

WORKING PAPERS IN ECONOMICS

CONTRACTS IN THE POLITICAL ECONOMY
OF A NATION

by

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by Gavan Butler

Introduction

The purpose of this paper is to examine some of the detail of the construction of capitalist social orders. In particular, the paper examines the place of the state. The broad argument is that the state is a set of rules, devised fairly unsystematically within a liberal democracy and exhibiting internal inconsistencies, which govern the settlement or containment of social conflicts. The terms of settlement of a conflict are the terms of a particular social contract. Such contracts together are the fabric of social order.

The course of the paper begins with an examination of the development of the state from the point of view of rule formation. It becomes clear that the state is perpetually involved in boundary disputes and is beset by incoherency and crises. An attempt is made to respond to Colin Crouch's challenge to marxists that they should "theoretise democracy"; and in this paper the forms of liberal democracy are located in relation to (state) rule formation. It has to be acknowledged, though, that these national forms are in a measure being set aside by several modes of internationalisation of the nation-state.

The discussion of rules is effectively a pathway to discussing particular social contracts. Such contracts are to be distinguished from the "legal contracts" that are generally familiar, from other contracts between individuals, and from the broad social contracts which British Labour once entertained. Particular contracts are only unsystematically evaluated in respect of their contributions to the accumulation of capital in general; and one result of this weakness is that the legitimacy of the state itself is uncertain. The picture of the state outlined in this paper is briefly compared with some other views, especially in so far as these make more or less explicit reference to contracts.

Finally, the importance of contracts in the political economy of a capitalist nation can be established in the case of Australia by reference to certain measures constructed by the Industries Assistance Commission.

The State and Rules

Not only are the contracts that are the concern of this paper subject to rules but these rules can be identified with the state. This beginning point is not something on which writers on the state are clearly agreed: it must be established.

The debate between Ralph Miliband and Nicos Poulantzas in the early 1970s forced upon discussion of the nature of the state in capitalist societies, the polarities of instrumentalism and structuralism.¹ In the instrumentalist view, the state is commandeered by the capitalist class and used by that class as an instrument in achieving its purposes. So state power is captured and employed to augment and to secure the power of capital. In the terms of structuralism, on the other hand, the idea of the state's being something outside capitalist social relations and of its being captured or taken over by a class of people is a nonsense. On the contrary, the capitalist state is held to have been formed with capitalism and to be an expression of capital as a social relation. In other words, the power of the capitalist state does not and cannot exist independently of the power of capital.

In his long and bitter essay, The Poverty of Theory,² E. P. Thompson blamed Louis Althusser's structuralism for having bred among many of the apprenticed academics of the 1970s a profound pessimism about the possibility that men and women can be the subject of their own history. More especially, there has been profound pessimism about the possibility of reform of the state through the social agency of men and women. Thompson described structuralism as the "terminus of the absurd" into which "the rule-governed structuration of human eventuation" has slipped (or been pushed), as being equivalent to the notion of a goal-keeper's being "gamed" rather than of his playing in accordance with the rules of the game, and as "the ultimate product of self-alienated reason."³ Some time ago, Ian Gough deplored the polarization of views into instrumentalism and structuralism and endorsed some sort of middle ground.⁴ Ralph Miliband subsequently

shifted ground to some extent: he acknowledged "structural constraints," along with the economic power of the ruling class and the fact that the personnel of the state are generally drawn from or beholden to the ruling class, as important in determining that the state is the instrument of the ruling class; and he characterised the structural constraints as tending to "deprive agents of any freedom of choice and manoeuvre and [as turning] them into the 'bearers' of objective forces which they are unable to affect."⁵ As Colin Crouch pointed out, however, the idea of structural constraints does not represent a substantial concession to structuralism.⁶ Indeed, it suggests a much greater affinity of Miliband's position with that of E. P. Thompson. In any case, Crouch contended that all Marxist analyses--and particularly the more structuralist analyses--fail to "theoretise the liberal democratic state."⁷ He even proposed to incorporate in his own reformulation of the concept of the state some of the work of the erstwhile pluralist and doyen of "The Virginia/Chicago School of Political Economy," Charles Lindblom.⁸ The bulk of this paper is an attempt to take up Crouch's challenge to Marxists.⁹

Rules or Institutions.

The state may be defined as (i) a set of rules or institutions and (ii) a set of instrumentalities which devise and implement the rules. The equivalence here of the two terms, "rules" and "institutions," is the equivalence suggested in the expression that something or other has become "institutionalised": the something or other has been made subject to rules. Together the rules contribute to the social order. In fact, the rules are either laws (embodied in constitutions or the casebooks of common law, or acts of parliament, or simply dictates) or administrative regulations. In terms of liberal democracy, there is a great difference between the two;¹⁰ but this is a matter that will be taken up later. It is not correct to say, as Miliband has,¹¹ that one of the functions of the (capitalist) state is the maintenance of law and order: the state is first a part of the structure of social order and only then a vehicle for the maintenance of law and order.

The state is not the only part or element of social order. There are the market (as a single institution, as some view it, or as another set of institutions) and private property. There are also the church and the

family. Althusser regarded these latter institutions, as 'state apparatuses' themselves; but that is to deprive the state of much of its history. The boundaries between the state, the church, and the family are arenas of dispute, as will shortly be indicated. (Two of the many examples that could be cited are the conflicts over whether state aid should be provided to a separate system of Catholic schools and the continuing refusal of the Catholic church to recognise civil divorce). A further element of social order is a dominant ideology; in Lindblom's work¹² it is described as 'persuasion' and, along with the state and the market, as a principal element of social order. Put badly, the dominant ideology in a capitalist society is one of individualism.

It is not to be inferred that every rule is necessary or that only those rules which are necessary and sufficient to achieve order are implemented. Nor is it to be inferred that, while there may be shifts in the boundaries of the state, there are no other changes in the state. Neither state of affairs is to be expected where there exists some degree of 'liberal democracy,' where the detail of order is not knowable but for the weaknesses which become evident, and where the things to be ordered do not always conform to order naturally. Partially self-directing men and women are to be found in all three circumstances: they effect democracy; they contribute to achieving order in response to what they learn of it-- order itself does not learn; yet some also rebel. The result is that, in any society, some institutions contribute more to the achievement of social order than do others, some are redundant, and some actually disturb the order.

The neoclassical economist's conception of order is a good deal simpler and cruder. It is cruder, in the first place, because it involves the attempted distillation of something called economic order, a notion which is actually cramped painfully within that of equilibrium. There is a further sense in which it is cruder: the maximisation of individual gain, mediated by the market, is represented as tending towards the greatest social good, given a number of conditions including the substitutability of factors of production and of commodities in providing 'utility', and the absence of externalities in production and consumption; and it is allegedly possible to virtually exclude all but two institutions--the market and private property--from a set of conditions necessary and sufficient for the

attainment of such an economic order. Of course, economic order has to be regarded as being indifferent to the interpersonal distribution of wealth. The state, to the extent that it is acknowledged at all, is subsidiary to the market and to private property. In right libertarian conceptions of the state, such as Milton Friedman's, the state is recognised but as a perverse institution.

