

THE CAPITALIST STATE: GENERAL INTEREST vs SPECIAL INTERESTS.

The two main functions of the capitalist class are to subjugate the working class as the essential condition for the reproduction of the capitalist system and secondly to mediate in the affairs of the capitalist class itself. It is to the latter that we turn our attention. It is often stated that the state does not represent the interest of the capitalist class as a whole but only big capital sometimes referred to as monopoly capital or in its current setting, international monopoly capitalism – the multinationals and the international banks. While this last observation does have merit, the purpose of this article is to examine the state concretely, as currently shaped by neo-liberalism.

The general interest of the capitalist class.

In *Das Kapital*, Marx described how the state has no option but to represent the general interest of the capitalist class in order to maintain its unity and to reduce conflicts which would weaken it in the face of the working class or which the working class can take advantage of. To demonstrate how the state mediates, he cites the example of a polluted river. The upstream companies have the advantage of clean water. To reduce their costs, they simply dump their effluent in the river to wash downstream. Companies further down the river also need water but in their case, it is contaminated by this effluent. In order to make it usable they have to bear the cost of cleaning it.

The downstream firms are disadvantaged by the dirty water and they suffer a loss of profit because of it. The state cannot represent this or that group of firms favouring one against the other. It legislates that water entering the river must be of a certain quality. But, complains the upstream firms, "I bear this cost while downstream may not have to". The resolution of this conflict of interests over time is the emergence of the municipal provision of water where the local state undertakes the provision of clean water with the costs borne by tax levied on all the companies.

In this way, the functions of the state begin to expand beyond the provision of armies, police forces and jails. It begins to provide sanitation, education, health care and housing at least in Europe. Libertarians mistakenly assume that this is the emergence of a socialist state. Nothing could be further from the truth. As we shall see when we turn to the epoch of neo-liberalism, state provision of health, education and housing serves to reduce the value of labour power.

To fully understand how, something which mediocrities like the Margaret Thatcher's and Ronald Reagan's of this world could not, we need to investigate the three forms of labour found under capitalism. Marx divided them into productive, unproductive and domestic labour. An opening example will define the social contours of each form of labour.

Mrs Smith works for McDonalds making hamburgers. McDonalds rents a space, say in a mall and equips it, buys in raw materials and hires workers like Mrs Smith to make hamburgers. Once made, these hamburgers are sold for cash. So, from the point of view of McDonalds, they pay out cash to buy the factors of production after which they receive back cash when the resulting product is sold. Not only this, but because McDonald does not pay its workers for all their labour, they receive back more money than they pay out. This surplus money represents McDonalds profit which is why Marx designated Mrs Smith as a productive worker. She is productive only because she produces profits. A productive worker is a worker productive of value and of profits which together constitutes the economic output of a nation and its wealth.

Marx represented the reflux of money going out then coming in as follows: $M.C...P...C^+.M^+$ This is the capitalist socialist relation and it is as important as $E=MC^2$ which describes the physical relation

between energy and matter. The first (M) is the money the capitalist pays out to buy the factors of production as commodities (C). The additional dots around (P) represents the time taken to produce the new commodities. After this production period, there are new sellable commodities (M⁺) which are converted once more back into cash (C⁺). The + represents the surplus or additional money received.

We now examine how this changes when Mrs Smith changes jobs becoming an unproductive worker in the process. Mrs Smith leaves McDonalds to work in a hospital kitchen preparing food for patients. She continues to make hamburgers just as she did at McDonalds. She works just as hard as before using the same techniques and with similar equipment, but her labour has ceased to be productive. Why? The reason is that her hamburgers are no longer sold, converted into cash. Instead the patients eat her hamburgers without buying them and therefore paying for them.

This new social relation Mr Smith has entered into can be described thus: M.C...P... We notice there is a missing piece, the end bit C⁺.M⁺. That is because Mrs Smith does not produce her burgers as a commodity to be sold, hence turned back into cash. Instead the hospital buys in the factors of production, puts them to work and the products of this labour are then directly consumed by the patients and staff. Marx called this form of labour unproductive because it was production for use not exchange. And because it was not produced for exchange no new money could come back in, meaning no surplus money and therefore profits.

Finally, after a weary day at work Mrs Smith goes home to prepare dinner for the family as is expected of her. This being Wednesday night it is hamburgers as usual. Mrs Smith's kitchen is more basic but essentially the labour she is performing is not dissimilar to the productive labour in McDonalds or the unproductive labour in the hospital. But the social aspect of this labour is dissimilar for Mrs Smith is now performing domestic labour. In this case, there is no purchase and no sale. No money goes out to hire Mrs Smith and no money comes in from any sale. This is completely private labour performed in the home which is described as: .P. There is only production. There is no M.C. on one side and no M⁺C⁺ on the other. This unpaid (free) labour is a huge subsidy to the capitalist class, as it is typically worth 30-40% of GDP with women providing three quarters of it. (United Nations Development Programme).

