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URBANIZATION, CAPITAL ACCUMULATION

AND THE STATE.

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Submitted as part of the
requirements for the Degree
of Master of Philosophy.

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SYNOPSIS

The analysis begins by stressing the necessity to analyse the urban system before the role of the local state can itself be understood. The urban system is seen not simply as a production site and the importance of circulation is stressed both for the continued reproduction of capital and for the analysis of the urban system.

The distribution between the role (function) and the nature of the city is introduced in Chapter 1 as is the need to appreciate that sociological analysis must attempt to analyse the actions of social agents, but within a structural framework, and it is suggested that these structural laws can only be fully explained by a historical materialist analysis.

Chapter 2 discusses the application of historical materialist theory to concrete situations. Two different Marxist approaches are discussed and, although a focus on the dynamics of the consumption/reproduction sphere had been the main concern of Marxist analyses of the state, it is suggested that both are linked. The limitations of orthodox economic analysis of the urban system is also demonstrated.

It is further suggested in this Chapter that there is a need to focus attention on the tendency and capacity of the capitalist mode of production to itself generate the conditions necessary for its continued existence. The "division of labour" among capitals is introduced and the role finance and property capital play in both stabilizing in times of crisis and otherwise securing the general

conditions necessary for capital accumulation is demonstrated. The particular nature of the profits of property capital is shown to have an effect on the shaping of urban space. Finally, the potential contradictions which would arise from the "unmediated" dynamics of capitalist accumulation are suggested.

The functional role of the city for capital accumulation is demonstrated in Chapter 3 as are certain obstacles to the achievement of this role. Lojkine's analysis of these obstacles is used to demonstrate the weaknesses of those Marxist theories whose principle explanatory device in explaining both genesis and nature of a phenomenon is the labour theory of value. The distinction between surplus value and profit is introduced and it is suggested that it is both mistaken and unnecessary to attempt to explain both genesis and subsequent functions of a phenomenon by a single all-embracing theory.

This distinction is reiterated and expanded upon in Chapter 4. It is shown that orthodox theories can be used to explain certain aspects of a phenomenon while at the same time requiring to be complemented by Marxian analysis.

A classification of state expenditure is proposed in Chapter 5 and certain of the functions undertaken by the local state are referred to. It is shown that there is overlap between the services and facilities provided and the functions they perform. However, it is contended that state expenditures cannot be explained simply in terms of these functions and that it is necessary to analyze why the state undertakes such functions and what are the determinants on their provision.

Both Chapter 5 and Chapter 6 demonstrate how orthodox analysis cannot fully explain the last point.

The remaining part of this work is concerned with examining Marxist analyses of the state and the determinants on its actions. Certain aspects of such analysis are criticized and alternative approaches are tentatively proposed.

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CONTENTS PAGE

		<u>PAGE:</u>
	SYNOPSIS	i.
	ACKNOWLEDGEMENTS	iv
	<u>INTRODUCTION</u>	viii.
 <u>CHAPTER 1:</u>	 <u>URBANIZATION: AN EPISTEMOLOGICAL</u>	
	<u>INTRODUCTION.</u>	1
1.1	Introduction	1
1.2	Urbanization and the reproduction of capital	2
1.3	Circulation	3
1.4	Historical materialist epistemology and urban structure	5
1.5	Conclusion	9
 <u>CHAPTER 2:</u>	 <u>CAPITAL ACCUMULATION AND THE SHAPING</u>	
	<u>OF URBAN SPACE.</u>	11
2.1	Introduction	11
2.2	Economic forces and the suburbanization process	11
2.3	The limitations of orthodox economic analysis	14

PAGE:

2.4	Circulation and capital fractions	16
2.5	Property capital, differential rent and the shaping of urban space	18
2.6	The concept of differential rent	19
2.7	Theory and reality: the need for mediation	21
2.8	Conclusion	22
 <u>CHAPTER 3:</u>	 <u>STATE PROVISION OF URBAN INFRASTRUCTURE AND COLLECTIVE CONSUMPTION. A CRITICAL ANALYSIS OF THE LABOUR THEORY OF VALUE AS AN EXPLANATORY DEVICE</u>	 23
3.1	Introduction	23
3.2	Socialization, urbanization and obstacles to both	24
3.3	The theory of the falling rate of profit: a critical analysis	29
3.4	Profitability: the transformation problem	35
3.5	Conclusion	38.
 <u>CHAPTER 4:</u>	 <u>AN ALTERNATIVE MARXIST APPROACH.</u>	 40
 <u>CHAPTER 5:</u>	 <u>CAPITAL ACCUMULATION, STATE EXPENDITURE AND THE LOCAL STATE</u>	 47
5.1	Introduction	47

	<u>PAGE</u>
5.2 State expenditure: a classification	49
5.3 Orthodox analysis: an initial critique	51
5.4 Conclusion	53
 <u>CHAPTER 6:</u> <u>THE PLURALIST SCHOOL: A REVIEW AND</u> <u>CRITIQUE OF AN ALTERNATIVE MODEL OF</u> <u>LOCAL POLITICAL SYSTEMS</u>	55
6.1 Introduction	55
6.2 Pluralism: the basic tenets	55
6.3 Pluralism: a critique	58
6.4 Conclusion	65
 <u>CHAPTER 7:</u> <u>MARXIST ANALYSIS AND THE STATE.</u>	66
7.1 Introduction	66
7.2 The Miliband-Poulantzas debate	66
7.3 The structuralist approach: initial criticisms	69
7.4 Marxism: an organisational per- spective	74
7.5 Concluding remarks	87
 <u>BIBLIOGRAPHY.</u>	91

INTRODUCTION

An important new theoretical current has appeared in the field of urban sociology with the application of historical materialism to the subject during the 1960's. Following Althusser (1970), French writers began to develop historical materialism as a science in the field of political economy and to apply it to the analysis of urban sociology in general, and to the study of the role of the state within capitalist urban systems in particular.

The aim of this thesis is to critically examine the way in which the role and nature of the state within capitalist urban systems is analysed and perceived by those authors who currently exert influence on Marxist discussion in this country, to assess the validity of their arguments and, finally, to suggest a theoretical framework which would overcome some of the difficulties or weaknesses which, as will be shown below, are inherent in many of the approaches thus far elaborated.

However, it would be wrong to take an analysis of the "local state" as our starting-point, for before the role and nature of the state within capitalist urban systems can itself be discussed two factors must be taken into consideration.

- (1) one's subject matter cannot be discussed without reference to its environment for to do so one encounters the limitation that, by divorcing the subject-matter from its context, one is unable to fully deal with external/

systemic (and, less importantly, contingent) factors influencing it. Thus, it is contended here that the local state cannot be adequately discussed and analysed without reference to the urban environment within which it operates; and, indeed, as will be demonstrated below, an understanding of the nature of the urban system within capitalism is a necessary PRE-requisite for any discussion of the local state.

- (2) The local state is only one part of a wider political system. At the formal institutional level the degree of autonomy or dependence is variable both historically and between different nations. Nevertheless, at the structural level, there is integration and interdependence between the elements of the whole (political) system and it is necessary to group the GENERAL laws of the system before we can analyze its particular elements. As Cockburn puts it

"There is no ready made theory of local government. It is necessary to piece together a number of concepts about the state as a whole and draw conclusions from them for local government." (1977,p.41.)

CHAPTER 1: URBANIZATION: AN EPISTEMOLOGICAL INTRODUCTION

"the urban question is first and foremost the product of the capitalist mode of production, which requires a spatial organisation which facilitates the circulation of capital, commodities, information etc. (Lamarche, 1976, p.86)

1.1 Introduction

Until recent years most urban histories have treated the growth of cities as a gradual, evolutionary and ongoing process of general historical development. However, in the Marxian view, that history must be seen in a different light. The Marxian analysis of the spatial division of labour suggests that no particular pattern of urban development is inevitably the result of some universal historical spatial process. Rather, spatial forms themselves are conditioned by the particular mode of production dominating the society under study, and thus it is argued that the process of capital accumulation has been the most important factor structuring the growth of cities within Western democracies.

"Analyses of the process of urbanization are situated, generally speaking, in an evolutionary theoretical perspective, according to which each social formation is produced, without break, by a duplication of the elements of the preceeding social formation. The forms of spatial settlement are therefore one of the /

most visible expressions of these modifications.....

This evolution of spatial forms has even been used to classify the stages of universal history.....

In fact, rather than establishing the criteria of periodization, it is absolutely necessary to study the production of spatial forms on the basis of the underlying social structure." (Castells,1977,pp7-8) ⁽¹⁾

1.2 Urbanization and the reproduction of capital

For both Lojkine (1976) and Lamarche (1976) the development of urban agglomeration within Western democracies is determined by the constant tendency of capitalism to reduce both production time and the time it takes for capital to circulate.

Lojkine contends that Marx applied the concept of the "socialization" of productive forces under capitalism not only to the workplace but also to the reproduction of social capital AS A WHOLE. Marx's concept of the "general conditions" of production (which defines the relation between the immediate process of production and circulation of capital) forms the basis of Lojkine's analysis of urbanization. For Marx

"The revolution in the modes of production of industry and agriculture made necessary a revolution in the general conditions of the social process of production i.e. in the means of communication and transport". (Capital 1,p.384,quoted in Lojkine,1976,p.120)

(1) On this point see also Lojkine,1976,pp.123-4.

Although the original concept as used by Marx does not specifically refer to urbanization, Lojkine contends that factors have subsequently arisen which necessitate the extension of the concept and its application to an analysis of this process.

1.3 Circulation

Although the concept of CIRCULATION of capital is not the only factor of importance in explaining urbanization for Lojkine it is nevertheless a useful point of entry into the Marxist debate. (the other factors will be dealt with below). For both Lojkine and Lamarche an analysis of the processes which shape urban space must be in terms of the relation of space to the capitalist economic system, the link between the two being based on the concept of circulation. By circulation is meant,

"... exchanges considered in their totality:
transactions involving the buying and selling of
labour power, of means of production and of
finished products. In other words, circulation
embraces all economic activities which PRECEDE
or follow the production process; thus, strictly
speaking, it is located OUTSIDE THE SPHERE OF
PRODUCTION." (Lamarche, 1976, pp.86-87, my emphasis)

Circulation thus refers to the various transactions in which money is exchanged for labour power, raw materials etc. prior to the production process, and for the product at the end of the production

process (i.e. the "realization" of the product in its money form).

Thus,

"... it is through circulation that the capitalist converts his fortune into productive capital and extracts, with the sale of commodities, the surplus value created in production." (Lamarche, 1976,p.87).

The importance of the words emphasised above relates to the centrality of the labour theory of value in Marxian economics.⁽²⁾ According to this theory, the value of a product leaving the production process derives from the labour crystallized in it; it therefore follows that only capital engaged in the production sphere is capable of being expanded (through the production process) and therefore of creating "surplus value". Herin lies the significance of the words emphasised in the quotation from Lamarche (pp.3-4 above), since it follows that capital engaged in the sphere of circulation, being located OUTSIDE of the sphere of production, is capital lost to the process of accumulation since circulation does not involve productive activity. Despite this circulation remains a crucial factor in the process of accumulation of capital, for capital accumulation may result from the production of surplus value but the RATE of accumulation depends on the AMOUNT of capital put to work in the production sphere AND also on the SPEED or rotation of capital. The capitalist city is thus, according to both Lojkine and Lamarche, a

(2) For a full and critical assessment of this concept see Howard and King, 1975, especially chapter 5; Eldred and Roth, 1978; Shaikh, 1978; and Weisskopf, 1978.

spatial form which reduces the INDIRECT costs of production, circulation and consumption and therefore speeds the rotation of capital.

1.4 Historical materialist epistemology and urban structure.

Thus far, all that has been elaborated is the fact that the city has a functional role to play in the process of capitalist accumulation and this in itself is insufficient to fully explain the phenomenon. To fully explain the city within capitalism we must do more than just analyse its ROLE, we must determine its NATURE, and to do the latter it is necessary to attempt an understanding of the processes which structure and shape urban space within capitalism. In other words, it is necessary to distinguish between the "city within capitalism" and the "capitalist city".

For Castells,

"... the distinction between functions and processes... do not have signification if they are not related to theoretically significant elements that situate the content of space in the social structure as a whole." (Castells, 1977, p.124)

Castells treats space as a material product which interrelates with other material elements and contends that it therefore follows that any theory of space must attempt to discover the structural and conjunctural laws governing its existence and transformation. In rejecting the ecological theories of the Chicago School and those

which are based on similar premises, Castells attempts to put a new THEORETICAL framework in its place, suggesting that much urban sociology is ideology rather than science.