I have said that institutions and rules achieve social order. How precisely to they do so? Essentially they are rules for handling, containing, or apparently resolving conflicts. Modern contract theory, so-called,¹³ is focused upon conflict between individuals, to which 'contractarians' tend to argue that all conflicts are reducible. Conflict between buyer and seller is supposed to be resolved by the market or free exchange in circumstances of many buyers and many sellers. Not all conflicts between individuals are settled by the market however: there are many which are settled in accordance with other rules, such as the institution (and attendant rights) of private property, the family and familial loyalty, and the church and the values it has ordained as paramount. The state, too is important in the settlement of conflicts between individuals, through the judicial system. And the judicial system is able to handle some conflicts between individuals and classes of all people affected by some action or other. Of course, the state is much larger than the judicial system and is correspondingly much more competent in the handling of conflicts. It is more or less competent to handle conflicts between corporations and associations, even where the association is as large as a traditional social class. Thus the state has a place in the handling of class conflict, a term which incidentally makes more sense as a description of conflict involving people of a particular class acting in association with each other rather than as a conflict between individuals of one class and individuals of another. For the purposes of the argument here, the term 'social conflict' will be reserved to cover those conflicts other than between individuals or covered by class actions within the judicial system.

Some attention has been given during the 1980's in particular to the arguments of the right libertarian, Robert Nozick.¹⁴ According to Nozick, a minimal state or the 'nightwatchman state' of classic liberal theory can develop within a society and no more powerful or extensive state is

legitimate or justifiable. The minimal state is one which protects for all individuals the rights to which they are naturally entitled, including their rights to property in themselves (their own persons) and their labour power if not their labour. Nozick's arguments have met with opposition on their own terms.¹⁵ However, Nozick has little bearing on the story being developed here, in that his concern is with what sort of state is justifiable rather than extant, and his concern is with individuals and groups of individuals rather than with associations of people, except in so far as associations may be formed for the joint protection of natural entitlements by way of contracts of exchange.

A group of individuals with some characteristic in common, such as an interest or a relationship to some process, may choose to associate with each other or form an association. It is reasonable to suppose that associations are formed with a view to members' undertaking joint actions, even if the joint action is only the swapping of stamps. An association may choose to incorporate itself. As Bowles and Gintis state, "the notion of the group as a collective individual is untenable even as a suggestive fiction", and "politics is as much the creation of collectivities and their erosion as it is a clash among given groups".¹⁶ Bowles and Gintis go on to talk of the importance of discourse and organisation in the achievement of solidarity and social action. To judge from their discussion of the "creation of collectivities", though, there is no general story of the creation of smaller scale associations to rival E. P. Thompson's epic, *The Making of the English Working Class*. This much is clear, all the same, that it is not fruitful to pursue the story of association in general from "the standpoint of contract"¹⁷ or the standpoint that on association is a web of contracts of exchange between individuals.

One further remark about associations is in order at this point. There are positions of rule in capitalist societies, including positions of ownership of the means of production and control over the advance of capital and of discretionary power in the implementation of the rules of the state. The people who hold such positions hold the power to rule. Access to the positions may be hereditary or, more likely these days, dependent on passing tests of merit including tests of ideological commitment, loyalty, and so on. The people who are in positions of rule do not need to associate in order to rule; but, especially as access to

positions of rule widens, are thereby better able to do so. It is a long recognised asymmetry that while members of the ruling class do not need to associate in order to establish basic capitalist rule, workers do need to associate if they are to resist such rule.

It is possible to distinguish two broad categories of social conflict within a materialist perspective. The first of these concerns, the division of the social product between a portion for the sustenance and reproduction of the people forming the society in question and a portion for the expansion of the population and the means of its production (that is, a surplus); the second concerns the disposition of the surplus between different avenues of expansion, as well as between these avenues and parasitic consumption and waste. Every politico-economic system, except those of early hunters (if the word "system" is here appropriate), faces these two great divisions of its product. Within a materialist perspective, it is in respect of these two great divisions that the most fundamental social conflicts occur. Conflicts over the first division in contemporary capitalist systems include conflicts over conditions in the workplace (length of the work-day, pace of work, etc.), over wages, workers' compensation, leave and so on, over the alleged monopoly power of the suppliers of wage goods. Conflicts over the second division occur between industrial capitalists, on the one hand, and bankers and merchants, on the other, between industrial capitalists over alleged monopoly power in the supply of producer goods, the rate of currency exchange, and countless other matters. Some conflicts cover both divisions, such as where certain industries damage the physical environment of both other industries and of people.

The state's place in containing conflicts such as those that have just been mentioned can be readily observed. Working conditions are subject to legislation such as that pertaining to industrial safety; wages and "supplements" are subject to arbitration, minimum wage legislation, equal-wage legislation; prices and other terms of trade are subject to restrictive trade practices legislation, anti-trust laws and the like. Restrictive trade practices legislation also affects the division of the surplus product between industrialists and merchants in particular, while the division between bankers and others may be affected by statutory limits to particular rates of interest. And there are countless other examples.

such as the pegging or underwriting of the rate of exchange, transfers of income through the tariff system, licensing, environmental legislation and on and on.

The Boundaries, Incoherency and Crises of the State

The state co-exists with various other elements of social order. The boundaries between these various elements are neither given nor fixed: they are typically lines of dispute. There are disputes along the boundary between the state and the market over, for example, the regulation of the trade in agricultural commodities so as to establish floor prices, or the legalisation of the growing and sale of cannabis; in fact, the examples are countless. There are disputes between the state and churches or religious establishments over the control of marriage and divorce, over abortion and contraception, over what types of sexual behaviour are to be discouraged, etc. Various bodies claiming to be the guardians of the values of the family contest with the state the circumstances under which children may be taken from their parents, for example, or the state's right to oversee the use of child labour in the family firm. Men may defend the institution of patriarchy as against the state's determination of the rights of women in marriage. The point is that boundary disputes are a major contributor to flux in the development of the state.

Furthermore, the forms of liberal democracy do not unerringly produce rules ensuring the maximum rate of accumulation or social harmony at minimum expense. Over time, some institutions may have to be amended and others may have to be let to fall into disuse. Some may prove to have been too generous to interests other than those of capital accumulation. The generosity may not seem to have been all that important at a time of general prosperity but may well appear excessive during a recession. Or there may have been a misreading of the seriousness or disruptive potential of a conflict: the solidarity of unions in a struggle to change the institution for fixing wages, for example, may turn out to be much weaker than it seemed to be. Despite the protectiveness of civil servants who have given effect to the old institution, the political representatives of capital may even attempt to have the institution replaced. Misreadings of the degree of conflict are not the only problems for coherency.

A major problem lies in the existence of contradictions within capitalism itself. For one, there is the contradiction between social welfare as a claim on social surplus and the need to augment general purchasing power by measures such as social welfare to absorb the productive capacity installed in an economy. A second contradiction exists in regard to public education: it is sought by capitalists as long as they don't have to bear the greater part of the cost of financing it; yet a good and appropriately accessible system of public education may produce many more well-qualified people with high expectations of careers than there are career positions available. The "welfare state" may have to expand as a way of "buying off the new middle class".

