

## The Socio-Political Enigma: The State

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### Abstract

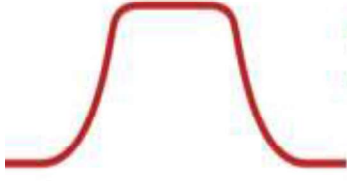
The state is a multifaceted administrative-political organization that has various functions in different economic systems. Therefore, a simple definition for the state cannot be given in the face of its different role in different economic systems as well as the polymorphic nature it displays to fulfill its capital accumulation function in capitalism. Confined to its role in the capitalist system, two main functions of the state can be discerned: contribution to capital accumulation and legitimization of the system. That the state needs tax revenue to perform its duties makes it necessary for the state to favor capital to foster economic activity. However, the process of capital accumulation gives rise to “public nuisance” and social harm to some groups in the society. To have a peaceful society and secure a social and political system, the second function of the state takes over the job of putting some measures in effect to legitimize the system. Thus, the state is burdened by two opposing and mutually exclusive public functions that are badly needed in capitalism to have a relatively healthy society. Therefore, the state appears as if it is an enigma in terms of its various functions in different systems and polymorphic nature, especially in capitalism.

**Keywords:** The State, Capital Accumulation, Legitimization of the System, Polymorphic Nature of the State, Economic Crisis, Social Welfare Policies

**JEL Codes:** H11,H41,H53,D60,D70.

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## Sosyal-Politik Muamma: Devlet

### Özet

Devlet, farklı ekonomik sistemlerde çeşitli işlevlerle yükümlü çok görünümlü bir siyasi-yönetimsel örgüttür. Bu nedenle, farklı sistemlerde farklı rolleri olan, kapitalist sistemde ise sermaye birikimine uygun polimorfik niteliğine sahip devlet için geçerli tek tanım yapılamaz. Kapitalist sistemle sınırlı olarak devlet iki temel işlevle yükümlüdür; sermaye birikimine katkı yapmak ve sistemi meşrulaştırmak. Devlet, kamusal işlevlerini yerine getirebilmek için kamu gelir sistemine ihtiyaç duyduğundan sermayeyi gözetmek ve ekonomiyi işler vaziyette tutmak zorundadır. Ancak sermaye birikimi süreci bazı guruplara “kamusal maliyet” yıkararak zarar oluşturur. Huzurlu bir toplum oluşumu ve politik güvenlik açılarından, sistemin meşrulaştırılması için devletin devreye girmesi ve sistemi meşrulaştırıcı bazı önlemleri alması gündeme gelir. Böylece, görece sağlıklı bir toplum için devlet kapitalizmin şiddetle ihtiyaç duyduğu iki çelişkili ve birbirini dışlayıcı kamusal işlevlerle yükümlü olur. Bundan dolayı devlet, farklı sistemlerde farklı işlevleri ve kapitalizmde de polimorfik niteliği ile bir çeşit sosyal-politik muamma gibidir.

**Anahtar Sözcükler:** Devlet, Sermaye Birikimi, Sistemin Meşrulaştırılması, Devletin Polimorfik Niteliği, Ekonomik Krizler, Sosyal Refah Politikaları

**JEL Kodlar:** H11,H41,H53,D60,D70.

## 1. General Introduction

As an administrative and political organization with a past trajectory of ever changing appearance in terms of both its size and functions, the state tends to have an unpredictable future under both internal and foreign changing economic and political conditions. Therefore, with such high volatility in nature, the state cannot be definitely delimited in size, and neither can it be defined accurately for all cases and under all conditions. Just the reverse, depending on prevalent conditions, one can define the state differently from various perspectives and viewpoints in terms of both economic and political conditions.

However, a correct definition of the state cannot be made for all times and under all conditions because the size and appearance of it vary depending on both the economic system and the level of economic activity. Against such complications, the state can surely be defined in its simplest form as a political and administrative organization responsible for simply securing law and order for the community. The general definition of the core structure of the state is given as a political agent responsible, first, to enact some rules, laws, or decrees as its legislative function, second, to administer such enacted rules and laws as its administrative function, and third, to enforce such laws and rules whenever necessary by using power to make the general public abide by the laws and regulations as its judiciary and repressive function. Thus, as is well known, the three main functions of the state referred to as legislative, administrative, and judiciary functions are generally attributed to its political-administrative functions. But when we shift to the economic side of the picture, another important function of the state comes to the forefront as first contributing to private capital accumulation, and then subsidizing the society to legitimize the system.<sup>2</sup> As to the macro function of the state the basic role is to put the system on a stable path by means of necessary fiscal measures. Thus, two different aspects of the multifaceted state become obvious: one being a purely political and administrative function aimed to achieve a calm and peaceful society, and the other being an economic and fiscal function aimed to steer the economy on a stable path. In this paper, I put the state to the forefront regarding its functions related to economic and fiscal affairs.