"... urban sociology is not an empirical or conceptual specification, but its very definition implicitly assumes an entire 'theory' of society: the forms of space produce social relations and the physical characteristics of human territorial collectivities determine their cultural models of behaviour. This is in fact one of the most advanced versions of naturalism and of the organicism of the origins of functionalism. Such a 'theory' is extremely useful to ruling political elites inasmuch as it conceptualizes social organization as depending less on social data, in particular class relations, than on natural, spatial, technical and biological data. As a consequence, any action for reform or any action for control is examined using the objective technical terminology of the organization of space. Hence, urban planning by technocrats replaces the political debates between social groups."

(Castells, 1977a, pp.62-3)

However, this criticism of ecological and cultural theories of urban sociology as being "ideological" should not be seen as merely a reflection of Castell's own NORMATIVE preference. Rather, its basis is to be found in Castell's epistemology and methodology, both of

which are influenced by an Althusserian reading of Marx.

According to Althusser (1970), Marxism constituted a SCIENCE - that is, historical materialism - in the field of political economy. Castells aim is to found such a science in the theoretical space occupied by urban sociology, and there is therefore a need to separate "ideological" aspects of the knowledge produced from those which have scientific relevance. For both Althusser and Castells, the term "science", by definition, refers to historical materialism, the science of SOCIAL FORMATIONS and, according to Castells, it is only by working from the premises of historical materialism that we are able to fully explain the phenomenon which has been termed the "urban" :

"... the problematic proper to any theory of space (consists), on the epistemological plane, in discovering structural laws or the composition of historically given situations and, on the strictly theoretical plane, in establishing hypotheses as to the dominant factor of a structure in which, obviously, all schools include the totality of elements of social life." (Castells, 1977, p. 121)

To do this,

"... one must go further than the ideological opposition between the determination of space by nature and its shaping by culture, to unite these two terms in a problematic that recognizes the specificity of the humanly social, without seeing it as a deliberate /

creation which cannot be explained by laws. (3)
 to the common ideological front of culturalism
 and historicism, we must oppose a theoretical
 front that integrates the ecological, materialist-
 based problematic in a sociological analysis whose
 central theme is the contradictory action of social
 agents (social classes), but whose foundation is the
 structural web that creates the problematic of any
 society - that is to say, the way in which a social
 formation fashions nature, and the mode of distribution
 and administration, and therefore of contradiction, that
 stems from it." (Castells, 1977, p. 122).

As is implied in the latter quote, Castells maintains that it
 is necessary to approach the analysis of space in terms of social
 structure. However, a merely DESCRIPTIVE analysis of this structure
 (in terms of the mechanisms of interaction between locations and
 activities) is not enough; rather, it is also necessary to attempt
 to discover the structural LAWS of the production and functioning of
 the spatial forms studied and, for Castells, this can only be done
 by applying the fundamental concepts of historical materialism to the
 analysis. Space must be analysed in terms of its shaping by elements
 of the economic system, the political system and the ideological
 system, and by their combinations and the social practices that derive
 from them.

(3) c.f. Poulantzas, 1975, on "the problematic of the subject."

"... any concrete society and therefore any social form (for example, space) may be understood in terms of the historical articulation of social modes of production. By mode of production I do not mean the type of productive activities, but the particular MATRIX OF COMBINATIONS of the fundamental instances (systems of practices) of the social structure: essentially the economic, the politico-institutional and the ideological. The economic, namely the way in which the 'worker', with the help of certain means of production, transforms nature (object of labour) in order to produce the commodities necessary for social existence, determines, in the final resort, a particular form of the matrix, that is to say, the laws of the mode of production. The combinations and transformations between the different systems and elements of a structure are brought about by the mediation of the social practices, that is to say, by the action of men, determined by their particular location in the structure thus defined." (Castells, 1977, p. 125, my emphasis).

1.5 Conclusion

It may be useful at this point to abstract and summarise the main points of the debate on urban space thus far elaborated, both for the sake of clarity and in order to demonstrate the integral place they have for the wider discussion. From the above discussion, it is possible to abstract three main tenants of the Marxist analysis of urbanization:

- 1) the development of urban agglomeration is the result of the dynamic of capitalism, especially of capitalism's constant tendency to reduce both production time and the time it takes for capital to circulate.
- 2) circulation, although necessary to capital accumulation, is located outside of the production sphere and therefore the circulation sphere cannot itself create surplus value.
- 3) both the function and the production of urban space must be analysed in terms of the underlying social structure. Structural laws govern the production and functioning of spatial forms, therefore urban space must be analysed in terms of its shaping by elements of the economic system, the political system and the ideological system, the economic being the last resort determinant.

The importance of the above will become apparent in the following chapters.

CHAPTER 2: CAPITAL ACCUMULATION AND THE SHAPING OF URBAN SPACE

2.1 Introduction

The "political economy" approach to the analysis of urban space has come to have a dominant influence within urban sociology. Thus far, however, we have been mainly concerned with the main methodological and epistemological premises underlying the approach and it remains to reduce the level of abstraction and to turn to a consideration of how such a theory is applied to concrete situations. The following sections will demonstrate this aspect of Marxian analysis of capitalist urban systems and in the process the inherent contradictions within the capitalist mode of production as actualised within the concrete urban system will become apparent, and the mechanisms evolved to attempt to resolve such contradictions will lead to an analysis of the role of the State.

2.2 Economic forces and the suburbanization process

Much of the work by David Harvey addresses itself to the demonstration and analysis of the concrete manifestations of the dynamics of the capitalist mode of production within urban systems. Rejecting "liberal formulations" of the theory necessary for understanding the generation of inequality in the city and associated theories for examining the relationship between social processes and spatial forms, Harvey concludes that such theories avoid coming to terms with the context of the problems they seek to study, capitalism and its key relationships.

Harvey, in articles on the housing market in Baltimore (Harvey, 1976 and 1977), empirically demonstrates this relationship between urbanization and the economic system, placing particular emphasis on the importance of economic growth processes. Urbanization is shown to involve processes of fixed capital formation which are "mediated" through a structure of financial institutions which thus have both general and highly localized impacts on the urbanization process. Harvey particularly concentrates on the process of suburbanization which he relates to the actions of financial (and subsequently state) institutions relating to the "underconsumption" problems of the 1930's by stimulating demand via this suburbanization process - a process involving the construction of housing, shopping centres and commercial functions which in turn generated a rising demand for automobiles, energy, consumer durables and the construction industry.

However, the interpretation of suburbanization (as one example of the shaping of urban space by economic forces) as a policy designed to resolve problems of underconsumption within capitalism is problematic. It is not here disputed that the suburbanization process generated an economic boom which made a significant contribution to both the ongoing stability and profitability of capitalism, especially in the U.S.A.⁽¹⁾ However, the same phenomenon could also be subjected to a different interpretation based on the importance of the dynamics of capitalist PRODUCTION, rather than consumption or reproduction.

Baran and Sweeny (1966, pp. 218-238), for example, argue that capital investment in the automobile and all its spinoffs (of which sub-

(1) The American example is mainly used here because firstly the suburbanization process was most pronounced in that country and because, not unnaturally, most critical analysis has therefore focussed on the American experience.

urbanization was one), though largely unanticipated and unplanned, had the same effects of rescuing the U.S. economy from a period of stagnation and underwrote the economic boom of the 1920's . On the other hand, however, it is undeniable that policies and trends outwith the production sphere have had similar effects. Harvey's work on the effects of the policies of finance capital have been referred to above, and one could also cite the legislation enacted by the U.S. federal government during the 1930's. (e.g. the formation of the Federal Savings and Loan Insurance Corporation in 1932 and the Federal Housing Authority in 1934 ⁽²⁾), which had the overall effect of creating subsidies for low-density, detached, owner-occupied single family housing to the virtual exclusion of other types of dwelling units and therefore effectively subsidized the development of suburbs since space was generally lacking in the central cities.

However, it is not intended that the two interpretations should be subjected to critical analysis and assessment at this point for it is undeniable that the spheres of production and consumption within capitalism are inextricably linked - the dynamics of one sphere having effects on the other - and the point to be demonstrated in this chapter is merely that the dynamics of the economic base in general do effect urban shape and form. Nevertheless, the differences in interpretation should at least be noted, for they have implications for the Marxian analysis of the state discussed below. The reasons for the emphasis on the dynamics of the consumption/reproduction sphere relate to the fact that it is historically useful for leading on to an analysis of the role of the state and therefore an approach which has been adopted by a majority of Marxist authors.

(2) See Potter, 1974, Chapters 4 and 5; and Tabb and Sawyers 1978.

2.3 The limitations of orthodox economic analysis

However, before the Marxist approach is discussed it is necessary to elaborate some of the main tenets of orthodox economic theories of the same phenomenon and to examine the reasons for their rejection by Marxist writers.

Orthodox economic theory ⁽³⁾ relies on price and allocation theory to explain the internal functioning of parts of the urban economy. Changes in demand, working through the price mechanism, (theoretically) bring about alterations in resource allocation. It is taken as axiomatic within such approaches that resources will automatically be used in the most efficient way because producers, in striving to maximize profits, must respond to consumer demand as well as producing any given output at the lowest possible cost. It is further assumed that the price mechanism also ensures that consumer satisfaction is maximised since it is reasonable to assume that each consumer spends his income in such a way as to maximize his satisfaction, and the profit motive sees to it that the desired goods and services are forthcoming.

Apart from the normative and heuristic assumptions implicit in such theories, the limitations and weaknesses of liberal equilibrium analysis begin to show themselves when applied to concrete historical situations, and especially when applied to an analysis of the urban economy. Difficulties are also encountered when attempting to apply market principles IN PRACTICE, again especially in an urban situation. Among the most important for our purposes here are the following:

(3) This section relies heavily on Goodall, 1972; Henderson and Ledebur, 1972; and Richardson.

- (1) there is the problem of externalities (which, being a well-documented area requires no further elaboration here, but see Goodall, 1972, Richardson, 1977)⁽⁴⁾
- (2) market equilibrium theories and applied market principles break down because of monopolistic factors and tendencies inherent within the urban economy. There are two main reasons why the monopoly element is particularly prevalent in urban situations:
- (a) the non-transferability of land in geographical space means that every site has a unique spatial relationship with all other sites (see Lamarche, 1976 below) and,
 - (b) the fragmentation of ownership of urban land may prevent some land being transferred to its most efficient use. This may occur when the most efficient use requires the amalgamation of adjacent plots and some owners refuse to co-operate because they hope to take advantage of their monopoly position. (c.f. Richardson, 1977, and Lamarche and Lojkine, 1976 below).
 - (c) finally, and for our purposes here, more significantly, orthodox equilibrium theory and, more importantly, attempts to apply orthodox market principles break down when it comes to the provision of goods for which there are no /

(4) But see Offe's (1975) use of the concept of "externalities" discussed below.

prices (e.g. collective goods and services), Many aspects of the urban economy are concerned with just such goods and services and, since there is no market in which the profit motive can guide resources into their provision, it becomes difficult, if not impossible, for free market principles to determine the value society places on them and the extent to which resources should be used in their provision despite the fact that the provision of these non-profit goods and services is crucial to the success and efficiency of private profit-making ventures. (Offe,1975).

2.4 Circulation and capital fractions

The price mechanism, therefore, rather obviously fails to provide anything resembling the most efficient use of resources and indeed a number of urban problems have arisen from imperfections and mal-functionings which were a legacy of the market mechanism. In rejecting equilibrium demand-supply theories, Marxist analysis focusses attention on the capacity and tendency of the capitalist mode of production to itself generated the conditions necessary for its continued existence. However, despite their insistence that, in the last instance, it is production rather than distribution which is of primary importance, most Marxist analyses have focussed attention on the importance of the distributive consequences of urban allocation and growth, and the allocative mechanisms underlying them.

For Marxists, the growth of the city involves the transfer of profits and investment from the production sphere (in Marxian terminology

"expenses capital" or "deductions from surplus value") into the sphere of finance capital and property capital. It has been shown above how in times of crisis the policies of finance capital and property capital have acted to stabilise capitalism's productive sphere (see Harvey 1976 and 1977 above) - however, Marxists do not see this as the role of finance capital and property capital ONLY in times of crisis: rather, the three spheres are seen as being structurally and functionally interrelated and interdependent and, as will be shown by Lamarche's analysis of property capital below, both finance capital and property capital, being part of the logic of capital accumulation, their role must be analysed in terms of capitalism's need to continually secure the general conditions necessary for accumulation.

It is at this point that the importance of the concept of circulation (see 1.3 above) is again evident. The need to reduce the amount of capital engaged in circulation at any one time results, according to Lamarche, in a DIVISION OF LABOUR in which different FRACTIONS of capital emerge, each with a particular function.

