

# Relative Autonomy: An Empirical Critique

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*A thesis  
submitted in partial fulfilment  
of the requirements for the Degree  
of  
Master of Arts in Political Science  
in the  
University of Canterbury  
by  
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University of Canterbury

October 1988

## Abstract

This work analyses the relative autonomy framework within Marxist state theory. Relative autonomy stresses the independence of the state from the economic interests of the capitalist mode of production (CMP) and emphasises the role of the state in ensuring the overall reproduction of the capitalist mode. However, the validity of relative autonomy theory has been called into question in the 1980s by the withdrawal of Western capitalist states from most direct interventions in the CMP.

Three disparate theorists (Ralph Miliband, Claus Offe and Nicos Poulantzas) were examined in the light of state intervention in the New Zealand CMP. The test was whether or not relative autonomy hypotheses could be constructed from Miliband, Offe or Poulantzas' accounts that explained the transformation in the form of the state evident during the 1980s.

This study found that none of the theories explained the forms of the state in terms of relative autonomy. Furthermore, it was concluded that relative autonomy is a descriptive and not an analytic category. Accordingly, it is recommended that relative autonomy be reintegrated within Marxist analysis as an observation tool. In this new framework relative autonomy would mediate the relationship between mechanisms (such as the CMP) and observable empirical forms (such as the state).

It is also noted that relative autonomy has been an obstacle to progressive social change. The empiricism inherent in relative autonomy has distorted the political focus of socialists by reifying the state. Reification implies the analysis of the state in empirical terms, that is, in isolation from the Marxist understanding of an integrated social formation. Consequently, relative autonomy has established an agenda for progressive social change within a state-centric focus. It is argued this has been a factor in the maintenance of the reformist political strategy.

The study ends by suggesting that the empirical character of relative autonomy should be elaborated in further research. The aim of this future work should be the development of an accepted operational understanding of relative autonomy amongst Marxist theorists. If this can be achieved it is considered that there is hope that Marxist analysis might again assume a leading position within progressive political criticism.

## Acknowledgements

My thanks go first and foremost to my supervisor, Dr Cary J. Nederman, whose support and encouragement never faltered. To Ms Dell Small, the second member of my supervisory committee, my thanks for never settling for less. Thanks are also due to Dr James W. Lamare, the Head of the Department of Political Science at the University of Canterbury, for whom I worked as both a Teaching and a Research Assistant during the large part of the work on this project. Intellectually, I wish to acknowledge my debt to Dr R.P.G. (Rob) Steven who spared some of his precious time during 1986 to take me through Marx's Capital; and to Dr C.N. Connolly of the Department of History for his critical precision.

Thanks to Dr R.G. Lattimore of Lincoln College for his help with things agricultural. Thanks also to Shayne Andreasend, Guy Beatson, Dr Bob Anderson and The Treasury's Systems Support section for help with software engineering. Many thanks to The Treasury's Network Industries section for support and encouragement.

My thanks to able proof readers Jack Cox and Stephen Coates. However, I hasten to add that final responsibility for any errors and omissions remains mine.

I must also say thanks to the many people, both staff and students, whom I have met during my association with the Department of Political Science. Thanks also to The Treasury for providing me with an income in the last stages of the project. Lastly, warm thanks go to my friend Rikki Koster whose fortitude has been an example to me during this work.

Wellington, October 1988

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## Chapter One

### Introduction: The Problem of the Relatively Autonomous State

#### I. Introduction

One of the most persistent themes in post-war Marxist political economy has been the attempt to formulate an adequate theorisation of the state's relationship to the capitalist mode of production (CMP) in Western social formations. This debate arose out of the development of the interventionist state in these formations. As Gould notes, in the period between

1973 and 1982 the average total outlay of general government in OECD countries rose from 33% of GDP to 42.5%. For the European countries of the OECD the increase was from 38.8% to 50.9% (the figure had been 32.5% in 1962).<sup>1</sup>

This growth in the relative size of the state presented an explanatory problem for the dominant instrumental theorisation of the state within Marxist theory.<sup>2</sup> No longer did the state appear to act simply as a tool of the CMP, as the instrumental approach suggested. Indeed, to the casual observer the state's new social and economic interventions seemed to be of a decidedly anti-capitalist character. Given such an apparent transformation, political economists looked again at the nature of state/society relations. Had politics come to dominate the economic base with the advent of welfarism? In other words, had the state become independent of capital, making decisions on non-capitalist criteria?

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<sup>1</sup> John Gould, The Muldoon Years: An Essay on New Zealand's Recent Economic Growth (Auckland: Hodder and Stoughton, 1985), 17.

<sup>2</sup> The terms 'Marxist analysis', 'Marxist political economy' and 'Marxist social science' are used interchangeably here. In contrast, 'Marxist state theory' refers to a more circumscribed field of study within Marxist analysis.

Although these Marxist theorists were divided amongst themselves, it can be said that a particular theoretical account of the state did emerge out of their discussions. This perspective stressed the independence, or relative autonomy, of the state from the immediate or short-run interests of capital. This contrasted with the aforementioned instrumental view which insisted that all state action was, by definition, in the interests of the dominant class.

However, recent concrete developments in New Zealand call into question the account of state/mode of production relations given by relative autonomy theorists.<sup>3</sup> At the level of appearances the state no longer seems to retain even its image of independence. Indeed, the state's actions appear as those of an object, acting at the behest of an external determinant mechanism. But is this surface impression a fair account of the explanatory potential of relative autonomy theory? Do the concrete changes discernible in contemporary capitalist society invalidate this theoretical approach, or could some formulation of relative autonomy provide an adequate theoretical understanding of these events?

With these questions to the fore an essential preliminary task is the establishment of a research agenda. What exactly is meant by a relative autonomy account of the state? How could relative autonomy's explanatory utility for contemporary political economy be investigated? However, before these questions are tackled it would seem apropos to make some introductory points about the Marxian political economy paradigm and the requirement for a theory of the state. An understanding of these concepts is essential to an appreciation of the critical perspective adopted throughout this work.

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<sup>3</sup> The mode of production is equivalent to the sum total of the social relations of production in a stage of the development of the material powers of production. For example, the capitalist mode of production (CMP) is characterised by the wage-earner/owner of capital relation in the workplace. The mode of production sets the limits or boundaries within which social and political life occurs. Susan Himmelweit, "Mode of Production," in A Dictionary of Marxist Thought, ed. Tom Bottomore (Oxford: Blackwell, 1985), 335.

## II. Marxist Political Economy and the State

Marxist political economy provides a highly elaborated series of conceptual abstractions of the laws and tendencies dominant in the CMP. These abstractions are based on the understanding that it is, most fundamentally, the production of material life that provides the context in which political relations are shaped.

Production is said to be characterised by a process of surplus-value creation and appropriation. Central to this process is labour, which is purchased to obtain labour-power, that is, labour's productive potential, by the owner of capital. Labour-power, unlike all other commodities bought and sold on a market, has the unique character of being able to produce more value than it costs to reproduce labour itself. While means of production, or 'dead labour', transfer value to the new product, only labour-power is able to increase its value beyond mere reproduction.

Production establishes a fundamental conflict between the two classes of persons involved. Capitalists, in their owning, controlling and appropriating relations to production and labour, exist as the social class opposed to the material interests of the labouring class, that is, the working-class or proletariat, which capitalists economically exploit. Exploitation takes the form of the expropriation of the unpaid increment (or surplus-value) produced by labour in the productive process. Because the capitalist obtains labour-power (productivity) but pays only for labour (costs of working class reproduction) he or she exploits the worker. Marxist political economy's central claim is that capitalist society is a society definable by contradiction, where the fundamental (material) interests of vast masses are opposed by a small, but well organised, bourgeois class. This latent contradiction at times emerges in the form of working class consciousness of exploitation, thence constituting a revolutionary threat to dominant class rule.

A theory of the state is useful to the Marxist political economist in the context of class contradiction. The state is seen to involve itself in the 'resolution', or more correctly, the amelioration, of these contradictions so that the exploitative

relations of production may continue. Accordingly, Marxist political economy must develop tools to theorise the capitalist state's actions.

Of course, in the past Marxist political economy never abstracted itself from the impact of the state upon the reproduction of the social relations of capitalism: a Marxist theory of the state has always been necessary.<sup>4</sup> Marx acknowledges this in The German Ideology, where he notes that

The conditions under which definite productive forces can be applied, are the conditions of the rule of a definite class of society, whose social power, deriving from its property, has its practical-idealistic expression in each case in the form of the state.<sup>5</sup>

This is the case, according to Marx, because a "practical intervention

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<sup>4</sup> 'Reproduction' is understood in this work in its explicitly Marxist sense as the process by which the social relations at the core of surplus appropriation are replicated. As Marx describes this process in Capital, "Capitalist production...of itself reproduces the separation between labour-power and the means of labour. It thereby reproduces and perpetuates the condition for exploiting the labourer" (Karl Marx, Capital: A Critique of Political Economy, vol. 1, trans. Samuel Moore and Edward Aveling, ed. Frederick Engels [Moscow: Progress Publishers, 1978], 410). However, the suggestion is made by the major relative autonomy theorists examined in this work that this conception of reproduction is inadequate. As Himmelweit reports the position, these writers insist that "reproduction depends on processes which lie outside the mode of production and that it is their relative autonomy which makes the reproduction of any mode of production problematic" (Susan Himmelweit, "Reproduction," in A Dictionary of Marxist Thought, ed. Tom Bottomore [Oxford: Blackwell, 1985] 417-419). Thus, 'reproduction' is not axiomatic within capitalism, but an object of class struggle. However, the debate over 'reproduction' does not stop with relative autonomy theory. Feminists, especially Marxist-feminists, "have criticised the traditional Marxist view of reproduction for ignoring much of the process by which people and their labour-power are reproduced." Ibid. These writers wish to extend the notion of reproduction into the area of human replication itself. The question Marxist-feminists ask is "whether the reproduction of people is inherently indeterminate under capitalism, or a labour process with its own connected laws of motion involving relations of control of women as biological reproducers different from those to which they are subject as producers." Ibid. While the importance of this debate is recognised, it is not treated explicitly within the confines of this work, which deals with reproduction as a feature of the mode of production in isolation. See also, Michele Barrett, Women's Oppression Today: Problems in Marxist Feminist Analysis (London: Verso, 1980), 27-29.

<sup>5</sup> Karl Marx and Frederick Engels, The German Ideology, in Karl Marx and Frederick Engels: Selected Works in Three Volumes, vol. 1 (Moscow: Progress Publishers, 1977), 40.

and control" is necessary for the 'normal' functioning of the inherently contradictory CMP.<sup>6</sup>

Given, then, that the state is an immanent feature of the reproduction process, it is clear that the exact nature of the state's behaviour will be a critical influence within a capitalist-dominated social formation.<sup>7</sup> As such the state demands the close attention of the Marxist political economist.

### III. Instrumentalism

Critical to the development of a rigorous theorisation of the state has been the critique of the seemingly polemical accounts of the state hitherto dominant within Marxist thought. These theories are typified by an instrumental characterisation of state/mode of production relations.

The suggestion that classical Marxism provides an instrumental account of the relationship between the state and economic life is often illustrated by reference to Marx's "Preface" to A Contribution to the Critique of Political Economy. In this work Marx notes that his

investigations led to the result that legal relations as well as forms of state are to be grasped neither from themselves nor from the so-called general development of the human mind, but rather have their roots in the material conditions of life.<sup>8</sup>

These 'material conditions' consist of the 'definite relations' that pertain to production in a specific stage of the development

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<sup>6</sup> Ibid., 35.

<sup>7</sup> The concept of social formation refers to the Marxist concept of concrete historical societies in which social and economic elements are understood to be interrelated and articulated in a structure. Tom Bottomore, "Social Formation," in A Dictionary of Marxist Thought, ed. Tom Bottomore (Oxford: Blackwell, 1985), 444.

<sup>8</sup> Karl Marx, "Preface" to A Contribution to the Critique of Political Economy, in Karl Marx and Frederick Engels: Selected Works in Three Volumes, vol. 1 (Moscow: Progress Publishers, 1977), 503.

of the productive forces, that is, the relations of production or social relations existing in the work place, typically in capitalism those between the owner or controller of the means of production and the possessor of labour-power. Taken in total, "these relations of production constitute the economic structure of society, the real foundation, on which rises a legal and political superstructure."<sup>9</sup> The model seemingly developed by Marx in this work invites "a view of the state as subordinate to, and constrained by, forces and pressures external to itself."<sup>10</sup> This state exists upon a real, material foundation that seemingly determines the character of its behaviour. As a consequence the state is relegated to the status of "an agent or instrument, whose dynamic and impulse is supplied from outside."<sup>11</sup> Despite the summary nature of this account, and the considerable autonomy attributed to the state in other works by Marx such as The 18th Brumaire of Louis Bonaparte, the lack of a thorough schematic Marxist account of the capitalist state enabled the instrumental perspective to establish itself as the paradigmatic account of the state within the Marxist tradition.

#### IV. The Critique of Instrumentalism

During the period immediately following the Second World War the dominance of the instrumental position was undermined by empirical developments. The most notable of these was the advent of the 'welfare state' and interventionism. The development of welfarism raised new problems for Marxist theory. Welfarist intervention imposed significant costs upon capitalist enterprise in terms of higher taxes and restrictive regulatory environments. Everywhere state budgets expanded, leading in many cases to budget deficits that tended to fuel inflation and reduce international trading competitiveness. But if the state was, as depicted in

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<sup>9</sup> Ibid., emphasis applied.

<sup>10</sup> Ralph Miliband, "The State," in A Dictionary of Marxist Thought, ed. Tom Bottomore (Oxford: Blackwell, 1985), 465; punctuation applied.

<sup>11</sup> Ibid.

The Communist Manifesto, "but a committee for managing the common affairs of the whole bourgeoisie," why was it now to be seen behaving in such a seemingly anti-capitalist manner?<sup>12</sup> Instrumentalism was seen to be incapable of explaining the apparent anomaly in state/mode of production relations suggested by these empirical developments. The new concrete situation required better theoretical tools. One way in which such a development occurred was through the careful rereading of the classic texts of Marxism themselves. For instance, while the formulation in The Communist Manifesto passage quoted above appears to attribute a subordinate position to the state, one contemporary Marxist has observed that in this work "Marx and Engels speak...of 'the common affairs of the whole bourgeoisie': this clearly implies that the bourgeoisie is made up of different and particular elements."<sup>13</sup> Because the interests of capital as a whole, as opposed to labour as a whole, will often run counter to those of particular fractions of capital it can be deduced that the state must have "a considerable measure of independence" from the immediate dictates of capitalist reproduction.<sup>14</sup> It is the job of the state to "manage" the "common affairs" of the bourgeois class, despite fractionation of interests.

Marx arguably develops this notion of the state's independence in Volume 1 of Capital. On the one hand, he alludes to the state as the regulator of the internal health of the mode of production (in an intra-class sense), and on the other, to the state as the weapon of capital (in an inter-class sense). As an example of the former tendency, Marx describes the English Factory Acts as curbs on "the passion of capital for a limitless draining of labour-power" analogous to the exhausting of soil fertility.<sup>15</sup> In relation to the latter, Marx shows the limitations of the internal (or 'economic') laws of the mode of production. Here

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<sup>12</sup> Ibid., 464.

<sup>13</sup> Ibid., 466.

<sup>14</sup> Ibid.

<sup>15</sup> Karl Marx, Capital: A Critique of Political Economy, vol. 1, 229.

Marx observes the deleterious impact on capital of the absence of an industrial reserve army of labour (RAL) which is normally produced by the nominally 'free' capitalist labour market. As the laws of the labour market fail to favour capital by producing an RAL, "capital...rebels against the 'sacred' law of supply and demand, and tries to check its inconvenient action by forcible means and state interference."<sup>16</sup> Thus, in the inter-class mode the state will act to create the required conditions for capitalist accumulation by adjusting the relationship between classes engaged in production rather than by regulating the actions of the capitalist class itself.<sup>17</sup> An example of this inter-class state action is the regulation of wage rates.

From these reinterpretations of classic Marxist texts contemporary Marxists in the non-communist world have developed various accounts of the quasi-independent or relatively autonomous state. As was the case with instrumentalism it will be the contention later in this work that fresh empirical developments have made these theoretical models problematic themselves. But for now some discussion of the general features of relative autonomy theory is appropriate if its significance as a theoretical perspective is to be made clear.

The initial premise of relative autonomy is that the state is a social institution separate and apart from the production of material life. The state is not subject to close direction by other social mechanisms. However, this autonomy is qualified by the designation 'relative'. Although the state is autonomous this is so only in the context of the super-ordinate social pressures of capital. These pressures set limits upon the state's field of action - what is 'acceptable' in the context of the reproduction of the CMP determines what is acceptable in terms of action by

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<sup>16</sup> Ibid., 599-600.

<sup>17</sup> Capital accumulation is the imperative or driving force of bourgeois society. It is the essence of capital that it must be accumulated independent of the subjective preferences of individual capitalists. The coercion on individual capitalists to accumulate operates through the mechanism of competition. Because of competition the mere preservation of capital is impossible unless it is, in addition, expanded. Ben Fine, "Accumulation," in A Dictionary of Marxist Thought, ed. Tom Bottomore (Oxford: Blackwell, 1985), 3.



the capitalist state. These pressures also set the agenda for the state in that their internal contradictions require coordinated central action if a revolution in the structure of social relations is to be avoided. So, although the state is free to act in the immediate sense, the character and scope of state action is both limited to and substantively directed by the CMP.

Relative autonomy theory stresses the strategic importance to capital of the general vis-à-vis the particular, the social form of organisation as superior to the individual form. In relation to the proletariat, capitalism is understood to be a socialising pressure in that machinofacture establishes the social situation in which a class-conscious view of society is able to develop. But for the capitalists, competition, the motor of capitalist accumulation, is a divisive force, individuating and thus preventing capitalists, other things being equal, from enjoying full membership of a surplus-appropriating class. The relatively autonomous capitalist state aims to alter this less than optimal situation by individuating workers as citizens, as consumers and as sellers of their labour-power, and by acting in the common interest of capital considered as a class interest. According to the relative autonomy theorists, reproduction of capitalist social relations of production will require subordination of the individual conflicts between capitalist enterprises to the general reproductive needs of capital. Thus pollution control, labour and factory acts, and much else besides are established by the state to ameliorate the deleterious effects of competition between capitalists and thus prevent capitalism from immobilising itself in the way Marx forecast in the mid-nineteenth century.

Central to most accounts of the relative autonomy paradigm is an emphasis upon the different forms of state that are seen as by-products of this reproductive role. These different forms of state stem from the relative side of the relative autonomy equation. State forms are said to vary in relation to the degree of instrumentality or autonomy necessary at any particular time for the successful reproduction of capitalist domination. According to this view, the mid-nineteenth century nightwatchman state, characterised by minimal intervention, was the appropriate agent

of capitalist reproduction in that historical phase of capitalist development. The nightwatchman state addressed contractual law and questions of war and imperialist expansion. By contrast the welfare state of the post-war era is also understood to be the appropriate mechanism, in this case for stimulating and maintaining aggregate demand for the consumer durables produced by advanced capitalism. State forms, then, are indicative in the relative autonomy perspective of what capitalist reproduction requires to avoid the manifestation of its latent contradictions in any particular concrete situation, and therefore to avoid a crisis of social relations which would threaten the accumulation process.

Some relative autonomy theorists follow Offe in emphasising the contradictory effects of the 'independent state' itself. While independence may be necessary for the reproduction of capitalist domination, the very independence of the state from these relations can, according to this view, lead to dysfunctional consequences. Social programmes created initially to enhance legitimation and provide an educated and healthy labour force grow into ossified self-interested bureaucracies, or else are captured by their clients and transformed into anti-capitalist organisations. The contradiction developed here is one between form and content, that is, between the state's CMP reproductive (or infrastructural) role and its national welfare (or superstructural) role. This means that in these accounts the state, like the capitalist mode upon which it acts, is said to contain immanent contradictions. Its need to camouflage its (covert) role in the class struggle undermines its essential role in that struggle.

## V. The Problem of the Relatively Autonomous State

As suggested above, just as the development of relative autonomy theories of the state were stimulated by problematic changes in the relationship between the state and the mode of production, so, too, have fresh concrete developments made relative autonomy models themselves difficult to accept. As Boston and Holland suggest, beginning some ten years ago

many governments of both a social-democratic and conservative orientation...[began] almost universally, to rely more heavily on market mechanisms...and less heavily on detailed State interventions.<sup>18</sup>

This transformation is seen in New Zealand, where "to begin with...the State had an active and major role to play in the nation's economic affairs."<sup>19</sup> In later times the New Zealand state provided "guaranteed prices for agricultural commodities [and] various kinds of subsidies and incentives to the export sector."<sup>20</sup> However, the decisions of the fourth Labour government, "particularly in the economic sphere, constitute a complete reversal of the policies" of protection and regulation at one time characteristic of New Zealand.<sup>21</sup> As a consequence, the demise of the "activist state" characteristic of New Zealand's past has been claimed.<sup>22</sup> The demise of the active state has been matched by a perception that the antagonistic relationship between the state and business has also been terminated. Instead, these two forces are said to be "moving in unison in the 1980s."<sup>23</sup> In other words, the state is no longer perceived to be independent, but is said to be behaving instrumentally.

This alleged change in the interventionary scope of the state, and the apparent development of a community of interest between business and the state is problematic for relative autonomy theorists. As noted above, relative autonomy models were developed to explain the growth of social welfare and concomitant growth in state budgets. The state and the CMP were theorised on one level as opponents. Consequently, the 'active state' led theorists to

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<sup>18</sup> Jonathan Boston and Martin Holland, "The Fourth Labour Government: Transforming the Political Agenda," in The Fourth Labour Government: Radical Politics in New Zealand, ed. Jonathan Boston and Martin Holland (Auckland: Oxford, 1987), 2.

<sup>19</sup> *Ibid.*, 3.

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*, 2.

<sup>22</sup> *Ibid.*, 3.

<sup>23</sup> Bruce Jesson, Behind the Mirror Glass: The Growth of Wealth and Power in New Zealand in the Eighties (Auckland: Penguin, 1987), 11.

delineate boundaries between the so-called 'economic' and the 'political', where these were understood to be separate instances of the social formation, each with a distinct agenda. This distinction is fundamental to positing the relative autonomy of the state from non-state instances. Without this distinction the state is merely another feature of the social formation. However, the instrumental-like state behaviour of the 1980s challenges this distinction. No longer does the state instance appear to be distinct (and therefore capable of being relatively autonomous) from the non-state.

## VI. The Research Agenda: Relative Autonomy Theory

To investigate the validity of relative autonomy theory three disparate relative autonomy theorists will be examined, initially theoretically, and then in light of the experiences of state action in the New Zealand social formation. The first task, the theoretical one, is concerned with identifying and teasing out the explanatory potential in the theories examined. Can an account of change in state behaviour be found in these theorists, or could one reasonably be deduced? From here the task becomes one of empirical validation. Does the concrete world contain the relationships posited in the relative autonomy theory?

Ralph Miliband's empirical analysis begins the discussion. This account, which stresses the functional necessity of relative autonomy for capitalist reproduction, was an important part of the post-war Marxist debate on the welfare state. Miliband's work reflects the growing awareness of the empirical anomalies not explained by the instrumental view of the state which was dominant during the mid-1960s. The question is whether this formulation of relative autonomy remains valid in light of recent empirical developments.

The theoretical work of Claus Offe "has an ambivalent and mediated relationship to orthodox Marxism. His analyses owe as much to the ideas of the Frankfurt school, radical American sociology, systems theory, and the sociology of work as they

do to the orthodox Marxist tradition."<sup>24</sup> Yet, as Jessop suggests, Offe's "contributions are so important [to the relative autonomy debate] that it would be pedantic to exclude" him because of his unorthodox approach.<sup>25</sup> Offe's perspective contrasts with Miliband's. Where Miliband is empirical and functional, Offe produces his analysis in a systems-theoretical framework. Offe is much concerned with the internal structures of the state and the interaction of these structures. His concern is not with the social origins of state personnel, but with the contradictory behavioural roles established for state institutions by relative autonomy. Rather than being a functional feature of capitalist reproduction, relative autonomy is, for Offe, a relationship with contradictory effects in operation. At times relative autonomy reproduces the dominant social relations, and at other times it acts against this reproduction. This dialectical character suggests that the critique of this approach is likely to be a worthwhile research effort.

This dialectical view of relative autonomy is absent from the work of the Marxist structuralist, Nicos Poulantzas. In his view autonomy is neither functional nor a contradictory feature of the social system. Instead, relative autonomy is the 'invariant framework' through which the cohesive element or 'nodal point' in the structure - the political level or state - comes to assert or 'over-determine' the character of activities in the economic structure. The empirical form of state encountered is dependent upon the degree of relative autonomy, that is, the extent of the over-determination by the political level. Poulantzas' approach is important because it denudes the state of any role in the formulation of relative autonomy. To all intents and purposes the state remains a 'black box'. The question, then, is this: does a black box account of relative autonomy seem valid in terms of the explanation of contemporary concrete state forms?

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<sup>24</sup> Bob Jessop, The Capitalist State: Marxist Theories and Methods (Oxford: Martin Robertson, 1982), 106-107.

<sup>25</sup> Ibid.

## VII. The Research Agenda: The State and Pastoralism

Having established analyses of the explanatory potential of the three relative autonomy accounts, the investigation shifts to its empirical phase. Here it will be guided by the question: does the phenomenal world provide evidence to corroborate the existence of any or all of the respective relative autonomy postulates?

The empirical study is limited to New Zealand so that it remains manageable. However, this consideration does not limit the significance of the study's lessons for the CMP in general. As discussed above, the New Zealand state has undergone a considerable change in its relationship to the CMP since 1984. From a position of Keynesian-style interventionism, the New Zealand state has embraced a 'more-market' economic liberalism. "Yet," as Boston and Holland have written, "if Labour's programme of economic liberalisation and institutional reform is unprecedented in New Zealand history, it is by no means unique in the Western world."<sup>26</sup> Developments of this kind have been seen in Australia, Britain, France and West Germany. Accordingly, this similarity between New Zealand and other Western capitalist societies will enable the application of results from New Zealand to Western capitalism in general.

In addition to the restriction of the empirical study to New Zealand the focus must be further limited within this state. As Boston and Holland suggest, "virtually every field of public policy [has seen] long-standing assumptions...questioned, vested interests challenged, and existing approaches and solutions re-evaluated and often abandoned."<sup>27</sup> In the economy the government

has set in motion a revolution that has affected, to varying degrees, all aspects of New Zealand society: wage and price controls have been removed; the finance sector has been liberalised; the New Zealand dollar has been floated; import controls have been progressively removed and tariffs reduced; agricultural subsidies have

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<sup>26</sup> Boston and Holland, "The Fourth Labour Government," 2.

<sup>27</sup> Ibid., 1.

been terminated; the tax system has been radically altered; public expenditure in various areas has been substantially reduced and a major restructuring of the State sector has been inaugurated.<sup>28</sup>

Given the massive scale of change suggested by these comments the consideration of feasibility invites the limitation of this study to some particular aspect of state policy transformation.

State intervention in pastoral agriculture was selected as a suitable vehicle in which to study the transformation in the form of the New Zealand state.<sup>29</sup> For most of New Zealand's history pastoral agriculture has been the mainstay of the internal economy and has dominated exporting. As recently as 1985, total pastoral exports were responsible for some \$6,940 (NZ\$ million) in export receipts. Out of total visible export receipts of \$11,012 (NZ\$ million) in 1985, \$6,940 (NZ\$ million) represented 59% of the value of New Zealand's foreign trade during that year.<sup>30</sup> In addition, pastoral agriculture had been subject to considerable state intervention up until the 1984-1987 period, when most state intervention in agriculture was terminated. This policy change meant that in the 1985-1986 June year, according to figures supplied by the New Zealand Meat and Wool Boards' Economic Service, "prices fell sharply over the season...[which] resulted in a collapse of gross incomes, a reduction of investment to minimum levels, with real net incomes falling to the lowest level in over 25 years."<sup>31</sup> In fact, net farm income for 1985-1986 "was at a level of only 31 percent of the previous year and in real terms only 21 percent of the level of a decade ago."<sup>32</sup> Matching poor income

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<sup>28</sup> Ibid.

<sup>29</sup> Pastoralism is commonly defined in the New Zealand context as inclusive of beef, sheepmeat and wool production. It excludes arable (cropping) farming and dairying (which constitutes a complete sector in itself).

<sup>30</sup> Ministry of Agriculture and Fisheries, New Zealand Agricultural Statistics 1987 (Wellington: MAFCorp, 1987), 34.

<sup>31</sup> New Zealand Meat and Wool Boards' Economic Service, Annual Review of the New Zealand Sheep and Beef Industry, General paper, no. 1949 (Wellington: New Zealand Meat and Wool Boards' Economic Service, 1986).

<sup>32</sup> Ibid., 5.

levels was a "further deterioration in land values and...the equity level of most farmers."<sup>33</sup> From these few facts the state's changing relationship to the CMP can be seen in pastoral agriculture.

### VIII. Summary of Chapters

This study is conducted in five chapters. In Chapter Two the writings of Miliband, Offe and Poulantzas are examined as approaches to the relative autonomy conception of the state. Here the focus is upon the respective conceptions of relative autonomy as they relate to state intervention in capital accumulation. In Chapter Three the focus of the study shifts from the theoretical to the empirical plane. Here state assistance to pastoralism is examined in two time periods. The first of these periods covers state involvement from 1980 to 1984, while the second looks at the period from 1984 to mid-1987. Throughout Chapter Three the intent is to describe changes in state intervention. This description occurs in the assumption that state intervention is a critical variable in the attribution of relative autonomy to a concrete situation. Chapter Four moves the discussion from the descriptive back to the analytic mode. Here the theoretical and empirical are brought together in an analysis of the explanatory potential of the respective accounts of relative autonomy. Given the nature of the empirical forms detailed in Chapter Three, the question of whether coherent explanations of these events can be constructed in terms of the formulations of relative autonomy deduced from Miliband, Offe and Poulantzas is examined. As a product of this discussion, Chapter Five develops a new relative autonomy framework within a realist social science methodology. The chapter closes with comment on the work's significance for the future of state theory, Marxist analysis, progressive social change and concludes by identifying the scope for further research.

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<sup>33</sup> Ibid.



## IX. Thesis: Prognosis

This thesis endeavours to make three major points about the relative autonomy approach to the state within Marxist political economy. First, out of the empirical critique generated in Chapter Four relative autonomy emerges as a descriptive rather than an analytic category. In other words, relative autonomy has been utilised by the relative autonomy theorists to explain state form theoretically despite the fact that relative autonomy does not contain explanatory potential. With this understood the second point about relative autonomy follows. Much of the theoretical debate about the capitalist state within Marxist analysis has been undertaken under the false assumption that relative autonomy can be invoked as an explanatory category. Furthermore, it is suggested that relative autonomy emerges as a substitute for Marxist scientific explanation with the development of the empirical social science method. Marxist social scientists can be seen to have adopted the methodology of their bourgeois counterparts to the point where the products of their researches and debates mirrored those of the dominant academic method of empiricism. The result was the impoverishment of the Marxist concepts of the state to the point where Marxism arguably became scientifically indistinct from the very ideological understanding of the world Marxists had always attempted to falsify.

The final conclusion that is presented is that although relative autonomy is incoherent as an explanatory concept, that is, in its currently accepted understanding within Marxism, it can be usefully reconceived by Marxists as an empirical tool. It is suggested that the Marxist understanding of the capitalist state can be furthered by acknowledging the implications of the empirical status of relative autonomy. Instead of imputing explanatory power to relative autonomy, it would be more profitable if relative autonomy were to be put in its place as part of the arsenal of empirical devices with which the Marxist scientist approaches the concrete dimensions of the capitalist state. Instead of explaining, relative autonomy will identify what it is about the state in the CMP that needs to be theorised.

## Chapter Two

### Theories of Relative Autonomy

#### I. Introduction

As suggested in Chapter One, the relative autonomy approach to the state within Marxist political economy developed as a result of the advent of the post-war interventionist state. In opposition to the then dominant instrumental perspective within Marxist thought, relative autonomy stressed the independence of the state from the immediate concerns of capital or the dominant class. Reproduction of these interests was now said to be facilitated by a certain autonomy of state action from particular capitalist interests. However, this conceptualisation of the capitalist state has in turn been subject to criticism as this autonomy has seemingly evaporated in the early 1980s.

This chapter presents the theoretical investigation of relative autonomy necessary for the construction of an empirical critique. This theoretical investigation involves the identification and elaboration of the explanatory potential contained in the work of Miliband, Offe and Poulantzas. Here the overriding concern is with each theorist's account of change in state intervention in the CMP. In each case the question is: how does the relative autonomy approach account for change in the forms of state intervention, and therefore for change in the form of the state?

This question is answered for each theorist in three sections. The first of these concerns the nature of the object of inquiry. Before we can talk confidently about the respective theorists' conceptualisations of relative autonomy, an understanding of what each writer means by the notion of 'the state' is necessary. The second of these frameworks examines the causal basis of the respective models of the state. What, this section asks, is the reason for state action? In other words, from what point

within social life is state action predominantly shaped? It is in this section that the respective theories of relative autonomy are introduced and developed. The important question is: what is the relationship of these theories to the wider conceptualisations from which they emerge?

The third section moves this discussion of relative autonomy back to the concrete level. The focus here is on the respective accounts of state intervention in surplus accumulation. How are concrete patterns of state intervention indicative of the existence of relative autonomy in the respective theories? The answer to this question is crucial if we are to subject these theories to empirical analysis in Chapter Four.

## II. Ralph Miliband

### A. Introduction

The first of the theoretical approaches to be submitted to critique is that of Ralph Miliband.<sup>1</sup> The discussion begins with an attempt to understand Miliband's basic conceptualisation of the state in line with the structure of investigation mapped above.

### B. Identifying the State

Ralph Miliband draws a clear distinction between those institutions that comprise the state and those that exist outside the state's boundaries. As he notes, "the state system is not synonymous with the political system. The latter includes many [other] institutions."<sup>2</sup> This distinction has more than a nominal meaning: for Miliband the state is not 'merely' another mechanism engaged in the reproduction of capitalist social relations; the state

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<sup>1</sup> Two of Miliband's works are utilised here: The State in Capitalist Society: The Analysis of the Western System of Power (London: Quartet, 1982) and, Marxism and Politics (Oxford: Oxford University Press, 1977).

<sup>2</sup> Miliband, The State in Capitalist Society, 50-51.

is characterised by this role. Miliband castigates Althusser for his conflation of these distinctions in Althusser's exposition of 'Ideological State Apparatuses'. Althusser's model suggested that social institutions were mechanisms for the reproduction of capitalist ideological hegemony. More precisely, Althusser alleged that a complex of ideas capable of reinforcing the legitimacy of capitalist social relations was definable functionally, as characterising the state itself. But Miliband suggests that this conflation of instances "produces a confusion between class power and state power, a distinction which it is important not to blur."<sup>3</sup> Furthermore, Miliband suggests that "much which is important about the life of [Western capitalist] societies is lost in the obliteration of the distinction between ideological apparatuses which are mainly the product of 'civil society' and those which are the product and part of the state apparatus."<sup>4</sup> This is because class power is for Miliband a "general and pervasive power which a dominant class...exercises in order to maintain and defend its predominance in 'civil society' [i.e. outside of the state]. This class power is exercised through many institutions and agencies."<sup>5</sup> However, for Miliband the state is a power of a distinct type. It consists of a series of discrete institutions congruent with the conception of 'the state' found in bourgeois discourse. But Miliband's identification of the state does not mean he has a bourgeois understanding of the state's role. For Miliband the state operates despite these surface or phenomenal forms, as a particular "means of class domination," indeed, ultimately the most important by far of such means.<sup>6</sup>

This discussion indicates Miliband's isolation of the state to be an empirical one. In Miliband's view, the state is understood largely as the visible state: the collection of organisations commonly deemed 'the state' in common sense bourgeois discourse.

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<sup>3</sup> Miliband, Marxism and Politics, 53-54.

<sup>4</sup> Ibid., 57.

<sup>5</sup> Ibid., 54.

<sup>6</sup> Ibid., 67.

In this view the state is not defined as anything that performs a pre-defined role in relation to the reproduction of capitalist social relations, as is the case for Althusser. While in Miliband's view "'the state' is not a thing," that is, "it does not, as such, exist," existence is defined by Miliband in the minimalist sense, as the existence of a solitary agency.<sup>7</sup> In fact, "what 'the state' [means for Miliband] is a number of particular institutions which, together, constitute [the state's] reality, and which interact as parts of what may be called the state system."<sup>8</sup> So, although Miliband's view of the state is that the state cannot be limited to parliamentary bodies, or to executive agencies in toto, his definition does accord with the bourgeois conception of the relation between state and society. Although not a 'thing' in Miliband's analysis, the state is identifiable institutions. As such a system is readily observed within the social formation, Miliband's state can be analysed by observation. Thus, Miliband's view of what the state constitutes does not require him to postulate the existence of the state. Given that he shares the bourgeois identification of the state, an analysis of what and where the state 'is' has no significance for Miliband. Miliband knows what the state is in the same way the non-Marxist does: through the observation of concrete phenomena. Given that Miliband employs a bourgeois empiricist methodology, his concern with the state is confined to the state's behavioural dimension, that is, to the observable acts conducted by the state, rather than the logical, structural or systemic definition of the state.

### C. State Determination and Relative Autonomy

Miliband's empirical identification of the state entity is crucial to his view of the state's determination. As discussed above, in Miliband's view state power is a distinct type of power not subsumable within the general category of class power. It follows from this observation that the "actual repositories of state

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<sup>7</sup> Miliband, State in Capitalist Society, 46.

<sup>8</sup> *Ibid.*, punctuation applied.

power," that is, bureaucrats and politicians, are an important element in any study of the behaviour of the 'state system'.<sup>9</sup> In Miliband's view, state servants "constitute a considerable force in the configuration of political power in their societies." He holds that state servants are "not likely to be free of certain definite ideological inclinations."<sup>10</sup> Such inclinations can, says Miliband, be expected to be of a conservative, system-reinforcing character; therefore, he concludes that state servants "have mostly played the role of advocates of the status quo."<sup>11</sup> Miliband locates the source of this conservative state ideology in the context of prevailing social pressures, or more specifically, in the dominance of business over daily life. This is an empirical thesis. For Miliband, business 'pressure' "is the pervasive and permanent pressure upon governments and the state generated by the private control of concentrated...resources."<sup>12</sup> Thus, in Miliband's view "no government...can ignore [business] in the determination of its policies."<sup>13</sup> For Miliband this position of dominance has led those in the state to regard "capitalist enterprise as a necessary, desirable, to-be-assumed element of their society" to the extent that "all other ends are conditioned by, and pass through the prism of, their acceptance of and commitment to the existing economic system."<sup>14</sup> In other words, in Miliband's view business-positive ideology dominates within the state in correlation with the domination of capitalist relations of production over civil society. Yet, true to his empirical method, Miliband is unable or unwilling to specify why it is that control of private resources entails this domination. That this political socialisation effect occurs is all his empirical method can establish.

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<sup>9</sup> Ibid., 51.

<sup>10</sup> Ibid., 107-108.

<sup>11</sup> Ibid., 110.

<sup>12</sup> Ibid., 132.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., 69.

If the state is first an empirical phenomenon for Miliband, containing no DNA-like plan of its relation to the prevailing mode of production, the state's relation to the CMP must be an empirical, contextual one. Miliband's state is empirically 'engulfed' by the dominance over economic life assumed by the capitalist mode's position within Western social formations. Thus, for Miliband, "it is the capitalist context of generalised inequality in which the state operates which basically determines its policies and actions."<sup>15</sup> Similarly, Miliband maintains that the state in capitalist society is "primarily and inevitably the guardian and protector of the economic interests which are dominant...its 'real' purpose and mission is to ensure their continued predominance, not to prevent it."<sup>16</sup> But the manner in which the state expresses this role, that is, its exact form (bourgeois democratic, autocratic), "differs greatly according to place and circumstance."<sup>17</sup> To put this point another way, since for Miliband all states in capitalist societies are in a similar relationship to business dominance, the form in which this behaviour is pursued will vary because state action must be conditioned by the unique problems and circumstances encountered in different social formations.

In later presentations, such as in Marxism and Politics, Miliband modifies this position substantially. The notion of an empirically defined state engulfed by an overbearing capitalist economy is criticised as an instrumental approach. Miliband's early concern with personalism, that is, with the personnel of the state, their social ties and ideologies, is also seen by Miliband as problematic in Marxism and Politics. Although he suggests that much evidence exists to legitimate his concern with personalism, the evidence does not go so far as to explain as much as describe a correlation between the interests of the state personnel and those of their class compatriots in business. However, Miliband does add that the paucity of this connection

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<sup>15</sup> Ibid., 237.

