Lecture 17. Sociology 621.
The State and Accumulation: functionality & contradiction
October 29, 2013

I. THE FUNCTIONALIST LOGIC OF THE THEORY OF THE STATE

1 The class character of the state & Functionality

The central conclusion from the discussion of the capitalist character of the state is that the institutional design of the capitalist state helps explain, broadly, why the capitalist state serves the interests of capitalist and reproduces capitalism. This is not simply because capitalists manipulate the state, but because the form of the state fills this function for capital accumulation.

2 Key problem for the strong functionalist explanation = Feedback process

The central question here = what mechanisms actually regulate the "feedback loop" in this functional explanation? Is this:

(a) Conscious manipulation by capitalists;

(b) Class struggle -- victories and defeats of classes;

(c) Some inherent selection principle that works "behind the backs of actors" as in the Darwinian model?

I think that the explanation for the functionality of the state must combine three processes:

1) *Political class struggle at pivotal conjunctures*

At certain historical moments the institutional arrangements are objects of struggle: the rules of the game are contested and institutionalized. Creating class-filters and system-reproducing arrangements is what the struggles are about.

2) *Systemic pressures*

What works and what does not work, however, is affected systematically by the nature of capitalism: some institutional solutions will be vulnerable because they precipitate disinvestment or fail to smooth market problems; others stabilize the accumulation process. Dysfunctional practices generate pressures for change.

3) *Institutional learning and correction of mistakes*

Mistakes are made; often no one knows what will work. Therefore there needs to be a process of trial and error and institution reconstruction in light of information about real effects: this is a crucial role for policy experts, think tanks, political feedback. There is no automatic guarantee that the learning and correction mechanisms will be optimal.

3. Bourgeois Political Utopia.

The fantasy of capitalists is that institutions be designed in such a way that they effectively reproduce capitalism without any necessity for political intervention by capitalists. That would be a bourgeois utopia: the institutions automatically and perfectly reproduce the conditions for accumulation.

Problems: There are many problems with this utopian vision. Here I want to emphasize one in particular, which I will refer to as the problem *contested and contradictory functionality*: that is, there are a variety of ways in which contradictions can deeply enter and disrupt the functional logic of the state.

II. PROBLEMATIC FUNCTIONALITY

Four Types of contradictory functionality

1. Legitimation vs accumulation
2. Necessary autonomy contradicts subordination
3. Forms of organizational rationality contradict intervention requirements
4. International economy vs national states

1. LEGITIMATION VS. ACCUMULATION = CONTRADICTIONS BETWEEN STATE FUNCTIONS

Reproducing capitalism requires at least two kinds of state interventions: interventions which *legitimate the system to the masses* and interventions which establish favorable c*onditions for accumulation*. James O'Connor argued in a very influential book in the early 1970s, *The Fiscal Crisis of the State,* that these two functions may contradict each other. (eg. social security vs budget deficits). The idea was basically this:

- Capitalism imposes considerable risks and deprivations in the lives of ordinary people
- The state provides a way of softening these risks and therefore reducing social conflict and political disruption
- But once a benefit becomes established it is viewed as a right – as an entitlement – and thus it is difficult to reduce.
- Spending thus has a ratchet-like quality of being sticky downwards – it is easier to expand entitlements than to reduce them.
- This generates a potential contradiction between legitimation and accumulation

There are two weaknesses in this argument:

(1) Successful accumulation is itself a source of legitimation: a healthy capitalist economy legitimates both the state and capitalism even if people also have uncertainty and risk.

(2) The ratchet like character of entitlements is not as strong as was thought. In the 1970s we thought that this contradiction was quite explosive: we did not anticipate the effectiveness of the Neoliberal ideological attack on the affirmative state and the important change in the legitimation pressures on the state.

2. AUTONOMY VS SUBORDINATION: CONTRADICTIONS WITHIN THE ACCUMULATION FUNCTION
(Offe's essay on *the crisis of crisis management*)

Offe's core Argument

2.1 *Thesis 1*: logic of capitalism ➔ self-destructive tendencies (anarchy of market) ➔ functional necessity for flanking systems, especially state: the state must intervene to prevent capitalism from destroying itself economically.

