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# What a State To Be in...

on the institutional question

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proved in the field during the various attempts to install socialism using the parameters of different varieties of Marxism.

However, we need to clean up anti-Statism and remove the detritus which has gathered around it as a result of the accumulation of often overly-superficial interpretations based on simple analogies. In particular, the pernicious confusion between state and public, between bureaucracy and services, between hierarchic and collective. It is, of course, true that public services are affected by bureaucratization and a lack of attention to the needs of the individuals who use them. But it is also true that the daily scandal created in the media (controlled by the powers-that-be) regarding disservices and inefficiency serves only to pave the way for private profit. The road which leads from today's justly-criticizable public services to an egalitarian, classless society does not run through the impervious jungle of capitalism in its wildest form and of the so-called interests of each citizen. It is a different road, one which runs in the opposite direction:

- recognition of services as indirect, equally-distributed wages;
- the demand for more services which are more efficient and free to all;
- more efficient and continuous controls on collectivity, but not in the form of "political representation", and on the quality of distribution of services.

This is the way to prepare for an efficient future self-management of society and of the services which are designed to remove any inequalities created among humans by nature. This is the true and most profound meaning of a "public service."

A little history never hurt anyone! The beast that is the modern State was born over two centuries ago and was closely connected with the emergence of the bourgeoisie as the new dominant class. It is not by chance that a large part of the typical functions of the modern State owe their origins to revolutionary France in 1789. It is a good idea to examine the reasons behind this profound transformation of the power structures in society, which social relationships ceased to exist in order to make way for others, what effects all this had on class relations and, above all, how the domination of the emerging bourgeoisie came about...

## Introduction

One of the basics of Anarchism throughout its history is without doubt its anti-Statism.

We do not wish to fall into the excesses of those anarchists who hate the state even when the word is used to mean condition and who reject the Welfare State simply because it includes that little word, allowing them to fall victim to the worst that neo-liberalism has to offer. However, the need for a stateless society too often produces distortions in Anarchist Communist thinking, the origin of which lies in a hurried acceptance of the historical baggage of Anarchism.

This baggage needs contextualizing and careful analysis, particularly at a time when capitalism in its exuberance is advocating the dissolution of the State as an administrative, bureaucratic apparatus for the collection of taxes and the provision of services.

## Part I — The birth of the State and what came before it

### 1.1 Social relations under feudalism

When Anarchists rightly denounce the ill effects that the State as a bourgeois organization of society has on the underlying classes, they abstract in an overly superficial way from the situation of those classes before the birth of the “liberal State.” The total absence of rules allowed the holders of power to behave as they wanted towards the weak, and there is no shortage of evidence for this, even in literature (the Italian novel “*I promessi sposi*” is a fine example). Even a little reflection will confirm that this is the real essence of absolute power.

Poor countries were not only very poor (and still are), but they also provided manpower in the extreme form of slavery.

Even the very concept of rights did not exist, and idea which was strictly reserved for the free citizens of city states, which in the degeneration of feudalism became limited further still to the aristocracy and the higher clergy. The vast majority of the populace lived in conditions where human dignity was totally denied.

### 1.2 The liberal State and rights

“*Liberté, fraternité, égalité.*” The slogan which founded the modern liberal State. We know only too well the hypocrisy that lies behind it. What is of interest, though, is another consideration. The shift from social organization without rules (except for that of the strongest) to a form of social organization which claims to be based on certain groundrules which go beyond the individual. This is anything but irrelevant. The principle exists (even though generally ignored) and it does have its effects, despite the arrogance of the powerful.

of the Welfare State and the maintaining, and indeed strengthening, of the Warfare State. EU treaties, the growth of NATO, the development of professional armies in Italy and other countries — all these point in the same direction, a direction which, among other things, excludes any consistent diminution in the tax burden, at least as far as employees are concerned.

In fact, we could add that anything other than a development of the Welfare State only plays into the hands of the class enemy. It is the struggle for the Welfare State that can prepare us for (and not move us further away from) the collective and solid self-management of relationships. Instead, it seems that for some so-called anarchists, the evil lies in public healthcare, education and social security because they are provided by State bodies, and not the exploitation of illness, knowledge and old age for profit.