<sup>16</sup> Ibid., 238.

<sup>17</sup> Ibid.

does "not render the consideration of the nature of the state personnel irrelevant."<sup>18</sup> From this it can be deduced that although sociological analysis of the state personnel's social origins may have been overemphasised in Miliband's earlier account, it remains somehow worthwhile to focus upon the state personnel's values and attitudes, that is, on their political socialisation. People and their ideas are not irrelevant to politics, maintains Miliband.

Miliband widens the scope of self-criticism by highlighting the contradictory outcomes of state action. For Miliband, too many contrary cases exist to allow for capitalist 'command' over the behaviour of the state. As he notes, "there are complexities in the decision-making process which the notion of business as pressure group is too rough and unwieldy to explain."<sup>19</sup> Business interests are too often not the decisive factor in state decisions. As a consequence, the instrumental model of state-mode of production relations, as established by Marx in the "Preface" to A Contribution to the Critique of Political Economy, is understood by Miliband to be an inappropriate description of the relation between politics and production: "there is no such automatic translation: the question of the relation between class power and state power constitutes a major problem, with many different facets."<sup>20</sup> This self-criticism condemns the framework established in The State in Capitalist Society as instrumental. The model of the state presented in that work did indeed take little heed of divisions within the bourgeois class. The first step towards rectifying this inadequacy is Miliband's recognition that "the bourgeoisie is a social totality made up of different and therefore potentially or actually conflicting elements."<sup>21</sup> Given the internal divisions now seen by Miliband within the appropriating class, "there is an absolutely essential function of mediation and reconciliation

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<sup>18</sup> Miliband, Marxism and Politics, 69.

<sup>19</sup> *Ibid.*, 71-72.

<sup>20</sup> *Ibid.*, 66-67.

<sup>21</sup> *Ibid.*, 67-68.



to be performed by the state."<sup>22</sup> The 'ruling-class'/state relation, which was previously seen by Miliband as a relation of subject to object, base to superstructure, is now to be seen as a "problem, which cannot be assumed away" as it was in the prior instrumental account.<sup>23</sup>

To explain this equivocal behavioural picture, Miliband develops his theoretical account in new directions. If the state "must have a certain degree of autonomy in relation to the 'ruling class,'" the primitive instrumental account of the state confined by the CMP will have to be set aside.<sup>24</sup> The alternative formulation Miliband settles upon involves a functional, as opposed to an empirical, framework. Critical to this account is the notion of state autonomy, but in the sense of a 'relative' autonomy. He acknowledges that while "the state does act, in Marxist terms, on behalf of the 'ruling class', it does not for the most part act at its behest."<sup>25</sup> So, although the state remains a 'class state,' "it enjoys a high degree of autonomy and independence in the manner of its operation as a class state, and indeed must have that high degree of autonomy and independence if it is to act as a class state."<sup>26</sup> To be relatively autonomous, then, is a functional feature of capitalist reproduction in the sense

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<sup>22</sup> Ibid., 68.

<sup>23</sup> While Miliband's later recognition that the state can and does act against elements of the capitalist class is an advance over instrumentalism, he is overly harsh in his appraisal of the failings of The State in Capitalist Society on this point. Although this work ignores the fissured nature of the capitalist class and its equivocal relations with the state, this criticism should not condemn the work as instrumental in toto. Miliband readily acknowledged in this work the variability in state form encountered in different historical and concrete contexts. In this sense Miliband had already recognized that the state needed to have some freedom of action if it was to act as the capitalist state. Freedom of action is implicit in the idea of materially-differentiated state forms, that is, the recognition that state forms must differ because of particular conditions of CMP reproduction existing in distinct social formations. Assessing his earlier model of the state without recognising this important qualification on the state's behaviour is making too much out of the instrumental character of the model of the capitalist state presented in The State in Capitalist Society. Unwittingly Miliband established the seeds of a relatively autonomous model in this work. Ibid., 67.

<sup>24</sup> Ibid., 68.

<sup>25</sup> Ibid., 74.

<sup>26</sup> Ibid.

that this "degree of freedom which the state" has allows it to determine, as an overarching body, "how best to serve...the interests of the ruling class."<sup>27</sup> In the concrete, Miliband's conception of relative autonomy describes the degree of freedom which "the executive power and the state in general enjoy vis-à-vis institutions and pressure groups."<sup>28</sup> This characterisation of the state - a state that is now seen to be potentially divided within itself - implies the existence of an extra-empirical logic to state behaviour. If the effects of capitalist ideology and the capitalist 'engulfment' of the state are mitigated at the level of appearances, and yet if that mitigation of instrumental behaviour is still, in the wider view, reproductive of the social relations contained within the capitalist mode, this implies the existence of an underlying logic to state behaviour.

The suggestion of such a 'programmed logic' within the state might lead the reader to expect some form of structural explanation from Miliband. However, structuralism, which Miliband defines as the state's "insertion in the CMP," such that its behaviour is "determined by the nature and requirements of the mode of production," is characterised as an instrumental approach by Miliband.<sup>29</sup> Although Miliband welcomes the notion of 'structural constraint' to understanding the state, especially as it relates to the analysis of the failures of reformist social democratic governments, he suggests that the notion of 'structure' can come to overpower any suggestion of state autonomy. As he sees it, "the weakness of the [structuralist] case is that it makes it very easy to set up arbitrary limits to the possible."<sup>30</sup> The danger, of course, is for a concern with structure to degenerate into what Miliband terms a 'hyper-structuralist' conception which removes all freedom of action from social agents. Such an approach denies any significance to the state itself; its internal structures

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<sup>27</sup> Ibid., 83.

<sup>28</sup> Ibid., 84.

<sup>29</sup> Ibid., 72-73.

<sup>30</sup> Ibid.

and dynamics are abstracted away. How it is that the state acts to reproduce capitalist relations has no significance in a structural analysis that presumes that the state always must reproduce these relations. Opposed to the structural understanding is Miliband's identification of an inherent 'difficulty' in civil society/state relations: reproduction of the CMP is not axiomatic as is implied in the structuralist account.

Despite this rejection of structuralism Miliband retains a strong interest in a theoretical framework that might allow him to posit an underlying capitalist coherence to the state. To this end he suggests that the "one absolutely fundamental feature that...states all have in common...[is] that they are all class states."<sup>31</sup> Rather than 'incorporate' the state within the CMP, the state is said by Miliband to perform "transhistorical" functions, for the prevailing appropriating class. The state acts for this class in the sense that it reproduces the appropriating class's dominance within the social formation. Thus, the first premise of the contemporary state is not capital accumulation, but the prolongation of class domination. But this is not an historical premise: "all states perform these functions."<sup>32</sup> However, Miliband qualifies the transhistorical function of the state: states perform their transhistorical functions "differently, depending on the kind of society which they serve."<sup>33</sup> So, although the CMP impacts upon the state, this impact is only to the extent that the CMP gives the state a certain character or form. There is no capitalist 'type' of state which is fundamentally distinct from the feudal 'type'. The transhistorical functions remain at the state's functional core, emphasised in distinct ways through

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<sup>31</sup> Ibid., 74.

<sup>32</sup> Miliband's four functions of the state consist of: "(a) the maintenance of 'law and order' in the territorial area or areas over which the state is formally invested with sovereignty - the repressive function; (b) the fostering of consensus in regard to the existing social order, which also involves the discouragement of 'dissensus' - the ideological-cultural function; (c) the economic function in the broad sense of the term; and (d) the advancement, so far as is possible, of what is held to be the 'national interest' in relation to external affairs - the international function." Ibid., 90.

<sup>33</sup> Ibid.

history by different modes of production. From this framework it can be deduced that state form is the key to understanding state function in different epochs. Why the state appears as it does in the 'purely political' sense, that is, as a bourgeois democratic regime or as a dictatorship, can be explained as a consequence of the 'necessary emphasis' in the system of state functions/activities required at any particular moment in the class struggle between dominant and subordinate classes. Central to this understanding is the aforementioned notion of relative autonomy. This concept, which emerges as an empirical, descriptive term in Miliband's account, labels and compares the particular balance of state functions as presented in the real world of state action.

#### D. Relative Autonomy and State Intervention in the CMP

Miliband's analysis of the role of the state in reproducing and transforming the CMP emerges from the functional account of the state he developed in Marxism and Politics. In this work Miliband notes that

state intervention in economic life has always been a central decisive feature in the history of capitalism, so much so that its history cannot begin to be understood without reference to state action.<sup>34</sup>

It can be deduced that this is because the state's concern to stimulate surplus accumulation is magnified by the contradictory conditions of surplus value production present in this particular type of class society: state intervention in 'the economy' is functional to the reproduction of bourgeois class dominance under the CMP. However, Miliband gives scant attention to the analysis of the internal relations of capitalist production that underlie this function. What is it about capitalism that requires state economic intervention? Miliband's answer, an empirical allusion to the fact that the state does intervene, hardly satisfies the

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<sup>34</sup> Ibid., 93.

concern. As a consequence, Miliband's analysis fails to explain the state's function in the CMP. If Miliband cannot explain why the CMP needs state interference in surplus accumulation at any particular moment, then his ability to explain the linkage between a particular state form and a particular class's domination is weak. In other words, Miliband cannot know what the relationship between surplus accumulation and class domination consists of if he has no conception of the workings of the CMP and how these workings might invoke state action. Therefore Miliband cannot answer the question of what drives the state. As a result Miliband can analyse the relationship between state form and ruling class as a correlation only, with the possibility, given the absence of a causal link, that an intervening variable (such as personalism) is responsible for the particular form of the state.

As a result of this failure to explain the link of state form and the CMP, Miliband's specification of the parameters of state intervention in capitalism is not definitive. Nevertheless, Miliband attributes the existence of limitations on state intervention to the impact of capitalist domination upon political socialisation:

what appears 'reasonable' by way of state action (or non-action) to power-holders will normally be in tune with the 'rationality' and requirements of the socio-economic system itself.<sup>35</sup>

In so far as other ways of thinking (such as socialism) do not always share the basic premises of capitalist thought, these other ways of thinking are likely to be unreasonable to power-holders in capitalist society.

State intervention is not a simple process in Miliband's view. The 'rationality' of capital (the reproductive imperative of the capitalist class) is conceived as massive constraint over the state. But balancing the 'more economic' needs of the mode of production are other dominant class reproductive functions. Although Miliband concedes that the bourgeois state acts "mainly...in accordance with the 'rationality' of the CMP, and within the

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<sup>35</sup> Ibid.

constraints imposed upon it by that mode of production" he also points out the furthering of this imperative "is not a simple process...least of all in a bourgeois democratic and constitutional setting."<sup>36</sup> In this view

the political system allows pressures to be generated and expressed against and in the state, and may turn the state itself into an arena of conflict, with different parts of the state system at odds with each other...thereby reducing greatly the coherence which the state requires to fulfil its functions, 'economic' or otherwise.<sup>37</sup>

The form of state generated by the CMP (the state's degree of relative autonomy) gives rise to fissured and contradictory state policy. Nevertheless, Miliband maintains that the functional requirement to reproduce the dominant position of the dominant class is the overarching pressure on the form of the state.<sup>38</sup>

#### E. Miliband: Summary and Conclusions

Although situated within the Marxist problematic, Miliband's identification of the state is congruent with that found in bourgeois discourse. In both cases an empirical distinction is drawn between the sphere of civil society and the state. Accordingly, it is the behaviour of the state rather than the state's constitution that concerns Miliband. In this focus the state and civil society are also divided. While civil society contains the institutions and relationships of class power in general, it is the state which is the particular agent of class domination for Miliband.

This empirical/behavioural framework gives Miliband cause to investigate the motivations of state personnel. In later formulations the focus on state personnel is eschewed as instrumentalism in that the concern with state personnel overemphasises the unitary character of state/civil society relations. Sufficient empirical

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<sup>36</sup> Ibid., 96.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid., 97.

anomalies exist in this relationship to suggest that the state does not act at the command or behest of the class forces dominant within civil society. In time this recognition leads Miliband to embrace a transhistorical functional explanation of state behaviour. In this later framework the state acts in the long-term interests of continued class domination in all surplus-appropriating modes. To achieve functionality in all conjunctures Miliband ascribes an independence or autonomy to the state. In this context autonomy is a relative condition in that it only generates the administrative freedom necessary for the state to override the obstructive sectional interests within the dominant class.

Relative autonomy emerges, then, as the condition through which Miliband's transhistorical functional requirements are established as distinct historical forms of the state. In this sense, relative autonomy describes the historical balance of emphasis in state activities. This historical view of capitalist influence on the form of the state was derived from self-criticism of instrumental analyses of the state. In this regard Miliband focused on the problematic nature of class-conceived instrumentalism, that is, the notion that the state is a tool of identifiable social classes. Having identified empirical anomalies that do not fit this instrumental conception of the state, Miliband reformulated his theory of the state to incorporate non-instrumental state behaviour. However, Miliband's account retains the definitional legacy of class-conceived instrumentalism. If instrumentalism is characterised in the early Miliband as the relationship of specific classes of persons to the state, for the later Miliband the newly introduced relationship of relative autonomy is also characterised this way.

Within this definitional framework what can be said about Miliband's conception of relative autonomy? Two distinct conceptions of relative autonomy can be deduced from Miliband's account of the state. In the first case, Miliband suggests that people act relatively autonomously within the state itself in the sense that their behaviour is irrelevant to, or indeed obstructive of, the reproduction of class domination. In other words, not all state behaviour is specified by functional requirements and

the state can, indeed, become antagonistic to those requirements. In the second conception the state behaves relatively autonomously from sections of the capitalist class. Here relative autonomy is not the phenomenon of chance as it is in the first formulation. Instead relative autonomy is functionally determined by the need to reproduce the dominant pressures of the mode of production. However, as in the first formulation, relative autonomy is defined by reference to the dominant class as a group of people. Where the state acts against any member of this group, the state is relatively autonomous by Miliband's definition. This indicates that Miliband's definition of relative autonomy is empirical and not functional. Miliband's definition of relative autonomy defines state behaviour in reference to a mythic cohesive dominant class model, the existence of which Miliband implicitly refuted in the abandonment of instrumentalism.

### III. Claus Offe

#### A. Introduction

The second approach to relative autonomy theory to be analysed here is that of systems theorist Claus Offe.<sup>39</sup> Just as in the explication of Ralph Miliband's work developed above, so here, the analysis follows the three part analytical framework established in the introduction to this chapter. As a consequence, the investigation begins with a discussion of Offe's basic conceptualisation of the state.

#### B. Identifying the State

Claus Offe's conception of the state begins with the 'visible state' of bourgeois commonsense discourse. As in Miliband's analysis, the state is not defined a priori as an activity,

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<sup>39</sup> This analysis of Offe's theory of relative autonomy is based on a collection of his papers: Claus Offe, Contradictions of the Welfare State, edited and with an introduction by John Keane (London: Hutchinson, 1984).



a relationship or a function by Offe. In this view, the actions of the state do not define the state as 'the state' in the first instance.

Thus, Offe constantly refers to the state without lengthy definitional qualification. From this view it can be concluded that Offe's state is essentially in the same role no matter what epoch or mode of production is under scrutiny. In any case, such differences seem to be of no account to Offe, who consistently frames his discussion of the state in terms of state action. For Offe, 'the state' is an actor rather than a place, something that performs and functions in relation to other mechanisms. However, although Offe's conception of the state parallels the bourgeois one, his theoretical interest in descriptive concepts is low. Offe has not set out to establish a model of 'the state' in any sense other than in a contextual one. Thus, like Miliband, Offe's concern is with the state's behavioural dimension, that is, with the observable acts conducted by the state rather than with logical or systemic definitions of the state.

This view is reflected in Offe's system-logical view of the state. Traditional Marxist explanations which regard the visible level of human society as the product of posited mechanisms (such as the CMP), come in for criticism from Offe. Marxism, Offe notes, posits self-contradiction as the social/historical pressure. However, Offe insists that an overweening concern with self-contradiction ignores crucial "relationship[s] between the three fundamental organisational principles of society."<sup>40</sup> What are these principles?

What is important to Offe about the social formation is not the CMP's internal disjunctions, but contradictions posited at a much lower level of abstraction. In focusing upon the interaction of the capitalist mode, the state and the normative system as sub-systems (or organisational principles), Offe implies that the level of abstraction utilised in the Marxist analysis of politics and the state is incorrect. Theories which characterise the state as an economic product, that is, as the product of an ordered unity between base and superstructure (as Offe argues

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<sup>40</sup> Offe, Contradictions of the Welfare State, 38.

Marxism does), miss other important pressures at, or close to, the level of concrete social life. Therefore, these 'economic' theories which examine the state only in terms of high level or 'first order' mechanisms (such as production) are seen as reductionist by Offe.<sup>41</sup> However, the problems of sub-system conflict (which, for example, might occur between the state and exchange) "are connected [to] the utilisation of regulatory principles external to both capital and the market" and require 'second order' theories to explain them.<sup>42</sup> In Offe's view these second order theories must acknowledge the situation of sub-systems as complex institutional amalgams situated within the system. Within this model the state is to be understood concretely as the same series of institutions commonly labelled 'the state' in bourgeois discourse. In this view, the state is controlled both by the first order mechanism (the CMP) and by the second order normative sub-system with which the state coexists.

Offe's integration of the state into a systemic model allows for the theorisation of less abstract influences upon the state. No longer is the state to be seen merely as the 'product' without an influence or effect in its own right. Instead, Offe's reconstruction of the state as a sub-system establishes the theoretical validity of an analysis of the internal relations within, and influences of, the state, and, in an even more complex analysis, of the sub-systems that are in relation to the state.

### C. State Determination and Relative Autonomy

Despite the system-theoretical approach charted above - an approach which does not explain the ordering between the composite sub-systems - Offe asserts that "the organisational principle of the exchange (of equivalents) is universal" within the capitalist system.<sup>43</sup>

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<sup>41</sup> Reductionism is that approach to the analysis of political life that attempts to attribute the form of complex systems to constituent parts examined in isolation.

<sup>42</sup> Ibid., 51.

<sup>43</sup> Ibid., 38.

This 'principle' or idea "becomes dominant," suggests Offe, "because it is freed from normative and political-coercive restraints" found in preceding epochs.<sup>44</sup> However, why exchange should become dominant in the absence of these 'restraints' is not explained by Offe. This lacuna is explicable, nevertheless, in terms of Offe's theoretical concerns. Given Offe's interest in sub-systems and their relations, that is, in 'second order' theories, it can be deduced that Offe would regard concern with the determination of system order as appropriate to a 'first order' analysis. His concern is instead with contradictions generated within the system at lower levels of abstraction. Thus, Offe would not see the explanation of exchange's dominance as falling within his explananda. Instead, what Offe wishes to do is isolate the empirical or system-relational consequences of sub-systems so as to understand their effect on the state in terms of concrete state forms. Yet, Offe's assertion of the dominance of exchange requires explanation and an elaboration of the nature and conditions of exchange's pressures upon other sub-systems if Offe is to provide a thorough explanation of the state's empirical form. Without an explication of the causal dynamics of the 'first order' mechanism, Offe's understanding of the 'second order' must be limited, as the second order is contextualised by the 'first order' 'universal'.

Nevertheless, Offe is prepared to describe the empirical consequences of the dominance of the exchange sub-system. For Offe, exchange triggers "processes of socialisation" within that sub-system which threaten the very conditions under which exchange occurs (such as the existence of property as private property).<sup>45</sup> The classic example is the result of the tendency for manufacture to throw large numbers of workers together in a factory situation, stimulating the development of cohesive

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<sup>44</sup> Ibid.

<sup>45</sup> Offe's concept of socialisation is distinct from Miliband's political socialisation, although they both refer to forms of consciousness. In Miliband's analysis, political socialisation is the process of acquiring the prevailing political norms of the CMP. In Offe's case, socialisation refers to the concrete production processes that stimulate the growth of an anti-system consciousness. Ibid., 49.

working class consciousness. In Offe's conception, this effect of exchange "cannot be compensated through exchange processes themselves."<sup>46</sup> Although 'universal', exchange is not conceived to be an active agent in its reproduction. To combat threats to the systemic 'universal', the 'flanking sub-systems' (normative and state) must come into action. However, for these sub-systems to effect exchange it is "functionally necessary" for them "to partially emancipate themselves from the [subordinated] relationship to the universal."<sup>47</sup> Put otherwise, a relationship of relative autonomy between sub-systems, and more particularly between the elevated 'universal' and the others, is systemically prescribed as the antidote to the contradictions of exchange.

In an equilibrium situation, that is, where social conflict is non-existent, the political and ideological structures established by Offe "are genetically dependent on the economic system," in the sense that these flanking sub-systems are the subject of determination by the exchange mechanism.<sup>48</sup> However, this ideal relationship is modified in the empirical world by the normative and state sub-systems which "are necessary for the reproduction of the economic system."<sup>49</sup> But Offe is not content to leave this dialectic in this somewhat metaphysical form and proceeds to codify his conception in the language of social science.

Offe characterises intra-system relationships in terms of positive and negative subordination. Negative subordination, depicted above as the genetic relation of determination to exchange, ensures the stabilisation of boundaries between the respective sub-systems such "that the economic sub-system is able to prevent...alternative organisational principles...from interfering" with the economic sphere.<sup>50</sup> This conception of economic control is analogous to the classical Marxist conception of material determination.

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<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid., 40.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid., 39.

Like Marx, Offe suggests that his 'universal' sets the limits on the possible relationships within the social world. Not all social relations of production (for example) are permissible given the internal structure of the exchange universal. Positive subordination, on the other hand, involves the generation and enhancement "of complementary functions," that is, functions that contribute to the functioning of the universal principle.<sup>51</sup> This influence constitutes the obverse of the coercive force outlined above. Rather than setting the limits for the system, positive subordination is charged in Offe's conception with making the internal relations between sub-systems mesh in such a way that the universal is reproduced as the dominant sub-system despite its contradictions.

It would appear, then, that Offe's conception of the positive effects of exchange domination owes much to the relative autonomy conception within Marxist state theory. Because "'capital as a whole' exists only in an ideal sense," preventing individual capitalist enterprises from perceiving and articulating a common and unified class interest, it is Offe's view that the capitalist 'system' "requires special guidance and supervision by a fully differentiated political-administrative system."<sup>52</sup> In this view, only a non-contradictory economic system would find negative subordination an adequate relationship between sub-systems. Given the absence of this coherence, the state, in a perspective reminiscent of Miliband's relative autonomy thesis, is required to produce "compensatory regulation" in a process that constitutes the autonomisation of the state from negative subordination to exchange.<sup>53</sup> To put it another way, it is Offe's view that the inability of the economic system to reproduce itself, because of the contradictory social relations entailed, requires the development of mechanisms of positive subordination within the state. To combat contradictions the state must be free or relatively

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<sup>51</sup> Ibid.

<sup>52</sup> Ibid., 49.

<sup>53</sup> Ibid.

autonomous from the limits on social relationships established by negative subordination. From this position of comparative 'freedom' the state can then deal with the problems of capitalist reproduction without being immersed in them itself.

What the relatively autonomous state must do in Offe's view is compensate

for the processes of socialisation triggered by capital in such a way that neither a self-obstruction of market-regulated accumulation nor an abolition of the relationships of private appropriation of socialised production results.<sup>54</sup>

The state must remove obstacles to market operation that prevent the creation of profits, but at the same time it must ensure that the continued appropriation of profits remains a private affair. Offe suggests that this "precarious double function" requires "a combination of intervention and abstention from intervention, of 'planning' and 'freedom'."<sup>55</sup> Subordination relations, then, have their own contradictory impacts upon the exchange imperative. The autonomisation of non-market sub-systems into regulatory principles tends to create problems of demarcation between sub-systems: exchange requires subsidiary regulatory systems, but these can amount to an 'overdose of therapy' at times. Offe shows that the state, once freed from the direct effect of negative subordination, tends to supersede the perimeters of positive subordination and seemingly becomes a power above and beyond the influence of exchange. If this occurs the system will tend to fall into accumulation crisis as the 'first order' mechanism is overburdened. In other words, the system's requirement for positive subordination will ultimately tend to have system destructive effects. Instead of a limited freedom, the state may develop a real freedom, which, given the immense centralised authority of modern Western states, amounts to a considerable potential anti-capitalist force.

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<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

This framework underlies Offe's concern with the internal sub-system dynamics of the state. The 'first order' causes for crises are to be found in the mechanism of exchange. Rather than achieving their amelioration through the agency of the state, these exchange-based crises are often compounded by the supposedly ameliorative structures created within the state. Hence Offe's concern with the less abstract levels of causation: those sub-systems in a 'flanking' relationship to the universal. Thus, for Offe it is the sociology of organisation and administration rather than the more abstract theories of Marxist political economy that provide the appropriate tools for the explanation of state behaviour.<sup>56</sup>

Offe's analysis of the internal dynamics of the state sub-system revolves around the systematically distinct character of the state. In this view, "the state's attempts to maintain and universalise the commodity form...require...organisations whose mode of operation is no longer subject to the commodity form."<sup>57</sup> If the state is to act as the agent of the exchange 'universal', to fulfil this function it must behave outside exchange pressures. For Offe, this means that there is no market criterion for state efficiency internal to state operations. The lack of this criterion of 'state efficiency' leads Offe to assert that "the goal that inspires the capitalist state and its detailed operation is not a substantive one."<sup>58</sup> State goals, and the measurement of the effectiveness of the policies designed to achieve those goals, are extrinsic to the system.<sup>59</sup>

Offe suggests that, given the existence of an extrinsic functional agenda within the state and a lack of market-regulation in the state's own method and approach, it may be questioned

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<sup>56</sup> Ibid., 51.

<sup>57</sup> Ibid., 127.

<sup>58</sup> Ibid., 137.

<sup>59</sup> Ibid.

whether the state is actually able to perform [as an exchange contextualised sub-system] effectively or whether there are systemic contradictions on the level of state activity itself that prevent the state from dealing successfully with the contradictions of the CMP.<sup>60</sup>

Offe questions the significance of the continual failure of the state to reproduce the dominance of the exchange universal coherently within the system. In other words, why are economic crises endemic in capitalist societies? He responds by questioning the assumption that these crises are the result of contradictions located in the 'first order' mechanism alone.

Offe's explanation of second order contradictions focuses on the conflict between form and content supposedly within the capitalist state. For Offe, the potential always exists in any form or structure of the administrative control of resources for these forms to "become politicised to such an extent that [the state] would no longer be subservient to, but subversive of, the commodity form."<sup>61</sup> Here Offe is saying that the state gives out 'false signals' via the programmes and policies created by positive subordination. Individuals take the positively subordinated state on appearances despite the function of state behaviour: exchange universalisation. State services and infrastructural investments are important in the generation of this 'misinformation'. In Offe's view subsidisation tends to create internal state conflicts that revolve around the appropriate extent of policies of positive subordination, which, in the abstract, can be "described as conflicts between the function of commodification such services are designed to serve and the decommodified form in which they try to do this."<sup>62</sup> These positively subordinated forms of the state give rise to confusion between the state's phenomenal form and the state's function, and give rise to attempts to redefine the imperatives of state programmes in ways antithetical to the interests of system reproduction.<sup>63</sup>

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<sup>60</sup> Ibid., 134. Emphasis in the original.

<sup>61</sup> Ibid., 142.

<sup>62</sup> Ibid.

<sup>63</sup> Ibid., 143.



How does this contradiction between form and content manifest itself in the state? Offe suggests that the state's executive power is capable of distorting accumulation by distributing what might have been commodities in the market as "use-values...produced and distributed without being controlled and dominated by exchange-values."<sup>64</sup> This has two effects upon the system. First, it acts as a brake upon accumulation in that "the symptoms of the fiscal crisis," (increased taxation, government deficits, and high interest rates) inhibit the scope for the private appropriation of profits.<sup>65</sup> This can lead to a decline in private investment and a general diminution in the level of capitalist exchange. But the direct economic impact of state spending is matched by a possibly more lethal counter-capitalist effect:

By expanding social services and infrastructure investment, the state not only exacerbates the symptoms of the fiscal crisis, it also makes itself the focus of conflict over the mode in which societal resources should be utilised.<sup>66</sup>

As a consequence, the state increasingly becomes the field in which class struggles occur as social groups take the state's surface appearance as reality.<sup>67</sup>

But in Offe's view the form and content distinction is ultimately unsatisfactory for those making non-market or anti-market demands. Because of the underlying reality of the state's systemic relationship to exchange, there is inevitably a gap between the promise and the performance of the state. For Offe

state agencies project an image of themselves...that suggests that use-values like education, knowledge, health, welfare and other ingredients of a 'decent' life actually are the final purpose of its measures and policies.<sup>68</sup>

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<sup>64</sup> Use-values are conceived within Marxist political economy as the substantive form of a good (what it looks like, or does), while exchange-value relates to the good's value in relation to other goods in the market. Ibid.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

<sup>67</sup> Ibid.

<sup>68</sup> Ibid., 144.

But Offe suggests that the partiality of these policy outcomes leads to frustration over 'broken promises' and, as a consequence, an increasing difficulty in obtaining acceptance of state authority.<sup>69</sup>

#### D. Relative Autonomy and State Intervention in the CMP

For Offe, "the link between the political and the economic substructures of capitalist society is the commodity form; the stability of both substructures depends upon the universalisation of this form."<sup>70</sup> In other words, for the exchange sub-system to survive, accumulation must continue unimpeded. Similarly, because the state is a dependent sub-system in that "the accumulation process allows [it] to derive (through taxation) the material resources necessary" for its existence, the state has an "institutional self-interest" in fostering the political conditions appropriate to private accumulation.<sup>71</sup>

This relationship of mutual dependence between the state and commodity exchange occurs within the empirical context of capitalist crisis. As Offe notes, "the key problem of capitalist societies is the fact that the dynamics of capitalist development seem to exhibit a constant tendency to paralyse the commodity form of value."<sup>72</sup> These economic crises do not give rise to any "self-corrective mechanism" within the market.<sup>73</sup> Therefore, for Offe, the market is not an infallible 'regulator' of labour and capital, capable of reintegrating these elements back into exchange "automatically."<sup>74</sup> Instead, it is the job of the state

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<sup>69</sup> Ibid.

<sup>70</sup> Ibid., 121.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid., 122.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid., 123.

to turn non-commodified relationships into surplus-producing ones, while keeping costs, both in financial terms and in terms of opportunities for political usurpation of the state by anti-capitalist interests, to a minimum.

The important point to note about Offe's conception of the state is the clear recognition of the limits of 'welfarism' entailed by the state's systemic role mapped here. Welfarism, which involves "the subsidised protection of [exchange] values," allows non-competitive capital and labour "to survive under conditions artificially created by the state." However, subsidisation strategies are "particularly costly for the state because [they] entail a category of expenditures which are by no means self-financing."<sup>75</sup> Subsidising obsolete non-commodities to the point where they become exchange-values does not increase, but in Offe's view diminishes, the overall sphere of self-regulating market-led exchange. As a result, state budgets, deficits and taxation increase while 'self-reliant' market activity diminishes.

In Offe's view, failed subsidisation strategies give rise to a renaissance of negative subordination. Subsidisation goes out of favour as a state policy strategy and

those sectors of the economy (identifiable according to particular industries, regions and labour market segments) which are unable to survive within the commodity form on their own strength are allowed, according to plan, to fall victim to market pressures.<sup>76</sup>

However, suggests Offe, this process of recommodification can have a negative impact upon the system as a whole by revealing to those affected by restructuring and retrenchment that the state is not necessarily the state of the 'common-good', or at least, that it is incapable of being the state of 'all' interests. As Offe notes, even in terms of capital itself, "it is by no means self-evident that there is a universal and consistent interest in the general 'commodification' of value"; some fractions of

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<sup>75</sup> Ibid., 124.

<sup>76</sup> Ibid.

capital, for example firms in monopoly positions, may gain nothing from the freeing of market relations.<sup>77</sup>

Despite the state's tendency to reject welfarism and embrace recommodification, it is Offe's view that the state is still 'caught' between contradictory poles. The state is charged, contextualised as it is by exchange, with the perpetuation and extension of the relationships found in the universal. Yet this mechanism produces "dysfunctional social consequences" which threaten to paralyse exchange altogether, such as the "autonomisation" from negative subordination which allows for the development of system-threatening ideological/policy rationalisations.<sup>78</sup> It appears, then, that despite recommodification, the late capitalist state remains a crisis-producing sub-system within the limits of a contradictory 'universal'. In Offe's theorisation, the state relies on means of solving crises which themselves necessarily violate the capital relation or inhibit the functional requirements of the state itself.<sup>79</sup>

This analysis infers that Offe's identification of state autonomy should be understood as both a product of, and laden with, the contradictory impulses generated in exchange mechanism. Yet the contradictions evident at the level of the state also relate to the nature of the state sub-system itself. Relative autonomy reflects not just its context but also the state form in which it is articulated. As a result of the need to develop an authentic relatively autonomous form, the state opens itself to the exploitation of that form and the redirection of its activities from exchange universalisation. However, as is suggested by the 'relative' qualification, autonomy tends to be 'reined in' at times by the dominant principle of exchange. What is apparent, then, in Offe's formulation is the constant possibility of movement in state forms as autonomy is alternately enhanced and minimised

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<sup>77</sup> Ibid., 141.

<sup>78</sup> Ibid., 59.

<sup>79</sup> Ibid.

in relation to the demands, both systemic and agent-based, that impact upon the state.

#### E. Offe: Summary and Conclusions

Like Miliband, Offe identifies the state in a form analogous to bourgeois common sense. In this institutional view Offe's concern, like that of Miliband, is with the behaviour of the state rather than with the state's constitution. State behaviour is seen as the product of the three organisational 'principles' that Offe identifies within the system. These principles consist of exchange, the state itself and the 'normative' or ideological sub-system. Offe suggests that crises evident in the system result from the clash of these sub-systems at their functional boundaries.

Inside this systemic view of social and political life Offe asserts the primacy of the exchange universal. In Offe's view it is exchange that sets the limits within which other sub-systems act, although he does not provide a rationale for this ordering. Instead, Offe focuses his attention upon the less abstract levels where the empirical consequences of sub-system interaction are seen. At this level Offe describes the effect of the operation of exchange as a stimulant to the growth of proletarian class-consciousness (socialisation). This development is seen as threatening the basic conditions of exchange themselves.

Following his own understanding that exchange is incapable of dealing with its internal contradictions, Offe introduces his subordination conceptualisation. In this framework Offe establishes two forms of sub-system relations. The first of these, the relation of negative subordination, consists of the 'genetic' relation of exchange. This relation sets limits on the possible, excluding anti-accumulation activities. It is analogous to the Marxist conception of material determination. Second, Offe establishes the relation of positive subordination. This relation generates complementary state behaviour, as positive subordination functions to ameliorate the contradictions of the exchange universal. This necessarily involves the emancipation

of sub-systems, that is, the relative autonomy of the state and normative sub-systems from genetic control by exchange.

However, positive subordination has contradictory effects on the state. According to Offe an inevitable tendency exists for the state to grow beyond the positive perimeters of relative autonomy, giving rise to a compromise of exchange maximisation. This is a product of contradictions internal to the state. Although, as a flanking sub-system the state aims to universalise the commodity form by eliminating the contradictions of that form, the state must be free of the constraint of the commodity form to achieve maximisation. In other words, the state cannot create the conditions for surplus accumulation while itself being required to produce a profit. The lack of a market constraint within the state allows form/content disputes to develop within the arena. Such conflicts revolve around the clash between the autonomous form of the state and the state's underlying systemic role.

Problems of exchange universalisation may result from this conflict where widespread concessions to form have been made. These in turn will invoke state action based on the state's 'institutional self-interest' (via taxation) in accumulation. In this regard the state must turn capitalist crises around by promoting profit-based relationships while keeping its own budgetary costs and anti-capitalist politicisation in hand. What tends to occur is a renaissance in negative subordination in which the costly forms of state and legitimation are critically re-examined within the state. This too has a potential systemic cost in that the content of the state may be exposed to critical examination. Given the potential for this development, the state exhibits a constant flux between negative (instrumental) and positive (relative autonomy) forms of subordination.

## IV. Nicos Poulantzas

### A. Introduction

The last of the approaches to relative autonomy to be examined is that of the Marxist structuralist Nicos Poulantzas. This discussion focuses upon Poulantzas' early work as represented by his Political Power and Social Classes.<sup>80</sup> No analysis of Poulantzas' later post-structuralist work is undertaken. This focus on Poulantzas' early work arises from the fact that, for the purposes of this analysis, the interesting aspect of Poulantzas' discussion is the effect of structuralism as a theoretical framework upon his conceptualisation of relative autonomy.

### B. Identifying the State

Poulantzas develops his discussion of the state within a structural model of social and political life. In this conception, social life cannot be reduced to the behaviour of agents of production (such as the wage-labourer) because such agents are merely 'personifications', that is, "supports or bearers...of an ensemble of structures."<sup>81</sup> Such 'structures' do not consist of the social classes in which these agents originate. According to Poulantzas, "social classes are never theoretically conceived by Marx as the genetic origin of structures."<sup>82</sup> Instead, social classes reflect structure. For Poulantzas, social structure consists of "the ensemble of the structures of a mode of production and social formation, and...the relations which are maintained there by the different levels."<sup>83</sup> In this perspective Poulantzas maintains that it is possible to identify an 'economic' structure, an 'ideological'

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<sup>80</sup> Nicos Poulantzas, Political Power and Social Classes, trans. Timothy O'Hagan et al. (London: New Left Books/Sheed and Ward, 1973).

<sup>81</sup> Poulantzas, Political Power and Social Classes, 62.

<sup>82</sup> Ibid.

<sup>83</sup> Ibid., 63. Emphasis removed.

structure, and a 'political' or state structure. These regional structures, or 'levels' of the total global structure, consist of the essential relations required to reproduce the social formation. They act to delineate the form in which 'bearers' act in the social formation. In the case of social classes, this delineation "can be identified either at the economic level, at the political level, or at the ideological level."<sup>84</sup> As a consequence, materialist reductionism is rejected by Poulantzas. For Poulantzas, class is not linked to the economic level alone; it constitutes the product of all of the levels combined.<sup>85</sup> It would appear, then, that Poulantzas' structural model lacks any determination or ordering of its levels. However, this proves not to be the case. Social classes may, in their concrete form, reflect a matrix of determinations originating in the various structures, yet in Poulantzas' view "the way in which classes are related to the relations of production and to the economic structure has the determining role in the constitution of social classes."<sup>86</sup> Underlying the apparent anarchy of Poulantzas' structural relations is an ordering principle, in that "in-the-last-instance" the economic element is the key to the development of these relations.<sup>87</sup>

Within Poulantzas' structural model the state is "located in the structure of a social formation...as a specific level."<sup>88</sup> Furthermore, the state level is considered to be the "crucial level in which the contradictions of a formation are reflected and condensed."<sup>89</sup> For Poulantzas, the state is said to be the "nodal point" in the structure of instances. This is because the state is where all the 'problems' generated in other structures, such as class struggle between wage labour and capital, can be

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<sup>84</sup> Ibid.

<sup>85</sup> Ibid., 69.

<sup>86</sup> Ibid.

<sup>87</sup> Ibid.

<sup>88</sup> Ibid., 40.

<sup>89</sup> Ibid.



ameliorated. In the context of class struggle Poulantzas' state constitutes "the factor of cohesion between the levels of a social formation."<sup>90</sup> Given this pivotal position within the social formation, the state becomes the focus of attempts to break what cohesion exists in the structure. "In this way," suggests Poulantzas, it can be seen "why political practice, whose objective is the state, brings about the transformations of the unity [of the structure] and is thus the 'motive force of history'."<sup>91</sup> As the structure's nodal point is changed, the cohesive function which the transformed state plays in the structure allows for the possible revolutionising of social relationships.

### C. State Determination and Relative Autonomy

Poulantzas' structural conception not only allocates the state a place within the social formation, but also a particular position or level in a hierarchy relative to other regional structures of the formation. State function, or the general 'role' of the state, is prescribed by its positioning within this ensemble of structures.

Poulantzas suggests that this positioning varies in relation to the particular dominant mode of production. The state, although the cohesive factor in the CMP, clearly "takes on different forms according to which mode of production and social formation is under consideration."<sup>92</sup> As Poulantzas notes

The place of the state in the unity, in so far as [this place] assigns specifying and constitutive limits to [the state's] regional structure, depends precisely on the forms which this [nodal] function of the state takes on.<sup>93</sup>

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<sup>90</sup> Ibid., 44.

