

STATE AND CAPITAL IN DEPENDENT SOCIAL FORMATIONS: THE BRAZILIAN CASE

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The economic intervention of the state has been particularly important in Brazil, and is an integral element of the so-called "economic model" which has been initiated by the bourgeoisie of other semi-colonial countries. This paper explores the issues posed by the "associated-dependent" form of development in Brazil, with particular attention to the role of the capitalist state in the economic process. It then takes up the political implications of this debate, particularly the notion that state intervention is in some way "progressive".

This study is situated at the point of intersection of two important contemporary debates—that on the origins and contradictions of state intervention in the process of production, and the other on the nature of capital accumulation in dependent social formations. Marxist analysis of the state in Latin America has, for obvious reasons, focussed on the repressive nature of contemporary military regimes. We feel there is a clear need for systematic consideration of the capital/state dynamic in the countries dominated by imperialism, so that their future development and contradictions can be more clearly understood. Our study advances from a summary of the main parameters of economic intervention by the capitalist state in general, through the specificity of the dependent state, so as to finally take up our concrete study of the Brazilian case (1).

CAPITAL AND THE STATE

For Marxism, the state is an essential component of the capitalist relations of production, it is subject to the law of value which regulates capitalism, and its activity and limits are determined by the capital accu-

mulation process. The state is thus an integral element in the social reproduction of capital. Furthermore the relation between state and capital can only be understood in the context of the endemic periodic crises of the capitalist mode of production. As Gamble and Walton put it,

"the objective basis for the interventionist role of the State in modern capitalist economies is to perform more smoothly the task once crudely effected by the business cycle. Put another way it ensures that one or more of the counteracting influences to the decline in the rate of profit do in fact assert themselves" (2).

This tendency of the average rate of profit to fall is a law of development of the capitalist mode of production based on the historic increase in the organic composition of capital, i.e. an increase in dead labour as compared with living labour, a basic tendency of the capitalist mode of production. As a result of the historical tendency of the rate of profit to fall, the productive processes taken over, or regulated by the state tend to increase. The effect of the general law regarding the rate of profit, is that more and more processes of production become unprofitable to capital units and will thus be abandoned or cut back, thereby disappearing from the sphere of competing capitals. Thus, the state ensures the general conditions of production by taking over those material processes which cannot be operated on a capitalist (i.e. profitable) basis.

Having established that the intervention of the bourgeois state arises directly from the needs of capital we must now introduce the distinction drawn by Marx between productive and unproductive labour. At the risk of oversimplification, productive labour does not simply produce, but produces surplus value through the production of commodities; whereas unproductive labour does not produce surplus value (3). Now, state expenditure is generally seen as unproductive because it reduces the share of the mass of profits available to private capital. That is, because state expenditure is mainly financed through taxation and thus represents a drain on the amount of surplus value available to private capital units. So, if state intervention is a political necessity for capitalism (to maintain the social services indispensable for "social peace") the bourgeoisie may object to the further taxation necessary for its extension.

But can the state not act directly as a capitalist as Marx and Engels sometimes seemed to imply? According to the "state-capitalist" tradition it would seem "to fly in the face of current actual developments in the world economy to deny that the state can be a *productive* capitalist, that is, a capitalist under whose direct dominion surplus-value is produced" (Barker, 1978, p. 25). This productive state sector would include not only nationalised industries but also those subsidised by the state, which go beyond the "general conditions of production" (or infrastructure) which Marx foresaw as being provided by the state. The argument that an increasing proportion of state expenditure is productive expenditure leads to the conclusion that it is not in conflict with private capital accumulation, but rather complements it. Confronting this analysis, Altvater maintains that "if the state acts as a capitalist, then this can be explained only

through the particular history and particular conditions of a country" (Altvater, 1973, p. 108). Outside these exceptional situations (Germany during WWI and partially under fascism, and Italy and France after WWII are mentioned) the state remains a non-capitalist and as such limits the realm of private capital accumulation and reproduction.

This debate cannot be resolved here, but the position adopted to guide our concrete study is as follows: the co-ordinates of the state/capital dynamic are set by the laws of motion of capitalism as expressed in the law of the tendency of the rate of profit to fall. As to the possibility of a "state capital(ism)" we maintain with Marx that capital can only exist in the form of different capitals; otherwise, there is no compulsion to accumulate. Having said that, we will not regard state expenditure as universally unproductive, but rather try to examine the origins, dynamic and contradictions of a state productive sector in Brazil.

THE DEPENDENT STATE

Our analysis now shifts to a consideration of the dependent state—a particular form of domination by imperialism. The categories we have developed in relation to capitalism in general continue to guide our analysis. Capitalism has an inherent tendency to propagate production based on capital—as Marx says,

"the tendency to create the world market is directly given in the concept of capital itself. Every limit appears as a barrier to be overcome" (*Grundrisse*, p. 408) (6).

Extending this vital clue given by Marx, Lenin developed a theory of imperialism, and what interests us here, examined the "transitional forms of state dependence" which resulted from the struggle of the great powers for the economic and political division of the world. Specifically, Lenin referred to "the diverse forms of dependent countries which, politically, are formally independent, but in fact, are enmeshed in the web of financial and diplomatic dependence, typical of this epoch" (Lenin, 1970, p. 734).