But let us not forget that while the State is an obstacle to any revolutionary success and that it must disappear from the very start of any future revolution in the relationships between the bourgeoisie and the proletariat, its appearance in history was a step forward from the barbarism that preceded it and that its disappearance, if not accompanied by a revolutionary change in the relationships of ownership, will end up pushing us further from and not bringing us closer to our goal.

## Part V — A few groundrules

Anarchist anti-Statism has, without doubt, been useful in drawing attention to several aspects that Marxism failed to deal with: the role of political power, the role of the institutions during and following the revolution, the role of the intellectual classes, the inner nature of the administration and its ability to reproduce itself, the evolutive autonomy of the superstructure under certain conditions and its influence on the general evolution. In all these areas there have been irreversible theoretical advances which have been

Marxist. So why, then, is the boss class now aiming at the dissolution of the State? And why do some extremist fringe elements of US neo-liberalism (like Friedmann) even recommend privatizing police forces? Let us not forget that in Italy, the Mafia and the various other “societies of honour” were born as a form of social and police control in those parts of the country where, the exploitative production relationships not having been abolished, the unified State was not present, not even for the purposes of enforcing the law. A society can be created without State and without economic equality, a society which would be dear to those American anarcho-capitalists. Unfortunately, the subtle poison of this idea can be absorbed in homeopathic doses by anarchists without them even noticing it.

### 4.3 Collective functions and coercive functions

As we near the end of this study, it must be repeated that a generic approach to the subject of the State cannot move us forward (and can actually set us back). We therefore need to distinguish between the various functions of the modern State (or at least what they were until the recent neo-liberal attack), between the functions of social order both in one single area and internationally (the Warfare State, as some have called it), and the functions of assuring minimum standards of security to citizens (the Welfare State, in other words). The various functions are often linked and support each other but this does not take away from the fact that they are based on different principles. The former are purely coercive and have no place within an egalitarian society, whereas the latter are designed to ease social integration and have a role to play that any society worthy of the name would wish to cover, albeit with necessary changes in their form.

However, the way things are going at present, it seems that the direction we are going in is not the one we would like. It is a road which capitalism has taken with great willingness. The elimination

By way of example, a workers’ organization would have been unthinkable in a feudal society — keeping in mind that a revolt does not count as “workers’ organization.” In fact, before the bourgeois revolution there were many bloody revolutions (even victorious ones). But what was not possible was the gradual conquest of growing portions of wealth. It is obvious that these conquests are partial and often temporary due to the fact that they can be re-absorbed by the power (as we see only too well today) and that the only road that counts is that of revolution. But this does not deny two things. On the one hand, as Malatesta used to say, the gymnastics of struggle are a form of preparation for the revolution. This is especially important for us as we believe in a revolution which is conscious and aware and thus impossible to re-absorb at the hands of a new dominant class which considers itself more knowledgeable. On the other hand, the fact that everything which serves to improve the quality of someone’s life is by no means to be scorned simply because it is not libertarian communism.

By cloaking itself with the mantle of rights, necessary for its struggle against the old dominant classes, liberal society gives its approval for a principle which is progressive (both in fact and in its results), even with regard to those classes which remain the weakest.

### 1.3 Progressive participation

*“Kropotkinist solidarity, which was developed in the naturalist and ethnographical field, confused the biologically necessary harmony of bees with the discordia concors and concordia discors of social aggregation and had too many (sic!) present primitive forms of society/association to understand the ubi societas ibi jus which exists in all non-prehistoric political forms.”<sup>1</sup>*

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<sup>1</sup> C. Berneri, unpublished note reported in P. C. Masini, *La formazione politica di Camillo Berberi*, in Various authors, *Atti del Convegno di studi su Camillo*

This quotation provides us with two useful bases for reflection. The first is that no society is possible without rules. One can discuss (and anarchists do) how these rules can be formulated, who has the power to establish them, how they can be equally applied to all, and so on. However, in the absence of rules there can be no anarchy, only a jungle — and that is something that always penalizes the weakest and rewards the strongest.