In conclusion, it is worth summarising the three forms of labour:

Productive	M.C...P...C ⁺ .M ⁺	(two exchange, a purchase followed by a sale.)
Unproductive	M.C...P...	(one exchange)
Domestic	..P..	(no exchanges)

Capitalist production is production for exchange, for it is only through exchange (when it is converted into money), that the labour of the individual becomes part of the labour of society. It is the case that unproductive workers can produce surplus labour. What they cannot do is produce unpaid labour because in the absence of the second exchange their labour is not converted into cash. Hence whereas domestic labour is completely unpaid, productive labour is only partially paid. It is the unpaid component of unproductive labour which cheapens the services it provides. What it has in common with domestic labour is that it acts as a subsidy to profits by reducing the value of labour power.

For example free education reduces the price of labour power because the wage does not have to include a component for the payment of education. It may be argued that what concerns the capitalist employer is not only wages but wages and taxes, for free education is paid out of tax. This is true, however, because the state provides cheaper education the taxes required is less than the amount by

which wages would have to rise if workers were to pay for education as a commodity, that is at a price where all the labour of the educators is paid for, part of which forms the profit of Schooling PLC.

Neo-liberalism and its relocation of labour from unproductive to productive.

The instinct of capitalists is to convert production for use over to exchange. They seek to turn everything into a commodity which is why every corner of personal life is ransacked in the search for sellable use values. Neo-liberalism is that creed. It seeks to reduce the size of the state, particularly where it provides services, so that these services can instead be produced and sold by private providers as commodities. It seeks to create a market for these services by turning them into commodities.

However, in this greedy rush to privatise services, the neo-liberals have undermined the general interest of the capitalist class. Margaret Thatcher did not understand the purpose of unproductive labour. All she saw was tax money going out and no profits coming in. She introduced legislation forcing hospital and other government entities to privatise food, cleaning, security administration and other services. The result was the emergence of world size private companies like Compass Group and G4s.

However, there is a downside. The state can provide these services cheaper than can private companies because they do not need to make a profit. Of course, the neo-liberal tax dodging media portrays the opposite to be true: "nothing is more efficient than private enterprise because its purpose is to make a profit". However, to add a profit margin, these companies had to do three things; first drive down wages, secondly compromise quality and finally, once they had secured the contracts (with state facilities now closed or taken over) to raise their prices.

Workers and patients suffered. This was most acute with the tendering out of food production in hospitals. If one accepts the instruction from the first modern doctor, Hippocrates, that food should be medicine, then the quality and vitality of hospital food is essential. However, the industrial processing of food in centralised kitchens, then transporting it to hospital, then reheating it primarily by microwaving it, robs food of its quality as food and whatever savings are made are more than lost by slower recovery and convalescing rates.

Privatisation has a number of problems other than the impact it has on worker's pay and conditions. Firstly, it also leads to a consciousness which is focused purely on the provision of that service without consideration to future costs or surrounding costs, secondly, it atomises production with the loss of density and thirdly, it leads to monopoly conduct. In sum, it may enrich a minority of individuals but at the price of raising costs to the whole of society.

Each of these three considerations now need to be addressed. We have noted the effect on food production and quality not only in hospitals but in other areas like schools. Michael Moore in his overstated but nonetheless outstanding film, "*Which Country Should We Invade Next*" contrasts the food served to children in French schools and to children in the USA. In France, the food is prepared on site, it is fresh and it is wholesome. In the United States, it is junk food, and guess what, it is more expensive because most of the cost to the school is the profit of the provider. But it does not end there. Junk food costs a lot more by inflaming brains and retarding cognitive responses and this kind of "food" is the primary source of the obesity, diabetic and other epidemics that is overwhelming the US economy.

Another useful area that illustrates this short-sightedness, is the fiasco resulting from privatising the probationary service in the United Kingdom which has increased re-offending rates due to a reduction in the number of probation officers, the substitution of less qualified personnel and the concomitant reduction in supervision and help. Keeping an ex-offender out of jail is much cheaper than keeping them in jail again. Another classic example is one created by Margaret Thatcher herself and that was the initial sacking of bus conductors in London to improve profit margins for the privateers. This led to a fall in the average speed of vehicles in London from 12 mph to 8 mph creating gridlocks and costing the capital many times more than the saved wages of bus conductors.