## 2. The Trajectory Appearance of the State

It is an important duty to trace the historical trajectory of the state to find out the origin of such organization with tremendous power. In this regard, two philosophers who laid important and path-breaking laws concerning the nature and political origin of the state became important figures. Without going into a detailed analysis of the origin of the state retrospectively, I try to give an historical flavor to the definition of the state by referring to the two important philosophers. One of them is a British philosopher, Thomas Hobbes, who presented the state as the Leviathan, implying that the state owns enormous tools at its command that it can use to make the general public subservient to the Leviathan. According to Hobbes, autocratic rule is unavoidable in order to have a peaceful and democratic society. As is well known, the theory boils down in terms of political functions from Plato, though in Plato's system, slaves had no right to vote, let alone to be elected. The cure that Hobbes proposed was to redress the state by means of rules and regulations to curtail its political domain by the constitution. The second philosopher was Jean Jacques Rousseau, who lived about a century after Hobbes and defined the state as an arbitrator constructing the bridge between the state and the general public by means of a social contract. Both Hobbes and Rousseau who were in favor of social pluralism, developed the idea of "social contract," which is an abstract agreement between the individual and the state, limiting the freedom of the individual in exchange for security (Dunleavy and O'Leary, 1987).

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<sup>2</sup> These two successive functions of the state were put forth by both O'Connor (2009) and Jessop (2016).

Though the two philosophers were from different time periods and different societies, their theories resemble each other regarding security in the sense that danger may come not only from abroad but also from the same society during social interactions and/or economic activities. Hobbes laid down the rule that the state should launch necessary laws and regulations so firm as to prevent individuals from being in conflict with each other for economic or any other social reasons. Thus, the aim of the state was defined as securing a cozy society that necessary for both economic and social reasons. Their ideas were valuable not only for the past but also for the present, though additional functions have been added to the duties of the state as economies have advanced further and problems have become more complex in modern times. The early period when Hobbes and Rousseau developed such theories was recognized as the initial stage of capitalism where the role of the state was simply to eliminate feudalism completely and lay down the rules and administrative organization for capitalism to flourish.

Approaching the state from the historical viewpoint, one perceives the state in its trajectory as a political-administrative organization functioning broadly in the form of two sequential administrative functions responsible for various distinct roles in each period (Jessop, 2016, pp. 21–22). In the initial stage of capitalism, as it is mentioned above, where remnants of feudalism had not been totally eliminated, the state was embodied with rulers (i.e., king, emperor, etc.). A good example of this case is the saying of Louis XIV while he was going to death: *L'Etat, c'est moi*, or “I am the state.” This fact of embodiment of the state in person around the seventeenth century was contrasted in the eighteenth century by the Prussian Emperor Frederic II who separated himself from the state and accepted and carried out his duty not in the form of an embodied state but as the “first servant of the state” by adopting rules and carrying out his public functions according to objectively established system.

It is important to notice the grand structure of the state organization that the state on one side and the ruler or the political leader on the other are two distinct phenomena that were sometimes mixed up during the transitional period in the beginning era of capitalism. It is understandable that it took quite a long period of time to adapt to a new condition of the modern state, referred to as the “polity” at the top level representing the principle, and its political and administrative agents at “politics” and “policy” levels.

In the second phase of historical change of the state during early period of capitalism, the state theoretically became an abstract phenomenon, disembodied from both political administrators and/or the society. In this stage and thereafter, the state has been perceived as an ontological entity (i.e., an artificial person or *persona ficta*), composed of three successive stages, on the top of which is the general political-institutional structure called “polity” and under which are two sub-agents, “politics” and “policy” (Jessop, 2016, p. 21). The polity is the main backbone of the state defined and delimited by the constitution. While polity is the static facade of the state set by the constitution, politics and policies are dynamic segments of the state operated by political agents according to the constitution. The relationship between the state and society is formed as “principle” and “agent.” In this form, the state is the agent acting under the principle society, while politics and policies are the agents acting on behalf of its principle, polity. The complicated relationship between the state and society on the one hand, and the polity and policy on the other is overcome by means of the basic rules set by the constitution. That the constitution is the founding institution of the economic and social system of the society, it defines at the same time the functions of the state in terms of its economic and fiscal functions. In other words, neither the state (i.e., the polity) nor the policy and policies can circumvent the general rules accepted by the society and laid down by the constitution. It is worth mentioning in passing that the constitution is made neither by present political parties nor the established assembly. The duty of writing the constitution falls only on a special assembly called the Constituent Assembly, instituted solely for the purpose of constructing the

constitution. Thus, formally, it is the constitution that shapes the political feature of the society by defining the type of the mode of production and the property right.

### **3. The Capitalist State**

The trajectory appearance of the state changes as the mode of production changes from primitive stages of capitalism to its advanced forms. Due to the changing role of the state in accordance with changing economic conditions, it becomes of primordial importance to select adequate terminology to express alterations in state functions. A change in the economic system implies a radical change in polity and eventually in politics and policy as well, while a change within the system implies a change only in politics and policy, keeping the polity intact. In other words, in the first case, a radical change takes place in the function of the state together with changes in politics and policies, whereas in the second case, there will be no change in the main functions of the state at the polity level—only some minor changes may take place at the politics and policy levels. Therefore, while changes within the system, as in the second case, are labeled “changes” or “transformations,” the radical change taking place in the structure of the state during a system change is called “metamorphoses,” implying a complete change in the structure and function of the state (Jessop, 2006, pp. 42–44). In this context, the polity that is responsible for the main functions of the state is kept constant while subsections may have tremendous changes according to the claims of the capital in order to foster private capital accumulation. This change can be traced clearly both to the time when Keynesian policies were effective and in policies pursued afterward.