The coherency of the state is further weakened where there are several levels of government. Classes other than capitalists may well be able to put their imprint on the state overall at the provincial level. This is perhaps best done when a national government takes the position that the power of the state should be reduced and that this can be achieved by decentralising state power and removing conditions on funds dispersed to provincial and local governments. The potential for incoherency is made even greater where there is no co-ordinating department of government and where the power of the state is disbursed among largely - autonomous statutory authorities and state-owned corporations.

The development of rules for handling conflicts within the capitalist class has its own problems. Poulantzas warned about the need for the capitalist state to remain "relatively autonomous" of each fraction of capital or independent of each particular sectional interest within the business community.¹⁸ Otherwise it would be possible for sectional interests to be favoured in the development of the state to a point where the distilling and assertion of the representation of capital in general would no longer be possible. For example, the political influence of capital in heavy secondary industry might be so dominant as to force domestic miners to purchase all of their equipment locally, regardless of the relative cost of local production.

Of course, much of the responsibility for policy formation and the development of rules may be taken out of parliament and party caucus - it may be taken beyond the traditional forms of liberal democracy. I mean

that it may be given to a planning apparatus more or less paralleling the parliament, its committees and so on. The apparatus may be corporatist, in the sense of bringing representatives of capital, workers (or unions) and the state into some bargaining framework. The number of parties is limited and the necessary "peak organisations" of labour and capital are in some measure constructed to suit. The point seems to be to confine the politics of reconciling differences within the business community, to put a gloss of reasoning on the proceedings, and then to persuade the unions to exercise restraint on the grounds that there is, however, considerable room for error in the reasoning.

There is room for error, of course, so much so that some analysts have spoken of a "rationality crisis" or a "crisis of administrative rationality".¹⁹ By this is meant the limitations of "purposive action or planning based on technical rationality and/or consensus based on the democratic participation of those affected by the policies and programmes concerned".²⁰ The limitations of planning are "the absence of clear-cut, uncontroversial and operationalisable goals, the instability of the economic and political environment, the problems encountered by the state in securing acceptance of the social and fiscal costs of effective planning, and so forth". It would be fair to say, in other words, that a crisis may emerge in determining just what actions and choices in respect of private or public production and investment will best stimulate capital accumulation in general. Just where and how such a "rationality crisis" is engendered will be explored in a later section. In any case, there is a problem in eliciting information on what is to be subject to planning: much is jealously guarded by private corporations whose executives have fears for the corporations' competitive positions.

Apart from a crisis of rationality, there are other current crises in the development of the capitalist state. For one there is fiscal crisis, or a persistent tendency for state revenue to fall short of necessary state expenditure.²¹ For another there is a crisis of legitimacy. This will also be taken up later.

Finally in this section I want to refer to the distinction between laws and regulations. In Australia in recent times there has been some complaint by libertarians and representatives of capital pushing for

limited deregulation that there is occurring a shift from "government by act of parliament" to "government by administrative regulation".²² The way is left open for administrative regulation in the terms of the acts, of course. The legislation may be more or less prescriptive as opposed to leaving scope for the discretion of a minister and his department. The less prescriptive the legislation, the smaller the role the legislature has played in devising the rule and the less openly it has been arrived at. On the other hand, a legislature that attempted to foresee all circumstances in framing the terms of legislation would become unworkable. The discretionary power of a minister and his officials is a worry, though, in that it creates unpredictability and an arena for corruption even to the point of the exercise of state power to amass a private fortune.

Liberal Democracy and State Formation

The sort of state that concerns me here is the liberal democratic state. I shall leave aside the development of the forms of liberal democracy (a representative parliament, universal adult suffrage, territorial constituencies of roughly equal numbers, political parties, etc.) and instead take these forms as given though not immutable. I am concerned with the accretion and change of institutions within these forms and with how the development of institutions is conditioned by liberal democracy.

The institutions of the state are not handed down periodically from on high, as the ten commandments were handed down to Moses on Mt. Sinai; they have to be worked out. They are worked out in response to new conflicts and others that have persistently not been resolved in accordance with pre-existing rules. Thus a social conflict is gradually articulated within the broad sphere of politics, in street protest, single issue campaigns, the branches and then the national conferences of parties. The process of articulation is mediated by ideologies and ideologues, by the historical platforms of parties, by the media of communication; and it is limited by the constraints on politics that are imposed by the state itself. The issue is eventually introduced into parliament and further articulated in parliamentary debate. Thereupon it may still have to be subject to parliamentary committees or even a public inquiry. Up to this point it has been possible, albeit with increasing difficulty, for a strong

party to insist that some pre-existing rule really does suffice and to abort the process of reform. If it does continue, the process becomes, typically but not always, focused on a bill for an act of the parliament, that is, a piece of legislation. The act may provide the executive with more or less scope for administrative regulation. The details of the legislation cannot be finally established without reference to a constitution where that exists, conventions regarding drafting, and the positions of all parties required to gain majority support for it. Throughout this long and complex process, the political debate particularly inside parliament serves to test the waters, in other words to seek the opinions and the knowledge of groups interested in the matter in question, to identify, explore and "weigh" the different interests and to canvass some different solutions.

This is not universally the process by which legislation comes into being, though. Governments are known to rush many bills through parliament in the final days or even hours of a parliamentary session. Some of the matters involved may previously have been well debated but set aside; others may have been subject to almost no debate, within a party structure let alone within parliament. In that case, the legislation or rule may well not be accorded legitimacy for all that the government may declare it to be in the general interest, except that the legislation may fit well with a widely accepted ideology.

Can the state in a capitalist society be said to be a capitalist state in any sense, or is the set of institutions which largely constitute the state the accretion of genuine compromises struck by a plurality of interests? It can be argued that there are two levels at which the state is a capitalist state. The first refers to the nature of the conflicts in regard to which legislation is devised. In a materialist view, the structure of a society is to be understood in terms of a particular system for producing a surplus. Hence different societies have the same general structure where the underlying mode of production is capitalist; and by the same token, social conflicts will reflect a capitalist mode of production, in the first instance. For example, capitalism requires that a worker is not paid for some portion of the labour time he or she expends; and in so far as the worker has no claim on profits there is fundamental conflict over the ratio of unpaid to paid labour time, in other words over working

conditions, inter alia. The second level refers to the ultimate parameters of rule formation or institution-building. In the final analysis, does a rule permit the maximum accumulation of capital in general or, in that it allows for concessions to other interests, does it do so at minimum cost in terms of the rate of accumulation?²³ Now, of course to judge whether or to what extent a state is a capitalist state at this second level is a very difficult thing, since there is so much scope for incoherency and crises in the process of rule formation and because the process is in a continuing state of flux. Indeed the scope of the state is perpetually being disputed on grounds which conflate whether or not it is working in the interests of capitalism with quite different matters.