The debate on the specificity of the dependent capitalist state (in Lenin's sense) has been developed recently, particularly in terms of its "relative autonomy". Analysing the particular economic role of this type of state, Alavi maintains that the state apparatus in the post colonial society has taken on a new and relatively autonomous economic role, which distinguishes it from the classical bourgeois state: the direct appropriation of a large part of the "economic surplus", which is deployed bureaucratically to promote "economic development" (Alavi, 1972, p. 62). While not accepting that this characteristic of the dependent state in any way contradicts the classics of historical materialism, Alavi has indicated a problem which we will expand in our concrete analysis. However, the economic role of the state in Brazil is not dictated automatically through its structural determination by the world economic system, but rather the state's "increased relative autonomy" must be related to the specific historical conditions which gave rise to Bonapartist-type regimes (4).

A more recent survey of the state in dependent capitalism tries to go beyond Alavi's tentative generalisations and in spite of a certain formalism makes an interesting point. The authors, Ziemann and Lanzendorfer refer to the development in the periphery of "*the intervention state in permanence*". This relates to their view of a permanent economic crisis in these societies in the shape of an unbalanced economy, which forces the state (through a "functional imperative") to carry out a constant intervention in the economic process. But, as they point out "the state of crisis is neither alleviated or overcome by this, at most it may be shifted to another level. The consequence is to aggravate the social contradictions and conflicts, to increase the imbalance, which inevitably encourages wider state intervention and this can only be based on a paternalistic regime of military-bureaucratic-technocratic type" (Ziemann and Lanzendorfer, 1977, p. 164). One need not accept the dubious assertion of a permanent economic crisis in the periphery to recognise the obvious strength of this analysis which is to relate the question of economic crisis (though not in general, but concretely) to the form of political regime which may emerge. A catastrophic vision of dependency though, must not be allowed to cloud an understanding of the relation between economic crises in the dependent society and political process. The economic crisis of the periphery must be considered in the context of the laws of motion of capitalism in general as structured and modified by the economy's dependent position in the international division of labour.

In analysing the specificity of the laws of motion of peripheral capitalism positions can easily be polarised falsely over whether "internal" or "external" factors are primary in determining dependent capitalist accumulation. Against a certain oversimplification in earlier "dependency theory" writers who saw "dependency" as an explanation for everything and anything in the oppressed nation, there has been a move towards giving privilege to "internal" economic developments. Thus M. C. Tavares holds as a central hypothesis of her study of Brazilian economic development that "commerce and the flow of foreign capital does not exogenously determine the dynamic of accumulation, they are just articulated with it and *modify it from within*, accentuating the internal shifts that are taking place in the productive structure, and in the historical pattern of accumulation" (Tavares, 1974, p. 119). The main weakness of both sides of this debate is a tendency to grant the state a will of its own—making it a "deus ex machina" which can determine an economic process through sheer voluntarism. Clearly, if one adopts a *technicist* view of the dependent state one either gives it an undue autonomy in the process of capital accumulation or, conversely, one makes it a tool or puppet in the hands of "imperialism" in general. If we are to relate this debate to the factors which lead to economic intervention by the state we must pose the question simultaneously in terms of the internationalisation of capital in its various phases, and in relation to the internal process of capital accumulation.

Developing this necessary periodisation of state intervention, we can outline three main phases for Latin America as a whole (5).

1 *The export phase*—characterised by a state-promoted organisation of

- the relations of production designed to ensure the reproduction of "the factors of production" necessary for the export-based economy, e.g. public works such as the transport network linking the productive sectors to the ports.
- 2 *The transition from oligarchic to industrial state*—the state moves to reorganise the labour force (e.g. through corporatist trade unions) and carries out a redistribution of surplus value from the agro-export sector to the industrial sector. Furthermore it begins to invest in the productive sector, thus making the internal circuit of capital more profitable.
 - 3 *The phase of industrial accumulation*—the economic activity of the state which had earlier expressed the needs of industrial capitalism, rapidly becomes related to the process of expansion of monopoly capitalism. The role of the state is expanded with regard to infrastructure provision, the extension of financial institutions adequate to monopolistic expansion and an increased degree of participation in education, health and housing to cater for the expanded reproduction of the labour force.

The transition phase noted above coincides with the world economic crisis of 1929, and one must relate the changing role of the state in the Latin American dependent economies with the crisis of the central economies. The crisis of the world capitalist economy acts as a catalyst for changes already developing internally, but further forced an increased state intervention to reorganise the conditions of production and the exploitation of labour. The third phase can conversely be related to the reintegration of the Latin American economies into the world economic system, after a relative break caused by the Depression, World War II and the Korean War, and a temporary redirection of imperialist (i.e. US) investment to other central economies (i.e. Europe). In this period the increased intervention of the state in the economy, particularly in Department I—production of the means of production, is closely related to the increased flow of foreign investment into the Latin American economies. In general, the crises of the central economies accentuate even further the relative autonomy of the dependent state and thus pave the way for a higher profile of state intervention in the process of capital accumulation (6). There is of course no mechanical relation between world economic crisis and peripheral state intervention, as there is no one-to-one relation between economic development and political regimes. At this stage we pass on to our examination of the internal process of capital accumulation in Brazil.

