.
9. Marx Vol. III (1909) see p. 551.
10. Ibid p. 521.
11. Ibid p. 516.
12. Ibid p. 713.
13. Ibid see pp. 518-519.
14. Ibid see p. 946.
15. Since merchant or commercial capital participates in the formation of the average profit rate it should perhaps have been logically considered in Chapter 2. However in expository terms it is easier to consider it with the other fractions of capital.
16. Marx Vol. III (1909) p. 428.
17. Ibid p. 433.
18. Ibid p. 432.
19. Harris (1976).
20. Marx Vol. III (1909) p. 433.
21. See Marx (1973b) p. 449.
22. See Marx Vol. III (1909) pp. 712-713.
23. Ibid p. 450.
24. Ibid p. 460.
25. Ibid p. 234.
26. Ibid p. 751.
27. Ibid p. 876.

28. Ibid p. 757.
29. Ibid p. 752.
30. See Marx Vol. I (1912) p. 369 fn. 2.
31. See Massey & Catalano (1978) Ch. 2.
32. Marx Vol. III (1909) see p. 880.
33. Ibid p. 881.
34. Ibid p. 884.
35. Ibid p. 884.
36. Ibid p. 879.
37. Ibid p. 886.
38. Ibid p. 888.
39. Ibid p. 901.
40. Ibid
41. Ibid p. 900.
42. Ibid p. 887.
43. Ibid p. 900.
44. See R.L. Meek (1973), A.E. Evanitsky (1960).
45. Ibid p. 388.
46. See Marx (1937).
47. Mandel (1975) p. 76.
48. Marx Vol. III (1909) p. 1003.

Chapter 4

THE CHANGING NATURE OF COMPETITION: MARXIST WRITERS AFTER MARX AND UP TO 1930

A. Aims

The basic theme of this chapter can be summarised in the question: how far does the monopoly stage of capitalism raise new issues for the operation of the law of surplus value, as the nature of competition changes? In what way, in others words, do the regulatory processes of capitalism change? One problem, as we shall see, is that the marxist writers of the period are at least as interested, if not more interested, in the operation of the law of value under socialism as in its operation under capitalism. This chapter will seek to demonstrate a certain lack of critical continuity within the Marxist tradition. One of the conclusions I reached in summarising Marx's contribution to the debate on competition was that there is a dichotomy within Marx between his description of the tendencies to form large-scale enterprises and his analysis of exclusions from the tendency to form an average profit rate. I will here be arguing for a disjuncture between Marx and Lenin, which is, in a sense, itself a continuation of the dichotomy described in Marx's writings. Lenin based his analysis of 'imperialism' on the descriptive side of Marx's work, and I shall be arguing that it is Hilferding alone who provides a synthesis of the two aspects identifiable in Marx.

The arguments presented in this chapter are structured on a thematic basis, developing those themes pinpointed in the last two chapters as being of relevance in examining the nature of competition and the functioning of the law of surplus value as regulatory processes under capitalism. These themes are: the continuing process of concentration and centralisation of capital (adding the novel feature of combination between sectors); the ways in which the tendency to form an average profit rate have changed and thirdly the merging of the fractions of capital. I shall also be dealing with an additional theme that Marx did not raise in any detail in relation to the process of capitalist regulation: the role of the state. Inevitably, however, there is a need to start with what the imperialist writers had to say about 'imperialism' as a stage of capitalism.

In general terms, this chapter will be laying the groundwork for chapters 5 and 6 which spell out the current state of the debate on the relationship between competition and the law of surplus value under contemporary capitalism. The present chapter is thus in a sense a transitional one, which will attempt to highlight some of the inconsistencies within the 'imperialist' tradition, and between the theorists of imperialism and Marx himself. The conclusions to the chapter will point towards a possible synthesis between Marx and the 'imperialists'.

Two questions should be kept in mind throughout the chapter: with the development of the monopoly stage how does the nature of competition change and, correspondingly, how does the mode of operation of the law of surplus value change?

B. 'Imperialism' as a stage of capitalism

"It is the most ardent wish of the author that this book should soon be transformed from a weapon against imperialism into an historic document relegated to the archives".(1) Thus wrote Nicolai Bukharin in the 1917 Preface to "Imperialism and World Economy". This quotation encapsulates an important truth about those who first wrote about 'imperialism' as a stage of capitalism, for it underlines the fact that these authors were concerned with the immediate political issues surrounding the first world war and its aftermath. There is an air of precipitation and urgency, so that Lenin, for instance subtitles his pamphlet on 'Imperialism' "a popular outline", and emphasises in the preface the pressing circumstances under which it was written in the middle of the war.

Earlier, I pointed out that Marx made reference to the growth of large scale enterprise leading directly to the establishment of socialism. True, the writers being considered in this chapter interpose a new stage of capitalism which is seen as a consequence of the growth of concentration and centralisation. Yet Lenin dubs this the 'highest' stage of capitalism, the stage at which capitalism is 'rotten-ripe', so that socialism is again seen as immanent and on the immediate horizon. Rosa Luxemburg presents the mechanism in different terms, with capitalism unable to realise its surplus as it absorbs the non-capitalist areas of the world, but again the implication is that capitalism has a very limited life-span.

Now of course, in the event, capitalism has proved remarkably resilient, despite the Russian and the Chinese revolutions. Perhaps it is unjust to expect these writers to be able to forsee this resilience. Perhaps too, we can excuse them on the grounds that their concern was with an immediate event of enormous political, economic and social importance. Nevertheless, it seems to me that there is a thread of opportunism amongst the analysts of 'imperialism', and that concern with the political opportunities opened up by the first world war lead to a certain blindness as to the possible long-run outcome for capitalism.

There is no doubt that the role of war and militarism occupies an important place for the writers of this period. "Peace is the interval between wars" says Lenin, and the inevitability of inter-imperialist rivalry and war is of course one of his five characteristic features of the imperialist stage. For Bukharin's analysis too, war has an important role, perhaps particularly in his "Economics of the Transformation Period", with the 'militarization' of the state pervading economic and political mechanisms, while for Rosa Luxemburg, militarism constitutes a demand for surplus. Naturally the war lead to a focus on the connexions between capitalism and militarism, and indeed I am far from denying that there is such a connexion. Nevertheless it seems to me that this strong emphasis can be seen as an illustration of the concern of these writers with immediate political issues; an understandable concern, but one which should alert the post-second world war generation of marxists to possible errors of analysis.

In my discussion of periodisation in Chapter 1, I emphasised that the identification of stages within capitalism depends on the perspective of the writer and the purposes that writer has in mind. The political concerns of the theorists of imperialism would appear to bear this out. Unfortunately the imperialist school does not actually discuss any theory of periodisation. Rather, they claim to be describing and analysing a new stage of capitalism, and the basis for this new stage is asserted as being the five well known features put forward by Lenin. These features are: the concentration of production and monopolies leading to combination between sectors, a parallel process for banks, the growth of links between industry and banks in the form of finance capital, the export of capital, and the division and redivision of the world amongst the capitalist associations and the great powers. The features are so well known that it is not necessary to discuss them at this juncture, although two features, finance capital and the export of capital have been subject to criticism. "Imperialism" says Lenin "is the monopoly stage of capitalism". I would like to argue that there are implications in the writings of this school that imperialism is not a <u>stage</u> of capitalism for there is no attempt to delineate a distinction between a stage and a mode of production.

Backing for such an argument comes firstly from the fact that Lenin makes no explicit reference to Marx's analysis of capitalism in his "Imperialism". Thus Lenin shows no concern to develop the concepts which Marx himself used. True, Lenin introduces the concept of super-profits, "obtained over and above the profits which capitalists squeeze out of the workers of their 'own' country",(2) but this is an isolated reference, and part of the preface. Thus Lenin does not raise the question as to how the law of value operates under this new stage, so that the issue of capitalist regulation and the tendency to form an average profit rate is not brought up. This lack of interest in placing himself in the context of Marx's thoughts contrasts strongly, it seems to me, with Lenin's political writings, where he is always careful to clear the ground by elaborating cn the correct points that precursors make, and clarifying their mistakes. In 'Imperialism' Lenin simply makes use of the statistics and information provided by bourgeois commentators, largely without critical comment.

Bukharin, as we shall see below, shown himself prepared to make more links with Marx's arguments, but makes a variety of statements which seem to imply that the nature of capitalist regulation had changed substantially. For instance, the growth of finance capital means that the "capitalist 'national economy' has moved from an irrational system to a rational organization, from a subject-less economy to an economically active subject". This from the "Economics of the Transformation Period".(3) Or again, from "Imperialism and World Economy": "Thus various spheres of the concentration and organization process stimulate each other, creating a very strong tendency towards transforming the entire national economy into one gigantic combined enterprise under the tutelage of the financial kings and the capitalist state, an enterprise which monopolises the national market and forms the prerequisite for organized production on a higher non-capitalist basis".(4) Is it clear from these sorts of statements that the monopoly stage in indeed a stage of capitalism? I think not.

Rudolf Hilferding is an exception to this first argument, for "Finance Capital" is clearly an attempt to develop and build upon the concepts that Marx uses. Thus Hilferding does not duck the issue of capitalist regulation and directly confronts whether the law of value is applicable under the new stage of capitalism; "Si les unions a charactère de monopole suppriment la concurrence, elles suppriment par là même le seul moyen grâce auquel peut se manifester une loi objective des prix. Le prix cesse d'être une grandeur objectivement déterminée, il devient une opération arithmétique de ceux qui le déterminent volontairement et consciemment, au lieu d'une résultat une condition, d'un objectif un subjectif, d'un nécessaire indépendant de la volonté et de la conscience des participants un arbitraire et un fortuit. La vérification de l'enseignment marxien de la concentration, à savoir l'union à charactère de monopole, paraît ainsi aller à l'encontre de la théorie marxienne de la valeur".(5)

I argued in the first chapter that for Marx competition is something inherent in the nature of capital, as inevitably comprising many capitals. Hilferding is alone amongst the 'Imperialist' school in clearly confronting the implications that the movement from competition to monopoly might have for a marxist analysis of capitalism. If Lenin is arguing for a new stage of capitalism there is a need to demonstrate the similarities and differences with the previous 'competitive' stage, yet Lenin does not even refer to Marx's economic writings in 'Imperialism'.

The second set of arguments concern the fact that Lenin himself portrays the monopoly stage of capitalism as something unique. It is true that one of the tasks Lenin sets himself in "Imperialism" is to argue against the idea of monopoly giving rise to a single giant super-trust as put forward by Kautsky. I have already pointed out that Bukharin seems to make some statements which imply this possibility, though Bukharin is actually careful to qualify these implications. Hilferding, incidentally, is another advocate of 'ultra-imperialism'. It is clear that any idea of capitalism forming into one giant combined enterprise contradicts Marx's conception of capital as many capitals in competition, and Lenin certainly opposes this. Yet Lenin himself makes many statements that the monopoly stage of capitalism is something altogether different from competitive capitalism.

Consider, for example, the following: "Capitalism in its imperialist stage leads directly to the most comprehensive socialization of production, it so to speak, drags the capitalists, against their will and consciousness, into some sort of new social order, a transitional one from complete free competition to complete socialization".(6) What does Lenin mean by 'transitional' here? Are we to see 'imperialism' as capitalist or as socialist in nature, or is it something in between? The problem with the last characterisation is that the 'transition' has now persisted for more than half a century. Lenin does go on to say that despite production being socialised under 'imperialism', appropriation remains private, so that in this respect a 'free enterprise' capitalist economy is retained. An important theme for Lenin throughout "Imperialism" is that the anarchy of competition is overcome at this stage, that capitalists who were formerly scattered and out of touch with each other "are transformed into a single collective capitalist". A modern critic, Margaret Wirth, takes issue with Lenin here, arguing that Lenin makes two errors, firstly in conceiving monopoly as the opposite of free competition, secondly in defining monopoly as a relation of domination so that the operation of the law of value is partially suspended.(7) I feel that Ms Wirth overstates her case, for Lenin did observe that competition cannot be entirely overcome by monopoly: "Certainly monopoly under capitalism can never completely, and for a long period of time, eliminate competition in the world market".(8) Nevertheless, Lenin is a long way from fully discussing the theoretical implications of the changing relations between monopoly and competition, and shows little realisation of the contradictions between what he is saying in "Imperialism" and what Marx says in "Das Kapital".

The third point I want to make ties in with what has just been said on the transitional nature of the monopoly stage. Imperialism for Lenin is the "highest stage" of capitalism: it is "moribund capitalism", it is "rotten ripe", and Section 8 of his pamphlet is entitled 'Parisitism and Decay of Capitalism'. Perhaps this emphasis on the death-throes of capitalism can be put down to the urgent mood in which Lenin wrote, which was mentioned earlier. However, such an emphasis can be seen as mistaken, providing a very rigid interpretation of the laws of capitalist development.

Panzieri and Wirth both criticise Lenin here, and with justification. Panzieri argues that both the 'imperialist' and the modern revisionist strands of thought are reading Das Kapital as an interpretation of competitive capitalism, valid only for that form of capitalism. "The further 'orthodox' development of Marxist theory re-asserted this perspective by denying the capitalist system any other 'full' form of development outside that assured by the competitive model, and by defining regulated monopolistic-oligopolistic capitalism as capitalism's last and 'putrescent' stage. Modern revisionism ... end up by loosing sight of the system's continuity in its passage from one historical leap to the next, for it too has anchored its expression of the law of value in the same interpretation".(9) This criticism of Lenin as failing to allow capitalism the possibility of further development is surely valid. Margaret Wirth makes the further point that Lenin is inhibiting political action in calling upon capitalism's 'objective senility', and what is actually necessary is to investigate the concrete conditions for the overthrow of capitalism.

The final point I want to put in arguing that there is a certain implication that the imperialist stage of capitalism is actually something altogether new, again relates primarily to Lenin. I refer to Lenin as an initiator of the idea of the 'wicked monopolist': "A monopoly, once it is formed and controls thousands of millions, inevitably penetrates into <u>every</u> sphere of public life, regardless of the form of government and all other 'details'".(10) As Lenin sees it, finance capital levies tribute upon the whole of society for the benefit of monopolies. Much of the tone of Lenin's pamphlet is an emotive appeal against the 'baddy monopolists' of this 'moribund' form of capitalism. Whilst it is true that "Imperialism" was intended for propaganda-purposes, Lenin, it seems to me, is here presenting an oversimplified picture. He is appealing to emotional hatreds for the big, the powerful and the impersonal, whilst failing to draw attention to the subtleties of the interactions within the capitalist class. Despite rightly criticising super-imperialism, Lenin himself does much to create an image of a 'super-boss', a 'super capitalist'.

So, despite the fact that 'imperialist' theoreticians declare that they are dealing with a new stage of capitalism, there is much in their writings (and particularly in Lenin) that implies something altogether new. Much of the problem arises, as I have already suggested, from a failure amongst the imperialist writers to discuss what a 'stage' of capitalism might mean in broader theoretical terms.

But let me now take the imperialist writers at their face value. They are writing about a new stage of capitalism: in what way is this new stage characterised? I would argue that the characterisation is very largely in descriptive, rather than analytical terms. Here is one respect in which Lenin does develop points that Marx puts forward, for he builds on Marx's essentially descriptive presentation of the process of concentration and centralisation of capital as his starting point for the characteristics of imperialism. The other four characteristics that have already been mentioned, and which will be considered further in the course of this chapter, are also essentially descriptive. Now I am not denying that a descriptive framework serves a useful function. There has in fact been a fairly substantial body of empirical work done on the basis of the five characteristics put forward by Lenin, including material by Varga and Mendlesohn, Anna Rochester, Victor Perlo and Sam Aaronovitch.(11) But what I shall be arguing further is that Lenin's typology does not provide an economic analysis of the monopoly stage of capitalism.

In ending this section on the idea of a new stage of capitalism, I would like to criticise the term 'imperialism' as an inappropriate one. Firstly it places insufficient emphasis on the development out of Marx's own analysis, linking up with my argument that the change between the two stages of capitalism are changes of degree. Secondly, the term is, or has become, too hysterical in tone, there is too much of the armageddon about it. For these reasons, and for others which will become clearer in the course of the chapter, I would prefer to use the term the 'monopoly stage of capitalism'.

C. Concentration and Combination

It is from the concentration of production into large units and the formation of monopolies that Lenin starts to describe and delineate the new stage of capitalism. As was shown in the last chapter, this was a feature which Marx also pointed out, but Lenin, rather than looking directly to the possibility of socialism, sees monopoly as characteristic of a new (albeit transitional) stage of capitalism. "This transformation of competition into monopoly" he says, "is one of the most important ... phenomena of modern capitalist economy".(13) However, in addition to concentration and centralisation within a particular branch of industry, there is also combination, with different branches of industry grouped into a single enterprise.

This distinction between concentration and centralisation on the one hand (Lenin incidentally does not make play of the differences between these as did Marx) and combination on the other is paralleled by the two levels of competition that I showed Marx as describing in Das Kapital. Centralisation within the branch affects the form that competition takes between industries producing the same product. Combination between branches (as for example the combinations between the anthracite coal industry and the railroads in the USA at the turn of the century) alters the competitive process between branches. As I pointed out in the previous section, Lenin is rather vague in his presentation of how these changes in the nature of competition affect the capitalist system. He sees monopolies as quite different to the old free competition although "the general framework of formally recognised competition remains". (13) The new stage is thus characterised as 'transitional', a label which has already been seen to be unsatisfactory. Throughout "Imperialism" the anarchy of capitalist competition is a strong theme. Monopoly develops only in certain branches of industry so that it increases the disparity between different spheres of the national economy. The resulting 'law of uneven development' shows that the process of concentration and combination cannot eliminate the anarchy of competition, but rather raises it onto a new plane.

Such an analysis of the changing nature of competition remains at a highly general level and fails to come to grips with the importance of the dual nature of competition as present in Marx. Competition does not merely represent 'struggle' or 'anarchy' within the capitalist class, it also represents the unity of that class.

The changing nature of competition as resulting from the novel process of combination is something that receives far more attention from Bukharin. In Chapter 11 of "Imperialism and World Economy" he discusses the changes in the methods of competition which evolve as concentration increases, whilst in the "Economics of the Transformation Period" he distinguishes three forms of competition: horizontal competition between analogous enterprises, vertical competition between heterogeneous enterprises and combined or compound competition between these capitalist units encompassing different branches of production. I propose to discuss this typology further in section E, but meantime it can be pointed out that the first two correspond to Marx's inter- and intra-industry competition, while the last is a new concept.

Concentration of banks occurs alongside industrial concentration, but takes on a special significance because banks are the 'universal bookkeepers' (Marx) of the whole capitalist class. "Scattered capitalists" Lenin points out "are transformed into a single collective capitalist".(14) The ensuing combination between large banking capital and large industrial capital is of course at the core of the more controversial concept of finance capital, which will be dealt with in a separate section below.

Hilferding too, is much concerned with the growth of large scale enterprise whether banking or industrial. Unlike Lenin, however, Hilferding is concerned to develop and analysis of this process based on the tendency to form an average profit rate. Such an analysis follows logically from Marx's treatment of levels of competition and the mechanism for the formation of the average profit rate, although Marx himself did not extend this to his consideration of concentration and centralisation. Since Hilferding does achieve this link his consideration of concentration and combination will be held over to the next section. I consider it very important that Hilferding provides a mechanism explaining concentration and centralisation, in a way that neither Marx nor Lenin do.

Combination is of course a new feature of capitalism at this stage. Hilferding provides a typology for classifying the unions between capitalist enterprises which it may be helpful to repeat here. The distinction between homogeneous unions (in other words centralisation of capitals producing the same product) and combined unions (combinations across sectors between capital producing different products) rests on the technical character of the union. A distinction can alternatively be made between partial unions and monopoly unions based on their differing positions in the market and depending on whether they control prices or prices control them. Finally there is the difference between the forms of organisation involved in the combination: Hilferding makes the distinction here between a community of interests and fusion of the constituent enterprises.(15) Such a typology typifies the contrasting interpretations of the significance of the growth of large scale enterprise: that the shift should be looked at in technological terms, that it requires a new look at price theory or that the internal functioning of the unit of business enterprise needs examining. What is actually required is a unity of interpretation! These three types of approach are further considered in the next two chapters on the modern debate.

To conclude this section then, an important question which has been lying behind the discussion of centralisation and combination is, what effect do these tendencies have on the process of capitalist regulation? In what ways are the forms of competition affected? In what ways does the tendency to form an average profit rate get altered? These questions will be the concern of the next three sections.

D. The Formation of the Average Profit Rate

It was seen in section B that the writings of the imperialist school imply that the nature of capitalist regulation changes with the new stage. Marx saw the formation of the average profit rate by means of the process of competition as the mechanism for expression of the law of value. In what ways does the growth of centralisation and combination affect the formation of the average profit rate? Preobrazhensky in a section of his "New Economics" entitled "The Law of Value and Monopoly Capitalism" says: "Restriction of freedom of competition leads also to restriction of the working of the law of value, in that the latter encounters a number of obstacles to its manifestation and to some extent is replaced by that form of organization of production and distribution to which capitalism can in general attain while still remaining capitalism".(16) Preobrazhensky thus argues for a degeneration of the law of value under monopoly capitalism since "equalizing of the rate of profit ... is rendered almost impossible" and free competition is substantially replaced by a planned state capitalism, even on a world level.(17) Despite Preobrazhensky's eloquence, it remains important to pose the question: are competition and monopoly mutually exclusive?

Preobrazhensky argues that they are, and that the development of monopolist tendencies in capitalism suppresses free competition, undermines the formation of an average profit rate and distorts the law of value. It has already been suggested that the imperialist writers are not much concerned with analysis of the law of value under capitalism, and Preobrazhensky is an exception here. Bukharin doesn't directly discuss the formation of the average profit rate, but he does talk of the suppression of the anarchy of production with the growth of finance capital in the context of the war economy providing the preconditions for a socialist revolution. He feels that finance capital has changed the capitalist national economy from an irrational system into a rational organisation; into an economically active subject. There is much in this analysis that implies the possibility of a single "super-trust", although Bukharin is far from suggesting that this means the elimination of competition, since he is emphatic that the changing forms of competition must be considered. "Centralization of capital consumes competition but on the other hand reproduces it on an extended base. Centralization destroys the anarchy of small units of production, but it thereafter aggravates the anarchic relationships between the large sectors or production".(18) As will be further elaborated on in the next section, Bukharin in contrast to Preobrazhensky thus seems to see monopolistic tendencies and competition subsisting side by side, albeit with competition changing its form. Briefly, and rather cryptically, Bukharin discusses the effect that this has on "the categories of profit and of distribution of surplus value" in the third chapter of the "Economics of the Transformation Period". "The mathematical limit ... is given by the transformation of the entire 'national economy' into an absolutely closed combined trust, where all excess 'enterprises' have ceased to be enterprises and have transformed themselves into mere individual workshops, into branches of this trust ... where the entire economy has become an absolutely unified enterprise of corresponding groups of world bourgeoisie".(19) Bukharin does not refer to the effect on the formation of the average profit rate, but he sketches out the idea of a unified 'state capitalist dividend' which seem to bear a certain resemblance to the average rate of profit. This concept is a function of Bukharin's analysis of state power as inevitably unifying the contradictory organisations of imperialist capitalism. I shall argue in section F below that Bukharin holds to an over-simplified view of the role of the state, although it must be remembered that he is specifically dealing with the state in the context of a world war. His conclusions for the distribution of surplus value run as follows: "Capitalist relations of production transform themselves also in this way to state capitalist ones, and different kinds of capitalist profit equalize each other, and are transformed into a peculiar 'dividend', which is paid out by a unified, capitalist collective enterprise, a unified stock company, a trust, as represented by the imperialist state".(20) This concept of a 'state dividend' could be seen as some sort of objectified average profit rate. Opposing Preobrazhensky's contrast between monopoly and competition then, Bukharin also reaches different conclusions on the distribution of profits within an economy. What both authors lack is any detailed discussion of the mechanism for centralisation and combination and a clear linking of these monopolistic tendencies with the process of formation of the average profit rate.

This is where Hilferding has a major contribution to make. In the third part of "Finance Capital" entitled 'Finance Capital and the Limits of Free Competition' he formulates a dynamic of the combination process which starts from one of the aspects of the formation of the average profit rate emphasised by Marx: the capitalist only succeeds when his profit is above that of the averate rate of profit, yet the objective result of seeking higher profits is establishment of a common rate of profit. "Mais cet effort subjectif en vue du profit le plus élevé possible a pour résultat objective la tendance à l'établissement du même taux de profit moyen pour tous les capitaux".(21)

Hilferding however goes further than Marx and argues that this fight to obtain extra profits means that the organic composition of capital becomes higher and higher. Marx looked at the implications of this process for the economy as a whole in terms of the falling tendency of the rate of profit, but Hilferding analyses its effect on many individual capitals. The growth in the importance of fixed capital makes it harder to withdraw capital once it has been invested and economic barriers to the movement of capital appear. Hilferding sees this as the start of a process tending to lead to inequality in the general rate of profit, with two sectors likely to have below average rates of profit. Overproduction in the highly capitalised sectors already mentioned is likely to reduce the profit rate there below the average, more especially with barriers to the exit of capital. The highly competitive sector is also likely to have below average profit rates.

A second aspect of the formation of the average profite rate emphasised by Marx then comes in to play: the existence of differences in profit rates provokes competition which then eliminates those differences. Marx postulated the free movement of capital between branches as the means to this end; Hilferding argues that in the new circumstances when spheres of production may have lower profit rates due to being particularly highly capitalised or particularly competitive, combination between spheres is the vehicle for achieving equality. "Ainsi nous voyons comment se forme,aux deux pôles du développement capitaliste et pour des raisons tout à fait différentes, une tendance à la baisse du taux de profit au-dessous de la moyenne. Cette tendance provoque à son tour, là où le capital est suffisamment fort, une tendance contraire. Celle-ci aboutit finalement à la supression de la concurrence et, par là, au maintien de l'inégalité de taux de profit, jusqu'à ce que, en fin de compte, cette inégalité elle-même soi abolie par la supression de la séparation des sphères de production".(22)

Thus at the level of combination between spheres of production, Hilferding sees a tendency to form an average profit rate in operation once again. It is a tendency largely put into effect he argues, by finance capital, so that the issue will need further discussion in the next section. What is noticeable at this juncture is that Hilferding has presented a dynamic for the growth of concentration and centralisation based on a consideration of the competitive process and the formation of the average profit rate as put forward by Marx. He has however been able to combine this issue with the idea of barriers within the capitalist class, while Marx, as we saw, considered barriers only with respect to the ownership of land. Hilferding even provides an explanation for Marx's indifference here, for ownership of capital (and the concommittant barriers within the capitalist class) do not affect the production process, Marx's central concern: "La mobilisation du capital n'affecte en rien, bien entendu, le processus de production. Elle ne concerne que la propriété, ne crée que la forme de transfert de la propriété fonctionnant d'une façon capitaliste, le transfert de capital en tant que capital, somme d'argent produisant du profit.

Comme il n'affecte pas la production, ce transfert n'est en fait que transfert du titre de propriété sur le profit".(23)

Hilferding however, goes on to consider barriers within the capitalist class more extensively in what seems to me a different context. In Chapter 11, which has been the object of discussion up till now, Hilferding has been looking at the growth of large-scale enterprise. Later in part 3 he discusses the growth of monopolies, cartels and trusts. Although Hilferding himself does not draw a clear distinction here, it seems to me that he is dealing with two distinct phenomena. Large scale enterprise tends to have profit rates <u>below</u> the average; monopolies, trusts and cartels have profit rates <u>above</u> average. This is because the barriers in each case are different: in the former there is a barrier to the <u>exit</u> of capital, whilst in the latter there is a barrier to <u>entry</u>. Elimination of competition within the sphere makes barriers to entry possible: " Une combinaison dans la même branche d'industrie se forme dans le but d'élever par l'elimination de la concurrence, le taux de profit dans cette sphère au-dessus de son niveau inférieur à la moyenne".(24)

It is through their ability to fix prices that monopolies or cartels gain above average prices, but if one industry is not cartellised whilst another is, it will be difficult for capital to move despite disparities in profit rates. However, if the non-cartellised industry undertakes a programme of combination, it too can obtain a higher profit rate. "C'est ainsi que les cartels developpent leur force de propagande". Cartellisation in one area of the economy provokes the same process in other areas. Hilferding gives as an example cartellisation in manufacturing provoking cartellisation in the extractive industries. "Les limitations imposées à la liberté de movement du capital pour les raisons économiques et des rapports de propriété ... sont la condition de la suppression de la concurrence sur le marché entre les acheteurs. L'égalisation des taux de profit ne peut donc se faire que par une participation au taux de profit élevé par suite de la cartellisation ou la combinaison".(25) The extra profits of the cartel are thus simply the appropriation of the profits of other branches of industry, and ultimately the profits of capitalists in the non-cartellised industries who are apparently still independent, actually becomes a simple overseeing salary, as effective employees of the cartel. (For Lenin this is the so-called 'law of uneven development', a law of disparity between sectors which seems a cruder version of the possibility of monopoly and competitive sectors to subsist side by side.) Competition within this competitive sector leads to a tendency for centralisation there too. Hilferding argues that ultimately a general cartel will be formed, but this I feel contradicts what he has to say about the role of finance capital, which will be examined in the next section.

Hilferding is not content to leave the issue of monopoly price where Marx left it, but argues that with the growth of monopoly there is no objective law of prices, dependent as monopoly prices are on demand. The threat of consumers restricting purchases, and low profitability in related non-cartellised industries are two factors setting limits on the prices charged by monopolies.

We thus find that in developing features to be found in Marx's analysis, Hilferding raises issues which today are still at the centre of the stage when competition and monopoly are being discussed. The first of these is the possibility that two average rates of profit may be formed (perhaps better expressed as a hierarchy of profit rates): one in the monopolised sectors of the economy with a higher average rate of profit, one in the competitive sectors with a lower average rate of profit. Interestingly, Hilferding also suggests that sectors with high organic compositions of capital may make below average profits, due to barriers to the exit of capital. This is at variance with those views which equate high organic composition of capital with large scale enterprise and with monopoly: Hilferding, it seems to me is distinguishing between large scale enterprise and monopoly. In the case of large scale enterprise he argues for combination leading to a re-establishment of the average rate of profit. In the next section I shall consider whether there is a similar tendency operating in the case of monopoly.

The second issue raised by Hilferding is that of monopoly price, together with some discussion of barriers within the capitalist class. Hilferding is able to clearly explain how the surplus profits of the monopolist is obtained at the expense of competitive capitals. Although Hilferding himself sees monopoly profits as potentially in conflict with the marxian labour theory of value, are surplus profits in fact a new form of value resulting from the development of the monopoly stage of capitalism? How far are these surplus profits lasting surplus profits? These questions will receive further consideration in the next section.

From this examination of the formation of the average rate of profit, then, I would conclude that competition and monopoly are not mutually exclusive terms, (as Preobrazhensky seems to argue) but that each becomes the other in the dynamic process of capital accumulation. What requires attention is the nature of that competition: we have already shown Marx's competition within sectors extended to Hilferding's competition between sectors by combination. The complementarity of competition and monopoly will be further considered in the next two chapters. Meanwhile, let us examine the effect of combination between the fractions of capital on the competitive process.

E. Finance Capital and the Levels of Competition

I have already outlined how Marx described the process of concentration and centralisation taking place in his day, at the same time pointing to repulsion between capitals. The last section showed Hilferding as able to link the process of combination between sectors (something that had not yet occurred in Marx's day) to the formation of the average rate of profit through a two-fold mechanism of a tendency for differentiation of profits, and a tendency for their equalisation. Marx had seen such a two-fold mechanism at work within a particular sector (the formation and transcending of normal surplus profits), but not between sectors.

It was further seen that Marx distinguished between three independent fractions of capital: merchant, industrial and money or banking capital. Dealing with competition between these three fractions of capital, Marx showed how the existence of different fractions obscured the nature of exploitation and the source of surplus value, with no general law to determine the distribution of total surplus value between the fractions. In his emphasis on the role of credit in the transition of socialism, Marx saw banking capital as a particularly important fraction of capital. The theorists of imperialism (Lenin, Bukharin and Hilferding) develop the idea of a process which leads to the merging of these different fractions of capital.

For the imperialists concentration of banks took place alongside concentration in industry, and was a second very important feature of the new stage of capitalism (the growth of monopolies being the first). It has already been seen that Lenin saw the concentration of banks as of special significance, but Hilferding provides an historical basis for this in linking it to the development of the credit system. When credit develops to a certain point argues Hilferding, its use by the capitalist enterprise becomes essential on two counts: it increases the rate of profit since the enterprise can mobilise larger quantities of productive capital and can sell its products at a lower price without diminishing profits. This process in turn reacts on the banks and forces them to become giant units. (Similarly, Hilferding saw cartellisation in one sector of industry provoking cartellisation in related sectors.) Like Lenin, Hilferding argues that this leads to a significant new role for the banks in their relationship with industry. Formerly, as intermediaries for payments, the banks were only interested in current solvency. In providing capital credit, they have an interest in overseeing the process of production itself, since loans are long term. The catch phrase for the imperialist writers is that banks now take on a "social role". In this way too, industrial and banking concentration mutually reinforce each other.(26) This fusion of industrial and finance capital contrasts with Marx's presentation of a capitalist class which differentiates itself into separate fractions. At both periods, however, the theoreticians are concerned to derive their analysis from the then-current state of development of the credit system.

There is thus a merging of industrial and banking capital, which is known by the theorists of imperialism as finance capital. Can such a merging of the fractions of capital be seen simply as an extension of the process of combination between sectors, or does it raise new issues for the process of competiton? The concept of finance capital has in fact proved a controversial aspects of the theory of imperialism, and the controversy will need to be seen in relation to the particular problematic of this thesis.

The controversy has centred around whether, under the imperialist stage of capitalism, banking capital dominates industrial capital or vice versa. Hilferding first raised the problem, arguing vigorously for the former when he says, "Finance capital is capital controlled by banks and employed by industrialists",(27) Lenin, although he for instance cites Marx on banks as the "universal bookkeepers of the capitalist class", is careful to talk of the "merging" or "coalescence" of the banks with industry together with the rise of monopolies as being the content of the concept of finance capital.(28) "Fusing" is another term that has been used. Hilferding himself is more cautious in places, for instance when he suggests a trinitarian analogy for the relationship between different fractions of capital, with finance capital as the highest form of capital. "Car le capital industriel est Dieu le Père, qui a libéré le capital commercial et bancaire comme Dieu le Fils, et le capital-argent est le Saint-Esprit. Ils sont trois, mais pourtant un seul dans le capital financier".(29)

Sweezy is an eminent Marxist who is highly critical of Hilferding, and says "The dominance of bank capital is a passing phase of capitalist development which roughly coincides with the transition from competitive to monopoly capitalism".(30) Giving as evidence for his opposition the growth of self-financing in industry, Sweezy sees the danger of this stand as so great, that he would rather substitute the term 'monopoly capital' since "it is doubtful whether the term 'finance capital' can be divested of the connotation of banker dominance which Hilferding gave it".(31) The problem with Sweezy's postulated term is that it excludes any idea of coalescence between banks and industry. Further, it would appear from the writings of V. Perlo and J.M. Chevalier on the U.S. economy (which will be examined in more detail in the following chapters) that the importance of self-financing for industry has likewise been a passing phase. Both authors saw the dense network of interconnections between banks and industries, and both would argue that banking capital dominates industrial capital, while Graham Thompson argues in relation to the present day UK situation that even where self-financing by firms is important, the views of banking capital must be taken into account.(32)

The controversy over the nature of finance capital amongst marxists centres then on whether industrial or banking capital is dominant in the combination. It should be obvious from the discussion thus far that much depends on the historical and institutional situation in which a particular theoretician is writing. Notoriously, when Hilferding was writing, (and indeed to this day), German banking capital fulfilled a dominant role with respect to industry. The imperialist writers who insisted that banking capital 'dominated' evinced a certain lack of subtlety. What is crucial is that they commented on the links between industrial and banking capital.