The second is that rules (of whatever sort) have a dual function: coercive, placing limits on the individual's freedom on the one hand, but a guarantee and protection for all on the other. And it is exactly this second aspect, even if considered an undesirable but inevitable side-effect, which led to the emergence of inalienable rights of the individual becoming the mechanism for full participation by all in the structure of bourgeois society, which otherwise would tend to be exclusivist. It is hard to think that this was not a factor of the progress that we enjoy today.

## Part II — The 19<sup>th</sup>-century State and the birth of Anarchist theory

The point of departure for anarchist thinking regarding the role of the State before, during and after the social revolution is undoubtedly Bakunin.<sup>2</sup> However, it must be said that for the purposes of understanding the role of the modern State and possible ways to overcome it, Bakunin's ideas are of little use as they are too closely

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*Berberi, Milano 9 ottobre 1977*, La cooperativa Tipolitografica Editrice, Carrara, 1979, p. 17.

<sup>2</sup> Leaving aside Godwin's purely speculative position, what Bakunin himself says must be true for Proudhon too: by reason of the fact that he wanted to preserve the family, Proudhon was obliged by a logic that was stronger than his revolutionary peasant instincts to reconstitute and re-establish hereditary property, and also (acting as a counter-balance) the State [...]. Mikhail Bakunin, Lettera a "La Liberté" di Bruxelles, in Michail Bakunin, *Opere complete*, vol. VI, Edizioni Anarchismo, Catania 1985, p. 21.

involvement and electoral activity, whereas Anarchists developed a fanatical lack of interest in these areas.]

As for the State, Marxists drew the conclusion that, once the production relationships (ownership) had changed as a result of the revolution, the superstructure of the State should continue to exist until such times as its functions became unnecessary (on the basis of this, Trotskyists speak about the USSR as a degenerated workers' State, ignoring the complete failure of the revolutionary ideals as a result of the new Soviet bureaucratic apparatus). Anarchists maintain that it is essential to abolish the State apparatus immediately, substituting it with alternative forms of cooperative associationism, as we are convinced that power can regenerate exploitation even if the exploitation is initially abolished as a result of the revolution — something which clearly came true in the case of the USSR.

Once again, the principle was good but the course of time and bad propaganda caused a corruption of the principle in an extremely dangerous way. By forgetting that our prime enemy is the exploitation by one man of another (as Bakunin well knew) and that the State was one of the historic manifestations of exploitation and was neither the only one nor a necessary one, Anarchists have confused the theory of the transitional phase with the theory of history and have ended up proclaiming the State as the proletariat's number one enemy (and even, for some, its only enemy!). Marxist "statophilia" has been counterbalanced by an equally obtuse Anarchist "statophobia." In other words, they have concentrated their criticism on capital's instrument of domination developed during one particular historical phase, only to forget the domination itself and the various other forms it can take. And all because of the fear that the State might once again reproduce the exploitation should it survive during the revolutionary phase.

This is the reason why much Anarchist writing talks of the State being the main enemy and why anyone who claims instead that our main enemy is the bourgeoisie is accused of being a crypto-



to below (legislative power) of the *res publica*. Instead, it is important to maintain a centralized role (on the basis of free agreement from below, obviously) for public services in order to guarantee the same rights for everyone. The Spanish anarchists in 1936 had no doubts. Knowing full well that the revolution can succeed only if everything works from day one (as far as possible) with regard to supplies and to services, they ensured that the workers organized public services (for example transport in Barcelona) in order to keep them operational.

It follows from this that though it is right for the bourgeois State apparatus to be demolished and not transformed (as some have said in the past), the same cannot be said where public services are concerned — children's education, care of the elderly and the sick, public transport and so on. It can also be deduced that where such services already exist and are provided to citizens on the basis of equality, then the transition to collectivized management by the workers of those sectors will be so much easier than would be the case if these services were to be sold off piecemeal to the private sector and forced to operate in order to create profit.

## 4.2 The Number One Enemy

Marxists have always maintained the entire evolution of history to be determined by structure (the production system with its related social relations), while other aspects such as politics, culture and war are merely more or less direct consequences of the structure, even though they bring their own effects (superstructure).