CAPITAL AND THE STATE IN BRAZIL, 1930–64

The Brazilian state prior to 1930 can be characterised as a state of "oligarchic compromise", which maintained a political balance between the regional sub-systems generated by the export oriented economy. This state was consolidated during the integration of the coffee economy (based on the Centre-South-East region) into the world imperialist system. The coffee sector rapidly gained predominance over the sugar- and cotton-

based North East and the cocoa producing Bahia region. Apart from its major role in supporting the coffee sector, the state acted as financial and commercial intermediary for the agro-export economy as a whole vis-a-vis imperialism. The world economic crisis of 1929 shattered the hegemony of the coffee bourgeoisie and ushered in a new period where the state was to play a crucial part in the process of capital accumulation and in restructuring the relation between capital and labour.

The "revolution" of 1930, sometimes seen as Brazil's bourgeois revolution, opened up a new stage in the development of capitalism in that country. This new period, which corresponds to the transition phase we outlined above, is reflected at the political level in the so-called "corporatist state", dominated by the figure of Getulio Vargas who was president from 1930 to 1945 and from 1950 to 1954. In fact the whole Vargas period can be seen as a unified historical sequence analogous to that described by Gramsci as a "*passive revolution*". According to Gramsci's analysis this entails a whole series of molecular transformations which progressively modify the previous composition of class forces (internalising the relations of dependency), and thus become the matrix for further changes. In Gramsci's words, it is a case of "a state which, even though it had limitations as a power, 'led' the group which should have been 'leading' " (Gramsci, 1971, p. 105, c.f. Meireles, 1974).

The role of the state in this type of development was also analysed by Trotsky, who shows how, in conditions of backward capitalism, the state could play a generating role in the formation of classes and class alliances. As Trotsky puts it—"The state in its turn strove to force the development of social differentiation of a primitive economic foundation. Furthermore the very need for forcing, caused by the weakness of the social-economic formations, made it natural that the state in its efforts as guardian should have tried to use its preponderant power to direct the very development of, the upper classes according to its own discretion . . . Capitalism seemed to be an offspring of the state" (Trotsky, 1971, p. 173). In this sense, the state in Brazil during this period played a role analogous to that of the absolutist state in 17th century Europe.

As mentioned above, the increased role of the state after 1930 must be related to the world economic crisis of 1929 which profoundly altered the articulation between nation-states, and in Brazil helped foster the process of industrialisation as the export economy entered into crisis. The central state for example, was forced to take over the coffee support programmes to deal with the immediate impact of the world depression. Later the Vargas regime expanded that intervention to protect different sectors (e.g. sugar, salt, fishing etc.). The period after 1930, then, marks the end of agrarian export hegemony, and the beginning of a new phase characterised by the predominance of the urban-industrial productive structures. In the period of transition which opens up, the social conditions are created which will allow the industrial sector to become the main motor of accumulation, and for the social division of labour to accelerate. This involves a redefinition of the articulation between sectors of the economy and between the social classes—a redefinition which is mediated fundamentally by the state. The agrarian sector was not totally

displaced economically by the 1930 revolution, but rather it lost its leading role at the political level. The role of the coffee bourgeoisie as the leading class fraction was drawn into question, but not its dominant role in the system as a whole. In fact, until 1964 there was a compromise situation, with a contradictory relationship between the coffee sector and the industrial sector, which on the one hand it stimulated, but while simultaneously setting limits on industrial accumulation.

During the Vargas years, the role of the state expanded greatly. In this period, the National Steel Company was set up by state capital and an integrated steel mill was built at Volta Redonda in 1941, which neither domestic capital nor foreign capital were willing or capable of carrying out. Then, during World War II a number of government enterprises were developed for "national security" considerations: the *Fábrica Nacional de Motores* (National Motors Factory); *Companhia Nacional de Alcalis* (National Alkalies Company); as well as the expansion of the state into the shipping sector. An important new intervention of the state was the formation of the *Banco Nacional de Desenvolvimento Econômico* (National Economic Development Bank) in 1952, which played a crucial role in the development of infrastructure projects and the promotion of heavy industry. A further step in the state's economic role was the formation of Petrobras in 1953 which was a state company which covered all petroleum exploration and the largest part of refining activities. Since then the state has gained control of the largest iron ore producing company, *Companhia Vale do Rio Doce*, and has a monopoly on electricity generating through Eletrobras, and controls the telecommunications group Embratel and the aircraft manufacturers, Embraer (see Baer, 1973).

The overall participation of the state in the economy is clearly outlined in an ECLA (Economic Commission for Latin America) report of 1964. As the report summarises:

"Brazil's public sector owns and directs the country's maritime-inland waterway and rail transport facilities, and its installations for the production of petroleum and atomic fuel, controls most of the steel-making sector and is rapidly becoming the principal electric energy producer. It takes part directly in the activities of the major export sectors and markets a considerable proportion of the exportable production; it is also the principal iron ore producer and exporter. It exercises a direct and indirect control over the exchange market. In conformity with a provision of the Constitution, it directly regulates exploitation of the sub-soil, communication media and broadcasting channels; also delegates this right through concessions to the private sector. At the same time, it constitutes in itself the major commercial banking enterprise, since it accounts for about 35 per cent of the general credit extended to the private sector through the Banco do Brasil, and most of the agricultural credit as well. Through other specialised financing agencies it grants the whole of the co-operative credit and long-term financing. It establishes wages, interest rates, rents and stable commodity prices. It sets minimum agricultural prices, and is beginning to build up and operate a large-scale storage

and marketing system for agricultural commodities. It possesses full traditional powers to impose taxes. It exercises control over monetary flows. It produces alkalies, and trucks. It also plays an important part in internal capital formation. It regulates insurance activities and controls agricultural co-operatives. It markets the country's entire output of natural rubber. It determines the composition of private investment and intervenes in the capital market. As can be seen, therefore, the State has important and widely varying powers in Brazil" (7).