What is of importance at this stage is that, in addition, both sides in this controversy can be seen to agree on the effect of finance capital on competition, with the single exception of Hilferding. For with Hilferding the dominance of banking capital over industrial capital leads to the possibility (already hinted at in the last section) of a single general cartel being formed. The dialectic which was noted in his analysis of the process of concentration and the formation of the average rate of profit thus disappears at this stage of his analysis. Sweezy based his criticism of Hilferding on the latter's insistence on the dominance of banking capital, but he missed the theoretical significance of Hilferding's brand of 'ultra-imperialism'. This proposition of the possibility of a single general cartel must involve the complete suppression of competition between capitalists.

Does the merger of industrial and banking capital imply such suppression? I would argue that competition between capitals continues to function regardless of whether industrial or banking capital is dominant within the concrescence. The fact that this competition takes a different form to the competition between a multitude of small enterprises is what blinds some marxists to the continued functioning of the process of competition. No more than concentration or centralisation of capital can eliminate the concurrent repulsion between capitals, can the combination process or the merger between banking and industrial capital eliminate the internal struggles between sectors and fractions of capital respectively.

As I have already argued at several points in this chapter, the difficulty with the 'imperialist' writers is that they do not clearly confront what they mean by the terms they use: what is a 'competitive' as opposed to a 'monopoly' stage of capitalism, and what changes in the nature of competition are implicit here; is a distinction being made between 'competitive' enterprises and 'monopolies', or is it 'large-scale' enterprises and their behaviour that are at issue?

Bukharin, in his "Economics of the Transformation Period" of 1920, provides a useful framework which distinguishes three forms of competition based on the changes from concentration and centralisation to combination across branches then extending through the role of finance capital between whole sectors of the economy. Bukharin's first form of competition he names as 'horizontal' competition between analogous enterprises where anarchy in competition does not rest on social division of labour. For example, separate tailor enterprises all produce a similar product. Secondly, there is vertical competition between heterogeneous enterprises whose separate existence expresses the fact of social division of labour. The owner of a tailor shop is related to the clothier because he buys cloth from him, and the simultaneous existence of a tailoring and a cloth-making enterprise constitutes the expression of the social division of labour. Lastly, there is combined or compounded competition between these capitalist units encompassing different branches of production which therefore transform social division of labour into technological division.

Let me expand upon the forces which underlie the changes in the nature of competition spelled out by Bukharin. These can perhaps best be understood in terms of the idea of uneven and combined development. Marx saw that within each industry competition destroys itself, but that monopoly does too. It has been seen that combination now takes place both between industries and between fractions of capital. What are the dynamics of this process? The dynamic cannot be one of a consistent development of a single centre of monopolistic power. This is because the very factors that make for growth of one centre of economic power, also make for the dispertion of this power and for the building up of alternative centres of power. It can thus be concluded that with respect to competition, the controversy over whether industrial or banking capital is dominant in finance capitalism is irrelevant. (Indeed the fact that they alternate in domination within the concrescence can itself be seen as a result of competitive changes.) Whether industries dominate banks within the conscrescence or vice versa, each concrescence (or finance capitalist group) will itself be involved in a perpetual battle for dominance within the firm, the industry, the bank or the group. The social-private contradiction becomes internal to the financial group. This is not to say that truces are not declared, that agreements are not reached to divide the influence of the dominant finance capitalist groups in many individual cases, but essentially such truces are temporary, and as the balance of economic forces changes, competition and rivalry re-establish themselves. Changes in the relative position of the dominant groups can come about in two ways. In the first place the underlying changes are features of the uneven development of economic life and here we can give examples such as the substitution of cars and aircraft for railways and the increasing economic weight of oil, aluminium and chemicals: this is Bukharin's combined or compounded competition. But changes also encompass the results of rivalry within a specific industry, (horizontal competition).

What then are the differences between the capitalism that Marx analysed and the capitalism that the imperialists analysed? The first element in any answer to this question is that the differences between the two stages are of degree only. Both are stages of capitalism with an invariant core of production relations that characterise capitalism. This means, for instance, that there is not a transition to the monopoly stage of capitalism in the same way that there was a transition from feudalism to competitive capitalism. Despite the socialisation of production which the latest stage of capitalism promotes, exploitation continues to be the mode for the accumulation of capital.

Thus I would argue that monopoly does not take over from competition at the later stage of capitalism, but rather that competition takes an additional form. Marx saw competition taking place at two levels: competition between producers (within an industry, and leading to the formation of market values although with the possibility of temporary surplus profits) and competition between capitals (between sectors, and leading to the formation of a general profit rate, from which there might be 'exclusions'). Arising from the imperialist analysis, competition takes place at three levels, the two spelt out by Marx, and additionally, compounded competition between combined enterprises. At any of these three levels, barriers to competition will provoke competition at the higher level. Thus a monopoly within an industry (shall we say, coal extraction) will lead to lasting surplus profits based on barriers to entry, but such a monopoly is threatened by both vertical and by compounded competition, where in the former, shall we say the railways as major carriers of coal might threaten to take over the industry, or where the oil industry as an alternative form of energy might also threaten take over.

A second difference is in terms of the behaviour of fractions of capital. In the last chapter I showed that Marx saw banking capital as 'capital in general' having a real existence. The imperialists point to the existence of 'finance capital' as a unity of the three fractions of capital postulated by Marx, industrial capital, commercial capital and banking capital. Hilferding calls banking capital the 'holy spirit' so that capital in general, originally an abstraction, finds a means of asserting its characteristics in the world through the concrescence formed as finance capital. Hilferding's analysis of the formation of the average profit rate restricted itself to the relations between sectors of the economy. Hilferding then went off at a tangent (as I argued) seeing monopoly leading to the possibility of ultra-imperialism. But there is also the possibility of compounded competition between the units of finance capital, and at this level finance capitals (such as the Rockefeller group in the USA), if they earn above the general rate of profit will provoke competition from other finance capitalist groups (say Morgan or Mellon). Compounded competition and the modern debate over finance capital will again be persued in the following chapters.

The third difference, (and it will be noticed that this difference is a facet of the other two) is the receeding role that the market plays under the new stage and the corresponding growth of internal planning within the vertical or horizontal combination or the financial group. Lenin saw this rather crudely as the anarchy of capitalist production raised onto new planes. The imperialists did not really put forward any 'theory of the firm', any theory of the internal functioning of the larger unit to contain the social/private contradiction that in Marx's day had been substantially handled by the market. Whilst relations of competition are external, the giant corporation interiorises these processes. In the next chapters we shall look at how far this issue has been tackled by marxists since the 1930's.

The final difference is that there is what I would see as a new form of surplus value under the monopoly stage of capitalism, the extra surplus profits accruing to the monopolist. True, Marx himself saw the possibility of extra surplus profits in those cases where capital did not submit to the average rate of profit, but Marx saw these cases in terms of exceptions to the rule and largely related to landed property. Under the monopoly stage of capitalism, extra surplus profits can consistently accrue to the monopolies which form themselves within sectors. This is not, however, to argue that these surplus profits will be lasting, for in the very process of forming barriers to entry allowing the monopolist to make extra surplus profits, there is creation of the conditions for overcoming those barriers. Combination between sectors is one of the important mechanisms for overcoming such barriers, rendering extra surplus profits temporary. Despite the more or less temporary nature of these extra surplus profits, they are such a pervasive feature of the monopoly stage of capitalism, that I think it is justified to see them as a new form taken by surplus value. One can thus picture a 'monopoly transformation' of surplus value into 'extra surplus profits' as superimposed on to the transformation of values into prices of production as it exists under the competitive stage of capitalism. This concept of a 'monopoly transformation' will merit further discussion in the following chapters.

F. The State and the Competitive Process

No more than Marx do the imperialist writers deal comprehensively with the question of the state under capitalism, for Lenin's "State and Revolution" is of course concerned with the role of the state in the transition to socialism. The capitalist state, then, is dealt with by the imperialist writers in a peripheral fashion; it is dealt with largely in the context of other questions where it is of relevance, rather than as a subject in its own right. For example, the state is examined in relation to the process of internationalisation, as well as in relation to the tendency to form an average profit rate. Similarly, Marx had, by implication, a good deal to say about the nature of the state when he discussed the length of the working day. It is not my intention in this section to look at the imperialist writers' analysis of the state as such, but rather in its relation to competition and the law of value. I am thus not aiming at any comprehensive coverage.(33) Nevertheless, even this limited aim is made more difficult because the imperialist writers didn't provide any overall analysis of the capitalist state, any more than of periodisation.

It is an examination of the policies that the state pursues under the 'imperialist' stage of capitalism that seems the primary focus of Hilferding, Lenin, Bukharin and Luxemburg. In the first place they all point to the fact that it is in the interests of cartels that tariffs should be introduced. This, the imperialist writers argue, explains the demise of free trade as state policy, and its replacement by the principle of protectionism. Such a policy allows the cartels to evade competition between goods on the world market. Thus state action contributes to altering the forms of competition in the world market, whereby competition in the goods market is replaced by competition to export capital.

The second aspect of state policy concerns colonisation. This of course is one of Lenin's five features of the new stage of capitalism. In section IV of Imperialism he sees the world as divided up into spheres of influence by the capital exporting countries, although it is finance capital which actually divides the world. "The capital-exporting countries have divided the world among themselves in the figurative sense of the term. But finance capital has led to the actual division of the world".(34) The state participates in the centralisation of capital, and its conquest policies derive from competition between these capitals in sales markets, in raw material markets and in spheres for capital investment. Imperialism is the policy of finance capital, argue these writers, a policy of conquest. Implicit in such a policy is of course militarisation, the demand for armaments from the imperialist state being something emphasised by Rosa Luxemburg, while Bukharin looks at the militarisation of capitalist forms of organisation.

Competition, then, expressed itself under imperialism in a new form, the conquest policies of the imperialist nations. Finance capital, argues Lenin, derives the greatest profit from a form of subjection which involves the loss of the political independence of the subjected countries.(35)

Lenin has (rightly) been criticised here on a number of counts. What mechanism is it that makes the state prepared to act on behalf of its national capitals? The expenses of colonisation are, after all, very substantial. What is it that distinguishes the colonisation of the end of the nineteenth century from earlier (pre-industrial capitalist) waves of colonisation? And, at an empirical level, did export of capital actually precede colonisation, as Lenin's argument would imply, and was capital actually primarily exported to colonies, or to other areas of the world?

These writers thus provide a picture of monopoly capital and the state acting very much in harness. The question of why the state should have the interests of monopoly capital at heart, is not clearly raised, and even the methods of putting these interests into effect is left fairly sketchy. Thus Hilferding in the 5th part of his "Finance Capital", 'La Politique Economique du Capital Financier' sees cartellisation as unifying economic power and thereby increasing its political efficacy. Lenin and Bukharin add that the state itself participates in the centralisation process. Hilferding continues his argument in terms of other classes in society being more prepared to support finance capital. Small enterprise is dependent on large enterprise and thus interested in the latter's expansion. The struggle for concentration thus takes place within the capitalist sector itself as a struggle between the giant enterprises and small and medium capital. Importantly, however, this struggle is not an anticapitalist one. "Mais cette lutte n'a en générale aucun charactère anticapitaliste: au contraire elles [small and medium capitals] ne voient leur salut que dans un développement plus rapide du capitalisme dont elles sont elles-mêmes le produit et qui élargisse leur champ d'activité".(36)

This picture of the concentration of political power in the hands of finance capital is also put forward by Bukharin. Competition between individual capitalists becomes by stages the competition of state capitalist trusts in the world market. The state thus becomes more than ever an executive committee of the ruling classes. Parliament no longer serves as the arena for the struggle amongst various factions of the ruling groups, for finance capital has consolidated it into one solid reactionary mass. "'Democratic' and 'liberal' sentiments are replaced by open monarchist tendencies in modern imperialism, which is always in need of state dictatorship".(37)

The state is thus seen as a monolithic entity, closely bound up with the interests to finance capital, with minimal fractional struggle. This unity is further emphasised by working class opportunism, as a feature of the class struggle under the monopoly stage which Lenin, Bukharin and Hilferding all point to. This opportunism is based on the possibility of the imperialist nations buying off working class opposition with increased wages, as a sharing out of imperialist super-profits. Whilst it is true that this opportunism is seen as temporary, the general picture presented is that of class and fractional struggle within the imperialist nations being replaced by imperialist national rivalries, rivalries between states on a territorial basis.

Whilst I have shown the imperialist writers concerned with the interrelation between the role of the state and the changing nature of competition, Preobrazhensky alone deals directly with the state and the law of value. As we have already seen, Preobrazhensky sees monopoly capitalism as partially abolishing the law of value, where the law of value is the spontaneous regulation of the production process in commodity society. The world war and state intervention further emphasises this process: "Free competition was abolished, and the law of value in many respects was almost completely replaced by the planning principle of state capitalism". (38) The ending of the war by no means fundamentally reversed this process; and Preobrazhensky is largely concerned to point out that such an economic system is objectively ripe for socialist planned production.

Again then we trace the implication that the state and the capitalist economy becomes a single monolithic entity. Again there is the urgency and immediacy of the transition to socialism which we observed in Lenin. However Preobrazhensky is not so concerned as, say Bukharin, to analyse the changing nature of competition with the growth of the monopoly stage of capitalism. Earlier sections of this chapter have examined the changing nature of competition in some detail, arguing that new forms of competition have become evident, but that competition has certainly not been 'abolished'. It is thus a rather sweeping generalisation to see the law of value as partially abolished with the monopoly stage of capitalism, as indeed I have already argued earlier.

In conclusion then, the imperialist writers do not deal very systematically with the relationship between the state, the changing nature of competition and the law of value, concerned as they are with immediate state policies. When more modern theories of the state are considered in Chapter 6, I shall want to focus more clearly on whether the state has the interest of monopoly capital at heart, and whether the state is indeed the monolithic entity that the imperialist writers seem to imply, an implication that is made fairly explicit in the modern theory of state monopoly capitalism for instance.

There are three noticeable absentees from the admittedly peripheral discussions of the role of the state by these writers. Two of these can probably be explained by a justifiable lack of historical foresight. Firstly there is no discussion of the extension of the social role of the state, and this obviously becomes important with the establishment of the welfare state. Secondly there was no realisation that colonisation would be replaced following the second world war by 'neo-imperialism'. (Since this thesis is concerned only with developed capitalist formations this issue is only included for the sake of completeness.) Finally, and perhaps particularly importantly for the unexpected staying-power of capitalism, the imperialist writers do not deal with the role of ideology in the capitalist state.

G. Conclusions

The imperialist writers were not centrally concerned with the issue of this thesis: the relations between the monopoly stage of capitalism, the changing nature of competition and the implications for the law of value. The urgency of the historical situation in which they were largely writing, the first world war, meant that the transition to socialism was foremost in their mind. Amongst other reasons, this lead to an implication in their writings that the monopoly stage of capitalism (or 'imperialism' as it was generally called) was something other than a new stage: as Lenin put it, it was "putrescent" or "dying" capitalism. It have argued that the monopoly stage of capitalism must be seen as essentially capitalist; that although a new phase of capitalism requires a fresh theoretical effort, there is a theoretical continuity between monopoly capitalism and competitive capitalism.

In Chapter 3 a dichotomy was identified in Marx's economic writings between his descriptive considerations of the growth of large-scale enterprise and his analytical consideration of 'exclusions' from the formation of the average profit rate. This chapter has pointed out that Lenin seems to continue this dichotomy, in the sense that the analysis he presents in "Imperialism" bases itself almost wholly on the descriptive aspects of Marx's work, whilst the analytical aspects are substantially ignored. I pointed out then, that the imperialist writers do not systematically relate their analysis to that of Marx. Hilferding is an exception here: not merely does he explicitly relate his analysis to Marx's economics in "Das Kapital", but he also achieves some synthesis between the descriptive and the analytical aspects of Marx's work in the links he makes between the growth of large-scale enterprise and the formation of the average profit rate. With this exception then, there is a certain lack of critical continuity of ideas within the marxist tradition, particularly in terms of a disjuncture between Marx and Lenin. In the following chapters it will be seen that the descriptive tradition established by Lenin is continued by later marxist writers. How far have modern marxist writers also been able to return to and develop Marx's analytical ideas? The conclusions here will point towards a possible synthesis between Marx and the imperialists.

What of such a possible synthesis then, at this stage of the analysis? I am trying to emphasise that Marx wasn't simply analysing one stage of capitalism, the competitive stage, but that the laws he adumbrated, and in particular the law of surplus value, apply to the new stage also, although in a modified form. The first aspect of this continuity is that competition remains a feature of the monopoly stage of capitalism, albeit in a changed form. Competition now takes place at three levels, horizontal, vertical and combined competition, rather than simply within and between sectors as under competitive capitalism. Whilst barriers to entry of capital (monopolies) and barriers to exit of capital (large-scale enterprise) can temporarily, or even for longer periods, prevent competition between sectors; combined competition, and the possibility of shifting concrescences of finance capital correspondingly tend to overcome those barriers in their search for extra surplus profits.

The second aspect of the continuity is the development which the law of value itself undergoes under the monopoly stage of capitalism. In Chapter 2 I portrayed the law of value as a general law governing the distribution of surplus value between capitals through the tendency to form an average profit rate. The 'elasticity' of the operation of the law was emphasised, where normal surplus profits within a sector, and the tendency for those surplus profits to be overcome, are part of the process forming the tendency towards an average profit rate. On the other hand, Chapter 3 showed Marx presenting competition between fractions of capital (industrial, commercial and banking capital) as not subject to this general law at the competitive stage of capitalism: there is an 'indeterminacy' (in the sense of no governing general law) in the distribution of surplus value between the fractions of capital. I have argued in this chapter that the development of the credit system and the possibility of combinations between sectors and between fractions of capital provides a mechanism for the tendency to form an average rate of profit to re-establish itself at the level of the fractions of capital under the monopoly stage of capitalism.

There is thus a link between the changing form of competition and the development of the law of value, which deserves spelling out in some detail. It was shown in Chapter 1 that under the competitive stage of capitalism, competition operated at two levels to enforce the law of value. It operated within a sector ensuring that the commodity had the same market value for all producers regardless of the method of production used, which meant surplus profits for those who produced the commodity with an above average production method. Within the sector there is horizontal competition between enterprises producing the same commodity, and seeking to gain surplus profits. Competition also operated between sectors, equalising profit levels through the difference between prices of production and values. At this level there is vertical competition between enterprises producing different commodities and expressing the social division of labour. It appears that under competitive capitalism the law of value gives a determinate, if elastic, method for calculation of the division of the social labour of society. This is, however, to forget that running parallel to the operation of competition within and between sectors of production is the division of the capitalist class into three fractions, industrial, merchant and banking capital, together with the existence of the landowning class. In his theory of rent, Marx provides an analysis of the mechanism whereby the landlord is able to extract surplus value from the capitalist, enforcing the law of value on the latter, if he is in a position to enjoy surplus profit. It is also known that merchant capital partakes of the average rate of profit, according to the mass of capital invested by the merchant. But Marx points out that there is no general law to determine the division of gross profit between banking and industrial capital, since the competition between these is an intra-class competition and thus the determinants of the limits of the mean rate of interest are purely empirical, in contrast with the competition which takes place between labour and capital. It would thus seem that under competitive capitalism there is in fact a level of indeterminancy (which has not generally been observed) in the law of value at the level of the division of the capitalist class into industrial and banking fractions. However, insofar as the credit system develops hand in hand with the development of capitalism this indeterminancy is overcome. In the money market, the character worn by industrial capital only in its movement between spheres, the character of a common capital of a class comes into full evidence. 'Capital in general' has an existence in the real world as finance capital.

In comparison with the above situation, what are the levels of operation of competition and the law of value under the monopoly stage of capitalism? Within each sector of production competition will still enforce a common market value. The only point of difference here will be that insofar as sectors become characterised by one or a few large producers with a proportion of small producers remaining, the large (or monopoly producer) will probably have the most efficient production methods and will therefore obtain surplus profits. As was seen with respect to vertical competition, sectors characterised by monopoly can escape submitting to the average profit rate, involving transfer of surplus value from other sectors, what I called the 'monopoly transfer'. At the intersectorial level there is thus the introduction of a certain indeterminancy into the law of value which results in an uneven development between spheres through the tendency to create and overcome monopoly barriers. This is not to say that uneven development between spheres does not exist under competitive capitalism (Marx is emphatic that the average profit rate exists only as a tendency), but that this uneven development takes on a more structured form under the monopoly stage, comprising two different types of capital, monopoly and non-monopoly capital.

Having seen how the operation of the law of value tends to result in uneven development between monopoly and non-monopoly sectors, albeit with the boundaries between these two capitals as moveable and variable, we can now go on to point out the existence of compounded competition under the monopoly stage of capitalism. This is a form of competition characteristic of the new stage, involving a tendency for combination to take place between spheres of production eliminating the differences in profit rate which have been established by the monopoly sectors as described by Hilferding.

There are thus two levels at which competition functions to ensure that the indeterminancy in the operation of the law of (surplus) value which was observed at the sectoral level under the monopoly stage of capitalism is but a temporary indeterminancy. On the one hand vertical competition tends to break down any existing division of competitive and monopoly capitals, creating monopolies from the former and opening the latter to competition. And on the other hand, compounded competition overrides the sectoral divisions of capital and encompasses different branches of production, re-establishing an average rate of profit.

One further change is brought about under the monopoly stage of capitalism in the process of competition, which is that the division of capital into three fractions no longer runs parallel to the competition within and between spheres (horizontal and vertical) as under the competitive stage. The three fractions of capital now join at the level of combined competition. Banking capital, industrial capital and merchants' capital coalesce or fuse to form a series of concrescences. The existence of such concrescences means that at the level of compounded competition, the indeterminancy of the division between interest and profit of enterprise has been eliminated, becoming rather the gross profit of the concrescence, the unit of finance capital. The fuller development of the credit system under the monopoly stage of capitalism has brought the character of a common capital of the capitalist class into full evidence.

However, the formation of concrescences from the different fractions of capital does not mean that these concrescences are fixed, for the merging of capitals has nothing friendly or co-operative about it. Competition under the monopoly stage of capitalism in fact continues to take place at the two levels at which it took place under competitive capitalism, namely horizontal and vertical competition. The form of the latter has changed due to the existence of monopoly sectors, but this in turn has led to the development of a third level of competition, combined competition. The indeterminancy of the 'monopoly transfer' is limited by the operation of a modified vertical competition and of compounded competition. Insofar as competition takes place simultaneously at three levels under the monopoly stage of capitalism, the law of surplus value, too, is operating at three levels, and it is thus that the modifications in the operation of the law of value under the monopoly stage of capitalism must be seen. Those who would see this as a less predictable form of operation must recall that a major indeterminancy under the competitive stage tends to be eliminated under the monopoly one, namely the indeterminancy of the division of gross profit between industrial and banking capital.

I have finally suggested in this chapter that the monopoly stage of capitalism sees the development of a new form of surplus value: extra surplus profits, which might be linked to the idea of a 'monopoly transformation'.

It will be the task of the next chapters to see how far the possible synthesis between Marx and the imperialists pointed to above provides a basis for assessing the achievements of modern Marxists in analysing the changing nature of competition under the monopoly stage of capitalism.

Footnotes to Chapter 4

1. Bukharin (1972) Preface.
2. Lenin (1970) p. 677.
3. Bukharin (1971) p. 19.
4. Bukharin (1972) p. 73.
5. Hilferding (1970) p. 321.
   "If combinations with a monopolistic character suppress competition, they thereby suppress the very means by which an objective law of price can appear. Price ceases to be of an objectively determined size, it becomes an arithmetic process of those who determine it voluntarily and consciously; instead of a result a condition, instead of objective subjective, instead of a necessity independent of the will and consciousness of the participants something arbitrary and fortuitous. The verification of the Marxist teaching on concentration, in other words combination with a monopolistic character, thus seems to oppose the Marxian theory of value".
6. Lenin (1970) p. 684.
7. Wirth (1977) See p. 290 et seq.
8. Lenin (1970) p. 745.
9. Panzieri (1976) p. 12.
10. Lenin (1970) p. 712.
11. See Chapter 5, section A.
12. Lenin (1970) p. 680.
13. Ibid p. 686.
14. Ibid p. 694.
15. See Hilferding (1970) Ch. 12.
16. Preobrazhensky (1965) p. 152.
17. Ibid see pp. 150-160.
18. Bukharin (1971) p. 21.
19. Ibid p. 36.
20. Ibid p. 38.
21. Hilferding (1970) p. 261.
    "But this subjective effort towards the highest possible profit has for objective result a tendency to establish the same rate of profit for all capitals".

22. Ibid p. 270.
"Thus we see how, at the two poles of capitalist development and for completely different reasons, a tendency to the lowering of the profit rate below the average takes place. This tendency leads in turn, where capital is strong enough, to an opposite tendency. This finally results in the supression of competition and, thereby, to maintaining inequality in the profit rate, until, in the final analysis, this inequality itself is abolished by the supression of the separation of spheres of production".

23. Ibid p. 266.
"The liquidation of capital doesn't at all affect, of course, the production process. It only concerns property, and only creates the form of transfer of property functioning in a capitalist manner, the transfer of capital as capital, a sum of money producing profit. Since it doesn't affect production, the transfer is in fact only a transfer of a title to ownership of the profit".

24. Ibid p. 278.
" A combination in the same branch of industry is formed with a view to raising the level of profit in this sphere above its below-average level by eliminating competition".

25. Ibid p. 323.
"Thus it is that cartels build up the strength of their propaganda". "The limitation imposed on the freedom of a movement of capital for economic reasons and because of property relations ... are the condition for the supression of competition on the market between buyers. The equalisation of the levels of profit can thus only be done through participation in an increased profit level as a result of cartellisation or combination".

26. For Hilferding's (1970) argument see Ch. 5 'Banks and Industrial Credit'.

27. Ibid see Ch.14.

28. Lenin (1970) p. 704.

29. Hilferding (1970) p. 312.
"For industrial capital is God the Father, who has freed

commercial and banking capital as God the Son, and money capital is the Holy Spirit. They are three, but nevertheless a unified one in finance capital".

30. Sweezy (1968) p. 268.
31. Ibid p. 269.
32. See Thompson (1977).
33. Readers interested in such an approach will find a helpful summary of the scattered remarks made on the state by Marx, Engels and the imperialist writers in Jessop (1977).
34. Lenin (1970) p. 719.
35. Ibid see p. 731.
36. Hilferding (1970) p. 465.
"But this struggle has in general no anti-capitalist character: on the contrary small and medium capitals only see their health in a more rapid development of capitalism of which they are themselves the product and which increases their field of activity".
37. Bukharin (1972) p. 127.
38. Preobrazhensky (1965) p. 153.

Chapter 5

THE MODERN DEBATE ON THE ROLE OF COMPETITION: SETTING THE SCENE

A. The 1930's to the 1950's

The main focus of these last two chapters will be on the themes within the current literature which are of concern to this thesis, themes which will be used as a basis for my own interpretations and suggestions on the changing nature of competition and its implications for the operation of the law of surplus value. Given that I am putting myself forward as a historian of marxist economic thought, I will however start with a brief overview of certain of the salient aspects within the marxist tradition between approximately 1925 (following the theories of imperialism examined in the last chapter) and the rearousal of interest in marxist thought at the end of the 1950's. This period corresponds of course to Stalin's accession to power in the USSR.

In Chapter 1, I suggested a series of contrasting features in the orthodox and marxist approach to competition and monopoly which are a result of their differing paradigms. What aspects of the marxist paradigm are most apparent in the writers of the Stalinist epoch? Three are of particular importance: these writers emphasise the institutional framework, they include a dynamic approach to competition and monopoly, and they are well aware of the historical dimension. A major unifying feature of the period is the continuing (if spasmodic) development of the analysis sketched out in Lenin's "Imperialism". The writers I propose to consider do not relate their presentation to Marx, but rather to what in the last chapter I characterised as Lenin's descriptive development of Marx. There is thus in this period a continuation of the tendency initiated by Lenin to consider simply one aspect of Marx's contribution to the debate on competition. The writers of this period do not build on Marx's analysis of the tendency to form an average profit rate;

they develop the descriptive framework he initiated in his remarks on the concentration and centralisation of capital. One finds then, a number of empirical works which develop the descriptive categories used by Lenin, the most important of which are Anna Rochester's "Rulers of America" (1936), Varga and Mendlesohn's "New Data for Lenin's Imperialism" (1940) and Victor Perlo's "Empire of High Finance" (1957).

To what extent then do these works reassert the disjuncture between Marx and Lenin which I identified in the last chapter? Victor Perlo for instance saw Anna Rochester's book (sponsored incidentally by the Labour Research Association) as the outstanding theoretical work of the 1930's, whilst I would argue that it is rather an empirical work developing empirical categories. In the forword Rochester herself is more modest than Perlo would claim, and estimates her contribution as an empirical one: "The present book is based on the economic and political teachings of Marx as developed for the imperialist era by Lenin. It attempts to show the broad outlines of capitalist structure in the US and illustrates for this country the basic argument presented by Lenin in his 'Imperialism, the Highest Stage of Capitalism'".(1) In examining the contents, it is indeed found that "Rulers of America" is concerned to illustrate the usefulness of Lenin's descriptive categories in relation to the United States. Thus Parts 1 and 3, entitled 'The Rulers and their Domain' and 'Capitalism in Crisis' respectively, deal with the broader background, whilst Part 2, 'Control in Selected Industries' provides details of the grip of the principal financial groups on nine industries. The concluding chapter of this section 'Monopoly and Competition' argues that the studies of industries have illustrated the uneven development of monopoly in the various sections of capitalist society, and further that "They show that even the most highly developed monopoly does not - and cannot - eliminate competition".(2) The relations between and within financial groups is represented as confused, and Rochester concludes that "The financial overlords are unable to co-ordinate the activities of the separate corporate organisms which they have created".(3) In summary, Rochester confines her study within the framework of Lenin's empirical categories, whilst nevertheless enriching them by her specific consideration of the United States economy up to the 1930's.

The same can be said of Varga and Mendelsohn's study, published four years later, where the explicit aim is to update the empirical material provided by Lenin. Comments are provided in a format parallel to Lenin's text. They provide additional relevant data, for example including Japan in their tables, and citing cases of compulsory cartellisation, especially in Germany; government holdings in joint stock companies; or lists of new colonial conquests and of the territoral redivisions under the Versailles Treaty and of the former Ottoman Empire. Even more than with Rochester's study, the framework of the empirical categories of "Imperialism" is closely adhered to.

Turning to Victor Perlo's post-war work, this is concerned with the 'spider web' of financial institutions in the U.S. economy, in which he follows the changing fortunes of the eight major 'interest groups' there, (Mellon, du Pont, Rockefeller, Cleveland, Chicago, Morgan, Boston and Kuhn-Loeb). Perlo argues, "Some writers have presented this too simply, as virtually a single integrated unit ... Others - the apologists - use the complexity of relationships to obscure their existence. The real truth is that a definite financial structure does exist, but not as a single unit. The economy is clustered around several major empires and a number of minor duchies. The boundaries are shifting, and indistinct, with many border-provinces under divided rule".(4) Again Perlo is making a particular case study of Lenin's concept of finance capital in the United States. Sam Aaronovitch took a similar look at finance capitalism in Britain in two books "Monopoly" (1955) and "The Ruling Class" (1961).

That these works had a solid empirical contribution to make to the marxist tradition cannot be denied. Lenin intended his "Imperialism" as an outline, and Rochester, Varga and Mendelsohn and Perlo did much to fill in the detail. In particular, they did much to provide empirical evidence for the concept of finance capital. But whilst not wishing to belittle the contribution that they did make, there can be no doubt that all these studies rest firmly on the categories put forward in Lenin's pamphlet. There is here no continuation of the theoretical synthesis between Marx and the 'imperialists' which I argued in the last chapter had been initiated by Hilferding.

It is of course generally accepted that the period being dealt with here was marked by a hiatus in marxist theory, a hiatus that can to a large extent be put down to the rise of fascism in Germany, and of Stalinism in the USSR, the two countries which had up to the 1920's been the centres of creative marxist thought. This lack of theoretical development can be identified with an extension of over-simplified versions of Marxism-Leninism.(5) Perhaps it provides a partial explanation for the close adherence to Lenin's conceptual categories which I have identified in the writers considered above. It also leads on to a second feature of this period in marxist economic thought which I would like to identify. For as well as developing aspects of the marxist approach to competition and monopoly, this period also shows marxists influenced by the orthodox paradigm and its consideration of competition and monopoly.

Around the turn of the century an extensive descriptive literature had grown up concerned with the prevalence of trusts, pools, cartels, and other monopolistic forms of capitalism which has had a considerable influence on theory in both the marxist and the orthodox schools of thought. Although there were a number of 'muck-rakers', there were also many serious chroniclers of this growth of monopoly elements. In the U.S.A. John Moody, Richard T. Ely, J.W. Jenks and Eliot Jones are examples of pre-first world war writers, whilst in Britain we find H.W. Macrosty and Herman Levy.(6) These extensive and carefully descriptive studies were crystallised in the work of J.A. Hobson who devoted six chapters of his revised edition of "The Evolution of Modern Capitalism" to the problem of size and combinations in modern business.(7) Hobson was of course one of the writers whose figures Lenin made use of in Imperialism, and one does indeed find that it was the marxist tradition which first took this literature into account, basing its theories of imperialism on the empirical accounts provided by bourgeois chroniclers, as we saw in the last chapter.(8)

It is true that these writers often took varied theoretical stands towards the phenomena they were describing(9), but there can be no doubt that this descriptive literature demonstrated a need for change in the accepted wisdom of Neoclassical theory, hypothesising as it did, a perfectly competitive situation. As late as 1936 A.R. Burns wrote: "Elements of monopoly have always been interwoven with competition, but the monopoly elements have increased in importance. They can no longer be regarded as occasional and relatively unimportant aberrations from competition. They are such an organic part of the industrial system that is it useless to hope that they can be removed by law and the industrial system thus brought into conformity with the ideal of perfect competition".(10)

But during the 1930's orthodox theory did at last respond to the substantial descriptive literature on the growth of monopoly structures. True, it was a response that took place after an interval of some 30 years, an interval that did much to discredit the discipline of economics, yet it took place at a time when theoretical marxism was in disarray. The response of bourgeois theory (at the risk of substantial oversimplification) can be classified as two-fold: the first has often been called the 'managerial revolution', while the second involved changes in the theory of the firm. (Orthodox theories on monopoly are considered in more detail in Appendix A.)

According to managerial writers, whose views were pioneered by Berle and Means in "The Modern Corporation and Private Property" (published in 1933) the separation of ownership and control "challenges the fundamental economic principle of individual initiative in industrial enterprise" since "the explosion of the atom of property destroys the basis of the old assumption that the quest for profits will spur the owner of industrial property to its effective use".(11) The separation of ownership and control has also allowed of the growth of huge corporations, whose domination, say Berle and Means, challenges many of the basic assumptions of economic thought. "Ownership of wealth without appreciable control and control of wealth without appreciable ownership appear to be the logical outcome of corporate development".(12)

Whilst the 'managerial revolution' challenged the internal coherence of orthodox economic theory the 'price revolution' challenged the adequacy of its fundamental assumptions. Neo-classical theory had limited its analysis of the market to pure competition and pure monopoly as two fundamental types. The initiators of the price revolution, Pierro Sraffa, Joan Robinson and E.H. Chamberlin, attempted to bring equilibrium theory more into line with the reality of the economic world. It is widely accepted that the achievement of their contributions was that they introduced an empirically relevant set of assumptions into price theory and the theory of the firm.

Given the lack of development of marxist thought after 1925, and the recrudescence of orthodox economics in the 1930's (the period Shackle calls the "Years of High Theory"), the likelihood of mainstream economics influencing the marxist analysis appears prima facie high. I would suggest that the influence of orthodox economics can be identified in two aspects of the marxist analysis, one theoretical and the other political.

The first involves a certain tendency to fuse the marxist theory of a monopoly stage of capitalism with mainstream theories of non-competitive (other than perfectly competitive) markets. In other words, the distinction made by orthodox economists between competitive, oligopolistic and monopolistic markets has tended to be confused with the marxist concept of monopoly, a concept which, as will be further argued in this chapter, is by no means to be identified with purely market phenomena. As I showed in Chapters 2 and 3, for Marx monopoly is not opposed to competition, but is rather seen as an extension of the competitive process. The fact that the orthodox and marxist paradigms provide analyses at quite different levels seems not to have been always clearly realised by marxists. As will be demonstrated in section E below, certain marxists in the current tradition (and particularly those, like Ronald Meek, intellectually reared in a Stalinist context) place considerable emphasis on monopoly pricing and the role of the market as an element in a marxist theory of competition and monopoly. Such a concern is more appropriate for an orthodox paradigm, and indeed the achievements of orthodoxy in developing the theory of market price is unlikely to be matched by marxists. Of even more fundamental importance for this thesis is that marxists may also have allowed themselves to be misled into the view that the existence of monopoly structures can change the fundamental nature of competition. This chapter will continue to argue the case against such a view. Were it the case that monopoly and competition are fundamentally opposed, marxists would indeed be obliged to seriously pose themselves the question of whether the law of value remains valid under monopoly capitalism.