What I have said so far about the process of state formation portrays it very much as a national phenomenon. On the other hand, the process of capital accumulation is becoming increasingly international. Industrial capital as well as merchant and banking capital has internationalised. Moreover, during the past quarter of a century, international specialisation in industrial production has become more complex with the splitting up of various processes and the multi-national location of the different parts according to what environments different countries can offer.²⁴ There has seemed to many observers to be, in other words, a worsening contradiction between the national character of politics and the state and the international character of economic activity.²⁵ Presumably one path towards resolution of the contradiction would involve the internationalisation of the nation-state.

There are several possible ways in which a nation-state may be internationalised. Most crudely, a particularly powerful state may insist that weaker nation-states - perhaps the recipients of aid - enact legislation in regard to some matter or other that is the same as its own. Second, membership of international organisations such as the Organisation for Economic Co-operation and Development, the General Agreement on Tariffs and Trade or the International Monetary Fund obliges members to some extent to adopt similar regulations. Third, nation-states become signatories to particular Conventions which are precisely constructed as common positions. A nation-state may use its membership of an international agreement or the fact of its being a signatory to a Convention to legitimise the implementation of a contentious rule.²⁶ Indeed, a nation-state's agreement

in principle to an international rule may be designed to hasten local adoption of corresponding legislation because the parliamentary initiative thence takes the form of ratification. Fourth, a high degree of commonality of regulation is being achieved within the European Community. One of the forces which has been promoting the growing commonality is exactly the fear that competition between nation-states has been undermining possibilities of profitable industrial production in Western Europe as a whole. Presumably the process of establishing intra-European agreements has been hastened by the increasing legitimacy of the European Parliament and of its debates. If that is so, there will be no replication of the European Community in the near future.

For some time, the Trilateral Commission has been working on a social defence of the internationalisation of capital and, by extension, of the limitation/internationalisation of the nation-state.²⁷ As one commentator has put it, though, "... understanding capitalism better than democracy, [members of the Commission] know what they need but cannot figure out a way to do it."²⁸

Particular Social Contracts

The discussion to date of rules for the settlement or at least the containment of social conflicts has been only the pathway leading to the real subject of this paper, namely particular social or politico - economic contracts. These are the settlements of broader social conflicts, just as the familiar contract of exchange is a settlement of the conflict between a buyer and a seller or between two agents bartering with each other. As settlements they are governed by rules, just as the familiar contract is bound by the laws of contract.

The first question to arise in connection with particular social contracts is that of who are the parties to them. The short answer is that the parties to such contracts are associations or corporations. I stress that I am conceiving of an association as a group of people who consciously associate with each other for the purpose of jointly pursuing some course of action. It is that sort of association which I am suggesting is party to particular social contracts and not an association as a legal entity. But what of groups of people similarly affected by some change in the

economy, for example, but not consciously associating with each other? Let me give an example of the problem.

Consider a protective import tariff on a particular producer good. I am inclined to put the argument that the tariff will have been imposed in response to conflict between one or more local companies wishing to produce the commodity and the producers and importers of the foreign variant of the commodity. I am further inclined to argue that the terms of the settlement are that a difference is created between the landed cost and the local price of the foreign variant, that the difference is created by means of an import duty which accrues to the state, and that protection is to be removed once the local industry can be considered established or mature. This last condition may be more or less explicit. Who are the parties to the contract, though? The group of fledgeling or putative domestic suppliers would have had to associate to seek protection; so they constitute one party. The state as receiver of the duty is another party. But what of the group of importers and foreign suppliers, and what of the group of local users of the protected producer good? If the members of these groups do not consciously associate with each other, am I unable to regard the protective tariff as a particular social contract?

A "contractarian" might argue, I think, that there must be implicit individual contracts between all of the importers and foreign suppliers and the state and all of the users of the protected producer good and the state. This would not appear to advance the analysis, however. More to the point it would not advance the analysis to posit implicit social contracts involving groups of people not consciously associated with each other. Instead, it is reasonable to take this different view: a conflict cannot be settled unless it is settled by way of an explicit contract involving associations of all affected groups. Social order is secured in the face of a conflict only if a particular social contract is established. The less formal and less well documented a contract the less well able it is to settle a conflict. There are plenty of contracts which can effectively be re-written in political debate over time because they were not well documented, even to the extent that a party may be written out. The bottom line, though, is that there is a contract wherever it is acknowledged that a deal was done.

A major difference between a particular social contract and those we refer to as legal contracts or legally binding contracts is in their enforcement. The latter are contracts which may be enforced by the courts. The former are generally enforceable, but not usually by the courts. Instead the enforcement of a particular social contract by one of the parties to it means threatening to damage another party's interests through political activity. The enforceability of a particular social contract is thus very difficult to establish, except in practice: it is much more difficult to establish a priori than is the enforceability of "a legal contract". Moreover the process of enforcement of a particular social contract is more complex than in the case of the "legal contract", not least because of the complexity of the process of putting a social contract on the political agenda. Similarly the validity of a particular social contract can be challenged by some association claiming that it was left out of it, with the result that particular social contracts are inherently much more contentious than the "legal contracts".

Care has been taken to speak of particular social contracts. These are to be distinguished from the grander agreement that the British union movement was supposed to have struck with the Callaghan Labour government of the early 70's. A similar grander contract appears in an article by Bowles in 1982, where he speaks of an "accord" between labour and capital or, more specifically, "a structuring of the capital - labour relationship that establishes the stakes, the tools and the terrain of class conflicts".²⁹ According to Bowles, there has been a post-second-world-war accord between labour and capital in all major capitalist countries. The basic terms of the Bowles accord have been "state intervention to secure high levels of employment but otherwise an unrestrained reliance on markets and profitability for the determination of all other aspects of the growth and accumulation process"³⁰. The particular social contracts that are the subject of this paper are actually the very antithesis of "unrestrained market forces": they are the effects of particular state interventions in and replacements of particular markets.

There are degrees of particularity, it must be said. Take, for example, a contract covering the rate of investment in some industry or other. Where there is only one company operating in the industry the contract is obviously much more particularistic than where there are many

companies operating. Yet such a contract is still distinct from the conventional "individualised" legal contract, which is between individual legal entities.³¹

One of the remaining issues is the relationship between the rules of the state and the experience of the particular social contracts which they govern.

Particular contracts are parts of the fabric of social order; but they may not be very strong parts. In the first place, a contract may contain the relevant social conflict only tentatively or for a short time; in the second place, it is likely to run foul of contradictions. To contain a social conflict is one thing; to resolve the fundamental contradictions of capitalist social orders is quite another. For example, the containment of a conflict involving the level of interest rates being charged by banks to "venture capitalists" cannot resolve the contradiction between capital accumulation and the demand put on the surplus social product for the support of trade in certificates of ownership of capital. More to the point, a contradiction may limit the scope for containment of a conflict or may be heightened by some settlements (as when speculative trading in securities blossoms on the removal of some state regulation of the financial system). An especially important contradiction is that between accumulation and social harmony as dimensions of capitalist social orders; and a contract may turn out to involve too much of a sacrifice of the former in the interests of the latter. Clearly there has to be some mechanism limiting the size of such sacrifices or concessions, though it may well be a halting one.