<sup>91</sup> Ibid., 45.

<sup>92</sup> Ibid., 46.

<sup>93</sup> Ibid.

In other words, state functions assume "differential forms" according to the mode in dominance as the state's prescribed position within the global structure alters. Yet, despite this historical account, Poulantzas maintains that once capitalist social relations dominate 'in-the-last-instance' the function of cohesion characterises the state regardless of any particular form the state might assume within the CMP's history.<sup>94</sup> The capitalist state always functions for Poulantzas, as its allotted place in the structure determines that it functions, to bind the global structure.

What does the state's function of 'cohesion' amount to for Poulantzas? This role is a "political role."<sup>95</sup> For Poulantzas

the state is related...to a 'society divided into classes' and to political class domination, precisely in so far as it maintains in the ensemble of structures, that place and role which have the effect (in their unity) of dividing a formation into classes and producing political class domination.<sup>96</sup>

Although it does not create the hegemonic fraction of the dominant class, Poulantzas maintains that the state is responsible for maintaining the structure of relations that allow this class to dominate. In relation to this structure, the state should be understood as a reproductive mechanism, acting to prolong and replicate the particular political class hegemony found within the formation, based upon the domination, 'in-the-last-instance', of the CMP.

Within this global function, Poulantzas isolates a number of modalities, or aspects of state function. In the Marxist classics, "the function of the state primarily concerns the economic level."<sup>97</sup> But the state also functions at other levels; in politics where its function is reducible to "the maintenance of political order in social (class) conflict," and in ideology.<sup>98</sup> However,

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<sup>94</sup> Ibid.

<sup>95</sup> Ibid., 50.

<sup>96</sup> Ibid., 51.

<sup>97</sup> Ibid., 52.

<sup>98</sup> Ibid., 53.

the "various particular functions" described by these modalities, "even those which are not directly concerned with the political level in the strict sense," can only be understood theoretically for Poulantzas in relation to the state's global political role.<sup>99</sup> However, this does not imply a direct instrumental relationship between political function in the strict sense and other modalities. For Poulantzas

it is in fact impossible clearly to establish the political character of the state's technico-economic function...by ascribing [these functions] directly to [the state's] political function in the strict sense...these functions are political functions to the extent that they aim primarily at the maintenance of the unity of a social formation based in the last analysis on political class domination.<sup>100</sup>

Therefore, to claim that the state is but a tool for the reinforcement of the economic level is, in Poulantzas' view, to engage in reductionism. For Poulantzas, state economic action must be interpreted in the wider, structurally-reproductive sense.

Poulantzas opposes instrumental analyses of the state. Although the economic level underlies all social action (including that of the state), this "may be reflected by a displacement of the dominant role [of the economy] to another level of the class struggle [this being either the] political or ideological struggle."<sup>101</sup> Although for Poulantzas "the way in which classes are related to the relations of production...has the determining role in the constitution of social classes," relations of production in capitalism are 'over-determined' by the political class struggle.<sup>102</sup> In other words, although social struggle is subject in Poulantzas' analysis to "the constant determination-in-the-last-instance by the economic element," it is subject from the structures of the state to over-determination by the political level, this

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<sup>99</sup> Ibid., 53-54.

<sup>100</sup> Ibid.

<sup>101</sup> Ibid., 69.

<sup>102</sup> Ibid.

being the level concerned with the maintenance of structural unity.<sup>103</sup> This seemingly contradictory claim of Poulantzas' can be clarified. If 'political level' is interpreted within a common sense frame a contradiction does exist, between material relations of production and the careerism and liberal-pluralism of lobby-group politics. But Poulantzas' model of determination integrates the two: economic reproduction is understood to underlie and give coherence to state action. But recognising the importance of the CMP involves an acknowledgement of the contradictions generated by the CMP. These challenge the smooth reproduction of the CMP. In order to secure the reproduction of the CMP it is in Poulantzas' view necessary, at the political level of class struggle, to give the state super-ordinate authority to act against the short-run interests of other levels.

Poulantzas codifies his findings about state freedom of action under the rubric of 'relative autonomy'. This concept indicates that the state may act in a 'free' way, but only to the "extent that it possesses its own peculiar unity" as a specific functional structure within a capitalist-dominated social formation.<sup>104</sup> Yet it can only maintain this unity "in so far as it is relatively autonomous from [dominant] classes or fractions." Poulantzas understands relative autonomy to be the "invariant framework"<sup>105</sup> or constitutive feature, "inscribed" as the behavioural limitation of the capitalist state.<sup>106</sup>

The most important consequence of this invariant feature of the state is to isolate as individuals the social classes defined in the relations of production. In Poulantzas' view, it is the function of law and the equality of administration, to

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103 Ibid.

104 Ibid., 256.

105 Ibid., 152.

106 Ibid., 262.

have as [the state's] effect on the economic class struggle...the isolation of the agents in a mode of production in which, nonetheless, the real structure of the relations of production leads to a remarkable socialisation of the labour process.<sup>107</sup>

For Poulantzas as for Offe, capitalism tends to socialise the relations of production by throwing large groups of workers together in situations conducive to the formation of class consciousness. Workers become aware of their collective status as workers opposed to the interests of the owners of capital by whom they are exploited. In this context the state acts to conceal or distort this understanding by putting the status of equal citizens upon all class agents. Furthermore, in an attempt to conceal its own role in the maintenance of a class-partial society, the state attempts to "pose as a national-popular state," above class.<sup>108</sup>

But relative autonomy is not confined to the level of ideology. The state relates to the working-class as a class in a real/material sense too. The state, in Poulantzas' view, has "inscribed in its very structures" a flexibility "which concedes a certain guarantee to the economic interests of certain dominated classes, within...limits."<sup>109</sup> These concessions, "which may even be contrary to the short-term economic interests of the dominant classes," and thus contrary to a simple instrumental understanding of the state, remain congruent with the political interests and thus the long-term domination of the dominant classes.<sup>110</sup> However, Poulantzas does add a warning that a definite "line of demarcation" between acceptable (short-run, economic) and unacceptable (long-term, political) concessions "can always be drawn."<sup>111</sup> The demands of the subordinate classes can be satisfied only to the extent that they are compatible with the interests of the dominant classes

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<sup>107</sup> Ibid., 275.

<sup>108</sup> Ibid., 276.

<sup>109</sup> Ibid., 190-191.

<sup>110</sup> Ibid.

<sup>111</sup> Ibid., 191.

and do not question the state's power.<sup>112</sup> Through the delineation of a relatively autonomous structural relationship amongst the levels of a formation Poulantzas is able to abandon the notion of an instrumental relationship between state and ruling class, a relationship difficult for Marxist analysis to maintain in the context of the post-war welfare state. Yet, while he maintains the 'invariant framework' of relative autonomy, Poulantzas also acknowledges variations in the degree of relative autonomy existing in a particular conjuncture of structures. These analyses, as they relate to the 'form' of the state and its relationship with accumulation, are now examined.

#### D. Relative Autonomy and State Intervention in the CMP

Poulantzas is concerned with the form of the state in order to show two things. First, he claims that class struggle impacts upon the state, in the sense that the state tries, by changing its behaviour, to ameliorate disunifying struggle, and as a consequence presents different faces to the world. Second, he wishes "to establish that these modifications do not affect the very matrix of relations," that is, the state remains a capitalist type of state (a state committed to reinforcing capitalist relations of production).<sup>113</sup>

State forms should be understood in Poulantzas' theoretical schema as the product of relative autonomy. The state will modify its relations to other levels, and thus its form, as reproductive conditions including the rate of accumulation, alter. What is clear to Poulantzas, then, is that "these forms of state will be grasped by reference to the degree and the specific forms of...autonomy."<sup>114</sup> Thus, empirical state forms are to be theorised as a reflection of the prevailing pattern of relative autonomy. Furthermore, for Poulantzas "the differences between these forms

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<sup>112</sup> Ibid.

<sup>113</sup> Ibid., 148.

<sup>114</sup> Ibid.

of state turn precisely on the specific forms assumed by the relation between relatively autonomous economic and political instances."<sup>115</sup> In other words, it is the relation between the state and the economy that is of importance in determining the degree of relative autonomy present. More specifically, in Poulantzas' account it is by the state's 'economic' intervention (or non-intervention), that state form is characterised. From this understanding it follows for Poulantzas that the task of the Marxist social scientist is to discover the "specific modification of the relation between the political and the economic" in a particular social formation.<sup>116</sup>

To appreciate state forms (now understood as the form of 'state intervention') requires in Poulantzas' view an analysis of the impact of the social forces outside the state on the unity of the social formation's determinate relations. For Poulantzas this involves an examination of class struggle. Struggle is characterised by "hegemonic class leadership" in the CMP. This means that

a class or a fraction manages to present itself as incarnating the general interest of the people-nation and [is thereby able to] condition the dominated classes to a specific political acceptance of its domination.<sup>117</sup>

Hegemony assumes particular forms, says Poulantzas, as the hegemonic class seeks to consolidate its position by means of a class/fractional alliance, or power bloc. The coherence and impact of the power bloc - its form - can, when undergoing change (the exit or entry of a class or fraction), lead to a transformation in the form of the state.<sup>118</sup> This assumes that particular patterns of exit or entry to the power bloc will be matched by change in the patterns of state intervention in the economic instance. Thus, evidence

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<sup>115</sup> Ibid., 150.

<sup>116</sup> Ibid.

<sup>117</sup> Ibid., 221.

<sup>118</sup> Ibid., 242.

for the transformation of the hegemonic class can be provided by examining state 'economic' intervention.

According to Poulantzas power blocs assume "typical configuration(s)" resulting from the balance of hegemonic and non-hegemonic forces, that is, in accord with the concrete interaction of social classes in struggle.<sup>119</sup> These typical configurations allow for the development of a framework for analysing change in class/state relations in a particular "stage" of a formation (such as in the 'monopoly' stage of capitalism). In Poulantzas' words

within the limits posed by this stage there [are] a series of variations of class relations and modifications of the power bloc, which do not however threaten its typical configuration and the form of the corresponding state.<sup>120</sup>

In other words, class relations vary within the context of stage-defined limits without, however, altering the form of state significantly. Within this model the role of the state is to behave as "the factor of the political unity of the power bloc under the protection of the hegemonic class or fraction."<sup>121</sup> Conflict is endemic within the bloc (capitalist competition ensures that). But the various competing classes and fractions within the bloc "are able to assure [their collective] domination only to the extent that they are politically unified."<sup>122</sup> As a consequence, the state (understood as the nodal point of structures) must act upon the power bloc as the "organisational factor of [the bloc's] strictly political unity" to build cohesion out of the overarching interests of the hegemonic class or fraction.<sup>123</sup>

Poulantzas establishes his interest in forms of the capitalist type of state with his explication of the less abstract notions

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<sup>119</sup> Ibid., 242-243.

<sup>120</sup> Ibid.

<sup>121</sup> Ibid., 299. Emphasis removed.

<sup>122</sup> Ibid., 300.

<sup>123</sup> Ibid.



of regime and 'political scene'.<sup>124</sup> In Poulantzas' view "forms of state can be studied concretely only in their combination with forms of regime." Regime types in turn exist in context of the state form and the political scene.<sup>125</sup> The 'political scene' concerns the concrete modalities of party representation. Hegemonic classes or fractions, established in terms of the form of state, may in fact not be at the forefront of the political scene:

The dislocation between politically dominant classes or fractions and ruling classes or fractions is here translated by a distinction between the actual hegemonic class or fraction and the ruling class or fraction.<sup>126</sup>

Poulantzas holds that regimes express at least two critical pressures. First, they display the current play of the political scene. This is what bourgeois social science defines as the domain of 'politics'. Second, they manifest the underlying form of state (thus, of state behaviour) required to maintain the coherent functioning of the capitalist type of state. Thus, "the interventionist state may appear in several forms of regime, e.g. American Presidential regime, [or the] British two-party parliamentary regime."<sup>127</sup> As a consequence, it can be deduced that the level of regime is also a relatively autonomous level for Poulantzas. As Poulantzas notes, this level "possesses a time sequence, a rhythm of its own, which in articulation with the time-sequence of the other

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<sup>124</sup> Poulantzas' 'aspects' of the state can be classified in four categories: (a) type of state; basic relations of accumulation are established here; this level sets limits for lower level aspects of the state; examples include capitalist, feudal and ancient types of state. (b) form of state; relation of state to instances (especially the economic) established here (result of prevailing contradictions/stage of the mode of production); examples include the interventionist and market forms of state; hegemony/power bloc established at this level; typical power blocs result from stages of the mode in dominance; the state organises the political unity of the power bloc. (c) regime of state; representative (or non-representative) control structure; includes two-party democracies and dictatorships. (d) political scene of state; party politics.

<sup>125</sup> Ibid., 317.

<sup>126</sup> Ibid., 249.

<sup>127</sup> Ibid., 153-154.

instances, constitutes a historical stage of a social formation."<sup>128</sup> Poulantzas notes that "the concrete study of a concrete political conjuncture depends precisely on the fusion of this double periodisation, concerning respectively the political level and the ensemble of a typical stage."<sup>129</sup> Poulantzas also expresses this in the language of social science:

political regimes are seen here as variables within the limits set by the form of state at a typical stage [the stage of a type of state].<sup>130</sup>

The concrete activities of political parties are seen as variables within the limits set by the power bloc, which in turn correspond to the form of state of this stage of the mode of production.<sup>131</sup>

States 'appear' as regimes. But, suggests Poulantzas, the distinction between form and essence is a critical analytical distinction within Marxist social science. This distinction is essential for distinguishing between the effects on the unity of state power of forms of state and forms of regime, effects which often incorrectly appear as the effects of the regime alone.<sup>132</sup>

#### E. Poulantzas: Summary and Conclusions

Within Poulantzas' framework the state exists as a specific regional instance within a unity of structures. As a regional structure the state is affected by two pressures. First, the state's role is limited by the economic instance which is determining '~~in-the-last-instance~~'. Second, the state is positioned within the ensemble as the structure's nodal point. This point is where the conflicts immanent in the

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<sup>128</sup> Ibid., 154.

<sup>129</sup> Ibid.

<sup>130</sup> Ibid., 155. Emphasis applied.

<sup>131</sup> Ibid.

<sup>132</sup> Ibid., 319.

economic instance can be ameliorated, thus generating cohesion in the total formation.

The nodal position of the state gives rise to the state's relative autonomy. Because of its position within the formation the state has the global political role of reproducing the instance that maintains the unity of the ensemble of structures, and as a consequence the division of the formation into classes. This role over-determines the state for Poulantzas, giving it super-ordinate power in the reproduction of the totality of structures, allowing it to countervail class struggles generated by the economic instance. Within the structural context of this overdetermining global political role Poulantzas incorporates relative autonomy as the expression at the level of social class of the state's cohesive role. In this sense relative autonomy is an 'invariant framework' within which 'citizens' are individuated from their social class memberships.

However, relative autonomy is also conceived in a variable way by Poulantzas. Relative autonomy allows the state some flexibility in ensuring the subordinate classes are not capable of transforming themselves into a class-conscious revolutionary force. This flexibility translates in the concrete into material concessions to the working class. In a parallel with Miliband's account, relatively autonomous behaviour is defined in contrast to the particular economic interests of the dominant class, despite the fact that Poulantzas' account of the state is structural. However, relative autonomy is defined not merely as an act against the dominant class, but also, in Poulantzas' account, as an act seemingly in favour of the subordinate classes. Put otherwise, Poulantzas' account of relative autonomy involves both a positive and a negative dimension. Not only does relative autonomy occur from a social class; it also occurs (in a sense) to one.

## V. Chapter Two: Summary and Conclusions

In this chapter the writings of Miliband, Offe and Poulantzas have been examined as particular approaches to the relative autonomy

conception of the state. Here the focus has been upon the respective approaches as these relate to state intervention in accumulation. Given the initial problem mapped in Chapter One, the crucial question within this focus concerns the ability of the respective theories of relative autonomy to account for change in state intervention over time and therefore to account for the changing form of the state.

For Miliband relative autonomy emerges as the condition through which the functional requirements of the state generate distinct empirical forms of the state. Within this framework Miliband provides two distinct conceptions of relative autonomy. In the first case Miliband suggests that people act relatively autonomously within the state itself in the sense that their behaviour can be irrelevant to, or indeed obstructive of, the reproduction of class domination. Therefore, for Miliband not all state behaviour is functional. The second conception removes this personal agency from the state. Here the state acts relatively autonomously from sections of the capitalist class. In this case relative autonomy does not involve choice, but is functionally derived from the dominant pressures within the mode of production. However, as in Miliband's first formulation, relative autonomy is defined in relation to the dominant class as a group of people. Where the state acts against any member of this group it is relatively autonomous by Miliband's definition. In other words, Miliband's definitions of relative autonomy are empirical rather than functional. They describe state behaviour by reference to an ideal, cohesive, dominant class.

Offe introduces his conception of relative autonomy as a result of his understanding that the CMP is incapable of dealing with its internal contradictions. The first element of this conception - the relation of negative subordination - comprises the genetic or instrumental relation of exchange determination. This relation sets limits and excludes activities antithetical to accumulation. It is analogous to the Marxist conception of material determination. Second, Offe establishes the relation of positive subordination. This relation generates complementary state behaviour, which in the concrete functions to ameliorate

the immanent contradictions of exchange. This relation necessarily involves the emancipation or relative autonomy of the state and normative sub-system from genetic control by exchange. According to Offe a tendency exists for the state to expand beyond the positive perimeters of relative autonomy, giving rise to conflict between the state and exchange. This tendency is a product of contradictions internal to the state. Although the state aims to universalise the commodity form, the state itself must be free of the constraint of that form to achieve this end. The absence of the market constraint within the state allows form/content disputes to develop. Such conflicts revolve around contradiction between the autonomous form of the state and the state's underlying role. Where widespread concessions to form have been made by the state at some point these will invoke change in the state based on the state's institutional self-interest in accumulation. The state must turn capitalist crises around by enhancing profit-based relationships while keeping its own budget and politicisation under control. A renaissance in negative subordination occurs in which costly forms of the state are critically re-examined. But this development too has a potential cost to the system in that the content of the state is exposed to public examination. Given this, the state exhibits a constant flux between instrumental and relatively autonomous forms.

Poulantzas' conception of relative autonomy emerges from a structural understanding of the state. In this understanding the state assumes the nodal position within the ensemble of structures. Because of this position the state has the global political role of reproducing the unity of the ensemble of structures. This role over-determines the state, giving the state super-ordinate power which allows it to countervail the class struggles generated by the economic instance. Within the context of this global political role Poulantzas defines relative autonomy as the expression of the state's cohesive role at the level of social class. Here the state uses relative autonomy as an invariant framework within which to individualise class agents as 'citizens'.

Relative autonomy's global political role has discernible concrete effects in Poulantzas' schema. It gives the state a

certain 'flexibility' to ensure that the subordinate classes do not transform themselves into a class-conscious revolutionary force. Flexibility translates in practice as material concessions to the working class. Thus, in accordance with Miliband's account, relatively autonomous behaviour is defined by contrast to particular economic interests within the dominant class. However, Poulantzas' empirical version of relative autonomy is defined not just as an act seemingly against the dominant class, but also as an act or acts seemingly in favour of the subordinate classes. In other words, Poulantzas' conception of relative autonomy has both a positive and a negative aspect when defined in relation to the particular interests of the dominant class: relative autonomy occurs both to a social class or classes, and from a social class or classes.

Having analysed the potential of these three relative autonomy accounts of the state to act as explanations of change in conceptual terms, the study shifts to its empirical phase in Chapter Three. In this chapter the phenomenal world will be examined for evidence that might corroborate the validity of any or all of the formulations of relative autonomy examined above. Throughout Chapter Three the intent is to describe change in state intervention. This occurs in the understanding that state intervention is the critical variable in the identification of relative autonomy within a concrete situation.

## Chapter Three

### State Intervention in New Zealand Pastoralism: 1980-1987

#### I. Introduction

In Chapter Two the writings of Miliband, Offe and Poulantzas were explored as distinctive approaches to the "relative autonomy" understanding of the state. However, these formulations were not analysed in order to comment on the respective theorist's logic, origins or influences. Instead, the aim of the discussions in Chapter Two, in keeping with the empirical nature of the critique developed in this study, was to analyse how these formulations would give evidence of the presence of relative autonomy in the empirical world, and how they might be tested.<sup>1</sup>

In this chapter the study shifts from the conceptual to the empirical 'raw material' to be utilised in the critique of relative autonomy. The rationale for the selection of these concrete forms is presented in Chapter One. From that discussion the New Zealand state's intervention in pastoral agriculture emerged as the basis for critique. Within this focus the study can be further narrowed to a concern with state assistance, that is, "those interventions which directly favour one industry or activity over another" by altering relative prices.<sup>2</sup> This is based on the understanding that state assistance is a readily quantified phenomenon and thus a relatively transparent indicator with which to theorise the nature of the state's relationship to sectors of accumulation. This chapter stops short of that theorisation. Rather than attempt to offer an explanation, the chapter sets

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<sup>1</sup> Figures mentioned in the text can be found collated following the respective section of Chapter Three to which they refer. Figures 1 to 8 can be found on pages 69-72.

<sup>2</sup> B.C. Gibson, Measurement of Assistance to Pastoral Agriculture 1979/80 - 1983/84, Discussion Paper, no. 8/84 (Wellington: Ministry of Agriculture and Fisheries Economics Division, 1985), 11.

out only to describe the contemporary empirical relationship between the state and pastoralism in New Zealand. It provides the basis, together with the conceptual work in Chapter Two, for the respective relative autonomy explanations of state form to be established and critiqued in Chapter Four.

Having clarified the relationship of this chapter to the study as a whole it is now possible to background the subject-matter of the chapter. This serves to introduce the reader to the notion of state intervention in agriculture and to the empirical situation in which New Zealand intervention has occurred.

Agriculture has always been a major element in the New Zealand economy. As can be seen from Figure 1, despite gradual decline, agriculture has almost always dominated New Zealand's export trade. This persistent economic domination has been matched by continuous state intervention in pastoral production. However, it is only from the late 1960s onwards that the development of a "chronic balance of payments situation" (Figure 2) and declining Terms of Trade (Figure 4) can be said to have given rise to significant state assistance to the sector.<sup>3</sup> This is seen graphically in Figure 3 which depicts direct state subsidisation from 1935 to 1983. Despite a dramatic rise immediately following the Second World War, caused by the subsidised settlement of ex-servicemen on the land, the period up to 1970 shows a low (if gradually rising) level of assistance in real terms.<sup>4</sup> Then from these low levels of assistance prior to 1970 (0.4 - 0.5 percent of GDP) a major increase in assistance is evident to levels of 6 percent in 1973 and 12 percent in 1976. The concrete forms of this assistance are presented in Table 1 below:

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<sup>3</sup> Ralph Lattimore, New Zealand Economic Development: A Brief Overview of Unbalanced Industry Growth, Agricultural Economics Research Unit, Discussion Paper, no. 94 (Lincoln, New Zealand: Agricultural Economics Research Unit/Lincoln College, 1985), 7.

<sup>4</sup> 'Real terms' indicates figures are deflated or net of inflation.



**Table 1****State Regulation of Pastoral Accumulation: 1971-1978****1971**

- 1 Fertiliser subsidy to NZ\$7.50 per ton.
- 2 Increased transport subsidy on lime to NZ\$.07 per ton per mile and subsidy on aerial topdressing of fertiliser.
- 3 Introduction of Farm Mortgage Guarantee Scheme.
- 4 Price subsidies on stock drenches.
- 5 Increased assistance to International Wool Secretariat and to meat industry for hygiene expenditure.
- 6 Finance for brucellosis eradication.

**1972**

- 1 Stock Retention Incentive Scheme.
- 2 Supplementary finance.
- 3 Raised lending limits for State Advances Corporation loans.

**1973**

- 1 Reduction in fertiliser and transport subsidies.
- 2 Cessation of subsidies on weedicides, pesticides, stock drenches and aerial application of fertiliser.

**1974**

- 1 Extension of drought relief.
- 2 Adverse events bonds.
- 3 Additional subsidy on rural water supply schemes.
- 4 New Rural Bank lending limits.
- 5 Lucerne establishment grant introduced.

**1975**

- 1 Stabilisation scheme established for wool, beef and lamb farmers.
- 2 Suspension of meat inspection fees.
- 3 Stabilisation of fertiliser prices at 1974 level.
- 4 Reintroduction of noxious weed control subsidy.
- 5 Assistance to agricultural servicing industries.
- 6 Increased Rural Bank authorisations and raised lending limits.

**1976**

- 1 Introduction of Livestock Incentive Scheme.
- 2 Reduction of fertiliser subsidies.
- 3 40 percent investment allowance on new plant and machinery.
- 4 Lucerne establishment grant reintroduced.
- 5 Special settlement loan scheme for young farmers with potential.

**1977**

- 1 Amendments to Livestock Incentive Scheme.
- 2 Increased Rural Bank authorisations.
- 3 Increased finance for water and soil projects.
- 4 Extension of Rural Bank lending for rural housing.
- 5 Dairy Beef Market Guarantee Scheme.
- 6 Reduction in fertiliser subsidies.
- 7 Assistance to Meat Freezing Industry.

**1978**

- 1 Drought relief payments.
- 2 Establishment and underwriting of Supplementary Minimum Prices scheme for sheep, beef and dairy farmers.
- 3 Increased price and transport subsidies on fertiliser and lime.
- 4 Government assumes responsibility for all animal inspection fees.
- 5 Land Development Encouragement Loans introduced.
- 6 Increased irrigation subsidies.
- 7 Additional allocation to Marginal Lands Board.
- 8 Promotion of artificial breeding in dairy industry to raise milk output.

SOURCE: Richard Le Heron, "Global Processes and Local Adjustments: Understanding Changes in Food and Fibre Production in New Zealand," in Proceedings of the Rural Economy and Society Study Group Symposium on Rural Research Needs, ed. John R. Fairweather, Agribusiness and Economics Research Unit Discussion Paper, no. 113 (Lincoln, New Zealand: Agribusiness and Economics Research Unit/Lincoln College, September 1987), 10.

The major trend evident in the measures presented above is the movement to volume output subsidisation by the state. Whereas in previous periods the state had been prepared to subsidise the costs of infrastructural investment and cheapen the cost of certain productive inputs, now the state increasingly linked its financial disbursements to the volume of agricultural production achieved.

At the same time as state assistance to New Zealand pastoralism was rising pastoral income relative to other commodities was falling. Figure 5 provides estimates of the Terms of Trade for total world agricultural trade. The Reserve Bank of New Zealand's analysis of these figures indicates that world average prices for all categories of goods have risen by 8 percent per year since 1960. However, for agricultural goods the rate has only been 3 percent. The result of this inequality has been that the relative price of agricultural output has declined to

around one-third of its 1960 level.<sup>5</sup> Although these figures relate to world agriculture, in the Reserve Bank's view "they are nevertheless indicative of the deteriorating market environment faced by the New Zealand agriculture sector."<sup>6</sup> The poor returns from these markets are reflected in the contradiction between high growth in New Zealand agricultural output (by volume) and the static contribution of agriculture to New Zealand GDP in constant dollars. While New Zealand's agricultural production (by volume) rose approximately 30 percent in the seven years prior to the 1984/85 June year, compared to 19 percent for the economy as a whole (for agricultural production volumes see Figure 6), agriculture's contribution to GDP has been relatively static or in decline, suggesting a decline in financial return per unit of agricultural production (see Figure 7).<sup>7</sup>

Indicative of New Zealand's poor market position are large international food surpluses. During October 1983 the US Government had stockpiled 178 000 tonnes of butter and 606 000 tonnes of skim milk. At the same time EC stockpiles were even larger, at 639 000 tonnes of butter and 1 040 000 tonnes of skim milk.<sup>8</sup> As Pearson notes, "these surpluses exceed the entire annual international free market in dairy products and dwarf New Zealand's total annual production."<sup>9</sup> This means that small changes in output by major foreign producers can have catastrophic effects on world trade in the goods New Zealand is dependent upon. While the EC may be a net importer of a commodity in one year, small movements in EC production can make the Community a large international trader in the very same commodity the next year. Just such a reversal is depicted in Figure 8 which shows how the EC beef

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<sup>5</sup> Reserve Bank of New Zealand, "The Farming Downturn," Reserve Bank Bulletin 49 (September Quarter 1986), 445.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid., 447.

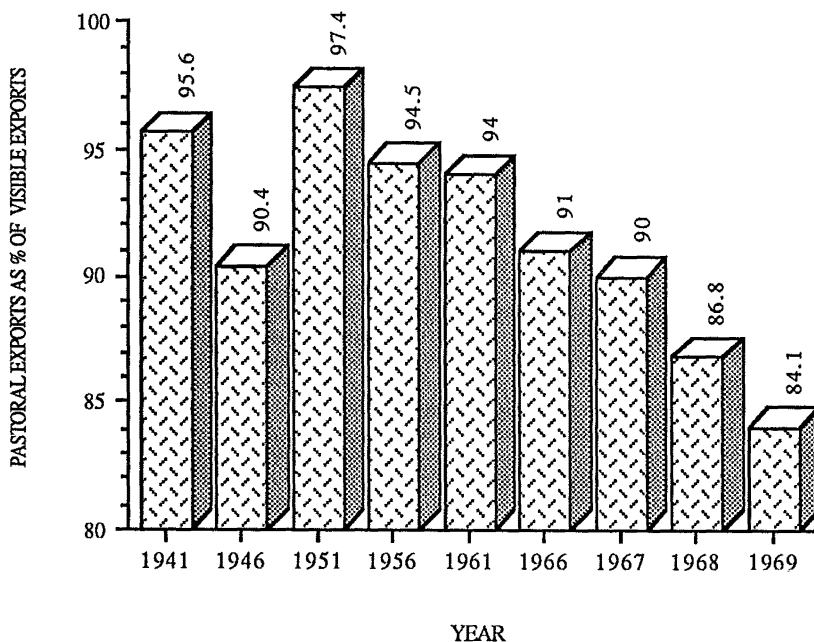
<sup>8</sup> Jim Pearson, "Working Farmers are Facing Increased Exploitation: Behind the Crisis of Capitalist Agriculture in New Zealand," Socialist Action Review 2 (May 1984), 2.

<sup>9</sup> Ibid.

trade reversed direction almost overnight between 1979 and 1980.

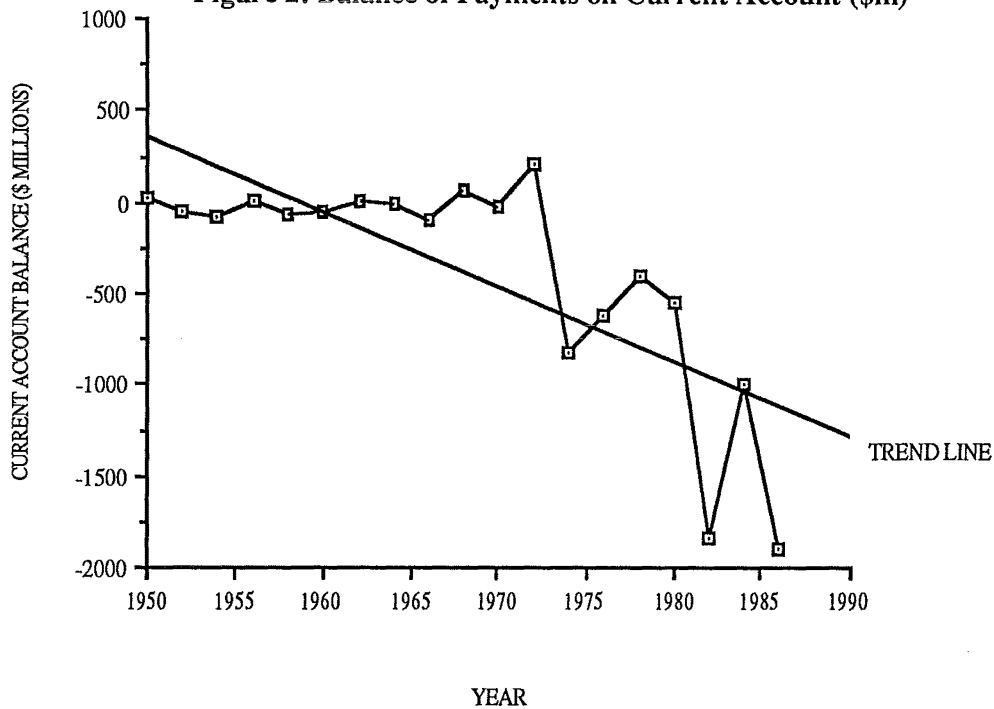
This vulnerability lies behind the forms of state intervention examined in this chapter. State assistance to pastoralism is compounded over two time periods. The first of these covers the 1980 to 1984 June years and is hereafter referred to as Time 1. Time 2 consists of the period from the end of Time 1 to June 1987. Within these two sections assistance is examined both in qualitative terms as assistance instruments and in quantitative terms as aggregate financial transfers by the state. The use of both these forms of analysis will compensate for the interpretative difficulties inherent in both. While quantification allows for the systematic comparison of data over time, qualitative data signals when quantification is unable to capture all the significant information required to form a valid understanding of the relationship in question. Following the investigation of the qualitative and quantitative dimensions of assistance during the two focus periods a third section compares and contrasts the impact of the state upon pastoral accumulation between 1980 and 1987. This section acts as a control to the assumptions made about the significance of state action in Times 1 and 2.

Figure 1: Relative Importance of Pastoral Exports, 1941-69



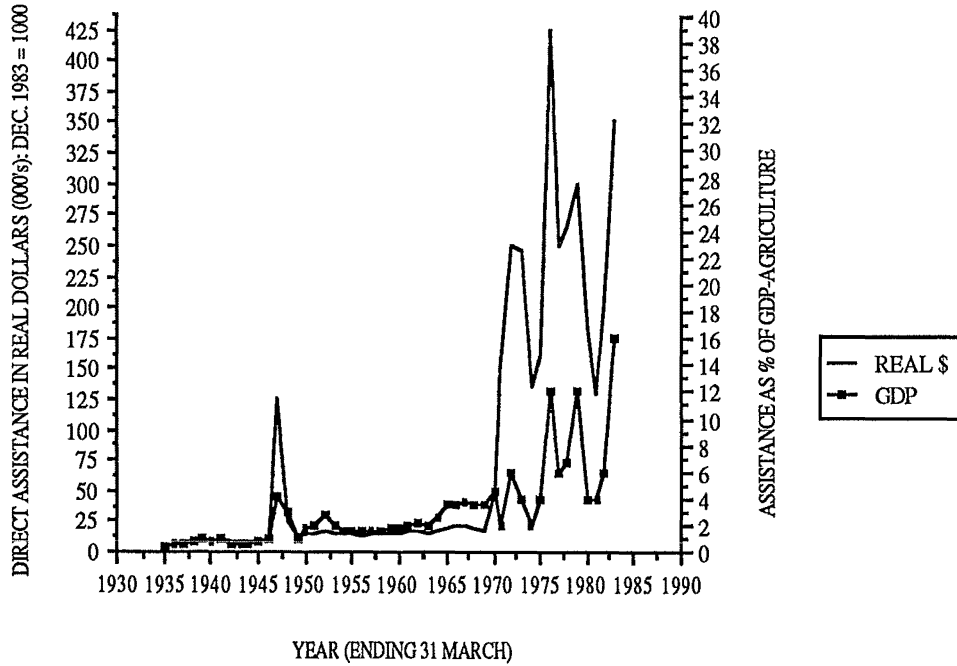
SOURCE: Rayner & Lattimore, Trade Liberalization Policy (Baltimore: Johns Hopkins, forthcoming), 72.

Figure 2: Balance of Payments on Current Account (\$m)



SOURCE: Rayner and Lattimore, Trade Liberalization Policy (Baltimore: Johns Hopkins, forthcoming), 41.

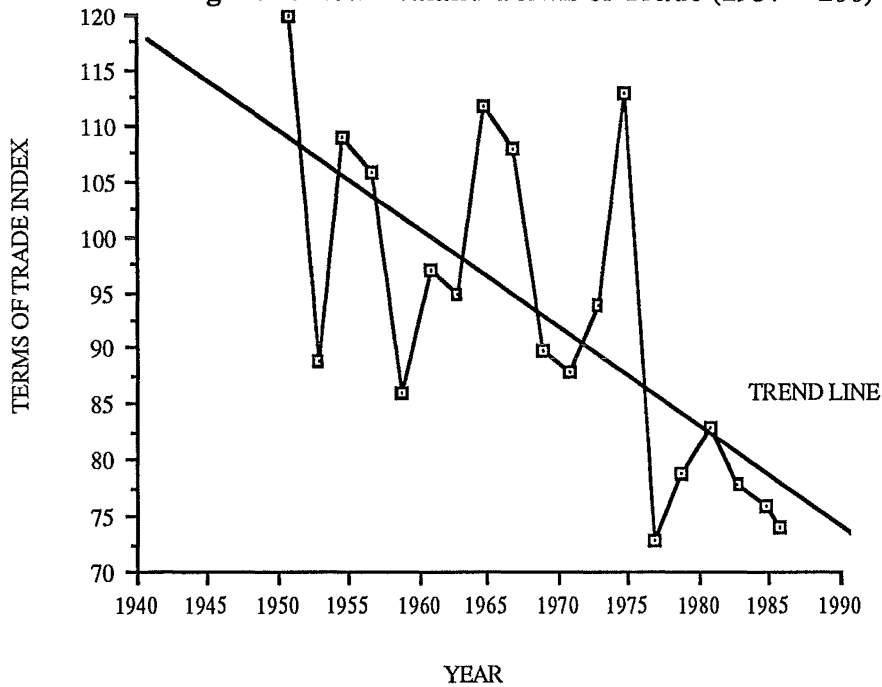
Figure 3: State Assistance to Agriculture, 1935-1983



SOURCE: Lattimore, AERU Disc. no. 94, June 1985, 8.

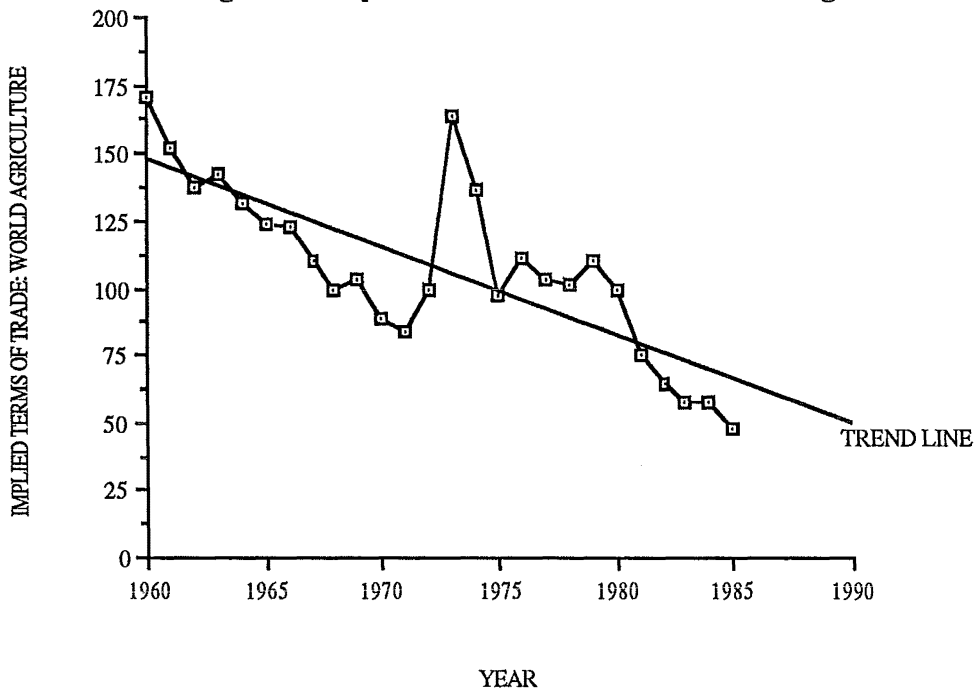
NOTE: GDP-Agriculture used 1971/72 to 1982/83; prior to 1971/72 GDP-Ag. based on Gross Farm Income Indices.