As it is well known, while before the Keynesian Revolution took place, small sized balanced budget policies were on the agenda, after the 1929 crisis, it was propagated that deficit financing and big budget size should be effective at politics and policy levels. The aim was to create a required level of aggregate demand in order to increase national income to promote employment. It is understandable that the state with polymorphic nature tries to match ever changing conditions and needs of the capital in such a way to provide as much opportunity as possible to capital according to the present conditions. For instance, policies of public or private production of some services like health and education may be pursued depending on market conditions and claims of capital. In either case, the aim of the polity is to contribute to private capital accumulation and make the necessary arrangements at politics and policy levels, accordingly. Therefore, while shifting from the Classical era to the Keynesian era, there was no need to make any change at the polity level of the state because there was no change in the mode of production, but some minor arrangements were made according to the change of production relations and claims of capital. Thus, such a process is not a metamorphosis at the polity level, but simply transformation or changes realized at the policy and politics levels. It is obvious that neither the shift from the Classical period to Keynesianism nor the shift from Keynesianism to neoliberalism can be labeled as metamorphoses.

During Keynesian policies, a voluminous state was in charge of producing various social services like health and education through socializing their costs with the aim of supplying qualified human power to industry when huge amount of manpower was needed. Getting rid of the production cost of the main inputs to industry was a huge contribution to the private accumulation at the cost of social burden. Nowadays, when production conditions have changed, and labor-intensive methods have been replaced by technology-intensive methods, the need for live labor has decreased, causing a decrease in exchange value of labor to industry. Under this newly emerging condition in production, according to the business viewpoint, education could be privatized in the face of decreased human capital cost on the one hand and the emergence of a new market opportunity for capital to produce education and make profit on the other. Thus, education has acquired the property of private good that can be privatized and



produced on the private market. In this way, a new but different channel could be opened up to capital: first, because of privatization and relieving the state of some burden there could relatively be a tax cut, and second, privately producing an education service implies an emerging market for capital to make profit. As it is well known, a slogan was developed saying that students are (not) consumers. The same process was operated for health services, too. The same slogan was raised for health services: patients are (not) consumers. In either case, from the capital viewpoint, beneficiaries are considered consumers, but from the beneficiaries viewpoint, they are not consumers. Under such conditions, the main function attached to the polity has not changed—only minor changes have taken place in politics and policies to match the claims of the capital.

To make an in-depth analysis of the real function of the state, the state budget should be put in the forefront. The state performs its main functions through two main channels in the public budget. First, the state spends an enormous amount of money through the budget in the form of public expenditures to produce goods and services known as public goods or public services. Theoretically, such services cannot be provided privately for the simple reason that they cannot be sold at the market because such commodities or services have two very important properties by which they are qualified as public goods/bads. First, consumers are not excludable, which implies that consumers are not in competition with each other in consumption. When a service is produced and supplied to the society, everybody can get the benefit of it without curtailing the benefit to the rest of the consumers. This property makes people avoid the cost of production and behave as free riders. The second property of a public good is non-rivalness in consumption. Following the first rule, in the second rule, it is argued in the same way that individuals are not rivals with each other. Therefore, it cannot be imagined that a private entrepreneur would dare undertake the production of such services. However, such services are valuable to society, and therefore, they must be produced in one way or another. The production of such commodities can be carried out either at the public sector or at the private sector. If a commodity is produced at the public sector, it is said that it is a publicly provided public production. In other words, production has been carried out at the public sector, and financing has come from the general budget. The alternative way of producing the service is a contracting-out system through which production is left to the private sector. However, the firm cannot undertake the cost in production, simply because the commodity cannot be sold at the market. In this case, the state would be responsible for the cost. This model is known as publicly provided (financed) private production.<sup>3</sup>

The nature and properties of public commodities may change as technology evolves. One example of such change may be given by lighthouses used to warn and guide ships to protect them from being wrecked by hitting the shallow areas. While in old times, this service was being undertaken by a light emitting system, the service nowadays can be provided by radio waves, making the service a privately supple commodity in exchange for some payment in the form of a relevant tax. So many public services may lose their public properties as technology evolves and makes services individually consumable commodities—still without banning the consumption of potential consumers. However, it is worth mentioning that the domain of production of a commodity or service, either at the public sector or at the private sector, does not indicate any change in the basic property of the commodity. Therefore, the classification of a commodity as private or public does depend on the method of financing, not on the sector of production. Thus, we arrive at the golden rule that whether a commodity or service is called public depends on the method financing the production cost. This formulation,

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<sup>3</sup> For further details concerning properties of public goods, their production, and provision conditions, see (Musgrave, 1959; Brown and Jackson, 1990).

by making a strict distinction between the public good and the private good, simultaneously delimits the areas as private and public, depending on the method of financing. Therefore, we can have publicly produced public goods as well as privately produced public goods. The difference depends not on the sector of production but on the method of provision. Irrelevant of the area of production if a commodity is provided publicly, that is if costs are covered through the public budget, it is a public good.<sup>4</sup>