Anarchists, on the other hand, agree that the structure is the primary source of the social system (history is the history of the class struggle), but that the superstructure is not so closely dependent on it, that it has a life of its own and that at times it can even interact with the structure, contributing to its development. [A brief aside: strangely enough, Marxists developed a notable taste for political

linked to the needs of the struggles of his time. Unfortunately, certain unarguable statements of Bakunin's have been adopted as cast-iron, untouchable principles of Anarchism, even though they have perhaps been taken out of context with no attempt to interpret their sense. So, in order to free ourselves from the chains of a few watchwords which only serve to distort any political enterprise, it is necessary to clarify a few points.

Bakunin's ideas on the matter developed during the last decade of his life, during his activities as part of the International Workingman's Association and the polemics with its Marxist element. Then his main reference points (strictly linked to the development of the anti-authoritarian group's action) were Italy, Spain, Russia and Austria, to which must be added the German empire, both for its role as the emerging power in continental Europe and for the fact that it was host to the main nucleus of Social Democrats.

Given this situation, Bakunin was immediately concerned with three points:

- definitively establishing that the conquest of the State (by electoral means) or its transformation (by means of reforms) are not viable means of reaching a society of equality and solidarity;
- demonstrating that wherever there is power, there is exploitation and that therefore no forms of social organization is better than any other unless it is one where property, classes and hierarchies do not exist;
- lastly, as a logical consequence, that the State cannot and must not survive the Social Revolution.

These points remain unquestionably the most basic and most distinctive features of any concept of Anarchism.

In his urgency to establish the above points, Bakunin (who was convinced that the masses' revolutionary uprising was imminent,

thanks to the unstoppable rise of the International) had neither the time nor the opportunity to analyze deeply enough the role that the State had been assuming over the previous 75 years in a slow, contradictory arc, at times hard to make out but nonetheless constant and in some respects irreversible. For him, the State was summed up in Germany or in the autocratic tsarism of Russia. In fact, he did not even consider England to be a true State as it did not meet what he believed were the distinguishing features of the “modern State”, that is to say “military police and bureaucratic centralization.”<sup>3</sup> Clearly, from the theoretical point of view, there is a certain distortion resulting from confusing state organizations (or better still, centralized organizations) left over from the past with the modern State, a good example of which would be the United Kingdom or the rapidly-changing French State, even with its centuries-long heritage of centralization.

The bogeyman of the State actually first appeared in Anarchist theory in this conception of a military, police and bureaucratic centralization and this is the source of all future deformations and the inability to produce appropriate analyses. Every evolution of the State was interpreted as a concentration of this centralization, impeding any understanding of new (and not always negative) functions. The result today is that many Anarchists are theoretically unprepared when faced with forms of decentralization and the apparent dissolution of the apparatus of oppression.

Bakunin realized, however, that the (decentralized) English non-State was no less dangerous, though his works on the subject (necessary in order to urge on the revolution which quite rightly needed to occur at the time, and in order to dispel some pernicious illusions) tended to lump together different forms of bourgeois domination without studying too closely the differences between them — even if only to establish the actual conditions of the masses under the various systems. In fact, at times the

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<sup>3</sup> Michail Bakunin, *Stato e anarchia*, Feltrinelli, Milan 1972, p. 38.

State during the transitional period. The use of the State’s functions in order to spread and defend the revolution, according to the followers of so-called scientific socialism; decentralization and direct management of society by the proletariat, in order to ensure that the proletariat immediately takes control of the revolution as the solution for the problems generated by class society, for Anarchist Communists.

Marxists have accused Anarchist positions of being cooperativist, sustaining that if our methods were followed the result would be conflict and inequality, not to mention an inability to defeat the inevitable bourgeois reaction. For their part, Anarchists have maintained that the survival of a centralized power (the State) would generate a new expropriator class and would distance the masses from the revolution. Experience has provided unequivocal evidence of the truth of this. Moreover, there have been notable examples of solidarity between the dispossessed whenever the revolutionary self-management of the proletariat has had even the slightest possibility to exist freely.

Having established that, let us now look at the matter a little more carefully. First of all, Anarchists’ legitimate criticism has led them towards a slippery slope which could be fatal unless it is adequately dealt with. Solidarity is a blueprint for civilization which humans must be educated into and it is not by chance that the examples we have already mentioned all occurred in places where revolutionary militants had already been exerting their influence for some time, in other words where the masses were better prepared for revolution. Put another way, it would be dangerous to confuse anarchy, which is the final condition of human evolution (the result of a growth of civilization and the awareness of our role in society), with the primordial conduct of man the animal — violent, crude and aggressive.