This development of public enterprises in Brazil has been related historically to: 1) the existence of industrial sectors which are not profitable (or require a long period for maturing), but which are necessary for the expansion of industry as a whole, 2) conditions where the amount of initial capital outlay can only be met by the state or foreign capital, 3) the expression of nationalist or military/strategic policies, 4) the need to stimulate new levels of expansion in the downswing of an economic cycle. However, given that the Great Depression and then the War precluded imperialist capital from investing in countries like Brazil during this period, the decision by Vargas to carry out an ambitious programme of heavy investments was not in itself sufficient, to establish a firm internal circuit of capital accumulation. The role of the imperialist countries was important for example in the development of a steel sector which only materialised because the USA granted the indispensable external finance and equipment in exchange for Brazil's commitment to the war effort. Likewise the development of Petrobras dragged on until 1954, and the plans for a chemical industry turned sour due to the lack of the necessary advanced technology (8).

The overall dynamic of state intervention in this period is clearly summarised by Oliveira: "We see the emergence and the extension of state functions in the years up to the mid-fifties; regulation of the price of labour power, investment in the infrastructure, imposition of the "confisco cambial" (Government expropriation of foreign exchange earnings) on coffee to redistribute its profits among the other capitalist fractions, reduction of the cost of capital through exchange subsidies for the import of industrial equipment, expansion of credit and investment in production (e.g. Volta Redonda and Petrobras). In all these ways the state continuously transferred resources to industry, which became the centre of the economic system. Both the left and the right sought a form of socialism in this "statism", without ever asking themselves the old question—who benefits from all this?" (9).

It is this important state sector which lays the infrastructure for the boom of the Kubitschek period (1956–1960). The state was to become a fundamental element in the "great leap forward" promoted by Kubitschek's Plano de Metas (Target Plan) whose avowed aim was to advance Brazil "fifty years in five". During this cyclical acceleration there was a wave of state investments, directed mainly to the transport-energy sector and to the steel and petroleum sectors. The table below gives a clear indication of the general evolution of state investment:

PUBLIC AND PRIVATE INVESTMENT SHARES AND SECTORAL PARTICIPATION IN GOVERNMENT ENTERPRISE INVESTMENT, 1947-1965

(percentages)

Years	G1 T1	GE1 T1	PE1 T1	Mining	Sectoral Participation in GE1				
					Iron & Steel	Chem- icals	Power	Trans- port	Other
1947-50	23.3	2.6	74.1	17.5	23.1	0.8	7.1	13.7	37.8
1951-55	20.2	3.0	76.8	4.0	34.1	24.2	11.9	5.2	20.7
1956-60	25.5	7.8	66.7	4.5	9.0	36.9	11.5	26.2	11.9
1961-63	24.4	13.1	62.5	3.9	40.3	17.3	12.7	17.2	8.7
1964-65	27.6	12.9	59.5	5.2	38.0	21.7	16.7	10.7	7.7
1960	27.1	11.6	61.3	6.3	15.3	38.2	13.0	13.3	13.9
1961	24.8	14.4	60.7	3.1	42.1	17.1	8.9	16.3	12.4
1962	25.2	13.5	61.3	3.6	49.9	14.5	9.5	16.4	6.2
1963	23.3	11.4	65.4	5.3	26.2	20.8	21.4	19.2	7.1
1964	25.4	9.4	65.3	4.6	24.8	24.3	23.8	13.5	9.0
1965	29.9	16.5	53.6	5.6	45.7	20.2	12.6	9.0	6.9

Symbols: T1 = Total gross fixed investment

G1 = Government gross fixed investment

GE1 = Government enterprise gross fixed investment

PE1 = Private enterprise gross fixed investment

Source: Maneschi, 1972, p. 191

This table shows the proportion of total gross fixed investment carried out by the "government" in the national accounts sense of the term (G1/T1), by government enterprises (GE1/T1) and private enterprise (TE1/T1), where PE1 equals TE1 (total government investment) minus GE1; in addition it gives the sectoral participation in GE1. As Maneschi concludes government enterprises began assuming quantitative importance in 1957 and gathered momentum during the remaining years of the Kubitschek era until it amounted to 14.4% of total investment in 1961. Its share in total investment reached 16.5% in 1965. The share of *total* investment under public control (G1 + GE1)/T1, rose continuously during the 1950s and 1960s reaching an average of 40.5% in 1964-65, compared to 23.2% for the years 1951-55 (*ibid.*).