Figure 4: New Zealand Terms of Trade (1957 = 100)



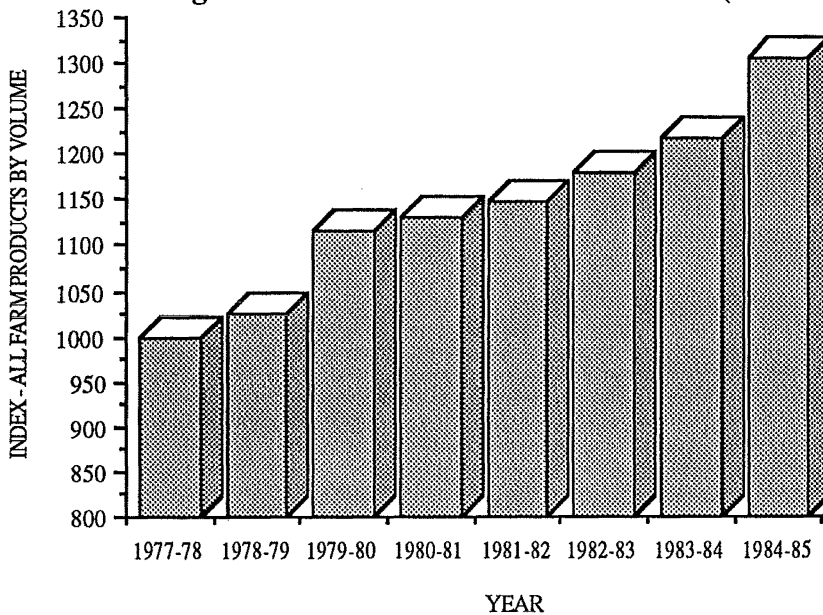
SOURCE: Rayner and Lattimore, Trade Liberalization, forthcoming, 41.

Figure 5: Implied Terms of Trade for World Agriculture



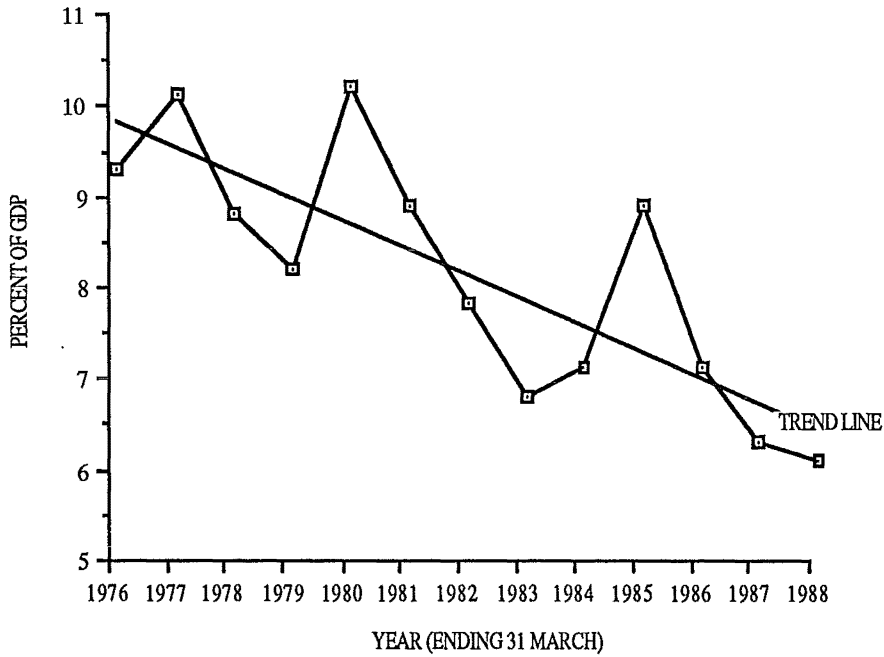
SOURCE: Reserve Bank Bulletin, Vol. 49 no. 9, 446.

Figure 6: Index of Volume of Production (1977-78 = 1000)



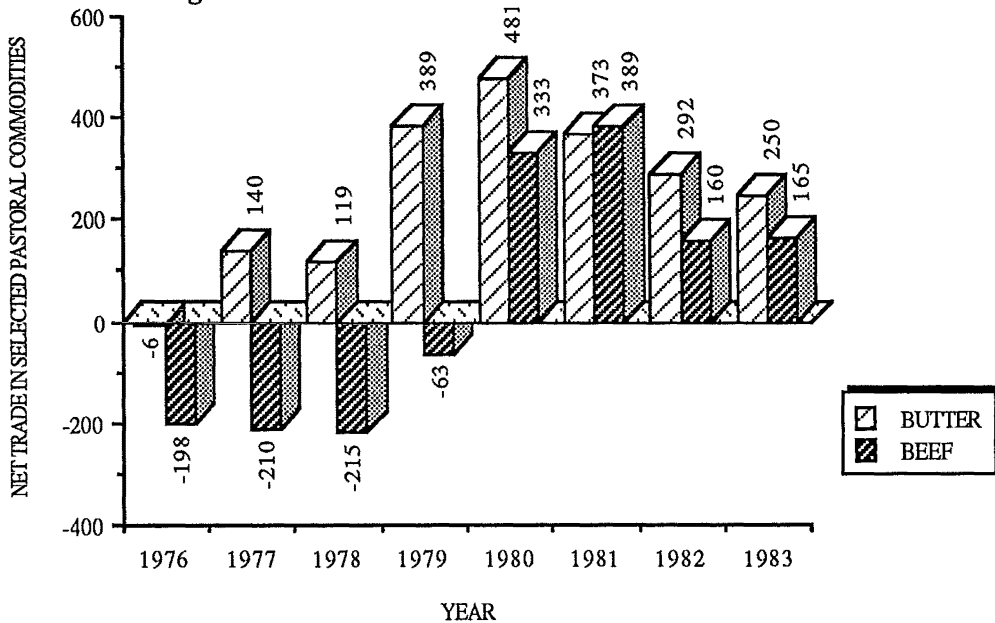
SOURCE: Reserve Bank Bulletin, Vol. 49, no. 9, 446.

**Figure 7: Agriculture's Recent Contribution to GDP**



SOURCE: Reserve Bank Bulletin, Vol. 49, no. 9, 447; & MAF, Situation & Outlook for NZ Agriculture, 1987, 53.  
 NOTE: Figures for 1982 to 1985 provisional; from 1986 NZIER estimates.

**Figure 8: EC External Trade in Pastoral Commodities**



SOURCE: Reserve Bank Bulletin, Vol. 49, no. 9, 453.  
 NOTE: Net imports are negative on Y axis; net exports are positive.



## II. State Assistance in Time 1: 1980-1984

### A. Introduction

This section examines the extensive state intervention in pastoral accumulation that occurred between 1980 and 1984. As suggested in the introduction to this chapter intervention is examined here in both qualitative and quantitative terms.<sup>10</sup> In qualitative terms the focus is upon the particular assistance measures implemented by the state. These are listed (in Table 2, Assistance Instruments in Time 1: 1980-1984) and in some cases examined in more detail below. The detailed discussion focuses upon the most financially significant forms of assistance during this period, namely the Supplementary Minimum Price scheme, state provision of subsidised credit to the pastoral sector, and the tax incentives structure that existed during the period. Quantitatively, this section establishes both the framework for analysis and addresses the aggregate transfer of resources by the state to the pastoral sector during Time 1. Here the intent is to measure and assess the significance of state assistance and to examine the dimensions of these financial flows during Time 1.

### B. Assistance

**i. Instruments.** State assistance instruments to pastoral accumulation during 1980-1984 are listed in Table 2. Notable amongst the vast number of government measures listed here was the Supplementary Minimum Price (SMP) scheme introduced in the 1978 Budget. This scheme sought to underwrite the pre-existing commodity price stabilisation schemes operated by producer boards. The objectives of the scheme were, first, to satisfy the requirements for a 'reasonable farm income', and second, to give farmers an assumed and realistic base investment.<sup>11</sup> SMP payments were made for sheepmeats in the June years 1981-82, 1982-83 and 1983-84. For

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<sup>10</sup> Figures 9 to 18 can be found on pages 80-84.

<sup>11</sup> Gibson, 19.

beef, payments occurred in 1980-81, 1981-82 and 1982-83. SMPs to the dairy industry were negligible during the period.<sup>12</sup>

**Table 2**

**Assistance Instruments in Time 1: 1980-1984**

1. Inspection Services; government conducted inspection of killed meat to ensure export quality standard maintained; state met full cost 1 October 1978 to 1 October 1985.

2. Hygiene Grants; government defrayed costs of new EC hygiene regulations instituted in the late 1970s (total cost estimated at NZ\$300 million); from 1979 government provided grant of 10 percent of cost of new buildings; payments still occurred in the 1982-83 and 1983-84 seasons.

3. SMPs; introduced in 1978 Budget to underwrite producer board stabilisation schemes; guaranteed two seasons ahead; applied to traditional pastoral meats, wool and manufacturing milk; aimed to provide income maintenance and thus grounds for forward investment; SMPs on meat only paid on exports, but scarcity of product raised price domestically to equal export price; SMPs for meat paid 1980-81, 1981-82, 1982-83 and 1983-84; termination announced 27 June 1984 - replaced by transitional scheme for 1984-85 season.

4. Fertiliser Subsidies; three schemes applied during Time 1:

- a) Fertiliser and Lime Transport Subsidy;
- b) Fertiliser Price Subsidy; and
- c) Fertiliser Bounty (for aerial spreading);

all reduced fertiliser input costs; all were wound-up at close of 1984 except for (b), which terminated in June 1986.

5. Land Development Encouragement Loan Scheme; introduced in 1978 Budget to encourage development of reverted/under-utilised land; provided write-offs of 50% of sum advanced conditional on successful completion of development; interest concessional/suspensory; no loan write-offs occurred in Time 1.

6. Livestock Incentive Scheme; introduced in 1976 Budget to increase livestock numbers and thus volume of production; offered suspensory loans on a per head basis or deduction from taxable income on a per head basis; concluded March 1982.

7. Agricultural Pest Control; funded on NZ\$1 for NZ\$1 basis prior to 1980 when total funding limit set at NZ\$7 million per annum.

8. Stock Loss Compensation; compensation has been provided for condemned livestock at fair market prices for some diseases and 50% of market price for others.

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<sup>12</sup> Ibid., 19-20.

9. Noxious Weeds Eradication; assistance provided to local authorities (NZ\$1 for NZ\$1) for elimination of virulent weeds; curtailed 1982; terminated 28 February 1985.

10. Extension Services; Ministry of Agriculture and Fisheries provides information/advice on farm practice on a free basis during period.

11. Natural Disaster Relief; Climatic Relief Scheme existed to provide credit to viable farms hit by climatic destruction; consists of concessional interest; grants for emergency plant/supplies also exist.

12. Agricultural Research; MAF, DSIR and (now-defunct) Lands and Survey Dept. conducted pastoral research during this period.

13. Special Payment for Sheep and Cattle; in 1978 Budget the government provided a special subsidy against the 1977-78 drought to maintain development; expenditure ceased after 1980-81.

14. Labour; the Labour Department provided employment assistance in two major categories: 1) private and, 2) public sector job creation; schemes included the Farm Employment Scheme which provided a wage subsidy (from 1 March 1983 at NZ\$65 per week) and an annual retention bonus (NZ\$650); the scheme ended in July 1983; it was replaced by the Private Sector Employment Incentive Scheme which provided wage subsidies or suspensory loans; public sector schemes totalled seven; of note was the Project Employment Programme; in this scheme employers were reimbursed 100% of wages and received a labour overhead of NZ\$10 to NZ\$30 per worker per week.

15. Animal Health; MAF monitored animal health particularly in relation to export quality assurance; involvement included testing, assistance to Hydatids authorities (terminated 1 April 1983), and grant to Veterinary Services Council (ceased in 1982).

16. Concessional Credit; several sources of concessional credit in Time 1; RBFC, Lands and Survey and Maori Affairs sources available direct to farmers; producer boards had access to Reserve Bank overdrafts at low cost.

17. Agricultural Quarantine Service; responsible for enforcing controls on entry of any potentially diseased live matter.

18. Payments to Agricultural and Allied Organisations; direct grants have been made to a number of organisations.

19. Income Tax Concessions; numerous tax concessions were available during the period, including:

a) Investment Allowance; object was to encourage replacement of obsolete equipment; introduced at 40% of capital sum (1976), reduced to 20% in 1979; terminated 31 March 1985; had effect of significantly reducing taxable income in first year of investment;

b) First Year Depreciation Allowances; allowed for enhanced deductions for first year depreciation on plant and buildings; gave ability to defer tax liability; being equivalent to an interest free loan;

c) Development Expenditure; allowed farmers to deduct for capital investment items not normally tax deductible; could be deducted in one year or deferred up to nine years; included pest destruction, dam construction and fencing;

d) Income Equalisation Scheme; allowed fluctuating farm incomes to be spread, thus minimising payment of tax at marginal rates; deposits made at Inland Revenue Department; these were tax deductible - but taxable on withdrawal; and

e) Deduction for Increase in Livestock Units; an alternative to the suspensory loan option provided under the Livestock Incentive Scheme; provided a deduction of NZ\$24 per unit for each additional stock unit added to herd.

SOURCE: Gibson, 18-30.

SMPs had two impacts on price levels in the pastoral industry: first, an export price effect, which was equivalent to the difference between the higher SMP level and the producer board schedule; second, a domestic price effect. In this case the local price of pastoral products was inflated by the subsidisation of export returns. If local meat suppliers were to obtain stock they needed to be able to offer similar prices to those available on the export market, thus inflating prices to local consumers. Without this local price parity with exports, meat producers would have had no incentive to sell any meat to local consumers. This effect amounted to an implicit tax on local consumers in favour of pastoral accumulation.<sup>13</sup> This can be presented more formally as:

$$sd = (se/xe) xd$$

Where,

- sd = assistance derived from the consumer on domestic meat consumption
- xd = domestic consumption (volume)
- xe = exports (volume)
- se = SMP payments

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<sup>13</sup> Ibid.

The impact of SMP assistance can be seen graphically in the following figures. Figure 9 depicts the escalation in SMP payments made to the meat industry during the period under review; and Figure 10 shows the imputed transfer or 'domestic effect' of SMPs, that is, the cost excess on local meat consumption obtained by the pastoral accumulation system.<sup>14</sup>

The advent of the Supplementary Minimum Price scheme was the most important development in the state's relationship to pastoral accumulation during Time 1. Prior to the establishment of this scheme subsidisation can be seen (in Figure 3) to have accelerated quantitatively and to have shifted from an input basis (cheapening the costs of production) to that based on outputs (rewarding volumes of production actually achieved). More importantly, it was the Supplementary Minimum Price scheme that signalled, by creating the perception that the state was providing "indiscriminate subsidies," that the state was prepared to promote the interests of pastoralism at any cost.<sup>15</sup> James suggests that when SMPs were first introduced in the 1978 Budget, they were "intended to be related over time to market prices."<sup>16</sup> However, "in 1980 [the Government] removed farmers' supplementary minimum payments from market-relation [making] them a straight income subsidy."<sup>17</sup> Despite this characterisation the quantitative escalation in state assistance during Time 1 results not from the existence of SMPs themselves but from sudden transformation in the commodity price environment in which SMPs were generated.

The state has had a role in agricultural mortgage credit since the Government Advances to Settlers Act of 1894. This

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<sup>14</sup> Ibid., 57.

<sup>15</sup> G.R. Hawke, "Overview of New Zealand Agriculture," in Rural New Zealand - What Next?, Agribusiness & Economics Research Unit Discussion Paper, ed. L. Tim Wallace and Ralph Lattimore, no. 109 (Lincoln, New Zealand: Agribusiness & Economics Research Unit/Lincoln College, 1987), 9.

<sup>16</sup> Colin James, The Quiet Revolution: Turbulence and Transition in Contemporary New Zealand (Wellington: Allen & Unwin/Port Nicholson, 1986), 90.

<sup>17</sup> Ibid., 98.

role was enhanced by the creation of the Government-owned State Advances Corporation as a provider of cheap credit in 1936 and was further enhanced by the Rural Banking and Finance Corporation from 1974.<sup>18</sup> The activities of the Rural Bank in Time 1 included loan finance for farm purchase by new farmers, farm development loans designed to increase pastoral production, climatic relief loans and many other concessionary lending schemes. Concessionary lending was also available from the then Department of Lands and Survey and the Department of Maori Affairs. A less explicit form of state subsidisation occurred in terms of the concessionary borrowing by producer boards from the Reserve Bank (see Figure 16). During Time 1 these boards were charged only 1 percent on the overdraft maintained in the Meat Industry Stabilisation Account.<sup>19</sup>

Rural Bank interest concessions are depicted in Figure 11. This figure compares market rates prevailing at the time with actual Rural Bank rates and provides an estimate of the dollar value of these interest concessions. Note how market rates rise nearly 3 percent between 1980 and 1984 while those charged by the Rural Bank rise by only 1.18 percent. Figure 12 shows the concentration of concessionary credit in the sheepmeat industry. Note also the consistent rise in these aggregates during Time 1. Overall concessionary lending levels for Maori Affairs appear in Figure 13, while that for Lands and Survey can be examined in Figure 14. In both cases a picture of growth in state-provided financial assistance is evident. Note the concentration in Lands and Survey concessionary lending by farm type in Figure 15. This result mirrors that found for Rural Bank interest concessions by farm type depicted in Figure 12. Reserve Bank concessionary finance is depicted in Figure 16: note the escalation again evident in these figures.

Taxation concessions were generous in the period under review. As Simpson suggests, "whereas the community at large paid about

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<sup>18</sup> Department of Statistics, New Zealand Official Yearbook 1986-87 (Wellington: Government Printing Office, 1986), 710.

<sup>19</sup> Gibson, 28.

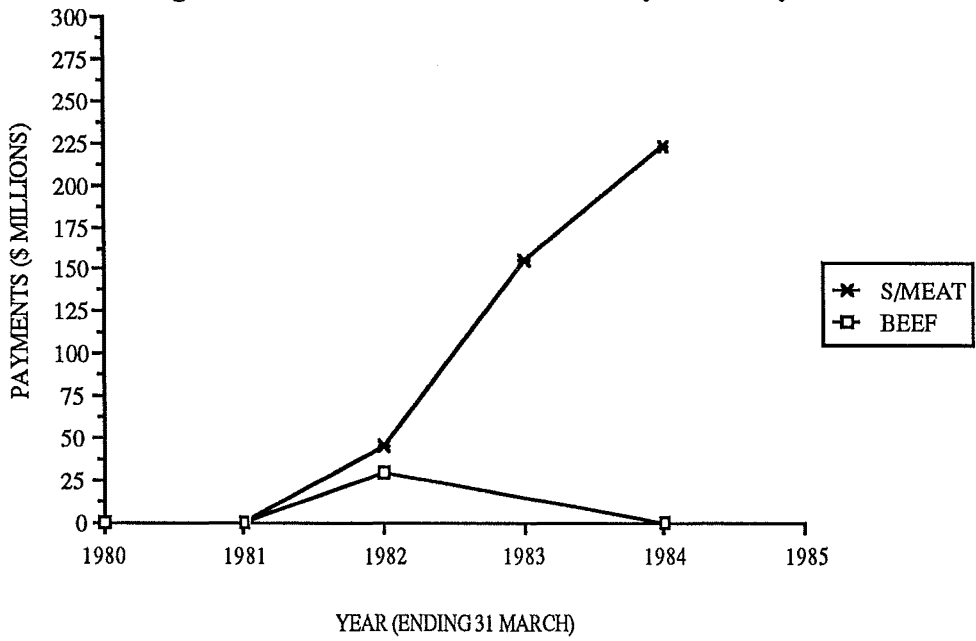
23 percent of its income in tax in 1979-80 (or 27 percent if social welfare beneficiaries are subtracted) farmers as a group paid 12 percent."<sup>20</sup> These concessions included First Year Depreciation Allowances which allowed for an increased deduction for depreciation in the first year of use of certain assets (plant and machinery, employee accommodation, and farm buildings): "These allowances [gave] the farmer the ability to defer tax liability" and hence obtain an immediate financial benefit.<sup>21</sup> Farmers were also able to deduct more development expenditure from income for tax purposes than most other forms of business could at the time. This could be deferred (in whole or in part) for up to nine years. These incentives and concessions are depicted in Figures 17 and 18. In total, taxation incentives are estimated to have delivered NZ\$431 million in assistance during Time 1. However, note that the data presented here do not suggest any significant acceleration in taxation assistance during the period in contrast to the assistance growth generated by SMPs.

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<sup>20</sup> Tony Simpson, A Vision Betrayed: The Decline of Democracy in New Zealand (Auckland: Hodder and Stoughton, 1984), 167.

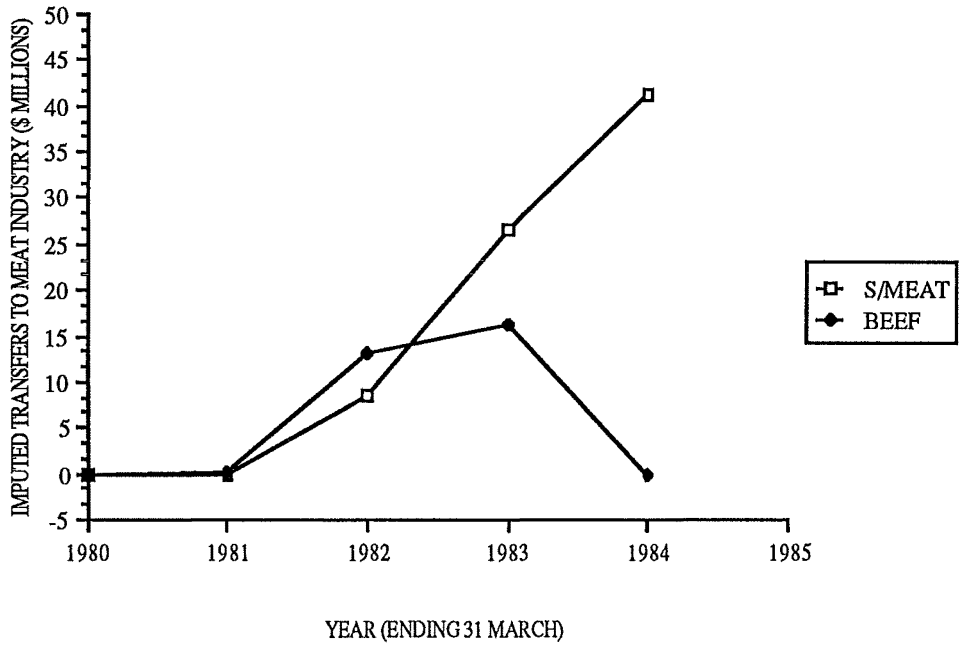
<sup>21</sup> Gibson, 29.

**Figure 9: Escalation in Meat Industry SMP Payments**



SOURCE: Gibson, MAF Disc. 8/84, 56.

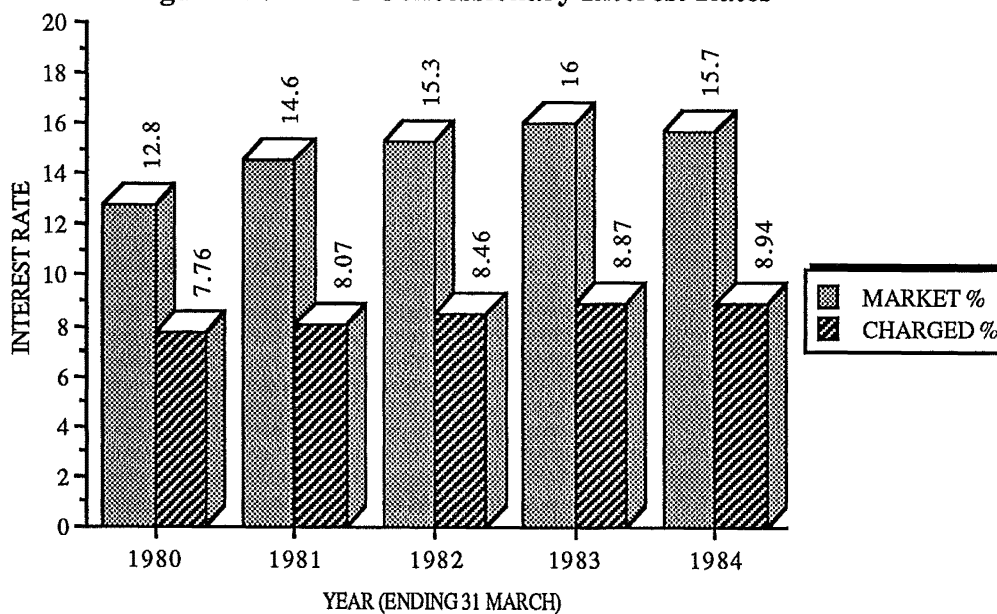
**Figure 10: Imputed Domestic SMP Effect**



SOURCE: Gibson, MAF Disc. 8/84, 58.

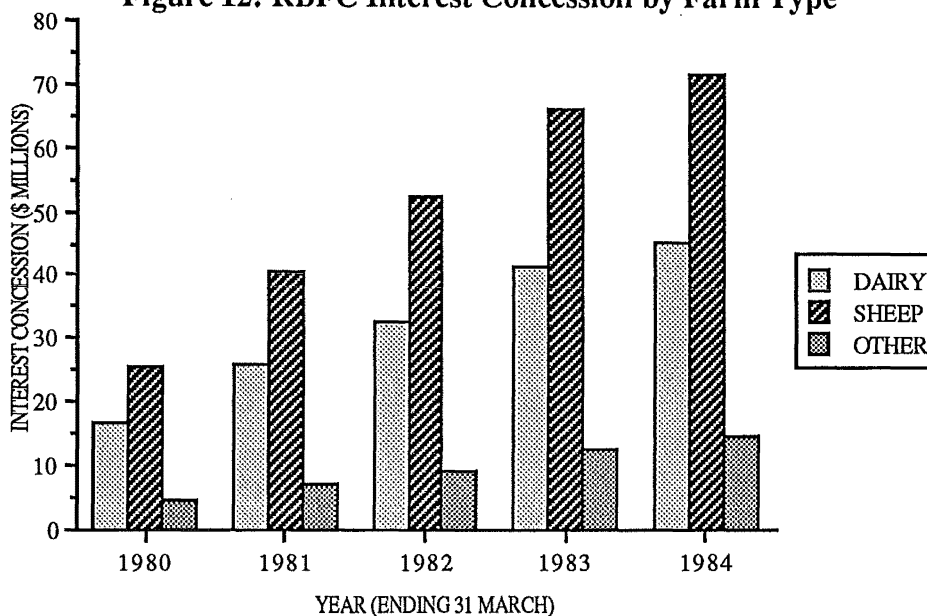


**Figure 11: RBFC Concessionary Interest Rates**



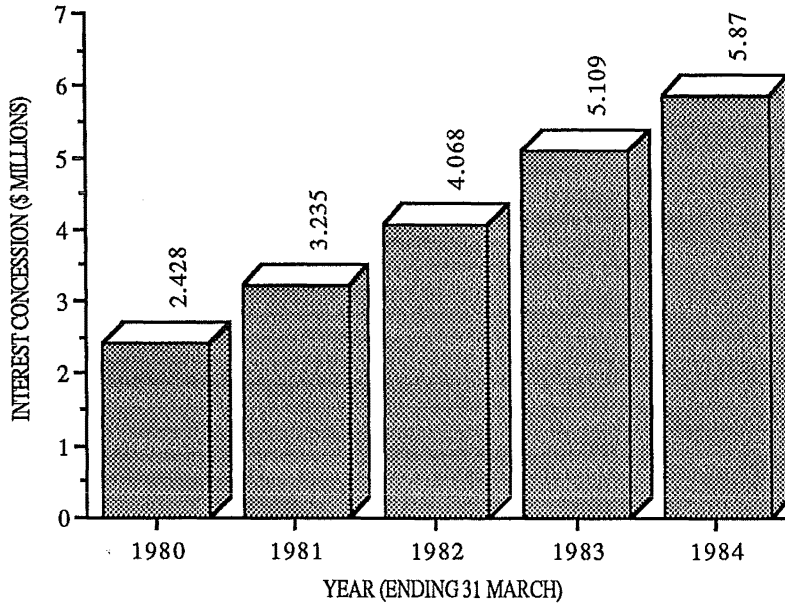
SOURCE: Gibson, MAF Disc. 8/84, 79.

**Figure 12: RBFC Interest Concession by Farm Type**



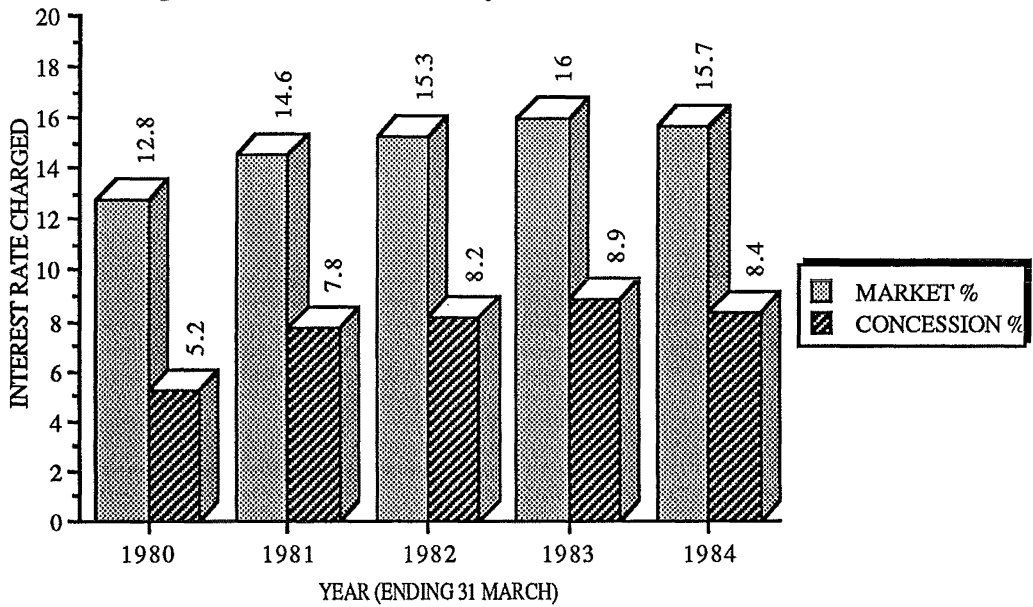
SOURCE: Gibson, MAF Disc. 8/84, 80.

**Figure 13: Maori Affairs Interest Concession (\$ Millions)**



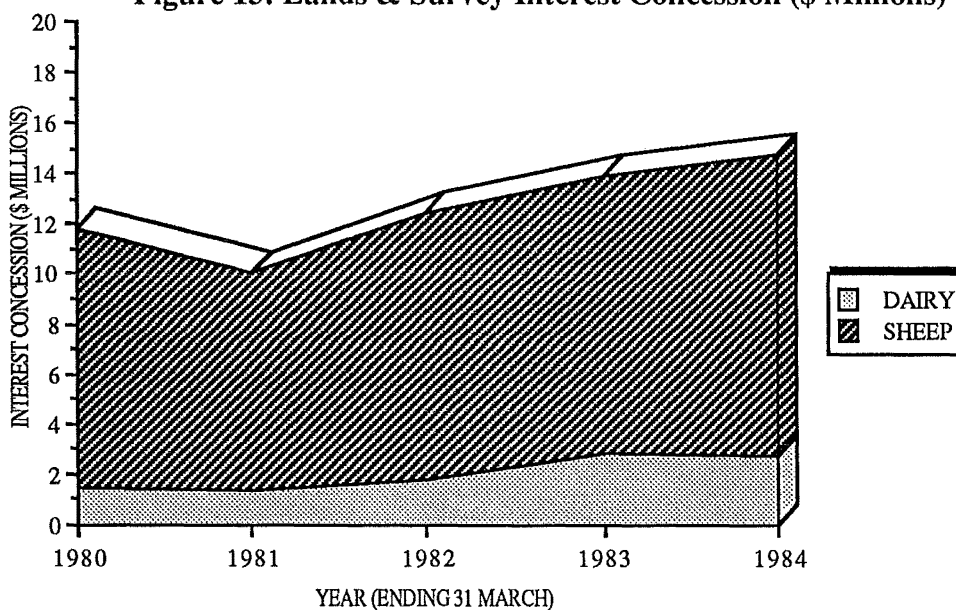
SOURCE: Gibson, MAF Disc. 8/84, 81.

**Figure 14: Lands & Survey Interest Concession**



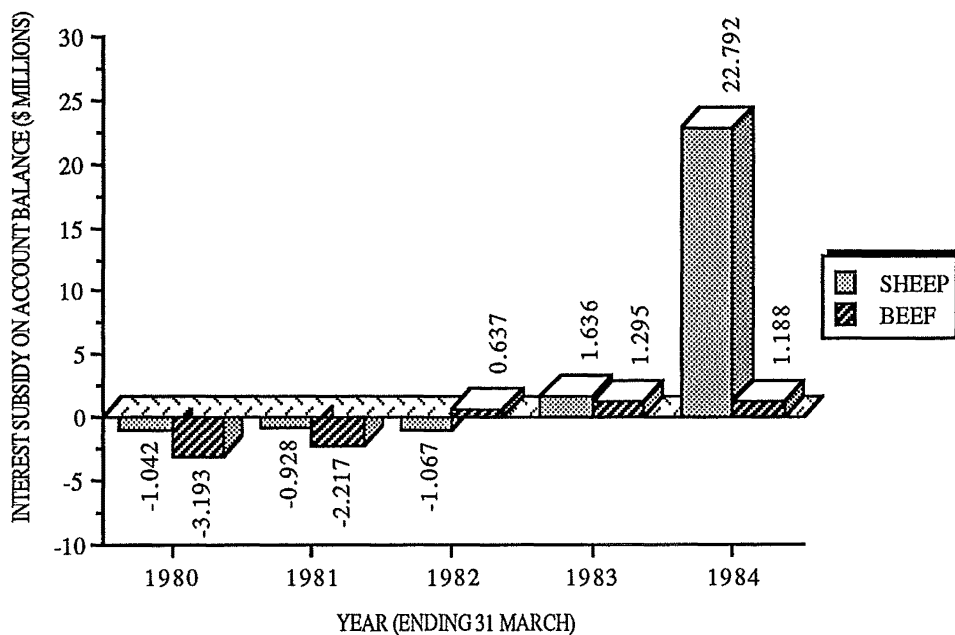
SOURCE: Gibson, MAF Disc. 8/84, 82.

Figure 15: Lands & Survey Interest Concession (\$ Millions)



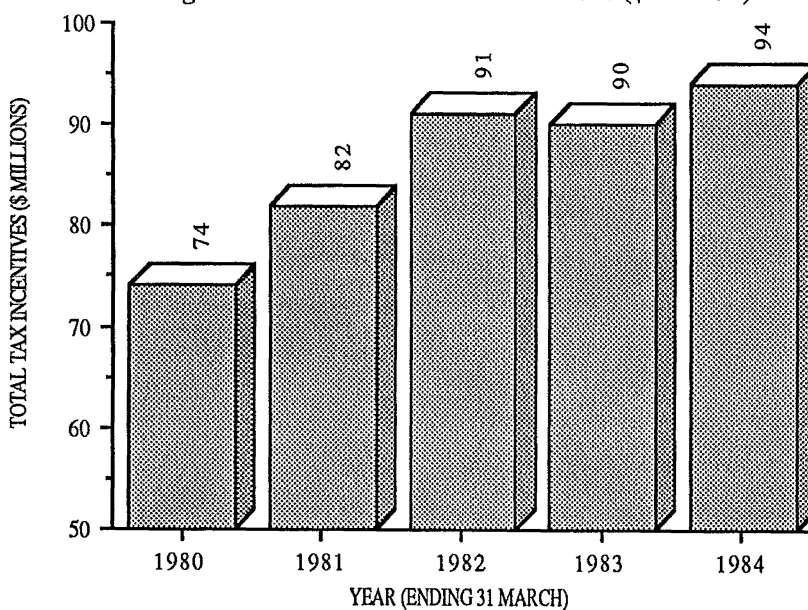
SOURCE: Gibson, MAF Disc. 8/84, 83.

Figure 16: Meat Income Stabilisation Account: Interest Subsidy



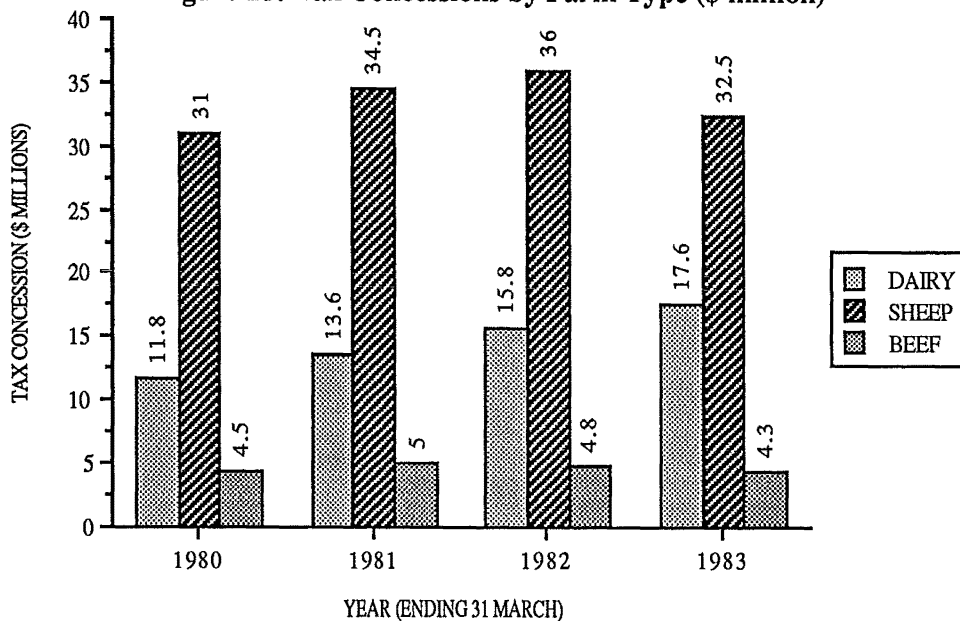
SOURCE: Gibson, MAF Disc. 8/84, 84.

**Figure 17: Total Taxation Incentives (\$ million)**



SOURCE: Gibson, MAF Disc. 8/84, 75.  
NOTE: MAF estimates used.

**Figure 18: Tax Concessions by Farm Type (\$ million)**



SOURCE: Gibson, MAF Disc. 8/84, 77-78.

ii. **Quantitative Framework.** This section examines the aggregate level of assistance provided to the pastoral sector during the period under review.<sup>22</sup> To examine these levels of assistance on a comparative basis it utilises the Effective Rate of Assistance (ERA) framework. As The Treasury note in Economic Management: Land Use Issues, the ERA "is a measure which indicates the relative strength of the incentives for the employment of resources in an activity provided by government assistance."<sup>23</sup> In other words, the ERA measures the ability of the state to redirect capital investment toward a sector of accumulation. More precisely the ERA "to an activity measures the net assistance delivered (in cents) for each dollar contribution of that activity to GDP at world (unassisted) prices."<sup>24</sup> This can be expressed algebraically for product j as:

$$ERA_j = \frac{v_{aj}' - v_{aj}}{v_{aj}} \times 100$$

Where,

$v_{aj}'$  = value added to product j at assisted prices

$v_{aj}$  = value added to product j at world prices<sup>25</sup>

Certain assumptions are involved in the construction of an ERA index. First, an index requires the discounting of government assistance where assistance to other sectors infringes on the profitability of the sector in question (hence "net" assistance above). The main impact on pastoral profitability in this context is known as the 'cost excess' on means of production (inputs).<sup>26</sup>

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<sup>22</sup> Figures 19 to 22 can be found on pages 90-91.

<sup>23</sup> The Treasury, Economic Management: Land Use Issues (Wellington: Government Printing Office, 1984), 13.

<sup>24</sup> M.C. Taylor and J.L. Hayes, Assistance to Pastoral Agriculture 1983/84 to 1986/87, 2 vols. (Wellington: MAFCorp Policy Services, 1987), 1.

<sup>25</sup> Gibson, 12.

<sup>26</sup> Taylor and Hayes, 2.

According to Taylor and Hayes the calculation of the cost excess

on agricultural inputs attempts to measure the extent to which the prices of inputs used by agricultural industries are raised by the protection given to import substituting industries by tariffs and import licensing.<sup>27</sup>

Taylor and Hayes present varying estimates from a number of studies into levels of industry protection. However, they remain consistent with Gibson's prior use of a 20 percent assumption in his calculations. Generally ERAs are positive but negative rates can arise when the protection levels on purchased inputs exceed the total of assistance for an activity. The inference in this context is that the activity is being taxed by assistance given to other areas of accumulation.<sup>28</sup>

Gibson places qualifications on the use of quantitative data such as the ERA index. "It must be emphasised," he writes, "that the assignment of a particular quantum of assistance against a particular activity does not mean that all the benefits of that subsidy remain within agriculture."<sup>29</sup> For example, he suggests that some assistance to pastoralism might have been siphoned off by the meat processing industry in higher killing charges. Yet despite this qualification Gibson emphasises that the ERA approach remains useful at the aggregate level. It provides

a framework to consistently account for all the different forms of assistance provided to an industry. This consistent approach is perhaps the greatest contribution of the method. It provides the initial overview that places different assistance measures into perspective.<sup>30</sup>

Without a standard measure like the ERA an assessment of the

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<sup>27</sup> Ibid.