"In this way, total social capital can be divided into three types, each with a specialized function: (a) industrial capital which control the process of production... of surplus value; (b) commercial capital which controls the circulation of commodity - capital; and (c) financial capital which controls the circulation of money capital." (Lamarche, 1976, p.88)

2.5 Property capital, differential rent and the shaping of urban space

The last two fractions are concerned with ensuring that as little capital as possible is tied up in either commodities or in liquid form and that such capital as is tied up is returned as quickly as possible to the production sphere. Having outlined the process and role of circulation and the two specialized capitals devoted to it, Lamarche goes on to demonstrate that, spatial organization and distance being a possible source of circulation costs, it is necessary to conceive of another fraction of capital - property capital - operating in the circulation sphere whose particular function is the plan and equip space in order to reduce the indirect costs of the other three spheres and therefore increase their efficiency.

Property capital, for Lamarche, has a "planning" role in the way it selects sites, and an "equipping" role in the types of buildings it develops on them. However, property capital is NOT engaged in the production sphere (construction) but in the circulation sphere, where it

"... plays the same role at the level of property as does commercial capital at the level of movable goods: buying in order to sell at a higher price ... Its own commodity is floor-space let (i.e. sold over a very long term) by the square foot. It can thus be distinguished from capital invested in the building industry in that the latter produces a concrete good, the building, whereas property capital merely realizes the metamorphosis of the building into money form." (Lamarche, 1976,p.93)

The fact that the profits of property capital are a result of buying and letting of floor space or buildings and not of buying and selling of buildings has important effects for urban space because of the factors involved in determining rents.

2.6 The concept of differential rent.

Lamarche argues that "rents" depend not only on construction costs and the cost of capital immobilized in a building but also on what is termed "differential rents I and II". Differential rent I

" "... is a function of the advantages offered by the site of a property, and which do not depend directly on any action by the owner... This rent is termed differential because the situational advantages on which it is based are not evenly distributed throughout space." (Lamarche, 1976, p.100).

Lamarche identifies two sources from which differential rent I may originate and accrue to an individual property developer (apart, that is, from natural and environmental causes) :

- (1) from the actions of other private investors (e.g. an apartment block built by another developer in the vicinity of a shopping centre will be mutually beneficial to each and will therefore have the effect of raising differential rent I), and
- (2) from the effects of public investments (e.g. access to transport facilities, school, hospitals etc.)

Differential rent II on the other hand does not depend primarily on the locations of the property. Rather

"... it is based ... on advantages contained within the limits of the property, advantages which depend primarily on the characteristics of the occupants ...

(Thus) ... It is primarily in commercial and office developments that the role of differential rent II becomes apparent; because it is in this type of case that the activities of the various tenants can be mutually advantageous."

(Lamarche, 1976, pp.101-2)

If we follow Lamarche's analysis of property capital and his theory of rent then (acc. to Pickvance, 1976) four main conclusions can be drawn which have importance for an analysis of the shaping of urban space, for property capital will

- (a) concentrate its developments in areas with good situational advantages,
- (b) order high rise buildings in such areas (to multiply the mass of differential rent I extracted),
- (c) favour developments where tenants have complementary functions (and for which differential rent II can be extracted), and

- (d) favour large developments (for the last reason and to internalize more situational advantages in the form of differential rent I).

2.7 Theory and reality: the need for mediation

Thus it becomes clear how the logic economic of capital accumulation can shape urban space and Lamarche uses the example of Montreal as empirical evidence for his conclusions.

However, Lamarche's argument does have its weaknesses. We have seen how Lamarche starts from Marxist economic theory (particularly with regard to the circulation sphere) and from it deduces what form the activities of property capital will take in planning and equipping urban space. As such, it has been pointed out by Pickvance (1976) that it contains the limitations and disadvantages inherent in any economic model, namely that "... it is concerned with TENDENCIES which will appear in reality to a greater or lesser degree according to how far the initial assumptions are met." (Pickvance, 1976, pp. 15-16).

However, this weakness, although true, is a relatively minor one for, while it is indisputable that concrete reality rarely fully corresponds to explanatory theory, nevertheless, in admitting the principle we can still differentiate the degree. Lamarche's analysis, being based on historical materialism avoids the ahistoricism of classical economic theories and models - that is, its premises are themselves based on concrete historical situations (cf. Poulantzas 1975). Theory based on such premises, therefore, is always based on real processes and, as such, allows of mediation by particular concrete, historical

circumstances (cf. Harloe, 1977).

Indeed, in many respects this so-called "weakness" is of central importance to the Marxist theory of the local state, for the "tendencies" such an analysis demonstrates ^{/show} clearly that, if allowed a free reign, the dynamics of capitalist accumulation would generate contradiction sufficient to eventually destroy the whole system. In other words, the "tendencies" NEED to be mediated in order for the capitalist system to survive and, as will be shown below, this mediation must of necessity come from outwith the capitalist mode of production itself.

2.8 Conclusion

It is with reference to this need for mediation that Marxists have analyzed the role of the State. However, to turn directly to an analysis of the State at this juncture would be premature for further elaboration of the need for, and the type of, mediation is still required and this will be the focus of the following chapter.

CHAPTER 3: STATE PROVISION OF URBAN INFRASTRUCTURE AND COLLECTIVE
CONSUMPTION. A CRITICAL ANALYSIS OF THE LABOUR
THEORY OF VALUE AS AN EXPLANATORY DEVICE.

3.1 Introduction.

The preceeding two Chapters have dealt with the form, function and nature of the city within capitalism and it has been suggested that the city must be analysed in terms of the underlying economic framework. It has been shown that the city is the spatial environment which best accommodates the accumulation process of capitalism and that private capital has had a role in shaping the urban system. However, there are other aspects relating to urbanization which have not yet been dealt with, particularly those related to the role of the public sector. As will be demonstrated below, any discussion of urbanization and the public sector (or the state) must be seen in the light of the contradictions inherent within the capitalist mode of production, contradictions which require "mediation" from outwith the mode of production itself.

Despite the fact that a critique of the Chicago School has been the point of departure for most Marxist urban sociology, alternative Marxist analysis has displayed a wide variety of focus and emphasis. Some studies (e.g. Harvey, 1973 and 1976) have emphasized the need to analyse urbanization and the role of the state in terms of the construction of the social infrastructure or the formation of fixed immobable capital, while others (e.g. Castells 1977,1978) have analysed the phenomenon in terms of the provision of collective consumption. However, the difference in emphasis is more the result of individual

academic interest than of any fundamental rejection of the alternative position and most Marxist analysis takes into account the importance of both.

3.2 Socialization, urbanization and obstacles to both.

Cities are obviously the location of key production and distribution activities in capitalist economies, although of course the economic role of cities varies. Cities contain enormous fixed capital investments reflecting their diverse economic functions (e.g. offices, manufacturing units, banks etc.) and their growth and decline are intricately linked with developments in capitalism. At a more general level the role of cities, as has been shown above, must be seen in terms of capitalism's need to increase its productivity by socializing (i.e. turning into a collective activity) the general conditions of capitalist accumulation (cf. Cockburn 1977; Lojkins, 1976; Gough, 1975; O'Connor, 1973; Tabb and Sawyers, 1978 etc.).

"Cooperation allows of the work being carried on over an extended space On the other hand, while extending the scale of production, it renders possible a relative contraction of the arena. This contraction of the arena simultaneous with, and arising from, extension of scale, whereby a number of useless expenses are cut down, is owing to the conglomeration of labourers, to the aggregation of various processes, and to the concentration of the means of production."

(K.Marx, "Capital 1" quoted in Lojkine, 1976)

However, the fact that the city is functional for capital accumulation in no way allows us to conclude that the dynamics of capitalist accumulation will necessarily ensure its development. Lojkin cites two major reasons for this:

".... on the one hand, because every increase in productivity, by raising the organic composition of social capital, ultimately strengthens the tendency for the rate of profit to fall and leads to a counter-reaction which CHECKS and "selects" the development of productive forces ; and, on the other hand, because the need for cooperation among the different agents of production in urban space is contradicted by:

- (a) the laws of capitalist competition
- (b) the parcelling out of urban space into independent fragments which are the private property of LAND-OWNERS. This second limit is that of URBAN GROUND RENT."

(Lojkin,1976,p.127)

Thus, Lojkin identifies three obstacles to the process of urban development.

1) Financial

Services (or in Marxist terminology "useful effects") provided by collective consumption, according to Lojkin, will not be provided by

private capital because their financing is not profitable.

Lojkine explains this unprofitability by taking as axiomatic Marx's theory of "the tendency for the rate of profit to fall" and attempting to demonstrate that urban expenditure plays the same role as regards the organic composition of social capital as does the use of machinery. For Lojkine, the sole use value of urban space consists of its capacity to facilitate interaction between the different elements of the city; however, these useful effects

".... are certainly use values but in no sense are they material objects, products which could serve as physical supports of the value imparted by labour power. Marx showed that the creation of commodities, supports for the contradiction between value and use value, presupposed the "alienation" of the product from the production process, the separation of the product in which the value created by labour power could be CRYSTALLIZED. Such is not the case for useful effects or "services" as long as their use value is not crystallized in any material object." (Lojkine,1976,p.129)

Nor do these useful effects

"... add more value to commodities produced in other sectors. Thus they do not create any additional value and are totally unproductive (of surplus value) ". (Lojkine,1976, p.130)

Lojkine thus concludes that capital expenditure on collective consumption is the result of a DEDUCTION from the surplus value already produced - that is, "expenses capital" - such compares it to constant capital, contending that this expenses capital

"... acts on the organic composition of capital in the same way as constant capital: it RAISES THE ORGANIC COMPOSITION BY INCREASING THE MASS OF ACCUMULATED SOCIAL CAPITAL WITHOUT ITSELF BEING PRODUCTIVELY UTILIZED." (Lojkine, 1976,p.131).

2) The anarchic competition of capitalism

Lojkine contrasts the organization of cooperation WITHIN the productive sphere with what he describes as the "anarchy" manifested at the level of the TERRITORIAL division of labour, the latter being the result of competition between capitalist firms.

" the locational criteria used by big capitalist firms are entering into contradiction with the TECHNOLOGICAL AND SOCIAL NECESSITIES of any real territorial planning, i.e. of developed cooperation at the level of the nation as a whole." (Lojkine,1976,p.134) ⁽¹⁾

3) The private ownership of land.

Marx stressed the role of land

(1) See also Preteceille,1976; and Poulantzas 1975 ,p.166,on this point.

(a) as an INSTRUMENT of production, and

(b) as a simple PASSIVE SUPPORT of the means of production.

However, with the growing importance of the socialization of the means of production Lojkine argues that a third role takes on a growing importance and that the private ownership of land is increasingly an obstacle to the performance of this function. This is

".... its capacity for CONCENTRATION, i.e. for SOCIALLY COMBINING the means of production and means of reproduction of a social formation."
(Lojkine,1976,p. 135)

However, as

" A consequence of the private appropriation of land, the FRAGMENTATION of this use value - whose consumption, by definition, cannot be other than collective - is becoming an obstacle, within the capitalist mode of production, to the development of social productive forces." (Lojkine,1976,p.135)

However, Lojkine's analysis can be criticised on several points.

- (1) Not every increase in productivity necessarily raises the organic composition of social capital. Also, it does not necessarily follow that, even if the organic composition of capital were raised, the rate of profit would tend to fall since it could be argued that the provision of urban infrastructure /

and collective consumption can bring about a corresponding increase in the productivity of variable capital (i.e. labour) and so maintain the overall ratio of $r = \frac{S}{C + V}$.

However, this is possibly merely a semantic point based on two literal an interpretation of the text.

- (2) Even in broadening the scope of interpretation weaknesses in Lojkine's argument can still be found for the validity of the theory of the tendency for the rate of profit to fall is problematic and is currently the object of considerable debate (See Hodgson,1974, Steedman,1975,Howard and King, 1975, Shaikh,1978, Weisskopf,1978). As will become evident later this weakness is not a fatal flaw in the Marxist argument but, as it is of importance for a critical assessment of the wider Marxist debate on the state, it is worthwhile to examine this point in detail.

3.3 The Theory of the falling rate of profit: a critical analysis.

Although Marx himself nowhere gives a fully integrated exposition of his theory of the falling rate of profit, the theory has been developed and elaborated by subsequent writers who base their analysis on Marx's analysis of the connection between values, prices and profits.⁽²⁾

Marx normally described the economy in terms of VALUE (i.e. socially necessary labour time) quantities such as C (constant capital),

(2) this section draws heavily on Howard and King,1975, Eldred and Roth,1978; Hodgson,1974; and Steedman,1975; and Shaikh,1978.