It was in the mid 1950s that a massive wave of foreign investment swept into Brazil and it has been argued that "the intervention of the state, in particular, its own potential for internal accumulation, had necessarily to expand and *precede* the new form of articulation with international capital" (Tavares, 1974, p. 128). It must also be seen in the context however, of the re-orientation of the central economies and in particular the USA, after the Korean War, towards investment in the oppressed nations. State intervention in Department I during this period does

not follow purely technical imperatives (as the ECLA version would have it), and relates to changes in the world economy and the imperatives of the internal dynamic of capital accumulation in Brazil.

The model of "associated-dependent-development" generated in this period resulted in a crucial role for imperialist capital in the accumulation process. Large firms (classified as multibillionaire groups by the survey quoted) were distributed as follows in 1962 (Cardoso, 1975, p. 45):

	<i>Non-industrial</i>		<i>Industrial</i>		
	(export-import, financial sector and industrial services)	Non-durable consumer goods	Durable consumer goods	Heavy mechanical	Base industry
National:	8	8	1	1	6
Foreign:	6	5	7	4	7

It is worth noting, as well, that the participation of state firms in fixed capital formation passed from 3.1% in 1956 to 8% in 1960.

It is important to stress the profound organic complementarity between imperialist capital and the state sector as it was formed in this period (not that this precludes competition between the sectors which is reflected in differential profit rates with foreign capital top of the list by far). Rather than the dependent state being in conflict with imperialism, we see below in graphic form the complementarity of the inter-sectoral relationships between state and foreign capital in Brazil (10).

Foreign Capital	State
Domestic Market	
Transportation equipment	Land & sea transportation program
Mechanical equipment	Steel industry
Electrical equipment	Federal construction
	Electric energy program
	Communications systems
Chemical	Petroleum and its derivatives
Financial services	Public utilities services
Foreign Market (Exports)	
Cattle	Coffee (policies relating to)
Vegetable and mineral extraction	Iron minerals
Industrial surplus	

We now digress from our historical account to consider the question of the state productive sector which is now widely held to have been implanted during this period. In their pioneering analysis of the state

productive sector and the cycle in Brazil, Reichstul and Coutinho maintain that this sector, composed mainly of the steel, petro-chemical and energy industries is productive in the sense of producing surplus value (Reichstul and Coutinho, 1977). The essential transformations of the accumulation process after 1956 (and particularly the 1962–67 recession), are based on the consolidation of this productive state section during the Kubitschek period.

The role of the state sector is quite correctly studied in relation to the capitalist cycle and crises. Reichstul and Coutinho show that the productive state sector began to slow down in 1961–62, to be followed by the private sector only in 1963. Likewise the recovery from the recession was led by the productive state sector which began to pick up around 1966–67, whereas the private sector only recovered its previous growth rates around 1968 (See table below). This would seem to indicate a leading role for the productive state sector in the dynamic of the whole economy, and we should certainly incorporate the main line of this analysis into any assessment of the 1964 conjuncture.

BREAKDOWN OF TOTAL INVESTMENT (in %)
1950–1970

Year	Public Goods Total Invest.	State Productive Invest. Total Invest.	Public Invest. Total Invest.	Private Invest. Total Invest.
1950	28.4	1.7	30.1	69.9
1951	20.3	1.1	21.4	78.6
1952	19.1	1.5	20.6	79.4
1953	21.1	2.6	23.7	76.3
1954	19.8	4.2	24.0	76.0
1955	20.9	4.8	25.7	74.3
1956	19.0	3.0	22.0	78.0
1957	27.5	6.1	33.6	66.4
1958	29.0	7.3	36.3	63.7
1959	21.5	8.9	30.4	69.6
1960	28.0	11.5	39.5	60.5
1961	24.8	14.4	39.2	60.8
1962	25.2	13.4	38.6	61.4
1963	23.2	11.4	31.6	65.4
1964	25.3	9.4	34.7	65.3
1965	29.9	16.4	46.3	53.7
1966	26.1			
1967	30.9			
1968	24.8			
1969	33.9	26.4	60.3	39.7
1970	19.0			

Source: C. E. Martins (ed.), 1977, p. 63.

This analysis clearly recognises that the historical rhythm of the creation of state firms coincides with the historical rhythm of the different

stages of development of the Brazilian economy. But also we would add it coincides with the developments of imperialism and the particular direction taken by its investments in each period. A further conclusion is that "the weight acquired by Department I in the expansive phase, 1956–1962, suggests that the cyclical movement of the economy acquired a dominantly endogenous character" (11). This seems to be an unwarranted extension of the idea that the dependent state is "relatively autonomous" not only between different fractions of capital, but also in relation to imperialism. More specifically one can detect a Keynesian analysis which ignores the specific relation which must be established between an increase in state investments and a recovery of circulation (i.e. through an increase in global demand), which does not focus on how this increased state intervention modifies the conditions of production, in particular, favouring an increase in productivity and in the rate of exploitation.

THE STATE AND THE BRAZILIAN "MIRACLE"

Returning to our "historical" account we must examine the period opened up by the military coup of 1964. The basis for the "economic miracle" of 1968–1974 was laid by the cyclical downturn of 1962–1967, which led to a violent restructuring of the economy. The basic precondition for this cyclical upturn was the enormous increase in the rate of exploitation ensured by the military regimes which followed the 1964 coup. This qualitative shift in the relationship between capital and labour was accompanied by the strong process of capital concentration, which drove smaller capital units to bankruptcy. There was a sharper turn towards the world market in this period (12), which together with the marked increase in imperialist investment after 1968, resulted in a partial and sectoral integration of the Brazilian economy into the international circuit of expanded capital reproduction.