Actually the mechanism must have two parts. The first must assess the contracts, at least broad categories of contracts, so that the state may know where to adopt a different stance when it is a party to a contract itself. The second must evaluate the rules in the light of experience of the contracts they have governed. So, for example, the persistence of high costs and of the retrenchment of workers in industries granted tariff protection for as long as their costs of production require it may suggest that this rule for the promotion of new industries should be changed, if not abandoned. However, the two-part mechanism faces severe difficulties, of analysis and of insufficient information, as well as of sovereignty.

The difficulty of sovereignty arises in that a rule that may seem to warrant change, at least, may be an international rule and not one solely within the specific nation-state. The difficulty of insufficient information arises in trying to assess what particular contracts have achieved by way of cost minimisation, revenue redistribution or whatever. And the difficulty of analysis occurs (i) in trying to judge the separate effects on economic growth of each of many co-existing contracts and (ii) in trying to judge how much more appropriate a different rule would be than one presently in existence. The difficulty constitutes what Claus Offe was said in an earlier section to have described as a crisis of rationality. Mainstream economists have done little to avert it with their neo-classical insistence that the state should not intervene anyway, or in their expensive but broadly unsuccessful econometric work, although those working within an input-output framework may be expected to be more useful.³²

The difficulties just outlined mean that the two-part task of assuring a high rate of capital accumulation is not accomplished systematically. Thus when growth declines or stagnation sets in or, worst of all, the economy begins to contract, the capacities of any planning apparatus are sorely tried. The same is true of the forms of liberal democracy in which sectional interests insert themselves in an uncontrolled and "unconstructed" manner and in which interests of all classes find some legitimate expression. Both calculation and representative democracy may be found wanting in the face of economic crisis when it comes to devising rules; and the participation of all directly interested parties in the settling of social conflicts may actually produce contracts that worsen the crisis.

The response to an economic crisis in a capitalist state will be to jeopardise social harmony over the first great division of the social product, between the sustenance and reproduction of the collective worker and a surplus. So there will be a tendency to coerce other classes in the settlement of their conflicts with capitalists. Secondly, those rules will be set aside or abandoned which don't conform with the dominant ideology and dominant economic theory, in so far as the latter defends a smaller share of income for wages - and crude neo-classicism certainly does. The ideology and theory will be dusted off and expressed more urgently; and the

ideologues will be invited to go public more often. Of course, while this will appeal to the capitalist class, it is hardly the best thing for the legitimacy of the state in the eyes of others in the community.

The issues of the legitimacy of the state and of its power are actually fitting issues with which to conclude this section. The state has to be concerned not only with the organisation of modern capitalism so that it appears to be a legitimate way of structuring human social affairs: it must also be sensitive to the legitimacy of its organisation, to the legitimacy of its place in the overall social order. It must be sensitive to its legitimacy in the perspective of classes other than the capitalist class and in the perspective of that class itself. For two reasons at least, then, the preservation of legitimacy is a delicate matter: (i) because the perspectives of the capitalist class and of other classes are typically opposed to one another; and (ii) because the processes of the formation and evaluation of the rules of the state are largely unsystematic and the rules themselves may not rightly govern the establishment of particular social contracts. So capitalists are inclined to lose faith in the state in so far as, for example, it has been possible to institute free health care for wage-earners with low incomes, or in so far as some rule produces an outcome different from what they thought it would (youth support which produces housing and food co-operatives instead of a better style of writing job applications, for instance).

If that were not enough, the instrumentalities of the state are also vulnerable. It is not uncommon to hear of capitalists complaining that too many people are employed, that work practices are inefficient, that functionaries are capricious or venal in their exercise of discretionary power, or that hiring, promotion and the security of tenure of employment are not based on merit, where naturally they are within the private sector. The same charges, particularly of venality in the exercise of discretionary power and of discrimination in employment practices, also emanate from workers and their organisations.

Milton and Rose Friedman attack the state on the ground that the functionaries within the instrumentalities of the state are not generally held to account for their exercise of power and may exercise it subversively.²³ They may exercise their power to subvert capitalism itself

wherein, according to the Friedmans, the freedom of exchange is the greatest guarantee of political freedom.

It is frequently said that the ultimate power of the state depends on the degree of its monopoly in the bearing of arms and in the force of arms. But, short of the ultimate point, the power of a nation-state depends on its legitimacy. It should at least be clear by now that this is a very delicate matter.

Resonances and Dissonances

Already readers will have detected similarities between the approach that I have been developing and other approaches to the study of the state. For example, the notion of the state as organiser of modern capitalism will have suggested corporatism, while some similarity with the work of Claus Offe (and others of the Frankfurt School) has been explicitly acknowledged. It is appropriate now to locate the approach of this paper more systematically in relation to the most influential approaches within political economy to the study of the state. I shall be most concerned with corporatism and with "the private interest theory of economic regulation", although there will also be some reference to concepts, rather than overall theoretical approaches, that are intriguing. To begin with, however, I shall summarise Claus Offe's work so as to be perfectly clear about just how much the approach of this paper is consonant with and perhaps owes to it. The summary is actually derived from John Keane's introduction to his recent collection of several of Offe's most pertinent essays.³⁴

Offe speaks of "welfare states" defined not narrowly in terms of welfare payments but as crisis managers. As such, modern states are expected to pursue many goals and thus to be involved at any time with many, often conflicting strategies. Herein is said to be the state's fundamental weakness. The problems generated may be such that the state itself contributes substantially to a tendency towards crisis. The fundamental weakness is said to arise in the commodification and decommodification which the state is expected to achieve simultaneously. "At the one time ..., the welfare state seeks to maintain the economic dominance of capital, to challenge and erode its power, and to compensate

for its disruptive and disorganising consequences." Certainly the welfare state "does not necessarily or automatically 'serve' the 'interests' of the capitalist class."³⁵

Offe identifies three classes of problem: (i) fiscal problems of the state; (ii) planning failures (otherwise described as rationality problems); and (iii) mass loyalty (or legitimacy) problems. The planning failures reflect, in some measure, various forms of organised resistance to state power. They are compounded by "the typical lack of co-ordination between various state bureaucracies, and by the inability of the administrative branches of the state to secure their independence from the rules and outcomes of representative democratic institutions and party competition". So, "... the traditional liberal democratic institutions of conflict articulation and resolution ... are increasingly supplemented or replaced by informal 'corporatist' schemes of functional representation and bargaining".³⁶ In regard to "mass loyalty problems", as Keane points out, Offe does not pursue an analysis "of ideology and discourse".³⁷ He contends, fairly straightforwardly, that the welfare state has become overloaded with demands it has sanctioned and (apparently) that it is hardly surprising that mass loyalty is a problem in view of the breadth of the institutions which the state has replaced or displaced. Moreover, the welfare state tends to undermine loyalty to the capitalist mode of production by undermining "the ideology of possessive individualism" through weakening the tie between work and pay. Altogether the situation might be rather lightly described, in Offe's words, as "disorganised capitalism".³⁸ Let me proceed now to a closer examination of "corporatist" schemes of functional representation and bargaining.