V (variable capital) and S(surplus value). Using these variables three key ratios

(a) the organic composition of capital (g)

(b) the rate of exploitation (e)

(c) the rate of profit (r)

are usually defined as follows:

$$g = \frac{C}{V} \quad (1)$$

$$e = \frac{S}{V} \quad (2)$$

$$r = \frac{S}{C + V} \quad (3)$$

With these definitions the rate of profit can be expressed in terms of the other two ratios as follows:

$$r = \frac{S/V}{C/V + V/V} = \frac{e}{g + 1} \quad (4)$$

Thus, the rate of profit (r) is directly related to the rate of exploitation (e) and inversely related to the organic composition of capital (g). The principal hypothesis underlying the theory of the rising organic composition of capital is that the process of capitalist development involves changing conditions of production in which the ratio of constant to variable capital(g) tends to rise and,

assuming that (e) does not change very much, it then follows from equation (4) that (r) will tend to fall.

However, this in itself is not sufficient to prove the theory since, although the organic composition increases, this will, given a fixed subsistence wage, itself produce an increasing rate of exploitation since net output for man is growing. Thus the net effect will depend on the respective magnitudes of change in the organic composition AND the rate of exploitation. Marx argues, however, that, although the rate of exploitation increases with the organic composition, it will after some point increase LESS RAPIDLY so that there must come a point after which the rate of profit will begin to fall.

The reasons for this are as follows. The time workers put into the production process is determined by the length of the working day (L). The time necessary to reproduce themselves (V), on the other hand, is determined by both the amount of goods they consume (their 'real wage') and by the labour time it takes to produce these goods. The mass of surplus value (S) and the rate of exploitation (S/V) can therefore be increased in two ways: directly, by

- (1) lengthening the working day (L) so that surplus labour time is increased;
- (2) lowering the necessary labour time (V) so that more of a given working day is spent in surplus labour time.

This method requires that either

- (a) workers real wages be reduced,
- or that

- (b) the productivity of their labour be raised (so that it takes them less time to produce their means of consumption),
or both.

However, as Marx foresaw, there are limits to (1) for:

"The compensation of a decrease in the number of labourers employed, or the amount of variable capital advanced, by a rise in the rate of surplus value, or by the lengthening of the working day, has impassible limits. Whatever the value of labour power may be ... the total value that a labourer can produce, day in, day out, is always less than the value in which 24 hours of labour are embodied. The absolute limit of the average working day - this being by nature always less than 24 days - sets an absolute limit to the compensation of a reduction of variable capital by a higher rate of surplus value."
(Capital 1, 305, quoted in Howard and King, 1975)

Secondly, because of working-class pressure, it is difficult to achieve (2) by reducing real wages. Therefore, increasing the productivity of labour has come to be the principle means of raising the rate of exploitation. However, Marx argued that as capitalism develops and the rate of exploitation rises it becomes increasingly more difficult to shorten the necessary labour time by an increase in productivity and thus raise the rate of surplus value even further.

"The larger the surplus value of capital or, the smaller the fractional part of the working day ... which expresses necessary labour, the smaller is the increase in surplus value which capital obtains from the increase of productive force. Its surplus value rises, but in an even smaller relation to the development of the productive force ... The smaller already the fractional part falling to necessary labour, the greater the surplus labour, the less can any increase in productive force perceptibly diminish necessary labour." (Grundrisse, p.340, quoted in Howard and King, 1975).

Thus, according to Howard and King,

" ... in Marx's view, not only are there certain insurmountable limits to the rate of increase of the rate of exploitation, while there are no such limits to the rate of increase of the organic composition; but an increasing organic composition at an increasing rate due to the centralization of capital is coupled with a tendency for the rate of exploitation to decelerate over time. Thus, Marx argues, if the organic composition continues to take the path he expected, there must come a point after which the rate of profit declines." (Howard and King, 1975.)

When then should the organic composition of capital increase if it lowers the rate of profit? Marx held that it would do so because of the

COMPETITIVE nature of the capitalist system whereby individual capitals are constantly forced to lower unit costs in order to gain an edge over their competitors. Beyond a certain point however, as has been demonstrated above, mechanization (c) arises as the principle means of raising the productivity of labour and hence lowering unit costs. Thus, ever larger amounts of means of production and materials are set into operation by a given number of workers. According to Marx, this in turn implies that out of the total labour value $C + L$ (where $L = V + S$) of the final product, progressively more comes from the means of production used up and progressively less from living labour.

The rate of profit, as shown above, is $\frac{S}{C + V}$. But $S = L - V$, since surplus labour time (S) equals the time workers actually put in (L) MINUS the time necessary to reproduce themselves (V). Thus, even if $V = 0$ (zero), the MOST that S could be is

$$\frac{S_{\max}}{C} = \frac{L}{C}$$

Consequently, $\frac{L}{C}$ is the ceiling to the rate of profit while the floor is zero; therefore, if a rising technical (organic) composition is indeed a rising ratio $\frac{C}{L}$ (hence a falling ratio $\frac{L}{C}$) then the actual range of the rate of profit will become narrower and therefore exhibit a DOWNWARD TENDENCY.

However, it has been argued that mechanization does not NECESSARILY mean that the rate of profit will fall. If L is given, mechanization merely means that the mass of means of production used by these workers increases. But this is also accompanied by a rise in the productivity of labour and, since it now takes less time to produce a given commodity,

a fall in the labour value of commodities. Therefore the labour value of the means of production (c) will not rise as fast as their mass. Marx's argument that (c) will nevertheless increase (so that C/L will rise and the falling tendency will operate) is debatable for suppose the labour value of the means of production were to fall as fast or even faster than its mass rises then C/L will itself stay constant or even fall, and no downward tendency will be exerted on the rate of profit.

This gap in Marx's argument is still very much the subject of debate. However, what is important for our purposes is that the fall in C/L is hypothetically possible. It is thus inappropriate to use the falling rate of profit theory to explain the state's role in providing urban infrastructure and collective consumption - inappropriate because not only is the theory itself problematic but also, and perhaps more importantly, because the theory - even if it were valid - is ^{unnecessary} as an explanatory device for an analysis of the phenomenon.

3.4 Profitability: the transformation problem.

We have shown above that Lojkin argues that, since expenses capital is not productively utilized (but does increase the mass of accumulated social capital) it increases the organic composition of capital. However, why should unproductive capital increase the ORGANIC composition of capital? The two are not necessarily the same, and the link between expenses capital and constant capital is tenuous and Lojkin's analysis doesn't prove otherwise. Lojkin contends that expenses capital and capital engaged in productive activity differ not in kind but only in degree of 'devalorization' (unproductivity).

However, this argument, as Pickvance (1976) points out, rests on a shift from value accounting to price accounting procedures and, as will be demonstrated below, this undermines Lojkine's argument.

The problem of moving from value accounting to price accounting is known as the "transformation problem". While the rate of profit is expressed in price terms, the analysis from which its tendency to fall is expressed in VALUE terms and, if we investigate Marx's analysis of the TRANSFORMED form of surplus-value - i.e. average profit - we can demonstrate the weakness in Lojkine's analysis.

Marx attacked the classical identification of values with (equilibrium) prices, and surplus value with profit because this error served to mystify the ORIGINS of profit. Marx attempted to show that profit was nothing more than surplus value redistributed between individual capitalists operating with DIFFERENT organic compositions of capital. The total amount of profit, and also the average rate of profit on capital employed, could be completely and consistently explained in terms of the labour theory of value. The transformation problem, for Marx, only arises when capitalism is sufficiently well developed for competition, and the resulting mobility of capital, to actually give rise to a tendency for the equalization of the rate of profit in different sectors of the economy.

How, then, did Marx attempt to prove that a coherent theory of prices must necessarily be derived from the labour theory of value? The analysis of the transformation of surplus-value into average profit starts from the concept of "cost-price" (K) and the distinction between the production of new value $V + S$) and the transfer of old value (C) is suspended in practice: therefore $K = C + V$.

Profit is defined as the difference in magnitude of value between selling price of the produced commodity and the cost-price of the elements of production. Also, two forms of competition between capitals can be distinguished:

- (1) the competition which occurs WITHIN the sphere where the producers of the same commodity compete, and
- (2) the competition BETWEEN the different spheres of production where the aggregate capitals of the different spheres compete for a share of the TOTAL surplus-value produced.

The share of the surplus value which accrues to an individual capital as an end result of this competition is profit (p). Profit, for Marx, always refers to the return on the total capital advanced. As opposed to the rate of surplus value (S/V), the rate of profit is $\frac{p}{C + V}$.

The production price is that selling price which enables the sphere of production to make average profit and the share of one sphere of production in the aggregate surplus value is determined by the ratio of advanced capital in that sphere of the aggregate capital INDEPENDENTLY of the organic composition (C/V) and the turnover of variable capital (both of which, Marx contends, are nevertheless crucial for surplus-value production). Thus, the surplus value which is produced in one sphere of production does NOT determine the rate of PROFIT of that sphere. Thus, although average profit DISTRIBUTES the aggregate social surplus value to the different spheres of capital, and although the magnitude of the rate of profit is influenced (3)

(3) Marx's formula for the precise relationship between value and prices has been subsequently disproved (See Howard and King, 1975, p.143 ff. and p.206 ff.) because it gives the correct rate of profit only under certain circumstances. However, this does not bear on the present argument since the RELATIONS between the rate of profit, the rate of exploitation and the organic composition of capital still hold even when the formula does not. In particular, the rate of profit is still a positive function in the rate of surplus value.

by the rate of surplus value, the two are not the same. Therefore,
as Marx himself recognised

"A saving of labour ... and the employment of
more congealed labour (constant capital),
... do not seem to exert the least influence on
the general rate of PROFIT and the average
PROFIT. How could living labour be the SOLE
source of PROFIT, in view of the fact that a
reduction in the quantity of labour required for
production appears not to exert any influence on
PROFIT? Moreover, it even seems in certain
circumstances to be the nearest source of an
increase of profits, at least for the
INDIVIDUAL capitalist." (Capital III, p.176,
quoted in Eldred and Roth, 1975)

Proof of this point is that Marxist analyses (including that of
Lojkine) themselves acknowledge the existence of certain forms of
capital which themselves do not create surplus value. Examples are
commercial and financial capital discussed above which both appropriate
that part of social surplus value that corresponds to their share in
aggregate capital - both commercial and financial profit take the form
of aggregate profit, the TRANSFORMED form of surplus value.

3.5 Conclusion

However, it is argued here that these criticisms, although under-
mining the particular analysis outlined by Lojkine, do not necessarily

invalidate a Marxist approach. This contention is based on the fact that the use of an analysis based on the labour theory of value and the falling tendency of the rate of profit is NOT NECESSARY to demonstrate WHY it is the state which provides infrastructure and collective consumption in order to ensure the general conditions of capitalist accumulation and reproduction although, as will be demonstrated below, it IS of importance for an understanding of the CONSEQUENCES of such intervention. In other words, we can distinguish between the reasons for the genesis of a particular phenomenon and the factors underpinning the effects of the same phenomenon.

It has been demonstrated above that collective consumption and infrastructure are necessary for capital accumulation and reproduction. However, we have not yet discovered satisfactory reasons for their provision by the state and not by private capital.

However, to have demonstrated inherent weaknesses in Marx's theory of the falling rate of profit is NOT to have totally undermined any alternative Marxist analysis of the need for state intervention to secure the conditions of capitalist accumulation. We have criticised Marx's analysis of those factors in the PRODUCTION of surplus value which (supposedly) reduce the rate of profit - but those same factors, as Marx himself realised, can also lead to an imbalance between production, sale and purchase and thus to a crisis of (value/profit) REALIZATION.⁽¹⁾ Marx also analysed those factors which lead to a reduction in the rate of profit as a DIRECT RESULT of an imbalance between the production of surplus value and the circulation process necessary to allow its full realization.

With these conditions in mind, we are now in a position to formulate an alternative analysis of the phenomenon of state intervention in collective consumption.

This focus on the importance of "realization" of value for capital accumulation has been touched upon above in the discussion of "circulation" (see 1.3) and the stimulation of demand resulting from the process of suburbanization (see 2.2 above)

(1) c.f. Sweezy, 1946, pp. 145-6.

It remains necessary to widen the focus of this approach in order to understand the importance of realization for a Marxist analysis of the role of the state.

For our purposes here two types of barrier to realization can be distinguished

- (1) the barrier to realization resulting from the NATURE of the good, and
- (2) the barrier to realization resulting from the contradictions
 - (a) between production for exchange value rather than use value
 - (b) between social production and private appropriation whereby the development of the forces of production and reproduction are inhibited not by the technical possibilities of production or the nature of the good so produced, but solely by obstacles to realization.

With regard to (1), we can follow Castells (1975) in recognizing that collective consumption is characterized (in terms of liberal economics) by the fact that "they do not meet the price of the market", that is, they are not governed directly by supply and demand. He recognizes that this characteristic does not depend on the way in which the good is produced

" ... but on the type of capital invested that is determined in the last instance by the relation between the rate of profit of the productive arm and the average rate of profit in each branch."

(Castells, 1975, p.178).