The ideological influence of mainstream economics can, I feel, also be identified in certain marxist political approaches to the question of monopoly. British Communist Party emphasis on the role of monopolies (conceived of as 'bad') contains a certain implication that the political struggle is one to be waged against monopolies (by means of the anti-monopoly alliance) rather than against capitalism as such. How far does this involve an acceptance of the liberal idea that monopolies need control, but that once this control is achieved, further political action is unnecessary? Have the years of defeat for the CPGB meant a corresponding absorption of the bourgeois policy prescription: control monopolies and then really the economic system provided by capitalism is reasonable!

The quarter century then between 1930 and 1955 was a period which saw little development of marxist theories of competition and monopoly, although there was useful descriptive work based on Lenin's categories in "Imperialism". It was also a period in which there was a marked recrudescence of orthodox theorising, which had some influence on the largely languishing marxist school. However, since the end of the Stalinist hiatus, there has been a substantial rearousal of interest in theoretical and empirical marxism. The next section will spell out the themes in the contemporary literature as they relate to competition and the law of surplus value.

B. Themes in the current literature

The rebirth of the interest in marxism from the end of the 1950's involved coming to terms with the fact that socialism had only been established in a part of the world. Lenin's "Imperialism" had been written in the midst of the first world war, and it was not surprising that his analysis should have been coloured by the ideas of an immanent demise of capitalism. In the aftermath of the Russian Revolution marxists turned their attention to the economics of the transition period and of socialism. Contemporary marxism has returned to the analysis of the capitalist mode of production, and within this the theme of competition and the regulation processes of capitalism have been of continuing importance. There has also been a concern to reclaim the roots of marxism by a return to the writings of Marx himself.

Contemporary marxism shows a richness and diversity of approach to the theme of competition and its implications which is not very easy to follow. A major concern of this chapter and Chapter 6 will be to attempt a classification of these different approaches, using this as means of identifying and clarifying the themes and issues that I see as most significant and important. How far have modern marxists been able to return to and develop Marx's analytical ideas on competition and the regulation of capitalism? Here I will want to continue the task I set myself in the last chapter of identifying continuity and disjuncture with Marx, and with the theorists of imperialism. For example how useful are Bukharin's three types of competition, and has Hilferding's synthesis been made use of in the contemporary literature? Do we have any new departures? Some notable new themes in the contemporary literature are a concern with monopoly pricing and with the internal functioning of the large firm. Because of the range of issues covered, this chapter will deal with those that set the scene for the contemporary debate. Chapter 6 will examine the themes that, as I see it, indicate fruitful new possibilities for a theory of competition within the marxist paradigm.

Capitalist regulation, then, has become an important issue for contemporary marxist political economists. For James Clifton, theories of competition are the basis for systematising the fundamental forces at work in a capitalist economy.(13) How does one characterise the adjustment mechanism of capitalism? For Aglietta too, competition is very important: he sees competition as a process of unification of the whole capitalist class insofar as all capitals are constrained to adjust themselves to the general profit rate.(14) The changing forms of regulation are what concern Alain Lipietz and he distinguishes two types of regulation, monopoly and competitive regulation.(15) Section D of this chapter will focus on the views of the changing nature of competition and monopoly. This will in turn raise the question of whether the law of surplus value has been modified or distorted under the monopoly stage of capitalism, and whether the changes are such that the labour theory of value is no longer applicable, or remains a useful tool.

It is now time to provide a preliminary classification of the themes in the current literature. I want to spell out here how each theme relates to the concern of this thesis, and to provide a brief outline of what each theme involves. It is important to realise that none of the themes can really be considered in isolation, but that there are links between all of them. (For example the issue of monopoly pricing inevitably ties up with the forms of corporate organisation.) Authors do however differ in the emphasis they place on each theme. Thus Meek has quite a lot to say about monopoly pricing, and scarcely mentions finance capital, whilst Chevalier places most emphasis on corporate organisation and finance capital. Readers will also notice that there is little unity of opinion on each of the themes I have identified. Diagram 5.1 provides a classification of themes and shows some of the diversity of opinion within each.

The issue of periodisation is in a sense fundamental to all the rest. What is the modern view of the monopoly phase of capitalism (what Lenin called 'imperialism') and of how it differs from the capitalism analysed by Marx? The remaining themes involve the mode of regulation of capitalism (how has competition changed?), the process of exchange and the market (involving monopoly pricing), the distribution of surplus (especially in relation to the formation of a general profit rate), the institutional structure (including corporate organisation, finance capital and the role of the state) and what might be called the unity of production and exchange.

First of all, the issue of periodisation. It is commonplace to assert the validity of the view that capitalism has reached a new stage. The very titles in the recent literature confirms this: "Monopoly Capitalism and Marx's Economic Doctrines" (Evanitsky, 1960), "On the Monopoly Theory of Monopoly Capitalism" (Becker, 1971), "Marx and the Laws of Competitive and Monopoly Capitalism" (Szymanski, 1973), "Towards a Critique of the Theory of State Monopoly Capitalism" (Wirth, 1977). Is it legitimate to transfer Marx's concepts and analyses from 19th century capitalism to 20th century capitalism? Two divergent opinions can be identified here: those arguing that the changes between the competitive and the monopoly stages are changes of degree only, and those who see some sort of fundamental discontinuity. Particularly among the latter it is argued that Marx's model applies only to competitive capitalism, and on this basis pleas are periodically made (as I showed in the Introduction) for significant contributions to be made to the theory of monopoly capitalism. One view then says that "Capital" can only be read as an interpretation of competitive capitalism, an interpretation which is not valid for the new form of capitalism. Discussion of the issue of periodisation must obviously set the scene for the other issues in the contemporary debate.

DIAGRAM 5.1 OUTLINE OF CONTEMPORARY MARXIST VIEWS ON THE CHANGING NATURE OF COMPETITION

1. <u>Periodisation</u>

Competitive capitalism to monopoly capitalism (See Chapter 5 Section C)

(i) A change of degree?

or (ii) A fundamental discontinuity?

2. <u>Regulation</u>

Competition and monopoly (See Chapter 5 Section D)

(i) Is monopoly a mode of appearance of competition?

or (ii) Does it lead to a change in the mode of regulation of capitalism?

What are the forms of competition?

3. <u>Sphere of Circulation</u>

How important are markets and prices? (See Chapter 5 Section E)

(i) Monopoly pricing is important

(ii) There is now a monopoly price system

(iii) Markets and prices are relatively unimportant

4. <u>The Institutional Structure</u>

A. <u>Corporate Organisation</u> (See Chapter 6 Section A)
Its implications for internal organisation, motivations, growth, strategies of competition.

B. <u>Finance Capital</u> (See Chapter 6 Section B)
Its meaning and significance
A result of accumulation

C. <u>The State</u> (See Chapter 6 Section D)
(i) 'De-commodifies' the law of surplus value
(ii) Market based constraints remain

5. <u>The Distribution of Surplus</u>

Profits and where they go (See Chapter 6 Section C)

(i) Is there still a tendency to equalization of profit rates?

or (ii) A tendency to their differentiation?

6. <u>The Unity of Production and Circulation</u>

Concluding assessment of the regulative process (See Chapter 6 Section E)

I have already given some indication of the importance of regulation as an issue. How has the competitive process changed since Marx? Does the growth of monopolies and large scale enterprise exclude competition, or are monopolies temporary barriers to horizontal or vertical competition which are unable to abolish combined competition between the units of finance capital? Margaret Wirth for instance sees monopoly as a mode of appearance of competition (16), whilst others would see a disjuncture between the two. Can one distinguish monopoly and non-monopoly capitals in a similar way to the distinction between the monopoly and the competitive stages of capitalism? Marxists frequently contrast the anarchy of the 'external' regulative process between the units of competitive capitalism and the planning process involved inside the corporate units of monopoly capitalism.

It is easy to see how this theme links in with ideas of the importance of the role of the market and the sphere of exchange. For marxists, market relations are but a special kind of social relation, but many modern marxists have placed considerable emphasis on them. Meek and Sweezy feel that it is important to be able to calculate monopoly price within a labour theory of value framework. As I have already argued, such a focus shows evidence of the influence of the orthodox paradigm on marxism. Others feel that it doesn't really matter if this can't be done. For instance, Fitch and Oppenheimer argue for the irrelevance of pricing when giant firms have effectively abolished markets.(17) A third line of approach sees the significance of a monopoly price system, within which the realisation of surplus value is of crucial importance. Baran and Sweezy's Monopoly Capital is the major example of this line of argument.

In contrast with those who focus on market relations is the emphasis on the distribution of surplus. Is there still a tendency towards a general rate of profit as Marx would argue, or is a hierarchy of profit rates the rule nowadays, dependent on how monopolised the sector is? Aglietta for example suggests a permanent uneven distribution of profits under monopoly capitalism.

An advantage of a consideration of the system at the level of profits is that the existence of profits demonstrates the presence of non-price as well as price competition. Any tendency to equalisation or non-euqlisation of profit rates also ties in with the form that competition takes: Marx considered competition between firms and between industries, whilst Bukharin introduced the idea of compounded competition between financial groups (the units of finance capital). How does the existence of finance capital alter the distribution of surplus (and hence profits) between the different fractions of capital?

The next theme in the literature focuses on the institutional structures of modern capitalism; finance capital on the one hand and corporate organisation on the other together with the role of the state. I have already hinted that a consideration of finance capital is associated with the formation or otherwise of a general profit rate and the changing nature of competition. What is the contemporary meaning and significance of finance capital? Does it in fact give rise to capital mobility to the extent that capital in general has a real existence in finance capital in a similar manner to Marx's suggestion that banking capital showed signs of providing capital in general with a foothold in the real world? Corporate organisation was not something that was dealt with either by Marx or Lenin. Has large scale enterprise altered the motives underlying the capitalist system? To what extent has it lead to a change in strategies of competition; does competition for instance become a process of securing the most favourable terms of growth, rather than trade? How far have forms of organisation changed and lead to changes in production strategies or changes in the distribution of profit within the enterprise? Turning to the state, there are a variety of possible ways of classifying the types of state intervention, including intervention in the competition between capitals. Some have argued for a 'state sector' to be considered in addition to the monopoly and the non-monopoly sectors. Does the state 'de-commodify' the law of value, or do market based constraints on the action of the state persist?

The final section of my classification I refer to as unity of the production and circulation process. This will incorporate my conclusions at the end of the next chapter, on the issues in the current debate which are of most significance to the changing nature of competition and the law of value. It will include an assessment of the role of accumulation, and will summarise on the significance of finance capital.

B. Stages in capitalism

There are many terms in use in both the marxist and the orthodox traditions that would seem to indicate a widespread feeling that capitalism has changed its nature: capitalism is qualified as Advanced, Late, Post-Industrial, Mixed, Public Enterprise, Managerial, State Monopoly or Imperialist Capitalism. Within orthodoxy, it is those in the institutionalist tradition (such as Galbraith or Schonfield) who are most concerned with the change in the nature of capitalism, but neo-classical theory also sees capitalism as becoming less competitive over time with the development of oligopolistic markets.

There is a strong theme in the marxist tradition that monopoly capitalism is something quite different from competitive capitalism. That capitalism has entered a new phase since the nineteenth century is however frequently seen as a matter for dogmatic assertion in the marxist literature, rather than as a proposition that might need arguing for. Without intending a judgement on the rest of their work, let me give two examples.

The introductory sentence to Fitch and Oppenheimer's important article "Who Rules the Corporation?" reads: "The inability of various 'Marxist' parties and sects to develop beyond trade unionist policies has been reflected in their failure to move beyond Marx's competitive model of capitalism and to analyze and understand large-scale corporate capitalism".(19) Yet the article itself takes for granted that there are two stages of capitalism without making comparisons. Similarly, Baran and Sweezy's well known book "Monopoly Capital" fails to provide more than a brief overview of the contrast between 'competitive' and 'monopoly' capitalism in their introductory chapter. "There is one important factor which can be identified and isolated and hence (at least in principle) remedied: the Marxian analysis of capitalism still rests in the final analysis on the assumption of a competitive economy".(20) Yet the remedy they propose is limited to the characterisation of monopoly capitalism as a capitalism in which "competitive market relations" have been replaced. "We must recognise that competition, which was the predominant form of market relations in nineteenth century Britain, has ceased to occupy that position, not only in Britain, but everywhere else in the capitalist world".(21) (This view of competition is one that will be further considered below in section D.) That there may be some continuity between competitive and market relations is ignored, and that monopoly capitalism may involve other features besides market relations is not entered into.

I attempted to show in the last chapter that Lenin implies a lack of continuity between competitive and monopoly capitalism. There is also a strong current in the contemporary literature which sees Marx's model of capitalism as historically specific. Szymanski's view is typical: "The point of this paper is that Marx accurately described the economic laws of competitive capitalism ... Thus, many of his economic laws were historically specific to the competitive form of capitalism and do not apply once meaningful competition ceases to exist. The analysis of monopoly capitalism in good part must proceed from the premise of monopoly rather than competition, a premise absent from Marx's own analysis".(22) It is true that in reading Szymanski's article we again find that there is little analysis of the "cessation of meaningful competition": there is an extensive exposition of Marx's 'competitive' laws with a series of assertions for the laws of monopoly capitalism interspersed. As I indicated in the Introduction, Paul Sweezy provides a forceful example of those who call for significant contributions to be made to the theory of monopoly capitalism on the grounds that Marx's model applies only to competitive capitalism. " The traditional Marxists have their economic theory from Capital which they consider equally applicable to the capitalism of today as it was to the capitalism of the mid-19th century. On another level, the traditionalists of course embrace Lenin's theory of imperialism with its emphasis on monopoly and state action, but there is no effort to integrate this with the economics Marx expounded in the 3 volumes of Capital. And when it comes to the features which most strikingly differentiate the capitalism of Marx's day from that of our own, the traditionalists usually do not get much beyond commonplace description".(23) It is indeed one of the aims of this thesis to attempt just such an integration between the different strands of thought within the Marxist tradition, and it has already been argued that the dichotomy to which Sweezy refers here can actually be identified in Lenin himself.

I would now like to consider two examples of arguments in the current literature which see a disjuncture between competitive and monopoly capitalism. The first type sees monopoly capitalism as an irrational movement towards disequilibrium. Such a view can perhaps be traced back to Lenin's characterisation of imperialism as decaying and putrescent capitalism. Many theorists of the monopoly stage of capitalism begin by postulating a model of competitive capitalism as a more or less rational order. Capitalism is then attacked on the basis of its historical movement towards disequilibrium with the centralisation of capital and the development of the monopoly stage. Monopoly capitalism is thus characterised as being 'irrational'. True, competitive capitalism was exemplified by the anarchy of the market, and relations between firms were subject to the discipline of the market and its irrational concomitants, but under the monopoly stage planning at the level of the firm simply leads to systematic incoherence at a higher level, in the relations between sectors, as seen for example in the law of uneven development. This method of postulating some sort of ideal forerunner to the monopoly stage has already been criticised by Lenin, and it is also visible for example in Mandel's "Marxist Economic Theory", and indeed in many Eurocommunist versions of state monopoly capitalism.

As James Becker puts it: "The strategy in its entirety is strikingly familiar. We see that it depends at its one extremity upon a definition of competitive equilibrium, and at the other upon a specification of causes and consequences ... of the drift away from equilibrium".(24) The strategy is of course familiar from the orthodox economists, who choose their postulates in relation to models of pure or perfect competition, so that theories of imperfect competition then throw credit back on competitive theory. We have here an example of marxist analysis being influenced by the orthodox paradigm, and a criticism of the theory of perfect competition was given in Chapter 1.

A well known example of a second argument for some sort of fundamental discontinuity is contained in Baran and Sweezy's "Monopoly Capital". Interpreting monopoly capitalism as a monopoly price system they argue that the classicial marxian law of the tendency of the rate of profit to fall must be replaced by the law of rising surplus, so that the crucial problem for capitalism becomes one of absorbing surplus. Somewhat earlier, Gillman too argued for the importance of methods of realising surplus value under the monopoly stage, albeit in a context more closely related to Marx's theoretical concepts than Baran and Sweezy. Gillman thus argues that profit and surplus value are no longer equal for the manufacturing capitalist, since so much of surplus value disappears in administrative expenses internal to the corporation which are unproductive of surplus value. "Taking the economy as a whole, these growing 'unproductive' expenditures eat into the surplus value produced and tend to effect a decline in the rate of <u>net</u> surplus value <u>realized</u>, and so of the net profit realized".(25) Stanfield, in a study of the economic surplus in the US economy 1929-1970, starts from the basic hypothesis proposed by Baran and Sweezy, but concludes: "Baran and Sweezy fail to travel far enough. They continue to analyse the class situation primarily in terms of classical Marxism's Moneybags and the subsistence-living proletariat. Hence they fail to entertain the possible scenario of power-wielding technocrats and overfed workers. This latter scenario is at the heart of the most recent radical social analysis steeped in the heritage of the young Marx".(26) In Stanfield we see a clear meeting point for marxist theories of the monopoly stage of capitalism and the more orthodox analysis of the growth of a technostructure.

I shall be returning to a consideration of the monopoly stage of capitalism as a monopoly price system in section E below. As I attempted to show in the first chapter, the marxist paradigm has not traditionally placed much emphasis on pricing and the role of the market. Orthodox theory, on the other hand, has achieved considerable successes in this sphere. This is because, as I have already argued, marxist and orthodox paradigms are operating at different levels of analysis. In section E I shall be arguing that marxists are not well employed dealing with the issue of prices and that the marxist paradigm is of considerably more relevance when dealing with issues which are not covered by the orthodox approach. This is not to suggest that Baran and Sweezy have an equivalent approach to orthodoxy: the realisation of surplus value has always been of concern to marxists. Nevertheless, there are several aspects of their approach which are alien to the marxist paradigm, including their emphasis on pricing.

Let me now turn to the alternative view of the change from competitive to monopoly capitalism; that its crucial characteristic is one of continuity. Did Marx indeed start from 'free competition' as the ideal form of capitalism, with competitive capitalism giving the most accurate expression to the laws of the system? Shaikh expresses such a view when he says "Marx lays bare the structure of capitalism on the basis of its 'ideal' form, that of free competition, precisely because it is <u>this</u> form that gives the freest expression to the immanent laws of the system".(27) Preobrazhensky took a similar stand when he pointed out that commodity production takes place in the very divergent conditions of a society of independent producers working for the market; early capitalism with survivals of craft regulation of production, and interference of the feudal state in the productive process; classical capitalism in the period of free competition; and monopoly capitalism and the state capitalism of war time economies. But, asks Preobrazhensky "Would anyone undertake to affirm that under all these four types of commodity production the law of value was able to operate in the same way and to display all of its most characteristic features?"(28) Indeed certain marxists authenticate the labour theory of value by planting it within competitive theory.

I would wish to argue, however, that the competitive capitalism which Marx analyses is not an 'ideal form' of capitalism, but rather an approximation to the historical circumstances in Britain at the time Marx was writing. As Uno points out, Marx set out to provide a pure theory of capitalism. In the process of capitalist development the economic phenomena representing the abstract principles of capital appear in concrete and stage characteristic forms. The transformation from free competition to monopoly is located at the level of realisation of the laws of capitalism. It is thus important to demonstrate first of all that capitalism is still capitalism and that the monopoly stage remains characterised by the prevalence of the capital relation, and by exploitation taking the form of surplus value. It is then important to demonstrate what kind of capitalism we now have, and to assess the changes in the form of social relations that have taken place. To what extent do they justify the identification of a monopoly stage and any other stages?

That capitalism has retained its characterisation as capitalism can usefully be clarified by considering the theory of what has been called the 'managerial revolution'. Such a view is arguing that there is no longer a capitalist class, and thus implies that capitalism has ceased to exist. According to managerial writers, whose views were pioneered by Berle and Means in "The Modern Corporation and Private Property" (published in 1932) the separation of ownership and control "challenges the fundamental economic principle of individual initiative in industrial enterprise" since "the explosion of the atom of property destroys the basis of the old assumption that the quest for profits will spur the owner of industrial property to its effective use".(29) The separation of ownership and control has also allowed of the growth of huge corporations, whose domination, say Berle and Means, challenges many of the basic assumptions of economic thought. "Ownership of wealth without appreciable control and control of wealth without ownership appear to be the logical outcome of corporate development".(30) On the basis of such arguments as these, the authors conclude with a section entitled 'Reorientation of Enterprise' in which they call for a fundamental change in economic analysis since its concepts are no longer applicable, be they the concepts of private property, of wealth, of private enterprise, of individual initiative and the profit motive, or of competition. Since the profit motive is no longer operative, the technocrat can replace the capitalist, leading Berle and Means to conclude their tome with pious hopes for the future: "It is conceivable - indeed it seems almost essential if the corporate system is to survive - that the 'control' of the great corporation should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity".(31)

What is wrong with such a view? Berle and Means use, as it were, a microscope to examine each of the 200 largest firms in the United States economy, but neglect the use of a telescope to look at the 200 firms together. They assume separation of ownership and control because they do not look at the links between the large corporations. C. Wright Mill's withering criticism of American social science as having become so empirical that a mere enumeration of a plurality of causes is seen as the best scientific method applies to the inappropriate level at which managerialists have chosen to analyse the phenomena of the modern corporation. "You allow your own confused perspective to confuse what you see and, as an observer as well as an interpreter, you are careful to remain on the most concrete levels of description you can manage, defining the real in terms of the existing detail".(32) The managerial schools thus succeeds in denying the class nature of capitalism because of the low level of abstraction adopted. For similar reasons they are wrong to posit the death of the profit motive as Aaronovitch and

Sawyer have explained: "The fact that control may be centred on minority holding of equity does not alter the even more over-riding feature of capitalist firms, namely that they are the legal property of the equity owners and that, if enough combine to exercise it, the distribution of equity between shareholders represents a distribution of power over the enterprise. As a consequence firms have been increasingly converted into arenas of struggle between competing groups of owners seeking control, whether the rivals appear as individuals or as other firms. The crucial and strategic role of ownership is most evident in the merger and takeover movement".(33) Thus while Berle and Means talk again and again of the fundamental changes that they perceive to have taken place within the modern corporation, they fail to see that these developments are in fact contained within the very idea of capital, as Marx was able to point out.

A second example is that historically there have been attempts to deny the capitalist character of fascism, attempts which Neumann in his study of German National Socialism and Guerin dealing with German and Italian fascism, strongly refute. Writing in 1942 Neumann said, "There is an increasing tendency to deny the capitalistic character of National Socialism. It is called a system of Brown Bolshevism, of state capitalism, of bureaucratic collectivism, of the rule of the managerial bureaucracy. This school of thought believes that there are no longer entrepreneurs in Germany but only managers ... that the market has been abolished and with it the laws of the market ... consequently the law of value is no longer operative ... classes, if their existence is admitted, are no longer the outcome of production ... The appropriation of ... labour is a political act, not economic. The new economy is, therefore, one without economics".(34) Similar theoretical positions are involved in certain present day analyses of the economies of the totalitarian Latin American Countries, especially Brazil. Neumann first points to the ideological attractiveness of such a point of view. "It is an enticing view for it makes the difference between National Socialism and democracy appear not only political and ideological, but also economic, that is, it sees them as two economic systems, private capitalism and state capitalism or capitalism and managerial dictatorship".(35) He then suggests two ways of refuting such a theory: either theoretically deducing the impossibility of such a structure or showing in detail the structure and operation of a fascist economy. Neumann did the latter for the German economy whilst Guerin, in 1936, did it for the German and Italian economies, being concerned to show that the fascist economy is only a sharpened form of the so-called 'guided' capitalist economy of war time.(36) These authors provide powerful empirical confirmation of the capitalist nature of fascism.

Having argued against those who assert that capitalism is no longer, let me now turn to the second task: that of assessing the changes in the form of social relations that have taken place in twentieth century capitalism. In Chapter 1, I identified a range of ways in which the form of social relations has been seen as changing by various authors. I suggested there that the social relations emphasised depended on the focus and purpose of the study made. It is actually very difficult to avoid circularity in periodising capitalism; for example Braverman wishes to examine the changing forms of the working class with the development of the monopoly stage, so that his periodisation of capitalism is based on changes in that form of social relation.

My purpose is to examine the changing nature of competition and analyse how it alters as capitalism develops. My focus for periodising capitalism could therefore appropriately be the changing forms taken by accumulation. The institutional form for this was initially competitive (or non-monopoly capital), then monopoly capital, finance capital and perhaps with the addition of 'state capital'. This could also be seen in terms of the increasing socialisation of production which is for Fine and Harris the hallmark of capitalism's development process. The increasing socialisation of production is clearly reflected in the shift to large scale enterprise, finance capital and the increasing role of the state. Socialisation of production however is also reflected not only in the institutional form adopted by capital but also in changing forms of the working class, as Braverman points out. The changing forms of social relations in fact all parallel each other. Thus changing forms of accumulation give rise to changing methods both of appropriating and of controlling surplus value. With the development of the credit system, profit of enterprise is increasingly transposed into interest, and finally takes the form of taxation by the state. Control correspondingly shifts from process control (control of particular production units) to the accounting form (control at the level of the firm) and then to financial control (control of particular capitals through the agency of money capital).(37) Such structural transformations are of course bound to be mediated by class struggle, and thus lead to changes in its form as well. Correspondingly there will be changes in the forms of crisis and of the state. Such changes will frequently lead to institutional reorderings.

The task of the rest of this thesis could be summed up as the attempt to show just how the realisation of Marx's laws have changed; and in particular the forms of competition, the process of capitalist regulation and the forms of surplus value. The headings to the sections themselves indicate that I shall be developing the details of the changing forms of social relations pertaining to 'many capitals'. It is really only after completing this task that one can provide justification for the periodisation of capitalism into stages. This is the circularity to which I have just referred. Yet such circularity should not give cause for surprise. This is because periodisation into stages is essentially an empirical matter of how capitalism adapts to the constraints it faces. As I argued in Chapter 1, theories of new stages in the development of capitalism have their own historical pre-conditions: they cannot be derived by pure logic from "Capital".

In anticipation, then, of my conclusions at the end of Chapter 6, I would suggest that for the purpose of analysing the changing nature of competition capitalism can be divided into four stages: a transitional stage in which merchant capital predominates, followed by the competitive stage analysed by Marx. At the monopoly stage industrial capital is supplemented by finance capital and monopoly capital is the typical form taken by 'many capitals'. (The features of these two main stages will become apparent during the course of this and the next chapter.) As will become clear from my discussion of the role cf the state in Chapter 6, I am hesitant to use the term 'state monopoly capitalism' for the current stage of capitalism, and would prefer to call it 'modified monopoly capitalism' to reflect my view of the limits on state participation.

Marx's prognosis in the middle of the nineteenth century was of the immanent demise of the capitalist mode of production, upon whose ashes socialism would arise. There has been much disagreement over the 'breakdown controversy'. Was Marx suggesting that the economic contradictions of capitalism would lead to its downfall (ever deepening crises of accumulation and the tendency of the rate of profit to fall) or was there a further precondition for a working class consciousness of these contradictions with a social and political 'revolutionary situation'? Whatever the answer to that question, Marx did not forsee any interim stage between the freely competitive capitalism that he analysed in his critique of political economy, and socialism. Contrary to Marx's expectations, capitalism has survived. Why has it? An important contribution has probably been made by the ideological strength of capitalism, which both Marx and Lenin underplayed. But the growth of oligopolies and large scale enterprise provided a means for the capitalist mode of production to adapt to its contradictions. Such a view stems from the distinction made between the internal laws of capitalism and their mode of realisation. The blind regulatory mechanism of free competition was no longer sufficient to resolve the contradictions of accumulation and the tendency of the profit rate to fall, and the concentration and centralisation of capital (a phenomenon which, as was seen in Chapter 3, Marx himself pointed to) allowed the accumulation process to continue. As Kosonen says: "Monopolies must be considered a means for the capitalist mode of production to adapt to its own contradictions".(38) The developments of twentieth century capitalism, then, require a fresh examination of Marx's political and economic prognostications albeit within the framework of the laws he adumbrated. Monopoly (amongst other things) has provided a survival mechanism for capitalism. The next section examines the forms that competition takes today, including 'monopoly as a form of competition'.

D. The forms of competition

In the last section I identified a strong current within marxism that sees the monopoly stage of capitalism as radically different from its competitive predecessor. I shall now attempt to argue the case against such a view in rather more detail in examining contemporary views of competition and monopoly as such. Whilst Marx himself had relatively little to say about monoply, what he said about competition implied continuity between the two. I have similarly argued for continuity between the two concepts in my examination of the theorists of imperialism despite the continuation of the process of concentration and centralisation of economic units resulting in monopolies. Does the state of the modern debate confirm or deny such a view? To this issue I now turn.

An interesting feature of the curremt debate is that many participants have made a conscious effort to return to Marx. In doing so they frequently place emphasis on competition as a process of regulation or mediation within capitalism. Aglietta argues that a dynamic system must have a logic of internal transformation,so that a crucial question becomes,how is the system regulated? For him the nodal point of the theory of capitalist regulation is the articulation of the laws of capital accumulation and the laws of competition, involving in the former case a study of the transformations of the wage relation and in the latter a study of the transformations of inter-capitalist relations. Aglietta sees the changes in inter-capitalist relations and the forms of competition heavily modified by the concentration and centralisation of capital.(39) Wirth argues her case via a critique of Lenin as well as Marx, and similarly sees the importance of competition as a regulator. "The quantitative forms of appearance of value and the qualitative preconditions of its reproduction are mediated by competition, in which it is revealed for the individual capital whether its production from a quantitative point of view corresponds equally to qualitative demands for use-values from society".(40) Lipietz too sees regulation as important, although he points to the need to reject any idea of regulation as a kind of consciousness, achieving harmony. "Par régulation, nous désignerons la manière dont l'unité s'impose à travers la lutte des éléments".(41) Competition then is seen by all these authors as the means for regulating capitalism. As it is for Marx too, competition is the movement of capitals in their compulsion for valorisation.

What then is the effect of the continuing growth of centralisation and concentration on competition and the regulative process? We saw in Chapter 3 that Marx identified such tendencies in the process of capitalist development and in Chapter 4 that this growth of monopolies was identified by the theorists of imperialism as a major characteristic of a new phase of capitalism. Several modern marxists see the growth of monopolies as altering the system of regulation. Both Lipietz and Aglietta argue the need to distinguish new forms of regulation. For Lipietz, centralisation isn't simply a reflection of accumulation, it plays an active role in the regulation of accumulation, and it leads to a transformation in the form of regulation from 'competitive' to 'monopoly'. "Mais surtout la tendance à la centralisation, dans la measure où elle modifie la charactère du 'travail social que se presente comme somme de travaux privés', est un moteur de la transformation des formes mêmes de la régulation: du 'concurrential' au 'monopoliste'".(42) Expressing this in another way, Lipietz sees centralisation as facilitating the interiorisation of the contradiction between social and private within the internal calculation of the (large-scale) economic unit. Lipietz nevertheless draws a distinction between monopoly regulation and the monopoly stage of capitalism for 'monopolisation' doesn't reduce itself simply to centralisation, but involves class relationships. Thus although the 1930's saw "la formation de 'grumeaux' de monopolisme; ... la mayonnaise ne prend pas" and it was changes in wage relations which actually made the mayonnaise take. "Ce qui fera 'prendre la mayonnaise', donnant un cours tout à fait nouveau à la forme de la regulation, et en particulier aux movements de la production et des prix, c'est la mise en oeuvre de formes nouvelles du rapport salarial".(43) Lipietz' argument then leads on to the law of value and its relationship with prices and profits, of which I shall have more to say in the next two sections. Aglietta also sees the centralisation of capital establishing new relations of competition. "While simple concentration of capital is a quantitative fact of uneven accumulation in the field of value, and preserves the autonomy of separate capitals, <u>centralisation</u> is a qualitative change that <u>refashions the autonomy of capitals</u> and <u>establishes new relationship of competition</u>".(44) He then distinguishes three types of competition, which, as with Lipietz, tie in closely with the price system and the formation of a general profit rate. 'Full competition' he sees as an external link between autonomous capitals, presumably similar to what has been called 'atomistic' competition between small scale enterprises. This contrasts with 'monopolistic regulation' and with 'stratified oligopoly' where the relations of competition are summed up under the concept of barriers to entry. (I shall have more to say about barriers to entry and exit of capital in a moment.)

Whilst I would not wish to deny that the forms that competition and regulation take under the monopoly phase of capitalism have changed, I feel that Lipietz and Aglietta overemphasise the radical nature of that change. It seems to be more useful to see monopoly as a new form, a new mode of appearance of competition. Margaret Wirth shows that the theory of state monopoly capitalism often incorporates the idea of monopoly as the opposite of free competition, with monopoly defined as a relation of domination such that the operation of the law of value is partially superseded. On the contrary, she argues, competition signifies the <u>form</u> in which individual capitals affect one another. For Marx competition between capitals involved both a tendency to receive the general rate of profit, and an effort to gain extra surplus value in whatever way possible. Wirth points out that the form this effort takes will change historically. "Monopoly is one form of this endeavour; it is a mode of appearance of competition and cannot be explained separately from it".(45) I would agree with Wirth that it is important not to identify capitalism with competitive capitalism alone. "The currently existing form of concentration and centralisation of capital can be explained from the general categories of analysis of capital".(46)

Becker takes a similar approach to Wirth, but expresses it in a rather different way. Again the approach relies in part on examining the formation of the average profit rate, of which more in the next chapter. He summarises competition as a process which leads to self-destruction, a characterisation I have already pointed to in discussing Marx and the theorists of imperialism. Competition between capitals inevitably drives capitals to seek a monopoly situation, which in turn is undermined by competition. "Monopoly" says Becker "is an effect rather than a cause of decadence".(47) I would argue that in fact neither a theory of competition nor a theory of monopoly is required, and that the influence of monopoly over capitalist development is easily exaggerated. Monopolistic agencies are the creation of competitive exploitation and "competition rather than monopoly is the prime mover of capitalism". (48)

As has been mentioned earlier in this thesis, the marxist paradigm has several advantages to offer in the study of competition and monopoly. One of these is that a dynamic and developmental (or historical) method is inherent in marxist political economy. This means, as will be further emphasised in the section on finance capital below, that the process of centralisation and concentration and the growth of large scale enterprise or monopoly is seen as inherent in the capitalist accumulation process. Monopoly is not tacked on as a theoretical afterthought. It is nevertheless important for marxists to ask how monopolies affect the competitive process. What are the mechanisms for competition producing monopoly and vice versa?

Here I think it is useful to return to the idea of 'levels of competition', a concept present in Marx, but re-emphasised and developed by Bukharin. Rather than talking of a change in the type of competition (as do Aglietta and Lipietz), I would emphasise a shift in the level of competition with the new phase of capitalism. Competition within an industry is horizontal competition, whilst competition between industries is vertical. (Borrelly and Palloix incidentally use the terms competition between producers and competition between capitals respectively.) Let us look at what the current debate has to contribute to the latter. Vertical competition implies movement of capital from one industry to another and therefore involves exit from and entry to an industry. As Borrelly points out, there are three possible mechanisms for exit from an industry: the number of firms goes down and capital is transformed for another process of production, capital equipment is simply bought by another firm or finally there is a gradual withdrawal of capital with profits being invested elsewhere. Exit from one industry (with the exception of bankruptcy) implies entry elsewhere, but entry can also derive from 'new' capitals. Entry affects other firms in the industry in a way that exit does not. Monopoly can be seen in terms of barriers to entry or exit. In the next chapter I will be concerned with the issue of monopolies obtaining an extra surplus profit: here I want to look at how barriers might allow those profits to be obtained.