<sup>28</sup> Gibson, 14.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid., 15.

variability of the state's role over time would be limited by reliance on subjective factors inherent in qualitative data assessment.

**iii. Quantitative Aggregates.** Effective rates of assistance for Time 1 provide an index of escalation in state support. Quantitative evidence of support escalation is most pronounced for the sheepmeat industry which, encompassing on average some 70 percent of total livestock units between 1982 and 1987, is by far the most economically significant aspect of New Zealand's pastoral accumulation.<sup>31</sup> The importance of sheepmeat in these terms indicates that the balance of attention should be directed to the quantitative examination of the state's role in relation to this commodity.

Figure 19 represents the course of state assistance to the sheepmeat industry during Time 1.<sup>32</sup> This figure contrasts sheepmeat's contribution to Gross Domestic Product at unassisted prices with levels of net assistance to the sector and with the index of the effectiveness of that assistance (assessed in relation to GDP). Readily apparent in Figure 19 is the decline in the contribution of sheepmeat to GDP at unassisted prices. Also evident in this figure is the escalation in net assistance (after discounting for the cost excess generated by protectionism). These two trends combine in the third indicator, the effective rate of assistance itself, to enable the sector to attract resources unrelated to the world market returns obtainable during the period. Even when the impact of alternative cost excess levels have been calculated, as presented in Figure 20, the escalation in ERAs during 1982 and 1983 and up to the incalculable heights of 1984 remains valid.

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<sup>31</sup> Ministry of Agriculture and Fisheries, New Zealand Agricultural Statistics 1987 (Wellington: MAFCorp, 1987), 5.

<sup>32</sup> Some adjustment of the ERA result for 1984 was found to be necessary in Figure 19. Given that the unassisted value of materials used in the production process was calculated to exceed the unassisted value of output, it was not possible to calculate the ERA for this year. However, this situation (of negative value added at world prices) "implies very high levels of assistance" according to Gibson. Accordingly it is appropriate for the purposes of graphic illustration to extrapolate along the trend line provided by previous years' results. To this end an index of 500 has been substituted for the year 1984; Gibson, 32.

Such a result underscores the view that the state had significant impact upon the pastoral sector during this time period.

The data for the pastoral sector as a whole (including, in this case, dairy-based industries) follows a similar pattern to that shown for sheepmeat taken in isolation. The declining contribution to GDP at world prices evident in Figure 21 is matched by an increasing measure of net assistance and by an escalating ERA figure. When the ERAs for pastoralism are then broken down by commodity the significance of the level of sheepmeat assistance is apparent. As can be gauged from Figure 22, the sheepmeat sector increasingly accounts for the highest levels of assistance received.

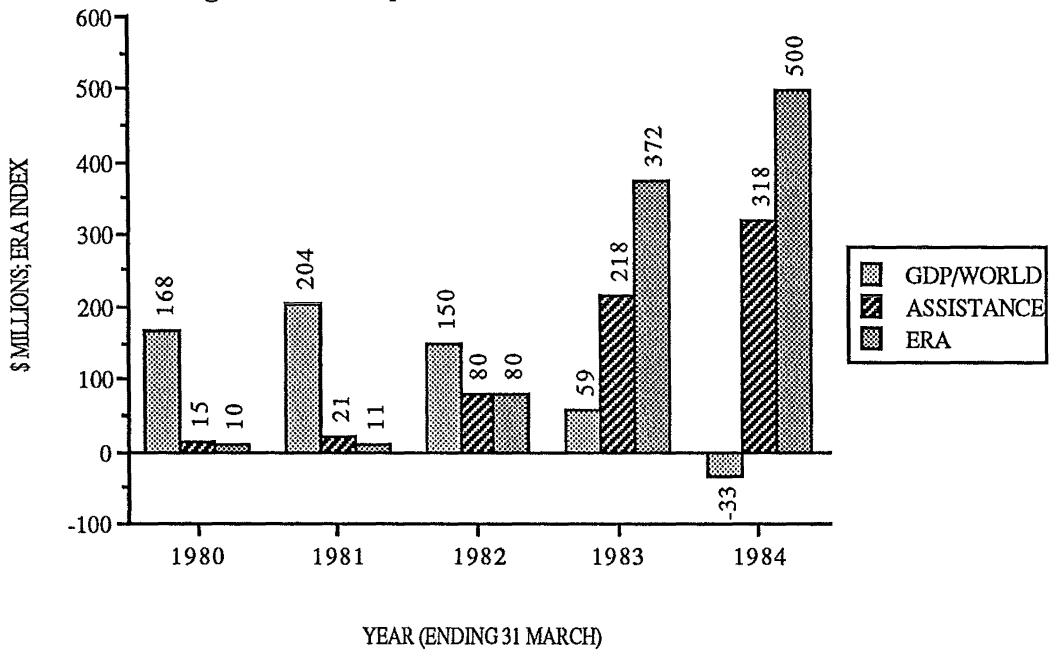
### C. Concluding Comments

This section has examined state assistance to New Zealand pastoralism during Time 1 of this study, that is, from the June years 1980 to 1984. This occurred in two forms, the first, qualitative; the second, quantitative. In the first part of the section state assistance was examined as assistance instruments, that is, as the particular means by which the state provided assistance to pastoral accumulation. As well as surveying pastoral assistance in general during this period (Table 2, Assistance Instruments in Time 1: 1980-84) the qualitative sub-section focused on a selected few forms of assistance in more detail. These were the Supplementary Minimum Price scheme, state provision of rural credit and tax incentives. In the first two cases assistance escalation was facilitated by the responsiveness of the assistance measures themselves to alterations in the market environment in which they operated. This suggests that rather than being symptomatic of conscious state policy, assistance escalation during Time 1 is a direct result of sudden alteration in market conditions. For example, as interest rates rose in the finance market during Time 1 so the interest concession on Rural Bank finance rose commensurately in the absence of a state policy to alter the fixed interest rate.



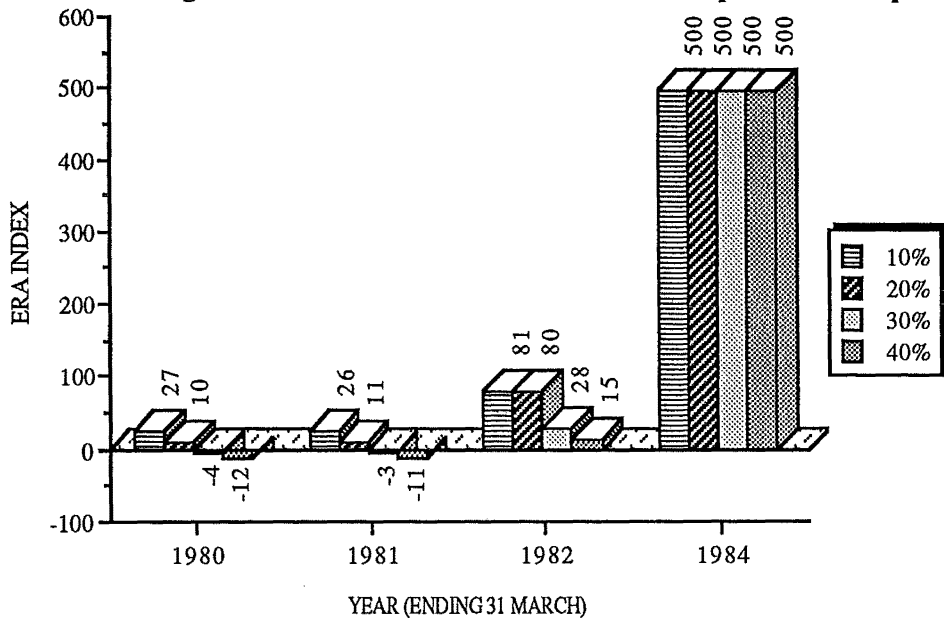
Quantitatively, this section introduced the ERA framework utilised in the work of Gibson, and Taylor and Hayes. Upon this basis some discussion of the quantitative aggregates of Time 1 was undertaken. This discussion confirmed the qualitative sub-section's conclusion that sizeable assistance escalation was in evidence during the period. While not distinguishing between support measures, this section did conclude that assistance was not evenly allocated amongst sectors, the bulk of assistance being directed toward the sheepmeat area. While this result could be expected given the domination of New Zealand pastoralism by sheep, the trend during Time 1 was to an increasing domination of the sheepmeat industry over state assistance.

**Figure 19: Sheepmeat - Effective Assistance in Time 1**



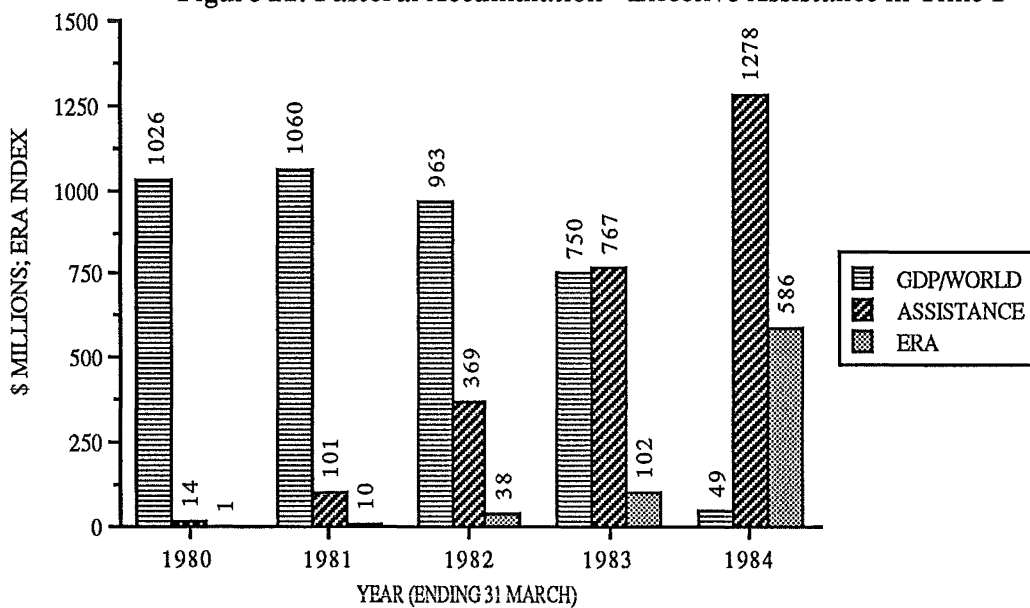
SOURCE: Gibson, MAF 8/84, 34; revised with Taylor and Hayes, MAF June 1987, Vol. 2, 48.  
 NOTE: ERA for 1984 (500) is imputed as no ERA could be calculated..

**Figure 20: Alternative Cost Excesses - Impact on Sheepmeat ERA**



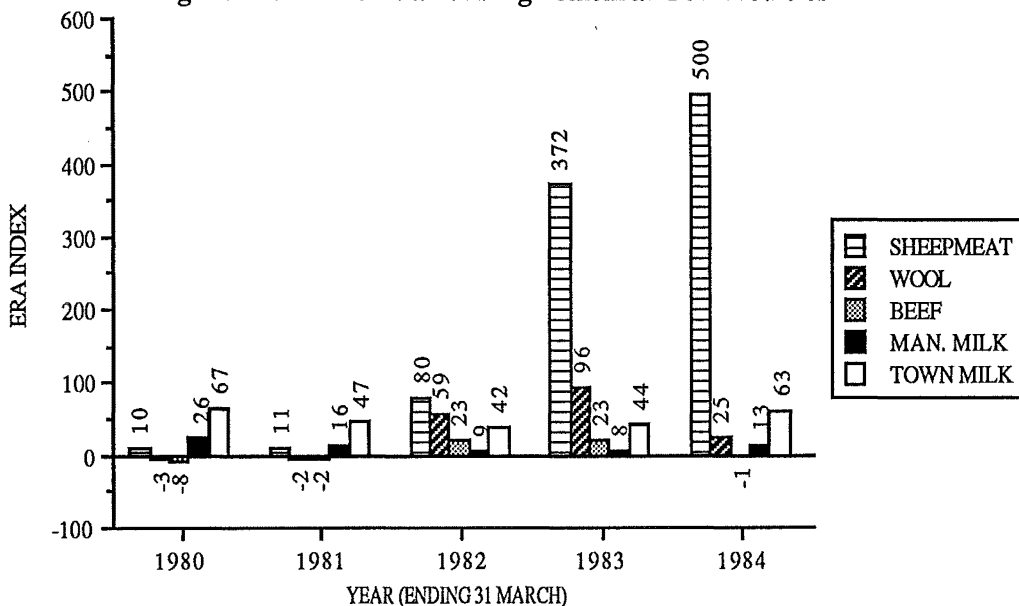
SOURCE: Gibson, MAF Disc. 8/84, 35.  
 NOTE: ERA unable to be calculated for 1984 suggesting very high rates of assistance; imputed figures.

Figure 21: Pastoral Accumulation - Effective Assistance in Time 1



SOURCE: Gibson, MAF 8/84, 51; Taylor & Hayes, MAF June 1987, 20, 23, 53.

Figure 22: ERA to Various Agricultural Commodities



SOURCE: Gibson, MAF Disc. 8/84, 31.

NOTE: S/meat ERA for 1984 not able to be calculated as unassisted value added is negative; figure imputed for graphic reasons.

### III. State Assistance in Time 2: 1984-1987

#### A. Introduction

In this section state assistance to pastoralism is examined for the period from mid-1984 to approximately mid-1987, that is, Time 2.<sup>33</sup> By way of introduction to the transformation in state assistance that occurs in this period the section opens with a discussion of the New Zealand Treasury's critique of state intervention in pastoralism. The Treasury is the New Zealand state's principal economic adviser. The discussion of The Treasury's analysis is useful in that the dominant theme emerging from The Treasury's critique is fundamental to the understanding of both the movement to investment neutrality, and the discussion of remaining and transitional assistance instruments. In the first of the following subsections the movement to a neutral state role in investment flows is summarised in a number of tables. These briefly detail the important agricultural policy changes during Time 2 and also provide comment on the wider deregulated environment that developed and the impact of this environment on pastoralism. The latter section discusses the remaining transitional assistance instruments provided by the state in Time 2. These are seen, in the context of The Treasury's analysis and the movement to state investment neutrality then occurring, as being residual and temporary in character. As in the discussion of assistance instruments during Time 1 the discussion of Time 2 contains a summary of assistance instruments in table form.

The section closes with a discussion of the quantitative aggregates for the period. Here both gross data on assistance to pastoralism and an Effective Rate of Assistance index are examined. Finally, discussion of the alternative cost excess levels arguably generated by tariff reductions and the potential impact of these factors on pastoral ERAs is presented.

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<sup>33</sup> Figures 23 and 24 can be found on page 105.

## B. From Assistance to Neutrality

i. **The Internal Critique of State Intervention.** A reflection of the transformation that occurred in the state's role in pastoral accumulation is the internal state critique of subsidisation policy that was made public during Time 2. At the centre of this criticism was analysis provided to the government by its senior economic adviser, The Treasury.

Fundamental to The Treasury's analysis of state intervention in New Zealand pastoralism was the attribution of poor economic performance to low rates of return on invested capital. Between 1973 and 1983 New Zealand's GDP grew by under half the average for all the OECD countries. According to The Treasury this poor performance was "not...due principally to low rates of investment. The investment to GDP ratio [in New Zealand] has been close to the OECD average while our growth rate has remained one of the lowest."<sup>34</sup> This suggested to The Treasury that it was "the return on this investment [that was]...disappointingly low."<sup>35</sup> Within this characterisation of New Zealand investment The Treasury developed an assessment of pastoral returns. This analysis became public knowledge with the publication of Economic Management and Economic Management: Land Use Issues in July 1984. First, it was recognised that the pastoral commodity price decline was endemic rather than temporary in nature. In The Treasury's view, evident "weaknesses in primary commodity markets" allowed for "only limited scope for improvement" in future returns.<sup>36</sup> The poor or static prices that were being received meant that in real terms "prices for most of our traditional primary products have fallen significantly" during Time 1.<sup>37</sup> In aggregate such

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<sup>34</sup> The Treasury, Economic Management (Wellington: Government Printing Office, 1984), 104.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid., 46 and 58.

<sup>37</sup> The Treasury, Economic Management: Land Use Issues (Wellington: Government Printing Office, 1984), 2.

falls significantly reduced the return on investment achievable from the pastoral sector relative to other sectors.<sup>38</sup>

This pessimistic analysis of pastoral investment returns was used by The Treasury to approach the analysis of state intervention in pastoral accumulation. For The Treasury, the pastoral assistance of Time 1 reflected "New Zealand's unwillingness to adjust to changing external conditions (in this context the increased external debt represented a shifting forward in time of the adjustment problem)."<sup>39</sup> In other words, the state had taken an active role in trying to prop up a traditional source of foreign exchange rather than withdrawing and allowing investors to react to changes in the international market. In The Treasury's view, rather than creating artificial price signals and distorting the local investment environment, the state should have allowed investment reallocation to occur. For The Treasury, "income loss can be offset only by reallocating resources and is prolonged by delaying this adjustment."<sup>40</sup> In this view, mitigating the impact of market forces by state assistance protects redundant subsectors of the economy "at the expense of the general welfare."<sup>41</sup> This effect results from the disparity between (the real) international price signals and those created by the state in the local environment. Other things being equal, The Treasury suggests that

the higher the level of assistance to an activity, the greater its ability to attract resources. Given that in the tradeable goods area world prices give a good indication of the private and social returns to the use of the resources in different activities, interventions which result in a different pattern of resource use will cause a loss of efficiency and community income. Reductions in both assistance disparities between activities and in the average level of industry assistance will result in a more efficient use of resources and higher national income.<sup>42</sup>

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<sup>38</sup> Ibid.

<sup>39</sup> Economic Management, 105.

<sup>40</sup> Ibid., 108.

<sup>41</sup> Ibid., 107.

<sup>42</sup> Land Use Issues, 13.

In other words, in The Treasury's view the state will be unable, despite interventions, to prevent international price movements impacting on the economy. Cushioning price movements in one area merely moves the problem to another, in this case to the state budget. Nor will sectoral support allow for the reorientation of investment to those areas with long-term growth potential. Thus in The Treasury's view, government assistance of the sort directed to pastoralism in Time 1 merely compounds long-term problems of inefficiency. What was desirable in The Treasury's view was the withdrawal of the state from an active role in directing investment flows. Instead

As the relative profitability of various activities changes, resources need to move from those activities in which returns have become relatively low to those activities in which returns have become relatively high. This involves movement of resources not only within sectors (e.g. from dairy to Kiwifruit or from pastoral farming to agroforestry) but between sectors (e.g. from agriculture to manufacturing or vice versa).<sup>43</sup>

In addition to investment considerations, sectoral assistance was thought to impact with deleterious effects upon the budget deficit and thence on the monetary situation for the economy as a whole. Indeed, for The Treasury advisers the "root cause of the difficulties" faced by the New Zealand economy could be found in the pressure on monetary aggregates created by the government deficit. In their view this produced high interest rates and inflation, lowered the propensity to invest and worsened New Zealand's international trading competitiveness by raising local cost structures.<sup>44</sup> For example, meat subsidies alone amounted to some NZ\$1300 million in Time 1. The result of this state expenditure was a projected cost of NZ\$225 million (in real dollars) per annum for a period of twenty years. For The Treasury, the deleterious impact of state assistance is also evident in the

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<sup>43</sup> Ibid., 12.

<sup>44</sup> Economic Management, 138.

potential distortionary effect of these state expenditures upon the availability of funds for private investment by the trading banks and the impact of the higher interest rates created by these monetary pressures on local cost-structures.<sup>45</sup>

In sum, The Treasury's analysis of state intervention in pastoralism suggested that extensive transfers of state funds to the sector were a drain on national welfare, and second, that transfers had distortionary effects on inflation, long-term international competitiveness, private decision-making behaviour, and on the Budget deficit (and hence upon market interest rates on borrowed funds). What was required, in The Treasury's view, was a neutral role for the state in accumulation so that capital investment could move between sectors of production in order to maximise market signals. Given the assistance examined in the review of Time 1, The Treasury's recommendations would lead to a fundamental redirection of the state away from an active role in accumulation to one in which the state merely establishes the basic 'rules of the game' via the legal and monetary systems.

**ii. The Movement to State Investment Neutrality.** Time 2, that is, the period from July 1984 to June 30 1987 inclusive, is characterised by the withdrawal of the assistance instruments blamed by The Treasury in Economic Management and in Economic Management: Land Use Issues for the distortion of pastoral price signals. The main policy changes directed at pastoral accumulation are summarised in Table 3:

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<sup>45</sup> "No Free Lunch! - Mr Douglas," The Press 18 October 1985, 12.



Table 3

**Summary of Agricultural Policy Changes in  
Time 2: 1984-1987**

June 1984<sup>46</sup>

- \* ending of the Supplementary Minimum Price (SMP) scheme announced,
- \* producer board accounts at the Reserve Bank to be charged "commercial" interest rates,

1984 Budget

- \* fertiliser subsidies phased out,
- \* Rural Bank and Finance Corporation (RBFC) interest rates to be raised progressively to the market rate,
- \* irrigation and water supply subsidies lowered,
- \* investment taxation allowance allowed to expire,
- \* noxious weeds subsidy ended,
- \* farm vendor finance scheme ended,
- \* cost recovery on product inspection reintroduced,

1985 Economic Statement

- \* S129 Income Tax Act (10 year clawback) to be repealed,
- \* S188 Income Tax Act (NZ\$10, 000 loss limitation) to be repealed,
- \* land development tax concessions to be phased out,
- \* livestock standard value system to put pastoral taxation on a similar basis as general business taxation,

1986 Statement on Government Expenditure Reform

- \* introduction of provision for cost recovery of advisory, research, animal health and agricultural quarantine services,
- \* grants, subsidies and miscellaneous payments to agricultural and allied organisations to be progressively reduced,

1986 Budget

- \* first year depreciation allowance to be withdrawn.

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<sup>46</sup> Important to note is the lack of congruence between the advent of assistance reform and the installation of a new government in 1984. While the Labour administration came to power following the July 14 election, significant assistance reform had already occurred with the announcement of SMP and producer board concessionary overdraft termination during June of that year. This observation invalidates the conclusion that the 1976-1984 National government was totally dedicated to pastoral exporting despite any consideration of budgetary cost. Therefore, political party dynamics are not a reliable guide to the transformation in state pastoral assistance between Time 1 and Time 2.

During 1986 other policy developments relevant to agriculture occurred in three broad areas:

- \* introduction of the Rural Bank Discounting Scheme, announced in the July 2 Government Statement of Rural Policy,
- \* removal of producer board access to Reserve Bank finance, and
- \* continued import liberalisation and reviews of industry plans.

SOURCE: Taylor and Hayes, Assistance to Pastoral Agriculture 1983/84 to 1986/87, vol. 1, 3.

A further assessment of the transformation in the state's relationship to pastoralism is presented in Table 4. This table addresses the broader impact of deregulation.

**Table 4**

**State Regulatory Changes and Implied Impact on Pastoralism**

Policy Instrument	Implied Impact on Pastoralism
1 Global tariff rates	1 Cheaper industrial inputs
2 Floating exchange rate	2 Earnings affected by foreign currency fluctuations
3 End to subsidies	3 Cost increases/price reductions
4 End to export incentives	4 No impact
5 User pays for services	5 Inspection charges
6 Neutral tax rates	6 Goat/deer equated with other livestock
7 Market interest rates	7 Deflation of speculative market for rural land; Rural Bank rates up; Producer Board credit withdrawn
8 Deregulation of currency	8 New investment strategies
9 Deregulation of transport	9 More differentiated services
10 End to import controls	10 Competition from imports (e.g., processed cheeses)
11 Dereg. of union practices	11 Reduced unionisation
12 Dereg. of finance sector	12 Money market influence on exchange-value
13 CER agreement	13 New scope for dominance
14 Reduction in red tape	14/15 Heightened demand for information to reduce legal risk
15 Relax. of Coy. Pract. Act	
16 Relax. of controls on mergers	16 Company restructuring into different industries
17 Relax. of foreign invest.	17 Possible new entrants

18 End of regional aid	18 Minimal impact
19 SOEing of state trading	19 Comparison of state and private services/costs

SOURCE: Richard Le Heron, "Global Processes and Local Adjustments," 12-13.

Table 4 depicts the implied impact on pastoralism of the general deregulatory movement that occurred in Time 2. As can be seen in this table not all these general deregulatory movements could be expected to have negative impacts on accumulation in the pastoral sector. For example, tariff reform (policy instrument 1) could in the long-run be of major significance in establishing a lower cost-structure in pastoral farming. Indeed, Taylor and Hayes suggest that the cost excess used to calculate ERA levels should now be reduced in light of this change in state policy.<sup>47</sup> Other possible positive effects could emerge from instruments 8, 9 and 19, all of which cheapen pastoral costs or enable the freer flow of finance to the sector. Given the existence of these potentially positive effects on the pastoral environment the suggestion that the state was concerned to simply inhibit this particular form of accumulation should be rejected.

**iii. Remaining/Transitional Assistance Instruments.** Despite the regulatory reform shown above some degree of state assistance remained in Time 2. These instruments are listed in Table 5:

**Table 5**

**Assistance Instruments in Time 2: 1984-1987**

1 Inspection Services; full cost met by state in Time 1 (not previously); moving progressively to full cost recovery (1/3 recovery 1985/86, 2/3 in 1986/87).

2 Land Development Encouragement Loan Scheme; introduced in Time 1 to stimulate land development; featuring low/nil interest and easy repayment terms; no new registrations accepted from 1982 but concession still in effect.

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<sup>47</sup> Taylor and Hayes, vol. 1, 6.

3 Livestock Incentive Scheme; introduced in 1976 to increase livestock numbers; similar concessionary finance facilities as in Time 2; most of the loans have now been written off so of little budgetary significance in Time 2.

4 Agricultural Pest Control; continues on a reduced budget in Time 2; budget will be reduced by NZ\$0.8 million per annum and terminated after 1992/93.

5 Research; provided by Ministry of Agriculture and Fisheries, Department of Scientific and Industrial Research and the now-defunct Department of Lands and Survey; continues in Time 2 on partial cost-recovery basis.

6 Natural Disaster Relief; interest concessions on loans for climatic damage continue, although under review.

7 Labour; Job Opportunities Scheme provides partial wage subsidy for six-month period for use of additional labour.

8 Animal Health; health inspection, quarantine services and disease detection continues on partial cost recovery basis.

9 Rural Bank Concessionary Finance; in Time 2 Rural Bank progressively made to raise funds on private market and charge commercial rates; no access to government funds from 1986/87; concessional rates being progressively raised; Government statement of Rural Policy involved some concession - although interest rates raised.

10 Producer Board Accounts at Reserve Bank; in Time 2 interest rates on both credit and overdraft balances raised; Meat Industry Stabilisation Account debt of NZ\$1029 million (March 1987) written off (as direct subsidy); a similar subsidy on the Dairy Industry (Loans) Account (of NZ\$660 million) occurred in 1986.

11 Grants, Subsidies and Miscellaneous Payments to Agricultural and Allied Organisations; progressive reductions in government funding occurred in this area; however, some schemes have been maintained or extended, for example:

Herd Improvement Scheme  
International Dairy Federation  
Subsistence Allowances to Farmers

12 Income Tax Concessions; Progressive moves to eliminate subsidy but residual concessions continuing; examples include the Income Equalisation Scheme; tax deductibility for development remains at 100%, although this is to be phased down to nil by 1992; first year depreciation to conclude at the end of Time 2.

SOURCE: Taylor and Hayes, vol. 1, 3-14.

Clearly apparent from the table is the 'phase-down' situation of almost all of the remaining assistance instruments. However, despite the movement to investment neutralism evident here this posture is ostensibly contradicted by some new elements of state policy. The most obvious example consists of the Rural Bank Discounting scheme. This scheme, introduced in the July 1986

Government Statement of Rural Policy, enabled farmers heavily indebted to the Rural Bank to discount (reduce) the total sum owing on their land and plant, increasing their equity and thus their ability to obtain seasonal finance in the process.<sup>48</sup> While stopping short of what the hard-pressed pastoral sector might have liked in terms of state assistance, the Reserve Bank suggests that the farm package "does have features which will permit many farmers to survive when otherwise they would not have."<sup>49</sup> Despite this it is probably a gross simplification to assess this measure as a substantial contradiction of the neutral state investment posture during Time 2. As the Reserve Bank's discussion of this issue notes

Both the public and the private sector have an interest in minimising needless mortgage sales and individual farmer bankruptcies, which have the potential to force rural land prices down beneath the levels which would otherwise be justified in the market place. In this sense the Rural Bank's discounting offer is in their own best commercial interest.<sup>50</sup>

Also seemingly contradictory is the liberal treatment of producer board debt. However, these transfers represent once-only payments and in the Ministry of Agriculture and Fisheries' view "demonstrate the Government's wish to avoid further involvement in agricultural price support activity." In the future if industries such as pastoralism choose to continue collective price maintenance they "must carry all the costs and risks involved" themselves.<sup>51</sup>

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<sup>48</sup> An independent audit for the New Zealand Government's Audit Office by chartered accountants Coopers & Lybrand has shown that in the 1986-87 year NZ\$290 million assistance was transferred to approximately 5200 at-risk farmers. Coopers & Lybrand, Review of Debt Discounting Scheme, 8 June 1987, 3.

<sup>49</sup> Reserve Bank of New Zealand, "The Farming Downturn," 450.

<sup>50</sup> Ibid.

<sup>51</sup> Ministry of Agriculture and Fisheries, Situation and Outlook for New Zealand Agriculture: April 1987 (Wellington: MAFCorp, 1987), 9.

iv. **Quantitative Aggregates.** Quantitative measures for Time 2 reflect both the transformation of state assistance during the period and the lingering effects of policies pursued in Time 1. Figure 23 contrasts the four most significant gross contributions to total agricultural assistance. Of these only the Rural Bank imputed interest concession remains significant at the close of the period. This is due not to direct expenditure but to income foregone and reflects the higher commercial interest rates that prevailed in Time 2.<sup>52</sup>

The effective rate of assistance data provided in Figure 24 reinforce the suggestion in the qualitative discussion that transformation in state policy was directed at producing a neutral investment environment, that is, an environment in which the real conditions of profitability rather than state-manufactured ones influence investment flows. Indeed, for pastoralism as a whole a negative ERA is recorded, suggesting that the industry was implicitly being taxed in Time 2, by the imputed cost excess on inputs.

An important qualification on these quantitative measures involves movements in this cost excess factor. As suggested above, the cost excess is thought to have declined in proportion to the steady reduction in tariff protection. As Taylor and Hayes note

Almost all import licensing outside industry plans will have been removed, and tariffs will have been marginally reduced on a wide range of imports...It is suggested that in 1983/84 licensing accounted for about half of the protection given to manufacturing industries. On this basis, a crude estimate is that the combined effect of all these changes together constitutes a reduction in import protection of approximately 30-40% of 1983/84 levels. This suggests that the assumed level of cost excess for the estimation of ERA's to agriculture should be reduced accordingly.<sup>53</sup>

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<sup>52</sup> Taylor and Hayes, vol. 2, 16.

<sup>53</sup> Ibid., 18-19.

Unfortunately no systematic work on the level of the cost excess in Time 2 is available (the relevant Treasury study, Syntec II, will not be available until late in 1988). As a consequence Taylor and Hayes can provide only a "sensitivity analysis" projecting ERAs for various lower rates of excess. This work, depicted in Table 6, shows, as can be expected, that reduced cost excess rates give rise to higher ERAs for all commodities. But even at these higher ERAs, figures for 1986 and 1987 still show evidence of rapid decline in the investment distortion evident in Time 1, and thus do not negate the idea of a movement toward an investment neutral state.

Table 6

**The Impact of Alternative Cost Excess Rates  
on Effective Rates of Assistance**

Cost excess =	_____1986_____			_____1987_____		
	10%	15%	20%	10%	15%	20%
<u>Commodity</u>						
Sheepmeat	***	***	***	22	13	5
Wool	12	3	-4	6	-1	-7
Beef	21	11	-4	12	3	-3
Pastoral*	76	56	41	15	6	-1

SOURCE: Taylor and Hayes, vol. 2, 20.

NOTES:

\* includes dairy

\*\*\* not able to calculate ERA as unassisted value added negative; this implies very high levels of assistance.

**C. Concluding Comments**

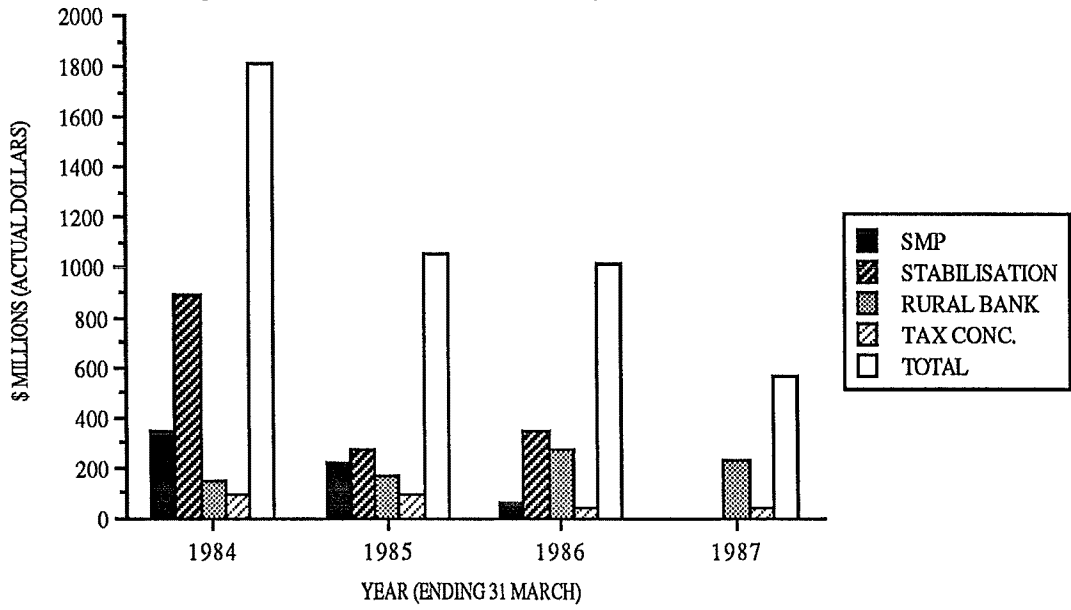
This section has examined state assistance to New Zealand pastoralism during Time 2 of this study, from mid-1984 through to approximately mid-1987. This was conducted in two modes, the first qualitative,

the second quantitative. Here state assistance was examined as assistance instruments, that is, as the means by which the state provided concrete help to pastoral production. This discussion was pre-figured by the discussion of the state's own advisers' critique of Time 1 assistance. The analysis reveals a movement away from state intervention in investment flows to the pastoral industry. Those assistance measures remaining, such as the Rural Bank Discounting Scheme, constitute transitional arrangements designed in the self-interest of the state rather than in that of pastoral farmers.

The final element of the section confirms the picture generated in the previous sections. This quantitative discussion concluded with an examination of Figure 24 which maps the decline of ERA figures for pastoralism during Time 2. This development underlines the movement to investment neutrality found in the qualitative discussion. No longer is the relationship of the state to pastoral investment to be an active, developmental one. Instead pastoral accumulation has been left to generate its own pattern of development unassisted.

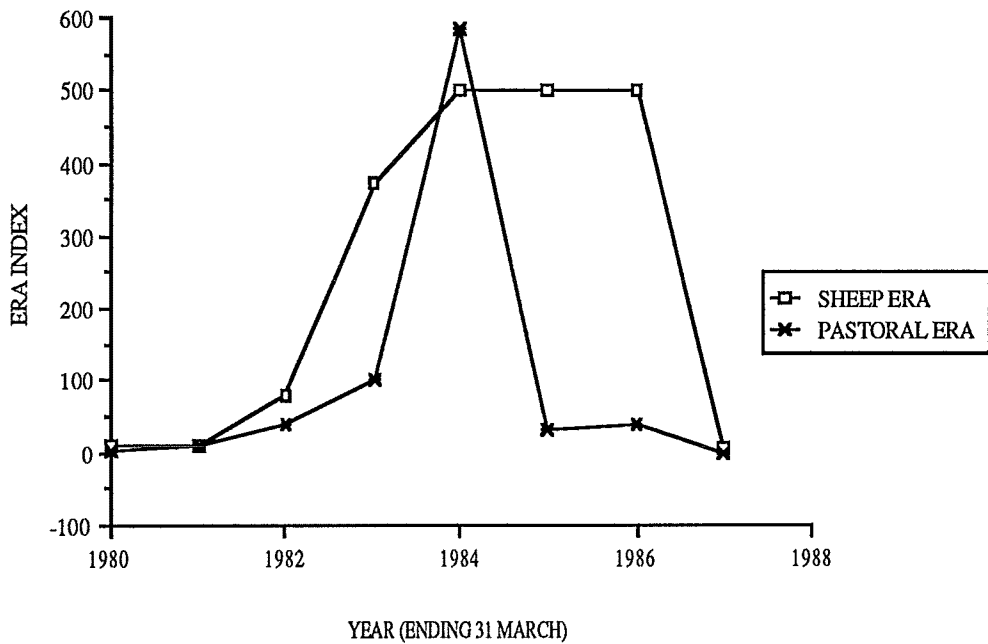


Figure 23: Gross Assistance to Agriculture in Time 2



SOURCE: Taylor and Hayes, MAF June 1987, Vol. 2, 21.

Figure 24: ERA for Sheepmeat/Pastoralism, 1980-87



SOURCE: Taylor and Hayes, MAF June 1987, Vol. 2, 20.

NOTE: Sheepmeat ERA in calculable 1984-86; figures imputed for graphic purposes.

#### IV. The Impact of State Intervention in Times 1 and 2

##### A. Introduction

Corresponding to the withdrawal of state assistance is what in Pryde's view "could be the worst rural recession in [New Zealand's] history."<sup>54</sup> Certainly the state recognises that "Rural New Zealand is at present facing its most difficult crisis for 50 years."<sup>55</sup> While the background to this crisis is to be found in the introduction to this chapter the immediate pressures on pastoralism emerge from the shift in state policy that occurred between Time 1 and Time 2.<sup>56</sup>

The output subsidisation of Time 1 arguably had the effect of artificially inflating land prices and more obviously of reinforcing traditional pastoral activities despite the discouraging international market returns prevailing. These subsidies were capitalised into land prices, leading to an "overvaluation" in land values by the early 1980s, "to levels of the order of twice those which could be justified by [market] earnings."<sup>57</sup> Subsidisation amounting to NZ\$21000 on average per farm in 1983/84<sup>58</sup> "also helped lead to over-investment in machinery and land development" during Time 1.<sup>59</sup> According to Rayner, "the combination of these two effects [was] one of the main

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<sup>54</sup> John Pryde is the Director of the Agribusiness & Economics Research Unit at Lincoln College, Canterbury, New Zealand. He is quoted by Stephen Harris, "Out in a Colder World: Farming Reaches a Crucial Turning Point," New Outlook May/June 1986, 39.

<sup>55</sup> New Zealand Government, Government Statement of Rural Policy, 2 July 1986 (Wellington: Government Printing Office, 1986), 5.

<sup>56</sup> Figures 25 to 33 can be found on pages 113-117 immediately following this section.

<sup>57</sup> Tony Rayner, "Regulation," in Rural New Zealand - What Next? Agribusiness & Economics Research Unit Discussion Paper, ed. L. Tim Wallace and Ralph Lattimore, no. 109 (Lincoln, New Zealand: Agribusiness & Economics Research Unit/Lincoln College, 1987), 4.

<sup>58</sup> Roger Douglas and Colin Moyle, "Joint Statement: Economic Background to Farm Crisis," (Wellington, 30 April 1986), 10.

<sup>59</sup> Rayner, "Regulation," 4.

causes of the financial difficulties of farmers in the mid-1980s, as land prices fell to sustainable levels."<sup>60</sup> However, the force that precipitated these difficulties was the state by its removal of market buffers during Time 2.