2.2 *Thesis 2*: the deeper are these contradictions ➔ necessity for more autonomy from manipulation by particularistic interests of specific capitalists for the state to be functional, for it to provide for these steering requirements in an effective way. The state needs autonomy to be able to act functionally.

2.3 *Thesis 3:* **FRANKENSTEIN PROBLEM**: The state needs the capacity to intervene pervasively but it also must abstain from using that capacity in ways that undermine accumulation. Consequence =

Frankenstein problem = creating a monster you cannot control: **to be able to autonomously intervene functionally it must have the capacity to do so destructively.**

This is the pivotal problem: p.52 "the problem of whether the political administrative [system] can politically regulate the economic system without politicizing its substance and thus negating its identity as a capitalist economic system..."

[Note the extreme contradictory possibility = figure 3, p.54: the trajectory of minimum necessary interventions rises, but the maximum of system-reproducing interventions falls ➔ decreasing room for maneuver: does the system become more or less vulnerable over time?]

Three key problems:

- Problem #1: once this capacity is created, then it becomes a target for manipulation: the state potentially "succumbs" to the control by specific capitalists or groups of capitalists.

- Problem #2: The extension and deepening of the interventionist capacity ➔ perpetual problem of lines of demarcation between state and economy as principles of action (reprivatization vs global regulation): **no stable equilibrium.**

- Problem #3: Critical added complication: the interaction of the state with the normative system ➔ As the state increases interventionist capacity for accumulation relations it is harder to restrict its availability for Legitimation reasons. It is hard to restrict interventionism to accumulation needs alone.

Result: The process by which the enlargement of state capacity occurs also generates tendencies for enlargement to undermine its functionality. This is a potential problem in all aspects of the state:

- fiscal crisis of state (revenues/spending tend to become uncoordinated with accumulation)
- administrative rationality: expansion of state undermines capacity for rational calculation
- loyalty erosion -- legitimation crisis (eg. prior benefits become rights, SSI); rising expectations; etc.; decommodification ➔ greater reliance on state for reproduction, etc.

2.4 Conclusion: The contradiction thesis

1. *Functionalism thesis*: The state is functionally required by capitalism to overcome the self-destructive tendencies of capitalism.

2. *Frankenstein thesis*: to fulfill these functions the state must have the capacity to potentially act dysfunctionally (i.e. have real autonomy of policy formation and action)

3. *Contradiction thesis*: Various dynamics are set in motion which make it increasingly probable that the state will act dysfunctionally ➔ *crisis of crisis management*.

3. CONTRADICTIONS IN THE ADMINISTRATIVE RATIONALITY OF THE STATE POLICY FORMATION PROCESS – PROBABLY SKIP

This is a complex issue, and I will only indicate the basic idea here:

3.1 Three logics of decisionmaking

The state plays a critical role in creating and recreating conditions for capital accumulation. But what precisely the state must do to solve problems for continued accumulation varies over time: it is different in late 19th century capitalism than in the period of Fordism after WWII, and different again today. In each case the state has to generate policies, and this requires particular processes of decision-making.

Now here is Offe's critical insight: *different kinds of problems require different sorts of decision-making mechanisms in order for rational strategies to be devised.* Basically there are three kinds of decision-making processes available for state policy-formation:

1. *Bureaucratic procedures*: rational-legal application of fixed rules
2. *technical rationality*: application of expertise to solve problems
3. *democratic consensus:* formation of interest consensus via democratic-participatory forms

Throughout much of the history of capitalism, bureaucratic decisionmaking worked pretty well: many problems of creating the conditions for stable accumulation – enforcement of property rights, regulation of contracts, basic rules of the market, basic infrastructure, etc.-- could be solved by setting up rules and then applying them through a top-down, command-and-control bureaucracy. As Therborn emphasized, bureaucratic decisionmaking also had distinctive political virtues for capitalism, by virtue of the way it disempowers ordinary citizens.