In the second place, we need to avoid confusion in our goals. It is power which must not be concentrated, in other words government and the State in the sense of the administration from above

Anarchism, on the other hand, unites both functions and has ended up over time losing the ability to distinguish and, consequently, the capacity for political orientation.

We therefore need to think again about the whole question if we are to avoid the risk of accepting the apparatus of state as it is or avoid rejection a priori of anything that comes from the State, both of which would serve only to deliver us into the hands of aggressive neo-liberalism.

## Part IV – Ambiguities in the role of the State

Much has been said about the absolutist or theocratic State, the pure expression of the power of a privileged caste (and against which Bakunin's criticisms were directed), which still existed in many countries in the mid-18<sup>th</sup> century, though not for much longer. Our attention, however, is best concentrated on the liberal State which by now is firmly established throughout the world with a high level of capitalist development (and that it is the lesser of two evils is only too clear to those "third-world" countries which are still living under oppressive dictatorships).

It is true that bourgeois rights are fictitious – the State is never impartial. In a society divided by class, even the consequences of illegality are divided by class. But it does no harm to keep in mind the old saying about throwing the baby out with the bathwater – even if the water is very dirty and the baby very small. And for two good reasons. The first is simply that it would be stupid to sacrifice the baby. The second is that we would be helping our class enemy, who is trying to hold on to the bathwater but wants to throw out the baby.

### 4.1 The State in the revolution

One point on which Anarchists have always been in disagreement with Marxists is regarding the need for the survival of the

illusion of democracy was even considered more negative for the development of a revolutionary consciousness among the people.

But Bakunin does always appear to be indifferent to the rules of the society within which the revolutionary struggle has to evolve,<sup>4</sup> confirmation of what was said above about this aspect being simply a part of his thought that remained undeveloped.

## Part III – The evolution of the State

Although by the mid-19<sup>th</sup> century, the evolution of the State organism had already reached a point where its distinguishing features could be perceived (though Bakunin failed to do so for the above reasons, and Marx too, by the way), it was extremely difficult to forecast the tasks that the State would gradually adopt. Two considerations are worth developing here. On the one hand, the web of responsibilities the State would take on and their effect on the social organization as a whole. On the other hand, we should examine if the stage of statism has had only negative effects on human "progress" and, consequently, if it can be considered a parenthesis in the original human tendency towards mutual solidarity. Clearly, the answers to these two questions are anything but irrelevant in dealing with the analysis of today's struggles, even though it is most unlikely they can have, as we shall see, any effect on the prospects of reaching a society without classes and, for that very reason, without States.

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<sup>4</sup> The 1830 revolution and their new independence allowed the Belgians to give themselves a [...] Constitution [that] fully guaranteed the freedom of congregation and association and none of the various reactionary governments that the country has had to endure has dared abolish this principle of freedom, despite the many attacks over these last ten years on the workers' strikes. Mikhail Bakunin, *Istoric'esкое Razvitie Internatsionala, Cast' I. Izdanie Social'nojucionnoj Partii. Tom II* ] (1873), pp.174–182, in Michail Bakunin, *Opere complete*, vol. VI, Edizioni Anarchismo, Catania 1985, p. 151.

### 3.1 The State as entrepreneur

When speaking of the modern State, three functions that the apparatus of State performs are often fused together, even though they are profoundly different and in no way mutually necessary. They are the regulation of the economic cycle, direct intervention in the economy and the welfare system. These three characteristics were all added during the course of the 20<sup>th</sup> century, in addition to the traditional role of guardian of bourgeois interests, well known to the revolutionaries of the 19<sup>th</sup> century.