Orthodox theory has of course devoted considerable attention to 'conditions of entry' from J.S. Bain onwards (see Appendix A). Difficulty of entry is explained by the advantages possessed by established producers vis à vis potential competitors. Examples of the advantages which they have are in terms of economies of scale, product differentiation and advertising, costs of production or excess capacity. But as Borrelly points out, barriers to entry are the result of past competitive struggles, and whilst they may be insurmountable at a particular moment in time, they can at any moment be brought into question by prospective entrants. No barrier is insurmountable. "Mais il faut déjà noter que ces effets de domination n'existe pas en soi. Ils sont le résultat des actions, voire des luttes passées et de ce fait peuvent à tout moment être remis en cause par des actions de ceux qui veulent entrer ... Les effets de domination ainsi entendu ne constituent donc un obstacle à l'entrée que si le candidat n'a pas la puissance nécessaire pour bouscouler les relations existantes et imposer un réseau d'influences qui lui soit favorable".(49) Borrelly then goes on to show that, using the example of technical progress, there is a double movement involved in competition as a process, and that both barriers to entry and the means of overcoming them are an integral part of the forces confronting each other. It is the whole movement of competition which must be grasped and not just one part of it. From such a perspective concentration of capital does not mean reduction of competition. "Dans cette perspective nous pouvons montrer part que le progres technique qui constitue un moyen de dépasser des barrières, est aussi le moyen de les reconstruire ou de les renforcer, d'autre part que, intégrés dans ce double mouvement de renforcement et de dépassement des barrières, l'accroissement du volume du capital initial nécessaire et sa contrepartie, la concentration, ne signifient pas réduction de la concurrence".(50)

I have not yet dealt with the third level of competition defined by Bukharin as compounded competition between the units of finance capital. For Borrelly diversification brings up further problems over the idea of entry into an industry. I shall return to this at the end of this section when I glance briefly at the idea of competition and monopoly in relation to finance capital. Meanwhile I want to turn to another way marxists have of contrasting competition and monopoly. Whilst Borrelly looks at the idea of monopoly as some form of barrier to competition, others distinguish monopoly capital from competitive capital. Poulantzas makes such a distinction, and sees the bounadries between them as moveable and variable. Non-monopoly capital (a term Poulantzas prefers to competitive capital) is a hangover from the competitive phase of capitalism but behaves differently in the monopoly phase. "In point of fact, non-monopoly capital is based in the stage of competitive capitalism, such as this continues to function in a formation dominated by monopoly capital. This mode of functioning is itself transformed as a function of the domination of monopoly capital".(51) Why is non-monopoly capital not just eliminated? It is because it is useful for monopoly capital to preserve it. Thus non-monopoly capital includes sectors of limited profitability, it can pioneer new sectors of production, it is useful for secondary lines of production, and monopoly prices can be fixed by reference to non-monopoly prices, hiding super profits. It is for these reasons (amongst others) that competitive capital constantly reproduces itself under the domination of monopoly capital. The existence of monopolies however does not eliminate competition argues Poulantzas. "The existence of monopolies with a dominant market prosition does not abolish competition but merely reproduces it at a different level".(52) The tendency to monopoly instead reinvigorates the competitive process. "This contradictory process of dissociation and concentration in fact characterises the whole range of relative expropriations that take place in the extended reproduction of monopoly capitalism, tending towards the amalgamation of capitals under a single economic ownership, and thus equally marks the resistance to this process; the merging of capitals has nothing friendly or co-operative about it".(53) Taking a somewhat different line of approach from Borrelly, Poulantzas is again arguing that monopoly does not exclude competition, that the boundaries or barriers between monopoly and non-monopoly capital are moveable and variable and that what is crucial is the level at which competition takes place.

One final view of the competition/monopoly distinction sees it as a contrast between anarchy and planning, and the last section looked briefly at the idea of the monopoly stage as a movement towards dis-equilibrium. Again, the level at which competition takes place is seen as important, although this time it is expressed in terms of its opposite, planning. Panzieri presents the changing forms of competition between the phases of capitalism as a progressive extension of the process of capitalist planning. He argues that competition for

Marx ensures planning at the level of the factory, with capital taking command over a planned labour process. "The laws of capitalist development in the era of competition appear as capitalist planning in the sphere of production at the level of the factory. The predominating law of relative surplus value in this era simultaneously makes individual capital the mainspring of the development of social capital and forces increasing planning in the factory".(54) In the process of capitalist development, planning is extended to higher and higher levels, competition being thus a process which expresses both solidarity between capitalists and their differentiation. "In effect the Marxian analysis is intended to show how capital utilizes planning at increasingly higher levels of the productive process - from simple co-operation to manufacturing and to large-scale industry - in order to strengthen and extend its command over labour power and obtain an even larger access to it".(55) Competitive capitalism is characterised by anarchy in the social division of labour between industries, but by planning in the division of labour at the level of the factory. Under the monopoly phase, finance capital extends the planning process by abolishing the market and socialising industrial decision making in a reactionary fashion. The giant corporation is forced to pursue a policy of backward and forward integration, and as Fitch and Oppenheimer put it "Assured customers must be found; sales and purchases must be rationalised. Finance capital performs this function by abolishing the market and 'socialising' industrial decision naking".(56) Some see the state intervention as a further example of planning although I shall argue later that this is a one-sided view.

The danger, once again, in this approach is that "Capital" can be read as an interpretation of competitive capitalism, valid only for that form of capitalism. This will happen if the opposition between planning in the factory and anarchy in the market is seen as the general form expressing the law of surplus value. I have already criticised this approach in Lenin, and Panzieri puts it as follows: "The further 'orthodox' development of Marxist theory reasserted this perspective by denying the capitalist system any other 'full' form of development outside that assured by the competitive model, and by defining regulated monopolistic-oligopolistic capitalism as capitalism's last and 'putrescent' stage. Modern revisionism, on the other hand, ends up by losing sight of the system's continuity in its passage from one historical leap to the next, for it too has anchored its expression of the law of value to the same interpretation".(57) Once more, if competition is conceptualised as taking place at different levels, the problems are overcome.

I shall be considering the form that planning within large scale enterprise takes in the section on corporate organisation in the next chapter. Meanwhile, let me return to Borrelly to help clarify the changes in the nature of competition introduced by finance capital. We are now moving on to Bukharin's third level of competition, that of combined or compounded competition. The entry to and exit from industries that was examined earlier must be qualified by the existence of finance capital. Finance capital links the structure of property of the productive apparatus (industrial capital) and the structure for financing it (banking capital). The resulting complexity no longer allows of talk of entry into an industry: diversification usually takes its place. "Cette imbrication est le résultat d'un processus historique du structuration marqué par les charactères concrets du développement économique et elle ne se présente pas selon un schéma invariable".(58) The difficulties of measuring diversification are well known. Financial structures are the means for achieving mobility of capital, and finance capital allows of transfer of capital from one industry to another. "Il peut alors ne pas s'agir de simples transferts de profits d'une activité vers l'autre par l'intermédiaire des relations d'échange entre les firmes du groupe ou par des jeux d'éctriture, mais de restructuration complète des actifs en fonction des profits escomptés".(59)

As we saw in Chapter 3, Marx suggests that the existence of banking capital demonstrates that capital in general (as opposed to particular capitals) has a real existence. There is limited capital mobility so long as competition is restricted to the first two levels, that within industries and between industries. The corporate units of finance capital provide free capital mobility, overcoming the limitations of movement for particular capitals. Capital in general has real existence in the monopoly phase of capitalism. As Margaret Wirth puts it "capital has become de facto an anonymous power which is irreducible to persons".(60) Finance capital links the abstract and the real conceptualisation of capital. These ideas will be further developed below.

Summarising now on what I see as the most fruitful approach to the debate on competition and monopoly, I would argue that there is no need to provide separate theories of competition and monopoly. Monopoly and competition are not mutually exclusive terms, but rather monopoly is best conceived of as a new form, or mode of appearance, of competition. Monopoly, then, does not exclude competition, since the boundaries between monopoly and non-monopoly capital are movable and variable. Competition subverts itself, and can be seen as a process of self-destruction, but monopolies too are broken down by competition. The most helpful way of viewing the changes is to see them as a shift in the levels of competition, including not only competition within and between industries, but also competition between the units of finance capital.

What lies behind the characterisation of the relationship between competition and monopoly is a re-affirmation of Marx's own view of capital as a social relationship which creates competition. As Palloix puts it "Marx se livre à une démystification de la concurrence; ce n'est pas la concurrence qui agite les capitaux, les lance dans une agitation perpétuelle, fonde leur movement, mais c'est le capital comme rapport social, dans son développement historique, que crée la concurrence capitaliste, concurrence des producteurs et concurrence des capitaux, à travers le sectorali-sation de la production, à travers le mode d'organisation capitaliste de la production sur la base de la loi de la valeur".(61) Palloix could have added the third level of competition, between units of finance capital to his competition between producers (horizontal competition) and between capitals (vertical competition). We find then, that the modern debate provides considerable confirmation for the continuity between competition and monopoly which I initially argued was present by implication in Marx.

E. The role of the market and prices

For many at the beginning of the revival of marxism from the end of the 1950's, the relevance of Marx's theoretical framework to modern capitalism was linked to the determinateness or otherwise of monopoly prices. It was argued that a lack of determinateness would indicate that the law of value was not a useful tool for explaining monopoly prices. The ability of marxism, then to explain prices was a strong concern.

Ronald Meek in his "Studies in the Labour Theory of Value" exemplifies such an approach. In a section entitled "The Operation of the Law of Value under Monopoly Capitalism" he spells out a conceptual framework within which he suggests that research into the operation of the law of value in different historical systems might proceed. This framework is heavily focused on the importance of price determination. Meek argues that through the labour theory of value, Marx was concerned to explain actual prices only insofar as they were equal to 'supply prices' (i.e. the marxian price of production). "The question of the causes of deviations of actual prices from supply prices could quite properly be abstracted from" feels Meek.(62) He then goes on to discuss what he calls 'typical deviations' of prices from values, deviations determined by the specific set of relations of subordination and co-operation in production which characterise that stage of commodity production. Typical deviations may cause (a) the deviation of supply prices (prices of production) from values and (b) of actual prices (market prices) from supply prices. Meek then argues that for the major part of the period of commodity production as a whole (Meek incidentally seems to hold that simple commodity production had a real existence prior to capitalist production, rather than seeing it as an abstraction), supply prices have been directly or indirectly determined by Marx's values. (Indirectly, when differing organic compositions of capital lead to the redistribution of surplus value between capitalists through the mechanism of the average profit as we saw in Chapter 2.) Meek suggests that under the monopoly phase of capitalism the existence of a 'modified supply price' could be postulated, a supply price which includes profit not only derived from surplus value, but from certain other sources. Here Meek points to a 'profit upon alienation' which he sees as existing alongside surplus labour as a source of profit, with monopolies able to exert their power by using 'extra-economic' methods of obtaining profits. I am far from clear as to what Meek means by these categories of profit which are not derived from surplus value. I think it would make more sense if Meek saw monopoly pricing (his 'modified supply price') in terms of a redistribution of surplus value between capitals. To conclude, however, with the outcome of Meek's conceptual framework. He sees no reason why this should not provide us with the possibility of determining qualitatively determinate laws of monopoly price, but in any case goes on to point out that any quantitative indeterminacy could in fact only affect the deviations from the supply prices, and not the supply prices themselves. I have argued that for Meek the determinateness or otherwise of monopoly prices is a crucial issue. "If we adopt an approach of this type" asks Meek, "are we not in effect giving up all hope of obtaining any <u>quantitatively</u> determinate laws of price?"(63) In answering his question in the negative, Meek feels that genuine progress towards the reapplication of the labour theory of value has been made.

Sweezy follows a similar line to Meek in taking up Hilferding's assertion (noted in Chapter 4) that with the growth of monopoly there is no objective law of prices. In "The Theory of Capitalist Development" Sweezy concurs to a certain extent with Hilferding when he says "No reasonably general laws of monopoly price have been discovered because none exist".(64) Nevertheless Sweezy concludes that the deviations of monopoly price from competitive price are not completely arbitrary, since we can determine the kind of modification that monopoly brings, for equilibrium output is generally smaller and equilibrium price higher than under perfect competition. Taking into account elasticity of demand and degree of monopoly, "even in relation to the extent of deviation of monopoly price from competitive price, certain judgements of the 'more or less' type are often possible".(65) Sweezy thus reaches a similar conclusion to Meek, since both consider that monopoly prices have a certain determinacy.

Evanitsky provides a third example of a marxist who places considerable emphasis on the price system. In an article entitled "Monopoly Capitalism and Marx's Economic Doctrines" he points on the one hand to the relation of price value in Marx's system and on the other to divergencies of market prices from prices of production. He then argues that the divergence of monopoly prices from prices of production can be seen as a transfer of surplus value from other sectors of the economy. "Monopoly prices can be shown to diverge from prices of production in the same way as the latter diverge from value, that is to say, by a siphoning process whereby surplus-value is drawn off from the capitals of the competitive sector of the economy or from the general population in their role of consumers". (66) Unlike Meek, then, Evanitsky sees monopoly price as a function of transfers of surplus value. (Surplus value is of course extracted from the general population via an increase in consumer prices, which is equivalent to a deduction in wages. If the working class is unable to pass the price increase on in increased wage demands, the price of labour power will tend to fall below its value and increase the rate of exploitation.) Very usefully, I think, this transfer of surplus value to monopoly capital can be seen as a 'monopoly transformation procedure' over and above the transformation of values into prices which Marx identified under the competitive phase of capitalism, although Evanitsky does not draw this analogy in such precise terms. Evanitsky is however concerned that monopoly power is likely to permit a far greater redistribution of surplus value amongst capitalists than that possible on the basis of divergent organic compositions of capital. This means that only the limits of the deviation for the monopolised sector as a whole are given. "That is, monopolies can realise higher-than-average profits only to the limits of the pool of surplus value available for distribution".(67)

All three writers we have considered so far see the determination of monopoly prices as an important task for the marxist labour theory of value. I do indeed agree with Meek, Sweezy and Evanitsky that there is a problem about deriving a pricing rule for monopoly products. But whilst they are at pains to demonstrate that there is a logic to price determination for monopoly capital, I feel that it is more fruitful to acknowledge the contradictions of monopoly prices. As orthodox economists themselves are prepared to admit, monopoly price is inevitably 'indeterminate' in the sense that there is no objective pricing rule to be derived from values or from preferences. It is not more useful to emphasise that indeterminate monopoly prices are a reflection of the failure of the market system to express the tendencies towards the growth of large scale enterprise? I have already suggested that marxists who emphasise price determination have done so under the influence of neo-classical economics and its achievements in the pricing field.

When I examined the labour theory of value in Chapter 1 and the transformation procedure in Chapter 2, I argued that the determination of prices was not at the heart of what is useful in marxist theory. Supplementing the argument I made there, Kornai is quick to point out that price is not the only kind of information linking economic units. In the model of perfect competition, price is formed independently of decision makers, so that price is thus given externally. But in reality, conflict and compromise between classes, strata and interest groups are the rule.(68) There is in any case considerable ambivalence as to what 'price' actually is. Price may be actual price, contract price, price offer, price prognosis, prescribed price and price may depend on date, and (particularly with monopoly situations) it may depend on the partner. The information structure of the price system is far from simple, and it is unsatisfactory to regard the market as a black box as do the majority of economists. There is further the recognition that competition does not need to be price competition, and that non-price competition (e.g. advertising) may be of substantial importance. It is also important to recognise that market relations are actually a special kind of social relations. Whilst I am not suggesting that the three authors I've been considering do not consider social relations in other contexts, it certainly seems that in their coverage of the way in which Marx's law of value has been affected by the monopoly phase, they have emphasised the logic and not the sociology of price formation. It is however probably useful to point out that, as under competitive capitalism, price competition (insofar as it is not overshadowed by other factors) can take a number of different forms: product, raw materials, labour and money competition. Thus there is competition on the cost side over raw materials, labour and capital as well as on the selling side.

It therefore seems to be important to acknowledge, as do all these authors in some measure, that monopoly prices are contradictory. That monopoly prices are to a considerable degree indeterminate indicates that the monopoly phase of capitalism is less than successful if judged in terms of the market mechanism. It is nevertheless useful to point out that monopoly prices are higher only insofar as there is a transfer of surplus value from other sectors of the economy. There is thus a "monopoly transformation" process from two possible sources. On the one hand extra surplus value may be obtained by monopoly capital from the non-monopoly sector, and on the other the surplus value can be extracted from the general population. But whilst the "monopoly transformation" gives the overall limits to monopoly pricing, it is the outcome of competition between capitals and class struggle which provides the actual limits. We thus return to the issues raised in the last section; are there limits on monopoly? I would argue that there are indeed, and that monopoly as a process of erecting barriers to competition also calls forth forces which will tend to overcome such barriers.

There is however a second approach to prices under the monopoly phase of capitalism, which is to argue for the existence of a monopoly price system rather than examining individual monopoly prices. This is of course the approach of Baran and Sweezy in "Monopoly Capital", in which they conclude that the problem of realisation of surplus (they reject the term surplus value) is the crucial problem for modern capitalism. As I have already shown, Baran and Sweezy are concerned to break what they see as the link between marxian analysis and competitive capitalism. "We must recognise that competition, which was the predominant form of market relations in nineteenth century Britain, has ceased to occupy that position, not only in Britain but everywhere else in the capitalist world" they say, and then go on to argue that the typical economic unit nowadays has the attributes that were once thought to be possessed only by monopolies and oligopolies"(69). To achieve a realistic model Baran and Sweezy argue that they must start with an analysis of the typical unit of big business, the modern giant corporation. It is here that the contradictions in their analysis begin to arise, specifically around the issue of competition. For having asserted that competition is no longer predominant, Baran and Sweezy admit that competition and struggle are an integral part of the mode of operation of giant companies. Arguing in the context of management control they say: "This does not mean of course that each giant corporation operates in isolation, that there are no alliances and alignments, no agreements and groupings. On the contrary, these forms of action - like their opposities, competition and struggle - are of the very essence of modern capitalism". Part of the difficulty which Baran and Sweezy are experiencing in their discussion around the concept of competition is that they are conceptualising competition and monopoly as polar opposites. Were they to see these as opposite sides of the same coin as I argued in the last section, the same problem would not arise.

A further difficulty in Baran and Sweezy's analysis of competition is that they tend to identify competition with price competition in that the bulk of the argument in their crucial Chapter 3 which spells out how surplus tends to rise is around price competition. They see the giant corporation as having to take account of the effects of its pricing policy on rivals, and therefore having a strong incentive to reduce costs as a method of gaining surplus profits. Notice again that competition between giants is once more implicit in the argument: in what way is this sort of competition radically different from that of Marx? This is not specified. Ironically, in their emphasis on the problem of the absorption of surplus, Baran and Sweezy actually point to waste as an all pervasive feature of capitalism, a waste which has little basis in a price system. Thus the sales effort raises the question of what socially necessary costs are, as Baran and Sweezy themselves are quick to point out. What then is the meaning of prices? They are also eloquent in seeing both civilian government and military expenditure as strictly limited by their compatibility with the pattern of interests, the structure of power and the ideology of monopoly capitalism. Such constraints could not be further from the confines of the price system, and all serve to emphasise its irrelevance.

Baran and Sweezy are thus confused in a number of crucial ways on the issue of competition and monopoly. I have already attempted a critique of the view that competition is to be identified with price competition, and suggested that especially under the monopoly phase of capitalism it is important not to overemphasise the role of price competition in the market for commodities. Much of the difficulty Baran and Sweezy have in challenging the applicability of Marx's 'competitive' concepts to the monopoly phase of capitalism arises from the fact that they do not start from a critique of what Marx himself said on the subject of competition: in particular that competition and monopoly represent a continuity. One is led to the conclusion that the radical contrast which Baran and Sweezy draw between competitive amd monopoly capitalism is unjustified. Rather than on Marx, they actually draw considerably on neo-classical monopoly and oligopoly analyses of pricing whilst their interpretation of the behaviour of corporations follows the managerialist tradition initiated by Berle and Means. They are nevertheless taking an important initiative in orthodox terms in following through the effects of a monopoly price system. Such a link between micro and macro theories is something that has only been attempted by Steindl and Kalecki (see Appendix A). Their emphasis on a monopoly price system however does not lead on to any concern with the formation and growth of the large-scale enterprises they are analysing.

It is also interesting that while Baran and Sweezy acknowledge the weight given by Lenin to monopolies, they do not consider the role of finance capital at all. Robert Fitch and Mary Oppenheimer make this the basis for their criticisms of Baran and Sweezy's view of 'management control'. The next chapter will be concerned to develop an understanding of the role of finance capital. I have however already pointed to Fitch and Oppenheimer's view that finance capital abolishes the market by internalising industrial decision making within the units of finance capital. Orthodox economists (and indeed the marxist economists we have been looking at in this section) concentrate on the exchange process between firms (whether they be perfectly competitive, oligopolies, monopolies or giant corporations) and households. Fitch and Oppenheimer suggest that the value added by sales between corporations is a higher proportion of GNP than sales to households. They introduce the concept of 'reciprocity' to explain the behaviour of large corporations in the context of finance capital. Any conflicts of interest are resolved through reciprocity which involves ignoring market factors. "The financial institutions cannot allow billion-dollar corporations to go bankrupt because their product sells for a few cents more than that of another giant" and this means that "the market becomes mere ideological grillework masking the engine of monopoly price making".(70) Baran and Sweezy do indeed do something that other marxists have failed to do when they examine the institutional framework of the business corporation, but they do not look beyond that to the institutional structure of finance capital.

In the next chapter the institutional framework receives the attention it deserves.

Footnotes to Chapter 5

1. Rochester (1936) p. 9.
2. Ibid p. 248.
3. Ibid p. 256.
4. Perlo (1957) p. 125.
5. Though some attention was paid to Stalin's analysis of the law of value under socialism (see Stalin, 1972) in Britain in the late 1950's by writers such as Bellamy and Meek, it is now generally accepted that Stalin did not make a serious contribution to marxism. His pamphlet is in any case only marginally concerned with competition and the law of value under the monopoly stage of capitalism.
6. Amongst pre 1st World War books on the subject are: Ely (1902), Jenks (1900), Jones (1914), Jones (1929), Moody (1968), Macrosty (1901), Macrosty (1907), Levy (1911), Veblen (1904).
7. See J.A. Hobson (1906).
8. Much of the literature was trenchant in style and critical in tone. Thus Macrosty on integration and concentration: "Nowadays a manufacturer makes in his own workshops the subsidiary articles which he would formerly have ordered from intermediate makers ... A great engineering company boasts that it can turn out a battleship ready for sea 'in every respect'; a large mustard firm prints its own labels; a railway company not only carries on its natural business of traffic, but builds its own engines, waggons and carriages, does its own upholstery work, prints its own tickets, and after mangling its employees, provides them with artificial limbs of its own manufacture". H.W. Macrosty (1901) p. 148.
9. Herman Levy for instance, is asking why monopolist organisations showed themselves relatively late in Britain, and therefore opposes Macrosty's conclusions, but what it is important to realise is that they provided a wealth of information on the forms that monopoly elements took in many of the industries of Britain and the USA, including the study of links between trusts (Moody) and the international implications of combinations (Macrosty). A predominant feeling was that "competition, like

the scorpion of the fable, is stinging itself to death". (Macrosty (1901) p. 147.

10. A.R. Burns (1936) p. 3.
11. Berle and Means (1933) p. 9.
12. Ibid p. 69.
13. See Clifton (1977).
14. See Aglietta (1979) Chapter 5.
15. See Lipietz (1979).
16. See Wirth (1977).
17. See Fitch and Oppenheimer (1970).
18. See Clifton (1977).
19. Fitch and Oppenheimer, Part I, p. 73.
20. Baran and Sweezy (1966) p. 17.
21. Ibid p. 19.
22. Szymanski (1973) p. 300.
23. Sweezy (1972) p. 38.
24. Becker (1971) p. 417.
25. Gillman (1957) p. 85.
26. Stanfield (1973) p. 91.
27. Shaikh (1979) p. 299.
28. Preobrazhensky (1965) p. 150.
29. Berle and Means (1935) p. 9.
30. Ibid p. 69.
31. Ibid p. 356.
32. Mills (1959) p. 245.
    "The top corporations are not a set of splendidly isolated giants. They have been knit together by explicit associations within their respective industries and regions and in supra-associations such as the NAM. These associations organise a unity among the managerial elite and other members of the corporate rich. They translate narrow economic powers into industry-wide and class-wide powers". Ibid p. 122.
33. Aaronovitch and Sawyer (1975) p. 161.
34. Neumann (1942) p. 182.
35. Ibid p. 183.
36. See Guerin (1973).
37. The terms are those of Fine and Harris (1979). See pp. 116-117.

38. Kosonen (1977) p. 379.
39. See Aglietta (1979).
40. Wirth (1977) pp. 286-287.
41. Lipietz (1979) p. 36. "By regulation we mean the way in which unity is imposed across the struggle of the parts".
42. Ibid p. 248. "But above all the tendency to centralisation, insofar as it alters the character of 'social labour presenting itself as the sum of private labours', is an engine for the transformation of the very forms of regulation: from 'competitive' to 'monopoly'".
43. Ibid p. 253. "the formation of globules of monopoly, the mayonnaise didn't take". "What made the mayonnaise take, giving a completely new path to the form of regulation, and especially to the movements of production and prices, was the initiation of new forms of wage relation".
44. Aglietta (1979) p. 218.
45. Wirth op.cit., p. 291.
46. Ibid p. 297.
47. Becker (1971) p. 422.
48. Ibid p. 428.
49. Borrelly (1975) p. 88. "But one must indeed notice that these effects of domination do not exist by themselves. They are the result of actions, nay past struggles and for this reason can at any moment be brought into question by the actions of those who wish to enter ... the effects of domination thus understood do not constitute a barrier to entry unless the entrant hasn't the necessary power to overcome the existing relations and to impose a system of influences that are favourable to him".
50. Ibid p. 100. "From such a perspective we can show on the one hand that technical progress which provides a means of overcoming barriers, is also the means for rebuilding them or reinforcing them, on the other hand that, integrated into this double movement of reinforcement and of overcoming barriers, the growth of the initial capital necessary and its counterpart, concentration, do not mean the reduction of competition".
51. Poulantzas (1975) p. 140.
52. Ibid p. 113.

53. Ibid p. 121.
54. Panzieri (1976) p. 6.
55. Ibid p. 7.
56. Fitch and Oppenheimer (1970), Part II, p. 89.
57. Panzieri (1976) p. 12.
58. Borrelly (1975) p. 203. "This overlap is the result of a historical process of structuring marked by the concrete characteristics of economic development and it does not present itself according to an unchanging schema".
59. Ibid p. 210. "It is not therefore a matter of simple transfers of value from one activity to another through the agency of exchange relations between the firms of the group or by shifting accounts, but of complete restructuring of assets on the basis of profits earned".
60. Wirth (1977) p. 295.
61. Palloix (1977) pp. 41-42. "Marx devotes himself to demystifying competition; it is not competition which stirs up capitals, throws them into perpetual movements, underlies their movement, rather it is capital as a social relationship, in its historical development, which creates capitalist competition, competition between producers and competition between capitals, across the sectoralisation of production, and across the capitalist mode or organisation of production on the basis of the law of value".
62. Meek (1973) p. 288.
63. Ibid p. 294.
64. Sweezy (1968) p. 271.
65. Ibid p. 271.
66. Evanitsky (1960) p. 137.
67. Ibid p. 137.
68. See Kornai (1971) Chapter 24.
69. Baran and Sweezy (1966) p. 19.
70. Fitch and Oppenheimer (1970) Part III, p. 91.

Chapter 6

THE MODERN DEBATE ON THE ROLE OF COMPETITION: NEW DIRECTIONS

A. Corporate Organisation and the Growth of Monopoly Capital

Several hints have already been made in the previous chapter that the growth of large scale enterprise (monopoly capital) may have altered the way in which the individual unit of capital behaves. Marx referred to the capitalist as "Mr Moneybags", which underlined a view of capitalist enterprise as small scale and individually or personally owned. To many it appears that orthodox work on corporate organisation provides a far more relevant picture of the functioning of modern business enterprise than this. I have already shown that such work was pioneered by Berle and Means in 1932, when they used their demonstration of the separation between ownership and control in the 200 largest U.S. firms as a basis for arguing that the traditional view of the 'greedy capitalist' was dead. The last chapter showed the idea of managerial control being taken up by Baran and Sweezy. Their somewhat curious mixture of orthodox managerialism subsisting with the view that the profit motive remained primary for internal management provided the basis for arguing for a monopoly price system.

Since Baran and Sweezy wrote Monopoly Capital, a theory of 'marxist managerialism' has been developed which has re-claimed the separation of ownership and control as a specifically marxian inheritance, and criticised the orthodox Berle and Means approach used by Baran and Sweezy. It is de Vroey who provides the seminal work here (1), though others such as Bettelheim, Chevalier and Scott have had a contribution to make. Marxist managerialism argues that the joint stock company results in 'socialised' capitalist ownership giving rise to impersonal possession. To clarify what this means, it is useful to distinguish, as Bettelheim does, between possession, ownership as a relation of production and legal ownership. Possession of capital indicates management of capital: actually putting capital to work in the factory. Ownership as a relation of production means the power of assignment and disposition of capital. Legal ownership of capital in the form of shares doesn't necessarily entail ownership as a relation of production.(2) When viewed in the light of these distinctions, two features of the separation of ownership and control become apparent. Firstly, it signifies a separation between capital as property (ownership as a relation of production) and possession (or management) of functioning capital. This separation indicates that the capitalist class is delegating the task of making capital work to specialised managers, a functional differentiation. The second feature is the split between large and small owners which rests upon the distinction between ownership as a relation of production and legal ownership. The dispersal of (legal) stock ownership actually allows of control by large-scale capital through purchase of shares.

It is this latter feature which 'marxist managerialists' argue is ignored by orthodox managerialists in the Berle and Means tradition. For the orthodox tradition simply looks at the separation of ownership and control in the individual company, but what it is important to observe is how the dispersal of shares allows of the centralisation of control over several (or even many) companies in the hands of a few. In particular, marxists argue that alongside the development from personal to impersonal possession goes an integration and interdependence between the banking and industrial sectors of the economy. Finance capital, as the ultimate expression of this process is examined in a separate section below. Chevalier makes a study of the 200 largest U.K. firms and concludes that the marxist perspective provides a superior framework. "Les travaux de Berle et Means et l'étude de Larner avaient isolé les problèmes du contrôle de leur contexte économique et des performances de l'industrie américaine, au risque de donner à la notion de contrôle une valeur purement abstraite. Notre étude est une première étape vers une meilleure connaissance des relations qui existent entre la structure financière et la comportement des firmes".(3) Chevalier points out how difficult it is to obtain evidence of ownership of shares in many cases, and talks of what he calls the "hidden character" of the structure of capital. "On constate dès maintenant que la structure du capital revêt une charactère occulte".(4)

It is in fact the separation of ownership and control that provides the chief mechanism for the growth of large scale enterprise through merger activity. Whilst Marx discusses concentration and centralisation of capital as of equal importance for the growth in the scale of capital (see Chapter 3), it is widely agreed that today centralisation (via mergers and takeovers) is of considerably greater significance. Centralisation is the chief process which leads to the formation of monopoly capital (ownership as a relation of production) and its separation from non-monopoly capital (legal ownership). Whilst concentration is the expansion of ownership over a process of valorisation, centralisation refashions the autonomy of capitals, so establishing new relations of competition (of which more below). Centralisation involves the creation of new structural forms, in particular the giant corporation (though ultimately also the financial group which we consider next section).

To look at the internal structure of the giant corporation, let us return to the first feature of the separation of ownership and control, the separation between capital as ownership and possession. It is the study of this process of delegation that will provide insight into the running of large scale enterprise or monopoly capital. Mandel points out that the bureaucratisation of the administration of a company is not equivalent to the bureaucratisation of the function of capital. It is simply delegation to a wide range of managers and so forth. The growing concentration of power (centralisation and the formation of monopoly capital) is reflected in the multi-divisional corporation. (5) In Britain in the 1950's and 1960's the dominant organisational forms for companies was either unitary (the U-form, a single hierarchical structure organised on a functional basis e.g. manufacturing, marketing, finance) or the holding company (the H-form, an unco-ordinated group of companies under a single financial entity). Cowling indicates that both these forms tend to become more inefficient with growth.(6) The M-form, with its multi-divisional structure, was pioneered in the U.S.A. in the 1920's and was adopted in the U.K. from the late 1960's onwards. The M-form is characterised by the decentralisation of production responsibility and the centralisation of capital allocation decisions. The general office in a multi-divisional corporation is relatively efficient at extracting profits from its operating divisions. It is the general corporate office that manages the firm as a financial entity. Corporate identity relates to this pool of finance. "The tendency for the direction of the 'immediate process of production' to be technically separated from the process of the accumulation of capital ... becomes more widespread in the age of late capitalism", as Mandel puts it.(7)

It has been argued by marxists that insofar as the separation of ownership and management is simply a process of delegation, as described for the multi-divisional corporation, this does not alter the dynamics of capitalism at all. Accumulation and the profit motive remain "Moses and the prophets", just as Marx saw it. Baran and Sweezy concluded that even corporate management still aimed for profit maximisation, since the advancement of the manager depends on advancement of her company. Strength, rate of growth and size of the company will therefore be the objectives, all of which depend on profits. "These things become the subjective aims and values of the business world because they are the objective requirements of the system".(8)

There are nevertheless two problems with respect to motivation which arise with the growth of large scale enterprise. The first is the argument that whilst the M-form may provide the most efficient mechanism for extracting profits, what about their absorption in the general office? Cowling gives some gross examples of profligacy on personal consumption by top executives. Whilst profits remains the incentive, they may be used for consumption rather than accumulation. More serious is the line of argument deriving from the stagnationist view of monopoly capitalism which runs through Steindl, Gillman and Baran and Sweezy and taken up by Cowling. Here monopoly capital leads to excess capacity, with the implication that the marxian imperative to the individual capital to accumulate to survive needs to be qualified. "Since surplus which cannot be absorbed will not be produced - it follows that the <u>normal</u> state of the monopoly capitalist economy is stagnation".(9) What profits can be used for is here seen as affecting the production of profits. As Cowling points out however, though the motivation of the individual monopolist may be affected by excess capacity, for capitalism as a whole, accumulation is still required. I think it may also be helpful for marxists to be more aware of the conflicting motives at work within the large corporation. Kornai argues for conflict and compromise within an institution.(10) People tend to identify themselves with their taste and role, so that the production department wants continuous smooth production, the R and D department wants technical innovation whilst the selling department wants sales. One would also anticipate a conflict of interests between the general corporate office and lower levels of management over the distribution of surplus value. The firm is capable of operating because compromises emerge among conflicting interests, under the motive of survival and expansion. Survival and expansion however will be contingent upon the generation profits, the supervision of which process is centralised in the general office. De Vroey makes a useful point in saying that motivations are not individual, but the personification of social relations. Whilst many marxists pose the question 'who rules the corporations?' (this indeed is the very title of Fitch and Oppenheimer's article), it would be more appropriate to ask the question 'for which class are they ruled?'. Marxists do not need to assume maximising behaviour on the part of individuals, as do orthodox economists; maximising behaviour is rather a consequence of the capitalist mode of production, and the process of accumulation which is fundamental to it.

Before leaving the issue of corporate organisation it is essential to ask how it affects competition. It has already been suggested in several contexts that the growth of monopoly capital means that planning within the individual enterprise supersedes the market. To use Chandler's terminology, the visible hand of management has replaced the invisible hand of the market mechanism. How far does the market survive and to what extent does the whole process involve the supersession of competition? In a chapter entitled "The Power of the Market", Chevalier distinguishes three types of power relating to large scale enterprises. Firstly there is "horizontal power" which can take several forms. There may be direct personal liaison reflecting a community of interests uniting big firms. In addition horizontal power may take the form of maximisation of joint profits, through agreements, price leadership and price discrimination. Chevalier concludes that horizontal power appears essentially as a tacit co-operation reflecting the interpenetration of interests. "Ainsi, le pouvoir horizontal exercé par les grandes firmes américaines paraît se manifester essentiellement par une co-opération, plus ou moins tacite, entre les principaux producteurs, co-opération qui reflète parfaitement l'interpénétration des intérêts des différents groupes". Such an analysis suggests a considerable by-passing of the market and links in with the idea of barriers to competition considered in earlier sections. Secondly, there is a vertical power, which has more to do with group structure and commercial transactions than interpenetration. Vertical integration takes a part of the market away from competing firms. Thus Chandler argues that the modern industrial enterprise is a result of integration of mass production with mass distribution. "The most imposing barrier to entry in these industries was the organisation the pioneers had built to market and distribute their newly mass-produced products".(11) Thirdly, there is conglomerate power, which is the result of diversification. All in all, Chevalier is suggesting that corporate power to supersede the market extends well beyond the boundaries of individual monopoly capitals. Fitch and Oppenheimer's concept of 'reciprocity' would seem to back up the conclusion that market and price competition between modern corporations is reduced. ('Reciprocity' is the system of purchases and sales between firms which parallel networks of financial control, involving the manipulation of these purchases and sales such as to maximise financial profits.) Conflicts of interest between firms are thus resolved through reciprocity, and ignoring market factors.