In tracing the developmental path of the state, it becomes obvious that as economies develop, the state undergoes enormous changes in terms of the ramification of public services.<sup>5</sup> Though there is not a standard trajectory of public expenditures for all countries and at all times, some main turning points can be traced out. Such a pattern can be caught through changes in public expenditures.<sup>6</sup> To begin with, during early periods of the capitalist development, the role of the state was defined as undertaking large infrastructural investments. This initial period was the beginning of the competitive era in which the role of the state was defined as solely acting as a night watch, responsible only for establishing and securing law and order. During that time, the public sector had acted as the leverage to the private sector. As everything vaporizes, the quiet and smooth capitalist period also began to vaporize too, and the first unfavorable signals appeared as distributional problems arose toward the end of the nineteenth century. Unequitable income distribution put two crucial problems in front of the public decision-makers to be solved. Distributional problems caused social unrest on the one hand, and it also created a tendency to develop economic crisis due to market shortage on the other. The first problem needed to be solved to make people loyal to the system, and the second problem needed to be solved to enlarge the obstructed access for capital accumulation. Thus, in addition to securing law and order, a second role emerged for the state (i.e., securing a more equitable income distribution by means of expenditure and taxation policies). The second phase of the state, a state of redistributive function, was set forth by Adolph Wagner. Wagner's argument was that as the size of the public sector had increased parallel to industrialization, there would be more room for the state to alter income distribution.<sup>7</sup> It should be noticed that some social programs had been implemented long before Wagner. For example, it is reported that public poor relief programs were launched by Christian charity and for the purpose of achieving social rest around the fourteenth century in some European countries. Just to cite some such programs, note the 1601 Poor Law Act in England, Bismarck's Old Age and Disability Insurance Bill of 1889, and the United Kingdom Pension Act of 1908 (Barr, 2004, p. 18).

Wagner's ever increasing public expenditures law<sup>8</sup> was tested by two eminent British professors, Peacock and Wiseman (1967). The Peacock-Wiseman hypothesis runs as such. There are two forces exerting power on public expenditures. On the one side, there are demanders for public services that push public expenditures from the bottom upward. As opposed to this group, there are suppliers of public services who push public expenditures from the top downward. During social and economic stable periods, because opposing forces are in equilibrium, a stable pattern in expenditures appears which is called "plateau." In cases of a social or political unrest or economic upheaval periods, power exerted from the bottom may overcome the opposing power coming from the top, causing a shift in the expenditures and

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<sup>4</sup> This definition should not be mistaken with private-public ownership or the private-public participation method. The definition is also important in discussions concerning global public goods, which is discussed towards the end of the paper.

<sup>5</sup> The change in the size of the state expressed by changes in tax volume and structure is studied by Hinrichs (1966).

<sup>6</sup> The stages of the development of the state as economy develops in broad lines is given by Derivationists, especially by Altvater, Picciotto, and Radice (Barrow, 1993, p. 83).

<sup>7</sup> Wagner had been effective on Bismarck in launching social state policies.

<sup>8</sup> For Wagner's Law, see (Musgrave and Musgrave, 1989, p. 114).

putting it on a higher level. This process is known as the “displacement effect” in public expenditures. Thus, the polymorphic nature of the state is determined by ever changing conditions of capital and the relations of production prevalent at the time.

This classification of public expenditures was first made by Musgrave in his trailblazing book published in 1959.<sup>9</sup> After the 1929 crash and especially during the years following the Second World War, Marxist economists and political thinkers began to evaluate the role of the state during the economic crisis, and much literature in this area was developed in a ramified fashion, which we turn now to.

#### **4. Economic Crisis and the State**

Up to this stage, it has been obvious that first, the economic size of the state is given by the size of the public sector, and administrative size is determined by some decrees and regulatory orders issued by the government. Second, both the size of the state and the magnitude of public expenditures, though they are usually the same, are not stable but in the nature of ever changing depending on present conditions and sometimes contingencies. Third, during economic and social upheavals, what is clear and straightforward is that the unique function of the state in capitalism is to provide a favorable atmosphere for private capital accumulation and at the same time to save the system from any economic and social disturbances by the help of legitimization actions. It is therefore obvious that the nature and functions of the state depend on the system that is defined by the mode of production.

After having made this point clear, we go on with the analysis of the behavior of the state during economic crisis.<sup>10</sup> Among various theories, two distinct paths are of great importance. In the first path, all mainstream ideas on the issue can be summarized as this: the state acts as an autonomous administrative body in a democratic society that is composed of different groups belonging to various income levels, but neither the rich can assert any policy on his behalf nor the poor is totally left alone and/or devastated in the system. On average, they make equal contributions to and get relatively equitable benefits from the state. Surprisingly, some thinkers defended basically mainstream approach while accepting the existence of class society. Their argument was that every individual, regardless of their classes, approached the state with the same feeling of citizenship and benefited almost equally from the state. Two important individuals who supported this view were Alfred Marshall, a British economist, and Thomas Humphrey Marshall, a British sociologist.<sup>11</sup>

Until the 1929 crash and the Second World War, the state issue did not appeal to Marxists to the extent that attracted the attention of classical philosophers like Weber, Veblen, Rousseau, Hegel, Hobbes, etc. The reason that Marxist philosophers had been so ignorant of the core issue of the state was twofold. First, Marx had not constructed a coherent theory of the state, although there are scattered passages about the state in his writings. Second, up to the 1929 crash, no major issue with regard to the major functions of the capitalist system or any other problem, like distributional or stabilizational, had arisen. Therefore, philosophers and economists were indifferent toward the subject of the state, especially in the face of assertions of mainstream economists that the state should be minimum in size and there would be no interference to the functioning of the economy from the state.