However, Castells does not make it clear what he means by this, but implicit within his contention can be found the basis of the alternative Marxist analysis of the relationship between the state and the accumulation process proposed here.

It is suggested here that the type of capital invested is only a consequence and NOT itself the cause or distinguishing characteristic of the phenomenon. Rather the distinguishing characteristic is to be found

" ... in the nature of the service: some are collective or semi-collective goods which it pays no individual capitalist to supply since the benefits will be derived by his competitors (e.g. industrial training) " (Gough, 1975, p.74.)

Offe (1975) makes a similar point in his use of the concept of "externalities." The liberal view of externalities define the concept in terms of social costs, but Offe defines externalities in terms of USE; that is, the technical nature of certain goods involve externalities when they prohibit the buyer from having exclusive use value of the good. This is one reason why there is a lack of market demand for such goods and the reason why it does not generate a market price, and both being one of the bases of non-profitability

explain why such goods are not produced by individual capital.

Other barriers to its provision by private capital include the scale of capital required to finance their provision and / or the need for long-term debt financing; either the low profit margins or the long-term nature of return on capital thus advanced; and the higher returns on capital to be achieved in other sectors by mobile capital operating within a competitive environment. (2)

However, as will become evident, the use of such an orthodox analysis, although a necessary complement to the Marxist approach, cannot be regarded as a complete alternative to it and it remains necessary to further elucidate the Marxist analysis of the role of the state with regard to capital accumulation and realization.

The second of the barriers to realization is the result of capitalism's production for exchange value rather than use value. With commodity production and the use of money the separation of sale from purchase can take place and therefore give rise to realization crises.

"Crisis results from the impossibility to sell.

The difficulty of transforming the commodity

into money ... lies in the fact that

the person who has effected a sale is not

compelled to buy again at once."

(Marx, Theories of Surplus Value II, p.509,
quoted in Howard and King, 1975).

(2) Only a few examples have been given here since this aspect of the topic has been dealt with extensively by orthodox economics and the examples given here need only be sufficient to demonstrate the point.

Crises are thus characterized by Marx as periods of "overproduction", that is, too much is produced in relation to effective demand; thus every crisis is a "realization" crisis "in that there is a failure to realize the full value and, therefore, the full surplus value of commodities in the form of money.

The role of the state in stimulating aggregate demand at the macro level has assumed an increasing importance since the 1930's, and it has been argued that the contemporary importance of cities now lies in their consumption function rather than in their production function. This growing body of Marxist opinion believe the reasons for this shift are to be found in the crisis of the 1930's. The question which this period posed, as Keynes showed, was not how to organize the production of value efficiently, but how to circulate the value produced (i.e. clear any blockages in the market) and realize it through the consumption process (i.e. generates an effective demand).

To talk of the "consumption function" can, however, be misleading because the word "consumption" seems merely to relate to demand for, and use of, goods and services. However, it seems clear that, in Marxian analysis, there are two aspects to the concept - the demand/use aspect and the production/reproduction aspect - and an appreciation of this point is crucial to an understanding of the Marxist analysis of the role of the city and of the state for capital accumulation.

The theme of "circulation" has been a recurring one throughout this work. Its role in the capital accumulation process has been stressed, but we are now better placed to fully understand its crucial importance. The circulation process has many aspects (e.g. the circulation of

commodities, of means of production, of labour power etc.) but, at root, circulation refers to the TOTALITY of exchange necessary for continued capital accumulation - that is, production AND reproduction.

The contradictions arising from capitalist production for exchange value have been dealt with above. However, the use of certain elements of liberal, orthodox theory in the analysis of collective consumption, although a necessary complement to the Marxist approach, is not a satisfactory alternative to it. The limitations of orthodox analysis as a complete explanatory paradigm in its own right have been documented by Allan (1979). Although the genesis of state intervention in the provision of public goods and collective consumption can be analysed by using certain aspects of orthodox analysis, such theories fail to take into consideration the wider context within which the state undertakes such provision. Orthodox analysis can thus explain why such goods and services are provided by the state and not by private capital, but such theories (e.g. public interest theories and public choice theories) cannot adequately account for the level of provision for their assumption that such goods and services are "equally provided to all in response to demand" (Allan, 1979,p.11) fails to explain spatial inequalities in their provision and fails to take into account the importance of differential access to the political system. They also fail to explain the importance of such goods and services provided by the state for the wider social and economic system and the requirements and constraints the wider system imposes on their provision. Marxist approaches, in analyzing the interrelationship between all aspects of the social formation, attempt to overcome the limitations inherent in the narrow focus of orthodox theory.

It has been argued above that, first and foremost, cities (or urban systems) must be analyzed as the main physical and spatial setting in which production, distribution and the accumulation of capital can take place. Cities mobilize the economy's basic ingredients: they are the places in which basic infrastructural investments (public and private) are located, and in which an organized labour force is concentrated. Also, as will become evident below, cities can be viewed as a social and political device for creating the cohesive, ordered environment necessary for combining capital and labour effectively. Many urban institutions specifically have such an economic or reproductive function. However, this relationship between the economy and urban institutions should not be construed as one of simple determinism for, although the economy itself could not function without an adequate and cohesive set of political institutions to concentrate, mobilize and order human and physical capital, power itself is not merely a fixed or abstract entity to be distributed or redistributed but a variable whose presence or absence, whose scale, whose limitations and whose determination must be subjected to critical analysis before its relationship to economic development can be understood. The questions to be examined, then, are

- (a) what are the functions the state undertakes in order to aid capital accumulation? ;
- (b) why does the state find itself compelled to undertake such functions? ; and
- (c) what consequences result from the fulfilling of these functions by the state?

CHAPTER 5: CAPITAL ACCUMULATION, STATE EXPENDITURE AND THE LOCAL STATE.

5.1 Introduction:

It has been argued above that urbanization and the structure and functioning of cities are rooted in the production, reproduction, circulation and overall organization of the capitalist accumulation process which requires

- (1) fixed investment of part of the surplus product in new means of production;
- (2) production and distribution of articles of consumption to sustain and reproduce the labour force;
- (3) stimulation of an effective demand for the surplus product produced. (Hill, 1977)

Thus, the capitalist city can be viewed not only as a production site, but also as a locale for the reproduction process and the realization of profit.

It has been shown that state intervention is necessary to mediate those contradictions inherent within the capitalist model of production which pose barriers to sustained capital accumulation. In applying this perspective to the urban level Castells (1975) argues that the "urban political" refers to state intervention on the urban economic system to preserve the cohesion of the system in its totality - that is, both social and spatial cohesion - and that the local state is one important instrument fulfilling the economic, political and

ideological functions necessary to maintain such cohesion. This point has also been made by other authors,

"The most direct form of state regulation of the industrial economy is through the public provision of social services and economic infrastructure. The increase in urban employment in collective services and in public expenditure on them is a familiar and general trend ... The growth in services is particularly rapid in those that adjust and organize population and enterprises in terms of the spatial and economic complexity of the metropolitan area

Herein lies the oft-noted contradiction in contemporary urban development, that metropolitan organization and sophisticated production technology require substantial investments in urban infrastructure and in social services; but such large-scale investment are rarely directly or immediately beneficial to private enterprise and are either of low profitability or are non-profitable. Private enterprise is reluctant to make such investments or to contribute to them, leaving to the state the responsibility of managing and limiting /

collective expenditures in such a way that individual capital is benefited and the subordinate classes are reconciled to the existing order."
(Roberts,1979,p.4)

5.2 State expenditure: a classification

This two-sided aspect to state intervention within the urban system - that is, the provision of facilities and services necessary to aid capitalist accumulation and the undertaking of measures to appease social protest - has been stressed by most Marxist authors. Castells and Lojkin have both made this point, as have Poulantzas (1975,esp. p.166 and p.124) and Preteceille (1976). Indeed, O'Connor (1973) classifies state expenditure on this basis. He views state expenditures as having a dual character corresponding to these two basic and, it is claimed, frequently contradictory functions of the state in a capitalist society. On the one hand, SOCIAL CAPITAL OUTLAYS are those state expenditures required for capital accumulation and are indirectly productive of private profit. There are two kinds of social capital

- (1) social investment (social constant capital) which consist of projects and services that increase labour productivity and the rate of profit; and
- (2) social consumption expenditures (social variable capital) consisting of projects and services that lower the reproduction costs of labour and, other things being equal, also increase the rate of profit.

On the other hand, SOCIAL EXPENSES, O'Connor's second category of state expenditures, consists of projects and services which are required to maintain social order and which are not productive of capital accumulation.

The local state is one arm of government undertaking such functions. The local state acts to sustain capital accumulation through the provision of necessary infrastructure (e.g. roads, public transport, urban renewal, public housing, sewage, etc.), through aiding the spatial reorganization of capital (e.g. planning, control of land use, urban-renewal etc.), through investment in "human capital" (e.g. provision of educational and cultural facilities, public housing etc.), and through stimulating demand by means of public works contracts. It also provides necessary facilities for consumption in the public sector (e.g. public sector housing, and cultural facilities again etc.).

It is apparent that there is an overlap between the services and facilities provided and the functions they perform. O'Connor notes the problem of attempting to classify such expenditures since "nearly every state expenditure is part social investment, part social consumption, and part social expense." One therefore cannot always allocate any particular expenditure unambiguously to one category. Water or transport services are thus a means of production when used by industry, but consumption goods when utilized by households. Housing can be seen as an infrastructural investment, an element in the reproduction of labour and as a consumption element. Welfare services are elements of variable capital when consumed by the productive

workforce, but luxuries when consumed by the elderly or other unproductive groups. O'Connor justifies his attempt at classification by contending that in each case a "preponderant set of social forces" determines the size and nature of that particular intervention, although Gough (1975) argues that the basis will be discovered not by analysing the forces instrumental in setting up the facility, service etc., but by a material input - output analysis of their predominant use-value.

5.3 Orthodox analysis: an initial critique

It is not sufficient merely to analyze state provisions and expenditures simply in terms of their functions - we must also analyze why the state finds itself compelled to undertake such functions and what are the determinants on their provision.

It is argued here that in discussing state institutions (e.g. the operation of the local state and of bureaucrats both of which are important elements in the study of urban development in particular and the process of capital accumulation in general) we must relate their activities to a broader consideration of economic, political and social relationships as a whole. Pahl (1975, Chapter 10; and 1977) and the urban managerialist school fail to do the latter. In holding the view that the local state had to be related to the activities of the various managers of the urban system and that urban sociology was to be concerned with the allocation by these managers of "urban" resources (housing, transport, amenities etc.) , the analysis suffered from several weaknesses.

- (1) the approach was essentially descriptive rather than theoretical and failed to make clear how managers were to be defined and how their relative power was to be assessed;
- (2) the constraints on resource allocation were under-emphasized; in particular, the fact that the resources allocated were SCARCE resources was taken for granted - almost as a naturally occurring phenomenon - whereas in fact this scarcity depends on a particular set of social, political and economic arrangements in society as a whole as well as on factors which relate more directly to the urban situation.

To a certain extent Pahl later in reformulation of his analysis (1975, Chapter 13 and 1977) overcame some of these weaknesses. Although he continued to maintain that it is useful to study the values and objectives of those who allocate resources, he attempted to ground this analysis in a specific theory of the state. "Managers" were defined as state officials at the local level performing a crucial mediating role between the central state and the local population, and between the state and private capital; they allocated resources, but their control over the production and realization ⁽¹⁾ of such resources was strictly limited. Although Pahl identified the ecological system, the market and central government as three key limitations on the autonomy of local managers, his theory still overemphasized the autonomy of the state in its relation to private capital and this

(1) Pahl also fails to discuss the constraints regarding distribution; see chapters following.

fails to provide an analysis whereby the necessary role of the state in securing the conditions of capital accumulation can be understood.

Certain aspects of the pluralists' analysis of urban politics can also be criticised on similar grounds. Castells (1977, pp. 64-5) has shown that, in concentrating on the actions of individuals, by adopting a social psychological approach to power, by their focus on an analysis of a "network of strategies among ACTORS, each one of whom is defined by his attempt to maximize his power and gains", and by remaining at the community level such studies neglect the determination of local "urban" issues by general social structures and forces.

5.4 Conclusion

It is therefore obvious that the local state (and other aspects of the urban political system ⁽²⁾) cannot be fully understood by an analysis which simply focus on its INTERNAL dynamics and/or adopt some sort of "methodological individualism" approach. External influences have to be taken into account and, although it has been argued throughout this work that the most important external determinants of local state action are a product of the capitalist mode of production and the capital accumulation process, schools of thought other than the Marxist, even though they reflect the importance of the economic sphere, do merit critical attention.

(2) Unless stated otherwise, the term "local state" will henceforth be used to refer to all state instruments functioning specifically at the local level.