Now, I would indeed agree that concentration, centralisation, combination and the growth of large scale enterprise means a trend away from atomistic market forces. "Concentration", as Kornai sees it "involves a trend away from the atomisation of economic processes".(12) But it is important to realise that the information flow structure of the modern large firm is a very complex one, involving non-price as well as price information. The firm will use market researchers, opinion researchers, system planners, scientific advisers and will obtain information from inventories, their financial position, individual market partners, competitors, and professional institutions getting statistics, be they banks or government ministries. The information flows provided by the market are extensively dealt with in the orthodox literature. In particular, far less attention is paid to the money and credit system as providing an information flow.

It is actually the free capital mobility which underlies price competition which ensures that competition does indeed take place. Is there actually mobility of capital under the competitive phase of capitalism, as is generally assumed? Clifton points out that the assumption of free capital mobility under the competitive phase is historically quite unjustified for two reasons. Firstly, free capital mobility cannot be established in the context of exchange for industrial capital, since finance committed to production activity is immobilised. It is thus only merchant capital that has free mobility. Secondly, durable capital goods are not equivalent to financial capital and cannot be transferred from sector to sector. As Marx was well aware, it was banks, rather than firms which played the crucial role in ensuring mobility of capital.

As they have grown (a process facilitated by the separation of ownership and control as we've already seen) Clifton argues that the capitalist firm has been able to overcome the limits inherent in the nature of fixed capital. The conditions for mobility of capital are not established in the exchange process, but by the systematic organisation of production across areas and industries (the vertical and conglomerate power spoken of by Chevalier), involving a far wider range of competitive strategies. Diversification becomes a crucial component in this new form of competition. "Diversification is the structural element in the emergence of free capital mobility for the firm. The range and intensity of competitive strategies is the operational element of free capital mobility".(13) The growth of monopoly capital is not simply a process of centralisation, it is also one of diversification through vertical and combined mergers as Lenin saw, and today sometimes referred to as 'restructuring'. The firm thus becomes 'a unit of general production', and achieves the efficient allocation of capital through an internal flow of funds. As we have already seen, the general corporate office is the nerve centre of this flow.

To conclude then: competition between large-scale enterprises has become more abstract, so that it is conducted on an economy-wide basis. Competition has moved to a third level: competition between diversified units of capital; what Bukharin called combined competition. The large firm is more competitive than its small-scale predecessor in terms of mobility of capital. This does not mean to say that other types of competition do not subsist, especially with regard to small-scale capital, and to the competition between non-monopoly and monopoly capital. The main characteristics of non-monopoly capital are that it is small scale, that there are a large number of firms in the same line of business and that there are barriers to the exit of capital. Monopoly capital on the other hand is large scale, has barriers to entry (e.g. advertising), deters potential entry by holding excess capacity, may be formed by agreements between firms, and is often diversified. The separation into monopoly and non-monopoly capital is made possible by the division between ownership as a relation of production and legal ownership. Section C will show how horizontal, vertical and combined competition act to distribute profits between monopoly and non-monopoly capital. What however of the tendency for industrial and banking capital to combine together to form finance capital? It is here that marxist theories of managerialism really come in to their own, positing as they do, the concept of finance capital.

B. Finance Capital

In the last section we examined the structure of the individual large corporation as the typical unit of production under the monopoly phase of capitalism. It was seen that the formation of such corporations resulted primarily from the centralisation of capitals through merger and takeover. Such centralisation doesn't only take place horizontally to include other firms making the same type of product or vertically to include different stages in the production process, it also takes place across industries. This is the process of diversification, or as marxists would tend to call it, combination. Centralisation actually alters the mode of regulation of capitalism, the competitive process, and finds ultimate expression in finance capital. "En somme", says Lipietz, "la centralisation tend à faciliter l'intériorisation de la contradiction social/privée dans le calcul interne à l'unité de la propriété économique (qui est ici groupe financier)".(14) It has already been briefly suggested that the movement from personal to impersonal possession has been paralleled by an increasing interdependence between the financial and industrial sectors. There is now a need to consider the coalitions between large owners, for finance capital is a logical extension of the process of centralisation.

One of the unexpected features of the modern debate on the monopoly phase of capitalism is that many in the marxist camp scarcely mention finance capital at all. It is perhaps not surprising that Baran and Sweezy should ignore finance capital in "Monopoly Capital", since they rely considerably on the orthodox theory of managerialism, which does not deal with the coalitions between management (or owners). Cowling, too, is concerned to relate orthodox theories of monopoly to a marxist perspective in "Radical Economics" and doesn't deal with finance capital. It does however seem strange that a specific contribution of Lenin and the marxist imperialists to the theory of monopoly should not be taken up amongst important contributors to the contemporary debate. Wirth, Borrelly and Evanitsky provide more examples of marxists who do not consider finance capital, even though they aren't concerned to draw on the orthodox tradition.

Amongst those who do use the concept of finance capital, there is considerable diversity of opinion over just what its meaning and significance is. Finance capital is perhaps more often seen as a fusion, merging or coalescence between industrial, commercial and banking capital. Others, however, talk of the replacement of an industrial oligarchy by a financial oligarchy. For some, finance capital is best expressed in terms of a constellation of interests which finds concrete expression in a series of 'interest groups'. Continuing the division of opinion initiated by the theorists of imperialism, there are also disagreements over which fraction of capital predominates within finance capital. Posing the question of who controls the corporations, some would reply that the banks do. Then there is the contrast between those who see finance capital giving rise to a process of 'uneven and combined development' and those who see it resulting in a group of corporate rich with little conflict between them.

Let me start at a point where there is considerable agreement, namely that finance capital represents some kind of inter-relation between the fractions of capital. Marx identified three fractions of capital, banking, industrial and merchant capital, which can be seen as the institutional forms of money, productive and commercial capital respectively, the latter being the abstract forms of the three fractions. In Chapter 3 the circulation of the three fractions of capital was represented in diagrammatic form -

$$M_I - C_I \left< \begin{matrix} LP \\ MP \end{matrix} \right. \ldots . \; P_I \; \ldots . \; C_I' - M_I'$$

represents the circulation of industrial capital (I), where M_I represents money capital which is then put to work by purchasing labour power and means of production. $M_I{}'$ represents the increased money capital obtained at the end of the productive process.

$$M_C — C_C — M_C{}'$$

represents the circulation of merchant capital whilst

$$M_B — M_B'$$

represents the circulation of banking capital. As Thompson suggests(15), the formal circuit of finance capital can then be represented as follows:

$$\begin{tikzcd}
M_B \arrow[rrrrr, dash] \arrow[d] & & & & & M_B' \\
M_I \arrow[r, dash] & C_I \begin{smallmatrix} LP \\ MP \end{smallmatrix} \arrow[r, dotted, dash] & P_I \arrow[rr, dotted, dash] & & C_I' \arrow[r, dash] \arrow[d] & M_I' \arrow[u] \\
& & & M_C \arrow[r, dash] \arrow[urr] & C_C \arrow[r, dash] & M_C'
\end{tikzcd}$$

Circuit of Banking capital

Circuit of Industrial capital

Circuit of Commercial capital

Money capital is lent by banking capital to industrial capital. Once the circuit of industrial capital is complete, the industrial capitalist can return the money capital to the banking capitalist with interest. Industrial capital, however, does not sell the commodities produced itself, but relies on commercial capital to realise the money capital in its specialised circuit ($M_C - C_C - M'_C$).

This inter-relation between the fractions of capital of course also existed at the time when Marx was writing. The difference was that at that time there were no <u>institutional</u> links between the fractions of capital, and it was the market mechanism that established the relationships between the three fractions. As I emphasised in Chapter 3, it was for this reason that Marx argued that the distribution of surplus value between profit of enterprise and interest was indeterminate. With the growth of the monopoly phase of capitalism, the relationships between the three fractions of capital have become institutionalised through the process of centralisation, which has included not simply diversification across industries, but also combinations between banking, industrial and commercial capital. It becomes obvious then, that the study of finance capital must involve a considerable institutional element. Further, the relationship between the three fractions of capital within any combination of finance capital will depend on the division of surplus value between them.

Two opposing arguments on the relationships within the finance capital combination are to be found: either that it is banking capital that predominates, or that it is industry that is in control. For Fitch and Oppenheimer, finance capital is control by banks. In much of their three part article on "Who Rules the Corporations" they appear to use the terms finance capital and banking capital interchangeably. The article starts with a challenge to orthodox managerialists and Baran and Sweezy, where they argue that management control is actually equivalent to control by finance capital. Providing a range of empirical evidence, Fitch and Oppenheimer conclude that banks have considerable potential for control over the large industrial companies thanks to ownership of their shares and to interlocking directorships. Examining the structure of finance for large companies, the second part of their article reaches the conclusion that banking capital does indeed exercise this control through industrial capital's need for external finance. Fitch and Oppenheimer do however point out that the relationship is one of conflict. (Notice that finance capital and banks are seen as equivalents for each other in this quotation.) "Conflict is built into the very nature of the relationship between finance capital and entrepreneurial or managerial capitalists. Bankers are like Christ's lilies of the field: they flourish, though they neither spin nor toil. Steel companies produce ingots; chemical companies produce plastic; auto companies make chassis; banks produce profits. What is their source? Financial profits are simply a subtraction from industrial profits".(16) Nevertheless, the conclusion is that it is bankers who are in charge. "When we consider these links between creditors, stockholders, directors, and policies we can see clearly how the relationship between a corporation and its banker is unique ... The bankers not only hold decisive positions on the board, but also have working control of the corporations through stockholdings. And the banks ... are major creditors of the corporation. Add together directorships, stockholdings, and creditor relations and they have an unassailable position". Thus although there may be a conflict of interest, it is one that is settled decisively in favour of banking capital for Fitch and Oppenheimer.

At the other end of the spectrum are those who argue that it is industrial capital which has the controlling influence thanks to its ability to finance itself through retained profits or internal fundings. This view tends to be put forward by orthodox economists, and is opposed by the majority of marxists. Baran and Sweezy however emphasise the importance of internal funding as a source of financial independence for the large corporations. Obviously empirical evidence as well as a theoretical framework is needed to determine the answers here. Amongst others, Fitch and Oppenheimer have examined the U.S. situation whilst Thompson has looked at the British one. Besides the institutional variations between one country and another leading to differences in the level of internal funding, there are also variations within the business cycle. Fitch and Oppenheimer point out that when corporate profits are high, firms are more likely to be able to generate funds for expansion internally, and they suggest that Baran and Sweezy's case for internal funding was based on evidence from a period of upswing. Looking at the U.S. situation, Fitch and Oppenheimer felt that very few corporations, particularly amongst the large ones, did not have any external debt. But what of the British situation, where the proportion of internal funding is notoriously high (around 75%). Thompson provides a detailed argument to show that neither the level nor the use of internal funds is independent of external constraints. He points out that Britain has an overactive secondary market in the sales of existing securities, rather than new issues. In Britain, it is the valuation of a company on the stock exchange that determines its financial viability. Although raising additional capital is not important, trade in existing securities by banks and other financial institutions ensures external monitoring.

A more helpful approach than polarising the argument about the inter-relationships within finance capital between banking or industrial control is to see finance capital as an 'articulated combination' of the three forms of capital, banking, industrial and commercial, as Thompson for instance does. This articulated combination provides for the division of surplus value between the three fractions of capital. Within this combination it is industrial capital that determines whether accumulation will take place, but the relationship between banking, industrial and commercial capital will determine how the surplus is split between them. Overbeek suggests that the relations between industrial and banking capital can take four forms.(17) The financial relation has already been mentioned and involves ownership of shares, long term credits or bonds and short term credits. The other three relations are through services (such as advising on mergers and take-overs or managing investment portfolios for other firms), institutional relations (through inter-locking directorates) and informal relations (for example family ties). To determine the specific nature of these relations within any particular economic formation requires empirical study.

It is perhaps surprising that there has been so little empirical investigation of finance capital. Chevalier does however provide one such study of the United States. In mentioning some of the conclusions he reached about corporate organisation in the last section, I have already drawn attention to the difficulties Chevalier had in obtaining information about share ownership. The problems of finding out about the relations between banking and industrial capital may be one reason why only a limited amount of research has been done. Another may be the breadth and extent of the task, which inevitably involves economy-wide investigations. Chevalier's study provides a specific illustration of how the movement from personal to impersonal possession has been paralleled by an increasing interdependence between banking and industrial capital. He examines four possible types of group which might control the 200 largest forms which he studied: families, pension funds, commercial banks and other financial institutions. He makes use of and assesses the significance of the four types of relation mentioned by Overbeek: financial, services, institutional and informal relations.

With regard to families, Chevalier concludes that their importance is still considerable. "La puissance financière de quelques grandes familles est encore considérable et n'est pas appelée à disparaître rapidement".(18) Looking next at pension fund companies, they have many personal liaisons with one another, and with the 200 largest industrials in addition to share ownership. "Ainsi, les fonds de pension sont progressivement amenés à jouer un rôle fort important dans les méchanismes du contrôle".(19) Nevertheless, pension fund companies tend to exert a secondary influence, rather than a primary control. In terms of power the concentration of pension funds could have very different effects according to whether it takes place to the benefit of banks, boards of directors or workers. Chevalier concludes that the former two seem to be benefiting. Chevalier's assessment of the other financial institutions besides the commercial banks is that they intervene rather little in the control mechanisms of industrial companies.

The evidence Chevalier uses for commercial banks covers interlocking directorates, firm indebtness, whether the bank holds a proportion of the capital and whether it is a trustee of the pension fund. He concludes that there is considerable financial concentration of industry, but that this takes the form of banks operating as "poles of attraction" for a number of firms. "Ces chiffres font apparaître une certaine concentration financière de l'industrie américaine. Mais cette concentration ... a un charactère dynamique: quelques banques tendent à devenir des pôles d'attraction autour desquels vont se regrouper un certain nombre de sociétés".(20) Chevalier feels that the links between banks are such that one can see the boards of directors of the big banks as a powerful oligarchy. He identifies six banking groups operating as poles of attraction: Rockefeller, Morgan, Mellon, Manufacturers Hanover Trust, Chemical Bank and Cleveland. Chevalier shows the links between these banking groups and industrial firms and concludes that the banks are recovering the influence that they had over industrial corporations in the 1920's. Control over the big American firms is a power struggle between the industrial and the financial oligarchy. "Le problème du contrôle des grandes sociétés américaines semble dès lors se charactériser par un double phénomène: d'un part une oligarchie industrielle se maintient difficilement au pouvoir en évitant la dispersion de ses actions, d'autre part une oligarchie financière augmente peu à peu son pouvoir de contrôle sur l'ensemble de l'industrie américaine".(21) Chevalier's study of the U.S. economy shows the articulation of industrial and banking capital expressed through banks acting as poles of attraction, resulting in the formation of interest groups. He demonstrates an extremely dense network of personal liaisons between firms, centred primarily on the interest group, and argues that any firm not attached to a group is very vulnerable to takeover. Most mergers involve an extension of the most important groups.

It would seem then that the concrete form taken by finance capital at least in the American economy is that of the interest group, or as Aglietta calls them, "financial groups". In Britain, however, financial groups have not been apparent until relatively recently, the relations between financial and industrial capital having been fairly amorphous. Overbeek claims to have found two large financial groups in the making in Britain, one based around the Midland Bank, the other centred on Lloyds and S.G. Warburg.

Is it now possible to provide a clearer characterisation of what finance capital as an articulated combination of the three fractions of capital is? What kinds of generalisation are possible in the face of the (fairly limited) empirical evidence for different social formations? Thompson has it that finance capital must involve the dominance of banking capital within the combination, although it is not determinant, since it is industrial capital which creates surplus value. Banking capital is dominant in that it can determine <u>where</u> accumulation takes place. Scott is more cautious in his conclusions and sees the inter-relations between banking and industrial capital producing a 'system of communication'. "Relations of effective possession and strategic control involving constellations of financial interests generate a structure of interlocks, the main significance of which is the communication of business information".(22) He rejects the idea of finance capital as 'bank control', which indeed seems fair enough on the basis of the evidence. Nevertheless, to see finance capital as a 'fusion' of banking and industry "expressed in the system of effective possession, the mode of investment funding, and the integration of large corporations into an extensive network of communication" seems unnecessarily cautious.(23)

As both Scott and Thompson suggest, the development of the credit system has surely a crucial role to play in understanding the nature of the relationship between industrial and banking capital within finance capital. Marx outlined the possibility that banking capital could be seen as 'capital in general' having a real existence, in its role of transferring capital from one sector of the economy to another. "The dominance of banking capital is a dominance of the lending/borrowing relationship as such and the creation of credit so involved in that function".(24) As Thompson points out, the rationale of banking capital is to constantly move credit provision and assure the average rate of profit. The 'network of communications' established through finance capital changes the nature of the credit system. Banks no longer come in from outside to provide finance to industry (or commerce for that matter). Finance capital can be seen as unifying the process of production and the process of circulation. As we saw in the last section, large industrial corporations have become essentially financial institutions, where corporate identity relates to the pool of finance, extracted as profits from the operating divisions, but handled by the general office. Given the inter-relations established between industry and banks by finance capital, even internal funding undergoes some form of external scrutiny. As Scott pus it "Under a system of entrepreneurial capital [i.e. competitive capital] internal funding is a deduction from the personal income of the entrepreneur. Under a system of finance capital, internal funding is a deduction from the income of shareholders, banks and others who advance capital to the concern".(25) There is here a cumulative and inter-dependent extension of circulatory and industrial capitals, which has already been expressed in the diagrammatic representation of the circulation of finance capital given earlier. It arises out of the extension of the process of centralisation of capital into combinations both of industrial and banking capital and the two together. Aglietta provides a terse definition: "The name finance capital is properly given to the mediation by which coalitions of capitalists exercise proprietary control over the structural forms necessary for the continuing cycles of valorisation of their productive capital, thanks to the centralised money capital at their disposal".(26)

As we have already seen, the cohesion of finance capital finds concrete expression in financial groups. It is also useful to see finance capital as 'capital in general' taking a concrete form. Both Chevalier and Scott view finance capital as providing the propertied class with an interest in the business system as a whole. "En effet, les 'corporate rich' ne sont guère en conflit les uns avec les autres, puisqu'ils cherchent avant tout à préserver leur position et à maximiser leurs profits".(27) One here sees finance capital as the concrete expression of the unity of the capitalist class. We have seen in earlier chapters that this unity is also expressed in the search to establish an average rate of profit. "Within the capitalist modes of production any money capital that is thrown on the market demands a share in the average rate of profit and it is precisely the function of banking capital to establish ... this average rate" says Thompson. What differences do the institutional changes in corporate organisation and in banking capital through finance capital considered in these last two sections make to the formation of the average profit rate? This is the concern of the next section.

C. Profits, Not Prices

"For value theory" argues Fine "monopoly poses only distributional problems".(28) At the centre of much of the discussion over the continuing applicability of the law of value is the issue of the way in which surplus value is distributed. Accepting that capital must 'valorise' itself (i.e. earn a profit), the question of the regulation of that process then comes to the fore. True, the valorisation process also relates to accumulation and the growth of capital, but for many the distribution of surplus value is considered as the primary concern. The discussion over distribution takes three main approaches. Firstly, there are those who argue for the tendency of the system to form a general profit rate, whilst a second group see a hierarchy of profit rates instead. Finally discussion centres around the distribution of surplus between different fractions of capital (industrial, banking and commercial) under the aegis of finance capital, or between monopoly and non-monopoly capital and hence the barriers between capitals. Distribution of profits is of course closely related to mobility of capital within and between sectors.

One obvious advantage of approaching the issue of regulation through profits rather than prices is that profits will include the effects of non-price as well as of price competition. In addition, monopoly prices may in part be used in maintaining a monopoly position; this will be automatically apparent when using the profit approach. It is also interesting to note that none of the writers considered in the earlier section on prices specifically linked their analysis to the exclusions from the formation of the average profit rate which Marx identified in Das Kapital. The failure to make the link can however be justified since Marx was talking exclusively in terms of the monopoly barriers of land ownership. Is any connection made by those who approach the issue via profits?

This is indeed the case for Margaret Wirth whom I showed earlier as emphasising the continuity between competition and monopoly, with monopoly as a mode of appearance of competition. For Wirth the operation of the average profit rate as a tendency derives from the nature of capital as self-expanding value and from competition (which I have argued is also inherent in the nature of capital). Capitals seek either to achieve the average profit rate or to prevent a reduction to this average. In other words, as we saw from Marx, there is both a movement towards and a movement away from the average, together constituting the tendency. Wirth sees the <u>forms</u> in which capital attempts to do this changing. Under the monopoly phase a crucial concept is "that of monopoly, conceived as a specific <u>form of competition</u> in which the individual capital seeks to isolate itself from the general process of the equalisation of profit".(29) Note however that were there not a tendency to the equalisation of profits, there would be no need for capital to attempt to free itself from the tendency! What are the means available to the individual capital to exert such opposition?

Here Mandel provides a useful framework. Chapter 3 in "Late Capitalism" entitled 'The Three Main Sources of Surplus Profit in the Development of Modern Capitalism' examines the question of distribution of surplus value. Mandel attempts to demonstrate "that the actual growth process of the capitalist mode of production is not accompanied by any <u>effective equalisation of the rates of profit</u>".(30) A quest for "surplus-profits" provides the basic motivating force for the system, and Mandel starts by providing six factors which can lead to "surplus-profits" in a "normal" capitalist economy. By the term "normal" Mandel presumably means the competitive phase of capitalism, for he then gives a list including some of Marx's exclusions from the formation of the average profit rate (e.g. absolute ground rent). It seems very useful that Mandel should start from Marx's own framework here, although I feel that in seeing the quest for <u>surplus</u>-profits as the motivating force for capital, he fails to emphasise the two-sided nature of competition for Marx. Mandel sees the tendency to gain more than the average rate of profit, whilst Marx also talks about moving towards that average.

What of the situation when capitalism is no longer in its competitive phase? Much of Mandel's argument is here posed in international terms, which as I have already explained, is being excluded from this thesis. He is very concerned to emphasise the lack of homogeneity (on a country basis, a regional basis and an industry basis) in the capitalist world economy: the growth of the capitalist mode of production by its nature leads to disequilibrium. I have already argued for the undesirability of an implicit condemnation of the monopoly stage on the basis of its tendency towards disequilibrium. Looking at the situation within a single country, Mandel argues for the formation of two average profit rates, one in the monopolised and the other in the non-monopolised sector which of course is an idea that we found in Hilferding. This happens in the context of technical innovations introduced in the absence of perfect mobility of capitals, due either to restrictive agreements between capitalists or barriers to entry due to economies of scale. This means that <u>temporary</u> surplus profits can become <u>lasting</u> surplus profit, a characteristic feature of the monopoly stage of capitalism. Yet Mandel immediately admits that "there are, of course, no absolute monopolies in the long run, and the growth of the surplus profits of monopolistic or oligopolistic concerns is not without its limits".(31) Amongst other things, excessive surplus-profits will attract competitors. (This is of course the argument that the degree of monopoly is conditional upon potential entry; see Keith Cowling's "Radical Economics".).

The idea of 'lasting surplus profits' associated with the existence of monopoly and barriers to competition does indeed seem a useful contrast to make with 'temporary surplus profits' associated with competition within and between sectors. I am not clear therefore why Mandel should then insist on two average rates of profit which very much imply permanency in the divisions between monopoly and non-monopoly profits. In part his insistence may arise from the fact that he has already emphasised only one side of the coin (the earning of surplus profits) in the formation of the average profit rate even under the competitive stage of capitalism. Mandel also ignores Hilferding's qualification of the idea of a monopolised and a competitive average rate of profit through the action of finance capital in combining spheres of capital and thus tending to re-establish a unified general rate of profit.

The theme of 'lasting surplus profits' is one which crops up again and again in the literature. Its origins can perhaps be traced to Lenin's 'super profits', although these were specifically linked to the export of capital to gain extra surplus value. Scott certainly uses Lenin's term when, in describing marxist theories of the monopoly stage, he says "Under 'monopoly' conditions, companies earn 'super-profit' on top of average profit, and so the economy as a whole shows no equalisation of actual profit rates, since the market entry barriers inhibit the free movement of capital".(32) Steindl in his "Maturity and Stagnation in American Capitalism" published as early as 1952 attempts an empirical study of profit margins in the oligopolistic and the competitive sector. Aglietta too contrasts 'transitory surplus profit' under what he calls full competition and the far larger surplus profit available to large firms using 'monopolistic regulation' where the tendencies of effective demand can be planned.

Is there then any empirical proof for this view either that profit rates are higher and/or that they last longer in the monopolised sector of the economy? Unfortunately, as Semmler points out in a recent paper, the large number of econometric studies of the effect of monopolisation on the rate of profit have almost all been conducted within the neo-classical paradigm.(33) The degree of monopoly in these studies is seen as being determined by either the degree of concentration in the seller market, the height of barriers to entry or the degree of collusion. There are of course problems in both defining and measuring all the concepts concerned whether they be profits, concentration ratios, entry barriers or some proxy for collusion. Semmler concludes his survey by saying that these studies do not provide clear cut evidence for the view that oligopolised industries or large scale firms show profit rates persistently above average profit rates.

It is however also possible to argue that this type of empirical proof cannot in any case be obtained. At a relatively basic level, at least some of the implicit profits of a monopoly will be used up in maintaining that monopoly position (e.g. by holding excess capacity). More importantly, a tendency to equalisation of profit rates is a process that is never concluded. As Borrelly puts it "Dans notre conception de l'égalisation, le taux de profit moyen ou normal n'est pas une donnée, il se révèle au cours d'une procédure sociale sans jamais devenir la réalité".(34) There are in any case all sorts of problems in devising a valid calculation of profit levels. The most basic difficulty is that of measuring capital, but other problems spring to mind: why choose an annual period for measuring profit levels; what about the difficulties of obtaining data from enterprises? To the extent that one can overcome such difficulties it would still be true to say that the only conclusion that one could draw from the divergence of profit from the average over a period is that the average rate of profit is not realised, but one cannot therefore conclude that there is no tendency. It is thus impossible to get an econometric appreciation of a tendency. "L'analyse de la dispersion des taux de profit des industries comme celle de leur stabilité ne peuvent en effet permettre d'appréhender le phénomène de l'égalisation que lorsque celui-ci est conçu comme le mouvement simultané des taux de profit d'industrie vers le taux de profit moyen, comme l'établissement dans le long terme d'un taux de profit normal dans toutes les industries" (35). (That econometric verification or disproof of the tendency to form an average profit rate is strictly speaking impossible does of course raise important issues about the nature of a marxist social science.)

It would appear then, that both theoretically and in practice, we are unlikely to get econometric support either one way or the other. If we accept that it is unhelpful to postulate two rates of profit, or indeed a hierarchy of profit rates between monopoly sectors and non-monopoly sectors, on the ground that it implies the supersession of competition, what should be said about the formation of the average profit rate under the monopoly phase of capitalism?

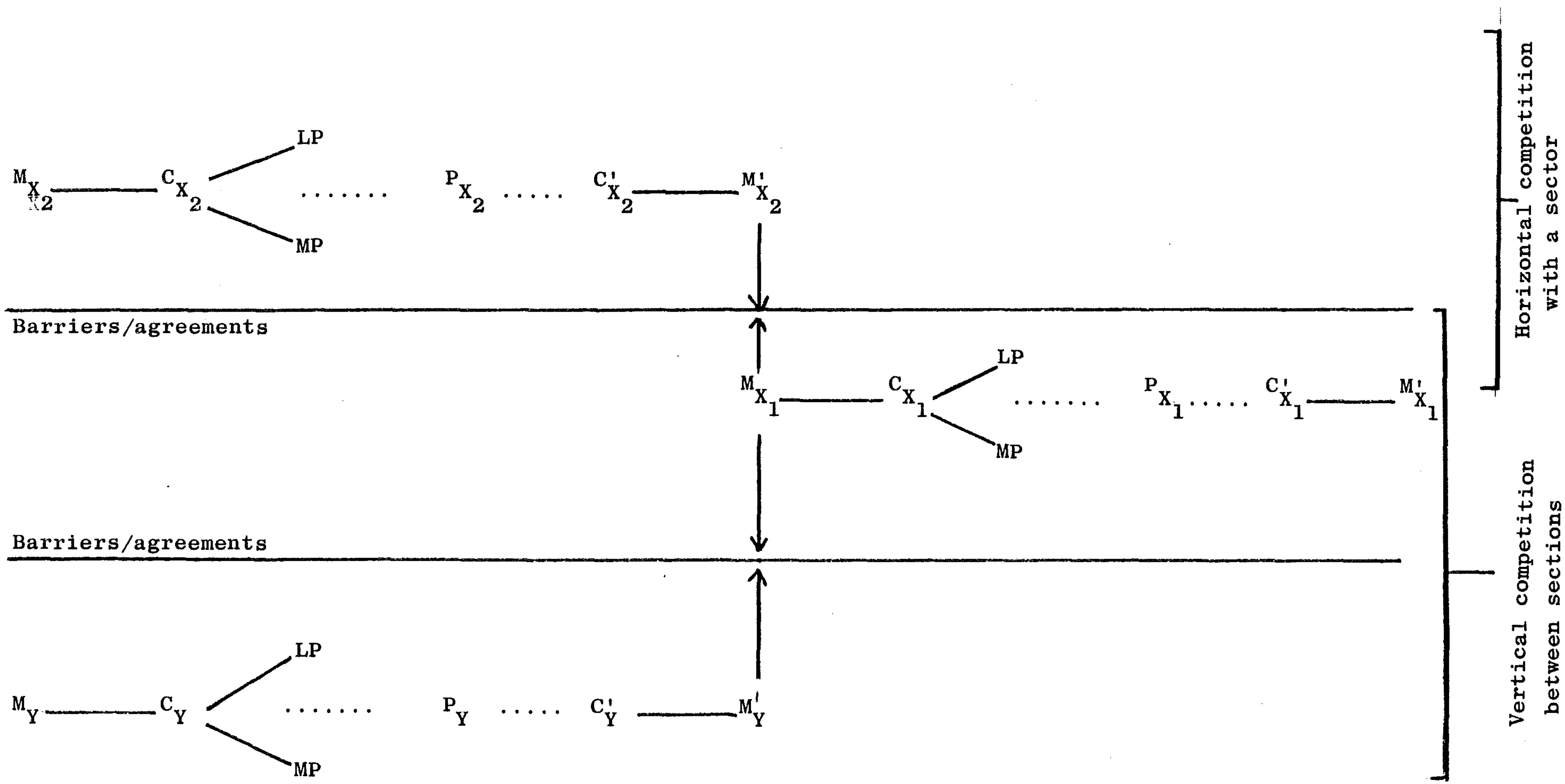
Of course the existence of oligopolies and large scale enterprises affects the establishment of the average rate of profit. Whilst horizontal competition between firms and vertical competition between industries under the competitive phase of capitalism are consonant with temporary or evanescent surplus profits, under the monopoly phase either of these types of surplus profit may become longer lasting due either to barriers to capital mobility as such or to collusion between capitalists. As I argued earlier, however, such barriers also call forth the means to break them down sooner or later. There is in addition the effect of combined competition between giant enterprises and the financial groups, which provides an alternative avenue for capital mobility, and the establishment of the tendency.

There is however no doubt that the discipline of the average profit rate is not as tight under monopoly as it is under competitive capitalism. As Evanitsky puts it " Under competition the average rate of profit thus established operated as an external, coercive law to which the individual had to conform. The rate of profit he could enjoy ... was socially determined, whereas its mass was proportionate to the amount of capital invested".(36) In contrast, under monopoly, the rate of profit is more akin to a pre-determined target for which the capitalist aims than to an independent variable to which he must submit. Evanitsky therefore concludes that the laws of capitalism put forward by Marx remain unaffected by the growth of monopoly in a general abstract sense, meaning that the capital-wage relation remains the fundamental social relation, socially necessary labour time is still the substance of value and surplus value continues to be the basis for profit. However, the actual expression of these laws is distorted by monopoly, principally because the quantitative equivalence between price and value has become 'indeterminate'. "We see then that the laws of capitalism as discovered by Marx have not been invalidated but that they are no longer as directly controlling as they were in the past. They appear now distorted or modified, sometimes held in abeyance for a shorter or longer period; frequently they manifest themselves as no more than a tendency, often operating through a relationship mediated by so many causal links that the causal sequence appears disrupted. A law which operates remotely is none the less a law".(37)

Whilst I would agree with Evanitsky's general thrust that the monopoly stage of capitalism has led to changes in the mode of expression of the law of value, I feel that he places too great an emphasis on 'distortion' and 'disruption'. This happens for two reasons. Firstly, Evanitsky places a considerable emphasis on monopoly prices, and it is obvious that for him a major function of the labour theory of value is to provide a quantitative basis for prices. I have argued that the labour theory is more appropriately concerned with social relations, but that in any case it is perfectly admissable for marxists to acknowledge that monopoly (or oligopoly) prices are not determinate, except within the limits of a 'monopoly transformation procedure' which transfers surplus value within the capitalist class. This lack of objective prices simply underlines the problem of effective and efficient allocation by the market mechanism under capitalism. The second drawback in Evanitsky's stance is that his article fails to examine the changes in the nature of competition in any detail. I have suggested that it is useful to see competition as operating at three different levels, between firms, between industries and between the combined units of finance capital. Competition is a question of the mobility of capital, and to classify the changes in the nature of competition it also is necessary to examine the distribution of surplus value between both monopoly and non-monopoly capital, first at the level of the industry, then at the inter-industry level. Finally how does finance capital affect this distribution both between the fractions of capital and between financial groups?