As the Government Statement of Rural Policy of 2 July 1986 acknowledges, the difficulties experienced by pastoral accumulation in Time 2 were "an aspect of a major restructuring of the economy" conducted at state initiative.<sup>61</sup> These difficulties were in direct relation to the level of assistance distributed to pastoralism in Time 1. Time 1 established an extra-market financial reality in which pastoralists were able to make their investment decisions free of the normal market constraints. Change in state policy during Time 2 forced farmers to change their financial behaviour rapidly to cope with the reassertion of market demand:

this transition is particularly difficult for farmers who bought land at high prices propped up by the subsidies which formerly protected them from the realities of world product markets. With those subsidies gone, as protection is scaled down throughout the economy, the price of land has fallen about 45 percent on average in a year, to levels better related to their earning capacity at world market prices. As a result, in some cases, their current income is insufficient to fund the high levels of debt they incurred during that earlier period, and they have lost some or all of their equity in their properties.<sup>62</sup>

From this analysis together with the analysis of state assistance during Times 1 and 2 it can be concluded that the state has been a crucial agent in both the masking (Time 1) and the impact (Time 2) of the crisis in pastoral accumulation. The evidence of state support in these respective time

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<sup>60</sup> Ibid.

<sup>61</sup> Statement of Rural Policy, 5.

<sup>62</sup> Ibid.

periods has been examined. What remains to be examined is the impact these two phases of state intervention have had upon pastoral accumulation.

### B. Quantitative Aggregates

The quantitative indicators discussed in this section have been chosen to reflect movements in the attractiveness of pastoral investment. This is in keeping with the focus of this chapter upon the extension and neutralisation of the state's role in pastoral accumulation during Time 1 and Time 2 respectively. But quantitative indicators that separate state assistance from net receipts are rarely encountered. More usually indexes will collapse all forms of income into a gross total. However, analysis of these figures can be made when the empirical observation made in the discussion of Figure 5 is assumed. This observation indicated that international pastoral commodity prices have been static in actual prices and thus declining in real terms. Therefore, where indicators show high incomes to pastoral activities despite this market assumption some element of state assistance can be inferred.

In spite of this methodological qualification the first indicator presented here does manage to isolate assisted and unassisted income quotients. However, Figure 25, which contrasts assisted and unassisted pastoral incomes, concludes at the end of the 1984/85 season. For more up-to-date figures we have to move to gross (non-collapsed) data where the methodological assumption suggested above applies. This clearly shows the 'hump' experienced during Time 1 and the 'trough' felt with the ending of most assistance in Time 2. For example, the Sheep Farmers' Terms of Exchange index of prices paid and received shows a 314 point drop between the 1984-1985 season and that following (see Figure 26).

Further evidence of the state's maintenance of pastoral accumulation in Time 1 and its 'neutral' role in Time 2 can be obtained from Figure 27. This figure contrasts net income

per sheep and beef farm with an index of real income (where June 1976 = 1000). Note the climax of income in 1984-1985 and the very rapid erosion as many assistance instruments were removed in 1985-1986.

Similar trends to these are in evidence for the investment indicators. Figure 28 notes the growing propensity of farmers to invest during the boom times of Time 1 and their hesitancy in Time 2. Similarly, Figure 29 depicts the aggregate propensity to invest during the respective periods. Note the very rapid disinvestment that occurred during the 1985-1986 season. This aggregate trend is seen in microcosm in Figure 30 which examines the movement in tonnes of fertiliser applied during the two periods.

Rises and falls in pastoral land values do not match the sequencing of investment stimulation and investment neutralism suggested here. "Although the advent of large producer subsidies is likely to have contributed to the land price inflation," the Reserve Bank argues that "subsidies do not provide a complete explanation, since much of the farmland price inflation preceded the major broadening in farm subsidies in 1981/82."<sup>63</sup> Instead, the Bank attributes inflationary pressures to "speculative influences" and "the taxation system" which together meant "that farming for capital gains was an attractive proposition."<sup>64</sup> As can be seen from Figure 31, farm land price escalation predates the bulk of assistance, and price decline, both in real and actual terms, predates the ending of assistance. However, the lack of a clear relationship between land value decline and the state's investment 'neutralism' during Time 2 does not rule out the existence of a connection between these two variables. Few sales of grazing land have been made (see Figure 32 and Figure 33 for a yearly and a six-monthly break-down of these sales numbers) in Time 2. This indicates "that many farmers with low or negative equity levels are not

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<sup>63</sup> Reserve Bank, "Farming Downturn," 447.

<sup>64</sup> Ibid.

yet prepared to accept the losses involved with a sale."<sup>65</sup> In other words, land values are masked by their measurement only at the time of sale. When possible sellers withdraw from the market, as clearly occurred in Time 2, the land value indicator ceases to measure characteristic land values at all but only of those farmers forced to sell in a weak market. If more sellers joined the market (to equate with more normal levels of sales) a more marked decline might be evident.

The background to the slowdown in farm sales can be understood more easily by looking at the implied shift in debt/equity ratios that occurred in Time 2. This implied shift is depicted in Table 7. In this period the percentage of farmers with less than 50 percent equity in their farms rose from 4.4 percent (1983/1984) to 8.5 percent (1984/1985) to 23 percent (estimate for 1986/1987).<sup>66</sup> With these shifts in the debt/equity ratio it is not surprising that farm sales should have slowed down as they have. This ratio itself has an impact upon pastoral accumulation as it affects the ability of the sector to obtain short-term (seasonal) finance. This has been recognised by the state in Time 2 as part of its Statement of Rural Policy in which a 'Conditional Limited Guarantee of Seasonal Finance' for the 1986-1987 season was made available partly from Rural Bank funds. This scheme recognised the difficulties caused by the equity shift depicted above. However, the provision of this temporary transitional finance was made conditional on the exploration of financial restructuring by the debtor and his or her creditors.<sup>67</sup>

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<sup>65</sup> Ministry of Agriculture and Fisheries, Situation and Outlook, 60.

<sup>66</sup> *Ibid.*, 61.

<sup>67</sup> Government Statement of Rural Policy, 25.

**Table 7**  
**Sheep and Beef Farm Equity and Debt Servicing 1986-87**

Equity %	HIGH DEBT			LOW DEBT		Total
	Less than 50	51-65	66-80	81-95	95+	
% of Farms	23	16	22	28	11	100

SOURCE: Neil W. Taylor, "Future Prospects in the Sheep and Beef Industry and Implications for the Fertiliser Industry," General Paper no. G1969 (Wellington: NZ Meat and Wool Boards' Economic Service, June 1987), 10.

### C. Concluding Comments

This section has examined the impact of state assistance on New Zealand pastoralism during Time 1 and Time 2. The respective discussions of Time 1 and Time 2 suggested that the role of the state in relation to pastoral assistance had changed over time. In Time 1 the state had acted to mask the crisis in pastoral incomes while in Time 2 the state had withdrawn from this role allowing the full impact of the pastoral crisis to take effect.

This section took the question of the role of the state in pastoralism one step beyond the charting of assistance levels in isolation. It sought to discover whether or not an active or a passive state role actually had any effect upon pastoralism. In other words, did the state make a difference in Times 1 and 2?

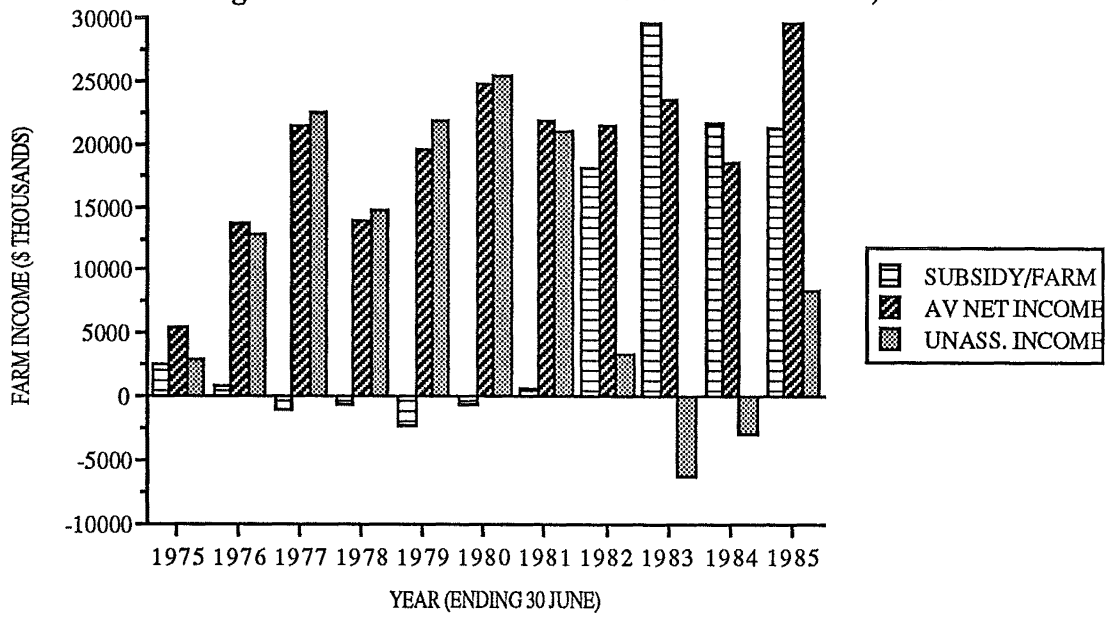
The effect of state involvement on pastoralism was conceived in the introduction to this section as consisting of movements in the attractiveness of pastoral investment. This conception is consistent with the utilisation of the ERA framework in Time 1 and Time 2. However, in this section the empirical results have concerned us rather than the imputed effect generated by the ERA model.

Analysis was hampered somewhat by the fact that all data excepting Figure 25 collapsed the various forms of income into a single gross figure. State assistance was thus invisible as a distinct quantum. However, when the assumption made in Figure 5 is applied analysis of state impact can be developed. The assumption applied suggested that international commodity prices have in recent years been static in actual prices and thus declining in real terms. From this it followed that any significant income gains to pastoralism did not emerge from the market and thus could in general be attributed to the state.

Findings generally confirmed the image of significant state impact in both time periods as suggested by the respective discussions of Time 1 and Time 2. This is seen both in the rise in assisted farm income during Time 1 (Figure 25) and in its fall in terms of the Sheep Farmers' Terms of Exchange during Time 2 (Figure 26). The only indicator to surprise was that of land values which showed less change during Time 2. This is partly accounted for by the nature of the indicator as it can gauge values only from actual sales. As would be expected in a poor market, these sales have dropped in number during Time 2.

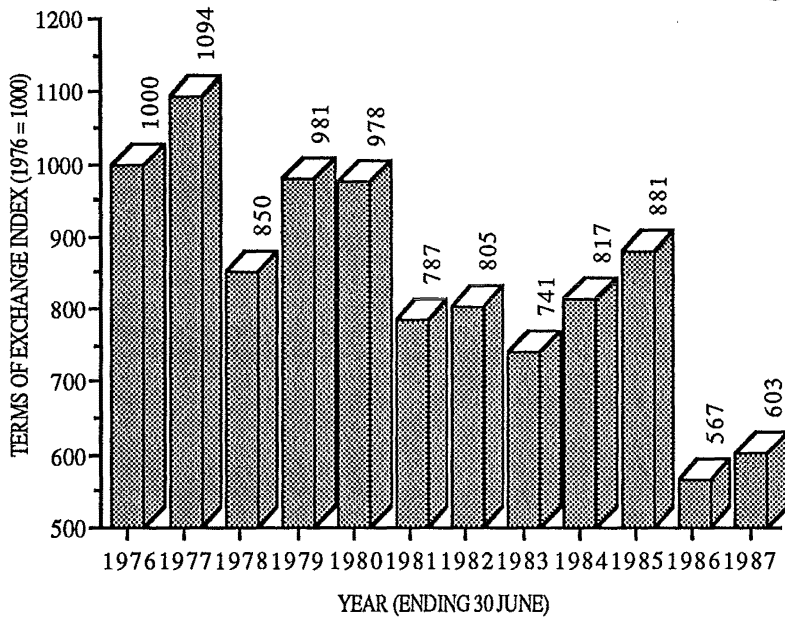


**Figure 25: Unassisted and Assisted Farm Income, 1975-85**



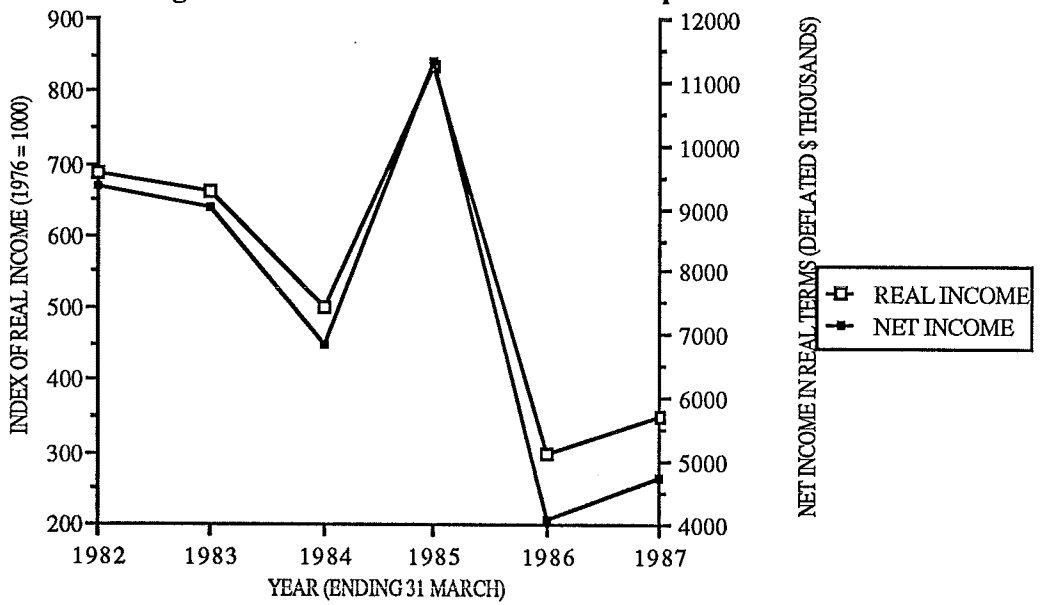
SOURCE: R. Douglas & C. Moyle, Background to Farm Crisis, Statement 30 April 1986, 10.

**Figure 26: Sheep Farmers' Terms of Exchange, 1976-87**



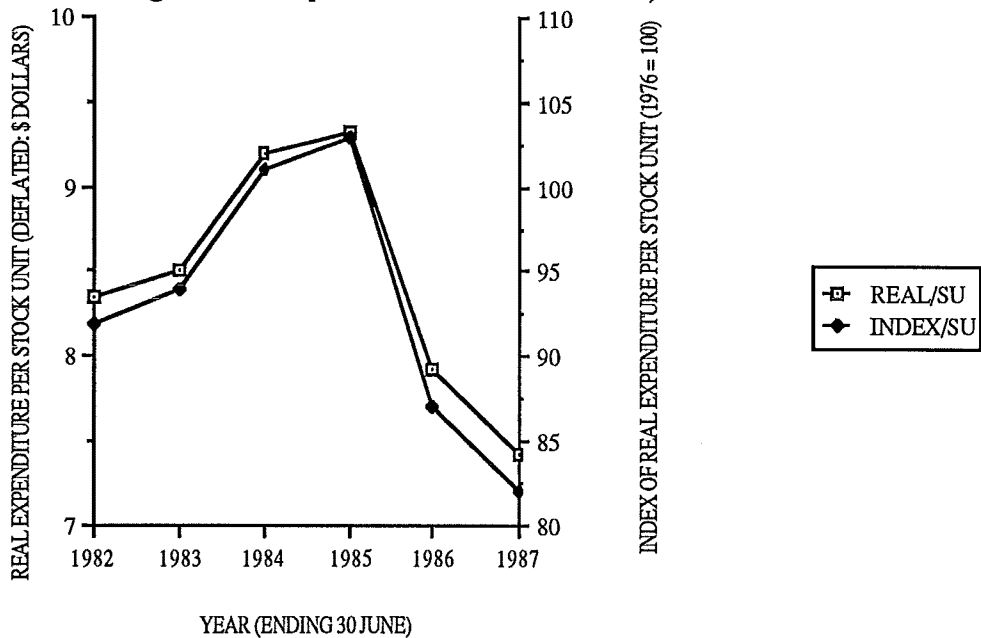
SOURCE: NZMWB Economic Service, Review of Sheep/Beef 1986-87, 9.

**Figure 27: Net and Real Income: Sheep and Beef Farms**



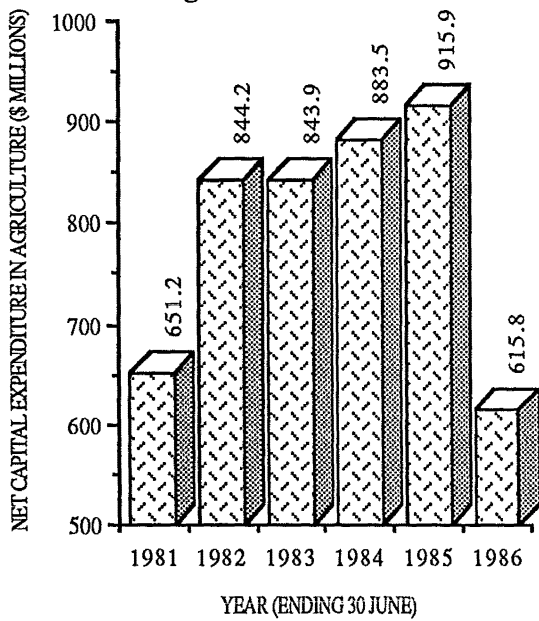
SOURCE: NZ Agricultural Statistics 1987 (Wellington: MAFCorp, 1987), 25.

**Figure 28: Expenditure Per Stock Unit, 1982-87**



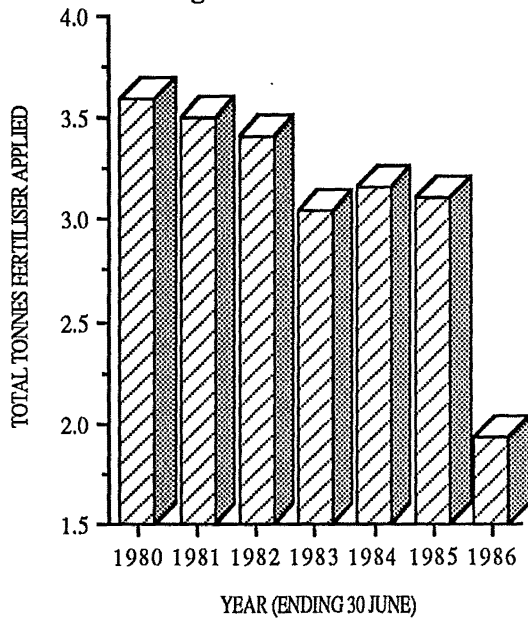
SOURCE: NZ Agricultural Statistics 1987, 23.

**Figure 29: Movement in Net Capital Expenditure, 1981-86**



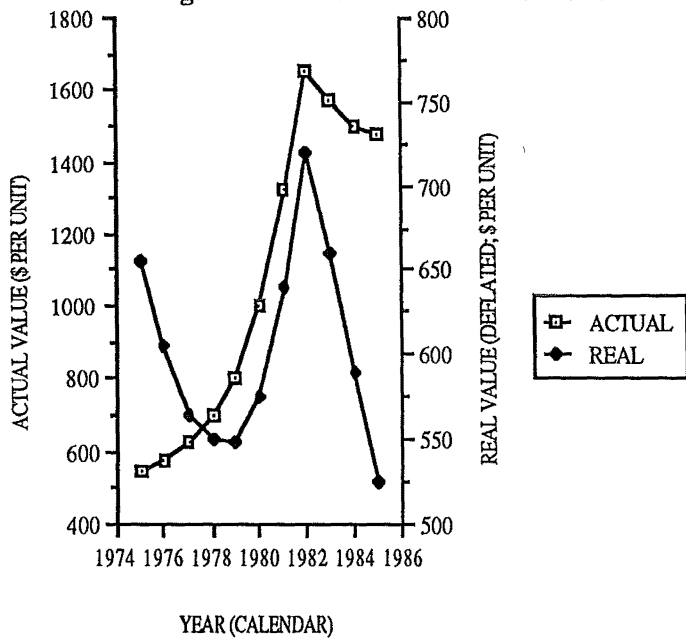
SOURCE: Summary of Principal Results of the 1986 Agriculture Census, 6.

**Figure 30: Movement in Tonnes of Fertiliser Applied, 1980-86**



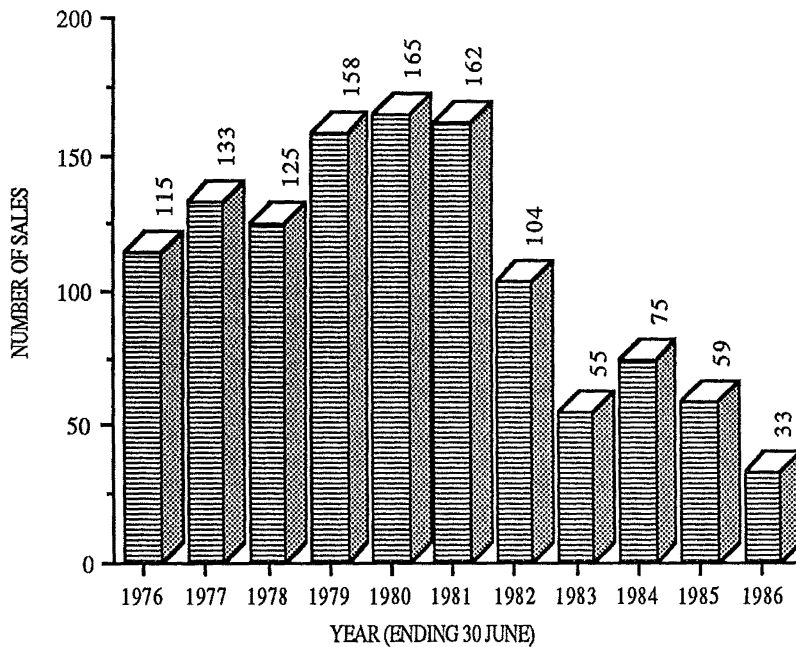
SOURCE: 1986 Agriculture Census, 6.

Figure 31: Freehold Farmland Sales Price Index



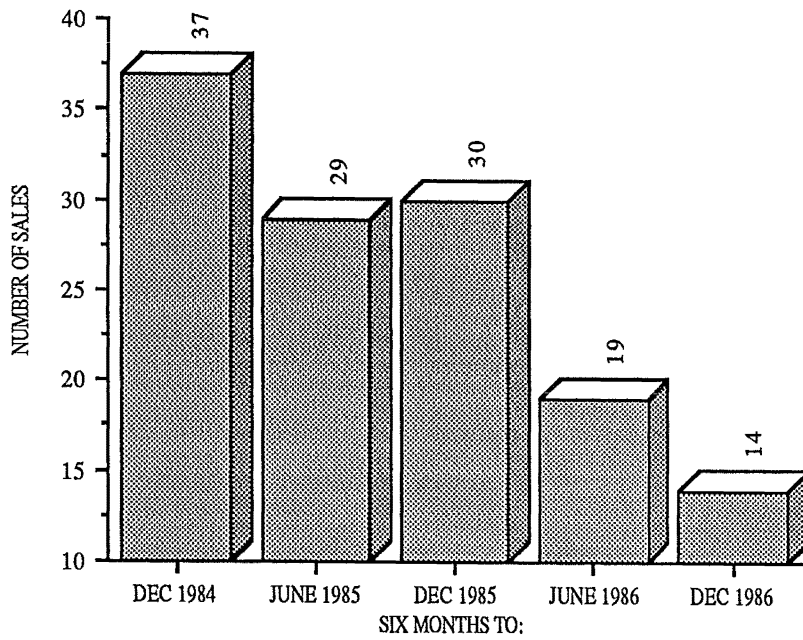
SOURCE: "The Farming Downturn," Reserve Bank Bulletin, Vol. 49, no. 9, 1986, 448.

Figure 32: Number of Grazing Farms Sold (Annual Series)



SOURCE: Research Paper 87/2 (Wellington: Valuation Dept., Dec. 1986), 135.

**Figure 33: Grazing Farm Sales (Six Monthly Series)**



SOURCE: Situation and Outlook for NZ Agriculture (Wellington: MAF Corp, April 1987), 60.

## V. Chapter Three: Summary and Conclusions

This chapter has reviewed state assistance to pastoralism during Times 1 and 2. It examined assistance both in qualitative and quantitative terms. In a third section these two periods of assistance have been examined for the empirical impact of state involvement or non-involvement on pastoralism. In this section the critical question concerned the effect of the state's behaviour toward pastoralism. In this way the section acted as a 'control' on the former two ensuring that the significance of state involvement was not over- or underestimated as a result of concern with the detail of state assistance.

The analysis presented in this chapter is of an inherently descriptive character in relation to the thesis itself. This chapter acts as 'raw material' for the critique of the three models of relative autonomy that occurs in Chapter Four. Chapter Three presents the pattern of state action that these theorists of relative autonomy need to be able to explain if the explanatory power of relative autonomy state theory is to be assessed. In Chapter Four the discussion moves from the descriptive back to the analytical level. Here the theoretical and empirical are brought together in an effort to assess the explanatory potential of the respective accounts of relative autonomy. Given the nature of the empirical forms detailed in Chapter Three, the problem is whether coherent explanations of these empirical forms of the state can be constructed (deduced) in terms of the respective formulations of relative autonomy discussed in Chapter Two. In other words, the theoretical understanding developed in Chapter Two is combined with the data discussion presented in Chapter Three to generate three distinct relative autonomy understandings of the movement in the state's role in pastoralism between Time 1 and Time 2. These formulations are compared and contrasted at the end of Chapter Four.

## Chapter Four

### The Critique of Relative Autonomy

#### I. Introduction

Just as the development of relative autonomy models of the state was stimulated by empirical developments in state/mode of production relations, so too have recent developments in Western social formations made these theoretical models themselves contentious. As discussed in Chapter One, governments within Western societies have since the early 1980s relied more heavily than in the past upon the market mechanism in economic matters. This transformation is arguably seen in New Zealand, where from the early times of European settlement the state played an active role in economic development. The alleged contemporary alteration in the scope of the state is problematic for relative autonomy theory because this theory was developed to explain the growth of state budgets and the perception of increasing fiscal exactions upon the capitalist class.

In this chapter the empirical investigations conducted in Chapter Three are developed into a critique of the three theories of relative autonomy introduced in Chapter Two. Throughout Chapter Three the intent was to describe change in state intervention. This occurred in the understanding that state intervention in the mode of production was the critical element in the identification of relative autonomy within concrete situations. In this chapter the discussion of relative autonomy moves from the descriptive to the analytic level. Given the nature of empirical developments detailed in Chapter Three, the question for this chapter is whether coherent explanations of these events can be constructed in terms of the three distinct formulations of relative autonomy

presented in Chapter Two.<sup>1</sup> The first of the accounts to receive this appraisal is Ralph Miliband's. The discussion of his approach is prefaced by a brief recapitulation of the essentials of his theory of relative autonomy.

## II. Miliband

### A. Introduction

Miliband's formulation of relative autonomy is part of a functional understanding of state behaviour. In this formulation the state behaves in the reproductive interests of class domination in all surplus-appropriating societies. For the state to achieve this end result, given the infinite variety of concrete conditions possible, Miliband postulates the necessary existence of a relationship of relative autonomy between the state and the dominant class. For Miliband this relationship consists of the freedom of the state to take action against particular interests within the dominant class in favour of the overall reproduction of the dominance of the dominant class. Therefore, in Miliband's view, the variety of concrete conditions affecting the state's ability to achieve reproduction of the dominant class gives rise to different patterns of state behaviour, which (viewed historically) constitute particular forms of state. Thus, Miliband's relative autonomy can be understood as the mechanism through which functional pressure on the state

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<sup>1</sup> A rough approximation of the method utilised in this chapter is that of Marx's method of abstraction. In abstraction empirical forms which are understood to be "a combination of diverse elements or forces" are dissected analytically. This mental dissection attempts to isolate "a one-sided or partial aspect of an object" so as to avoid the less relevant aspects. It is understood that features of concrete objects or events obscure the CMP-determinant aspects. Accordingly, the analysis of the production relations in a particular context is unlikely to be aided by the observation of an individual's hair or eye colour: in terms of the purposes of the investigation such characteristics (important in other contexts) obscure analysis of determinants. Andrew Sayer, Method in Social Science: A Realist Approach (London: Hutchinson, 1984), 80-81.



succeeds in generating particular state forms. As a consequence, although it is the form of state that provides the basis upon which the postulation of relative autonomy may occur, it is understood that state form does not give rise to relative autonomy in the first instance. Instead, state form merely reflects the state behavioural traits currently operating within the reproduction of class domination. Given this behavioural focus on the state, an analysis of the determinants of relative autonomy occurs not at the level of the institutions of 'formal' politics but at the level of state action within the mode of production. In other words, for Miliband the isolation of the causal factors behind a particular state begins not with the state's definition in common sense terms, but rather with how this state actually behaves in relation to the dominant class.

Miliband's historical view of capitalist influence on relatively autonomous state behaviour emerges from his self-criticism of his prior instrumental analysis of the state. In this regard Miliband focuses on the problematic nature of socially-defined instrumentalism, namely, the notion that the state is related as an instrument or tool to the particular interests of identifiable social groups. Having identified what he considers to be significant empirical anomalies outside the explanatory capacity of this conception, Miliband reformulates his theory of the capitalist state to incorporate non-instrumental state behaviour. However, his new understanding retains the definitional legacy of socially defined instrumentalism. Where instrumentalism is characterised in Miliband's account as a particular type of relationship between social classes and the state, so also is Miliband's understanding of relative autonomy regarded as a relationship of state to class. In other words, relative autonomy is defined in Miliband's view in relation to the same empirical referent as instrumentalism, that is, to the dominant class considered as a cohesive unit. In this model, where the state impinges upon class cohesion, either by targeting particular groups within this class or

particular forms of behaviour conducted by the class, then a relation of relative autonomy can be said to exist between the state and the dominant class, because the state is not acting at the behest of the dominant class.

Within this definitional framework Miliband offers two distinct conceptions of relative autonomy. In the first case he outlines how agents within the state can act relatively autonomously in the sense that the state behaviour they produce is free of, or irrelevant to, the functional pressures of class domination. In other words, in Miliband's view not all state behaviour is necessarily specified by functional requirements. From this first type of relative autonomy it can be deduced that Miliband would incorporate dysfunctional (or non-functional) state behaviour within his framework as a product of the freedom of the state from direct instrumental control. In a sense Miliband's first formulation of relative autonomy can be understood as a 'side-effect' of the second form of relative autonomy in which the independence of the state is necessary to the state's functional role as reproducer of class domination. In the second conception the state acts relatively autonomously against sections of the dominant class in the interests of the aforementioned reproduction of the dominance of this class as a whole. In this case, choice, which is the characteristic condition of the first formulation of Miliband's relative autonomy, is circumscribed by the functional pressure on the state to reproduce class domination. The limits on state behaviour imposed by this functional pressure are attributed by Miliband to capitalist domination over the political socialisation of those state personnel capable of shaping state policy, so that what appears 'reasonable' as state action or non-action to these actors is generally in keeping with the 'rationality' of capitalism as a system. The values and aspirations inherent in other systems, in so far as they do not fall into this framework of rationality, are by definition 'unreasonable'.

## B. Applying a Relative Autonomy Heuristic to the Empirical

Given the empirical forms of state intervention described in Chapter Three, the question to be explored is whether a coherent explanation of these state forms can be constructed in terms of Miliband's formulation of relative autonomy.

Chapter Three provides considerable evidence of a transformation in the state's relationship to pastoral production between Time 1 (1980-84) and Time 2 (1984-87). This is examined in both quantitative and qualitative terms. Quantitatively, gross state assistance to agriculture as a whole (as seen in Figure 23, Gross Assistance to Agriculture in Time 2) declines rapidly from some NZ\$1800 million in 1984 to NZ\$562 million in 1987. Of the four most significant contributions to total agricultural assistance shown in this figure only the Rural Bank imputed interest concession remains a significant quantity of government assistance at the close of the period. However, this is not due to direct state expenditure but to income foregone by the state because of the low interest rates attached to these loans and the higher interest rates prevailing in the market during Time 2. For sheepmeat this change in state assistance policy is seen dramatically in Figure 24 which shows the Effective Rate of Assistance to this commodity. As discussed in Chapter Three, the ERA is a measure of the relative strength of the incentives for the investment of resources in an activity created by government assistance. Note how this index has dropped from levels too high to be calculated at the end of Time 1 to negative levels in Time 2, implying that the commodity is being taxed by state assistance to other areas of economic activity (where these other areas are pastoral inputs). From the qualitative viewpoint, the state's regulatory reforms (see Table 4, State Regulatory Changes and Implied Impact on Pastoralism) provided a new, neutral environment for capital investment during Time 2. In Time 1, the state had taken an active role in trying to maintain

pastoralism as a traditional source of foreign exchange rather than allow investors to react to the disinvestment signals in the international pastoral commodities market. In Time 2 the state allowed investment reallocation to occur to other areas where investors, rather than the state, perceived growth potential. No longer would the state actively encourage pastoral accumulation rather than any other form of accumulation. Thus, services formerly provided free to the pastoral system, such as applied agricultural research, animal health care, and free meat inspection moved on to progressive cost recovery tracks in Time 2 (see Table 5, Assistance Instruments in Time 2: 1984-1987).

Given the empirical transformation in the state's role in pastoralism, what explanation can be deduced from Miliband's conception of relative autonomy? As suggested above, Miliband provides two distinct formulations of relative autonomy: the first, a recognition of subjective factors not reducible to a systemic causation; the second, a functionally prescribed formulation focused on the reproduction of the position of the dominant class. If Miliband is to explain the transformation in the form of the state (from the active assisting state of Time 1 to the investment neutral state of Time 2) he must utilise his relative autonomy formulations. This is necessary because in Miliband's framework changes in the form of state are understood to be caused by changes in state behaviour. In turn, patterns of state behaviour are indicative of the form of relative autonomy in operation.

Accepting The Treasury's analysis of the pastoral assistance flows of Time 1 invites the conclusion that these flows were illogical in terms of the reproduction of capitalist accumulation. In The Treasury's analysis, primary commodity markets showed little long-term scope for improvement on the poor returns achieved during the early to middle 1980s. As a consequence, in The Treasury's view, state intervention to maintain agricultural investment had to be regarded as diminishing the 'general welfare' of New Zealand.

An independent assessment of this view can be made when a comparison of Figure 5 (Implied Terms of Trade for World Agriculture) is made with Figure 9 (Escalation in Meat Industry SMP Payments), Figure 12 (RBFC Interest Concession by Farm Type) and Figures 19-22 (various indexes of state assistance in Time 1). These figures provide an unequivocal picture of the poor returns accruing from state incentives to pastoral investment. For example, world agricultural prices averaged only 3 percent per annum growth since 1960 compared to 8 percent for manufactured goods (see Figure 5, Implied Terms of Trade for World Agriculture). Yet, despite this relatively lower return, Figure 19 charts how state transfers to the pastoral sector escalated during Time 1. The first column in each year represents the contribution of sheepmeat to Gross Domestic Product at world prices (that is, with any assistance factors backed out of the calculations). Note how this market indicator declines from a net contribution of NZ\$168 million in 1980 to a negative 'contribution' of NZ\$33 million in 1984. At the same time the state assistance indicator ('Assistance' in the Figure 19 key) grows steadily from NZ\$15 million in 1980 to NZ\$318 million in 1984. Not surprisingly the ERA index for sheepmeat shows similar growth, signalling heavy state distortion of the investment attractiveness of pastoralism. However, not only was the potential market return from sheepmeat commodities low by comparison with other traded goods, but in addition, the cost of maintaining investment in this area was the worsening of an inflationary government budget deficit which, in The Treasury's view, was the root cause of many of the difficulties faced by the New Zealand economy. Accordingly, the evidence of state intervention in pastoralism during Time 1 implies that state intervention to direct investment flows was inappropriate in terms of signals emerging from the commodity markets. The state was not furthering capitalist accumulation but throwing the accumulation system yet more deeply into inflationary crisis. Given this understanding of state intervention in pastoralism during Time 1, an analyst

utilising Miliband's framework would explain change in the interventions of the state between Time 1 and Time 2 as the product of variation in the relative autonomy condition. If the state form present in Time 1 is characterisable as 'irrational', and if the state form in Time 2 redresses this 'irrationality', this is explicable in terms of the dominance of relative autonomy of Miliband's first formulation in Time 1 and the dominance of Miliband's second relative autonomy pressure in Time 2. In other words, state behaviour in Time 1 reflects the dominance of the non-functional or 'choice' formulation of Miliband's relative autonomy conception, while the state form in Time 2 represents the form resulting from the reassertion of functional pressures (relative autonomy of type two) from the CMP. With this scenario posited the empirical forms presented in Chapter Three can be used as a way of confirming or invalidating Miliband's relative autonomy framework.

The heuristic established above suggests state behaviour in Time 1 is characterised by the state's non-functional relationship to the imperative of CMP reproduction during this time. But this characterisation occurs with the advantage of hindsight. An assessment of the rationality of state behaviour in Time 1 needs to be drawn in abstraction from post-hoc analysis. If this isolation is not made there is the danger of imputing an 'all seeing, all knowing' non-historical rationality to the CMP. Granting this to the CMP ignores the contradictions immanent to capitalist production and therefore suggests there is no change in the requirements of surplus appropriation over time. Even if state behaviour in Time 1 is irrational in terms of a later analysis, and even if state behaviour in Time 1 is a failure in terms of the presumed reproductive motivations of Time 1, state behaviour in Time 1 may still reflect 'rational' or functional state action.

Although assuming different forms and magnitudes over time, state assistance to agricultural production has been a characteristic feature of the state's relationship to the

capitalist mode of production in New Zealand since the earliest days following annexation. As Hawke shows, in the middle of the nineteenth century the state established the conditions of land tenure appropriate to capitalist farming.<sup>2</sup> Later, during the Liberal era of the 1890s the state had some role in reordering these relations in line with altered techniques and economies of scale.<sup>3</sup> Between the First and Second World Wars the state intervened to ameliorate the debt crisis produced by inflated land prices and falling returns.<sup>4</sup> Following the Second World War assistance took more active forms as the drive to develop traditional pastoral export earnings occurred.<sup>5</sup>

Assistance magnitudes in Time 1 do not indicate the transformation in the forms of state assistance so much as the changing conditions in which this assistance was distributed. These conditions, such as the decline in commodity prices and the escalation in interest rates that took place during Time 1 combine to make it appear as if the

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<sup>2</sup> G.R. Hawke, The Making of New Zealand: An Economic History (Cambridge: Cambridge University Press, 1985), passim.

<sup>3</sup> The most important new technique was the advent of refrigerated meat shipping.

<sup>4</sup> Ibid.

<sup>5</sup> As discussed in Chapter Three, it was in the 1970s, in the period immediately prior to Time 1 that the state role in agriculture escalated, at the same time as New Zealand's Terms of Trade declined markedly. A "chronic balance of payments" situation developed as the demand for imports grew and commodity prices for exports declined. The result was that New Zealand's Terms of Trade declined to a low of 73 in 1976 (see Figure 4). During this period notable developments occurred in direct state promotion of agricultural development. In 1976 the Livestock Incentive scheme was inaugurated to promote investment in additional livestock by offering suspensory loans. In 1978 both the Supplementary Minimum Prices scheme and the Land Development Encouragement Loans scheme were introduced. The first of these established guaranteed commodity prices for farmers, the second encouraged the development of new land for pastoral production. Also of significance was the growing state role in the provision of concessionary agricultural credit. Important to this provision was the State Advances Corporation (whose rural business became the Rural Banking and Finance Corporation during the early 1970s), the Department of Lands and Survey, and the Department of Maori Affairs. Together these features of state assistance prior to Time 1 give cause to question the characterisation of state assistance during Time 1 as aberrant or irrational state behaviour in New Zealand terms.

state had been an active agent in the introduction of new assistance instruments during Time 1. In fact, as an examination of Table 2, Assistance Instruments in Time 1: 1980-84 verifies, few assistance instruments were first introduced during Time 1. Instead, what occurred during Time 1 was growth in quantitative assistance aggregates as poor prices obtained overseas invoked existing support mechanisms. This can be seen graphically in Figure 25 which provides a breakdown of pastoral income sources during the period 1975-1985. Note how unassisted income falls during the later part of this period and how subsidy per farm rises commensurately from 1982. Similarly, Figures 11 and 12 show how farmers took advantage of Rural Bank concessionary lending as commercial interest rates escalated over Time 1. Figure 11 illustrates the growing gap between market rates and Rural Bank rates despite some marginal increase in the rates charged by the Rural Bank. In 1980 this margin amounted to 5.04 percent, in 1982 6.84 percent and in 1983 the margin was 7.13 percent. Figure 12 shows the result of this interest concession on lending magnitudes. In the case of sheepmeat, the dollar impact of the Rural Banking and Finance Corporation's interest concession grew from NZ\$25 million in 1980 to NZ\$70 million during the 1984 financial year. It should be understood that these increases in the assistance effect of the interest concession occurred within a stable lending environment: as Table 2 shows, no significant change in state credit policy is reported during Time 1.