Theoreticians of the advent of the techno-bureaucracy saw in this multiplication of prerogatives the confirmation of their expectations of a total englobing of society into the omnivorous monster of the State. In perfect continuity with Kropotkinist determinism, for them history is a one-way affair and the paths of social evolution are already marked out. In this way, the tendencies which existed between the 1930s and the 1970s are held to demonstrate unequivocally the future turn of events — their finalistic vision is simply the other side of the coin with respect to Marxism and both fail to take into account the functionality of social organization with the contingent interests of capital and consequently the reversibility of choices which seem to them to be definitive. Not by chance does the dismantlement of the State (which has been in course during the last two decades) leave them theoretically thrown and desperately grasping for proposals, if not decidedly and irremediably coherent with the moves of the leaders of the world's economy.

#### 3.1.1 Control of the cycle

The impossibility of preventing the ever more devastating cycle of crises, after the failure of those marginalist theories<sup>5</sup> designed

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<sup>5</sup> Marginalist economic theories first appeared in the latter half of the 19<sup>th</sup> century following the long depression of 1866 and were the first attempt to predict and plan the market which, left alone to fluctuate, was provoking the cyclic crises

the outlying districts of cities, but it has to be said that it also allowed greater enjoyment of leisure time by large sections of the population which once had no access to mobility.

Refusing to examine the State in all its various guises is simply short-sighted.

As a result, there are those who think that if the State is the enemy, then everything that comes from the State must be rejected. But this type of reasoning does not take into account the other enemy — capitalism — which is today aiming at the destruction of the State. And there is yet another misconception, even more insidious but nonetheless erroneous: as the proletariat and capital have opposing interests, everything that goes to the advantage of the latter can only be to the disadvantage of the former.

But if this were the case, seeing that wages are undeniably at the lowest level that the bosses are prepared to cede in order to exploit the workforce fully and are thus an advantage to employers, then employees should refuse them. In effect, while we fight (or rather, should do) to increase wages at the cost of profit, we should at the same time be fighting to ensure that services are increasingly directed towards the exploited classes and increasingly away from the wealthier classes.

But this should never mean, obviously, that we renounce the revolutionary subverting of the system in order to obtain a just, free and egalitarian society.

### 3.2 From the primitive state to the modern State

As has been made clear from what we have said thus far, over the last 150 years, the State has substantially changed its role, its functions and its structure.

But, on the other hand, while Marxism separates the role of government (a bourgeois entrepreneurial committee, as it has been called) from that of the State as an apparatus, and therefore developed the concept of using the State machine for revolutionary ends,

some vague and barely credible moral drive to eliminate corruption. Furthermore, the physical elimination of Enrico Mattei (president of AGIP and promoter of an autonomous supply of crude oil by-passing the international oil cartel, the Seven Sisters) on the orders of the oil companies is certainly food for thought.

### 3.1.3 Welfare

In the course of the 20<sup>th</sup> century, the State gradually took on the role of provider of social services (education, healthcare, social insurance, transport, etc.). The advantage for the bosses was obvious. Taxes (to which they contributed to a much lower degree than workers) paid for a whole series of services, giving the bosses a better-educated, healthier and (it was hoped) less restive workforce. But it is also true that for the workers there was an undeniable advantage, too. The alternative would not have been lower taxation (something we will come back to) but the abandoning of all forms of social protection to the jungle of profit – something which we are now witnessing in all clarity.

Welfare, in fact, was once known as “social salary” and was considered by workers’ organizations as another form of pay for their work. Public education may have concentrated on the acquisition of the skills required for work, but it also enabled the weaker classes to gain access to general educational standards which had hitherto been impossible. If healthcare was designed to “repair” the damaged workforce, from another point of view it also guaranteed treatment of illnesses which had once cut swathes through the proletariat. While pensions often tended to transfer the costs of an obsolete or redundant workforce onto the whole of society, they can also be said to provide an alternative to the poorhouse and to the total degradation of old age which members of the weakest classes were once subjected to. The public transport system may have made it possible for huge numbers of the proletariat to be abandoned amid the marginalization of

to interpret scientifically the state of the markets, led capital to drastically modify its features. In the course of the years from the early 1940s to the late 1970s, the State changed from being simply the guardian of capitalist interests (tax drainage, police control, customs policy, etc.) into a motor of the economy, by taking on responsibility – by means of substantial tax increases – for revitalizing the economic cycle which was precipitating towards the abyss of crisis.