To clarify this, it is helpful first of all to consider the circuit of industrial capital (see Diagram 6.1). X_1 and X_2 are two firms within the same industry (or sector), whilst Y is another sector. This uses Marx's diagram for the circuit of industrial capital. Each capital valorises itself during the circuit of capital, making a profit (M') at the end of each circuit. If it is to continue performing the role of capital, the money realised

DIAGRAM 6.1 THE CIRCUIT OF INDUSTRIAL CAPITAL WITH BARRIERS WITHIN AND BETWEEN SECTORS



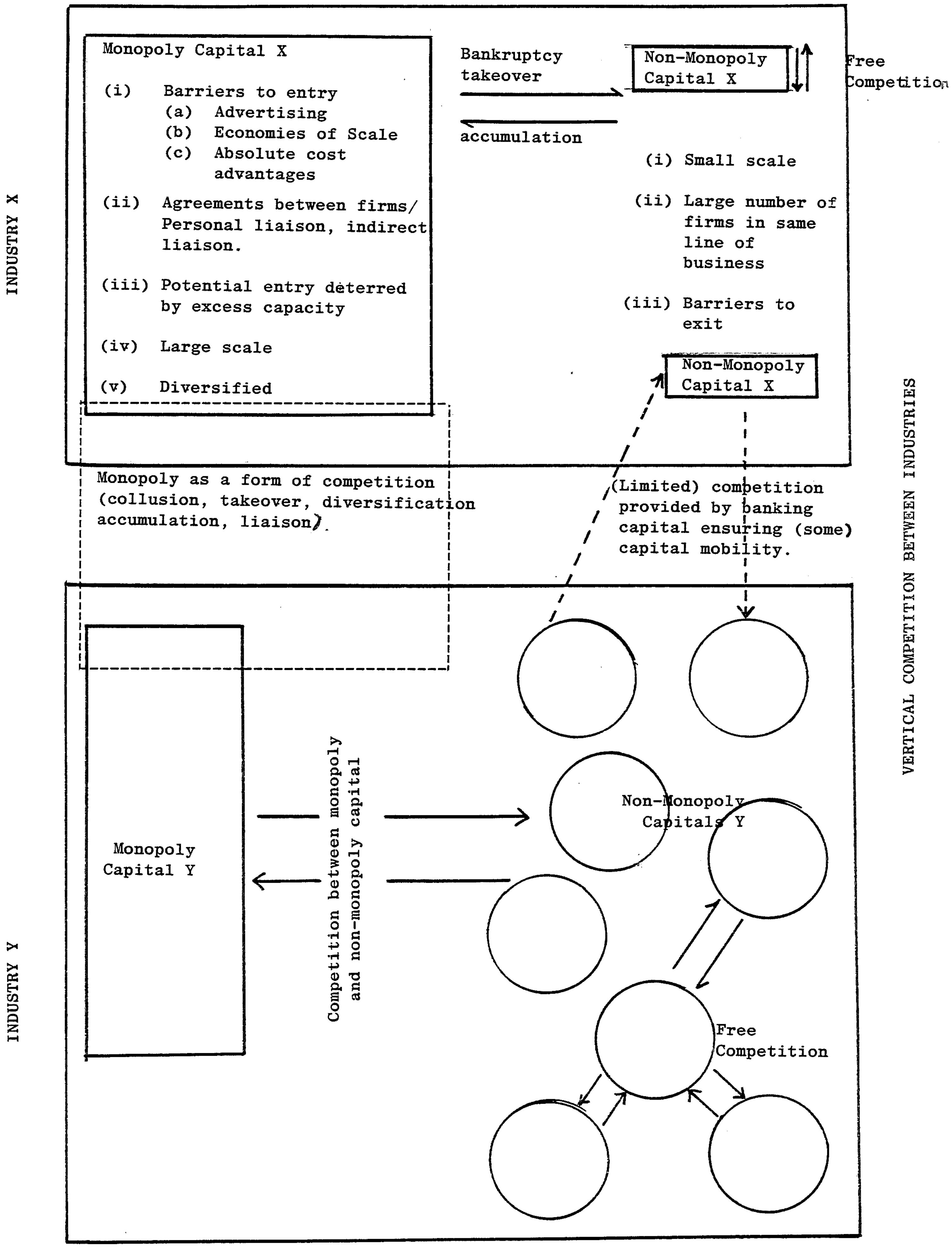
at the end of each circuit can either be reinvested in that firm (X_2), or another firm within the same industry (X_1) or a different industry (Y). Competition involves the mobility of capital from less profitable to more profitable firms and sectors. However, there may be barriers to such mobility (such as economies of scale and agreements between firms, of which more in a moment). I have represented the forces for mobility of capital by arrows between the money capital of firms (M_{X2} and M_{X1}) and of industries (M_{X1} and M_Y). The barriers are represented by horizontal lines, preventing such mobility. Under the competitive phase of capitalism, banking capital facilitated competition between firms and industries by assisting mobility of capital. There was however (as we saw in Chapter 3) also competition between the fractions of capital (industrial, banking and commercial) for the division of profit between profit of enterprise and interest.

Under what circumstances will the barriers between firms and industries be overcome? This can be further clarified by distinguishing monopoly and non-monopoly capital as in Diagram 6.2, which incidentally considers only industrial capital. The two industries X and Y have each been represented as containing both monopoly and non-monopoly capital. The former is characterised by five main features: it is large scale; it may be formed through a variety of collusive agreements between firms; there are barriers to entry, whether they be product differentiation through advertising, economies of scale or absolute cost advantages; and finally it is frequently diversified into a variety of products and even industries. Non-monopoly capital is on the contrary small scale, often with a large number of firms in the same line of business, and having barriers to exit in the sense that capital is not very mobile out of the industry.

This means that three kinds of competition can be identified within the industry. Firstly, there is what I think is best called 'free competition' between non-monopoly capitals. This is competition between units of capital which don't have barriers between them. Marx saw this type of competition operating through temporary

DIAGRAM 6.2 HORIZONAL AND VERTICAL COMPETITION BETWEEN MONOPOLY AND NON MONOPOLY CAPITAL

HORIZONTAL COMPETITION WITHIN AN INDUSTRY



surplus profits due to the fact that innovation could allow market value to fall below market price, with a movement back towards the average profit rate as all firms introduced the innovation. Secondly there is competition between monopoly and non-monopoly capital. This is a process in which monopoly capital dominates non-monopoly capital due to the relative disadvantages of the latter. This inequality is represented by the non-reversibility of the competitive process: whilst monopoly capital can take over non-monopoly capital, or drive it to insolvency, non-monopoly capital must grow or accumulate to become monopoly capital. In most industries however it is convenient for monopoly capital that there should be a competitive fringe. Finally, there may be competition between different monopoly capitals within an industry or sector, provided it is sufficiently large. This last type of competition is similar to the competition between monopolies in different sectors or industries.

I have called this type of competition 'monopoly as a form of competition'. It is different from competition between monopoly and non-monopoly capital in that it is reversible, in the sense the same type of competitive processes operate in each direction. Thus competition between monopolies incorporates the characteristics that monopolies anyway possess. Agreements between firms in the same industry can be replaced or supplemented by agreements between firms in different industries. It is particularly significant that monopoly capital X can diversify and so compete with monopoly capital Y and vice versa. In other words the barriers between monopoly capitals in different industries or sectors are porous, moveable and variable, as represented by the overlapping dotted lines in the diagram. 'Monopoly as a form of competition' is very different from the competition between industries that Marx envisaged. Thus competition between non-monopoly capitals in different sectors remains in existence under the monopoly phase, albeit considerably overshadowed by the competition between monopolies. Banking capital today still ensures some capital mobility between non-monopoly capitals in different sectors, but its contribution is relatively limited.

Linking this analysis of competition more closely to the tendency to form an average profit rate, it is possible to classify competition into levels on the one hand and types on the other. It is the structural changes brought about by the accumulation process (due to centralisation and to some extent concentration of capitals) that leads to the establishment of new types and levels of competition with the historical development of capitalism. Each type of competition involves a range of competitive strategies which have already been mentioned in a number of contexts. Diagram 6.3 sets out such a typology of competition. Horizontal competition within an industry can take three forms, the first of which is free competition between non-monopoly capitals. In this case the tendency to form an average profit rate involves the dual process of establishing normal surplus profits (value being pushed below market price by e.g. introduction of new techniques of production) and then overcoming them, as all firms adopt the new techniques. Surplus profits are here very transient. However, as Marx pointed out, in the accumulation process, there is a tendency for concentration and centralisation of capital to take place. This gives rise to the growth of monopolies, so that one finds two further types of horizontal competition.

The competition between monopoly and non-monopoly capital is one in which monopoly capital dominates, and it involves the possibility of extra surplus profits being made by monopoly capital thanks to barriers to entry. Such barriers will, however, encourage either non-monopoly capital to overcome them through growth and accumulation, or it will encourage the third type of competition: that between monopoly capitals. Monopoly as a form of competition means that the tendency to form an average profit rate takes the form of establishing and overcoming barriers which in particular may involve vertical integration within the industry. It may be that a 'monopoly transformation' ensures the transfer of extra surplus profits for a period of time from within or between sectors of the economy, but this will tend to be overcome by vertical competition between monopoly capitals.

Let us now look at the second level of competition, vertical

DIAGRAM 6.3 LEVELS AND TYPES OF COMPETITION AND THE ROLE OF ACCUMULATION

Accumulation leads to monopolies

(a) Horizontal competition (within an industry).

(i) Free competition between non-monopoly capitals. (Normal surplus profits due to individual value below market value).

(ii) Competition between monopoly and non-monopoly capital, in wich monopoly capital dominates (Extra surplus profits due to barriers etc.).

(iii) Competition between monopoly capitals. Monopoly as a form of competition leading to integration. (Monopoly transformation).

Accumulation leads to combinations between sectors

(b) Vertical competition (between industries).

(i) Free competition between non-monopoly capitals. (Banking capital ensures capital mobility).

(ii) Competition between monoply capitals. Monopoly as a form of competition involving combinations between sectors.

Accumulation leads to finance capital

(c) Combined competition (between financial groups).

Competition as a search for the most favourable conditions of growth by finance capital, as an articulated combination of banking and industrial capital. Monopoly as a form of competition involving combinations/ diversification/restructuring.

competition between industries. This can be of two types. There is free competition between non-monopoly capitals where, as Marx pointed out, banking capital ensures capital mobility. There is some possibility for surplus profits here, when capital is less than perfectly mobile, as has already been pointed out. The other type is competition between monopoly capitals. The process of accumulation and centralisation of capital has in this case led to combinations of the units of capital across sectors or industries. Again the tendency to form an average rate of profit is achieved by establishing and overcoming barriers. In the case of vertical competition between monopoly capitals this typically takes the form of combinations between sectors by means of diversification.

Centralisation involving diversification then creates the third level of competition, that of combined competition between financial groups. The formation of finance capital can be seen as the process of diversification writ large. Finance capital is the ultimate result of a continuing process of centralisation from which an articulated combination between banking and industrial capital grows up. Combined competition across sectors of the economy becomes the rule with finance capital. We have seen that under the competitive phase of capitalism, banking capital performs an important role in the tendency to form an average profit rate by facilitating capital mobility between firms and industries. The interrelations between industrial and banking capital are institutionalised under the monopoly phase through finance capital. Financial groups are able to move in and out of sectors of the economy, so that competition becomes an economy wide phenomenon: combined competition between cohesive sums of self-expanding capital. What is interesting about combined competition between financial groups is that competition has at this level decisively linked the spheres of exchange and of production. The competitive process becomes one for securing the most favourable conditions of _growth_, and not simply of exchange. The implications of this change will be discussed in the concluding section.

What this classification of levels and types of competition has endeavoured to show, is that the competition process is, if anything, far more vigorous under the monopoly phase of capitalism. Competition not merely takes place at three different levels, but also involves a range of types in the interactions between and within monopoly and non-monopoly capital. The forms of competition in other words have changed. Whilst there will undoubtedly be temporary movements away from the average profit rate (whether above or below it), there will always be a tendency towards its re-establishment. The tendency to form an average profit rate is the very root of competition. As Aglietta puts it "The constraint of competition requires a social law proceeding from the nature of capital as a social relation, which operates as the law of the formation of a <u>general rate of profit</u> by which the valorisation of individual capitals is forcibly governed".(38) The tendency to form an average profit rate is a process of conflict and under the monopoly phase of capitalism, there is a very wide range of competitive strategies.

But how far is such an analysis modified by the role of the state?

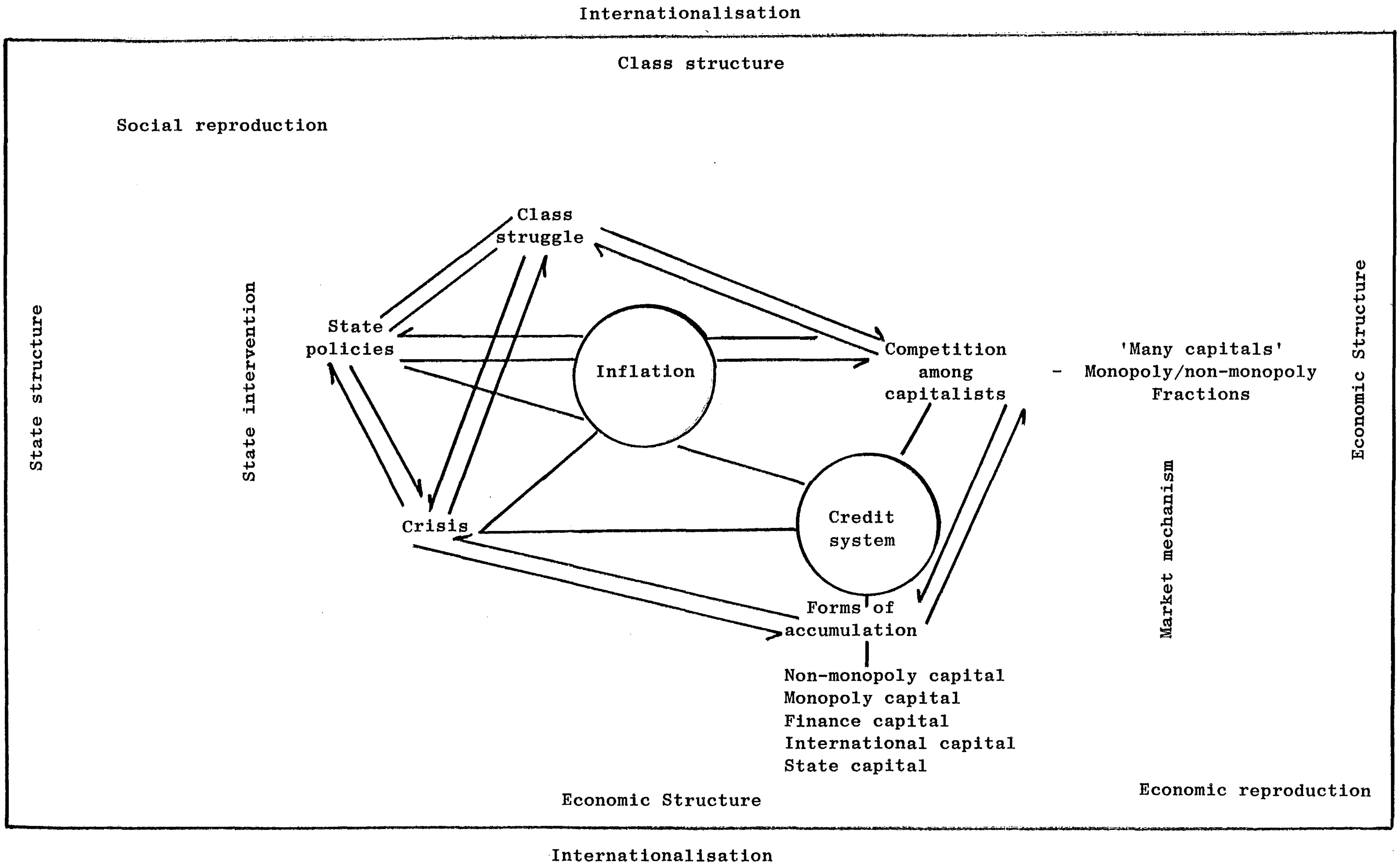
D. The Role of the State in Competition

If marxist theorists of imperialism writing at the beginning of the century felt it important to include the state in their analyses of competition, how much more important it is to provide an indication of the state's role in competition in the latter half of the century. There is concurrently a wide-ranging debate within marxism on the capitalist state. It is a huge area of considerable controversy where it is probably possible to identify as many as five or six different major approaches to the theory of the state.(39) Whilst it is inappropriate in a thesis concerned with competition to enter into the theoretical controversy over the nature of the state, it is essential to consider how the state intervenes in the competitive struggle. It has already been pointed out that the orthodox tradition in economics pays scant attention to the role of the state, but the same is sometimes true of those examining competition and monopoly from a marxist perspective.(40)

At what level is it appropriate to consider the state for such task? Fine and Harris suggest that work on the state can be divided into several types depending on the level of abstraction.(41) Firstly, one can consider the 'general nature of the capitalist state' at the level of the mode of production and abstracting from the existence of national states. Secondly, still at the level of the mode of production, the national state can be introduced, so including relations with other states. Next, the role of the state in a world where several modes of production exist can be considered, whilst finally there is the national state in its concrete form, as, for example, the national state of the USA. I indicated in the introduction that I proposed to simplify and restrict my analysis of competition and monopoly by following Marx in abstracting from the national state, so ignoring the effects of internationalisation. This means that I shall be considering the state only at the first level proposed by Fine and Harris, what they elsewhere distinguish as 'the state in general', a concept associated with the state guaranteeing the reproduction of social relations, and pertaining to the existence of 'capital in general'.(42) The 'national state', in contrast, presumes the division of capital into competing blocs of 'many capitals'. In effect, then, I shall be considering 'the state in general' at the level of the mode of production, but in relation to 'many capitals' as well as to 'capital in general' though without the dimension of 'national capitals' and 'national states'. I want therefore to attempt a classification of state interventions and then establish their relationship with competition between many capitals. For such a purpose it is not appropriate to examine the general nature of the state, but it is perhaps useful as a starting point to see the state, as Jessop suggests, as an institutional ensemble of forms of representation, internal organisation and intervention.(43)

Diagram 6.4, which was also used in the introduction, shows how state policies and state intervention fit into the context of

DIAGRAM 6.4. THE CONTEXT FOR CAPITALIST COMPETITION



capitalist competition. State policies influence the competition among capitalists, the forms that accumulation take, as well as the forms taken by crises. The influence is of course not just one way - competition among capitalists also influences state policy. State policies in addition affect the class struggle which in turn has an effect on both competition and crises. The credit system and inflation are both mechanisms in the competition amongst capitalists which are influenced by state policies amongst other things. The diagram makes broad distinctions between state structure, social reproduction and state intervention on the one hand and economic structure, economic reproduction and the market mechanism on the other. It is obvious from the complex inter-relations between state policies and competition among capitalists that these broad distinctions involve considerable inter-twining.

But let me now turn to the attempts that have been made to classify state interventions. Such classifications have usually been linked to the division of capitalism into stages. Thus Poulantzas distinguishes the state as ensuring the reproduction of the general conditions of the production of surplus value and the state as involved in the actual process of the extended reproduction of capital as a social relation. The former is characteristic of competitive capitalism, whilst the latter develops with the monopoly stage.(44) This distinction between the 'facilitative' functions of the state such as the provision of law and order and a currency and the 'supportive' functions of, for example the welfare state, is a common one, where the 'facilitative' state provides a rationalisation for the ideology of laissez-faire. Mandel gives a more detailed classification distinguishing between three main functions: the provision of the general conditions of production, the repressive function and the legitimation function.(45) The last of these ensures the maintenance of the ideology of the ruling class through education, culture and the means of communication, whilst the repressive function operates through the coercion of the army, police, law and penal system. It is the first category that relates most immediately to the sphere of production and Mandel further subdivides the provision of the general conditions of production into what he calls the general-technical preconditions (such as means of transport, the postal service), general-social preconditions (for example a national market, law and order, a currency system) and the reproduction of the forms of intellectual labour required for production (an adequate educational system). During the period of 'imperialism' Mandel sees the provision of the general conditions of production being extended through social legislation, which on the one hand is a concession to the working class, whilst on the other answering to the general interests of the capitalist class for a healthy, educated workforce. Mandel sees a still greater extension of this function under late capitalism. "There is thus an inherent trend under late capitalism for the state to incorporate an ever greater number of productive and reproductive sectors into the 'general conditions of production' which it finances".(46)

Although the classifications of state interventions which I have considered so far do link intervention to specific stages of capitalism, they do not clearly relate to state intervention in the process of capitalist competition. James O'Connor provides a much admired classification of state expenditure in "The Fiscal Crisis of the State" (47). He argues that the capitalist state has to fulfil two basic and often contradictory functions: accumulation and legitimisation. State expenditures can correspondingly be divided into social capital expenditures required for profitable private accumulation, and social expenses which are needed to maintain social harmony. It is important to realise that any specific state expenditure will usually fulfil both functions in some respect or another. Social capital can in turn be subdivided into social investment, which increases the productivity of labour power, and social consumption, which lowers the reproduction costs of labour. Both social investment and social consumption will tend to increase profit rates for private capital. Social consumption may either affect the goods and services collectively consumed by the working class or it may provide social insurance against economic instability. "In general" argues O'Connor "the greater the socialisation of the costs of variable capital, the lower will be the level of money wages".(48) O'Connor in fact sees this as benefiting the monopoly as opposed to the competitive sector of the economy, but I want to deal with the effects of state intervention later on, and continue to examine classifications for the moment. Social consumption expenditure may affect the competition between capitalists, but only indirectly, through its effect on class struggle (see Diagram 6.4).

Social investment, on the other hand, may directly affect capitalist competition. O'Connor here distinguishes human capital (the education system, scientific and R & D services) and physical capital, where the physical economic infrastructure is socialised partly because all private capitals need it, partly because it is thought of as financially risky. Physical capital may take the form of complementary investments without which private capital projects would be unprofitable, and discretionary ones designed to improve incentives for new private accumulation (e.g. regional policies).

O'Connor sees the social expenses of production in terms of the warfare-welfare state. In looking at both the welfare and the warfare state the two-fold nature of state intervention can be seen. Thus the welfare system provides political control over the surplus population so fulfilling a legitimation role, but also expands the domestic market, and provides for accumulation. The warfare system similarly fulfils two functions by on the one hand keeping rivals at bay and containing revolution and on the other, staving off domestic economic stagnation. Returning again to Diagram 6.4 it can be seen that the accumulation aspects of the warfare-welfare state act indirectly on the process of competition amongst capitalists through their effect on crisis.

So far the classifications of state intervention have related to the functions that they fulfil. An alternative approach would be to look directly at the current range of state policies. One could then distinguish four types of state intervention: intervention relating to the competitive struggle between capitals, intervention relating to the class struggle, intervention in the infrastructure and intervention in the interests of legitimation.

Examples of state intervention in the competitive struggle are anti-monopoly policies, rationalisation policies, nationalisation, assistance to depressed areas and structural policy. The state here may intervene in favour of monopoly or non-monopoly capital, in favour of capitals in different regions of the economy or in favour of expanding or contracting sectors of the economy. The major example of state intervention in the class struggle is through the welfare state, while state infrastructure policy can be seen as state involvement in the socialisation of production through growth policy, cyclical policy and planning for example. Legitimation has already been covered in some detail. Such a classification does not mean that only the first type of intervention has an effect on the competitive struggle, for the last three types of intervention may all affect the competitive struggle indirectly.

Fine and Harris provide a classification of state intervention under the 'state monopoly stage' based on the relationship with the economic structure of capitalism.(49) Here the state's predominance is seen as the distinguishing feature of this stage, representing a higher level of the socialisation of the relations of production. State intervention now predominates over the forces of the market and the credit system. State predominance expresses itself in four ways. Firstly, the state replaces the private credit system as the dominant agency for regulating capitalist accumulation. This is achieved for example through state control of credit via monetary policy or distributing state credit to particular sectors. Secondly the state affects the distribution of surplus value through its tax and subsidy system while thirdly the state may intervene in the business cycle. Finally the state can monopolise control of individual capitals through nationalisation. Fine and Harris conclude that "The result is that the competitive struggle between fractions of capital over the appropriation of surplus value as interest or profit of enterprise, becomes increasingly socialised through the state".(50) But I am moving ahead of myself since I will be dealing with the analysis of state intervention in competition in a moment. Fine and Harris's classification is certainly useful in that it ties in with the mechanisms through which competition becomes effective.

But Bob Jessop probably provides the most extensive classification of the different types of intervention when he distinguishes five forms in "The Capitalist State" which again relate to specific stages within capitalism.(51) With 'formal facilitation' the state is maintaining the general external conditions of capitalist production. I have already given examples of this form of intervention: Provision of a monetary system, a legal system and administration. As Jessop points out, formal facilitation implies that capitalist production itself operates in a self-expanding manner consonant with laissez-faire and free competition. The second form is 'substantive facilitation' where the state reproduces certain general conditions of production whose provision is essential for the majority of individual capitals to continue production. A major example is labour power, but others are infrastructure, basic research and development or economic statistics. Both types of 'facilitation' thus relate to 'capital in general', so that it is only incidentally that particular capitals in competition could be advantaged or disadvantaged.

'Formal' and 'substantive support' on the other hand relate to particular capitals and are thereby inevitably bound up in the competitive struggle between 'many capitals'. In the case of 'formal support' the state alters the general external conditions of production favourable to particular capitals. This is an indirect state intervention through law, money and administrative measures, so that it is the forces of the market which determine whether 'formal support' is actually exploited by economic agents or not. Obvious examples here are competition policy and investment allowances. 'Substantive support' in contrast, is the direct allocation of particular conditions of production to particular economic agents. (For example, state credit, licences etc.) In the final form of 'direction' state intervention overrides even the formal freedom of economic agents and directs them. 'Direction' "may promote the substantive rationality of capitalism through recognition of the substantive interdependence of economic agents and promotion of their collective interest at the cost of their particular interest".(52) Although Jessop does not provide any examples here, presumably demand management would provide a good one. Whilst 'support' would seem to be directly associated with competition between capitals, 'direction' is not, and seems rather to relate to the socialisation of production which Fine and Harris see as a prominent characteristic of state monopoly capitalism.

I have already provided a few pointers as to how various classifications of state intervention relate to the formal analysis that marxists make of competition. Let me now look at this relation in rather more detail. How can state intervention be linked to the division between the monopoly and the non-monopoly sector, to the credit mechanism, to the departments of production, to the circuit of capital and to the relations between the fractions of capital? As a starting point, the distinction between 'capital in general' and 'many capitals' in competition has been a crucial one for many marxists examining competition. I have just shown that Jessop's distinction between 'facilitative' and 'supportive' intervention relates to state support for capital in general in the former case and for particular capitals in the latter. State intervention on behalf of the general interests of capital is most characteristic of laissez-faire capitalism whilst intervention on behalf of the specific interests of certain capitals is more characteristic of the monopoly stage. Many marxists see the state arising from the conflicts involved in the class struggle on the one hand and from those involved in the competitive struggle between capitals on the other. State intervention on behalf of capital in general can then be seen as emanating from the class struggle, whilst intervention on behalf of specific capitals arises from the competitive struggle. As Mandel points out, the representation of the general interests of capital is unevitably very difficult due to competition. "Capitalist competition thus inevitably determines a tendency towards an autonomisation of the state apparatus so that it can function as an 'ideal total capitalist'".(53) Unfortunately, even state expenditure on the unavoidable (or 'facilitative') functions of law, currency, the market, the army and the customs system are seen as a waste of surplus value by capitalists. (The concept of unproductive expenditure by the state is briefly examined below.) Mandel argues that therefore all groups of capitalists are obliged to become politically active in order to articulate both their collective and their particular interests. The state is thus unlikely to remain purely 'facilitative'.

Given that the state at the monopoly stage of capitalism intervenes on behalf of particular capitals, can any generalisations be made about the state's relationship with either monopoly or non-monopoly capital? It is generally agreed that the crude Stamocap theories of various communist parties, which see the state under monopoly capitalism as simply acting in the interests of monopoly capital, are oversimplified and lack subtlety. There is not here the space to argue the case in detail, but O'Connor expresses the difficulty of such a view quite well when he says "Monopoly class interests ... are not the aggregate of the particular interests of this class but rather emerge within the state administration 'unintentionally'".(54) Poulantzas of course directs many of his arguments against 'Stamocap' theory.

Earlier in this chapter the distinction between the monopoly and the non-monopoly sector of the economy was drawn out. O'Connor amongst others has suggested that a state sector can also be distinguished involving the production of goods and services by the state itself and the production by industries under contract to the state. Productivity in the state sector (as in the non-monopoly sector) is low. However, labour demand is stable, subject only to political pressures rather than market forces. It is the private sector, and in particular the monopoly sector which provides the motive force for economic expansion since it is organised on the basis of the profit motive. The private sector is however dependent on the state to provide social capital and social expenses.

To propose the concept of a 'state sector' as well as a private sector is undoubtedly a useful addition to marxist theory, but it is one which has not as yet been extensively developed. Gough suggests that the legitimation expenses of the state

(O'Connor's social expenses) should be considered to belong to Department III, Marx's residual department to which he allocated the production of luxuries, having placed production of the means of production in Department I and wage goods in Department II.(55) It would perhaps be useful to identify a separate department of production for all state production. It is nevertheless important to keep in mind that the state's economic activities are predicated on the fiscal dependence of the state on profitable private business, of which I shall have more to say in the conclusion to this section.

We have already seen that Fine and Harris suggest that state mediation is added to mediation of the competitive struggle through the market and credit mechanisms. But state mediation is inevitably political mediation and as Mandel points out, in such a situation the private lobbies of the capitalist class take on considerable importance. Jessop is clear that in providing both formal and substantive support, the state has to work through the institutions of the private economic sector, and that even direction by the state may have its problems. "In short, although the circuit of state monopoly capital requires specific forms of political intervention, the institutional separation of the state casts doubt on its functionality".(56) The implications of the existence of a state sector adding a new mode of mediation for the competition between monopoly and non-monopoly sectors are thus far from cut and dried. As Altvater sees it, the state does not replace competition, but rather runs alongside it.(57)

Looking in more detail now at the relation between many capitals, how can the state be formally included in the circuit of capital? The state is involved in the circuit of capital in two different ways. Most simply, through nationalised industries it is involved in the circuit of productive capital, producing surplus value. This can be represented as:

$$M_S - C_S \begin{cases} LP \\ MP \end{cases} \ldots\ P_S \ldots\ C'_S - M'_S$$

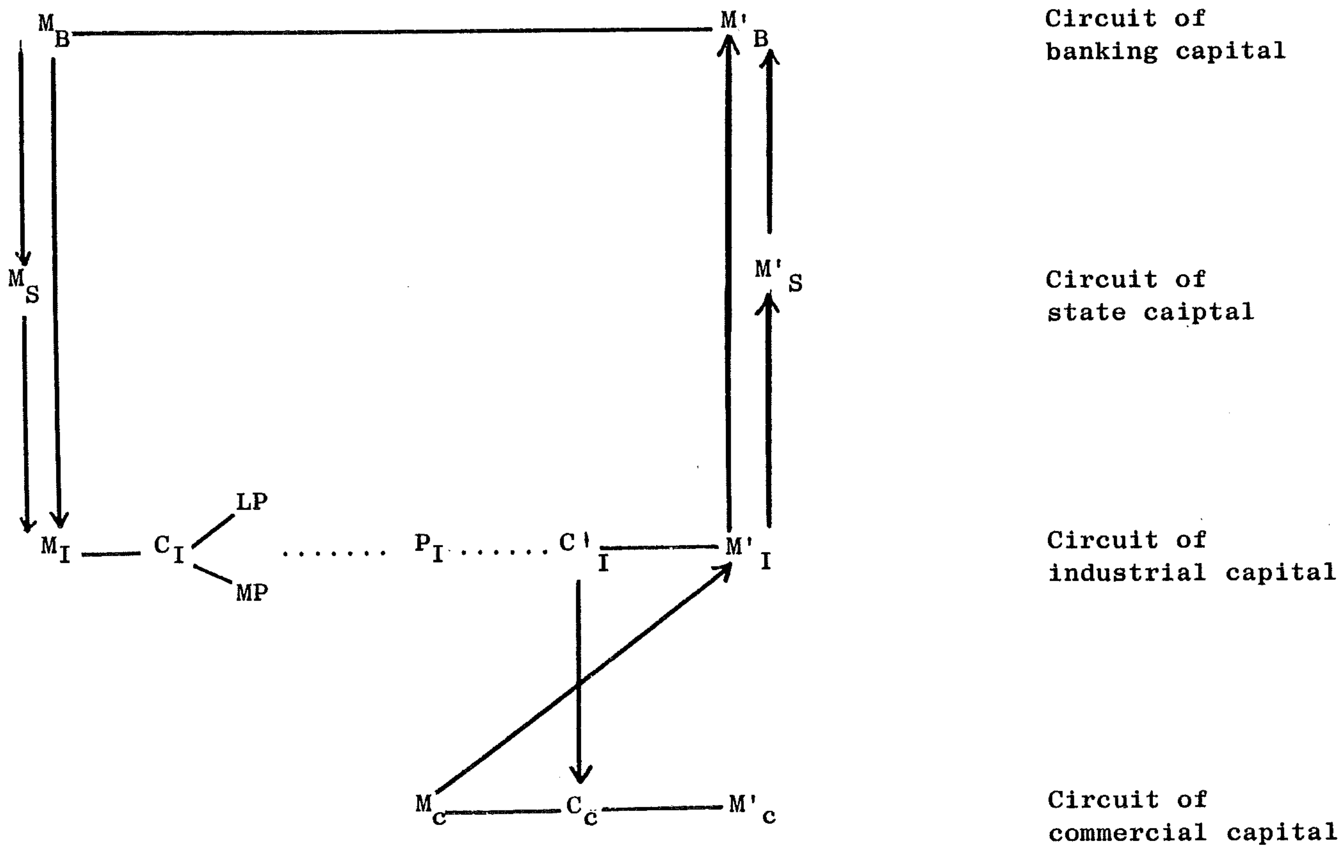
and there will be competition within a sector between private and state industrial capital as well as between sectors whether private or state.

The second way in which the state is involved in the circuit of capital is through its intervention in the credit system. The circuit of state capital here becomes a moment in the total circuit of finance capital, where the state taxes the surplus value created in the circuit of industrial (or indeed, commercial) capital and injects this in to the circuit of banking capital through its control over the credit system. Diagram 6.5 shows the circuit of state money capital indicating that the state now influences the distribution of surplus value between profit of enterprise (for industrial capital) and interest (for banking capital). This diagram also shows the relationship between state capital and the other fractions of capital, banking, industrial and commercial capital.

Briefly summarising on the implications of state intervention for the formal analysis of competition, state intervention is based on the contradictory nature of the valorisation, the accumulation and the reproduction processes of capitalism.

What now of the effects of this intervention on the competitive process? Fine and Harris, as we have already seen, argue that the state today appropriates surplus value through taxation and although the economy is still controlled according to the needs of capital, the agency of control is the state. If one accepts that the state does indeed appropriate surplus value, how is this then used? Much of the early debate on the state focussed on the argument that state expenditure is unproductive, in other words that it does not contribute to the process of accumulation but is rather a deduction from accumulation. Such a view is based firstly on the argument that state revenues come out of the existing pool of surplus value, so that there is less for accumulation and secondly that state spending itself is also unproductive. But as Wright points out, on the one hand, taxation is at least partly the result of class struggle, while on the other, many state expenditures facilitate the

DIAGRAM 6.5 THE CIRCUIT OF FINANCE CAPITAL, INCLUDING THE CIRCUIT OF STATE CAPITAL



production of surplus value as has already been argued.(58)

The argument that state expenditure is at least in part the outcome of class struggle is an important one. The capitalist class of course wants a state budget which generates an increase in surplus value and profits, whilst the working class do not. Capital, in other words as Fine and Harris argue, wants state employment to be operated productively for the production of surplus value in accordance with the law of value, while the working class wants state employment to act unproductively for capital, but for the planned production of use values and the maintenance of employment. This distribution of surplus value thus seems to become a function of the political constraints of class struggle and competition between capitals. As Mandel suggests, the result is actually a horizontal redistribution of surplus value amongst the capitalist class on the one hand and of wages amongst the working class on the other, "whose effect is to ensure that certain expenditures, important for the preservation of bourgeois society, but which the private outlays of the two main income groups do not cover, are in fact realised".(59)

The line that I have been taking so far over the politicisation of state intervention would seem to support the 'decommodification' view of the state, which emphasises the freedom of the state from economic restraints and the law of value. Thus Baran and Sweezy writing in the 60s saw the limitations of government civilian spending almost entirely in political terms. "Given the power structure of US monopoly capitalism, the increase of civilian spending had about reached its outer limits by 1939"(60) or again, "In the case of almost every major item in the civilian budget, powerful vested interests are soon aroused in opposition as expansion proceeds beyond the necessary minimum".(61) But since the beginning of the 1970's and the appearance of the so-called 'fiscal crisis of the state', opinions have changed, and there is now considerably more emphasis on the economic limits to state spending. As Mandel so nicely expresses it: "Permanent 'crisis-management' by the State therewith turns into a permanent crisis of the State".(62) So whilst the institutional changes deriving from increased state participation in economic processes do indeed provide a measure of the growing socialisation of monopoly capitalism, the state does remain dependent upon a profitable private sector, and it must continue to work to achieve its aims substantially through the private sector.

State intervention then in the competitive process is as contradictory as its private counterpart. Whilst the state may provide support for sectors of the economy with a below average level of profit which the private sector is unprepared to run, such as steel or railways, the state is also the main customer for the relatively prosperous armaments sector. The state may support the competitive sector through provision of cheap credit or anti-monopoly policies, whilst it may promote the growth of monopoly capital through nationalisation programmes. Similarly, any specific piece of state intervention can be used to support either the capitalist or the working class in the class struggle. For example, the distinction between socialist and capitalist nationalisations is a common one. As Fine and Harris point out, the working class require state ownership in general as a step towards the abolition of capital, but in the meanwhile there is a struggle for the unproductive expenditure of surplus value on nationalised industries in ways that restrict capitalist control. The capitalist class, however, wants ownership by the capitalist class, with limited, partial and particular nationalisations.