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<sup>9</sup> Musgrave's trailblazing study classifies public functions under three sequential headings: allocative function, redistributive function, and stabilization function. See (Musgrave, 1959, Ch. 1).

<sup>10</sup> A good review of state theories is given in (Dunleavy and O'Leary, 1987). Both Barrow (1993) and Clarke (1991) present an exhaustive review of Marxist state theories.

<sup>11</sup> Buğra, 2006, p. 11; Marshall, 1950; Marshall, 1959, Ch. 1.



However, the 1929 crash had changed the calm situation both in economics and political areas and gave rise to two strands of thought that developed almost at the same time. In 1936, Keynes published his famous book *The General Theory of Money, Interest, and Employment*, which opened the access to the social welfare state<sup>12</sup> in most European countries. After two years of the publication of Keynes' book, in 1938, the Walter Lipmann Symposium held its first meeting, presided by Frederic von Hayek and attended by Milton Friedman and many other liberal thinkers (Dardot and Laval, 2009). It was inevitable to launch welfare policies backed by Keynesian theory in effect in European countries in the face of the increasing threat of Communism in capitalist economies. Such economic turmoil triggered parallel fluctuations in Marxists in understanding crises and in setting up appropriate policies to overcome economic fluctuations and crises. At the initial level, Marxist theoreticians set forth some elementary theories for developing prognoses and cures to such turmoils and crises. During such turmoils, Paul Sweezy published his famous book *The Theory of Capitalist Development* in 1942, by which he opened up a period for Marxists who had been latent until then. In his book, Sweezy explained the very nature of class societies and highlighted imperialism as a source of a primary capital accumulation method employed in developed capitalist countries. Sweezy stressed the point that the emergence and existence of developed nations had been at the cost of backward nations. This approach to international economic problems was just the opposite of the view that was developed then by distinguished academicians financed by the World Bank scholarship program.<sup>13</sup> Sweezy's view had been the ignition for Marxist thinkers to dwell on the issue of the state and especially the method employed by the state to prevent a crisis.

Following Sweezy-Baran methodology, quite a rich literature had been accumulated by contributions made by various Marxists. The first important and trailblazer contribution was made by Ralph Miliband with his valuable book titled *The State in Capitalist Society* and published in 1969. Miliband argued in his view, which is parallel to that of Sweezy, that in a society composed of classes, the state serves the interest of the rich to exploit and repress the poor. This approach is referred to as the "Instrumentalist Approach" (Barrow, 1993, Ch. 1) in which the wealthy group controls the government to repress and exploit the subordinated groups. The theory depends on two basic principles developed by Marx. The first one is the principle of commodification, and the second is the general law of capital accumulation. The principle of commodification explains that in capitalist societies, the use value of wealth can be converted into exchange value for political prestige to be used for steering the state parallel with class interest. The similar view that some prestigious groups in the society may have some power in the state has been introduced to sociology literature by Bourdeau (Bourdieu, 1993, p. 162). The second principle is the principle of accumulation, which acts as a companion to the principle of commodification and asserts that accumulation leads to the concentration and centralization of wealth. The instrumentalist approach asserts that conglomerates can affect the government not only by their wealth and power but through designing high-level policies in public offices (i.e., by putting their CEOs as employed personnel in strategic governmental offices).<sup>14</sup> Such a manning policy has been so powerful as to enable big corporations to carry their economic activities to foreign domains (Perkins, 2005).

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<sup>12</sup> For Welfare State, see Barrow, 1993, pp. 89–95; Claus, 1984.

<sup>13</sup> For this purpose, many books had been financed by the WB and published. Some of them are as follows: Rosenstein-Rodan, 1943; Nurkse, 1952; Baran, 1952; Wallich, 1952; Rao, 1952; Singer, 1952; Viner, 1953; Clark, 1953; Scitovsky, 1954; Myint, 1954; Meier, 1954; Kuznetz, 1954; Lewis, 1954; Fleming, 1955; Bronfenbrenner, 1955; Eckaus, 1955; Chanery, 1955; Rostow, 1956; Baumol, 1951; Meier and Baldwin, 1957; Sweezy, 1942; Kindleberger, 1958; Higgins, 1959; Agarwala and Singh, 1958. Among such literature, the report on Turkey was published in 1951 with title *The Economy of Turkey*.

<sup>14</sup> For CEOs employed in government offices as high-ranking personnel, see (Baker, 2016, Appendix).