Now, as to the role of the state in the process of capital accumulation the military regimes after 1964 insisted that it constituted a brake on "private enterprise". This desire for liberal orthodoxy would seem to be related more to pleasing the IMF and obtaining "international confidence" than with the reality of the process (13). What many have seen as a "paradox" or an "irony" is that after 1964, the role of the state has been increased by governments which were ideologically "privatist". If we examine the changes in ownership among the 300 largest capital units we can see the comparative evolution of what is known as the "tri-pe" (three-foot or tripod) model.

DISTRIBUTION OF NET ASSETS OF LARGEST 300 CORPORATIONS

Manufacturing and Petroleum

	1966	1972	1974
State Enterprise	17%	30%	32%
Private Brazilian Firms	36%	28%	28%
Multinational Corporations	47%	42%	40%

Source:
Baer, 1976, p. 80.

It is important to note that "statisation" was not a one-way process: in 1968 the state vehicle factory (Fábrica Nacional de Motores) was turned over to private capital, and in 1976, after extensive debate the state petroleum monopoly. Petrobras, signed contracts with imperialist firms for oil exploration.

As to the state sector itself a comprehensive study of 571 state firms in 1976 revealed very clearly the big burst of investment in this sector after 1964 and in particular in the 1970s.

YEARS IN WHICH STATE FIRMS WERE CREATED (14)

Period	1808- 1900	1901- 1930	1931- 1940	1941- 1950	1951- 1960	1961- 1965	1966- 1970	1971- 1976
Number	4	13	5	13	37	68	79	131
%	1.2	3.7	1.4	3.7	10.6	19.4	22.6	37.4

In 1974, 19 out of the largest 20, and 45 out of the largest 100 Brazilian corporations were state owned. Furthermore it is estimated that some 60% of all investment during the 1967-73 "boom" was carried out by the state. The growth rate of state corporations has been high enough to increase their share in the total profits of the largest 100 corporations from 54% in 1968 to 63% in 1974. Over this period, the average profit rate for state enterprises was 9% compared with average profit rates over the same period of 12.5% for national private firms and 15.8% for foreign firms included in the top 100. This profitability of the state sector is important as it was one of the main "achievements" of the post-1964 economic policies. This process of financial "saneamento" (cleaning up) and organisational modernisation of state firms also led to their segmentation and sectoralisation. Today this means that the state productive sector lacks the financial autonomy necessary to lead the process of recovery, as there is no organic articulation between state firms which act virtually as isolated oligopolies.

Towards 1974 the Brazilian "economic model" had entered a crisis partly as a result of the world recession but also due to its own internal contradictions. The military government since then has been faced with the task of re-orienting the economy in the context of an unfavourable international situation, growing popular unrest over the continued depression of purchasing power and a major debate on the role of the state in 1975-6 which we will now examine. The "tri-pe" model mentioned earlier which was an association of imperialist state and private and national capitals had achieved a certain stability in the period following 1964. One condition for its success was, however, favourable international conditions and, with these rapidly disappearing, tension began to build up. As perceived by national capital units it was a problem of "statisation". One lucid bourgeois representative, Roberto Campos, who was Planning Minister after 1964, even believes that "Great Britain is a crypto-socialist country, with capitalist rhetoric" (15). Beneath the rhetoric of the statisation debate and the accusations that "totalitarianism" will be the sorry

result of this process (what have the dictatorships since 1964 been if not totalitarian) lies a real conflict.

The national economic plan of 1974 had suggested a certain re-articulation of the economy which would have given the state productive sector a considerable dynamic potential, the political implications of which were exaggerated by the self-appointed guardians of the "national bourgeoisie". However, it could be advanced that though the bourgeoisie may suffer from "false consciousness" on occasions, in this case the very real contradictions of state intervention into the process of production (outlined in our introduction) were being perceived, in however distorted a fashion, by the bourgeoisie. Whatever the case, the crucial point in this re-orientation of the economy is neither the dilemma between "statism" or "state capitalism", and private enterprise, as the heated debates in the economic press might lead us to believe, nor between nationalism and further integration into the world capitalist economy. The key aspect is rather the need to carry out the re-articulation of the economy after the end of the substitution of durable consumer goods cycle, and to lay the basis for a new level of capital accumulation capable of substituting for the import of "capital" goods and guaranteeing the provision of basic industrial inputs such as steel and energy sources such as hydro electric power. In fact there was a threefold rise in the national production of "capital" goods between 1973 and 1977, and whereas in 1974 there was just one manufacturer of heavy machinery, there were 21 by 1978, of which half were under national capital. This re-orientation of private and state investment toward Department I and the production of fixed capital is clearly expressed in the economic plan for 1975-1979. However, this did not particularly help the automobile industry, whose unsold stock was mounting and whose growth was declining sharply. Those sectors which no longer occupy top priority—the auto industry, consumer goods export, the speculative financial sector, etc.—perceived these changes as an attack and ignored the objective situation of the market. In the last years this has led to an increasing level of conflict between the various sectors of the bourgeoisie, and has increased President Geisel's difficulties in maintaining hegemony within the ruling bloc. If during the upswing everyone spoke of "big power Brazil", the talk now is of conspiracies, statism and government errors. Thus, in spite of the fact that the government's policies are a step forward for capitalism as a whole and could lay the basis for a renewed and intensified accumulation of capital, some bourgeois sectors, such as those based in Sao Paulo, oppose these policies.