But as capitalism develops technologically and spatially the conditions for the maintenance of capital accumulation become more and more complex, and as this happens a strictly bureaucratic logic of state action fails: administrative application of predetermined, fixed rules does not generate rational interventions. We see this in a wide range of regulatory failures in developed capitalist economies, such as environmental regulation. Simple, top down, bureaucratic rule enforcement becomes increasingly difficult with the complexity and heterogeneity of capitalist systems of production – monitoring costs go way up, the regulations often are ineffective for the specific problems of specific processes, etc.

3.2 Pivotal dilemma = Alternatives are also unsatisfactory in a capitalist context:

1. *Technocratic decisions:* Experts have difficulty in framing rational *ends*; they have competence only to specify means for unproblematically given ends (as in profitmaking capitalist firms). This problem is exacerbated by the need to take externalities into account (which firms displace). Consider the problem of environmental regulation, where there is a deep tension between the short run needs of maximizing profits, the long-term stability of conditions of accumulation, and the general welfare of people. Purely technocratic decision-making has difficulty balancing these ends. More generally once a simple monetary standard is missing to evaluate alternative means, the incommensurability of means and ends makes it very difficult to deploy pure technical rationality in the state.

2. *democratic-conflict-consensus*: Democratic consensus formation is an alternative to pure technical rationality or bureaucratic rule making, but this risks politicization of the goals of state action. Deepening democracy could well improve problem-solving capacity of the state, but it reduces its insulation from popular mobilization and action.

All this ➔ contradictory articulation of *decisionmaking logic* and *functional requirements* of accumulation

4. Internationalization of Capital and the State

States are anchored on specific territories; accumulation is global; capital can move globally. The premise of the steering/functional capacity of the state is that it can *solve free-rider problems of capitalists* by forcing them to make short-run sacrifices for long-term stability, reproduction, etc. But if each individual capitalist can escape paying for such long-term reproduction, they will do so, thus subverting the possibility of long-term stability.

Additional notes:

The following material was dropped from the lecture, but might help clarify some of the other ideas in the Offe reading:

In Offe's approach the concept of the *capitalist* state is not based on an inventory of institutional properties in the manner elaborated by Therborn. Rather for Offe, the capitalist character of the capitalist state depends upon what could be called the functional principles of the state in the social system. There are a variety of possible institutional forms which could embody these functional principles. In his analysis, four such principles are specified:

1. **exclusion principle**: the state is excluded from direct control of production: i.e. it does not stop profitable private accumulation nor force unprofitable production: **the state is not a capitalist** [differentiation of state and capital]

b. **maintenance principle**: the state is required to maintain conditions of accumulation and counter various threats to accumulation: **capitalism needs the state** [functional dependency of capitalism on the state]

c. **dependency principle**: State power depends upon capitalist accumulation: **the state needs capitalism** [functional dependency of the state on capital]

d. **legitimation principle**: In order for the state to remain legitimate it must conceal its capitalist character. This legitimation principle is what allows the three other principles to operate in a stable manner.

CENTRAL PROBLEM:

Within this general framework of functional principles, the form of state interventionism changes as the functional demands on the state change, and this leads to changing conditions for state rationality.

Decisive dimension of this change = **from allocation to production interventions.**

One way to think about this is the shift from the process that truggers state interventions: a shift from interventions in response to **DEMANDS** versus **EVENTS:**

Allocative interventions: respond to **voiced demands** with rational allocation of political resources. This follows the logic of decision rules of *politics*

Production interventions: respond to **negative events** (disruptions of accumulation). This follows the logic of decision rules of *policies*. Fundamental character of a policy logic in

response to events is that **what is needed must be produced by the state, not just allocated.**

The administrative problem is that the decision rules to effectively respond to demands may not be optimal for the response to events.

Correspondences of decision rules and interventionist requirements:

allocative interventions ➔ bureaucratic decision rules ➔ congruence between functions and procedures of the state

productive interventions ➔ bureaucratic logic fails because application of predetermined rules does not generate rational interventions.