Another giant philosopher in this area who essentially admits Miliband's approach but makes some additions and raises critics to it in some important aspects is Nicos Poulantzas, who proposed the Structural Approach by his two main contributions to literature. One of them is *The Problem of the Capitalist State*, published by New Left Review in 1969, and the other is *Political Power and Social Classes*, published in 1978. The main difference between these two giant forerunners<sup>15</sup> is that Poulantzas did put the state within the system as an organic unity of it whereas Miliband presented the state as an agent outside of the system but encompassed it by the capital through manning policies. Poulantzas defines the conjunctures between the state and capital within the paradigm of distinctive structure of the state. According to Poulantzas, the state has a double-deck structural construction composed of "state power" and "state apparatus," which operate cooperatively in parallel with the interest of capital. He asserts that the governing class becomes dominant in controlling the state apparatus not directly but indirectly through the state power, which is an ontological phenomenon with the same genetic nature of capital origin. In other words, Poulantzas implies that it is not required for the capital to man the state departments to be effective in public decisions just because the state by its organic structure and nature resembles the capital with respect to its interest and behavior. The organic resemblance between the state and capital stems to begin with from the educational system and goes on with established social institutions and interactions between two sides. Just to check the structural coherence between the state's power and the state apparatus, such a question can be raised: if the working class could break the symmetry between the state power and the state apparatus, would there be any change in public policies in favor of the working class? Poulantzas' answer to the question is not in the affirmative because the state power is linked to the capital due to the need for tax revenue to fulfill the public duties and secure legitimacy of the system.

After the 1968 student revolt that took place in Paris and then spread all over some other developed nations, Marxist philosophers and writers perceived Miliband-Poulantzas' argument redundant and set forth some new and maybe more explanatory arguments until the 1970s. American Marxists took over the role of explaining the intricate relationship between the state and the capital, believing in the idea that the state has the capacity to control crises and make the system work without inflicting damage. Led mainly by Elmer Altvater, most of Marxist writers began to make a more careful reading of *Capital* and came up with the idea that Marx had explained the capital accumulation process as a smoothly developing phenomenon without any external interference is needed for the system to operate. However, it was understood that as capital accumulation increased to some degree, some obstacles might appear, and as a result, the system might plunge into a deep economic and social crisis. Thus, American Marxists came to the conclusion that the silent condition of the capital accumulation process developed in the short run at an historical segment did not guarantee in any way that the favorable condition would continue in the long run, too. Just the reverse, in the long run, some inherent forces would gain power and obstruct capital accumulation and cause a crisis. Therefore, the result of the short-term analysis of some writers of smoothly operating systems in an historical time segment were left and caused most of the Marxist writers to divert their attention to long-term processes. This fact constituted a turning point for Marxists in the way of analyzing the system to perceive the role of the state in making the economy work smoothly without being hampered. For this purpose, Altvater highlighted four basic measures toward the aim of making the system operate smoothly in the long run. The measures developed for this purpose were as follows: (1) launching the necessary political and legal system; (2) establishing an administrative body to enforce established law and order; (3) regulating capital-labor relations to enable capital to get the necessary portion out of added value for accumulation; (4) constructing the necessary

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<sup>15</sup> The debate between two authors after globalization is well presented by Barrow, 2016.

infrastructure to build links between the production centers and markets (Altvater, 1973). This approach was designed according to phases of the capitalist system; in other words, the project was in the nature of complementary adjustive mechanisms to the system with some additional policies. This approach is referred to as the Derivative Approach, implying that all measures are in coherence with the system without intending to make any radical change in the operation. However, it is worth mentioning that according to most of the Marxists, the social welfare state policy was put in effect historically in developed economies from the end of the Second World War until the middle of the 1970s as a wedge, but the policy had been a futile effort to subvert the insidious effects of economic crisis (Offe, 1984; Borchert et al., 2016).

As capitalism developed, a recurring crisis repressed the authority of the state and limited its area of dominance, a fact which led some Marxists to delve into an in-depth analysis of the system and develop a behavioral pattern for public policies geared toward the sequences of the capital accumulation process. Thus, the role defined for the state to stabilize the economy was replaced by the idea of defining crisis tendencies of late capitalism in order to better understand the inner forces of capitalism. Some Marxists like Habermas (1975), Gorz (1989), and Offe (1985) advocated for the role of the state to be observed in four successive stages defined as such: first, the exclusion principle would be adopted for capital accumulation to rise, in which any policy measures against the capitalist policy would be avoided. Second, it was stressed that all rules and decisions would be toward capital accumulation by way of providing incentive to capital accumulation and employment. Third, in the face of necessity for the state to raise tax revenue, it was compulsory for the state to avoid putting any measures in effect against capital accumulation. Fourth, the state had to take all measures and precautions to legitimize the system. Legitimization of the system is inevitable in order to produce the consent of the general public and make the people loyal to the system.

System Analysts<sup>16</sup> set forth that the state launched welfare policies to mitigate economic recessions and pave the way for capital accumulation. Based on this historical experience, James O'Connor laid down a general formula for the state in his book entitled *Fiscal Crisis of the State* in 1973 where he defined the role of the state as first, making the contribution to private capital accumulation, and second, taking the necessary measures to legitimize the system. The first policy measures can be enforced by socializing some production costs that would burden entrepreneurs otherwise and providing some services to capital, either to increase the productivity of fixed capital or decrease the cost of variable capital (i.e., labor). The legitimization policy aimed to stabilize the system is enforced by undertaking some social expenditures like unemployment pay and various other social insurance measures.

As capital accumulation took place and the capital reached enormous volume and consequently began to subordinate the state and social institutions, Marxists turned their attention to real state policies. In this final stage, the Organizational Realist Approach appeared as the one defining the modern state forms in dealing with late capitalist states. In this stage, the state is defined as the political organization with the important role of attracting resources by means of administrative capacity and coercive controls (Skocpol, 2015). The idea was that the bifurcated aim of the state was establishing law and order at home and dealing with international issues abroad. According to the idea, depending on internal and external conditions, mainly two forms of the state can emerge. Under a quiet and calm condition at home and without any foreign risk, a weak government form may appear with relatively low tax burden on the economy. At the other extreme, under a difficult condition prevalent both at home

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<sup>16</sup> See Barrow, 1993, Ch. 4.

and abroad, a strong government form may appear with a relatively high tax burden on the economy (Skowronek, 1982).