Secondly, the loss of density also increased costs. When local councils ran a unitary social care regime, that is before they were forced to outsource their services to a myriad of private companies, they could rationally plan their services. Social workers and carers covered specific localities. Today, following privatisation, it is not uncommon for a building which houses a significant number of elderly "clients" to be visited by over four different private providers who scuttle between buildings and pass each other on the stairs. It gets even worse when the elderly are scattered. It is common for one carer returning from town A to town B, to drive passed another carer returning from town B to town A. The result, more time walking or driving, less time with patients or clients.

Nowhere is the additional costs of privatisation more apparent and more damaging than in the NHS itself. The NHS was once considered the most efficient health service in the world. Before 1982 for every £1 of tax spent on the NHS, 95p was spent on actual health care. Only 5p was spent on administration. Since privatisation, especially since the Tony Blair inspired internal market, this has shot up to 21p leaving only 79p to be spent on patient care. (Sources, Professor Leys, The Liberal Democrat Party, HMRC for PFI and 2010 House of Commons Report) This is a huge sum comprising an addition 13p on administration and 3p on PFI costs. This difference of 16p amounts to a loss of £410 million each week, much larger than the £350 million the Brexit camp said was being paid to the EU and which they would divert to the NHS once Britain left the EU. It could be argued that these losses are the main cause the NHS is collapsing, rather than the lack of new funding.

This loss does not only represent the increased cost of privatised services. It also represents the costs of fragmented services, the costs of preparing tenders, additional legal fees, the cost of monitoring compliance, disruption and the impossibility of planning services rationally. In other words, it is the cost of disrupting the NHS. Far from making the NHS more efficient the whole process is bankrupting it. The privateers who benefit from privatising the NHS do not care, what they fear most is the state demonstrating it can provide healthcare more efficiently and more comprehensively than they can and if this means destroying the NHS to cover this truth, then so be it.

The NHS privateers are led by and influenced by US thinking on healthcare. Here the awful absurdity of privatisation is revealed. The US has the worst healthcare system in the world. It is also the most expensive. At twenty percent of GDP, it is double that found in most European countries and even at that price its coverage is limited. The most expensive healthcare system on the planet could be justified if it also delivered the best outcomes. Instead it delivers the worst. In 2014, The Commonwealth Fund analysed the top 11 countries for health care and spend. The NHS came first with a spend of \$3,405 per head of population and the US last with a spend of \$8,508 per head. In fact, the US wastes as much money on the insurance companies that administer its healthcare, as is used to fund the entire NHS or \$3,405 per head.

It is at this point that we are reminded of the general interest of the capitalist class. If the British and US states represented the general interest of the capitalist class it would be the US that is changing to that of the UK, not the UK changing to that of the US. It is simply not in the interest of the US capital

to have such a dysfunctional healthcare system. Firstly, it raises the value of labour power. Health costs paid by employers and employees is an ever-increasing component of wages. Secondly it reduces the competitiveness of US corporations versus other countries and it is one of the major reasons why jobs are being relocated outside the US.

However, in the epoch of neo-liberalism, special interest lobbying has taken over. The health industry including the pharmaceutical industry is one of the largest spenders when it comes to paying for lobbyists and for candidates during elections. It has a corrupting influence at both local and national state levels. The policy of revolving doors, whereby politicians and civil servants move directly between government posts and well paid jobs in industry ensures that favours given are well rewarded.

This has led to a dysfunctional state which favours special interests even when such favouring undermines the whole capitalist class. Nowhere is this truer than in the United States following the loss of the election by that neo-liberal and neo-con Hilary Clinton. Trump has vowed that his first act as president will be to abolish Obamacare which was such a feeble attempt to modify US healthcare. A recent report on this abolition would see the US lose 3 million jobs and output fall by \$500 billion a year. (<http://www.commonwealthfund.org/Publications/Issue-Briefs/2017/Jan/Repealing-Federal-Health-Reform>) If we compare this loss to Trump's infrastructural spending boast, it is twice as big. The difference is that whereas the repeal of Obamacare is a near certainty, the infrastructural boast is not. In addition, the loss of Obamacare would be a personal tragedy impacting over twenty million people who would lose medical cover. And it will be a tragedy for the 3 million workers who will lose their jobs because of this cutback, a cutback equal to one third of all the jobs created in the US since 2010.

The final point is the emergence of monopolies as smaller companies get bigger and fewer. The best example of this is the housing market. In Manhattan in the 1950s 10% of the median wage went on rent compared to 70% today which is why only the rich live there now. Similarly, in the UK, rents were held at bay up to the 1970s by large scale council house building. Rents began to soar only after Thatcher effectively ended council house building. Without the cessation in council house building the boom in house prices would not have happened. In London, over the last twenty years, the ratio of median house prices to median wages has doubled and even tripled in many London boroughs (Table 577 ONS). In the ten years from 1997 to 2007 the ratio rose from 3.54 to 7.23 and in some London Boroughs it is currently above 15.