To conclude then, on the role of the state in the competition between capitals, it seems that there are two broad views. The first view emphasises the 'de-commodification' of the economy, arguing that political constraints have replaced the law of surplus value. The second view sees an alternation between the loosening of market-based constraints and their preservation; in other words that although there may be periods in which it operates at several removes as it were, sooner or later the law of surplus value will reassert itself. It is the second view that I would support, what might be called a 'state transformation' in the law of surplus value.

In the post-war boom years of the 1950's and the first half of the 1960's there was little concern with the economic limitations of state intervention. With the end of the long boom, far more attention has been paid by both marxists and the 'new right' to these limitations. The 'alternating' view of state intervention fits in with recent and wide-supported ideas about the fiscal crisis of the state. Such a view sees very definite limits to the possibilities for state intervention due on the one hand to the fiscal dependence of the state on profitable private enterprise and on the other to the state's need to work through private sector economic institutions. As de Brunhoff puts it: "Economic policy proceeds by an alternation between a loosening of market-based constraints ... and a preservation of these constraints in a form mediated by state intervention". (63) Examples of the former are 'pseudo-validations' of state currencies in irredeemable currency systems or of 'de-monetised' labour power, while examples of the latter would be financial or cash-limits needing authorisation to be exceeded.

State institutions are integrated in many ways into the circuit of capital, so that state power is constrained by the law of surplus value. The state and the law of value cannot be mechanically opposed, since the contradictions of the capital relation (both in terms of class struggle and competition between capitals) are reproduced within the state itself. The state does not replace competition, but rather functions in addition to it, with the state partially concealing the capital relation insofar as competition becomes politicised. But whilst it is true that the political dimension introduced by state involvement in the competitive process modifies it and introduces a relative contingency into the regulative process, nevertheless the limitations on state involvement mean that economic regulation ultimately asserts itself. (It is for this reason that I prefer to use the term 'modified monopoly capitalism' for contemporary capitalism rather than 'state monopoly capitalism'; the latter term seems to place too much emphasis on the novelty of state intervention.) I would therefore feel that Hirsch puts it a bit strongly when he says "The law of value as a mechanism for regulating the distribution of social labour and imposing the proportionality of the various spheres of production operates ... in a very much more frictional and contradictory manner than under the conditions of competitive capitalism".(64) State intervention does however undoubtedly become a moment in the operation of the law of value.

E. Conclusions

I would like to frame the conclusions to this and the previous chapter in terms of what the marxist paradigm has to offer to a study of competition and monopoly. It was shown in Chapter 1 that the law of surplus value can be seen as the adjustment mechanism for capitalism, the means by which capitalism is regulated. Throughout this thesis I have been examining the forms which the law of surplus value takes as capitalism develops. Marxist theory has, it seems to me, an important contribution to make in its ability to link the changing nature of the adjustment mechanism with the dynamic aspects of capitalism. The changing forms taken by the law of surplus value in other words link in with what Marx called the "laws of motion" of capitalism, the way in which accumulation has influenced the development of capitalism. Diagram 6.6 provides a summary of the way in which changing structural conditions are paralleled by changing competitive strategies. Changes in the nature of competition indicate the changing forms taken by the law of surplus value, which in turn is expressed through the distribution of surplus value within the capitalist class.

During the establishment of capitalism, merchant capital is the predominant type of capital. At this stage it appears that profits are made simply in the sphere of exchange, with merchant capital able to buy cheap and sell dear (M - C - M', what Marx called 'profit upon alienation'). Competition is thus restricted to the sphere of exchange, since the production process is outside the control of merchant capital. Capital is however freely mobile between the units of merchant capital since capital is not immobilised in the production process. This free capital mobility eventually

DIAGRAM 6.6 - MARXIST THEORY OF THE ADJUSTMENT MECHANISM

Changing Competitive Strategies		Changes in Structural Conditions		Distribution of Surplus Value
(1) Establishment of capitalism				
Competition in sphere of exchange.		Merchant capital Free capital mobility		Profit on alienation
(2) Competitive stage of capitalism				
Competition in sphere of circulation. Price competition. Primarily market behaviour. v Seeking most favourable terms of trade	Free competition, external to enterprise	Industrial capital Limited capital mobility Competition within industries (Horizontal) / Competition between industries (Vertical) 'Many capitals' v Banking capital ensures capital mobility	Non-monopoly capital	Tendency to form general industrial profit rate through (1) Horizontal (2) Vertical competition Division of surplus value between fractions: banking and industrial capital.
(3) Monopoly stage of capitalism				
Competition in economy as a whole (production and circulation) Wider range of competitive strategies*. Primarily investment behaviour and market context. v Seeking most favourable terms of growth.	'Monopoly as a form of competition'	Finance capital Monopoly capital is typical form taken by 'many capitals' Financial groups provide free capital mobility between commodities, industries, and create market environment via new products. Capital in general has real existence.	Non-monopoly capital dominated by monopoly capital.	Tendency to form average profit rate through (1) Horizontal (2) Vertical (3) Combined competition Division of surplus value within articulated combination of finance capital
(4) Modified monopoly capitalism				
State intervenes alongside other competitive strategies	'Politicized competition'	State capital makes a limited addition via (i) state credit (ii) state productive capital (iii) state in circuit of finance capital	'Alternating' state intervention	Tendency to form average profit rate through 3 levels as above, but with possibility of state intervening at each level

* Including product competition, sales promotion, diversification, consumer manipulation etc/

destroys the possibility of earning any 'profit upon alienation', and this is one of the factors which forces money capital into productive activity where surplus value can be obtained.

In the ensuing competitive phase of capitalism, the circuit of capital expands to include the productive process ($M - C \begin{smallmatrix} MP \\ LP \end{smallmatrix} \ldots P \ldots C' - M'$) and profit is derived from surplus value as shown in Chapter 2. Competition, however, primarily takes the form of price competition in the sphere of circulation via the realisation of surplus value. It can, as we have seen, take place at two levels, horizontal and vertical competition, but involves mainly market behaviour. Non-monopoly (or competitive) capital is here the typical form taken by 'many capitals' with banking capital ensuring a (somewhat limited) mobility of capital within and between sectors. The tendency to form an average profit rate derives from both levels of competition. At both levels there is what I have called a process of 'free competition', in other words a competition external to the enterprise, given that typically there are not institutional connections between capitals. There are also no institutional connections between banking and industrial capital, and this means that the division of surplus value between the fractions of capital is again determined through a process of free competition.

It has been continually emphasised that competition creates its opposite, monopoly. In the process of capitalist development, the typical form taken by 'many capitals' becomes monopoly capital. Non-monopoly capital continues to exist, albeit in a formation dominated by monopoly capital. Section C spelled out the complexity of competitive relationships which thus arise. Crucial new phenomena are that competition actually takes the form of monopoly and that a new level of competition, combined competition between the units of finance capital comes into existence. The tendency to form an average profit rate now takes place at three levels. What is more, the institutional links formed by finance capital allow of free capital mobility across the whole economy. Capital in general has a real existence in financial groups. Competition now takes place across the economy as a whole, including not only the realisation of surplus value, but also its production. This is achieved through pursuing a far wider range of competitive strategies which include product competition, sales promotion, diversification and consumer manipulation. Competition under finance capital involves the systematic organisation of production across spheres and industries so that competition is no way limited to the exchange process. Combined competition is competition between cohesive sums of self expanding capital with diversification (or combination) as a crucial structural condition. Not only does this involve the investment strategy of the financial group, it also involves creating a market context where consumer habits are continually broken down and re-created through product innovation. This amounts to the units of finance capital seeking the most favourable terms of growth for themselves.

The concept of finance capital is thus an important contribution by marxists to the theory of competition which arises from the emphasis placed within the paradigm on historical change as a developmental process. Financial groups express a growing cohesion within the capitalist system, and the unity of the capitalist class is forcibly expressed in that the theoretical category of 'capital in general' used by Marx now takes on a real existence. The institutional phenomenon of finance capital however does require considerably more empirical research than has been expended on it to date by marxists. As I have already emphasised, the form taken by finance capital and its articulated combination of the fractions of capital will differ from one social formation to another. For instance, to what extent is banking capital dominant within the combination, and how is surplus value divided between the fractions?

Yet despite the growing cohesion created by finance capital, capital as a social relation also creates competition. Differentiation between capitals continues to exist under the monopoly phase of capitalism, but competition takes different forms. As Panzieri expresses it "According to Marx, historically speaking, there is a growing cohesion in the system, passing through various stages, from the predominance of the individual capitalist to that of the capitalist as a simple shareholder of capital, passing through production prices up until the appearance of social capital in the financial form and division of profit into interest and entrepreneurial gain. Clearly, in each of these various stages of development, the specific forms assumed by surplus-value (i.e. the laws of movement of capital as a whole) are distinct".(65) This chapter and the last one have been concerned to spell out these specific forms.

These changing forms are also visible during the 'modified monopoly stage', when the state intervenes in the process of competition, in addition to and alongside existing competition between 'many capitals'. I have argued that state mediation of competition is limited on the one hand by the profitability of the private sector, on the other by the fact that it must work to achieve its aims with the co-operation of private institutions. Capital now takes on the additional form of 'state capital' which operates in three possible ways: as state credit, as state productive capital or as state capital as a moment in the total circuit of finance capital. The state therefore participates in the distribution of surplus value through the possibility that the state may intervene at any of the three levels of competition, whether horizontal, vertical or combined. 'Politicised competition' therefore leads to a 'state transformation' of surplus value, with the state becoming a moment in the operation of the law of value. 'Politicised competition' is nevertheless limited, and just as monopoly and competition create each other in the process of competition, so too does state intervention create its opposite, market regulation. This is what I have called 'alternating' state intervention in the distribution of surplus value.

Perhaps it is as well to point out once again that I have been concerned to examine the effects of the monopoly phase on relations within the capitalist class, and the effects on class struggle have not been looked at. Class theory is obviously a major contribution of the marxist paradigm, and it underlies much of the exposition of the labour theory of value in the second chapter. For this thesis class struggle has nevertheless to a considerable extent been taken as read. It has seemed a sufficiently large task to examine the effects of the monopoly phase on the capitalist class alone!

Finally, let me underline again what the marxist paradigm is not good at. It does not have a great deal to contribute to the study of price-formation under the monopoly phase. Nevertheless it is able to take on board the fact that prices are indeterminate under monopoly. For the marxist it is not surprising that the market mechanism should prove inadequate to the task of allocating resources rationally under the monopoly phase of capitalism. Yet the marxist paradigm is well equipped to analyse the institutional framework that has tended to replace price competition and the market.

Footnotes to Chapter 6

1. See de Vroey (1975).
2. Interestingly, Thompson (1977) argues that shares, as non-redeemable loans are actually only a legal entitlement to a share in company profits with no direct proprietary rights in the assets of a company (see pp. 257-258).
3. Chevalier (1970), p. 213. "The works of Berle and Means and Larner's study has isolated the problems of control from their economic context and from the behaviour of American industry, running the risk of giving the notion of control a purely abstract worth. Our study is a first step towards a better knowledge of the relations which exist between the financial structure and the behaviour of firms".
4. Ibid p. 30. "One confirms from now on that the structure of capital puts on a secret character".
5. See Mandel (1975), Chapter 7.
6. See Cowling (1982) Chapter 4.
7. Mandel (1975) p. 244.
8. Baran and Sweezy (1966) p. 53.
9. Ibid p. 113.
10. See Kornai (1971) Chapter 7.
11. Chandler (1977) p. 299.
12. Kornai (1971) p. 66.
13. Clifton (1977) p. 147.
14. Lipietz (1979) p. 248. "In short, centralisation tends to facilitate the interiorisation of the social/private contradiction in a calculation internal to the unity of economic property (which is here the financial group)".
15. Thompson (1977).
16. Fitch and Oppenheimer (1970) Part II, p. 85.
17. See Overbeek (1980).
18. Chevalier (1970) p. 8.
19. Ibid p. 104. "Thus pension funds are gradually led to play a very important role in the control mechanism".
20. Ibid p. 115. "These figures show an unquestionable financial concentration in American industry. But this concentration ...

has a dynamic character: a few banks tend to become the poles of attraction around which a certain number of firms go and group themselves".

21. Ibid p. 131. "The problem of control of the large American firms seems ever since to be characterised by a double phenomenon: on the one hand an industrial oligarchy keeps itself in power with difficulty, by avoiding dispersion of its shares, on the other hand a financial oligarchy augments its power of control little by little over the entirety of American industry".
22. Scott (1979) p. 103.
23. Ibid p. 104.
24. Thompson (1977) p. 252.
25. Scott (1979) p. 104.
26. Aglietta (1976) p. 253.
27. Chevalier (1970) p. 162. "Indeed, the corporate rich are hardly in conflict with one another at all, since they try above all to maintain their position and to maximise their profits".
28. Fine (1975) p. 73.
29. Wirth (1977) p. 287.
30. Mandel (1975) p. 75.
31. Ibid p. 94.
32. Scott (1979) p. 145.
33. See Semmler (1983).
34. Borrelly (1975) p. 78. "In our conception of equalisation, the average or normal profit level is not a given, it is revealed in the course of a social procedure without ever becoming reality".
35. Ibid p. 141. "The analysis of the dispersion of industry profit rates, like that of their stability cannot indeed allow one to apprehend the phenomenon of equalisation except when this latter is conceived of as a <u>simultaneous</u> movement of industry profit rates towards the average profit rate, as the establishment in the long run of a normal profit rate in all industries".
36. Evanitsky (1960) p. 138.
37. Ibid p. 148.
38. Aglietta (1979) p. 280.

39. For an assessment of the debate see Jessop (1977) and Jessop (1982). A brief classification of theories of the state could include: (1) those who focus on political and ideological struggles (a) the instrumentalist approach (Miliband) and (b) the struturalist approach (Poulantzas), (2) the Neo-Ricardian approach emphasising economic dimensions, especially distributional struggles (Boddy and Crotty, Glyn and Sutcliffe, Gough), (3) state monopoly capitalism, arising from Communist Party theories, (4) the 'capital theoretical' tradition initiated by Pashukanis (a) the 'capital logic' approach (Altvater, Yaffe) and (b) the 'state-derivation' approach (Holloway and Picciotto), (5) the 'class theoretical' approach of Gramsci and his followers.
40. For example Cowling (182) barely touches on the role of the state.
41. See Fine and Harris (1979) p. 93.
42. See ibid p. 146.
43. See Jessop (1982) p. 228.
44. See Poulantzas (1975) p. 100.
45. See Mandel (1975) Chapter 15.
46. Ibid p. 484.
47. See O'Connor (1973).
48. Ibid p. 124.
49. See Fine and Harris (1979) Ch. 8.
50. Ibid p. 124.
51. See Jessop (1982) Ch. 5.
52. Ibid p. 234.
53. Mandel (1975) p. 479.
54. O'Connor (1973) p. 68.
55. See Gough (1979) Appendix B.
56. Jessop (1982) p. 237.
57. See Altvater in Holloway and Picciotto (1978).
58. See Wright (1978) Ch. 3.
59. Mandel (1975) p. 488.
60. Baran and Sweezy (1966) p. 163.
61. Ibid p. 166.
62. Mandel (1975) p. 489.

63. de Brunhoff (1978) p. 94.
64. Hirsch in Holloway and Picciotto (1978) p. 86.
65. Panzieri (1976) p. 18.

CONCLUSIONS

It has been a problem for marxists that capitalism has survived as long as it has, for much in what both Marx and Lenin wrote implied the immanent demise of the capitalist mode of production. Capitalism has altered its nature substantially in the century since Marx died, and a major change that commentators have identified has been in the nature of competition. It has then been asserted that under the monopoly stage of capitalism the labour theory of value, which is a cornerstone of Marx's political economy, may no longer be applicable. My task in this thesis has been to spell out in detail the implications of the changing nature of competition for Marx's law of surplus value.

I have done this making use of the method of the history of economic thought. This has enabled me to examine how far marxists from Lenin onwards have been able to make use of and develop Marx's concepts as a basis for analysing competition in twentieth century capitalism. Such a method of course links in with Marx's own methodology. Throughout, I have been concerned to identify continuity and disjuncture in the 'filiation of ideas' (to use Schumpeter's term) within the marxist tradition. The aim has been to achieve a meaningful synthesis of what the paradigm has to say about competition and monopoly. The conclusions that I have drawn at the end of each chapter have supported the idea that the law of surplus value remains of relevance despite the changing nature of competition. Since detailed conclusions have been made at the end of each chapter, what I have to say here will be relatively brief.

My conclusion that the labour theory of value retains its usefulness relies initially on the methodological points made in the first chapter. For Marx it is important to go behind appearances to discover the essence of phenomena. For example the appearance given by competition is that it contradicts the labour theory of value even under competitive capitalism. This is because of what Marx calls the 'upsidedown' nature of competition. When uncovered, this ambivalent nature of competition provides an example of the dialectic at work. Yet Marx himself does not clearly develop the twofold process by which the tendency to form an average profit rate through competition comes about: as a movement both towards and away from that average. With the development of capitalism the ambivalent nature of competition is further expressed in competition giving rise to monopoly and vice versa, with barriers between capitals being on the one hand erected in the process of competition and on the other hand broken down.

However, essence itself is historically transitory for Marx and this links with an 'elasticity' and 'alterability' of concepts. Essence is not fixed, but self-developing. Rather than putting forward a theory of value, I have therefore argued that Marx is investigating the concrete social forms of value. Correspondingly, my emphasis has not been on a theory of competition as such, but on the forms that competition takes. The law of surplus value does not provide a rigidly deterministic mode of regulation for the relations between many capitals, but retains a flexibility. This flexibility is based on the fact that on the one hand labour lacks the substance of value as the embodiment of labour-time since it is the subject of production, not its object, although on the other hand labour is regulated by the substance of value as the labour-time embodied in the necessary means of subsistence. At its simplest the fluidity of labour arises from work being human self-activity.

The law of surplus value derives its status as a 'general law', and a general law cannot, by its nature, provide tight and particularised statements as for example the laws of supply and demand can. As capitalism develops the 'flexibility' of the law of surplus value expresses itself in different ways: through a 'monopoly transfer' of surplus value with the growth of large scale enterprise and through a 'state transfer' as the state becomes involved in the competition between many capitals. Yet the dialectical nature of competition ensures that this flexibility has limits, since monopoly creates competition, and state intervention creates market constraints. Again the dialectical character of marxist methodology is clearly visible.

A further aspect of methodology is the historical nature of Marx's analysis. Inherent in this method is a presumption about historical change. This finds expression on the one hand in the periodisation of history into modes of production and stages within those modes. Thus, whilst Marx himself did not propose a monopoly stage for capitalism, he provided the basic tools for its analysis. On the other hand Marx puts forward what he calls 'laws of motion' for capitalism; what might be better expressed as 'laws of development' of capitalism. Importantly for this thesis, amongst these is the law of accumulation of capital. With the development of capitalism and the corresponding changes in the nature of competition, accumulation takes different structural forms. 'Many capitals' develop to become in turn 'monopoly capital', 'finance capital' and 'state capital'.

Finally Marx's methodology illuminates the importance of the level of analysis at which this study has been undertaken. For throughout this thesis I have been attempting to show the links between the pure theory of capitalism which Marx put forward and which includes the labour theory of value, with the application of those abstract concepts in concrete, stage characteristic forms. The labour theory of value relates to 'capital in general' at an abstract level whilst the law of surplus value provides the regulatory procedure between 'many capitals' at a level nearer to reality through the operation of competition. Competition is however inherent in the nature of 'capital in general' in capital's need for self-expansion, so that a presupposition can be made that changes in the nature of competition will be unlikely to invalidate the value theory of labour.

From Marx's methodology I therefore obtain a series of threads which link many of my lines of argument. Let me now draw together and summarise the conclusions I have reached on the changing nature of competition and the law of surplus value. In competition the inner tendency of capital to self-expansion appears as a compulsion exercised by other capitals. Competition is the process of interaction within the capitalist class, and it is the tendency to form an average profit rate which provides the adjustment mechanism for the distribution of surplus value between 'many capitals'. How do these abstract principles appear in stage-characteristic forms? To answer this question means analysing the changing forms of competition and of the law of surplus value, changes which run parallel to each other. During the accumulation process, the institutional form taken by 'many capitals' in competition changes. But both accumulation and competition are expressions of the inner nature of 'capital in general', different sides of the same coin if you like. The changing forms of competition therefore affect the institutional forms of accumulation and vice versa.

At the time that Marx was writing, 'many capitals' took the 'non-monopoly' (or competitive) form with free competition between them. Marx therefore saw competition to establish the average rate of profit taking place at two levels: between firms within a sector (horizontal competition) and between sectors or industries (vertical competition). Surplus profits in any firm would be temporary, and banking capital through the credit system ensured capital mobility between sectors, albeit a far from perfect mobility. It is therefore important to acknowledge that the formation of the average profit rate was a <u>tendency</u>. (I have already pointed to the dialectical character of this tendency as both a movement towards and a movement away from the average profit rate.) However, as the conclusions to Chapter 3 point out in some detail, Marx also identified certain features of competition which might be called 'transitional' in the sense that they foreshadow a potential analysis of the monopoly stage of capitalism. In his concepts of centralisation and concentration, Marx shows that in the process of accumulation, competition creates its opposite, monopoly. He also classifies 'many capitals' into fractions and indicates that there is a further division of surplus value between banking and industrial capital which is separate from the formation of the average profit rate. Marx also suggests the possibility that barriers between sectors may restrict the tendency to form an average profit rate.

Since the turn of the century there have been sufficient changes in the form of social relations, and in particular for my purposes, in the forms taken by the relations within the capitalist class, to justify the assumption of a new, monopoly stage of capitalism. In the competitive process monopolies are established and monopoly itself becomes a form of competition. Accumulation now takes the form of monopoly capital. Hilferding showed in some detail how the growth of monopolies related to the formation of the average profit rate. On the one hand sectors characterised by monopoly can escape submitting to the average profit rate, benefiting from a 'monopoly transfer' of surplus value. However, monopoly barriers to competition will also tend to create the competition (from non-monopoly capital) that will overcome them. On the other hand the process of accumulation also leads to combinations between sectors and monopoly as a form of competition therefore calls forth competition on a new level: combined competition between such combinations.

Thus under the monopoly stage of capitalism monopoly capital becomes the dominant form of 'many capitals', although non-monopoly capital subsists as both a potential aide and a potential challenge to it. However the dominance of monopoly capital by no means signifies that non-monopoly capital is the only source of competition, for competition now takes place on a third level: that of combined competition.

What is more, the tendency to form an average profit rate is reinforced from a further direction through the competitive effect of finance capital. Under the competitive stage of capitalism 'many capitals' were institutionally separated from each other, and the system relied on banking capital to achieve the requisite mobility of capital. But under the monopoly stage of capitalism finance capital leads to an institutional unity amongst 'many capitals'. The fusion or merging of industrial and banking capital to form finance capital is but an extension of the centralisation process which initiated combinations between sectors. As I argued in more detail in Chapter 6, competition between the units of finance capital takes place across the economy as a whole, extending competition from the sphere of exchange to include the sphere of production too, as each unit of finance capital seeks the most favourable terms of growth for itself. The institutional links formed by finance capital allow free capital mobility across the whole economy, reinforcing the tendency to form an average profit rate. Financial groups express a growing cohesion within the capitalist system, and the unity of the capitalist class is forcibly expressed in that the theoretical category of 'capital in general' used by Marx takes on a real existence. State intervention itself is subject to market constraints (see Chapter 6 section D), so that even under 'modified monopoly capitalism' the competitive process altogether is considerably more vigorous than it was under competitive capitalism. Armed with an awareness of the forms that competition takes under the monopoly stage, there is little doubt then, that in the twentieth century competition has actually been reinforced. The regulatory process therefore continues to act through the law of surplus value.

I started this thesis by asking how far a 'scientific revolution' (in the technical sense of the term) is needed within marxist political economy in view of the changing problem situation as monopoly capitalism has replaced the competitive stage analysed by Marx. In examining what the marxist tradition has had to say about competition and monopoly, I feel that I have been able to identify a coherent marxist theory of competition by drawing on a series of concepts from marxist writers that are relevant to the present problem situation. In providing a history of marxist ideas on competition and monopoly, I have also been able to fashion a consistent synthesis by using marxist concepts in a way which has not been done before. I have thus brought together Marx's comments on competition, as well as identifying the transitional elements in his thought which might be useful for analysing later stages of capitalism. I have drawn attention to the extensive descriptive literature at the turn of the century concerned with the growth of large scale enterprise and which influenced marxists. Nor am I aware of other commentators making use of either Bukharin's analysis of the levels of competition or of Hilferding's integration of the formation of the average profit rate with the formation and supersession of barriers to competition. By using marxist methodology I have been able to emphasise the 'elasticity' or flexibility of the law of value and to draw attention to the importance of examining the forms taken by competition. I have also been at pains to demonstrate the dialectical nature of competition, in a way that Marx himself did not. Other authors have relied on asserting that the labour theory of value may not be relevant for the monopoly stage of capitalism; throughout, my concern has been to spell out the way in which the law of surplus value operates with the development of the monopoly stage.

I hope that I have demonstrated that certainly in terms of marxist methodology itself, value theory remains relevant and applicable. However, I do not wish to argue that the marxist approach to competition is true, rather that it is useful. Since they are in any case abstractions, it is by their fruitfulness and not their truth that paradigms should be judged. I argued in the conclusion to Chapter 6 that the strength of the marxist paradigm in a study of competition and monopoly lies in the institutional and developmental elements that it can contribute to the tendency to form an average profit rate. Although it is weak in the direction of prices, the paradigm is able to take on board the fact that prices are indeterminate under oligopoly. For the marxist it is not surprising that the market mechanism should prove inadequate to the task of allocating resources rationally under the monopoly stage of capitalism. Nevertheless the marxist paradigm is well equipped to analyse the institutional framework that has tended to replace price competition and the market. Marxist theory has, then, an important contribution to make in its ability to link the changing nature of the adjustment mechanism with the dynamic aspects of capitalism. The changing forms taken by the law of surplus value in other words link in with what Marx called the 'laws of motion' of capitalism, the way in which accumulation has influenced the development of capitalism. What is still required is a link between this level of analysis (the application of the general laws in their stage-characteristic form) and the level of analysing the actual state of capitalism using empirical material. Whilst in a history of thought approach

I have restricted myself to the analysis of the form in which laws apply, Appendix B points briefly to some empirical possibilities, which would provide links with real world phenomena.

Some might argue that a concern with a marxist theory of competition can be dismissed as a purely intellectual exercise. I would hope not. An understanding of how competition operates under the monopoly stage of capitalism is inevitably needed before any changes can be suggested. An encouraging feature of the theory of competition spelled out here is the flexibility of the law of surplus value and the theoretical space it allows for human self development. Our work is indeed the subject of production, and it is creative, despite the fact that we are all limited by the power of competition. But once we know those limits, there is no limit to our creativity.

Appendix A: Orthodox Theories of Competition and Monopoly

The main purpose of this thesis has been to examine the elements of a theory of competition and monopoly contained within a specifically marxist paradigm. It nevertheless seems important to provide an opportunity for some comparison to be made with orthodox theories of competition and monopoly. This appendix thus aims to provide a general overview of the essential strands within the orthodox paradigm. It also expands upon and provides some background to various points of comparison between the two paradigms which are made in the main body of the thesis.

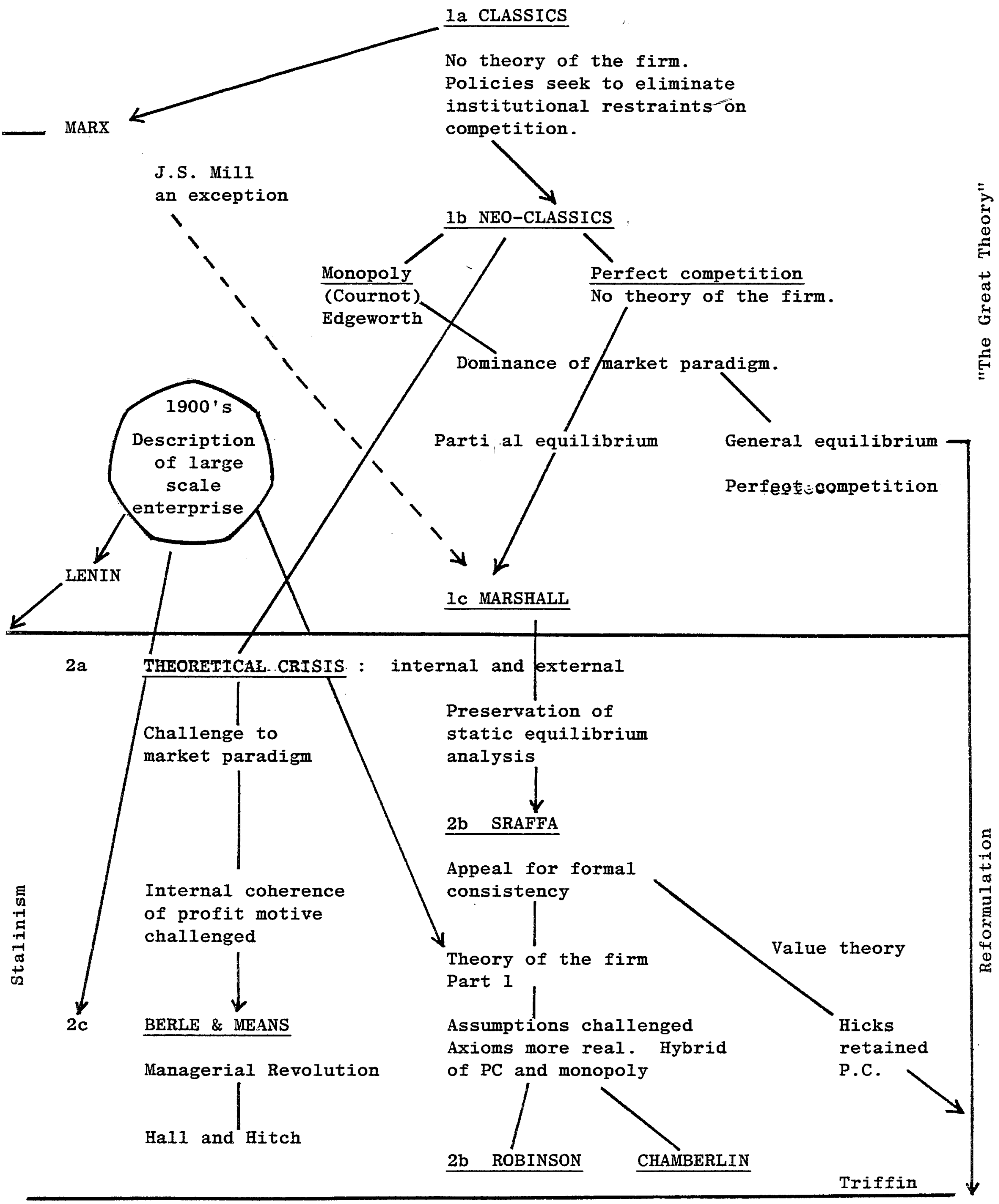
I have represented orthodox theorising on competition and monopoly as punctuated by periodic theoretical crises occurring approximately in the 1920's, the 1940's and again today, and interspersed by periods of reformulation. Broadly I have classified these re-formulations into those within the market paradigm (i.e. what is usually termed the theory of the firm) and those outside it. These latter subdivide into managerialist approaches concerned with the internal organisation of the firm, growth theories concerned with business concentration and institutional theories and those concerned with non-price competition. Diagram A.1 provides a summary from the classics to the 1940's, while Diagrams A2 and A3 deal with post-war developments. I have also indicated some points of contact between orthodox and marxist theories in Diagrams A1 and A3. It is interesting to notice that the current crisis in orthodox theories seems to point in the direction of a possible marxist contribution and to show possibilities for fruitful cross-fertilisation between the paradigms. Partly because of lack of space, but also because I am primarily examining theory, this appendix on the whole ignores empirical studies.

1. Competition and monopoly to the 1920's

a. Classics

The classical economists were particularly concerned with

DIAGRAM A.1. THEORIES OF COMPETITION UP TO 1950



3 Theoretical crisis: not real enough, theoretical inconsistency

PC: perfect competition

competition as a policy objective, seeking to eliminate the institutional restraints on competition. For them, capitalism was a highly imperfect new order, and they sought to break down the social and political barriers to free competition. Monopoly was therefore condemned as an obstruction to the workings of the invisible hand and the free market. In theoretical terms however, the institutional framework was ignored by the classics who saw the unit of the private-property economy as the firm of medium size. J.S. Mill provided a lone exception who did consider large scale production and joint stock companies. Schumpeter argues that the classical economists took free competition so much for granted that they did not analyse it further. "So firmly were they convinced that the competitive case was the obvious thing, familiar to all, that they did not bother to analyse its logical content. In fact the concept was usually not even defined".(1)

b. Neo-classics

No more than the classics did the neo-classics have a theory of the firm. They ignored the development of the economic structure to concentrate on the behaviour of a system with given structures. Neo-classical economics has a very limited conception of the firm, considering it as a single and homogeneous agent, possessing full information. It is further assumed that each unit has the goal of maximising profits. Neo-classical economics involved the dominance of the market paradigm in which the theory of market price became elevated in status with stress placed on the market allocation of scarce resources. This involved the further assumption that competition is an atomistic price competition. Schumpeter sees the competitive hypothesis as containing two features: 'excluded price strategy' and the 'law of indifference'. The former means "the quantity produced by any one producer is too small to affect price perceptibly, or to admit of price strategy" while the latter means "there cannot exist, at any moment, more than one price for each homogeneous commodity".(2) Allocative efficiency could then be determined using Pareto optimality criteria.

The neo-classical system (which incidentally, Shackle called the Great Theory of Economics) was one finally which saw the birth of static equilibrium theory, a theory which excluded strategy and in which no causal process was specified. Competition was thus very much an axiom rather than a process. Within the neo-classical framework, equilibrium theory was approached from two directions. General equilibrium theory derived from Walras examined the equilibrium of the system as a whole, and, given initial quantities of productive resources, technology and individual preferences, asked what determines the quantities of goods produced and exchanged as well as their prices. General equilibrium theory retained perfect competition as an axiom, and a critique of this approach is contained in Chapter 1, section B and section 5 below. The second approach was that of partial equilibrium, involving the equilibrium of single economic units, whether firms or consumers. Marshall is its most prominent exponent, and is considered separately in section 1c.

Neo-classical economics did however also consider the case of pure monopoly, which along with perfect competition had the advantage of lending itself "to treatment by means of relatively simple and (in general) uniquely determined rational schemata".(3) Edgeworth in particular developed Cournott's work of 1838.

Schumpeter argues that the theorists of monopolistic or imperfect competition (see 2b below) see "pure monopoly and pure competition as the two genuine or fundamental patterns" and so "proceed by investigating how their hybrids work out", whereas Marshall looked on "the hybrids as fundamental and on pure monopoly and pure competition as limiting cases in which the content of actual business behaviour has been refined away".(4) Let us look at Marshall first, noting at the same time that at the turn of the century, the descriptive writers discussed at the beginning of Chapter 5 were describing the growth of oligopolies, trusts and cartels in the industrial nations.

c. <u>Marshall</u>

Marshall provides a notable exception to the rest of the neo-classical schools thanks to his concern for the institutional framework, and it has indeed been proposed that the theory of the firm derives from Marshall. Loasby argues that the Marshallian paradigm seeks a 'mechanism of evolution' and sees the Mecca of the economist in economic biology rather than in economic dynamics.(5) Marshall provides a richer and less mechanical view of the structure and behaviour of the competitive firm.

For instance he introduced the idea of the life cycle of a firm, a dynamic concept of the small firm growing to take advantage of large scale production and then waning as entrepreneurial motivation fades. Such a view is of course not very relevant to the modern large corporation, whose presence in the economy was being chronicled at just the period when Marshall was working. Firms for Marshall were trees in the forest of industry. He also devised the concept of the "representative firm" which was a conflation of the normal life cycle of individual firms. The representative firms links the historical analysis of the firm with Marshall's static, abstract analysis of the industry.