### **5. The State in the Era of Globalization**

After having gone over various views concerning the position of the state during a crisis to give a general outlook, it becomes of primordial importance to complete the picture by considering the state within the context of globalization since globalization can be seen as the worldly means of coping with the crisis of late capitalism. After the 1970s, especially since the 1980s, an enormous volume of international capital flow has taken place both among developed nations and between developed and developing nations as well. The era following the 1980s is known as neo-liberalism, in which national boundaries are lifted for capital flows, which put strict constraints on political agents in controlling international capital movements.

That prefix “neo” before the term “liberalism” to make it “neo-liberalism” has been so important as to change the whole world economic system as well as causing the hegemony of the state to slide backward in terms of forming public policies and controlling national economy. The reason for the emergence of such policies is straightforward. Decline in the rate of profit forced entrepreneurs at the first instance to resort to the government for tax concession on the one hand and to laborers for wage cut on the other. At the second level, the capital owners began to enlarge markets for both commodities to increase sales revenue, and capital markets to repress production costs by shifting production to low-wage areas. Shifting capital in the form of financial source, especially to emerging markets, began to yield higher interest than profit on equity capital. Thus, as return on equity capital declined toward the mid-1970s, capital in either form tried to enlarge all markets both physically by globalization and intertemporally by financialization. However, as the capital was spreading all over the world, it was necessary to have secure and capital-oriented market conditions everywhere. This aim was achieved quite successfully by establishing the set of rules referred to as the “Washington Consensus” (Williamson, 2004), informal but mandatory international regulations that have had a degrading effect on the authority of the state. As national boundaries were trespassed by capital flow according to the international capital rule, a unique and degrading effect on the hegemony of the state took place, setting capital flow free but banning labor flow internationally. Thus, the state was put in a situation where economic and social problems were increasing while the political power of the state, especially in developing countries, was decreasing. The state in emerging markets was repressed and subordinated not only by inflowing advanced foreign capital but some developed economies through international interest and/parity wars. This quite intricate situation forced governments to move in two distinct directions. Some governments attempted to increase public budget to protect their citizens against detrimental effects caused by foreign capital inflows. Regarding on the Compensation Hypothesis, Dani Rodrik explains the reason why open economies are prone to have bigger governments (Rodrik, 1998). On the other hand, some governments attempted to decrease public spending relatively in order to pave the way for private capital to flourish in order to be stronger to cope with keen competition coming from abroad. Taking this path, Garret and Nickerson put forth persuasive reasons for relatively decreasing the trend in public expenditures in some economies (Garret and Nickerson, 2001).

During globalization, almost all nations have been affected to various degrees from enormous changes taking place on a world scale. However, globalization did not bring nations together to form a global nation or economy, but it enlarged economic and social channels among nations through which they can be affected by each other more easily. Before recent globalization became effective, there had definitely been some activities that exerted international or even global effects on economies as well. A good example is the harm to the



ozone layer caused by greedy industrialization of mainly developed economies, which almost all nations and humanity have been affected badly. It is hoped that as globalization brings nations closer to each other, an international forum or congress might be organized to eliminate or at least mitigate such a demise of industrialization. Alas, there has been no positive result in the Kyoto Protocol or in any others. To sum up and classify the problems faced in globalization, the following explanation will serve the purpose. First, some general or global issues are in the nature of global primary concern. Second, as the result of globalization, some benefits and/or costs are in the nature of specific and national basis. In the first group of effects, goods or bads are classified as global public goods or global public bads, which have the same properties as national public goods or bads but at the global level. This definition is analogous to pure public goods and public bads concepts developed in public finance by Musgrave in 1959. A pure public good, which is primarily in the nature of service, is the one that affects all countries, socioeconomic groups, or generations positively without excluding any of them. As to the coverage of the service, socioeconomic groups may be scattered and dispersed among various nations; whatever their locations may be, they must all be covered for the service to be accepted as a global public service or global public good. Considering the destruction of some parts of the ozone layer is a typical kind of global public bad, as it affects all countries and people without discrimination. If the effects of a service cover some countries or socio-economic groups, the service/good is referred to as impure global public good/bad.

Globalization caused additional difficulties in steering economies due to two newly emerging conditions. First, international capital flow in two different forms has the tendency to cause economic crisis by means of curtailing the domain of maneuver of central banks, which is in charge of controlling both the value of money and the interest rate at home simultaneously. This post of controlling both the value of money and the interest rate at the same time is almost impossible in developing economies. As it is well known, in the earlier era of capitalism, foreign exchange fluctuations were due solely to foreign trade activities in such a mutual relation between exports and imports that after a relatively short period of foreign imbalances, the system would arrive at equilibrium automatically. But during globalization, cash inflows and outflows distort such an automatic balancing condition by acting as a wedge between foreign trade. Economies getting cash inflow to close their balance of payment deficit may increase imports due to decreased parity or overvalued domestic money and may find themselves eventually in a heavier foreign trade deficit. A developing economy with a shallow financial market suffers also from the risk of crisis if for any reason financial capital leaves the economy abruptly. This potential risk is perceived by foreign real capital investment, which is more important for a developing economy than simply cash flow. Mutually exclusive conditions between financial capital and foreign real capital investment in emerging economies appear as an inhibiting factor for foreign real capital investment.