The most important of these alternative schools of thought are the pluralists and, although we have already dealt with one certain aspect of Marxist criticism of this body of literature, a fuller critical analysis is required both because of the important impact pluralist tenets have had for the analysis of local political systems and because contained within the critique of such work can be found the basis of a more satisfactory analysis.

CHAPTER 6: THE PLURALIST SCHOOL: A REVIEW AND CRITIQUE OF AN ALTERNATIVE
MODEL OF LOCAL POLITICAL SYSTEMS.

6.1. Introduction.

As a critique of the power elite theorists, much of the Pluralist literature is important and valid. However, the alternative model of community power relations posited by the pluralists are themselves open to criticism, criticism which is so fundamental that it necessitates a complete reorientation in our approach to the study of community power relations.

6.2. Pluralism: the basic tenets.

The five major components of pluralist theory seem to be the result of a mixture of a priori methodological assumptions and empirical evidence and can be summarized as follows.

- (1) There are no power elites; power is widely dispersed and distributed in communities. According to Polsby (1963), Pluralists

"see American society as fractured into a congeries of hundreds of small special interest groups, with incompletely overlapping memberships, widely different power bases, and a multitude of techniques for exercising influence on decisions salient to them..." (p.118)

and this is stated to be true at both the national and the local (community) level. However, in stating this the Pluralists do not deny the existence of community elites.

As Dahl states,

"In any durable association of more than a handful of individuals, typically a relatively small proportion of the people exercise a relatively great influence over all the important choices being on the life of the association - its survival, for example, or its share in such community resources as wealth, power, and esteem, or the way these resources are shared within the association, or changes in the structure, activities, and dominant goals of the association, and so on. These persons are, by definition, its leaders." (Dahl, 1961, p.95.)

What, however, Pluralists DO deny is that the areas in which the power of these different elites is effective are the same, or that there is much overlap between them. As Dahl puts it, elite power is "non-cumulative" (p.169 ff.) - thus, there may be elites, but there is no elite.

(2) Any theory of community power must be testable by empirical evidence. This follows from the Pluralist belief that power is always directly applied and observable.

(3) Partly following from (2) above it is contended by Pluralists that community power should be investigated with case studies of "important decisions". Otherwise, how can one tell whether or not someone (or group) has power unless some sequence of observed events prove such - "potential" power, they would contend, cannot be discussed in a scientific

manner. Thus, we should study power IN PROCESS, that is as it is actually applied towards the achievement of a certain result. Pluralists justify the case-study approach by insisting that the decisions they examine are "important" ones. For Dahl one of the criterion of importance is that the issue should involve actual disagreements and preferences among two or more groups. (See below for Polsby's criteria.)

(4) Only GOVERNMENTAL decisions, that is those made by formal political bodies or persons, should be studied. This is because of the fact that, if one is primarily concerned with local political power and those decisions effecting large sections of the population or local communities (one of Polsby's criteria of importance), then

" the political arena is the sector of community life in which large groups in the community make demands upon one another and collectively determine policy outcomes."

(5) The power system is "slack", allowing for social change within it. That is, if power is widely dispersed and if resources are now always used to exert power then the system of power is fluid because there will arise "power vacuums". Also, where power is non-cumulative, there is always an "issue area" which can be adopted by outside groups.

Pluralism: a critique.

Criticism of the Pluralist literature has come from many quarters and is wide-ranging in its focus, and this heterogeneity must be seen in the light of the nature of the Pluralist literature itself. For example, Dahl's work, although it can be seen as an empirical theory or as a working model of political decision making, also contains normative or prescriptive elements, and Polsby seems to treat Pluralism both as a type of political system and as a method to be used by sociologists to investigate political systems. Thus the term "Pluralism" is not just a label which is attached to a political system which, after full empirical investigation has been found to contain not one centre of power but many, but is also something much more. The term "pluralism" as used by Dahl, Polsby, etc., is in fact inextricably linked to their a priori conception of what constitutes a democracy. Thus, criticism of the Pluralist literature can be divided into two categories; those which, although utilising the pluralist's own methodological tools and premisses criticize them for failing to prove that the type of political systems which they designate as pluralist fully embody certain of the characteristics necessary to also designate those systems as "democratic", and those which contend that the pluralists have failed for methodological reasons to adequately explain the decision making process within the political systems analysed and the power relations embodied within them.

The articles by Newton (1969) and by Sharpe (1973) fall into the former category. Although both validly criticised the equating of "pluralist systems of decision making" with the more normative conception of democracy, they nevertheless do not fully address themselves to the question of whether the pluralists actual analysis of the decision making processes within the communities studied fully and adequately capture

the nature of the political system and its underlying power relations, or whether ANY analysis which utilizes the type of assumptions and methodology used by the pluralists actually ever could. For these reasons it is the intention of this author to turn immediately to what is thought to be the more pertinent and useful criticisms mainly, those which can be subsumed in the second category.

Bachrach and Baratz in their article "Two Faces of Power" (in McCoy and Playford, 1967.) contend that the difference in findings between the pluralist school and the elitist school are the product of the fundamental differences in both the underlying assumptions and research methodology. On the whole Bachrach and Baratz believe that the pluralists' criticisms of the elitists are valid, but they contend that the pluralists themselves have failed to grasp the whole truth of the matter because they fail to see that there are TWO, not one, faces of power.

As we have seen Pluralists concentrate their attention, not upon the sources of power, but on its exercise - they are thus uninterested in the "reputedly powerful". However, according to Bachrach and Baratz, there are two fundamental defects of this approach.

1. The model provides no OBJECTIVE criteria for distinguishing between "important" and "unimportant" issues arising in the political arena (pp.148-149).
2. The model takes no account of the fact that power may be, and often is, "exercised by confining the scope of decision making to relatively 'safe' issues." A concept of power, Bachrach and Baratz contend, cannot be predicated solely on the assumption that power is totally embodied and fully

reflected in "concrete decisions". They state that,

"Of course power is exercised when A participates in the making of decisions that affect B. But power is also exercised when A devotes his energies to creating or reinforcing social and political values and institutional practices that limit the scope of the political process to public consideration of only those issues which are comparatively innocuous to A." (p.149)

Thus they would agree with the contention of Schattschneider that

"All forms of political organisation have a bias in favour of the exploitation of some kinds of conflict and the suppression of others because ORGANIZATION IS THE MOBILIZATION OF BIAS. Some issues are organised into politics while others are organised out." (Bachrach and Baratz, p.150)

The suggestion then is that the decisional approach of the Pluralists was inadequate because it had failed by its very methodology to identify and describe "non decisions". These "non decisions" occur when issues are prevented for various reasons from ever reaching the "agenda" of a community and it follows then that a study of "decisions" will not identify matters upon which there has never been any decisions.

Both Parry and Morriss (1974) and Lukes (1975) agree with Bachrach and Baratz about the Pluralists failure

to take non-decisions into account but both take issue with Bachrach and Baratz use of the term "non-decision" and with their stress on the importance of "conflict" in decision making.

For Lukes, although Bachrach and Baratz critique is partly ANTI-BEHAVIOURAL in that they emphasize the importance of confining the scope of decision making to "safe" issues, they still insist that their so-called non-decisions which confine the scope of decision making are themselves (observable) DECISIONS (whether overt or covert, unconscious or conscious).

Lukes contends that Bachrach and Baratz position on this issue is inadequate because it is still too committed to behaviouralism and thus fails to realise that

"the bias of the system is not sustained simply by a series of individually chosen acts, but also, most importantly, by the socially structured and culturally patterned behaviour of groups, and practices of institutions, which may indeed be manifested by individuals' inaction." (Lukes, 1975, p.22-23)

This was a similar point to the one made by Parry and Morriss regarding the cumulative effect of lesser decisions and social routines, that is, that the bias of a system can be mobilized in ways that are neither consciously chosen nor the intended result of particular individuals' choices. Rather, it can be seen as a function of collective forces and social arrangements which although they are made up of individuals the power they exercise cannot simply be explained in terms of individuals decisions or behaviour. Parry and Morriss thus believe that the difficulties of the original account

of non-decisions can be overcome if one appreciates that A can often gain advantages and B become disadvantaged by the performance of "social routines" which go largely unquestioned, for

"In this way" A "acquires "consequential power" although he may not have brought the routine into being and although he may be in no direct causal relationship with "B ". (Parry and Morriss, 1974, p.319)

To back up this claim, Parry and Morriss contend that the emphasis on conflict and its resolution through decisive action is only one way of looking at politics. Politics, they claim, is also "ruling" and "being ruled", although implying conflict resolution, to a greater extent also implies "regulation". To a great extent "ruling" is the PERFORMANCE OF ROUTINES and therefore much of what is termed "politics" is

"... the application of fairly standard procedures to the current problem rather than the settlement of "world historical" conflicts" (Parry and Morriss, 1974, p.321)

thus, government routinely works within the prevailing mode of economic production and exchange, and as such politics can be described as ATTENDING to the arrangements of a community rather than as MAKING the arrangements. The significance of this is that any study of power which limits itself to study of decision making isolates itself from the wider cultural, ideological and economic context and as such is inadequate. Power is often best indicated by the routine, unquestioned and unspectacular activities of governments and of economic leaders and, as such, the implication is that "the routinely powerful is the truly powerful" (p.322).

Lukes also criticizes Bachrach and Baratz over their association of power with actual, observable conflict but, unlike

Parry and Morriss, goes on to place more emphasis on the importance of the appreciation of cultural or ideological factors rather than systemic or structural factors. Thus Lukes goes on to contend that certain types of power e.g. "manipulation" and "authority" may not involve such conflict. Also, power may be exercised by shaping or determining people's actual wants through the control of information, the mass media, and through the process of socialization - indeed Lukes cites Dahl as alluding to the occurrence of just this phenomenon in "Who Governs" (see page 164 and page 317). Also, Bachrach and Baratz belief that non-decision making only exists where there are GRIEVANCES which are denied entry into the political process rules out, according to Lukes, the possibility of false or manipulated consciousness.

This criticism, although valid, does not get us any nearer an understanding of the political process at either the local or the national level, for to point out that ideological or cultural factors have the effect of limiting the nature and scope of decision making within a political system, by itself does not tell us why this should be so. To draw a correlation between ideology, cultural factors, false consciousness, etc., and the beneficial effects such factors may have for the maintenance of an on-going system, does not explain the origin of such factors, why they take the form they do, or why they should exist at all. Far less does it tell us anything about the political system itself or why it takes the form it does.

To overcome these difficulties it is necessary to approach the problem from the criticisms made by Parry and Morriss of Bachrach and Baratz concepts of "non-decisions" and "mobilization of bias". As we have seen, for Bachrach and Baratz non-decisions are ACTS which help support the mobilization of bias which in turn gives legitimacy to the non-decisions. Mobilization of bias is a set of predominant "rules

64.

of the game" which, going largely unquestioned, systematically and consistently benefits some group of persons at the expense of others.

Where Parry and Morriss take issue with Bachrach and Baratz, however, is not over whether there is such a thing as a non-decision, but over Bachrach and Baratz definition of it. Parry and Morriss contend that Bachrach and Baratz definition of a non-decision is so wide ~~is~~ ^{and} general that it could include almost any possible alternative to the decisions actually taken or the social and economic relationship already existing. Thus, Parry and Morriss contend, what is lacking from Bachrach and Baratz description is the ability to construct criteria of significance for distinguishing between a range of POSSIBLE alternatives (p.324), and this is a criticism which can also be raised against Lukes.

To overcome this difficulty (and others implied in non-decisional approaches) Parry and Morriss argue that in many cases non-decisions ARE decisions (they cite certain of Bachrach and Baratz examples of a "non-decision" as proof) but that we also have to distinguish between such "non-decisions" and other factors such as "social routines" and "false consciousness" which prevent certain issues, especially "non-safe" issues from arising for

"Some non-decisions appear to involve conscious choices, others to be the outcome of the unconscious acceptance of community values. Still others are identifiable only by their social and political consequences. To understand the power and the penetrability of any community it is better to replace blanket terms like "non-decision" with a more precise analysis of the many different patterns decision making can take." (p.325)

Thus, Parry and Morriss would argue, there will be cases of non-decision making which ARE decisions, but these will not necessarily be "key" decisions. Rather, they might just as well be the products of a series of LESSER decisions or choices each of which forecloses other courses of action and commits the actor or others to directions they might not otherwise have taken. Also, many of these lesser decisions may be component parts of a routine and as such decision making often takes on a "disjointed incrementalism" style. Thus, a decision maker will only make marginal adjustments to policy, operating within a framework of reference which is not of his own making but which is largely composed of precedents, comparable decisions and by the minor amendments most claimants press for.

