

Fiscal Crisis of the State in Retrospect and Prospect

It is difficult for this writer to believe that *Fiscal Crisis of the State* is now nearly 30 years old. At its 1973 publication, it was already a post-New Left leap forward of considerable proportions, a way of abandoning time-worn Left social theory and setting sights on phases of capitalism's crisis that were by no means new but whose interpretation had been practically limited to muckraking journalism. All these years later, with neoliberalism apparently triumphant over the state, and state capitalism in the Russian-Chinese version smothered or at any rate choking for its last breaths of air, *Fiscal Crisis* has lost none of its cogency. As I will seek to describe below, it could be seen by some readers of this journal as the (or a) crucial link between the theoretical understanding of the New Left, and of today's ecological Left. But first some background, a bit of it personal.

The ranks of Marxist economists were never more than thin, since the German-American socialist newspapers (followed by those in a dozen or so other languages) first appeared in the later 1860s. From the beginning, crisis theory dominated, and the notion of a "final" crisis soon approaching was not so much argued and developed as reiterated. Understandably: there were more years of recession or depression than prosperity from the Panic of 1873 until the end of the century — after which a serious slump, in 1907, and another shortly before the outbreak of War in Europe, and then again a big one breaking out in 1921, and so on, gave many serious observers the sense that the system was on life-supports.

Today's readers may need to be reminded that before Social Security, each crisis brought personal catastrophe to large numbers of working class families. Close to their main readership, writers trained (often self-trained) in Marxist ideas reflected the deep fatalism of working class life while injecting major notes of hope for redemption

through a radical transformation somewhere ahead. Only after 1950 did perspectives change drastically.

The decades of unprecedented prosperity following the immediate post-World War II economic chaos (with Europe flat upon its back) prompted troubled rethinking. Capitalist prosperity was surely delicate but not as deeply and dangerously crisis-ridden as earlier predicted. The shift of Marxist interest toward the Third World reflected an almost hidden tradition, going back to Lenin and Rosa Luxemburg, that the crisis had been exported (and raw goods imported as a tiny fraction of their value) through imperialism in its various forms. Still, it was widely agreed on the Left, the recurrent crisis at home had not been conquered, only delayed and complicated.

The appearance of *The Political Economy of Growth* by Paul Baran (during the 1950s, said to be the only Marxist economist teaching at a US university) and *Monopoly Capital* by Baran and Paul Sweezy offered landmarks along these lines. *Political Economy* helped to explain what came to be known as “uneven exchange,” and *Monopoly Capital* offered the novel theory — for many Marxists — that certain innovations (such as the railroad, and the automobile) had so simulated growth that crisis could be overcome, if only for a relatively short time. Actually, this was a Marxist counterpart to commonplace bourgeois theory (resurgent with the Internet, and the computer age generally) based upon the saga of the heroic entrepreneur — just as the abandonment of classic Marxist explanations (declining profits, from the changing composition of variable capital) for one rooted in overproduction and underconsumption was a radical alternative to Keynesianism.

What’s interesting in this is how little, in a sense, the basic line of argument up to 1970 or so had been reshaped by the New Deal and the reshaping of the economy around the state sector. Sweezy’s *Monthly Review* coeditor, Harry Magdoff, had been a New Deal economist himself, and the magazine’s support for the Soviet Union and its many counterparts across Asia, Africa and a tiny sliver of the New World (e.g., Cuba) depended heavily upon the state’s apparent near-total command of the economy. The New Deal, for the generation of the 1930s, seemed to have been an aborted transition to an American socialism or at least a more cooperative order; but the state sector had become more and more parasitic in the context of the post-war military-industrial-complex.

The New Left meanwhile notoriously turned against liberalism as the welfare state covering for accelerated global aggression. But if the

argument worked historically (with the Vietnam War as only the latest of a history of national expansionism, the nation defined by its race and imperial policies), it could not begin to deal with the complications of the state sector. “Radical economics,” as it emerged within and around academic life placed the burden of its complaint upon the sheer unfairness of capitalism, including the use of state mechanisms to increase the power and wealth of the powerful. In other words, it responded to mainstream economics on the home turf of the mainstream.

O’Connor had something very different in mind, as he explains in the new introduction to *Fiscal Crisis of the State* (New Brunswick: Transaction Books, 2001). His brand of “historical sociology” never had much of a chance among numbers-crunchers, not even among those radical academics stressing “development” but mainly concerned with more-or-less contemporary state mechanisms in distant places. (Nor did it have much chance with radical historians, whose versions of social history focused on the human factor, especially of the lower classes, and rarely dealt with the complications of institutional power, except at a distance of generations or centuries, or in the muckraking role as journalist-historians.) But such historical sociology suited O’Connor fine, most especially to grapple with the growing complications of the state sector.

He thus drew from Marxist economics a set of categories that he adapted to what he called “the problem of budgetary analysis.” (p. 6) Having received graduate training in public finance, something rare for a Marxist or bourgeois economist, he was uniquely suited to train himself for the leaps of logic required. The State, he posited, had to create and perpetuate arrangements best suited to the accumulation of capital; it also had to maintain social harmony, a task that O’Connor dubbed “legitimation.” These two demands stood in contradiction in way that could be understood best by a return to updated Marxist categories of “social capital” and “social expenses.” The first, made up of what he call “social investment” and “social consumption,” essentially updated basic categories of *Capital*, in laying out the expenditures demanded for profitable capital accumulation. The second, made of goods and services needed for the same goal, are not productive as such, but like the welfare state that is the best single example, required to sustain social peace. In other words, social capital assists in the reproduction and expansion of capital, or the economy; social expenses help to politically and socially reproduce the social order.