In an earlier section corporatism was implicitly defined as the strategy of constructing a bargaining framework in which capital, workers and the state are all represented but by "peak" organisations only. Colin Crouch defines it as "the establishment of a capitalist order secured through organised co-ordination rather than through markets, with labour's organisations integrated [incorporated] into the process of control".³⁹ The representative organisation may be more or less constructed to suit the purpose; and the co-ordination may be at any point between being coerced (as in Nazi Germany) or voluntary. The development of the corporatist or planning framework may not be initiated by the ruling class but by

functionaries of the state or by labour unions. The former may have become impatient with the existing rules of the state and the slow business of changing them or with the difficulty of achieving any agreement where too many parties have to be involved. The unions may believe that they can do better for their members in an environment in which bargaining is explicitly to involve more than the traditional concerns of industrial relations. The contracts that come out of a corporatist framework or apparatus may well have taken much less time to achieve, may well be much clearer and may well be more binding on the various parties. They may not be all that effective as settlements of social conflicts, though. Their appropriateness depends on the representativeness of the negotiating agents (the converse of the extent to which these agents are constructs to suit the purpose at hand) and on there being no directly interested parties other than those recognised by the corporatist apparatus. If the agents are not properly representative and if there are directly interested parties which are not represented, the contracts will not be appropriate and the legitimacy of the corporatist framework will be jeopardised.

In Australia there has been some development of a corporatist framework and of a corporatist planning apparatus. The "National Economic Summit" of 1983 was a milestone of sorts. It was an attempt to have the business community in particular ratify the "Accord" which had previously been established between the Australian Council of Trade Unions and the Labor Party before the latter won government early in 1983. A good deal of ill will was created by the effort which the government made to limit the number of interests represented at the Summit. The point of the whole exercise was largely defeated, anyway, by divisions within the peak council that was supposed to represent the business community (the Confederation of Australian Industry) and by the marked unwillingness of parts of the business community to treat it as their representative.⁴⁰ Subsequently an apparatus was created which consists principally of the tri-partite Economic Planning Advisory Council and a series of tri-partite industry councils. Several sets of industry arrangements (or deals) have subsequently been adopted, the first having been the Steel Industry Plan, the second the Motor Vehicle Industry Plan and the remainder having been rather looser "packages". It would be an act of great courage to argue that these were the outcomes of negotiations within the corporatist

apparatus. They should not be seen as prototypes of the explicit social contracts that are possible.

While the fields of sociology, industrial relations and political economy in Europe have produced one principal strain of theorising about the capitalist nation-state (corporatism), the right wing school of political economy in the United States has produced another, "the private interest theory of economic regulation". The proponents of the theory have connections with the Universities of Chicago and Virginia, and are associated with a group of political scientists, including Anthony Downs, who have sought to represent politics as a market.⁴¹

The best-known proponent is George Stigler, who won the Nobel Prize for economics in 1982 largely for his work on public regulation. Stigler describes the theory as the application of "the traditional theory of economics ... to the understanding of the regulatory process."⁴² Profit-maximising "industries" seek of the state (i) subsidies, (ii) control over entry of new firms (including the protective tariff), (iii) limitations on the production and sale of substitutes, and (iv) support for price fixing by the industry or price fixing by the state itself. Politicians promise to work to provide these "policies" in exchange for votes and resources. Clearly regulations themselves are seen to be the outcomes of relatively simple deals or contracts of exchange.

There are problems with the private interest theory, even supposing for the moment that it is sensible to view regulations in this way. The first is that it ignores the existence of differences between the platforms and ideologies of various political parties. This is perhaps not a difficult problem in that Stigler could acknowledge party platform as a constraint on the "supply of policies", just as he suggests the necessity of acknowledging some constraints on the "demand for policies".⁴³ A further problem is that Stigler's theory denies any consistency between policies (except, perhaps, those which deal with public goods, externalities and "the competence of individuals", or "the inappropriate desires of individuals"). His theory confines the purposeful activity of the state to translating politicians' promises into legislation and to giving effect to such legislation. In fact, the private interest theory of economic regulation has been distinguished from "systems theories" or views

in which the state acts "systemically" in the survey by Pincus and Withers (who then proceed to ignore the latter on the grounds that they are more common in social sciences other than economics!).⁴⁴ Third, as Head points out, the private interest theory does not address in any immediate sense either public investment or the existence of public enterprises (although it may perhaps encompass the "hospitalisation" of private enterprises).⁴⁵ And fourth, it does not acknowledge public regulation in response to concentrations of private economic power.

The "anti-systemic" or "anti-systematic" character of the private interest theory is probably most evident in what the theory says implicitly about parliaments or legislatures. They are not there to debate the question of how the people should be ruled and to test out variants of laws. Instead, it is the laws which the legislatures enact that enter the deals, and not the transfers of income which may be brought about in the implementation of the laws: the laws are whatever suffices to acquire electoral support for the politicians. Admittedly Charles Lindblom⁴⁶ does concede an over-arching concern of the state for assuring the conditions of general prosperity (or of capital accumulation in general) in explaining the influence of large corporations on the state but there is nothing to suggest how the state governs its responses to special interests to this end.

A contract involving the fixing of the price of crude oil for example, is not something which exists simply between oil producers and politicians (or the government of the day): it also involves importers of oil, industrial users of oil, and households as consumers of oil, for transportation, heating and perhaps the generation of electric power. The state has to take account of these interests, whether or not they are directly involved in negotiations: in other words the contract is multilateral. Moreover, the existence of the several parties must engender discussion of the experience of the contract that will have a bearing on any renewal of it. At the very least, in Galbraith's terms, the state deals with the different interests of "mature" corporations in any matter within a loose "planning system."⁴⁷

In their work on Government and Capitalism Butlin, Barnard and Pincus talk more or less explicitly of a broad social contract when they speak of

the end of "colonial socialism" and the growth of state intervention within Australia in the allocation of resources.⁴⁸ The contract is said to involve manufacturers, trade unions and farmers. The first group gained the "Scullin tariff", or tariffs made to order; the second gained the centralised fixing of wages by the Commonwealth Conciliation and Arbitration Commission; and the third gained (some) price support schemes administered by statutory marketing boards. Where manufacturers faced wage rises greater than productivity increases, the tariff would compensate; where workers faced higher prices for food, the basic wage would be increased; and so on. While one may quibble about the notion of dealing in institutions, the broad social contract just mentioned does correspond with the spirit of the particular social contracts described in the previous section of this paper.

There is a greater similarity between these contracts and those involved in a recent article by Clive Hamilton.⁴⁹ Hamilton addresses various rules for the fixing of prices, which are considered in the light of their distributing the social surplus between parts of the economy. The rule might be that the supply of utilities is to be at cost, or that some sectors are to be provided with proportionately more of the investible surplus than they earn or that some of the surplus is to be paid out as wages to certain workers; and there are many others. Whatever the rule, it governs one term - but only one - of a contract of exchange. The particular social contracts of the previous section are also governed by rules; but typically they have more dimensions than price - that is, there are more terms to them than simply price (as there are anyway in modern contracts of exchange).