5.4 Conclusions

The weaknesses of the pluralist approach to the analysis of local political systems are thus obvious and, as they have been outlined in both this, and the previous, chapter, it would be pedantic to reiterate them here. However, as indicated in the previous chapter, certain of the criticisms laid against the pluralists contain the basis of an alternative (Marxist) analysis of the local state, its functions, and the determinants on them and it is to a critical assessment of this approach that we now turn.

CHAPTER 7: MARXIST ANALYSIS AND THE STATE.

7.1 Introduction

It is clear that in order to understand the nature of the state within a capitalist system it is necessary to reject the conventional wisdom of political science and sociology - what Poulantzas describes as the "problematic of the subject" - which treats actors as the fundamental units of analysis and explains power in terms of their goals, alliances and actions. In contrast, Marxist analysis argues that social practices are determined by economic, political and ideological structures within a social formation.

However, as will become evident, certain aspects of Marxist analysis are problematic and, as will be demonstrated below, much of this is due to the fact that the Marxist literature on the state has tended to focus around the Miliband - Poulantzas debate (see Blackburn, 1972), i.e. between the "instrumentalist" and the "structuralist" approach, and this has rather tended to limit the nature of much of the subsequent analysis.

7.2 The Miliband-Poulantzas debate.

Both Miliband (1969) and Poulantzas (1975) focus on the political as an autonomous object of analysis although this emphasis is not absolute but relative. Thus, it is not here implied that either Miliband or Poulantzas deny that political forms must be related to "the anatomy of civil society; what does seem to be the case, however, is that both tend to concentrate on analysing the internal dynamics of each

and, as a result, neglect the important factor of the RELATIONSHIP between the two.

There are of course differences between the two authors. Miliband mainly concerns himself with an EMPIRICAL critique of orthodox political and sociological thought. However, there are obvious limitations to this approach for, by not initially founding his critique in a more systematic analysis of capitalist society, Miliband is unable to go on to develop an alternative analysis of the state which would show the RELATIONSHIP between its development and the development of the capitalist mode of production.

Poulantzas validly criticizes Miliband for failing to appreciate the STRUCTURAL links between the bourgeoisie and the capitalist state. For Poulantzas.

"the relation between the bourgeois class and the State is an OBJECTIVE relation. This means that if the FUNCTION of the State in a determinate social formation and the INTERESTS of the dominant class coincide, it is by reason of the system itself: the direct participation of members of the ruling class in the State apparatus is not the CAUSE but the EFFECT, and moreover a chance and contingent one, of this objective coincidence. (in BLACKBURN, 1972.)

That is, what makes the state in capitalist society a capitalist state is not the class composition of the personnel of the state apparatus but the position occupied by the state in the capitalist mode of production. (1)

Poulantzas' analysis of the state, although an advance on both Miliband and the pluralists, has also been criticised. Poulantzas distinguishes between "the political" (le politique) which is the instance of a social formation (e.g. the state) and "politics" (la politique) which he defines as the struggle (between classes) for the control of the institutions which form the political instance. For Poulantzas, the state's role is basically political and its main functions are

- (1) to ensure the cohesion of the instances of the social formation, and
- (2) to reproduce its class structure (1975a,p.24)

Although the state apparatus can take on the role of a "relatively autonomous social force" (1975a,p.23) it cannot be regarded as having its own "will" or "power", or as being able to impose its own policies; that is, institutions as such have no power - rather, they are "centres of power" in which class power is exercised and are thus important in an analysis of power only in so far as they enable a social class to realize its specific objective interests. Thus, terms such as "community power", "local power" or "urban power" would be unacceptable to Poulantzas since they imply that it is institutions rather than classes from which power derives. The state, according to

(1) See also Offe, 1974, pp.32-33.

Poulantzas is "not an entity as such" (1975, p.26), but REFLECTS CLASS RELATIONS (condensate). The state is not viewed as being potentially independent of dominant class interests, or as being completely subservient to them because the state is not external to and separate from the class structure.

"Relative autonomy of the state is not understood as being the capacity to oppose or arbitrate between different capitalist interests the image of "neutrality" is deceptive because the state is a necessary product of, and intrinsic to, capitalist production relations." (Flynn,1978,p.6)

7.3 The structuralist approach: initial criticisms

This tendency by Poulantzas to identify class struggle with the realm of the political and his separation of the political from the economic has been the subject of criticism. Holloway and Picciotto (1978) contend that, because Poulantzas views radical revolutionary demands by groups in society as being mainly articulated within the political system and because their success or failure is seen as being dependent upon the nature (functional) and responses of that system, the origins, nature, strength, success, failure and overall effects of such demands are not put properly into their systemic context. By separating the political from the economic Poulantzas is also prone to analyze the LIMITS imposed on state action without reference to the structural relationship of the process

of capitalist accumulation and to thus see the limits to state action as arising not from the logic of capital but from the form of class struggle.

Nevertheless, Poulantzas's work has greatly influenced Marxist analysis. Miliband himself has come to accept most of the criticisms and the alternative approach proposed by Poulantzas. Lojkin, Castells and Preteccille all follow Poulantzas in viewing the state as "internal" to (the "condensed reflection" of) the class struggle, and therefore responsive to working class pressure as well as to the "needs" of capital accumulation, although both Lojkin and Preteccille appear to admit that not all intervention are obviously reducible to simple class interests and both would be prepared to acknowledge the significance of fragmentation within, and inconsistency between, the structure and operation of the state apparatus.

Glynn and Sutcliffe (1972) in portraying the state as an instrument of the capitalist class in its fight against working class militancy follow Miliband in concentrating on an empirical demonstration of how the state has acted in the interests of capital while, at the same time, either neglecting or explaining simply by reference to "the class struggle", the problem of what makes the state take such action. Gough's analysis (1975), in making a similar distinction between economics and politics, suffers from the same weakness. Both also ignore the importance of the limitations on state action and the contradictory effects such state actions can generate.

Lojkin, although basically accepting Poulantzas's views, nevertheless tends to oscillate between a structuralist and an

instrumentalist perspective. The ambivalence is best demonstrated with regard to his concept of "relative autonomy" whereby political concessions to working class pressure and other non-class specific, state policies are described in terms of instrumentalist conspiracy theory - that is, such policies are interpreted as being either pre-emptive or delaying tactics by the state, somehow anticipating and avoiding future conflict, and thereby ensuring the long-term survival of capitalist relations.⁽²⁾

While there are differences in detail and in emphasis even between those Marxist theories of the state which base their analysis on a similar paradigm, they have certain characteristics in common. Although the specific example of Lojkin was referred to above, all of the Marxist writers mentioned above do, at different points in their respective arguments, seem ambiguous about explaining state action as a response to alter systemic requirements or class manipulation and thus equivocate between "structural" or "instrumental" views of the state. This approach has rightly been criticised; by Gold, Lo and Wright who state that

"... it is impossible to see how the complex apparatus of the state can be understood adequately in a model which sees policy outcomes primarily in terms of class conscious manipulations by the ruling class. But the structuralist perspective is also inadequate. For while it does situate the formation of policy in the context of the functioning/

(2) see FLYNN, 1978, on this point and also on the different concepts of "relative autonomy" used by other Marxist writers, e.g. Castells.

of the capitalist system as a whole, it generally does not explain the SOCIAL MECHANISMS which actually generate a class policy that is compatible with the needs of the system..." (quoted in Flynn,1979).

Thus, the fundamental point to be made is that by adopting this structuralist line of approach without properly analyzing the RELATION between the capitalist state and its basis (and the on-going-changes within that basis) all one is able to do is to point to the capitalist CONTENT of state action without being able to explain WHY the content should be as it is. All that such approaches do is to state that the state (local or national) ACTS (or functions) in the "long-term interests of capitalist accumulation without explaining why this should be so.

Saunders, in his analysis of the local state in Croydon(1978 and 1979), and in attempting to refine the work of Rulantzas, Lojkin, Preteceille etc. by making the distinction between the "productive" and the "allocative" functions of the local state falls into the same trap. He makes an analytical distinction between two key functions performed by the local state:

- (i) the allocation of collective consumption
- (ii) the provision of productive infrastructure.

He tells us that the allocative function (e.g. the provision of housing, education, social services etc.) is to be analyzed in terms of the political demands of groups within a community

"the allocative function is strongly influenced
by external political pressures such that
working-class mobilization may be able to
force certain concessions"(1979,p.15)

while the productive function (roads, car parks, the use of planning
to aid capital reorganisation - which functions in the interests of
capital accumulation)- is to be analyzed by using a MANAGERALIST
perspective

"the productive function is exercised independently
of outside interests (though not of central
government) although attempts may be made to
draw those affected into the decision-making
process (hence Pahl's concern with corporatism)
in order to assess better what needs to be done...

In its productive function it will tend
to develop its own policies, often on apparently
"technical" criteria, aimed at maintaining a
profitable private sector."
(1979, p.16)

However, this tells us nothing. For, if the productive function is
controlled by managers whose actions are not determined by either
individual capitalists, fractions of capital, or by the overall
system of production then why should these managers NECESSARILY act
in the interests of capitalist accumulation at all? The empirical
evidence may show us that they do do, but the analysis does not even

tell us WHY they do, far less why it is NECESSARILY the case that they should do. Saunders also fails to realise that certain of these productive functions ARE the subject of political debate and contention (e.g. motorways and motorway groups) and therefore it is necessary to consider the inter-relationship between the political and the economic in order to explain them. Finally, Saunders' analysis of the allocative function of the local state is itself open to criticism because it assigns too much importance to the political and, as a result, he fails to see that certain of the functions he assigns to the allocative sphere are themselves necessary for the continued reproduction of the capitalist system (e.g. housing, education etc.) and therefore that the level and nature of their provision cannot fully be explained by reference to competing political demands alone.

7.4 Marxism: an organisational perspective.

It is at this point that we can appreciate the importance of some of the criticisms raised against the pluralists. It was demonstrated in Chapter 6 that the exercise of confining the scope of decision-making to safe issues, the concepts of "non-decisions" and "the mobilization of bias" could not be fully explained in terms of the actions of individuals or groups. Both Schattschneider and Lukes hinted at the truth; the former in stating that ORGANISATION (i.e. systemic factors) is the mobilization of bias, and Lukes in contending that it is to the socially structured and culturally patterned behaviour of groups and institutions that we must look to explain the mobilization of bias. More importantly, Parry and Morriss's

theory of "consequential power" - which is a function of the performance of SOCIAL ROUTINES - also provides us with a useful and necessary analytical tool for analyzing the state because it directs attention away from the FUNCTIONS of the state and on to an examination of the factors influencing the nature of the FORM of the state and the decision rules affecting the determination of individual policy outputs. It will be argued below that these factors are a necessary complement to an analysis which situates the state in the overall complex of capitalist society.

Offe (1974 and 1975) attempts to provide a crucial Marxist framework with which to analyze both systemic and organizational aspects of the capitalist state. In criticizing "influence theories" and "constraint theories" for implying the neutrality of the state APPARATUS as an instrument which, according to its internal structure, could in principle be used to implement other interests, Offe contends that they fail to analyze

".... the CLASS-CHARACTER of the State; they both restrict themselves to investigating external determinants which make the CONTENT of the political process class bound."

(Offe, 1974,p.33)

What needs to be investigated, therefore, according to Offe, are those "capitalist" policies which arise from the state organisation's own (internal) routines and formal structures (see 1974,p.34 and p.35),

"One can only speak of a "capitalist State" or an "ideal collective capitalist" only when it has been successfully proved that the SYSTEM OF POLITICAL INSTITUTIONS DISPLAYS ITS OWN CLASS-SPECIFIC SELECTIVITY CORRESPONDING TO THE INTERESTS OF THE ACCUMULATION OF CAPITAL."
(Offe, 1974, p.36).

In attempting to do this Offe, in defining the characteristics of the capitalist state - or the state in capitalist society - refers not solely to its structural attributes but to the way in which it is functionally related to and dependent upon the accumulation process. To a certain extent he divorces the state from the accumulation process - "the state is no capitalist itself, and accumulation takes place only in private accumulating units" (1975,p.126.) - although , for Offe, the state does have the MANDATE to create and sustain the conditions of accumulation. Nevertheless, the state's power relationships and its very decision-making process do DEPEND on the presence and continuity of the accumulation process because, in meeting its budgetary obligations, it relies extensively on resources created in the accumulation process which are derived through taxation. A similar point is made by Friedland et.al.

"Governments in capitalist societies are consequently (3) dependent on taxes which are ultimately drawn from incomes or profits generated /

(3) i.e. because of their exclusion from productive activity¹

in the private sector. As long as state financing is dependent upon taxation (or public debt to private financial intermediaries), its autonomy is limited by the necessity to AVOID policies, which might infringe upon capital accumulation. And to the extent that capital accumulation and public fiscal capacity both depend on continued private control of investment, production and location decisions, political issues which question that control are extraordinarily difficult to raise."
(1977,p.454.)