Due to external changes in export commodity prices and changes in internal macroeconomic conditions (such as movements in interest rates) the quantitative dimension of state pastoral assistance underwent rapid change during the latter part of Time 1. However, escalation in quantitative assistance is not necessarily reflective of change in state assistance policy immediately prior to or during Time 1. In fact, the assistance attacked in The Treasury's briefing papers are to a large extent the product of the changing market environment in which this state assistance occurred



rather than any change in forms of assistance themselves. For example, despite the introduction of the Supplementary Minimum Price scheme in 1978, it was to be four years before any significant payments were actually made to the sheepmeat industry (see Figure 9).

This distinction between the qualitative and the quantitative understanding of assistance belies the characterisation of Time 1 as an expression of irrational state behaviour. The relationship between the state and pastoral production in Time 1 more accurately reflects continuity in the qualitative forms of assistance with those existing prior to Time 1. What really changes between Times 1 and 2, and in The Treasury's view become a drain on 'national welfare', is the dollar aggregates of these assistance forms. But these aggregates should be understood less as the reflection of the relationship between the state and pastoralism than as a reflection of the poor position of pastoral accumulation itself. In this context environmental conditions brought about the 'change' in state policy attributed to Time 1 rather than any alteration in the posture of the state itself going into Time 1.

With this understanding established it is inappropriate to attribute the form of the state in Time 1 to Miliband's non-functional formulation of relative autonomy. Rather than expressing Miliband's aberrant, 'irrational' form of relative autonomy, the isolation of the qualitative and quantitative aspects of state behaviour shows how the qualitative aspect of assistance forms is consistent with the historical relationship between the New Zealand state and pastoralism. Quantitatively, assistance aggregates do escalate to very high levels in historical terms, but these rates reflect movements in both the domestic macroeconomic environment and more importantly, declining international commodity price levels.

If it is inappropriate from an empirical point of view to characterise Time 1 as expressive of Miliband's first non-functional formulation of relative autonomy, then the

scenario established above is invalid. This explanation of the empirical, posited on the basis of Miliband's relative autonomy framework, suggested that the movement in the form of the state between Times 1 and 2 was underpinned by a movement in the form of relative autonomy between Times 1 and 2, from the non-capitalist form of autonomy ('irrationality') to the functionally capitalist ('rationality'). However, as the empirical critique of the characterisation of the state in Time 1 shows, attributing the form of state during this period to Miliband's first non-functional formulation of relative autonomy is not consistent with an analysis that isolates the qualitative from the quantitative dimensions of state assistance. When this distinction is made it is clear that qualitative change in state policy is not to blame for quantitative escalation. Instead, quantitative assistance escalation is the legacy of structures of qualitative state assistance developed prior to Time 1.

If the form of the state's behaviour in Time 1 cannot be categorised within the boundaries of Miliband's first formulation of relative autonomy, despite the seeming amenability of the empirical forms present there to this categorisation, the transformation in state behaviour from Time 1 to Time 2 makes the applicability of formulation one to Time 2 even less likely than for Time 1. On the surface the forms of state behaviour in Time 2 represent the triumph of functional pressures to reproduce the CMP and therefore are less explicable in terms of the non-functional version of relative autonomy given in Miliband's first account.

In as much as Miliband's framework analyses the shift in state behaviour between Time 1 and Time 2 in terms of a development within his second form of relative autonomy, the protocols governing the second form need to be understood. As suggested in Chapter Two, Miliband does not provide detailed discussion of the functional pressures emanating from the CMP. Instead, Miliband attributes the parameters of the state's intervention in the CMP to the effect of capitalist domination upon the socialisation of state

"power-holders."<sup>6</sup> In this framework "power-holders" generate state behaviour on the basis of their understanding of the "'rationality' and requirements" of the capitalist system.<sup>7</sup> In other words, Miliband's second formulation of relative autonomy revolves around the ideas of those in positions of 'strategic' influence within the state. When this understanding of the parameters of Miliband's second form of relative autonomy is related to the transformation in state behaviour between Time 1 and Time 2, it suggests that the explanation for the transformation in state form should be sought within the variable of socialisation. If the state's relationship to pastoralism in Times 1 and 2 is not the result of a movement from irrationality to rationality, that is, from formulation one to formulation two of Miliband's relative autonomy, and if formulation one can be eliminated as an adequate explanation by this same empirical critique, then all that is necessary for explanation is for Miliband to specify the protocols within the variable of socialisation that govern the effect of relative autonomy on state behaviour.

### C. Critique of Miliband's Relative Autonomy Framework

i. Introduction. In this section the significance of the preceding heuristic is examined in terms of Miliband's account of relative autonomy and his wider theory of the state. To this end an examination of the method implicit in Miliband's work is provided and an assessment made of the impact of this method on his relative autonomy framework. It is concluded that this method has fundamental implications for the coherence of Miliband's explanatory system.

The account of the transformation in the form of the New Zealand state between Time 1 and Time 2 deduced from Miliband isolates two forms of relative autonomy. In the case of the

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<sup>6</sup> Ralph Miliband, Marxism and Politics (Oxford: Oxford University Press, 1977), 93.

<sup>7</sup> Ibid.

first form, which constitutes Miliband's recognition of the impact of non-capitalist pressures on the state, empirical referents are used to show the inapplicability of this relation to Time 1 and thence to Time 2. With the first formulation empirically invalidated any explanation for the shift in state form between Time 1 and Time 2 must focus on shifts within the second capital-functional form of relative autonomy. However, Miliband does not offer a systematic framework within which this form of relative autonomy is understood to be generated. Instead, Miliband attributes the parameters of the second formulation of relative autonomy to the variable of political socialisation within which each state decision-making agent's rationality is socially constructed.

Although Miliband's socialisation account does offer an explanation of change in the form of the state between Time 1 and Time 2 this is only to the extent that political socialisation can be substituted for relative autonomy as an explanatory category. Socialisation is not entailed or prescribed by relative autonomy in Miliband's second form. Instead, in Miliband's view relatively autonomous state behaviour is attributed to the state as a consequence of the socialisation variable. This implies that relative autonomy is not so much an explanation in itself (understood as a relation or mechanism within the social formation between the state and the CMP) but instead constitutes a generalisation of state action within Miliband's account. Rather than constituting the originating point of the behavioural limits of the capitalist state, Miliband's relative autonomy relation merely describes the impact of constraints originating from another source.

This discovery that Miliband's conception of relative autonomy represents a behavioural or empirical characterisation of the state is problematic for the supposed explanatory power of Miliband's state theory. The inadequacy of Miliband's conception as explanation results from the paucity

of the empirical method which Miliband utilises to establish this conception of the state.

ii. **Miliband and Empirical Method.** The empirical method utilised by Miliband can be characterised as the formulation of generalisations from a specified number of cases that share some value or characteristic. Chalmers describes the basic characteristics of the empirical method thus:

If a large number of A's have been observed under a wide variety of conditions, and if all those observed A's without exception have possessed the property B, then all A's possess the property B.<sup>8</sup>

Much of the criticism of empiricism has focused upon generalisation. Empirical observation is attacked for its unconscious use of theory. Empirical generalisations are said to be inherently theory-laden in that the observations of people are "not determined solely by the images on their retinas but...[depend] also on their experience, knowledge, expectations and general inner state."<sup>9</sup> Consequently, the formulation of an adequate understanding of the world should

not start with observation statements because theory of some kind precedes all observation statements, and observation statements do not constitute a firm basis on which scientific knowledge can be founded, because they are fallible.<sup>10</sup>

Moreover, observation can reveal only what is apparent on the surface. However, what is observable may be merely the concomitant of other causal factors. In other words, what is evident to the senses may be the by-product of causal

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<sup>8</sup> A.F. Chalmers, What is this thing called Science? An Assessment of the Nature and Status of Science and its Methods (St. Lucia: University of Queensland Press, 1982), 13.

<sup>9</sup> Ibid., 26.

<sup>10</sup> Ibid., 32.

processes, rather than direct, unambiguous evidence of the world. To realist social scientists "those forms in which the phenomena of the external world 'represent themselves'" are called 'phenomenal forms'.<sup>11</sup> Phenomenal forms mask causal relations because of their domination of the senses. As a result empirical observation cannot reveal "the conditions of existence of the phenomenal forms themselves."<sup>12</sup> If empirical generalisation confines knowledge to the self-evident, this method and its theoretical products will be a barrier to the furthering of social science inquiry where inquiry attempts to penetrate appearances in order to reveal hidden relationships. The significance of Miliband's utilisation of the empirical method will be discussed below.

**iii. Critique of Miliband.** In the transformation in the interventions of state in New Zealand pastoral agriculture during Time 1, the political socialisation of the state elite was deduced as the causal agent from Miliband's state theory. However, this isolation was found not to be prescribed within the second or functional formulation of Miliband's relative autonomy framework. Miliband does not show how functional relative autonomy is related to the political socialisation of the state elite. This is because Miliband's framework does not include a systematic conception of the functional pressures emanating from the capitalist mode's reproduction. Because of this lack of specificity it is

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<sup>11</sup> Realism has two dimensions according to Bhaskar: "(1) simple, commonsense realism, asserting the reality, independence, externality of objects; (2) scientific realism, asserting that the objects of scientific thought are real structures irreducible to the events they generate...(2), which both justifies and refines (1), incorporates the ideas that explanatory structures, generative mechanisms or (in Marx's favoured terminology) essential relations are (a) ontologically distinctive from, (b) normally out of phase with and (c) perhaps in opposition to the phenomena (or phenomenal forms) they generate." See Chapter Five of this work for a discussion of realism and Roy Bhaskar, "Realism," in A Dictionary of Marxist Thought, ed. Tom Bottomore (Oxford: Blackwell, 1985), 407.

<sup>12</sup> Derek Sayer, Marx's Method: Ideology, Science and Critique in 'Capital', 2d ed. (Brighton: Harvester Press, 1983), 9.

concluded that relative autonomy is an empirical observation rather than a causal factor in Miliband's framework. Rather than explaining state behaviour, as the socialisation variable purports to, Miliband's relative autonomy framework merely describes the behavioural traits exhibited by the state. Therefore, Miliband's relative autonomy is not a determinant relation capable of shaping the world. To this extent Miliband's relative autonomy provides no insight into the transformation in state form that occurred between Times 1 and 2 as the concept does not analyse so much as provide the ability to describe what has occurred to the state and pastoralism.

The discovery that Miliband's conception of relative autonomy represents a behavioural or empirical characterisation of state forms is a problem for the explanatory power of Miliband's state theory. The explanatory inadequacy of Miliband's conception of relative autonomy can be seen to result from the paucity of Miliband's empirical method of understanding the world. This conclusion raises wider concerns in terms of Miliband's theory of the capitalist state.

Empiricism first enters Miliband's framework in his identification of the phenomena to be explained by state theory. As discussed in Chapter Two, Miliband has an institutional view of the state. The phenomena to be explained consist of a discrete series of places and personnel.<sup>13</sup> It follows from this type of identification that Miliband's state is to be analysed at the level of empirical observation according to the protocols of the empirical method.

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<sup>13</sup> By contrast, Gramsci's identification of the state took little heed of institutional structure and arguably sought to define 'the state' as the hegemony reproductive mechanism within capitalism. This alternative approach meant that any institution or social relation could be defined as 'the state' if it could be shown to be hegemony reproductive. Anne Showstack Sassoon, "Gramsci," in A Dictionary of Marxist Thought, ed. Tom Bottomore (Oxford: Blackwell, 1985), 193-196. Also see my "Gramsci's Theory of the State: A Critique," mimeo, passim.

Miliband's continued interest in state personnel can be attributed to the empirical method he employs in addressing the state. An empiricist understanding of the state implies concern with "agents." This is reflected in Miliband's early view of the important role of bureaucrats in developing relative autonomy. Despite Miliband's observation that personalism is out of keeping with functional analysis, he continues to insist that this category should not be abandoned. The ideas of people are significant to the explanation of the state, Miliband insists. This view establishes a contradiction at the heart of Miliband's relative autonomy theory. While the form of the state is functionally determined it is also understood to be a result of the dynamics of personalism. No protocols are given by Miliband to allow for the interaction of these two forces in any systematic way. Instead, in Miliband's theoretical universe these two explanations compete for the explanatory high ground. This theoretical incoherence in Miliband's relative autonomy model can be attributed to the empirical method.

The understanding that Miliband's relative autonomy conception is fundamentally flawed brings into question the significance of this flaw for Miliband's theory of the capitalist state. Regrettably, relative autonomy is the linchpin of Miliband's functional understanding of the state. The diversity of empirical situations faced by the state requires a diversity of responses. Accordingly, Miliband attributes a flexibility of response to state institutions in order to meet the context. In this account relative autonomy is the theoretical bridge that allows distinct modalities of the state to be emphasised or de-emphasised at different periods to suit the conditions of the CMP. Therefore, Miliband's state theory is predicated on the existence of relative autonomy as a mechanism by which the state can vary its response to the dominant and subordinate classes. With the realisation that Miliband's account of relative autonomy is empirical, the coherence of his state theory is shattered.



If relative autonomy is not a mechanism but an empirical description Miliband cannot isolate the causal factors behind state transformation. As a consequence, Miliband's state 'theory' should be more correctly understood as a descriptive account of contemporary Western states rather than as an explanation or penetration of their phenomenal forms.

### III. Offe

#### A. Introduction

Offe's understanding of relative autonomy emerges from a system-centred view of the interaction of state and society. Like Miliband, the state as identified by Offe is congruent with bourgeois conceptions. Also like Miliband, it is the behaviour rather than the constitution of the state that is of interest to Offe. System behaviour emerges from the interaction of the three organisational 'principles' which Offe identifies within the social system. These principles are exchange ('the economy'), the state and the 'normative' (or ideological) sub-systems. Offe suggests that crises evident in the social system result from the clash of these sub-systems where their functional boundaries overlap.

Within this model Offe asserts the primacy of the exchange sub-system which he labels the 'universal'. Offe endows the universal with an underlying influence on all sub-system interactions analogous to the conception of "the last instance" within contemporary Western Marxism.<sup>14</sup> Beyond this Offe does not elaborate on the rationale for his ranking of the social system. Suffice it to say, his concern is with the empirically detectable consequences of sub-system

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<sup>14</sup> Roy Bhaskar, "Materialism," in A Dictionary of Marxist Thought, ed. Tom Bottomore et al. (Oxford: Blackwell, 1985), 328-329.

interaction. Offe attempts to describe the concrete effect of the operation of the exchange sub-system on the social system. The universal generates "processes of socialisation" threatening to the basic conditions of exchange (such as private property and the private appropriation of the social surplus).<sup>15</sup> As suggested in Chapter Two, the classic example of socialisation is the tendency for machinofacture to throw large numbers of workers together in a factory situation, where the potential for the development of a cohesive working class consciousness exists. These processes of socialisation cannot be ameliorated by the mechanism of exchange alone. At this point in his explication Offe introduces his subordination framework which allows for the amelioration of this situation.

In Offe's subordination conception two forms of intra-system relations are identified. First, the relation of negative subordination, which consists of the "genetic" relation of determination. Given the dominance of exchange, negative subordination sets limits on what social relations are possible in sub-systems, excluding any accumulation-threatening activities.<sup>16</sup> Negative subordination is analogous to the Marxist conception of the material determination of social life and is characterised by classically instrumental state behaviour. Second, Offe establishes the nature and limits of the relation of positive subordination within the system. This relation allows for the generation and enhancement of "complementary" functions, that is, functions within sub-systems that ameliorate the social contradictions generated by the exchange universal. In concrete terms positive subordination involves the partial emancipation of sub-systems, that is, the relative autonomy of the state and normative sub-systems from an instrumental relation to exchange which is characterised by Offe's

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<sup>15</sup> Claus Offe, Contradictions of the Welfare State, edited and with an introduction by John Keane (London: Hutchinson, 1984), 49.

<sup>16</sup> *Ibid.*, 39.

negative subordination relation. Offe maintains that this freedom from negative subordination needs to occur as capital as a whole exists only in an ideal sense: individual capitals do not perceive a unified interest from which collective action to maintain their socially dominant position can be taken.

However, Offe suggests that the impact of positive subordination upon the state is not in the final analysis systemically functional. According to Offe, there is a tendency for the state to grow in autonomy beyond the 'perimeters' of relative autonomy, in the process creating intra-system conflict between the other sub-systems and the limits of the exchange universal. Offe maintains that this autonomisation is a product of the contradiction internal to the state itself. Although as a supporting or flanking sub-system the state aims to universalise or spread the commodity form as widely as possible within the system to eliminate the contradictions inherent in exchange, the state itself must be free of the constraint of the commodity form to achieve this. Put another way, the state cannot create the appropriate conditions for private surplus accumulation while itself being required to operate as a profit maximising mechanism. Offe suggests that the lack of a profit maximising constraint within the state gives rise to form/content disputes. These disputes revolve around the autonomous appearance of the state and the state's underlying systemic role in relation to exchange maximisation. Offe suggests that while the state has the form of a neutral party 'above economics', this decommodified form gives way to the functional role of the state in exchange when agents seek to utilise the state for anti-capitalist ends.

This contradiction between appearance and underlying state reality may manifest itself in conflicts over the distribution of commodities as non-commodities through the state's taxation prerogative. In Offe's view state subsidisation can give rise to a number of distortions within the exchange sub-system. First, subsidisation may act as a

brake on accumulation as fiscal deficits, high taxation and regulation of financial markets inhibit private investment by lowering overall rates of profit in the CMP. Second, Offe suggests that state intervention makes the state the focus of social conflict as form/content disputes are generated. Third, the dissatisfaction of those frustrated in their realisation of the limits of state form may manifest in political alienation.

Offe maintains that these problems of exchange universalisation can in turn invoke state policy change based on the state's "institutional self-interest" (through its need for taxation) in the private accumulation of capital.<sup>17</sup> The state must turn CMP paralysis around by promoting commodified relationships while keeping private costs and the politicisation of the state under control. What occurs is a renaissance in negative subordination within capitalist societies during which the costly forms of state legitimation and exchange subsidisation are minimised. Such a development has a potential systemic cost, of course, this being the danger of revealing the real content of the state as a class-partial, exchange-supporting mechanism. Given the consequences of this development, the state displays a constant flux between negative (instrumental) and positive (relative autonomy) subordination respectively, giving rise to distinct patterns of state form in each case.

#### B. Applying a Relative Autonomy Heuristic to the Empirical

The empirical critique of Offe's formulation of relative autonomy is facilitated by his treatment of the state subsidisation of accumulation. For Offe, subsidisation reflects the effect of positive subordination on state behaviour. Positive subordination is generated as a response to the tendency for the exchange universal to create processes of class consciousness ('socialisation') amongst

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<sup>17</sup> Ibid., 121.

subordinate social classes. The economic crises resulting from the socialisation of the working class do not create a "self-corrective mechanism" within the economy and require the intervention of flanking sub-systems such as the state.<sup>18</sup>

Analysis of the pastoral assistance of Time 1 indicates the dominance of the positive subordination relationship between the state and exchange: subsidisation is characteristic of state intervention in pastoralism during Time 1. The extent of subsidisation during this period can be seen from an examination of the numerous assistance measures briefly described in Table 2, Assistance Instruments in Time 1: 1980-1984. Of note is the Supplementary Minimum Prices scheme. This measure was designed to underwrite or supplement the established price stabilisation schemes for traditional pastoral commodities, should market returns plunge so low as to threaten growth in output volumes. SMPs had two impacts on price levels in the pastoral industry: first, an export price effect, which was equivalent to the difference between the higher SMP level and the producer board schedule; second, a domestic price effect. In this case the local price of pastoral products was inflated by the subsidisation of export returns. If local meat suppliers were going to obtain stock they had to offer similar prices to those available on the export market, thus inflating prices to local consumers. This domestic subsidy on sheepmeat amounted to some NZ\$45 million during 1984. Figure 9 (Escalation in Meat Industry SMP Payments) indicates how actual SMP subsidisation escalated for sheepmeat. From a low of NZ\$48 million in 1982 SMP payments for sheepmeat rose to NZ\$150 million in 1983 and NZ\$225 million in 1984. Major subsidisation also occurred in state provision of pastoral finance. As is shown in Figure 12 (RBFC Interest Concession by Farm Type), assistance transferred by Rural Bank subsidised lending grew to NZ\$75 million per annum by the close of Time 1. Figure 11 (RBFC Concessionary Interest Rates)

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<sup>18</sup> Ibid., 122.

indicates how this quantity of assistance was transferred. Despite a rise in market interest rates of nearly 3 percent between 1980 and 1984, rates charged by the Rural Bank rose only 1.18 percent during the same period. Assistance transfer is also evident in Figure 16 which charts the Meat Income Stabilisation Account interest subsidy at the Reserve Bank. The overdraft interest rate on this account, set at 1 percent per annum, delivered NZ\$22 million assistance in the 1984 year alone.

Farmers also benefited from a favourable taxation environment during Time 1. As noted in Chapter Three, Simpson shows that the wider community on average paid 23 percent of income in tax during the 1979-80 financial year (27 percent if social welfare beneficiaries are subtracted), but farmers only paid 12 percent on average during the same period.<sup>19</sup> These concessions are listed in Table 2, Assistance Instruments in Time 1: 1980-1984. In total, tax concessions are estimated to have delivered NZ\$431 million in assistance during Time 1 (see Figure 17, Total Taxation Incentives [\$ million]).

The net impact of these assistance measures on pastoral farmers can be gauged by examining Figure 25, Unassisted and Assisted Farm Income, 1975-85. This figure shows the result of all of the assistance measures described in Chapter Three. From 1982 until 1985 cumulative state assistance per farm consistently averaged in excess of NZ\$20000 per annum. This made up 75 percent or more of the average farm's net income during Time 1. Figure 19 (Sheepmeat - Effective Assistance in Time 1) isolates total assistance to sheepmeat production. In this figure world prices for sheepmeat, state assistance, and the ERA index are contrasted. Note how the indicator of world prices declines through the period to 1984 at which point the costs of production actually outweigh market price. Note, too, the rise of assistance both in gross and indexed

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<sup>19</sup> Tony Simpson, A Vision Betrayed: The Decline of Democracy in New Zealand (Auckland: Hodder and Stoughton, 1984), 167.

terms. From a base index of 15 in 1980 assistance rises to 80 in 1982, then to 218 in 1983, reaching 318 in 1984. The result of these levels of assistance was the receipt of artificial or non-market prices by the meat producer. Figure 19 graphically illustrates subsidisation as it maps the movement of the ERA index for sheepmeat from 10 in 1980, to 80 in 1982, up to 372 in 1983, to the incalculable levels of 1984. The levels of assistance identified above do not change markedly when alternative cost excess assumptions are utilised as was undertaken in Figure 20 (Alternative Cost Excesses - Impact on Sheepmeat ERA).<sup>20</sup> The ERA index for 1984 is imputed to be virtually incalculable under any cost excess assumption. These trends in assistance delivery to sheepmeat are repeated for pastoralism as a whole in Figure 21 (Pastoral Accumulation - Effective Assistance in Time 1).

The indicators of state/pastoral relations during Time 1 show clearly how the state directly supported pastoral production as these commodities ceased to be definable as commodities. Therefore, it can reasonably be concluded that Time 1 is an example of Offe's "subsidised protection of values."<sup>21</sup>

However, in Time 2 this state/exchange relation undergoes considerable change. As is seen in Table 3, Summary of Agricultural Policy Changes in Time 2: 1984-1987, the balance of assistance instruments available in Time 1 was removed or targeted for removal in Time 2. Although some instruments remain, they are either on a progressive track to cost-recovery (such as MAF quarantine services) or are to be phased out entirely (such as taxation incentives and the subsidisation of pest control), as can be seen in Table 5, Assistance Instruments in Time 2: 1984-1987. Quantitatively, ERAs for the sheepmeat industry returned to very low levels by the

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<sup>20</sup> Cost excess refers to the extent to which the prices of inputs used by agriculture are raised by the protection given to import-substituting manufacturing by border controls such as tariffs and quotas. Taylor and Hayes, vol. 1, 2.

<sup>21</sup> Ibid., 124.

close of Time 2. Figure 24 (ERA for Sheepmeat/Pastoralism, 1980-87) shows a levelling of assistance to the sector in the early part of Time 2 and a sudden decline in assistance from 1986. From ERAs of 500 at the end of Time 1, Figure 24 shows how assistance declines to negative levels in the 1987/88 season, indicating that a net drain of the sector's resources is occurring.<sup>22</sup> The withdrawal of assistance in Time 2 has had a demonstrably significant impact on the aggregate indicators of the financial health of pastoral farming.<sup>23</sup> The Sheep Farmers' Terms of Exchange index for 1976-87 (Figure 26) reflects the relation of pastoral input to output prices. This index falls dramatically as the post-SMP transitional arrangements for sheepmeat conclude at the end of the 1985 calendar year. When this figure is compared with that preceding (Figure 25, Unassisted and Assisted Farm Income, 1975-85) the extent of the state's willingness to maintain the sheep farmer's financial position during Time 1 is evident. Despite the average sheep farmer's financial deficit of NZ\$2500 in 1984, the Sheep Farmers' Terms of Exchange index for that year records an improvement in sheep farmers' overall financial position. In 1984 the Terms of Exchange index (June 1976 = 1000) rose 76 points on the preceding year despite the deficit position recorded in Figure 25. However, as the state-provided props to unassisted pastoral incomes are withdrawn during Time 2 the Sheep Farmers' Terms of Exchange index slips back to 567 by 1986, just over half the level at which it stood a decade earlier. This worsening in pastoral farmers' financial

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<sup>22</sup> With the removal or substantial lowering of state assistance to pastoralism in Time 2 the cost excess acts as an implicit inter-sectoral tax on unsubsidised pastoral incomes.

<sup>23</sup> The assumption made in Figure 5 applies here. Quantitative indicators that separate state assistance from net receipts are rarely encountered. Measures generally collapse all forms of income into aggregate totals making it difficult to isolate the element of state subsidisation. However, when the empirical observation that international pastoral commodity prices have been static in actual prices and thus declining in real terms is made (as in Figure 5), indicators can be assessed for their reflection of state subsidisation. Where indicators show marked improvements in the pastoral income position despite the poor market price position, the impact of state assistance can be inferred.



position, stemming immediately from the withdrawal of state subsidisation, is further evidenced in Figure 27 (Net and Real Income: Sheep and Beef Farms) which depicts income for sheep and beef farmers from 1982 to 1987. This figure shows how net (discounted for inflation) income per farmer falls from a high of NZ\$12000 in 1985 to a low of NZ\$4000 in the following year.

These indicators of markedly declining state involvement in pastoralism during Time 2 indicate the reversal of the pattern of state action found in Time 1, despite the continuing poor position of pastoral accumulation during the second period. This transformation in the state subsidisation of exchange in continuing conditions of low or negative unassisted pastoral accumulation indicates, in terms of Offe's framework, that a "recommodification" of the exchange universal has occurred.<sup>24</sup> In this circumstance a revival in the genetic determination of the state has taken place. Negative subordination has been invoked in the state's relationship to the universal in order to check the deficit-producing effects of excessive positive subordination expenditure. Competitive market pressures increasingly determine the allocation of resources within pastoralism.

### C. Critique of Offe's Relative Autonomy Framework

i. Introduction. The empirical heuristic established on the basis of Offe's framework confirmed the prognosis deducible from Offe's account of the state's role in subsidisation. In this model Time 1 is equated with the dominance of positive subordination or relative autonomy, while in Time 2 the recommodification process redresses the subsidisation or decommodification that occurred in Time 1. In Offe's account, recommodification is predicated upon the invocation

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<sup>24</sup> Ibid., 141.

of negative subordination within the relationship of the exchange mechanism and the state. Given that negative subordination is analogous to the classical instrumental accounts of state/CMP relations, Offe's deducible explanation of the transformation between Time 1 and Time 2, while credible in these terms, does not utilise the relation of relative autonomy. Instead, negative and positive forms of subordination are utilised as substitutable categories within this account. No utilisation of a scale of emphasis in state action is developed by Offe. Thus, although it is an adequate explanation of empirical developments in Time 2, Offe's formulation makes relative autonomy a redundant category in the explanation of the transformation in state forms in New Zealand between Time 1 and Time 2. This undermines the utility of Offe's formulation.

**ii Critique of Offe.** The criticism of Miliband's conception of relative autonomy as an empiricist framework does not apply to Offe's formulation. Offe's analysis is less affected by the empirically-based understanding of relative autonomy. Rather than defining forms of state behaviour in terms of their impact on the dominant class as both Miliband and Poulantzas do, Offe elevates the analysis to the more abstract level of system dynamics. In this way Offe does not define positive subordination (relative autonomy) in relation to a class or a group of people, and thereby avoids the dangers of a personalised or observational account. Instead, relative autonomy is defined in relation to the mechanism of exchange. In this way relative autonomy can constitute a pressure or a force upon state behaviour rather than merely a generalisation of impacts upon the dominant class. Because of the non-empiricist formulation of Offe's relative autonomy conception as a pressure upon state action, this model most

readily approximates a realist social science understanding of state decision making.<sup>25</sup>

However, despite the explanatory utility of Offe's formulation of relative autonomy, the framework in which he places his conception ultimately denudes relative autonomy of its explanatory ability. As discussed above, Offe's framework indicates that state intervention in pastoralism during Time 2 was a reflection of the recommodification pressure of negative subordination. Given that Offe's negative subordination is analogous to the classical Marxist understanding of instrumental state behaviour, Offe cannot describe Time 2 in terms of relative autonomy.

Offe's inability to describe Time 2 in terms of relative autonomy is a direct result of his categorisation of the relations of subordination. Rather than establishing an explicit scale of autonomy (or subordination), Offe adopts just two categories of these relations. In these terms state behaviour is either negatively or positively subordinating. As a consequence, relative autonomy is not so much a framework, that is, a range of possible state behaviours within certain limits, as a label (of two types) to be affixed to these behaviours. It is thought likely that Offe's conception distorts the variety of empirical forms into arbitrary categories.

Nevertheless, Offe makes a contribution to furthering the understanding of the capitalist state. The strength of his analysis lies in the recognition of the contradictory effects of relative autonomy upon the state. For both Miliband and Poulantzas relative autonomy is a linear concept not subject to the contradictory pressures within the CMP. Offe, following his understanding of relative autonomy as a pressure rather than as an empirical outcome, suggests positive subordination has an inherent tendency to expand its compass given the form/content dispute immanent to the state

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<sup>25</sup> Realist social science method will be discussed in Chapter Five in terms of the reappraisal of relative autonomy as a social science tool.

in the CMP. As the expansion of the state occurs, so the exchange universal comes under pressure as exchange-value is progressively transformed by the state into non-commodities. This tends to throw the (exchange-dependent) state into fiscal or budgetary crisis, triggering a renaissance of negative subordination as the state attempts to delimit the negative effects of relative autonomy on exchange. Accordingly, despite the simple categories Offe generates, his relative autonomy framework is a useful advance over the classical frameworks that preceded it, in that he acknowledges the contradictory impact of state policy upon the CMP and the rebounding effects this can have upon the state itself.

#### IV. Poulantzas

##### A. Introduction

As discussed in Chapter Two, Poulantzas' formulation of relative autonomy develops within a structural understanding of society and the state. In this conception the state exists as a specific level or regional structure within an ensemble of structures that constitute the social world. Other identifiable structures consist of the economic and the ideological instances which, together with the state, produce the social structure in which social and political life occurs.

As a regional structure the state is affected by two major pressures. First, the state's behavioural role within the structure is limited by the functional requirements of the economic structure which is deemed by Poulantzas to be determining "in-the-last-instance."<sup>26</sup> In this view, the most significant pressure on the state is to reproduce the social relations of exploitation dominant in the CMP. Second, the

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<sup>26</sup> Nicos Poulantzas, Political Power and Social Classes, trans. Timothy O'Hagan et al. (London: New Left Books/Sheed and Ward, 1973), 69.

state is prescribed in its form and function by its position within the ensemble of structures as the ensemble's "nodal point."<sup>27</sup> This point is that in which the social and political contradictions generated by the economic instance coalesce; that is, it is at this point where the social relations underlying the exploitation of capitalist wage labour are given political expression and are ameliorated, ensuring the continued cohesion of the CMP.

The structural pressure upon the state to act as the nodal point of conflict gives rise to the state's relative autonomy. As the nodal point in the ensemble of structures, Poulantzas' state has the 'global political role' of reproducing the 'unity' or structure of the ensemble of instances so that the division of the social formation into classes is maintained by the continuation of the capitalist exploitation of the subordinate classes. This global political role gives the state super-ordinate authority in the reproduction of the ensemble of structures, allowing the state to countervail the contradictions produced in the economic instance which are capable of threatening class domination. In other words, the state has the central position within the ensemble of structures so as to ameliorate the pressures of economic determinism if these pressures threaten the reproduction of the CMP as a whole.

Within the structural context of the over-determining global political role of the state, Poulantzas integrates his formulation of relative autonomy as the expression of the state's cohesive role. In Poulantzas' view, the state utilises relative autonomy to individuate agents from their location in classes so as to redefine them as individuals with coequal status. This 'isolation in the economic' has as its corollary the state's attempt to pose as the national popular state, as the state representing the "general" interest of all social classes. Therefore, within Poulantzas' structural understanding of the CMP relative autonomy is

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<sup>27</sup> Ibid., 44.

incorporated as the "invariant framework" within which the state relates to social classes.<sup>28</sup>

But relative autonomy is also understood as an empirically observable variable by Poulantzas. In this form relative autonomy allows the state the flexibility to ensure that the subordinate classes are not capable of transforming themselves from a class or classes in themselves into a class or classes for themselves, that is, from a class or classes existing in relation to the means of production into a class-conscious revolutionary force. This 'necessary flexibility' on the part of the state gives rise to fiscal and regulatory concessions to the working classes in the hope of ameliorating their class struggle.

Like Miliband's account, relatively autonomous state behaviour is defined by Poulantzas in contrast to the short-term economic interests of the dominant class. This is despite the observation that Poulantzas' account of the state is ostensibly structural rather than empirical. In other words, like Miliband, the variable and empirical form of relative autonomy is defined by Poulantzas as a categorisation of behavioural outcomes rather than as a social or economic mechanism. However, unlike Miliband, Poulantzas defines relative autonomy as an act in favour of the subordinate classes' short-run interests. In other words, Poulantzas' account of variable relative autonomy has two co-requisite dimensions: a positive and a negative relation between the state and social classes. Not only does relative autonomy occur from a social class: in a sense relative autonomy occurs to a social class.

In analysing Poulantzas' framework, evidence of the existence of Poulantzas' second conception of relative autonomy (the variable sense in which economic determinism is mitigated by state policy) can be gathered from the degree and specific forms of state intervention in the economic instance. By contrast, Poulantzas' first conception of

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<sup>28</sup> Ibid., 152.

relative autonomy (concerning the 'isolation in the economic' instance) is a structural model not subject to empirical analysis. Looking at the state itself, the variable type of the relative autonomy relationship is established in particular forms of the state.

#### B. Applying a Relative Autonomy Heuristic to the Empirical

It is the task of this empirical critique to analyse the relevance of Poulantzas' relative autonomy framework to the New Zealand state forms experienced in Time 1 and Time 2 so as to comment on the validity of Poulantzas' relative autonomy framework. From the second (or variable) form of Poulantzas' framework it is possible to develop a heuristic that would explain the phenomenal forms of New Zealand state involvement in pastoralism.

This heuristic begins with the premise that the escalation in state transfers during Time 1, while directly attributable to international commodity price-levels, was facilitated by the New Zealand state's historical direction of investment flows within the private economy. Why did the state maintain the forms of assistance and allow the transfer of such large quantities of revenue, as graphically seen in the early years of Figure 23? In this figure (Gross Assistance to Agriculture in Time 2) the four most significant gross contributions to total agricultural assistance are contrasted.<sup>29</sup> The total assistance distributed by these four instruments during 1984 was NZ\$1800 million. One political explanation for the magnitude of these transfers can be offered in terms of Poulantzas' conception of the global role of the state in the unity of the formation. This hypothesis suggests that Time 1 and Time 2 represent particular way-points in the state's organisational role in

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<sup>29</sup> The four most significant contributions to agricultural assistance in Time 2 were: SMPs; the 1 percent Reserve Bank meat industry stabilisation account; Rural Bank interest concessions on mortgage finance; tax concessions. See Figure 23.

the power bloc. The unassisted pastoral revenues of Time 1 represented the development of a crisis in the financial well-being of the pastoral sector. From this understanding it can be deduced that the pattern of state intervention in pastoralism evident in Time 2, which features the beginning of the withdrawal of the state from investment direction in the private economy, represents the state's acknowledgement that the pastoral accumulation crisis was constituent of long-term relative decline in the rate of return on pastoral investments. Once this implicit transformation in the state's view of its role in pastoral accumulation had taken place the state moved to shed the deficit-engendering assistance that it provided in Time 1 to prop up a major element within the power bloc. As a result of change in the state's role in investment the form of the state changes between Time 1 and Time 2, from the Keynesian-like interventionary form dominant in the first period to the investment-neutral form dominant in Time 2.

As suggested above and in Chapter Two, Poulantzas' conception of relative autonomy implies both relative freedom of the state from the dominant classes and relative autonomy of state action in favour of the subordinate classes. Yet the movement in state assistance between Times 1 and 2 mapped out above and in Chapter Three does not incorporate the second feature of variable relative autonomy. The empirical forms of state assistance to pastoralism depicted in Chapter Three are generalisable to the remainder of state policy in Time 2 and are wholly internal to the interests of the dominant class. Given this observation there is no basis for the explanation of the transformation in the state between Time 1 and Time 2 in terms of Poulantzas' understanding of the variable form of relative autonomy.



### C. Critique of Poulantzas' Relative Autonomy Framework

i. **Introduction.** Poulantzas' understanding of relative autonomy fails to explain the transformation in forms of the New Zealand state between Time 1 and Time 2 because relative autonomy is defined in Poulantzas' account as not merely action against the short-run interests of the dominant classes, but also as action in favour of the short-run interests of the subordinate classes. These later empirical forms are missing from the empirical analysis of Times 1 and 2. However, Poulantzas' explanatory inadequacies stem not just from his theory of the relative autonomy of the state but also from his structuralist and deductive world view which means that half of his relative autonomy conception is untestable.

ii. **Structuralism and Relative Autonomy.** Poulantzas' relative autonomy formulation consists of a variable (or empirical) and an invariable (or structural) form. The variable form encompasses the state's freedom to act against the short-run interests of the dominant classes while at the same time allowing the state to act in favour of the short-run interests of the subordinate classes. The invariable form describes a structural feature of the CMP. This form or structure identifies the state as the agent of national welfare and defines any form of class struggle as a struggle of particularistic interest against the national perspective. Through this structure the state neutralises class agents by isolating them as individuals or 'citizens' equally subject to universal laws.

The over-determining political role of the state as the cause of the isolation of subordinate classes as 'agents' is the untestable "structural context" of relative autonomy. Structuralism is not subject to the empirical confirmation that was applied to Poulantzas' variable form of relative autonomy. As Bottomore notes

the object of [structural] analysis is to disclose the 'deep structure' which underlies and produces the directly observable phenomena of social life.<sup>30</sup>

Because structuralism posits internal mechanisms it cannot be assessed empirically. This is because, as Godelier argues

structures are not directly visible or observable realities, but levels of reality which exist beyond man's visible relations and whose functioning constitutes the deeper logic of a social system.<sup>31</sup>

Aside from the difficulty of the structural conception of relative autonomy not being subject to empirical validation (structuralism being untestable), the problem with a 'deep structure' model is that it cannot explain the transformations in state form that comprise the empirical explananda of this work. Indeed, as noted above, Poulantzas describes his own structural model of relative autonomy as the "invariant framework" within which state action occurs. Accordingly, Poulantzas' concern is not with the changing form of the state within capitalism, but rather with the existence of the capitalist type of state itself. Forms of state concern the level of intervention in the CMP undertaken by the state, while the concept of state type describes the fundamental set of social relations to the means of production supported by the state. In Poulantzas' view only the fundamental set of social relations are of political importance. Movements or concessions by the capitalist state within this fundamental framework are politically insignificant to the subordinate classes. Because Poulantzas views only the fundamental set of social relations as of political significance he is not

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<sup>30</sup> Tom Bottomore, "Structuralism," in A Dictionary of Marxist Thought, ed. Tom Bottomore (Oxford: Blackwell, 1985), 471.