In his analysis of the recent *political* debate in Brazil around the nature of the economic crisis, Mathias confronts the simplifications involved in those authors who identify the state intervention in the economy as either the central cause of the crisis or as its means of resolution (Mathias, 1977). Taking up the arguments developed by these two opposed currents, Mathias argues that the economic action of the state does not result simply from the intentions of a "state bourgeoisie" or some other hegemonic fraction of the dominant classes. Rather it is determined fundamentally by the movement of capital as a whole which fixes, for each historical movement, the limits and the various forms of state inter-

vention. In this sense, the present activity of the Brazilian state can be explained fundamentally as a necessary form of the restructuring of capital defined by the nature of the economic crisis (16).

The advocates of "statisation" in the 1970s try to portray the state, and more specifically the state productive sector, as a potential ally of the working class, in a bid to re-create the illusions of pre-1964 populist ideology. Effectively, during the whole populist period (but particularly during the Kubitschek period, precisely when imperialism moved in) there was a general fetishisation of the state. A type of "state nationalism" developed which accorded the state sector an autonomous accumulation potential, removed from the contradictions of the capitalist mode of production. The particular autonomy of the dependent state in Brazil was concretised in a statist ideology, which coexisted uneasily with the nationalist component of populism. The specific dislocation between state and economy, caused by a lack of clear-cut hegemony between 1930 and 1964, pushed the state into its role as arbiter of "national interest". In 1974, in a period of economic and political crisis the state again began assuming that role, even to the extent of acting against certain fractions of capital. There is an increasing tendency for analysis of this question to focus on surface developments to the detriment of a scientific understanding of the underlying processes. Thus, Evans speaks of "the new role of the state" leading to the formation of a "state bourgeoisie" (supposedly the core of the ruling class in Brazil). His conclusion: "capitalist development in Brazil has required some redefinition of what is meant by capitalism" (17). Such are the consequences of abandoning the categories of historical materialism.

CONCLUSION

In conclusion there are a number of points which emerge from our analysis:

- 1 The laws of motion of dependent capitalism dictate an increased intervention of the state in the economy in conditions where economic or political crises lead to a modification in the articulation between nation-states. The "overdetermining" role of the world economic system is mediated by the internal process of capital accumulation which has its own relatively autonomous dynamic. This autonomy is accentuated in periods of recession on the world market and makes imperative the intervention of the state to reorganise the conditions of production.
- 2 The particular dynamics of the dependent capitalist economy do not abstract it however from the general laws of capitalist development, nor from the inherent contradictions of increased state intervention. The dependent state sector is not 'beyond' the contradictions of capitalism but is rather an integral element in the contradictory self-expansion process of capital. Nor is state intervention a voluntarist process and the state a mere "object", above classes and the class struggle. This formalism would endow the state with a near absolute degree of autonomy in carrying out a national development strategy.

- 3 The basic difference between state intervention in the imperialist nations and dependent social formations such as Brazil is that in the latter it arose as a pre-condition for the development of monopoly capital, rather than as a result of its development and contradictions. State intervention does not result from the process of over-accumulation and crisis characteristic of advanced capitalism but rather from a "scarcity of capital" or the incapacity of private capital to lay the basis for the expanded reproduction of peripheral capitalism. The extensive role of the state in Russia's industrialisation process is continued in these countries where the bourgeoisie is even weaker in the face of imperialism and its "own" working class. I would suggest that the development of a productive state sector (neither removed from the laws of capitalism or a "state capitalism") is not in fact exceptional in dependent social formations given the congenital weakness of the national bourgeoisie.

Further we must note that whereas in Latin America the state reached high levels of participation in the economy (20–25%) at a time when roughly half, and in some cases two thirds of the labour force still depended on the primary sector, in the more developed capitalist countries this level of state participation in the economy was only reached when the primary sector accounted for less than a fifth of total employment, or as in the case of Britain, one twentieth.

In general we can refer to an incomplete penetration of capitalist relations of production and a relatively tardy achievement of domination by the capital-labour relation in the dependent social formations.

- 4 We must reject a linear model of increased state intervention in the dependent social formations, based on the historical pattern of Europe or the USA due to the reasons mentioned in the last point. But it is also necessary to take into account the fundamentally different political matrix of state intervention in the oppressed nation. We have seen how the laws of motion of capitalism impose themselves in dependent social formations, but we cannot conceive of capital-in-general generating political forms in abstraction from the concrete unfolding of the class struggle. Thus the relation between capital and state, in Brazil, Argentina or Peru, cannot be deduced but must be related to the different levels of capital accumulation and the very different history of the mass movement in these countries (18). The study of dependent states, in the Leninist sense, entails precisely elaborating the concrete political path taken by the dependent capital accumulation process in these countries.

FOOTNOTES

- 1 The introductory section only aims at "setting the scene" for the subsequent analysis and is not intended as a substitute for theoretical debate. The most glaring omission is the lack of an adequately articulated theory of imperialism which should mediate between our general and concrete analyses.