Thus, for Offe,

".... every interest the state (or the personnel of the state apparatus, its various branches and agencies) may have in their own stability and development can only be pursued if it is in accordance with the imperative of maintaining accumulation; this fundamental dependency upon accumulation functions as a selective principle upon state policies. The criteria of the stability of accumulation is thus incorporated in the pursuit of interests and policies that, considered by themselves, may have little or nothing to do with accumulation."⁽⁴⁾ (1975,p.126)

(4) c.f. Friedland et.al. 1977,p.454. Also, for an application of this to the concrete activities of the local stage, see KRAUSHAAR, 1979.

Offe's fourth element in the definition of the capitalist state is "legitimation." To achieve this, according to Offe, the state must, at the same time as it pursues policies conducive to capital accumulation, conceal its nature as a capitalist state by conveying the image of an organization pursuing common and general interests of society as a whole.

Offe then turns to an examination of the decision rules by which the state operates. Saunders' (1979) distinction between the "allocation" and the "productive" functions of the state was taken from Offe. However, Offe's use of the two concepts is somewhat different from that of Saunders. For Offe, both the state's allocative and productive functions are concerned with maintaining the conditions of capitalist accumulation, the distinction being that the allocative function is concerned with those resources (e.g. land, taxes) which are already under the control of the state (1975, pp. 127-129) whereas the productive function is concerned with those (mainly physical) inputs necessary to maintain capital accumulation which the state does not own but has to CREATE.

Offe believes that different decision rules operate for each of these two functions. For Offe

" What characterizes ALLOCATIVE policies, then,
is that politics and policies are not differentiated:
Policies are congruent with politics and the
question of political decision-making that goes on
internal to the state apparatus is to whom or to
what purpose these already available resources /

should be allocated. This question can be resolved by the method of power struggle over the resources of the state, that is, through politics." (Offe, 1975, pp.128-129).

That is, directives as to what use is to be made of these state-owned resources can be directly derived from the manifest interests and power relationships that become apparent in the process of politics and political conflict.

With regard to the productive function, however, the state has to devise decision rules of its own for, in reacting to disturbances within the system, the demands of the most powerful groups may not be conducive to the maintenance of the accumulation process as a whole;

"The rules that govern Politics are not sufficient to solve this problem. An additional set of decision rules is required that determine POLICIES."
(Offe, 1975,p.133).

Despite the fact that there are certain inadequacies in Offe's approach (which will be dealt with below), his analysis does provide some useful insights into issues of contemporary importance for an analysis of the state in capitalism and, as such, a further elaboration of his analysis is not inappropriate at this point.

Regarding state productive policy formation, Offe distinguishes between form and content and argues that public policy cannot fully be understood by content analysis alone.

"The usual conceptualization of state activity visualizes the state as a "problem solver" : Problems are recognized, and more or less adequate solutions are produced. This image is not wrong, but one sided and incomplete. For what the state does if its works on a problem, is a DUAL process: It organizes certain activities and measures directed towards the ENVIRONMENT and adopts for ITSELF a certain organizational proceedure from which the production and implementation of policies emerge. Every time a state deals with a problem in its environment, it deals with a problem of itself, that is , its internal mode of operation".
(1975,p.135).

Offe believes that both of these aspects of problem-solving are interconnected in a circular way:

"Social and economic problems, as items on the state agenda, may trigger off changes in the formal strategies according to which the state operates, and conversely these formal strategies may substantially determine /

both the ability of the state to perceive
 problems and the nature of the ensuing policies."
 (1975, p.135) (5)

Offe then turns to an examination of how the formal rules of policy production determine the activities of the state and analyzes potential discrepancies and contradictions between the state's functions and its internal structure (institutionalized mode of operation). The bureaucratic method seems to Offe to both theoretically and empirically correlate with the state's allocation function

"The reason for this assumption is that in
 ALLOCATIVE activities, in which state-owned
 resources are distributed, the bureaucratic
 mode is both best suited and sufficient to
 administer the allocation process in
 accordance with the functional requirements
 of the capitalist state." (1975,p.136)

However, Offe contends that this method is unsuited to the state's productive function because this function gives rise to the question of GOALS and the bureaucratic model being " the application of PRE-determined rules" is insufficient for the task.

The "purposive action" method (whereby technical rationality underpins the mode of operation) is also, according to Offe, limited in its ability to set goals and

(5) See KRAUSHAAR, 1979 for the application of this point.

"Only if the goals of purposive rationality can be taken for granted in a given situation, can purposive rationality become the organizing principle of the structure of an organization."
(1975,p.138)

Whereas private industry (which, according to Offe, employs a similar purposive action decision-making process) derives either its goals or very stringent criteria for action from its environmenta (i.e. the "market"), the state

".... does not have unequivocal, uncontroversial, and operational cues as to what the goals of its productive state activities should be; at least it is unable to derive such definitions of goals and goal related criteria from its environment The variety of needs, interests, demands, crises, etc. that appear in the environment of state activity are of a contradictory nature, especially under conditions of advanced forms of competition to allow the derivation of operational goals. Conversely, the state in its specific capitalist form is unable to impose on its environment its OWN definition of a set of goals that it then could pursue according to instrumental rationality."
(1975, p.138).

Offe cites other obstacles to purposive rationality facing the state

- (1) the fact that the state, because it lacks total control over its environment (especially the market), cannot rely on or ensure stability of external conditions for the length of a policy cycle;
- (2) the fact that there are externalities to policies, which are both difficult, if not impossible, to allow for and which can come into contradiction with the legitimation needs of the state;

and

- (3) there is the difficulty of assessing both the value of goals and of costing the means, the latter problem being exacerbated by fiscal constraints and crisis which are themselves aggravated by the number and costs of productive state activities (c.f. O'Connor, 1973; Hill, 1977; and Friedland et. al. 1977)

Thus, for Offe, it is only under certain "very limited and unlikely" conditions that the purposive action method could be adopted as the organizing principle of productive state activity.

The limitations of allowing the state's productive function to be determined by a process of political conflict and consensus are obvious. The state would become incapable of long-term planning, the demands might not be in accordance with the needs of the system and, finally,

"... conflict is created by the fact that the adoption of social conflict and consensus as the basis for policy production does INVITE more demands and interests to articulate themselves than can be SATISFIED under the fiscal and institutional constraints that the capitalist state is unable to escape." (1975,p.140.)

Offe thus concludes that the capitalist state cannot strike a balance between its required functions "which result from a certain state of the accumulation process, and its dynamics" (1975,p.140) and its internal structure although it can attempt to minimize this structure/function discrepancy. Thus

"What is real about (the capitalist state) is the constant attempt to reconcile and make compatible these various functions with its internal structure, or mode of operation." (1975,p.144)

Offe's argument does have its weaknesses. Because his link between the state and the capitalist accumulation process is somewhat tenuous, it could be argued that such an analysis is better able to explain the CONSTRAINTS upon state action rather than all aspects of its positive outputs. However, even this aspect may be somewhat problematic (at least in terms of Offe's argument) - that is, the state may have to protect capital accumulation, but does this

necessarily mean that it must pursue capitalist accumulation? In terms of Offe's argument the fact that the state empirically does protect capitalist accumulation has not yet been logically proved to be more than . . . contingent, and not a necessary, fact. Perhaps this is too pedantic a point since, as Offe himself demonstrates, there are practical constraints on state action which might threaten the process of capitalist accumulation (e.g. capital flight, investment strikes, etc.) However, it is still one aspect of Marxist analysis which requires refinement.

Certain aspects of Offe's analysis of decision-rules can also be criticized. In contending that power struggles are the basis on which policies within the allocative function are determined, Offe does not sufficiently elaborate on the nature and relative weight of power relationships within capitalist societies and one is left with the (presumably unintended) impression of some sort of pluralist interplay of competing equal demands (c.f. criticisms of the pluralists in Chapter 6.) Again, this is perhaps a pedantic point. More importantly however, if the allocative function is itself necessary for the maintenance of the conditions of capitalist accumulation then the argument that it is wholly subordinate to the vagaries of political competition is debatable (c.f. criticisms of Saunders above) and it is unclear why the decision rules should be different in principle from those of the state's productive function.

However, despite the criticisms which can be raised against both Offe and other Marxist writers, the alternative theories proposed to generate useful insights into the nature of the state within the

capitalist system which cannot be dealt with by orthodox analysis.

The following section will consider some of these insights and attempt to demonstrate their importance for future analysis.

CONCLUDING REMARKS

The overriding value of Marxist theory lies in its attempt to locate the state as a whole within the capitalist mode of production. By rejecting a subjective approach to politics and by emphasizing the importance of the determination of social practices by economic, political and ideological structures, Marxist theory overcomes the limitations of orthodox analysis and provides a useful alternative paradigm for a more critical urban theory.

One of the initial and most important benefits of the Marxian approach is that it necessitates our reappraisal of what has been understood as the "urban" in advanced capitalist societies, both in theory and in practice. Thus, "urban" problems can no longer be viewed as merely spatially derived phenomena but must be seen as having their structural origins within the capitalist mode of production, and this has implications for the way we must view, for example, social service delivery, area-based initiatives in planning, deprivation and the problems of the inner city.

With regard to an understanding of the sphere of the political, Marxian analysis also raises important issues. The focus upon systemic determinants which ensure that state functions coincides with the "needs" of capitalist accumulation is both a valid and a valuable one. Although the exact nature of the relationship between the economic and the political as yet remains to be more fully developed and refined, such an approach does afford us a theoretical framework with which to analyze certain important questions:

- (1) What are the limits of state action? Although Marxist analysis has not of yet provided us with a fully developed and coherent explanation of all aspects of the State's positive actions, it does allow us to better understand the nature of the constraints and limitations on state action arising from this relationship.

One obvious aspect of these limitations is the fact that, state expenditure, being a deduction from surplus-value, is therefore limited by the competing claims of private capital on that surplus value, (which must be met if accumulation is to continue).

The urban fiscal crisis which has affected many large cities demonstrates the STRUCTURAL limits, within the framework of dominant capitalist relations, of the increasing socialisation of public services. It has been argued by Marxist writers (e.g. O'Connor, 1973, Friedland et.al. 1977, Offe, 1975, and Castells, 1978) that, in advanced capitalism, the socialization of public services and other measures to subsidize and protect the accumulation process by the state has assumed increasing importance for the maintenance of both productivity and profitability of private capital. As a result, state expenditure has had to increase while at the same time the state has continued to permit the private appropriation of profits. The state has also had to absorb the popular discontent generated by the social costs of the accumulation process and also finds that economic demands are becoming increasingly articulated within the political system. Demand from both sides have thus got to be met if the state is to attempt to reconcile its productive function with its

legitimation requirements. O'Connor (1973) argues that, financially, these dual functions of the state, and especially urban government, are entering into contradiction with one another - however, the question of whether these contradictions are manifest at all times within the capitalist state, or whether they arise only at certain junctives, is a question requiring further research.

The question raised by Offe regarding the ability of the capitalist state to modify its own structure and decision-making process in order to successfully face up to these demands has also been relatively unexplored by Marxists. Friedland et.al. suggest that the reason why the contradictory nature of the functions have not generated a crisis within the state but only infrequent convulsions is due to specific structural arrangements (developed especially at the local level) which mediate the potentially antagonistic functions and which allow urban governments to cope with both the requirements of economic growth and of political integration, even during periods of potentially intense conflict.

Thus, all western capitalist states provide for some degree of structural segregation between those governmental activities which further economic growth and those which facilitate the political integration of the urban population, and there is also a widespread tendency for these functions to be fragmented among different agencies and programmes. Again, however, this is an interesting hypothesis deserving of more concrete Marxist analysis. Are there trends which can be observed regarding the growth of semi-autonomous and non-elected governmental agencies which correlate with the ascribed need of the capitalist state to provide some degree of separation between its

political-integrative functions and its economic functions? A similar application of this hypothesis could be directed towards the changes in the internal management structure of the state.

There are other issues, too extensive to be elaborated upon here, which are raised by Marxist analysis of the state and its relationship to the process of capitalist accumulation - issues which question the validity of orthodox analysis and which, even if historical materialist theory is ultimately proved to be of limited explanatory value as an alternative paradigm, nevertheless has at least forced us in to a critical assessment of the current orthodoxy. This in itself is proof of its importance.

However, Marxist analysis may have to critically examine the question of whether all aspects of the state can be fully explained and analyzed in terms of a single, all-embracing theory, however much refined. In validly situating its object of analysis within the context of the wider social formation, Marxist analysis is perhaps too prone to overlook the distinction between explaining the functional role of the phenomenon and explaining its genesis, and the validity of subsuming both aspects within the one theory is often debatable. It could therefore be argued that orthodox analysis can be an analytically useful complement, and not an incompatible polar opposite, to the Marxist approach in this respect and should therefore not be dismissed a priori as being irrelevant.

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