<sup>31</sup> Godelier in *Ibid.*

troubled by the inability of a structural formulation of relative autonomy to explain the transformations in the forms of the contemporary capitalist state. However, for the contemporary analyst of the capitalist state the lack of a coherent framework for explaining changes in state form is a damning weakness in the structural account provided by Poulantzas. In this perspective the very forms of state Poulantzas marginalises are of the greatest significance for the lives of the subordinate classes and to the process of capitalist accumulation itself. As Bottomore notes, structuralism's

exclusive stress on 'objective relations' disregards and obscures very important differences between forms of the capitalist state which range from [the] democratic constitutional state to military dictatorships and fascism.<sup>32</sup>

To adopt Poulantzas' structural view is to ignore the contradictions inherent in the CMP and the state's role in ameliorating these. To assume that this role has no political and therefore no analytical significance is to trivialise the massive transformations in the fortunes of particular social classes that result from the changing form of relative autonomy and thus the changing forms of the capitalist state.

**iii. Deduction, Structuralism and Relative Autonomy.** The structuralist approach to analysing the state is based on the imputation of structure to the CMP. This process of ascription is based on a logic or method of inquiry known as deduction. For Chalmers, deduction is "concerned with the derivation of statements from other given statements."<sup>33</sup> For example, having posited certain basic conditions as deter-

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<sup>32</sup> Ibid., 472. Punctuation applied.

<sup>33</sup> Chalmers, 7.

minant mechanisms within a mode of production (perhaps the necessity for capital accumulation in the CMP), it is possible by deduction to work out the consequences of a change in the basic conditions constituting the mode, other conditions being equal. However, such conditions are rarely equal: therefore there is an important distinction to be drawn between what is logical and what is true. As a process of logical derivation deduction can only analyse the consequences of a given premise - "but whether the premises are true or not is not a question that can be settled by an appeal to logic."<sup>34</sup> Unobserved variables may intervene and falsify the premises utilised.

The inadequacies of deductive reasoning are seen in the structuralist Marxist tradition of which Poulantzas' early work is typical.<sup>35</sup> Reacting against the perceived inadequacies of empiricism (as discussed above in the critique of Miliband), Poulantzas follows his mentor Althusser in stressing the primacy of theoretical and analytical work. For Althusser, the originator of Marxist structuralism, scientific conceptualisations were not to be constructed from raw data by induction, but, as Sayer recounts:

by the transformation of other concepts (ideological notions) and validated by their conformity not to the real, but to the theoretical criteria 'one hundred percent internal' to the problematic whose product they are. And the concepts of the theory which plays the determinate role in Althusser's scheme are a priori constructs.<sup>36</sup>

Because of the internal validation of concepts in Poulantzas' method it is essential that the premises be correct if

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<sup>34</sup> Ibid.

<sup>35</sup> Such as his Political Power and Social Classes.

<sup>36</sup> Derek Sayer, "Science as Critique: Marx vs Althusser," in Issues in Marxist Philosophy, vol. 3, Epistemology, Science, Ideology ed. John Mepham and David-Hillel Ruben (Brighton: Harvester, 1979), 28.

Poulantzas' method is to provide true answers. But premises are not self-evident. The world presents itself phenomenally to structuralists such as Poulantzas. What determines that relations between social groups (for example) change is understood by structuralists not to be readily accessible to the senses. This means, as Steven notes, that for the structuralists

only if one starts with the correct scientific concepts can one observe the world at all, and so the starting point for scientific enquiry must be concepts and theories.<sup>37</sup>

Clearly empirical validation need not be excluded here, but it is not where the acquisition of knowledge begins. That point occurs in the mind of the theorist for Poulantzas. Only the scientist is capable of building correct theories.

But where do 'correct' scientific systems come from? Chalmers suggests that structuralist a prioriism is premised on dogma. Faced with the alternative of the unconscious theoreticism of induction, Poulantzas and those of the structuralist school "needed...some set of statements that do not need to be justified by appeal to other statements but are in some sense self-justifying."<sup>38</sup> As the alternative to empirical generalisation, 'Marxist science' comes to be canonised as the valid and all-embracing understanding of social life. These self-evident truths in time attain the status of a paradigm, that is, they become the 'foundations of knowledge', "and any beliefs that are to acquire the status of knowledge...need to be justified by tracing them back to the foundations."<sup>39</sup> Hence the constant effort by Poulantzas to refer to the 'core concepts' of the classic texts of Marxist political economy as if they were sufficient

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<sup>37</sup> Rob Steven, Classes in Contemporary Japan (Cambridge: Cambridge University Press, 1983), 8.

<sup>38</sup> Chalmers, 114.

<sup>39</sup> Ibid.

proof of their own statements. However, such an approach is inadequate as a scientific method. Writing in the Grundrisse, Marx notes of the concrete world, "the concrete is concrete because it is the concentration of many determinations, hence unity of the diverse."<sup>40</sup> In other words, Marx describes the concrete as the product of many social forces, requiring rigorous dissection to establish a coherent understanding of the interaction of these forces. Yet the concrete "appears in the process of thinking...as a process of concentration, as a result, not as a point of departure, even though it is the point of departure for observation and conception."<sup>41</sup> The lesson to be learnt is that the investigation of social relations requires a close analysis of the concrete. Social relations cannot be imputed or derived, as for structuralism.

Deduction assists in undermining the explanatory power of Poulantzas' conception of relative autonomy through its role as the structuralist method of inquiry. Deduction is the building block of structuralism. Deduction allowed Poulantzas and others of the structuralist school to avoid the problems of empiricism and produce an internally consistent model of the capitalist state. However, there is no assurance that the concepts and theories deduced by Poulantzas have any relationship to the concrete world. The reader has no surety that the deductions provided by Poulantzas are not precipitate abstractions as they are not subject to any form of validation in the concrete. It follows that Poulantzas' invariant or structural model of relative autonomy cannot be validated as an explanatory mechanism either.

**iv. Critique of Poulantzas.** Both of Poulantzas' conceptions of relative autonomy fail to explain the transformations in

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<sup>40</sup> Karl Marx, Grundrisse: Foundations of the Critique of Political Economy, trans. Martin Nicolaus (Harmondsworth: Penguin, 1973), 101.

<sup>41</sup> Ibid.

the New Zealand state between Times 1 and 2. In the case of the variable form of relative autonomy this failure stems from the concept's linkage to positive outcomes for both class groupings. However, the heuristic showed that the empirical forms of Times 1 and 2 were internal to the interests of the dominant classes. Although the state was acting against the short-run interest of the dominant classes there was no evidence of a corresponding move in favour of the subordinate classes as suggested by Poulantzas. Therefore, Poulantzas' cross-class conception of a relatively autonomous state is not an explanatory model.

Poulantzas' invariant or structural model of relative autonomy could not explain the empirical heuristic either. Poulantzas' structural concerns are with the capitalist type of state. He wants to explain how the capitalist state maintains core social relations despite change in the CMP. Poulantzas' brief is therefore more with continuity than with transformation in state form. The problem with this approach is that it ignores the historical development of the capitalist state by asserting that new forms of the capitalist state can be reduced to the same type of state. The upshot of this assertion is that Poulantzas' account cannot explain the very significant changes within the state and the CMP since the publication of Political Power and Social Classes. This inability to explain state transformation emerges from the structuralist approach to political life. In the effort to avoid empiricism Poulantzas imputes structure to the world and deduces all concepts of the state from this premise. The combination of a structural world view and a deductive method crowds out the empirical and historical character of state action in the CMP. As a consequence, Poulantzas is not concerned with the explanation of the important changes that occur within the CMP. These seemingly constitute ephemeral detail in his account.

Poulantzas' unwillingness and inability to explain change in the form of the capitalist state incapacitates his account of the state. A difficulty in Poulantzas' account

is the political emasculation which the structural conception of relative autonomy implies. If only the type of state (and not state form) is of consequence to Poulantzas, political mobilisation to change state form within the current framework of social relations is never worthwhile. Accordingly, little can be gained politically by adopting Poulantzas' conception of relative autonomy. The structural conception of the relatively autonomous capitalist state is more akin to fatalism than a political strategy.

#### V. Chapter Four: Summary and Conclusions

As can be seen from an appraisal of Chapter Four none of the deducible accounts of state transformation provided by the relative autonomy theorists manages to explain change in state form between Time 1 and Time 2 in terms of relative autonomy itself. However, this explanatory inadequacy does not arise on the same basis in each case.

In the explanation of the transformation in state forms between Time 1 and Time 2 deduced from Miliband's account, relative autonomy does emerge initially as a sufficient basis for understanding the state. However, closer examination of this theory shows it not to be.

The account of the state transformation between Time 1 and Time 2 deduced from Miliband isolates two forms of relative autonomy. In the case of the first form, which constitutes Miliband's recognition of the impact of non-capitalist pressures on the state, empirical referents are used to show the inapplicability of this relation to Time 1 and thence to Time 2. With the first formulation falsified any explanation for the shift in state form between Time 1 and Time 2 must focus on shifts within the second, capital-functional form of relative autonomy. However, Miliband's provision of protocols within this form of relative autonomy, is not established systematically. Instead, Miliband attributes the parameters of interventionary behaviour to the



rationality of state decision-makers. In other words, Miliband's second formulation of relative autonomy is constrained only by the variable of socialisation within which this rationality is constructed.

In a sense this account does allow for the explanation of change in the form of the state between Time 1 and Time 2. But this is only in the sense that socialisation can be substituted for relative autonomy as an explanatory category. Socialisation is not entailed or prescribed by relative autonomy in its second form. Instead, in Miliband's formulation, relative autonomy is given form as a consequence of the socialisation variable. This suggests that relative autonomy is not so much explanatory as a descriptive understanding of state form. Rather than constituting the location of behavioural constraints on the state, relative autonomy describes the effect of constraints from other sources. This means that in Miliband's account relative autonomy is supernumerary, a summarisation of micro-political relations placed in an ostensibly Marxist framework.

The empiricism implied in this conception can be seen elsewhere in the relative autonomy critique of state transformation. Miliband and Poulantzas both define relative autonomy in relation to some mythic cohesive dominant class even though they provide a critique of such a view of the dominant class. For Miliband, relative autonomy is defined not as a determinant relation but as an empirical outcome assessed in relation to the dominant social class considered as class agents, that is, as a group of people. This empirical definition then impacts on the explanatory capacity of the concept, reducing it, as in Miliband's analysis above, to the identification of trends in state behaviour.

To Poulantzas, who established both variant and invariant forms of relative autonomy, a similar analysis can be applied. Although relative autonomy is assessed on the basis of the degree and specific forms of state intervention in the economy, it is understood as an empirical outcome antithetical to the interests of the dominant class considered as an

homogeneous unit. This empiricist understanding of relative autonomy combines with another aspect of Poulantzas' view of relative autonomy to inhibit its explanatory utility in relation to concrete phenomena. For Poulantzas the variable form of relative autonomy is not merely action against the dominant class by the state, it is also action for the dominated class. Accordingly, Poulantzas' conception of relative autonomy is not able to explain the transformation in the form of the state as the empirical discussion shows this to be characterised by state behaviour internal to the dominant class alone.

Poulantzas' structural model of relative autonomy could not explain the heuristic either. Poulantzas' structural concerns are with the capitalist type of state. Poulantzas' brief is therefore with continuity rather than with transformation of the form of state. This ignores the historical development of the capitalist state by asserting that new forms of the capitalist state can be reduced to the same essential type. As a consequence Poulantzas' account cannot explain the very significant changes within the state and the CMP since the 1960s. This inability to explain state transformation emerges from the structuralist approach to political life. The combination of a structural world view and a deductive method crowds out the empirical and historical character of state action within the CMP.

Offe's analysis is least affected by this empiricist understanding of the constitution of relative autonomy. Rather than defining forms of state behaviour by contrast with some putative homogeneous dominant class, Offe elevates the analysis to the more abstract level of system dynamics. At this level positive subordination (or relative autonomy) is defined not in relation to people, but in relation to exchange. In this sense relative autonomy constitutes a pressure, a force upon state behaviour rather than merely the generalisation of impacts upon the putative cohesive dominant class.

Because of this non-empiricist understanding of relative autonomy, that is, because of Offe's understanding of relative autonomy as a real pressure upon state action, this model most approximates the realist understanding of social phenomena. However, Offe has no more success than Miliband or Poulantzas in offering a relative autonomy model that operates in Time 2. The logic of Offe's model of recommodification indicates that Time 2 is characterised by his negative form of subordination. This consists of the genetic effect of exchange on the flanking sub-systems. But this notion, analogous to material determination, is inimical to the notion of autonomy inherent in the concept of relative autonomy. Given this conclusion, the explanation (deduced from Offe) for the transformation in the form of the state between Time 1 and Time 2 cannot validate relative autonomy as an explanatory agent. But Offe's inability to describe Time 2 in terms of relative autonomy is a direct result of his categorisation of the relations of subordination. Rather than establishing an explicit scale of autonomy (or subordination), Offe adopts just two categories of these relations. State behaviour is either positively or negatively subordinating. As a consequence relative autonomy cannot be used so much as a framework in Offe, that is, as a range of possible state behaviours within certain limits, but rather as a label (of two types). This characterisation clearly applies to Miliband's discussions of functional and non-functional autonomy as well. Despite Offe's inability or unwillingness to explain recommodification in terms of a category or scale analogous to relative autonomy (rather than instrumentalism), the analysis which underpins this discussion is perhaps the most promising feature of the relative autonomy approach to the state. The strength of this analysis lies in the recognition of the contradictory impact of relative autonomy upon the state. For Miliband and Poulantzas, relative autonomy fits neatly into their discussions as a linear concept. No discussion of the impact on the state of the relative autonomy relation itself

is presented. But for Offe, following his realist understanding of relative autonomy as a pressure rather than just as an empirical distillation, positive subordination has an inherent tendency to expand its scope given the form/content disjuncture within the state. As this expansion occurs so the exchange universal comes under pressure as exchange-value is progressively transformed by the state into use-value. This tends to throw the (exchange dependent) state into fiscal crisis, triggering a renaissance of negative subordination as the state attempts to confine the effects of relative autonomy. And, as suggested above, there is much evidence in the concrete during Time 1 and Time 2 that strengthens the case for the empirical features of this scenario.

## Chapter Five

### Relative Autonomy Reconsidered

#### I. Introduction

In Chapter Four the three formulations of relative autonomy discussed in Chapter Two were critiqued in terms of the empirical forms of state intervention described in Chapter Three. In this final chapter the relative autonomy framework is reconsidered and the implications of this reconsideration evaluated.

This chapter is divided into five sections. In Section II themes from each preceding chapter are summarised for their contribution to the relative autonomy debate. In Section III the failure of relative autonomy as an explanatory tool is evaluated from a new perspective and an alternative framework within which to conceive the concept is presented. Within this section the realist method is discussed, with emphasis on its superiority to empiricism and deduction. Section III concludes with a reconstruction of relative autonomy within this realist framework.

In Section IV the lessons of this work are highlighted and discussed. Analytically, the relative autonomy critique shows that a supposedly explanatory concept is in reality merely an observational or deductive imposition on reality. The limitations each approach places on the relative autonomy conception is highlighted and the way in which the realist method enables relative autonomy theory to be useful is discussed. Politically, the impact of empiricist and idealist conceptions of the state on the impetus for social change are analysed. The work concludes with a restatement of important themes and a highlighting of what remains to be investigated through further research.

## II. The Relative Autonomy Debate Thus Far

Chapter One formulated the problem this work has addressed: the capacity of relative autonomy to explain the transformation in the empirical form of the contemporary capitalist state. In Chapter Two the writings of Miliband, Offe and Poulantzas were examined as particular approaches to the relative autonomy conception of the state. In this chapter the focus was upon the respective conceptions of relative autonomy as these describe state intervention in capital accumulation. The focus on state intervention and assistance occurred in the understanding that state intervention is the critical variable in identifying the existence of relative autonomy within a concrete situation. In Chapter Three the focus of the study shifted from the theoretical to the empirical plane. Within this chapter state assistance to New Zealand pastoralism was examined in two time periods. The first of these periods covered state intervention from 1980 to 1984, while the second looked at intervention in the period following 1984 until around mid-1987. Chapter Four moved the discussion from the descriptive back to the analytic mode. Within Chapter Four the theoretical and empirical were brought together in an analysis of the explanatory potential of the respective accounts of relative autonomy. Given the nature of the empirical forms detailed in Chapter Three, the question here was whether coherent explanations of these empirical features could be constructed in terms of the three formulations of relative autonomy. At the end of Chapter Four it was concluded that the respective relative autonomy accounts are not capable of explaining the transformation in the form of the New Zealand state between Time 1 and Time 2. Relative autonomy is not an explanatory concept.

### III. Towards a Realist Relative Autonomy Framework

#### A. Introduction

This section attempts to salvage the useful analytic features of relative autonomy. In Chapter Four relative autonomy was found to be a descriptive rather than an explanatory concept. Nonetheless, it will be shown here that relative autonomy is not without utility as a tool with which to theoretically conceive the capitalist state. Relative autonomy's failing as an explanatory concept may signal its strength as an observation statement. In this view, relative autonomy could be useful when understood as a characteristic pattern of observable relations (or conditions) in the relationship between the state and the CMP. In this understanding relative autonomy would constitute an observation statement, thereby avoiding the incoherence of relative autonomy utilised as explanatory mechanism.

In the following section the basic framework of the realist method within which relative autonomy is to be reconceived is established. Subsequently, relative autonomy is reconsidered within this framework as a realist tool of Marxist analysis.

#### B. Realism and Social Science Method

i. **Introduction.**<sup>1</sup> In the realist view the objects of knowledge are objective and exist regardless of human perception. However, these objects are not immediately apparent as objects without conscious (that is, theoretical) penetration

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<sup>1</sup> Refer to the discussions of empiricism and deduction in Chapter Four.

of their phenomenal forms.<sup>2</sup> As Edgley concludes, the concepts of scientific realism

are thus neither reducible to observation concepts, as for empiricism, nor are they subjective constructions imposed upon reality by theorists, as for idealism (deductivism).<sup>3</sup>

Instead, scientific realism attempts to describe, "more or less accurately, unobservable features of (material) reality."<sup>4</sup> Given that knowledge is not simply observable, the method by which the realist understanding of knowledge is obtained is crucial.

ii. **Method.** According to Derek Sayer, the realist method is characterised by hypothesis formulation. Realist social scientists "posit mechanisms and conditions which would, if they existed, respectively explain how and why the phenomena we observe come to assume the forms they do."<sup>5</sup> The problem that prevents a valid empirical method - the phenomenal forms in which determinant mechanisms are obscured - is now understood to be the starting point for its own explanation. Sayer draws on Hanson's model of retrodution to explain the Marxist realist method of investigation. In Hanson's schema, the acquisition of knowledge begins with the observation of phenomenon (P). The next step is to suggest a hypothesis (H) that would explain this phenomenon (P), if the hypothesis was true. The apparent coterminousness of P and H is taken as sufficient reason to elaborate H. As Sayer notes, it is

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<sup>2</sup> Phenomenal forms are also discussed in Chapter Four.

<sup>3</sup> Roy Edgley, "Philosophy," in A Dictionary of Marxist Thought, ed. Tom Bottomore (Oxford: Blackwell, 1985), 368.

<sup>4</sup> Ibid.

<sup>5</sup> Derek Sayer, Marx's Method, 114.



unknown whether H is true, but "H, if true, would explain P1, P2, P3." This possibility "is taken as reason to think that H (or something like it) might be true, and hence as sufficient grounds for elaborating a hypothesis of H's type."<sup>6</sup> In this method the relationship between P and H is neither empiricist nor deductive. H in no way represents a generalisation of the empirical regularity of P. Nor can H be deduced, because in Marxist analysis there are no transhistorical 'covering laws' from which essential relations underlying particular forms can straightforwardly be inferred.<sup>7</sup>

iii. Testing. Testing this method involves special problems. Clearly empirical tests cannot be conclusive, as "once unobservables are postulated no empirical evidence could be." But, as Sayer suggests, Marx's own work "involved constant testing against the phenomena" he was isolating in the empirical world.<sup>8</sup> Sayer has elaborated Marx's method into a model for realist testing. For Sayer, testing unobservables is not a problem in principle:

It could only be ruled out on the a priori metaphysical ground, itself above empirical demonstration, that the real is all and only that which can be humanly perceived.<sup>9</sup>

But how do we know H is not a capricious creation? We cannot test such an H with empirical methods, as unobservables simply do not provide direct empirical evidence of

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<sup>6</sup> Derek Sayer, Marx's Method, 116.

<sup>7</sup> *Ibid.*, 114.

<sup>8</sup> *Ibid.*, 138.

<sup>9</sup> *Ibid.*, 136-137.

their existence. Accordingly, testing must take a circuitous route.

The route Sayer proposes is the test of comparison. He distinguishes two types of propositions in Marx's explanatory system: (invisible) mechanisms that cause the forms we experience to assume their particular shape; and (visible) conditions, which explain the operation of these mechanisms in the first place. Ultimately the conditions must explain the dimensions of the forms.<sup>10</sup> Testing can occur because both conditions and forms are visible. As Sayer describes the test

were we to encounter the forms without the relations or vice versa in other empirical contexts, our theory would become suspect...conversely, the covariant presence or absence of these forms and relations in all other contexts investigated could reasonably be taken as independently supporting our claims about mechanisms, since it is only the latter which explain why the two should invariably be coupled.<sup>11</sup>

This model can usefully be applied to relative autonomy.

### C. Relative Autonomy Reconsidered

As suggested in the critique conducted in Chapter Four, relative autonomy is not so much an explanatory concept as a descriptive one. Although little more than an 'escape clause' for instrumental and empirical approaches to the state, relative autonomy's failings as an explanatory concept may signal its strength in another sense.

As discussed above, a realist understanding of social life draws a distinction between the visible and the invisible levels of the world. The explanatory or causal

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<sup>10</sup> An example of this schema is the wage-form ('wage slavery'). In terms of Sayer's model, the mechanism is surplus-value extraction and the conditions are the division of labour.

<sup>11</sup> Ibid., 137.

mechanisms producing phenomenal forms are understood to be unobservable. They cannot be measured or tested empirically. However, by utilising the realist method, these unobservable causal mechanisms can be postulated on the basis of observable phenomenal forms via a process of retroduction. In this method, the investigator can hypothesise what would explain the pattern of observables, conditional on this hypothesis being true. Relative autonomy can be utilised within this method as a particular pattern of observable relations (conditions) in the relationship between the state and the mode of production. In this model, relative autonomy is redefined from its implicit theoretical status within relative autonomy theory as an essential relation or mechanism to a necessary condition of the form of state:

Table 8

Relative Autonomy as an Empirical Condition

VISIBLE LEVEL

RELATIVE AUTONOMY	FORM OF STATE
(EMPIRICAL CONDITION)	(EMPIRICAL FORM)

↓ ↓ ↓

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↑ ↑ ↑

CAPITALIST MODE OF PRODUCTION/OTHER MECHANISMS

(MECHANISM)

INVISIBLE LEVEL

SOURCE: After Sayer, Marx's Method, 136-137.<sup>12</sup>

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<sup>12</sup> In Table 8 relative autonomy is understood as an empirical condition (on the visible level) conditioning the relationship between the mechanism/s and state form. While (continued...)

In Table 8 the CMP is the mechanism that causes forms of state to assume their shape. The conditions (relative autonomy) operate in the concrete to modify the mechanism so that reproduction of the mechanism may occur despite the circumstances of the concrete situation. This modification takes place within limits set by the mechanism or essential relations. The conditions, such as relative autonomy, are therefore only relatively free of the constraints established by mechanisms.

The reconsideration of relative autonomy as a condition of empirical state forms allows for relative autonomy's testing. If state forms that did not match the conditions of relative autonomy previously encountered became evident, the broad model established in Table 8 would be suspect. On the other hand, the covariant presence or absence of these forms and conditions would support the theoretical claims about the existence and functional limits of the CMP/other mechanisms, since it is only the existence of the mechanism that explains the linkage of state forms with the relative autonomy condition.<sup>13</sup> In this manner, relative autonomy is conceived as an empirical concept, avoiding the demonstrated incoherence of relative autonomy as an explanatory category. This reconstruction acknowledges both the utility and the limitations of the relative autonomy approach to the capitalist state. However, this is necessarily but a broad brush model and will require considerable further work to operationalise.

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<sup>12</sup>(...continued)

mechanisms give rise most directly to state form, the empirical situation in which the mechanism/s exist limits (conditions) the mechanism/s so that state forms correspond to the empirical situation in which they exist (such as the New Zealand social formation). Accordingly, relative autonomy must be operationalised as the framework of the concrete conditions placing limits on how the mechanism/s determine/s state forms.

<sup>13</sup> Derek Sayer, Marx's Method, 137.

#### IV. The Significance of the Critique of Relative Autonomy

##### A. Introduction

This section examines the significance and implications of these results of the critique of relative autonomy from two perspectives: Marxist analysis and progressive social change.

##### B. Lessons for Marxist Analysis

This thesis makes three major analytic points about the contemporary relative autonomy theory of the state within Marxist analysis. First, the critique conducted in Chapter Four indicates that relative autonomy is a descriptive or observational concept and not an analytic category as Marxist theorists had previously implicitly believed. In other words, it was found that in its current form relative autonomy does not have the potential to explain the empirical forms of the state. Instead, relative autonomy categorises the observation of state forms.

The second analytic lesson is that much of the Marxist theoretical debate about the nature of the capitalist state has been undertaken under the false assumption that relative autonomy indeed constitutes a causal or explanatory category. The result was impoverishment of the Marxist concepts of the capitalist state such that Marxist state theory and political economy became indistinct from the ideological understandings of the world which Marxists have always claimed to falsify.

The final comment on the preceding investigation concerns the potential for reintegration of relative autonomy within a realist social science framework. Although relative autonomy is incoherent as an explanatory concept in its current conceptual form, it is argued that relative autonomy could be usefully reconceived by Marxist political economists as an observation statement. In this view the Marxist understanding of the capitalist state could be furthered by acknowledg-

ing the empirical status of relative autonomy. Instead of attempting to use relative autonomy incorrectly by imputing explanatory power to it, it would be more profitable in terms of furthering research into the capitalist state, if relative autonomy were to be put in its place as part of the arsenal of scientific tools with which the Marxist social scientist investigates the capitalist state. Rather than containing the seeds of its own explanation, relative autonomy should now be understood to be only a categorisation of the forms of the capitalist state. These forms remain to be explained by theory. It remains the task of further work to specify exactly how relative autonomy should be codified as a necessary empirical condition in the relationship between real mechanisms (such as the CMP) and the empirical form of the state.

### C. Lessons for Progressive Social Change

The critique of relative autonomy undertaken within this work also has implications for the key question facing contemporary socialists: how far can the state be transformed into an instrument of the subordinate classes?

The relative autonomy framework has been an obstacle to the programme of modern socialist movements. The dominant empirical conception of relative autonomy has reified the autonomy of the state by identifying the state as a particular feature (or in structuralist terms, as a separate level) distinct from civil society. This process of reification is implicit in the generalisation of phenomenal forms at the heart of the empirical approach to social science. Translated into the Marxist study of the capitalist state, this method implies the analysis of the state in the state's own terms, that is, focusing upon the state-in-isolation, outside the Marxist framework of the integrated social formation. This analytic focus has in turn set the agenda for the agents of progressive social change within a narrow focus upon state institutions. Other, possibly more product-

ive foci have been excluded as a result of the state-centric approach fostered by empiricist conceptions of relative autonomy.

In addition to this problem, the empirical framework within which relative autonomy has been conceived may have led socialists to place unwarranted faith in the ability of the state to retain autonomy despite change in the conditions of capital accumulation. Continued faith in the state's relative autonomy has been significant to the maintenance of the reformist political strategy.

Reformism has always argued that the socialist transformation of capitalist society can be achieved by constitutional means within the current political structures of bourgeois society. As David Coates has noted, reformists have

looked first to win the battle for majority control of the democratic state, then to use their position as the democratically elected government to superintend a peaceful and legal transition to socialism.<sup>14</sup>

It is this belief in the potential for incremental change within the framework of a supposedly neutral parliamentary state that constitutes the "defining belief of the reformist route to socialism."<sup>15</sup> Relative autonomy reinforces this state-centric reformist political strategy by defining the state as the appropriate focus for progressive political activity within the CMP.

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<sup>14</sup> David Coates, "Reformism," in A Dictionary of Marxist Thought ed. Tom Bottomore (Oxford: Blackwell, 1985), 410.

<sup>15</sup> However, reformist political practice has not proven itself to be a successful route to socialism. There seems an inexorable propensity for reformist parties to slide from a commitment to socialism towards the less arduous pursuit of social reforms and electoral success within capitalism. Far from providing an effective route to socialism, reformist parties have more normally been the political mechanism through which the working class has been incorporated into a subordinate position within a strengthened bourgeois state. The New Zealand Labour Party is an example of this tendency. Ibid.

## V. Thesis: Summary and Conclusions

i. **Introduction.** This final section synthesises the arguments presented in this work after briefly restating the problem under investigation. It also suggests the future avenues for research into the problem.

ii. **The Problem Posed.** A persistent theme in post-war Western Marxist social science has been the attempt to adequately theorise the state's relationship to the capitalist mode of production. This debate arose out of the development of the interventionist state in these formations. This growth in the relative size of the state presented an explanatory problem for the dominant instrumental paradigm within Marxist theory. No longer did the state appear to act simply as a tool of the CMP. Although divided internally by differences of method, a Marxist theoretical account of the state did emerge out of these discussions. This perspective stressed the independence, or relative autonomy of the state from the immediate or short-run interests of the CMP.

However, recent concrete developments in New Zealand have called the relative autonomy account of relations between the state and the mode of production into question. The state no longer appears to retain even its image of independence. Indeed, the actions of the contemporary New Zealand state appear as those of an object, acting at the behest of an external determinant mechanism.

This alleged change in the interventionary scope of the state, and the apparent development of a community of interest between business and the state is problematic for relative autonomy theorists. As noted above, relative autonomy models were developed to explain the growth of social welfare and concomitant growth in state budgets. The state and the CMP were theorised on one level as opponents. Consequently, the 'active state' led theorists to delineate boundaries between the so-called 'economic' and the 'political', where these were understood to be separate instances



of the social formation, each with a distinct agenda. This distinction is fundamental to positing the relative autonomy of the state from non-state instances. Without this distinction the state is merely another feature of the social formation. However, the instrumental-like state behaviour of the 1980s challenges this distinction. No longer does the state instance appear to be distinct (and therefore capable of being relatively autonomous) from the non-state.

**iii. Method of Analysis.** To investigate the validity of relative autonomy theory three disparate relative autonomy theorists were examined, initially theoretically, and then in light of the experiences of state intervention in the New Zealand social formation. The theoretical task was concerned with identifying and teasing out the explanatory potential in the theories examined. With this achieved the task became one of empirical validation. Did the concrete world contain the relationships posited by the theories?

Ralph Miliband's more empirical analysis began the discussion. This account, which stresses the functional necessity of state autonomy for capitalist reproduction reflects Miliband's increasing awareness of the anomalies left unexplained by the instrumental paradigm.

Claus Offe produces his analysis of the state in a systems-theoretical framework. He is concerned with the internal structures of the state and the effect of relative autonomy on these dynamics. His concern is with the contradictory roles established for state institutions by the reproductive role ascribed to the state by relative autonomy. Therefore, rather than a 'functional' feature of capitalist reproduction, relative autonomy is understood by Offe as a relationship with contradictory effects.

This dialectical view of relative autonomy is absent from the work of the Marxist structuralist, Nicos Poulantzas. In Poulantzas' view, autonomy is neither functional nor a contradictory feature of system interaction. Instead, relative autonomy is the 'invariant framework' through which

the cohesive element or 'nodal point' in the structure - the political level or state - comes to assert or 'over-determine' the character of the social relations of production in the economic structure, the level that otherwise determines 'in-the-last-instance'.

With these analyses of the respective relative autonomy accounts completed the investigation of the explanatory power of relative autonomy shifted into its empirical phase. Here the question was: does the phenomenal world provide evidence to corroborate the existence of any or all of these postulates? Considerations of feasibility limited the empirical study to one aspect of state transformation. New Zealand pastoral agriculture was selected as it had been subject to state intervention in both the 1984-1987 period and for some years previously.

**iv. Results.** The empirical critique of relative autonomy was developed in Chapter Four. Given the nature of the empirical forms detailed in Chapter Three, the question in this chapter was whether valid explanations of these forms could be constructed within the respective formulations of relative autonomy. While none of the accounts of state transformation successfully explained the change in state form between Time 1 and Time 2, this explanatory inadequacy did not arise on the same basis in each case.

In the explanation of the transformation in state forms deduced from Miliband's account of relative autonomy, relative autonomy initially seemed sufficient for understanding state transformation between Time 1 and Time 2. However, closer examination showed this not to be the case. The account of state transformation deduced from Miliband isolated two forms of relative autonomy. In the case of the first form - which constitutes Miliband's recognition of the impact of non-capitalist pressures on the state - empirical referents were used to show the inapplicability of this relation to Time 1 and thence to Time 2. Having falsified Miliband's first formulation, an explanation for the shift in

state form between Time 1 and Time 2 had to focus on shifts within the second capital-functional form of relative autonomy. However, Miliband's specification of the limits within this form of relative autonomy was not presented systematically. Instead, Miliband attributed the parameters of state intervention to the political socialisation of state decision-makers. In a sense this account could allow for the explanation of change in the form of the state between Time 1 and Time 2. But explanation was possible only if socialisation could be substituted for relative autonomy as an explanatory mechanism. However, socialisation is not entailed or prescribed by relative autonomy. Instead, in Miliband's formulation relative autonomy exists as a result of the socialisation variable. Relative autonomy's determination by socialisation indicates that relative autonomy is not so much an explanatory as a descriptive understanding of state form. Rather than constitute the location of behavioural constraints on the state, Miliband's relative autonomy merely describes the effect of constraints from other sources.

Poulantzas' structural model of relative autonomy did not explain the empirical either. Poulantzas' structural concerns are with the capitalist type of state. His brief is therefore with continuity rather than with transformation of the form of state within the capitalist type. This places insufficient emphasis upon the significance of the historical development of the capitalist state by asserting that new forms of the capitalist state can be reduced to the same essential type. Accordingly, Poulantzas' account cannot explain the very significant changes in the relationship between the state and the CMP since the rise of the welfare state. It was concluded that Poulantzas' inability to explain state transformation was inherent in the structuralist approach to political analysis. The combination of a structural world view and a deductive method excludes the analysis of the empirical and historical character of state action.

Offe's analysis is least affected by the empiricist understanding of relative autonomy. Rather than defining forms of state behaviour in relation to a class, Offe elevates the analysis to the more abstract level of system dynamics. At this level positive subordination (relative autonomy) is defined in relation to exchange and not to groups of people.

Although Offe understands relative autonomy as a pressure upon state action he has no more success than Miliband or Poulantzas in providing a relative autonomy model that explains state transformation in Time 2. Following the logic of Offe's model of exchange recommodification indicated that Time 2 was to be characterised by Offe's negative form of subordination. Negative subordination consists of the 'genetic' control of exchange over the flanking sub-systems (politics and norms). But genetic control (which is analogous to material determination) is inimical to the notion of autonomy inherent in relative autonomy. Given this contradiction, the explanation of the transformation in state form between Time 1 and Time 2 derived from Offe cannot validate relative autonomy as an explanatory mechanism. The source of this inability to describe Time 2 in terms of relative autonomy is the categorisation of Offe's relations of subordination. Rather than establishing a scale of autonomy (or subordination), Offe adopts only two categories for these relations. State behaviour is either negatively or positively subordinating. As a consequence, relative autonomy cannot be used so much as a framework by Offe, that is, as a range of possible state behaviours within certain limits, but as a label (of two types) to be affixed to these behaviours in order to categorise them. This characterisation applies equally well to Miliband's discussions of functional and non-functional autonomy.

Despite Offe's failure to explain recommodification in terms of relative autonomy, the analysis which underpins Offe's discussion is the most promising of the relative autonomy approaches analysed here. The strength of Offe's

analysis lies in the recognition of the contradictory effects of relative autonomy upon the state. Relative autonomy fits neatly into Miliband's and Poulantzas' theories: no discussion of the contradictions established by the relative autonomy relation is presented. But Offe shows that positive subordination has an inherent tendency to expand its scope, given the form/content contradiction implicit in the capitalist state. As expansion in state role occurs, the exchange sub-system is put under stress as exchange-value is increasingly transformed into use-value. This tends to throw the state into fiscal crisis, triggering a renaissance in negative subordination as the state changes policy so as to place limits on the budgetary effects of relative autonomy.

**v. Implications of Results.** This thesis makes three major analytic points about the contemporary relative autonomy theory of the state within Marxist analysis. First, the critique conducted in Chapter Four indicates that relative autonomy is a descriptive or observational concept and not an analytic category or a real mechanism, as Marxist theorists had implicitly believed previously. In other words, relative autonomy does not have the potential to explain state form theoretically. Instead, relative autonomy categorises the observation of state forms.

The second analytic lesson learnt from this study is that much of the Marxist theoretical debate about the nature of the capitalist state has been undertaken under the false assumption that relative autonomy indeed constitutes a causal or explanatory category. The result was the impoverishment of Marxist concepts of the capitalist state to the extent that Marxist state theory and political economy became indistinct from the ideological understandings of the state which Marxists have always claimed to disprove.

The final lesson concerned the potential for reintegration of relative autonomy within realist social science of the state and society. Although relative autonomy is incoherent as an explanatory concept in its current form, it

could be usefully reconceived by Marxist political economists as an observation statement. Instead of using relative autonomy incorrectly by imputing explanatory power to it, it would be more profitable in terms of furthering research into the capitalist state if relative autonomy were put in its place as part of the arsenal of scientific tools with which the Marxist social scientist approaches the capitalist state.

The critique of relative autonomy undertaken within this work also has implications for the key question facing contemporary socialists: how far can the state be transformed into an instrument of the subordinate classes? In this respect the relative autonomy framework has been an obstacle to the progressive programme of contemporary socialist movements. The dominant empirical conception of relative autonomy has reified the autonomy of the state by identifying the state as a particular feature (or in structuralist terms, as a separate level) distinct from civil society. Reification is implicit in the process of phenomenal form generalisation that constitutes the heart of the empirical approach to social science. Translated into the Marxist study of the capitalist state, this method implies the analysis of the state in its own terms, that is, outside a Marxist approach to the integrated social formation. This analytic focus has in turn set the agenda for progressive social change within a narrow state-centric focus.

The empirical framework within which relative autonomy has been conceived has led socialists to place an inordinate faith in the ability of the state to retain autonomy despite the fiscal crisis of Western capitalist states that has been endemic during the 1980s. In this manner relative autonomy has been significant to the maintenance of reformist political strategies. Relative autonomy reinforced the state-centric reformist political strategy by identifying the state as the target for progressive political activity.

**vi. Scope for Further Research.** This analysis of the explanatory capacity of relative autonomy theory establishes

a clear path for the future theoretical development of the Marxist analysis of the capitalist state. It has been shown that the inherent empirical character of relative autonomy is best exploited rather than subsumed in the garb of an explanatory conception. Relative autonomy is not an explanation but the starting point for the construction of a realist explanation of the state. However, the suggested reconception of relative autonomy as a necessary condition between the CMP and state forms is a tentative model at best. In order for this reconsideration of relative autonomy to be empirically useful it will be necessary to go through a process of operationalisation. This process should specify the important conditions in the relationship between the CMP and the state. The aim of this project should be the development of shared meaning amongst Marxists. The hope is that the confusion and empiricism inherent in the relative autonomy conceptions critiqued here can be put aside, and that a robust state theory can attain hegemony within the Marxist tradition. If Marxists can achieve a unified understanding of the capitalist state, the hope that Marxist analysis could establish for itself a worthwhile critical position will be a step closer to achievement.

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