I would like to thank Paul Bullock, Marcelo Cavarozzi, Simon Clarke, John Humphrey and Bernardo Sorj for their helpful comments in an earlier version of this paper.

- 2 Gamble and Walton (1973), p. 8. For reasons of space, and because this issue has been discussed exhaustively (though not resolved to my mind) in previous C.S.E. publications, there is no attempt here to discuss Marx's law of the tendency of the rate of profit to fall. See however, Bullock and Yaffe (1975) for a clear presentation.
- 3 With the same reservations as in the previous footnote may I refer to P. Howell's article on this issue in Bullock and Yaffe (1975).
- 4 We are dealing with a case where "the bourgeoisie is totally incapable of creating democratic rule, because on the one side stands imperialist capital, and on the other side they are afraid of the proletariat because history there skipped a stage and the proletariat became an important factor before the democratic organisation of the whole society", (Trotsky, 1975). It is the relation to imperialism which gives rise to a distinctive form of Bonapartist government which oscillates between repression of the popular masses, and concessions to the working class to gain a certain room for manoeuvre vis-a-vis imperialism.
- 5 Based on Sorj (1976), p. 100 on. See also Economic Commission for Latin America (1971), p. 4 for a similar periodisation.
- 6 Recent studies of Brazil and Argentina during WWI have cast doubt on Gunder Frank's hypothesis that crisis in the centre always accelerates industrialisation in the periphery. During the 1930s Argentina became even more linked to Britain's "informal empire" (not in itself contradictory with the state's relative autonomy) and there was a consolidation of oligarchic rule. Nevertheless, industrialisation was promoted and the crisis of the regime paved the way for Peron's nationalist/statist economic policies after 1946.
- 7 Lessa (1964), p. 196-7. Our own analysis deals principally with state investment in the industrial sector. A broader analysis of state expenditure is contained in Souza and Afonso (1975).
- 8 Martins, L. (1976), studies the steel and petroleum industries in this period in terms of "decision-making" theory. He tends however to fetishise the state bureaucracy making it the "bearer" of the national consciousness the industrial bourgeoisie was not assuming.
- 9 Oliveira (1975), p. 14. The issue of "statism" mentioned here will be developed in relation to the debate of 1974-6 around this question.
- 10 Drawn from Tavares and Serra (1973), p. 78. See also Mantega (1976) who develops this theme.
- 11 Martins, C. E., ed. (1977), p. 67. I am aware that this discussion has not clearly demonstrated that the state productive sector actually does produce surplus value. Its clearly established profitability and important (if not dominant) role in the capitalist cycle are only indicators that we are dealing with something other than a "normal" non-productive state sector. It may be worth noting though, that in 1972 the Product per Worker (Wages, Salaries and Profits divided by Employees) was 99 Cr\$ in the state firms, compared to 53 Cr\$ in the multinationals and 35 Cr\$ in private Brazilian units (Baer 1976).

- 12 Between 1964 and 1974 Brazil's participation in world trade more than doubled, and the share of manufactured exports in the total quantum increased by 20%. A more adequate treatment of this process and of the pre-1964 "populist" period can be found in Munck (1976).
- 13 O'Donnell (1978), develops an interesting analysis of how "statism" develops as an alternative for the "bureaucratic-authoritarian" state if the level of threat from the working class is low and the "normalising" economic project of this type of state is effective fairly rapidly. Brazil would seem to have been particularly successful in having an increased role for the state while maintaining the alliance with the international bourgeoisie.
- 14 *Visão* (31.8.76)—Out of the 471 firms surveyed, 217 figures as "unknown" in relation to date of creation.
- 15 *Visão* (3.10.77)—Campos is Ambassador in Britain, hence his interest in British Labourism.
- 16 According to F. H. Cardoso the state began to intervene more forcefully in the economy precisely when it was faced by the world economic crisis. It took on further powers to regulate economic activities and began to make its support for private firms conditional on the adherence to the import substitution programme designed to alleviate the balance of payments deficit. For private firms which followed the government programme there were a number of incentives. For example, in 1974 three state firms were created specifically to support the private sector: FIBRASE (Financing of basic inputs Co); IBRASA (Brazilian Investments Co) and EMBRAMEC (Mechanical Co), (Cardoso 1976, p. 16). A theoretical framework which relates state intervention to the articulation between nation states is provided by Salama (1977).
- 17 Evans (1977), p. 63—4. This study is nevertheless a very useful case-study of the petrochemical industry with many sharp insights. For example—"Neither empire building on the part of the state technocrats nor any ideological commitment to state participation brought the Brazilian state into the petrochemical industry; rather, it was the logic of the situation, a logic that was even clearer to the "national industrial bourgeoisie" than it was to the state itself", (p. 50).
- 18 In the case of Brazil not enough stress has been laid in the text on the effect of the class struggle, for example, the massive popular campaign involved in the creation of Petrobras. Argentina's military government of 1966 attempted a similar project to the Brazilian military-technocratic regime of 1964, but was thwarted by the mass semi-insurrection of the Cordobazo in 1969, and subsequent mobilisations. In 1978, Argentina's bourgeoisie is carrying out a similar debate on "statisation" as the one discussed here—its prospects depend fundamentally on the continued resistance of the working class to the "friedmanite" economic policies of the Junta. On the very different political context of Peron since 1968 see Sorj (1976).

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