Finally in this section, reference might be made to the idea of a "bureaucratic polity",⁵⁰ in which a distinct class of state officials uses the state to amass private wealth by exacting tolls on productive activities (in both private and public sectors). Herein there are certainly contracts, essentially contracts of exchange for all that they may appear in finer clothes and ultimately not effective as more than bilateral contracts between officials and "clients". These contracts may be ostensibly governed by the rules laid down in various pieces of legislation, or in the directives of senior officials, or in the decrees of a president or governing elite who have "extra-budget" funds to secure

popular support. Such contracts are not as much a part of the social order as is the use or threat of military and police force to protect them.

Contracts in the Disposition of the Investible Surplus

This final section is devoted to examining the profusion, complexity and importance of particular social contracts in the critical area of the disposition of the social surplus, particularly of the investible part of that surplus. The contracts may be more or less explicit, formal and "complete" in the sense of involving associations of all people directly affected. The argument addresses, in other words, the role of the state in the disposition of the investible surplus. It is an argument about the way the state seeks to alter the distribution or disposition brought about in the first instance through contracts of exchange and according to the terms of exchanges within the economy and subsequently modified by the workings of the market for money capital.

The surplus product is generated by productive enterprises in both the private and public sectors. The proportion of the surplus to the total product depends on conditions in the workplace, the outcome of negotiations over the money wage, and the capacity among employers to "claw back" wage increases by pushing up output prices (that is, to reduce the real value of the money wage). Some part of the surplus is required for the support of unproductive activities (the regulatory activities of the state, selling, dealing in financial securities, litigation, etc.); and a further part is paid out to specific workers for their ideological and political functions within the structures of corporations.⁵¹ The remainder is the investible surplus, or roughly the profits of the private sector plus the operating surpluses of public enterprises. This investible surplus is distributed throughout the economy through exchanges between various parties and through the decisions taken in regard to public expenditure and taxation. Whether or not there is a tendency for the distribution through exchange to accord with the range of profitability of investment opportunities and whether the market for money capital anyway tends to correct inconsistencies that may arise in the first instance are not matters of relevance at this point.

For the sake of this discussion, the state can be said to have both an indirect bearing and a direct bearing on the disposition of the

investible surplus. The indirect bearing is by way of discrimination within the taxation system and in state expenditure. The list of devices includes (a) discriminatory provisions in the taxation of income (particularly company income and differences between the rates at which an indirect tax (including an import duty) is applied, (b) straight-out subsidies to particular industries or firms, (c) any "grant element" in loans by the state to industries or firms, (d) borrowing by the central bank for support of any particular rate of currency exchange (which necessarily involves a cost on behalf of some activities in relation to others), (e) export incentives, (f) subsidies implicit in contracts between the state and its suppliers, (g) the state's purchases of commodities to be given as aid, (h) the settlement of the debts of failing private enterprises that are temporarily nationalised, and (i) subsidies involved in concessional charges to particular buyers of commodities produced by public enterprises.

The state's direct bearing on the disposition of the investible surplus is by way of its regulation of relations between various fractions of capital and between capital and productive classes other than workers. The list of regulations includes most notably (a) the licensing of imports (or import quotas), (b) other licensing arrangements, (c) intervention of the state in price setting, (d) intervention by the state in the determination of wage relativities, (e) management of the rate of currency exchange, and (f) the appointment of an official receiver to settle the debts and affairs of a failing private enterprise. One of the most important institutions has both an indirect bearing and a direct bearing on the disposition of the investible surplus: that institution is, of course, the tariff.

The settlements or contracts established under or governed by the two lists of rules just set out can involve very large sums. The following paragraphs discuss and report some recent measures, especially for Australia.

The Australian Industries Assistance Commission (I.A.C.) has identified a number of means by which the Federal government effects transfers of revenue directly and indirectly. The principal means the I.A.C. has identified, and which it also attempts to quantify, are as

follows: tariffs; quantitative import restrictions; discriminatory sales taxes (levied only on imports of certain commodities); subsidies; export incentive grants; and two domestic pricing schemes (for sugar and crude oil). The I.A.C. acknowledges other measures, the impact of which it has found it difficult to estimate, including certain taxation measures, scientific research undertaken by the state, the Federal government's purchases, and a variety of practices of State governments. Among the latter are concessional loans and loan guarantees (selective), rebates of land and payroll taxes, expansion or establishment grants, grants to specified industries, concessional provision of industrial sites and factories, subsidies in the provision of infrastructure and in transport, government purchases, assistance for marketing, promotion and the employment of certain consultants, public research and development, and other forms of public assistance. In the judgement of the I.A.C., however, the total of State government assistance is small in comparison with Federal assistance.⁵² The I.A.C. has constructed measures which it calls the gross and net subsidy equivalents of the set of principal means of transfer reported above. It has calculated that, in 1982-83 for example (and in 1982-83 prices), the gross subsidy equivalent of assistance to all manufacturing industries was \$A 9,649 million, while the net subsidy equivalent was \$A 6,092 million. The gross subsidy equivalent represents the "aggregate [of] transfers of income from buyers to producers of goods" while the net subsidy equivalent represents the aggregate of "transfers to producers of final goods". The gross subsidy equivalent can be compared with the total of gross operating surpluses plus wages and salaries manufacturing in 1982-83 (just over a third as much as \$A 27,465 million) and with gross operating surpluses of manufacturing establishments alone (1.4 times as much as \$A 6,814 million).⁵³ A gross subsidy equivalent of 35% percent of gross operating surpluses plus wages and salaries paid value added is remarkable, I suggest, especially in view of the limited coverage of the measure.

Average effective rates of assistance to manufacturing, as calculated by the I.A.C., do admittedly differ widely as between different industries. (See figure 2.2 of Information Paper No. 1⁵⁴.) Some rates are apparently small (15 or 20 percent, for example); but the industries concerned may well enjoy assistance by means other than those covered by the I.A.C.'s measures. Among the means not covered, the ratification by the state of

the centralisation of an industry could well be the most significant. In regard to mining industries, other means of assistance not covered by the measures of assistance for manufacturing are likely to be more important.

For the U.S. and Canadian economies, interesting estimates have been made of the proportions of the output of various sectors subject to price and/or output controls (including entry controls).⁵⁵ Not surprisingly, the proportions for communications and public utilities were, for both economies around 1978, 100 percent. For finance, insurance, and real estate, they were about three quarters (although there is some uncertainty here because of different definitions of real estate activities); they were between two thirds and three quarters in the case of transport, between a fifth and a quarter in the case of agriculture and mining, and between 3 and 4 percent in the case of manufacturing. Overall, proportions of 29.1 percent of Canada's G.D.P. and 25.7 percent of the U.S. G.D.P. were said to have been subject to the particular controls identified in the study.

Conclusion

It is absurd for economists, constrained as most of them are by neo-classicism, to concern themselves essentially with only prescriptions as to how the state may contribute to Pareto-optimal, competitive equilibrium. I have tried in this paper to argue for the view that the rich variety of state interventions has to be seen as weaving the fabric of the social order, not alone of course but as an important contributor and demanding of study for what it is. The interventions involve the implementation of rules according to which social conflicts are settled or at least contained. The devising and amendment of the rules in a liberal democracy are primarily the responsibility of the legislature and are therefore fairly unsystematically pursued. The settlements are to be understood as politico-economic contracts, more or less legitimate and enforceable depending on whether all directly interested parties to a conflict are involved in the settlement of it. Such contracts constitute the fabric of the social order. Among them, the simple contracts of exchange that preoccupy the neo-classicists and which may or may not reflect the sovereign wills of individuals in the community are a special and rather uninteresting case.