State provided services were achieved through working class struggle but only conceded because they had economic merit and did not undermine capitalism. They were structured in a manner that reduced the value of labour power by for example reducing housing costs. In Canada today, 43% of take home pay goes on housing costs, while in Britain it is 41% (London) and in the USA between 30 and 40% (cities). As a rule of thumb, and depending on area or country, rents as a percentage of take home pay have doubled and sometimes tripled. In Britain, rents are no longer affordable forcing the state to step in and provide tax credits to workers on lower pay. These tax credits and housing benefits are costing the state much more than would have been the case had the state continued to supply cheap housing.

Since the cessation of council house building in Britain the industry is dominated by just six major housebuilders who provide 75% of all new homes and who monopolise the landbank on which another million (they say half-a-million) homes could be built. These housebuilders act as a monopoly by restricting the construction of new homes to inflate prices and boost their profit margins. This extends to the financial sphere where lenders also benefit from rising prices which secures their mortgages.

Unfortunately, systemic house price rises has also corrupted the consciousness of home owners who would be opposed to the mass production of homes which would deflate the price of their homes making them feel poorer.

The housebuilding figures speak for themselves. In the 1930s, during the Great Depression, when the population was only 45 million, the country managed to build over 300,000 homes per annum peaking at 350,000 in 1936. Today with a population of 65 million only 168,210 are being built (Table 211 ONS). Worse, the homes that are being built currently are only 52% as big as the homes then. In other words, the square footage per head of population being constructed today is less than 20% compared to the 1930s, or viewed from the other side, over 5 times the square footage was being built in the 1930s than today. In terms of council housing, in the 1950s and 1960s an average 156,000 new council homes were being built which is almost the same as the total number of houses being built today, most of which is private for sale. (*Barnes, William John "The Future of Council Housing". Journal of Social Policy. 20 January 2009.*) The same applies to the USA, where house building has fallen nearly 60% since the mid-1970s from nearly 2.5 million to just over a million today. At the same time the population has increased by 50% (*Housing Starts: Total: New Privately Owned Housing Units Started - FRED*). Nowhere else is the failure of neo-liberalism most starkly and irrevocably demonstrated than by the collapse in house building.

The result of the rise in housing costs is a reduction in the standard of living of workers, who after these costs are deducted have far less to spend on the rest of the items which makes up their standard of living basket. In the U.S.A today, more is spent on housing and healthcare than is spent on manufactured goods, that is all the cars, clothes, furniture, household appliances, food, electronics and so on and so on that enters into workers' consumption. Furthermore, the deterioration in housing conditions has meant a reduction in the health of the nation adding to costs in areas like health spending. The pre-neo-liberal state appreciated the need to provide adequate housing, to not only made people happier, but to reduce other economic costs. Today the shocking rise in health issues especially mental health issues is partly due to the crisis in housing.

Conclusion.

The crisis of profitability which led to the international economic recession in 1973 forced the developed capitalist economies of the world to restructure their economies and address the balance of class forces. In the recession of 1980, with the balance of class forces already tilting in favour of the capitalist class, whole industries were closed down and capital exported. This implied a reduction in the capital base of these countries which limited investment opportunities. To expand these investment opportunities Reagan and Thatcher set out to privatise state services. Hence it is wrong to merely see neo-liberalism as a pure ideology, it was also driven by the dearth of investment outlets following the ransacking of industry during the 1980 recession.

The problem with neo-liberalism, addressed purely from the general interest of the capitalist class, is that it went too far. The first wave of privatisations - telecoms and energy – served the general interest of the capitalist class. The later privatisations which included social care, health care, justice and housing did not. It drove the value of labour power above the price of labour power (actual wages) now held down by international competition. In turn this led to a fall in the standards of living of whole sections of the working class. Whenever the value of labour power rises above the price of labour power it makes life harder for workers and this in the end becomes the source of their political discontent.

The greed of the neo-liberals which drove them to commercialise the very foundations of capitalism, which led them to de-regulate the corporations, which allowed the corporations and their rich owners to dodge taxation, has ruined society. It has not only caused economic blight, but a health blight such that average life spans are beginning to go into reverse. By playing to special interests the neo-liberals have disorganised society making life more precarious and forcing society to cry out "*enough*". Marx stated that workers in the end will be the grave diggers of capitalism. The neo-liberals, with their short sightedness have fashioned a spade for the working class.

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