Marshall also introduced an element of time into the analysis of price determination by using three periods of time: the market period was too short for an adjustment in production, the short run allowed changes in the intensity of utilisation whilst the long run allowed for changes in capacity. Marshall did not really deal with long run economic change; essentially he transposed a static system into one of comparative statics.

Although Marshall's verbal discussion was subtle, he used the method of static equilibrium analysis in his formal presentation. His two phases in the study of competitive equilibrium are still standard fare for first year undergraduate students. The first phase deals with the equilibrium of the individual firm whilst the second deals with industry equilibrium. For Marshall perfect competition thus requires the additional characteristic of freedom of entry to the industry. It is probably because all economists get first year lectures in micro-theory whilst few get lectures in the history of thought that Marshall is better known for his formal analysis of equilibrium under perfect competition than for his institutional contribution. "Just as Walras, more than any other of the leaders, was bent on scraping off everything he did not consider essential to his theoretical schema, so Marshall ... was bent on salvaging every bit of real life he could possibly leave in".(6)

2.a. The 1930's theoretical crisis

Shackle has argued that theoretical advance can only spring from theoretical crisis, seeing crisis as either internal or external. An internal crisis he sees as one where the internal consistency of a theory is open to challenges, whilst in an external crisis, theory does not seem able to explain reality.(7) Both elements are present in the theoretical crisis of the 1930's over theories of competition and monopoly. On the one hand the internal coherence of the perfectly competitive model was challenged by Sraffa, who argued that the assumption of perfect competition conflicted with the notion of economies of large scale. On the other hand, the assumptions of perfect competition and of profit maximisation were seen to be remote from the real work of large scale enterprises which had been observed by people like Veblen, Hobson and Macrosty for nearly thirty years (see Chapter 5, section A). Considerable emphasis has been placed in the history of thought on the lack of realism arising from the perfectly competitive axiom, what is sometimes called the "price revolution" of Robinson and Chamberlin. Less emphasis is given to the "managerial revolution" initiated by Berle and Means, which challenged the relevance of the profit maximising assumption in large scale enterprise. The latter did in fact challenge the market paradigm of neo-classical economics, whilst the "price revolution" as its name implies preserved price theory and static equilibrium analysis.

2.b. Sraffa, Robinson and Chamberlin

Much has been written on the establishment of the theory of the firm in the decade between 1925 and 1935, although Shackle is the most admired source.(8) Sraffa's major role was in clearing the ground for Robinson (and Chamberlin) by proposing monopoly as a replacement for perfect competition, rather than abandoning partial equilibrium theory. For Sraffa in the first part of his 1926 article shows a logical inconsistency between the assumption of perfect competition and Marshall's supply curve based on the law of variable proportions.(9) For Marshall, supply and demand had to be independent of each other and of the supply and demand for all other commodities. Only the case of constant returns is consistent with the assumption of perfect competition.

Sraffa directed his critique against Marshall, although Marshall was actually aware of the dilemma too. The critique however did much to undermine general equilibrium theory, since abandoning the axiom of perfect competition makes development of the theory impossible. Hicks actually retained the assumption of perfect competition in order to keep general equilibrium analysis. Sraffa himself eventually reconstructed value theory in the Production of Commodities by Commodities.(10) Robinson and Chamberlin however abandoned value theory for a plausible theory of the firm. But, as Napoleoni puts it "even for Marshallian partial equilibrium theory, the abandoning of perfect competition or of monopoly means the risk of reducing economic discussion to the listing of an inexhaustible series of particular cases".(11) This problem will be further discussed when dealing with the next theoretical crisis, that of the 1940's.

It is generally accepted that whilst Robinson and Chamberlin worked separately at Cambridge (England) and Cambridge (USA) respectively and approached the theory of the firm from two different directions, that of imperfect competition and monopolistic competition, the outcome of their work was surprisingly similar. They both attempted to bring partial equilibrium theory more into line with the reality of the economic world. As Chamberlin saw it in his preface, there had been a tendency to refine a separate body of theory for competition and monopoly, but actual competition contained elements of monopoly, so that the theory did not fit the facts, and in the process theory became obscured as well. "A comparison of the conclusions of this book with those of pure competition indicates that economic theory is often remote and unreal, not because the method is wrong, but because the underlying assumptions are not as closely in accord with the facts as they might be".(12) Robinson sees her analysis in a perspective in which monopoly analysis engulfs competitive analysis and she suggests starting from the fact that every individual produced has a monopoly of his own output, so that if a large number are selling we have a perfect market.(13) It is widely acknowledged that the achievement of Chamberlin's and Robinson's contributions was that they introduced an empirically relevant set of assumptions for the firm. Both retained the concept of an 'atomistic' industry, although Chamberlin used the term 'group'. Despite their different approaches, both used models in which the goods of firms are not considered identical by various purchasers. After the 'price revolution', the theory of the firm came to be identified with price theory, providing the basis for the classification of markets or industries in terms of market structures (see 4.a below).

2.c. Berle and Means

Since I have dealt with the ideas of the 'managerial revolution' elsewhere it is only necessary here to restate that Berle and Means in their study of the separation of ownership and control in large American corporations raised the question of whether the profit motive remained operative with the new institutional framework. Such a line of argument was backed up by some rather different research into the way businessmen actually set prices, published in 1939. Hall and Hitch also challenged the marginalististic behavioural rules of the theory of the firm.(14) The 'managerial revolution' can be seen as the precursor of the various managerial decision-making theories of the post-war period. It thus seems curious that Berle and Means are not usually accorded a position in the orthodox history of ideas on competition and monopoly.

3. 1940's theoretical crisis

I have just indicated that Berle and Means and Hall and Hitch issued a double challenge to the neo-classical tradition in questioning both the validity of the profit motive and of the marginal method. These questions remained an issue in the ensuing decade, providing the basis for an attack on the lack of 'realism in process' in traditional theory as Devine et al. put it.(15) But the theoretical crisis went far wider than this, although essentially focussing on the fact that the 'price revolution' seemed to have raised as many questions as it had solved. Firstly, Chamberlin's introduction of product differentiation had brought up the importance of non-price competition in addition to price competition, but little more was done to define the concept.

A major theme in the critique of Chamberlin and Robinson's contribution was its fragmenting effect on theory. As Shackle puts it: "When economic theory elects to bring in imperfect competition and to recognise uncertainty, there is an end of the meaning of general equilibrium. Economics thereafter is the description, piece by piece, of a collection of fragments. These fragments may fit together into a brilliant, arrestingly suggestive mosaic, but they do not compose a pattern of unique, inevitable order".(16) The 'price revolution' ironically sacrificed a coherent general theory of prices.

Criticisms were not limited to the theoretical, however. Traditional theory was still unable to deal with the real world of interdependent oligopolies. There remained a formal requirement that the environment to which the firm adapted was exogenously given. But in fact "oligopoly consists in the interdependence existing between the behaviour of the relevant set of firms. The action of each firm changes the environment confronting every other firm".(17)

Triffin took this criticism to its ultimate conclusion, and argued for a return from partial equilibrium to general equilibrium, since monopolistic competition renders the concept of the industry empty. "The grouping of firms into industries, and the discussion of value theory within the walls of one isolated industry are perfectly valid and adequate procedures under purely competitive assumptions. They are, however, antiquated and entirely out of place in so far as monopolistic competition is concerned. Product differentiation robs the concept of the industry of both its definiteness and its serviceability".(18)

If we are to return to general equilibrium theory as Triffin would wish, a further series of questions about the axioms of perfect competition and perfect knowledge are raised by, for example, Andrews and Loasby. These will be dealt with in section 5 below. A further criticism of the reformulation of the theory of competition that did not surface until later was that it remained strictly within a static equilibrium framework, and no account was taken of how the concentration of economic power came about, nor of its possible effects on the economy as a whole. As Edith Penrose was to remark in 1959: "We shall be dealing with the firm as a growing organisation, not as a 'price- and output-decision maker' for given products; for this purpose the 'firm' must be endowed with many more attributes than are possessed by the 'firm' in the theory of the firm, and the significance of these attributes is not conveniently represented by cost and revenue curves".(19) Indeed, the focus of theory, even today, remains directed towards the price mechanism.

In their "Introduction to Industrial Economics" Devine et al. provide a useful outline of the criticisms that can be made of what they call the 'traditional theory', arguing for a reformulation after the second world war.(20) To this reformulation I now turn.

4. Post-war reformulation

Diagram A2 summarises the elements present in the post-war reformulation as a response to the theoretical crisis of the 1940's. Probably the major concern has been the later views of market structure which have centred on the problem of oligopoly (see 4.a). I have called this the theory of the firm, part II, and it retains the static equilibrium framework of neo-classical economics, as well as the concern with the market paradigm and market price. The second major area of concern is often put under the heading of

DIAGRAM A.2 ORTHODOX THEORIES OF COMPETITION AFTER THE 1940's

Maintenance of static equilibrium and of market paradigm. Theory of the firm (Pt II) = price theory.	Challenge to market paradigm.	Challenges: static equilibrium framework, optimum firm size.	Challenge to market paradigm, maximising axiom and perfect knowledge.	Crisis

(a) Later views of market structure

Oligopolies

Non collusive
Sweezy

Collusive
Fellner

Cartels

Joint profit maximising

Mkt. sharing

Price leadership

Theory of games

Neumann and Morgenstern

Linear programming

Cost plus
Kalecki

Threat of potential entry

Bain
Barriers
1. Product differentiation
2. Absolute cost advantage
3. Initial capital requirements
4. Economies of scale

Sylos-Labini
Modigliani
Bhagwati
Pashigian

(d) Non-price competition/ Institutionalists

(Schumpeter)
Galbraith
Advertising
Business history
Chandler
Theory of industrial society

(c) Growth theories

Stochastic
(Gibrat)
Hart & Prais

Empiricist
Restraints on growth
Downie
Penrose
Marris

Steady-state permanent growth models.
Radice

Concern with: diversification, mergers and innovation.
Utton, Hannah, Freeman.

(b) Managerial decision-making theories

(See also Table A3)

Reformulation

No general theory of oligoply
Thus problems with determinacy.
Also with optimality and equilibrium.

Concern with relevant policy.
What are relevant efficiency criteria?

Perfect competition remains as benchmark.

Crisis

industrial organisation and concerns theories of managerial decision making (see 4.b). This approach challenges the market paradigm and in particular its profit maximising axiom, though it also challenges the assumption of perfect knowledge.

Theories of growth of business enterprise challenge the static equilibrium framework of neo-classical economics and the concept of optimum firm size (see 4.c). This is a relatively minor strand in post-war theorising, although work on diversification, mergers and innovation can all be seen as highly relevant to a theory of how and why firms grow.

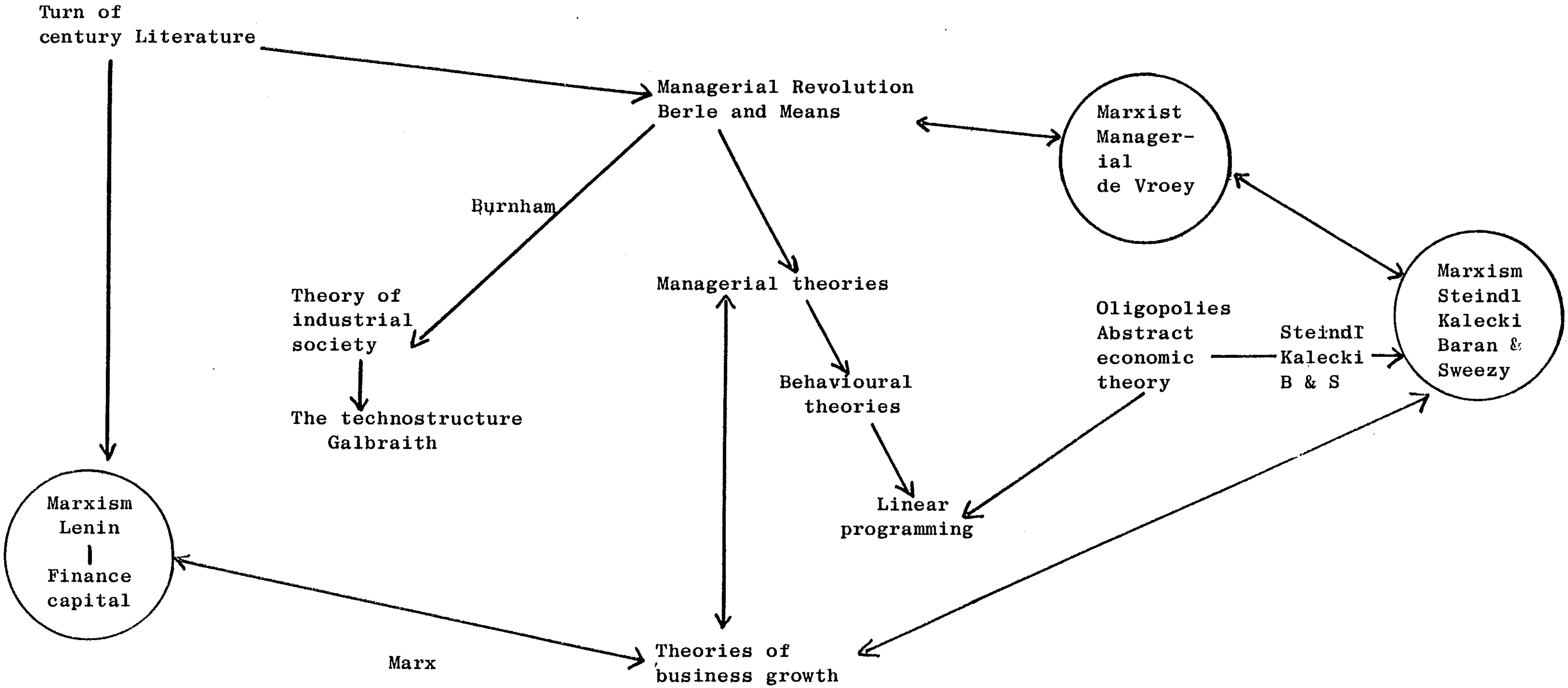
The remaining strand is something of a catch-all where I have included a variety of challenges to the market paradigm. Important here is the concern with non-price competition, which has gone furthest in the concern with advertising. I have also included a variety of institutionalist approaches to competition and monopoly, including business historians such as Chandler and what Scott calls the theory of industrial society (see 4.d).

Diagram A3 attempts to capture some of the interconnections between the four broad elements I have just outlined, as well as indicating some links with the marxist paradigm. In what follows, there is no intention to provide an exhaustive catalogue of post-war developments; merely to provide a classificatory outline of the most important developments.

4.a. Later views of market structure

It has already been mentioned that the 1930's 'price revolution' did not deal with the issue of collusive oligopolies. Fellner initiated work in this area, distinguishing two types of collusion between oligopolies: price leadership and cartels. The latter could either be joint profit maximising or market sharing.(21) For the sake of completeness I have also included Sweezy's 'kinked demand curve' model of non-collusive oligopoly developed in 1939. Another approach to oligopoly was initiated by Bain who argued that the threat of potential entry provided an explanation

DIAGRAM A3 SOME LINKS BETWEEN ORTHODOX AND MARXIST THEORIES OF COMPETITION



for oligopoly pricing practices.(22) Entry preventing policies based on product differentiation, absolute cost advantage, high initial capital requirements and economies of scale secured maximum long-run profits for oligopolists. Bain's work has been further developed by Sylos-Labini, Modigliani, Bhagwati and Pashigian.(23) A third approach to oligopoly pricing is provided by Kalecki's cost-plus analysis which challenges marginal pricing principles. "In fixing the price the firm takes into consideration its average prime costs and the prices of other firms producing similar products".(24) But as Koutsoyiannis argues "the interdependence of firms in oligopolistic markets and the inherent uncertainty about competitors' reactions to any course of action adopted by a firm cannot be analysed effectively by the traditional tools of economic theory".(25) The theory of games (used initially by Neumann and Morgenstern in 1944) was a new line of attack on the problem, later followed by linear programming as a further technique of analysis. The latter has helped to bridge the gap between abstract economic theory and practical managerial decision making. However it seems to be generally accepted that the outcome of these new techniques has not been as radical as had been hoped. "From the economic point of view, this theory does not seem to have much relevance because the behaviour of the oligopolists appears to be generally very different from that of players of parlour games, and the similarity decreases even more when the behaviour of the 'players' is defined in very rational terms".(26)

4.b. Managerial decision making theories

Two main theories of managerial decision making have been developed since the war, managerial theories and behavioural ones. The former accept as an axiom that managers have discretion in determining the goals of the firm; they deviate from profit maximisation and pursue policies maximising their own utility. Baumol and Williamson's models have managers who are interested only in their own utility, but Marris's model of managerial enterprise sees managers seeking the maximisation of their own and the share-holders' utility at the same time. Marris's model is also a theory of growth of the firm (see 4.c below) since he argues that the interests of the managers and owners coincide through a goal for maximisation of the balanced rate of growth of the firm. Managerial models do much to shift the emphasis from how price is determined in the market to output, and the ability of firms to use advertising to create new needs in consumers.

The behavioural theories of Cyert and March and of Simon see firms, not as maximisers, but as satisficers. Such theories see firms as a coalition of groups (managers, workers, shareholders, customers etc.) with conflicting interests. The demands of each group take the form of aspiration levels depending largely on past achievements. The firm then seeks to 'satisfice' i.e. to attain 'satisfactory' overall performance, as defined by the set of aspiration goals. It is argued that satisficing behaviour is rational, given the internal limitations already mentioned, and the external limitations of information. As Devine et al. put it: "if it is intended to aid in understanding the actual behaviour of actual firms, it is probably desirable to incorporate realism in process; the behavioural theory appears to be called for".(27)

4.c. Corporate growth

Two approaches to the growth of business enterprises have been identified: stochastic and empiricist theories. The former, based on Gibrat's 1931 work, see 'spontaneous drift' as a cause of concentration. "It will be seen that under certain simple but realistic assumptions, we must expect concentration to rise ... simply as a result of there being some variability in the growth rates of individual firms" as Prais puts it.(28) Empiricist theories challenge traditional emphasis on the concept of an optimum size for the firm, arguing for constraints on the rate of growth of firms, and often drawing on historical evidence.(29) Downie, Penrose and Marris are the three major names associated with this approach. In contrast with previous theory, the multiproduct firm is here seen as the rule and, as Devine et al. express it, "the essence of this concept of the firm is that the firm is no longer confined to a single market". (30) Downie concentrates on the financial and demand restraints on the growth of the firm. He sees a two way relationship between growth and profitability and insists on rooting the analysis of the growth of the firm in the wider context of the competitive process. Edith Penrose spelled out the internal managerial restraints on the growth of the firm, whilst Marris elaborated on the financial restraints.

"The essentual structure of the theory" of growth of the firm argue Devine et al. "is to be found in the relationship between growth, profitability and stock market valuation".(31) This lead to the possibility of formal 'steady state' models, an early example of which was Radice's. Unfortunately, as Devine et al. point out, steady state growth models are flawed by internal contradictions. "Steady-state growth by all firms is logically incompatible with the assumptions required to enable steady-state growth by any one firm".(32)

What is lacking in the modern theory of corporate growth is any development of Downie's theory of the competitive process as a whole. Elements of such a theory are contained in work on diversification, mergers and innovation, all of which have close links with the growth process. Chapter 5 in Devine et al. covers the work done in these areas fairly comprehensively.

4.d. Non-price competition and institutional approaches

Many economists accept that with the growth of oligopoly, non-price competition has probably become more important than price competition. Pricing practice becomes simply part of a more general marketing strategy which also includes the design and quality of the product, product advertising, sales and distribution activities and the quality of service. Almost all types of non-price competition are attempts to differentiate products, argue Marris and Mueller, who quote research indicating that "resources devoted to gathering, processing and disseminating information" exceed 25 per cent of GNP. "To the extent it leads to pure redistributions of wealth, this information has no (or at least an ambiguous) net social value".(33) And yet, apart from advertising, non-price competition has not been very fully investigated by economists.

Institutional approaches to competition and monopoly are similarly at odds with the invisible hand tradition of the neo-classics. Such approaches are certainly not part of mainstream orthodoxy, although Scott also distinguishes what he calls the 'theory of industrial society' with Galbraith as a prominent advocate, from marxist 'theories of capitalist society'.(34) The institutionalists in many respects continue the tradition of what I called the turn of the century 'descriptive writers' dealing with competition and monopoly. Unlike the neo-classical mainstream, these writers pay considerable attention to the institutional framework and to the historical dimension. They additionally draw on the Schumpeterian tradition as well as including business historians such as Chandler.(35)

5. Current theoretical questioning

It is obvious that an enormous amount of theoretical (and indeed empirical) work has been done since the price and managerial revolutions of the 1930's, and that great strides have been made within the orthodox paradigm in developing theories of competition and monopoly. Nevertheless, questions remain, and to an extent which can, I feel, be said to amount to a theoretical crisis.

Perhaps an initial pointer is to be found in the fact that old ideas seem to be so dominant and to die so hard in textbooks of economics. Thus Koutsoyiannis in the preface to her intermediate level micro-economics text sees a gap in the established textbooks in the field: "Mixed and capitalist economies continue to be characterised by increasing concentration of the industrial sector; still most micro-texts continue to do this fact scant justice, by devoting only a few pages to the analysis of oligopolistic behaviour. The impressive new developments in the oligopoly front over the last two decades are either being ignored or treated superficially in established textbooks".(36)

The essential approach of orthodox economics exemplified in the neo-classical school, though modified, remains basically the same. As was argued in Chapter 1, section B, where the place of the marxist paradigm in a study of competition and monopoly was spelled out, the orthodox approach shows a number of contrasts with it. Thus, firstly, modern orthodox theories of competition are still very much dominated by micro-static equilibrium analysis. Theories of corporate growth are both incomplete and very much in the minority. Again, the emphasis remains non-dynamic and a-historical. The contribution of the institutionalists is certainly not in the main-stream of analysis. There is in addition considerable lack of institutional framework. As I shall argue in a moment, perfect competition remains the benchmark for orthodox theories of competition and monopoly, which also tend to see these two concepts as opposites. Finally, despite the lack of determinate equilibrium outcomes with collusive oligopoly, orthodoxy continues to make its heaviest theoretical input on price theory and the theory of demand. Whilst Marris and Mueller argue that "a large literature has now evolved within the formal bounds of the discipline that is much at odds with the implications of the invisible hand theorem",(37) primary emphasis is still placed on the market paradigm.

Insofar as its essential approach remains unchanged, there is still a theoretical crisis within orthodox economics. I have already argued that despite the hopes offered by games theory and linear programming, pricing under oligopoly remains indeterminate. This helps to support my argument in Chapter 5 that the problems which the marxist paradigm has with determinate pricing rules is actually a function of the capitalist system rather than a function of an inadequate theory.

In addition the growth of business enterprises remains very inadequately dealt with. I have argued that Downie and Penrose brought up the need for a theory of the competitive process as a whole, but that this challenge was not taken up by later writers. Devine et al. see a need "for a theoretical framework within which the active attempts of oligopolistic competitors to control their environment and dominate their rivals can be analysed".(38) In its absence diversification, merger and innovation are not integrated within any theoretical framework. In addition, it must of course be remembered, that the majority of theory is actually conducted within a static equilibrium framework, where it is far more difficult to analyse growth. P.W.S. Andrews was a relatively early critic who was emphatic that writing time into a static analysis did not produce a dynamic theory. "We should not be surprised that static micro-equilibrium analysis should turn out to be invalid, for the individual firm is so very much in a changing world and its behaviour is an adaptation to that fact".(39)

More recently, substantial criticisms have been levelled at two aspects of general equilibrium theory: the axioms of perfect competition and of perfect knowledge. The latter is also relevant to the case of partial equilibrium analysis. It is further important to realise that it is not possible to retreat from the difficulties of partial analysis into a haven of general analysis, as argued in the 1930's by Hicks or in the 1940's by Triffin. Thus Loasby points out that it is logically impossible even to derive sufficient conditions for the existence of firms from general equilibrium theory. "In conditions of perfect knowledge, the theory of the firm is very simple: there are no firms. The firm exists because of the costs of handling ignorance".(40) Perfect information can only exist in equilibrium, but equilibrium theory provides us with no answers as to how equilibrium actually comes about.

"Competition", for Loasby, "is a proper response to ignorance". (41) Competition is then a process and not a state, meaning that perfect competition exists only as the description of a state for, "competitive equilibrium requires pre-reconciled choice; and there is no reason to expect any mechanism capable of this pre-reconciliation. Thus competition implies ignorance, as non-economists have always believed: competition is not a state of equilibrium, but a process of search".(42) Loasby ends his critique with a proposal for abandoning the interconnected notions of optimality, equilibrium and determinacy, and embarking on investigating an on-going process instead.

Finally, in addition to the theoretical difficulties already outlined, orthodox economics also faces the question of what is relevant policy towards competition and monopoly. Here, as Marris and Mueller point out, perfect competition tends to be retained as the benchmark despite three quarters of a century of oligopolistic power. "Under the invisible hand theorem, Pareto optimality emerges as a beneficial side-effect of the pursuit of profit through a process of costless price competition".(43) What also becomes very noticeable in any consideration of policy is that orthodox theory has very little to say about the role of the state in the competitive process. It is perhaps because it makes policy prescriptions so much easier that there has been such a desire for determinacy amongst orthodox theoreticians. But as Devine et al. point out, an analysis of modern capitalism as an integrated system might in fact allow of an explanation of actual policies pursued. "The study of the interaction between monopolistic firms' strategies and structural change in the economy can also contribute to understanding the new orientation of economic policy which is <u>induced</u> by the development of the system. In fact we shall get beyond neo-voluntarism in the approach to the problems of economic policy".(44)

In conclusion, I think it can be argued that the continuing theoretical crisis within the orthodox paradigm points towards a valuable role for the marxist approach to competition and monopoly as spelled out in this thesis. There have indeed been a number of individuals who have contributed to both paradigms already: Diagram A3 shows some of them, including Steindl, Kalecki and Sweezy. There is no doubt, of course, that the orthodox tradition has contributed a great deal to theories of competition and monopoly. It is however the gaps and weak spots of the orthodox tradition that marxists are particularly well equipped to help fill: institutional and historical dimensions, and the analysis of the competitive process as a whole, including the role of the state and international considerations. Is the marxist tradition sufficiently alive and well to make such a contribution? The potential is there, although the orthodox paradigm has also done something to respond to its critics. Alfred Eicher's work is probably the major example here.(45)

Footnotes to Appendix A

1. Schumpeter (1954) p. 545.
2. Ibid p. 973.
3. Ibid p. 975.
4. Ibid p. 975.
5. Loasby (1976) see Ch. 11.
6. Schumpeter (1954) p. 974.
7. See Shackle (1967) p. 288.
8. Ibid see Chs. 3-6.
9. See Sraffa (1926).
10. See Clifton (1977).
11. Napoleoni (1972) p. 54.
12. Chamberlin (1933) Preface.
13. See Robinson (1933).
14. See Hall & Hitch (1939).
15. See Devine, Lee, Jones & Tyson (1979) p. 75.
16. Shackle (1967) p. 295.
17. Devine et al. (1979) p. 76.
18. Triffin (1941) p. 188.
19. Penrose (1959) p. 14.
20. See Devine et al. (1979) pp. 73-83.
21. W. Fellner (1949) see Koutsoyiannis (1977) Ch. 10.
22. See J. Bain (1956).
23. See Koutsoyiannis (1977) Chs. 13 and 14.
24. Kalecki (1954) p. 12.
25. Koutsoyiannis (1977) p. 404.
26. Napoleoni (1972) p. 62.
27. Devine et al. (1979) p. 122.
28. Prais (1976) p. 25.
29. See Devine et al. (1979) Chapter 4 for an exposition of the empiricist approach.
30. Ibid p. 137.
31. Ibid p. 150.
32. Ibid p. 159.
33. Marris & Mueller (1980) p. 55.
34. See Scott (1979).

35. See Chandler (1977).
36. Koutsoyiannis (1977) p. xi.
37. Marris & Mueller (1980) p. 58.
38. Devine et al. (1979) p. 183.
39. Andrews (1964) p. 93.
40. Loasby (1976) p. 70.
41. Ibid p. 192.
42. Ibid p. 184.
43. Marris & Mueller (1980) p. 57.
44. Lombardini quoted in Devine et al. (1979) p. 160.
45. Eichner (1976).

Appendix B: The Empirical Possibilities

In the course of developing the theoretical aspects of the relation between the changing nature of competition and the law of surplus value, a variety of conclusions have emerged which indicate the possibility either of empirical proof or of empirical backup. The most fundamental requirement is for an empirical programme which will demonstrate the form which the law of surplus value takes with the development of the monopoly stage of capitalism, so as to clarify the changing relation between individual capitals and 'capital in general'.

As I see it, such an empirical task could be approached from three different directions. The first would be to attempt a demonstration of the tendency to form an average profit rate between individual sectors of the economy. Since the formation of an average profit rate is but a tendency, such a demonstration would need to extend over a substantial period of time (probably a century or so). The empirical testing of the continued applicability of the law of surplus value to the monopoly stage of capitalism would require studies of the relationship between prices and value in individual sectors of the economy. There has to date been no empirical attempt (so far as I am aware) to measure the organic composition of capital, the rate of surplus value and the rate of profit of individual sectors of the economy. To show that the individual industry conformed to the law of surplus value it would be necessary to compare the organic composition of capital of that industry with the organic composition of capital for the economy as a whole, since only in the case of an industry with an average social composition of capital will the mass of surplus value equal the mass of profits. It would then be known whether the surplus value created in the industry is transferred via the average rate of profit to other industries, and if the whole process is considered over time, the tendency to form an average profit rate overall.

A second approach would assume that total surplus value is equal to total products within the system, and would then proceed to examine or measure what I have called the 'monopoly transfer'. Surplus profits may mean that there is a divergence between the profits of monopoly capital and non-monopoly capital, albeit, as I have suggested, not a permanent surplus profit. A 'monopoly transfer' can take place at two levels: within sectors and between sectors. In the theoretical exegesis this has been associated with different forms of competition - horizontal, vertical and combined competition. The latter of course occurs only with the monopoly stage of capitalism.

The empirical efforts of non-marxist economists which were examined in Appendix A simply deal with the 'monopoly transfer' within sectors. Bain's limit pricing model, in which a distinction is made between the limit price and the competitive price, deals with the conditions for the creation of barriers to entry within an industry. This is useful as far as it goes, though the marxist paradigm is more interested in profit levels than in monopoly versus competitive pricing. But what of vertical and compounded competition? Bain simply deals with the state of potential competition within a sphere, i.e. at the level of horizontal competition. Thus he deals with the entry of new firms, but excludes the case of already established firms entering new lines of production. Market classifications, pertaining as they do to the sectoral level alone, do not relate to the special features of the monopoly stage of capitalism.

How then is one to identify areas between sectors in which lasting surplus profits are being made? One needs to examine the conditions for the creation, maintenance, modification or collapse of barriers across sectors as well as within them. This in turn requires identification of those areas of the economy where monopoly capital is operating and those where non-monopoly capital is the rule. This leads to a further empirical need; that of an extension of the descriptive work of the monopoly stage of capitalism and the changing nature of competition. However, were these areas to be readily identified, empirical work on the 'monopoly transfer' and the earning of temporary surplus profits across sectors could then be embarked upon.

What the two broad alternatives to an empirical approach have so far failed to do is to emphasise competition and monopoly as two concurrent features of the monopoly stage of capitalism. There is not merely a tendency towards equalisation of profit rates, there is a tendency towards differentiation at the same time. Both monopoly and competitive prices are the result of a process of approximation operating within the mechanism of the average profit rate. A third possible empirical approach might resolve this problem by illustrating the theoretical themes through consideration of the functioning of two related industries over a fairly substantial period of time (say one century), aiming at a sectoral marxist analysis of the law of surplus value, thus taking into account that it is scarcely manageable to consider the operation of the law of value for a whole economy.

How might such an illustration proceed? Essentially what I envisage would be a sectoral analysis of the law of value, the aim of which would be to clarify the relation between individual capitals and 'capital in general'. As has been shown earlier in the thesis, Marx himself is emphatic that the important thing about the law of value is to show <u>how it works</u>; so that theoretical understanding needs to be complemented by demonstrating the application of the law of surplus value via the competitive process. There has not, as far as I am aware, been a sectoral marxist analysis of the law of value, and such a piece of work would help to develop a framework for further analysis.

Any wish to illustrate the operation of the law of value under the monopoly stage of capitalism would come face to face with a problem of manageability. Consideration of its operation for a whole economy is not feasible, and would never get beyond generalisations. Yet, there is a need to pick a sufficiently comprehensive section, and it is apparent that even under competitive capitalism, as Marx considered it in "Das Kapital", a sphere of the economy would be more significant than a single industry. Under the monopoly stage it becomes still more important to consider a sphere rather than a single industry. Palloix provides justification for this approach when he contrasts marxist usage of the sector and the department with orthodox concepts of the firm and the branch. Orthodox analysis breaks economic reality down by the use of the concept of the firm (with multinationals as gigantic examples of this undifferentiated genus), but through an empirical consideration of the product, the concept of branch or sector is superimposed. In contrast asserts Palloix, the branch has a theoretical content for marxists, expressing the exigencies of valorisation on the one hand and of production and exchange (through the tendency towards equalisation and differentiation of profit rates) on the other.(1)

What sector should be chosen for such an illustration? For a number of reasons the energy sector seems best. An obvious starting point is the importance of energy in a modern economy, where energy usage gives a significant measure of the development of an economy. The coal and oil industries are part of Marx's Department I in which production of the means of production takes place and where energy is an important component of the circulating part of capital, whilst at the same time it is an essential consumer good in Department II. In the second place information on this sector is relatively easily available. Thirdly, coal and oil provide contrasts in terms of being old and new industries respectively, the former being competitive in its origins, the latter monopolised from the start, whilst post-war there have been combinations between the two. Unevenness of development between the two industries is an obvious feature, and the involvement of the state has taken contrasting forms.

Such an illustration would have two main aims; the first of which would be to illustrate the changing nature of competition under the monopoly stage as already theoretically outlined, the second being to illustrate the changing mode of operation of the law of surplus value. To demonstrate the changing nature of competition it will be necessary to provide a clear descriptive interpretation of the key elements indicated by the theoretical considerations. Much of the choice of material could draw on the framework of Varga and Mendelsohn's "New Data for Lenin's Imperialism" (2) and it would basically be concerned to update the material which they provide for the coal and oil industries to the present day, expanding it in certain respects.

This descriptive study could be complemented by a quantitative consideration. It is probably reasonable to assume that the coal industry was initially competitive, whilst the oil industry started as monopolised. The 'monopoly transfer' could then be studied within the coal industry on the one hand, and between the coal and oil industries on the other. In the first place, however, a comparison with the economy as a whole would be needed. It is only in the case of an industry with the average social composition of capital that the mass of surplus value will equal the mass of profits, i.e. that there will be no transfer of surplus value to or from the industry. A comparison of the organic composition of capital for the economy as a whole would therefore be needed to know whether the surplus value created in the industry is transferred via the average rate of profit to other industries (or vice versa). It would also be useful to compare the rate of profit and the rate of surplus value for the energy sector and the economy as a whole. Based on such an overall comparison of the situation in the energy industry with the economy as a whole, it should then be possible to determine how far there is a 'monopoly transfer' to or from the energy sector relative to the economy as a whole, and how far this situation has changed over time. If the period 1850-1975 were taken, would there be any times at which the organic composition of capital of the energy industry was equal to the average social composition of capital?

Having determined the overall relative position of the energy industry, attention could then be concentrated on the 'monopoly transfer' between the coal and the oil industry and within each industry. This would involve calculating the three marxist ratios, the organic composition of capital, the rate of surplus value and the rate of profit in each industry and for firms within each. Results would then show any transfer of surplus value within and between the industries. Would a tendency to form an average rate of profit over time be shown, or would temporary surplus profits prove to be long lasting? It is to be hoped that the descriptive material on centralisation and concentration etc. collected for the illustrative section would assist in providing an explanation for the results obtained. Inevitably, however, as the first such attempt at a sectoral marxist analysis, the results and in particular the explanations put forward for them would have a certain tentative quality.

Footnotes to Appendix B

1. See Palloix (1975) p. 109.
2. See Varga and Mendelsohn (n.d.).

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