Though foreign real capital investments may be preferable for emerging markets, the resultant crowding out effect should be carefully considered while designing policies for alternative investment opportunities. Even under conditions of extreme necessity of foreign capital investment in emerging markets, the resultant probable wage differential that would take place eventually among laborers employed in foreign capital versus domestic capital units may make it necessary to follow a convergent wage policy to prevent any friction among laborers. Another important issue with regard to foreign capital investment is establishing a link between imported and domestic technology for technology transfer to be realized at home. Otherwise, a foreign capital investment might use the host country just as a production base and may employ its own high-ranking personnel to keep high technology a secret. Foreign direct investment might also export high-quality products and contribute to foreign payment balance. But foreign direct investments can neither contribute technology nor improve employment policies, let



alone correct the balance of payments due to profit transfer to the country of origin. However, there are some authors who have defended globalization and foreign capital investment depending on the argument that foreign capital would make valuable contribution to the host economy with regard to technology improvement, wage increases, and even improvement in the balance of payment (Bhagwati, 2007).

### **Conclusion**

The state is a multifaceted enigma demonstrating itself in various forms and functions depending on claims of the capital but without changing its systematic function of creating all ways and means of making contribution to private capital accumulation. This function is inevitable for the state because while transforming from feudalism to nation states, factors of production were left in the private sector while only political and administrative bodies were shifted to the public sector. Therefore, the state is badly in favor of capital accumulation, simply because otherwise the state would be deprived of tax revenue.

The state is a kind of enigma because its roles and appearance might change throughout changes in relation to production. Such changes take place at the level of public politics and policies, but never at the polity level, implying that the size and the way of production/provision conditions of some services may change between public and private sectors without any change in the basic function of the state. This specific character of the capitalist state reflects its polymorphic nature, which enables it to foster private capital accumulation through responding differently according to different needs of the capital. Therefore, it is of primordial importance to notice that during neoliberalism, which is a phase of capitalism, there has been no change in the main function of the state for securing the optimum condition for private capital accumulation. Just the reverse, the aim in realizing changes at the policy and politics levels is to enhance the contribution to private capital accumulation by providing more market opportunities and tax relief to the private sector. For example, by privatization education and/or health services, the private sector gets a better chance to extend their activities and earn additional income.

The basic function of the state has not changed during globalization, either. However, in globalization, due to the free flow of capital among economies, the role and function of nation states have increased in launching their policies according to the claims of globalized capital. Two main points gain importance during globalization. First, when both capital and cash flows take place, it becomes difficult to launch the optimum policy to realize the balance of payment equilibrium. Second, the state of emerging markets faces the problem of keeping and also increasing the competitiveness of domestic capital against harsh competition coming from abroad. As it was mentioned above, this intricate problem has been considered differently under different conditions; some countries have attempted to increase the size of the budget to keep the living standard of the general public as much as possible, and some countries have tended to give tax concessions to domestic firms and relatively decreased the size of the public budget to enhance the competitiveness of domestic firms.

Globalization degraded the central authority of the state and caused the dispersion of the decision-making process both downwards and sectorwards. Local authorities and various other local and even private sector committees partook in public decision-making processes. The ramification of public authorities and the dispersion of decision-making processes are referred to as governance, meaning that the central public authority is not the sole responsible agent in making public decisions, but local public authorities like municipalities and also private sector agents may participate in public decision-making processes. It is also observed that some local authorities in a country could get in touch with local authorities in other countries as well.

All such large range of communicative decision-making web is formed according to the administrative demands coming from global capital. Thus, the destatization at home, which is referred to as governance, may be coupled with internalization where the decision-making process is shared among various national bodies or organizations. Globalization also forced nation states to accommodate some non-state and/or civil societal organizations in the decision-making process to establish a direct link between capital centers and political bodies. It is obvious that the whole picture implies not only a democratic way of making public decisions by the participation of local authorities but also sharing public the decision-making process with the private agents as well.

This sharing of public decisions with the private “power elite” is understandable according to mainstream political scientists, but this process is strongly rejected by Marxists depending on the opinion that such a decision-making process undermines the opinion of the general public, especially the poor in favor of the rich. As globalization developed, the position of nation states in the general ranking was determined according to their capital stock and technology level. During globalization, a common global state has not been erected, but by means of international capital flow, on the one hand, and the shifting of decision-making web to the international level, on the other one, can say for sure that in a way, a pseudo global nation has been organized. Since a strong attempt has been made to globalize such important areas like health, knowledge and information, peace and security, etc., one can say that quite a long way has already been gone (Kaul et al., 1999).

This paper essentially depends on a classical capitalist system with its basic assumptions and prerogatives. However, a rather radical view has been adopted as a general fragrance in order to reflect the genuine function of the state in capitalism. Thus, it is proper to conclude the paper by stating that the state is an ideological super-structure of the system with intrinsically designed functions in a disguised form. This property is the trade-mark of the state, which makes it appear as an enigma.

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