A necessary consequence of this new economic form (Keynesianism) was the expansion of the market, an indispensable condition for the absorption of an ever-increasing quantity of goods, which depended on a perennial progressive cycle. Wages become the flywheel of the economic situation (Fordism) and increase, though at a level below productivity, driven by the technological innovations in the organization of work (Taylorism). It was an attempt to weaken the class struggle, turning it into a normal way of rationalizing the system.

Clearly, capitalism was inventing a new era of prosperity for itself, but at the same time, growing masses of the metropolitan proletariat in the industrialized countries were gaining access to goods which were once out of their reach. The period of struggle in the late ‘60s made it clear, though, that this situation did not translate into a permanent integration of the weaker classes into the commercial mindset. In fact, it was from the very sectors which could be said to be representative of the so-called working masses that the protests against the system emanated and to them that they continued.

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predicted by Marx. The term marginalism was applied to these theories due to the concept of marginal utility, i.e. the value that seller and buyer respectively assign to the goods on sale, the latest in a series of goods at the disposal of the seller. Marginalism marked the massive entry of mathematics into the study of the economy. The principal exponents of this economic school of thought were Marshall, Jevons, Böhm-Bawerk, Menger, etc.

### 3.1.2 The direct management of capital

A further step was taken in the 1930s. This evolution took place almost naturally, but it was a far from necessary one, so much so that it did not arise at the centre of the capitalist system — the USA. Superficially, there is much in common between the situation that developed in the two antagonistic areas of totally-planned economies (the Soviet area) and directed-planning economies (capitalist Europe). But, as we will see, the two cases had certain characteristics that clearly indicate how different they were.

The first stimulus developed almost by chance in fascist Italy. Faced with the crisis in many industrial complexes, the regime set up the *Istituto per la Ricostruzione Industriale* (IRI — Institute for Industrial Reconstruction) in 1933. This body took over struggling companies with the stated intention of re-introducing them into the market once they had been put in order. Instead, the IRI quickly found itself in possession of notable portions of industrial production and ended up holding onto them, managing them directly and creating a new sector — that of State Participation. The IRI survived the fascist era and following World War II became the most important player in the country's economic life. Its success in softening the blows of the economic cycle (thanks partly to the enormous availability of capital even from the State) was so great that British Labour Party members in the 1950s came to study it to see if it could be reproduced in the UK, followed by the French and Germans. Thus was born the State which participates directly in the country's economic life with its own capital — the State as businessman.

The Soviet economy was entirely a different affair. There, the State management of the economy was total and did not involve any competition. It was the result of the coming to power of a class which was not the entrepreneurial bourgeoisie, but the educated petite bourgeoisie with its own methods of extracting surplus

value.<sup>6</sup> These two systems provided different types of economic planning which were only nominally similar.

At this stage, we cannot avoid making a quick appraisal of this new role of the State which developed in continuity with, but not in consequence of, the previously-examined role as regulator and stimulator of the economic cycle. Those of us who remember the labour struggles of the Sixties and Seventies will certainly recall the fact that two different national labour contracts were signed for workers in a private companies and for workers in State Participation companies, with the latter often preceding the former. In this way, the terms of the latter were often seen as a target, thereby forcing the bosses of the private sector to reluctantly make greater concessions to their workers. However, in an age of rampant liberalism the State Participation firms became synonymous with corruption and waste and on a wave of emotional reaction were dismantled and sold off to the private sector. Thus it became possible for a model firm like the Nuovo Pignone in Florence (having been acquired by AGIP — part of the IRI group — and converted to a new type of production, having developed avant-garde technology, having won itself a good slice of the world market in its sector and having become an excellent source of profit for the State) to be sold off to its US competitor, General Electric.

Doubtlessly, certain elements within public sector management got rich through running the State Participation companies, but there is no doubt either that wage levels and workers' conditions in this privileged sector served as a reference point for other workers in their demands. It is therefore perfectly legitimate to think that perhaps the desperate drive to destroy this sector came about principally as a result of the needs of the bosses in the private sector to eliminate an uncomfortable competitor rather than from

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<sup>6</sup> The acquisition of the privileged part of the goods produced does not come about by virtue of possession of the goods of production, formally under collective ownership, but of the bureaucratic control of the production-distribution cycle, exercised by virtue of having greater knowledge.