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16. Samuel Bowles and Herbert Gintis, Democracy and Capitalism (New York: Basic Books, 1986), p. 160.
17. A phrase attributed to Hegel by Carole Pateman, The Sexual Contract (Cambridge: Polity Press, 1988), p. 15.
18. See, for example, Poulantzas, Classes in Contemporary Capitalism, op.cit.
19. See, for example, Claus Offe (edited by John Keane), Contradictions of the Welfare State (Cambridge, Mass.: The M.I.T. Press, 1984), esp. "Some Contradictions of the Modern Welfare State", Bob Jessop, The Capitalist State: Marxist Theories and Methods (New York: New York Univ. Press, 1982), p.109, Brian Head (ed.), State and Economy in Australia (Melbourne: Oxford Univ. Press, 1983), esp. Head's own "State and economy: theories and problems" (ch.2).
20. Jessop, op.cit., p. 111
21. James O'Connor, The Fiscal Crisis of the State (New York: St. Martin's Press, 1973).
22. For example, Confederation of Australian Industry, Government Regulation in Australia, Paper 1 (Canberra: C.A.I., 1980).
23. I refer here to the contradictory roles of the state in nurturing accumulation and in legitimating the system of accumulation. O'Connor, op.cit., p.6, spells out the contradiction clearly.
24. F. Frobels, J. Heinrichs and O. Kreye, The New International Division of Labour (Cambridge: C.U.P., 1980).
25. Edward S. Herman, Corporate Control, Corporate Power (Cambridge: C.U.P., 1981).
26. This was the case in Australia when the Federal Government, under the Prime Minister R. J. L. Hawke, acted to ban the damming of the Franklin River in Tasmania in 1983. See Roger Green, Battle for the Franklin (Melbourne: Fontana/A.C.F., 1984?). On June 25th 1990, the Hawke government announced that effectively it would adopt the U.N. protocol on refugees. See Michael Millett, "Cabinet split over migrant cutback", in Sydney Morning Herald, June 26th 1990.
27. See, e.g., Holly Sklar (ed.), Trilateralism: The Trilateral Commission and Elite Planning for World Management (Boston: South End Press, 1980), Sklar's own "Overview", pp.1-58.
28. Alan Wolfe, "Reflections on Trilateralism and the Carter Administration: Changed World Realities vs Vested Interests", in Sklar (ed.), Trilateralism, op.cit., pp.533-552.
29. Samuel Bowles, "The Post-Keynesian Capital-Labor Stalemate", Socialist Review, No.65 (Vol.12, No.5), Sept.-Oct. 1982, pp.45-72. According to Bowles, the stakes of class conflict under the post-war accord were "distributional issues" and "modifications of liberal-democratic state structures"; the tools were "electoral and trade union organisational forms" and a structure of discourse emphasising distributive justice and liberal democratic procedures"; and the

- terrain included "the distributional activities of the state, ranging from taxation and education to monetary policy" (p.51). Much the same sort of accord as Bowles' is to be found shaping the political economy in Andrew Martin's "The Swedish Case and Its Implications", in Crouch (ed.), op.cit., pp.88-121.
30. Ibid., pp.54-55.
31. All the same, a company have have a legally enforceable obligation to a class of people - its neighbours, for example.
32. See, eg., John Llewellyn, Stephen Potter and Lee Samuelson, Economic Forecasting and Policy: The International Dimension (London: Routledge and Kegan Paul, 1985), Ch. 7.
33. Milton and Rose Friedman, Free to Choose (Harmondsworth: Penguin, 1980).
34. John Keane, op.cit.
35. Ibid., p.18.
36. Ibid., pp.20-22.
37. Ibid., p.23.
38. Claus Offe, Disorganised Capitalism (Cambridge: Polity Press, 1985).
39. Crouch, op.cit., p.21. There is an important asymmetry in regard to the representative organisations. The power of labour depends largely on the solidarity of their co-operation; the power of capital does not require the co-operation of capitalists to nearly the same degree.
40. On the subject of the Accord and the Summit, see F. Stilwell, The Accord and Beyond (Sydney: Pluto Press, 1986) and Doug McEachern, "National Economic Summit: Business and the Hawke Government", J.A.P.E., No.19, Dec., 1985, pp.5-13.
41. Anthony Downs, An Economic Theory of Democracy (New York: Harper and Bros., 1957).
42. George J. Stigler, The Citizen and the State: Essays on Regulation (Chicago: Chicago Univ. Press, 1975), p.xi.
43. A particularly simplistic and unsatisfactory attempt to use the private interest theory is to be found in Christopher Findlay and Ross Garnaut (eds.), The Political Economy of Manufacturing Protection: Experiences of ASEAN and Australia (Sydney: George Allen and Unwin, 1986).
44. J. J. Pincus and G. A. Withers, "Economics of Regulation", Ch.1 in F.H. Gruen (ed.), Surveys of Australian Economics, Volume 3 (Sydney: George Allen and Unwin, 1983), pp.1-76.
45. Head, op.cit.

46. Op.cit.. Also see Head, op.cit., p.36. Galbraith talks similarly of a complex "common purpose" between the state and "mature" corporations which has displaced and made peripheral the individual concerns of "entrepreneurial corporations". See J.K. Galbraith, The New Industrial State (2nd edn.; Boston: Houghton Mifflin, 1971), ch. XXVI.
47. Ibid.
48. N. G. Butlin, A. Barnard and J. J. Pincus, Government and Capitalism: Public and Private Choice in Twentieth Century Australia (Sydney: George Allen and Unwin, 1982).
49. Clive Hamilton, "Prices Formation and Class Relations in the Development Process", Journal of Contemporary Asia, Vol.17, No.1, 1987, pp.3-18.
50. See, for example, John Girling, Thailand: Society and Politics (Ithaca, N.Y.: Cornell Univ. Press, 1981).
51. G. Carchedi, Problems in Class Analysis: Production, Knowledge and the Function of Capital (London: Routledge and Kegan Paul - direct editions, 1983).
52. Australia, Industries Assistance Commission, Annual Report, 1980-81, Canberra, A.G.P.S. 1981. The I.A.C. also recognises that regulation may provide assistance to one part of the community or another. It has cited numerous examples of the ways in which particular regulations effect transfers of revenue. The examples include schemes which allow industries to set different prices for domestic markets than are obtainable in overseas markets, regulations prescribing minimum prices, controls on entry to an industry, requirements in regard to standards, quarantine regulations, export controls and the licensing of fishing. The Commission suggests that, while the transfers brought about by such regulations are generally unintended, some regulations may be introduced primarily to give assistance to particular industries. Not surprisingly, the measurement of the transfers has been generally too difficult to be undertaken.
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