Every state agency, by O’Connor’s calculation, served the dual purpose and thereby bound up within itself a large contradiction both

socially and analytically. Contrary to what liberal and conservative (and even Marxist) economists would predict. O'Connor suggested that the growth of monopoly capital generates the social and political need for social expenses, and the faster the monopolization, the more rapid the growth of necessary expenditures. A monopolized economy could not live without the expansive State that, according to most observers, had been forced upon it.

These were some insights driving O'Connor's analysis forward toward what might be called a historical sociology of the present and future. The contemporary poetic dictum of Jamaican calypso-radical Jimmy Cliff ("There's enough in the world for everyone's need/Not enough in the world for everyone's greed.") captures the general problem. The State is virtually compelled to socialize more and more of its expenses; but capital resists, and exacerbates the problem by using the State to cover or pay for its own costs.

Ultimately, as O'Connor repeatedly emphasized, the crucial social decisions would be made politically. Working people and the poor, lacking ways to coordinate their demands (and burdened with leadership that, especially in the case of labor, increasingly directed resentment against potential allies) had little opportunity to speak for themselves on the character of society's shifting material bases. Monopolies thus had the advantage through familiar divide-and-conquer tactics.

If the book had been written a decade or two later, O'Connor probably would have seized the opportunity to lament that the best chances of the Left during the 1960s and 1970s social chaos and distrust of both capitalism and the State had been lost, even squandered. On the Left, neither the revamped social democracy of the prestige political grouping around Michael Harrington (reaching its apex in the 1978 Democratic Party) nor the neo-Leninist "Third World Marxism" emerging out of the ashes of the New Left had the analytical tools to understand the problem.¹ Mainstream liberals who would spend the next era with nostalgic looks backward at the Kennedy White House seemed to care less and less: the regulated market was the answer after all, and the poor largely to blame for their own troubles. What might have been a domestic school of social inquiry turned out to be the extraordinary effort of O'Connor and a handful of like-minded social thinkers.

¹Max Elbaum, *Revolution Is In the Air: Sixties Radical Turn to Lenin, Mao and Che* (New York: Verso, 2002) is especially keen on the subject of the latter.

Fiscal Crisis should be immediately acknowledged as an international work, not only because O'Connor spent several crucial months in a West German think tank in 1970, exchanging ideas with Claus Offe among others, but also because it did much to launch an intellectual movement far beyond its hard (or paper) covers. My own memory goes back to *Kapitalistate* (1973-81) as the first truly international journal of the Left: others from the US, UK, Germany and so on had non-national contributors, but none previously were so clearly composed of ongoing dialogue. The Germans seemed most eager to join, but the Left across much of the world was beginning to take on many of the same problems, and for similar reasons. Everywhere, the crisis had been deported from the economy to the state, and "lemon socialism" (the state absorbing the costs otherwise demanded of capital) was the flavor of the 1970s from Latin America to distant Asia to down-home Chicago.

Anyone lived through the later 1960s and 1970s as an adult can recall the consequences of the radical social movements, their retreat and the early sense that fundamental social reforms of the 1930s (in some cases, earlier) had now been decisively undercut. Simply consider the school health programs put into effect in New York City during the Progressive Era, for the purposes of ensuring that youngsters would not spread diseases or themselves become sooner or later, through unnecessary ill health, a heavy cost upon the system. These had lasted through generations of Depression and War, but not through the City's own fiscal crisis of the 1970s. The ax had been sharpened: Other health reforms around the country that had taken local and state advocates decades to enact in law were destined to go out the window.

The liberal politics of the 1960s had, of course, promised something very nearly the opposite. We don't know if the "War on Poverty" was ever really meant to be won, certainly not at a price of raising the cost of higher wages across the board and probably never (save for a few voices in the wilderness) for comprehensive health care. But radical protest from the welfare rights movement to the threat of Black Power had certainly pushed the issues of state services forward, so much so that Richard Nixon himself embraced the expansion of the welfare system. Liberals and their radical supporters (by the middle 1970s more likely to be known as "progressives," in 1940s-style parlance) managed to get more funds spent on some more specifics, including environmental protection and clean-up. But after 1978, the bugle-call of retreat had been sounded. Even the die-hard Democrats of the labor bureaucracy by now wanted guns a lot more than butter, and

their favorite candidates would preach fiscal austerity to constituents with the least reason to believe in it.

For all this, and the crisis perceived within capitalism itself by its highly-placed defenders, O'Connor had a serious response if not definitive answers. He admits too easily that he did not anticipate neoliberalism, globalization and the re-establishment of American supremacy. It seems to me, on the contrary, that the ghost of neoliberalism can be found throughout the text in capitalism's power to survive through adaptability — and through the weakness of its foes.

O'Connor clearly underestimated, in his final chapter, the power of a near-future Republican Party to “nurture the social-industrial complex to maturity,” no doubt in part because he could not have guessed how rapidly rightward the Democratic party would go and how eager its congressional delegation to support the main elements of Reagan era reforms (or counter-reforms). He likewise overestimated the staying power of contemporary social movements to “socialize decision making from below” — even where they were able to influence power, at the urban level during the 1970s and afterward, most often experts would be placed in command.

But perhaps what he and the rest of us most glaringly misunderstood was the willingness of what we called “corporate liberals” to throw the social contract out the window and along with it, sensible planning of nearly every kind. As late as the Watergate scandal and the Democratic “class of '76,” the newer entrants seemed fired up with a vision of a rather different society, drastically more egalitarian in race, gender and other terms, more environmentally-minded and so on. In short, a version of what the Europeans seemed on the road to creating for themselves. It was a comforting delusion, about as far off the mark as Maoist-inspired visions of an accelerated Third World uprising that would finally strike in the homeland of capital.

The final defeat in Vietnam, the oil crisis, stagflation, the Three Mile Island near-meltdown, the Iranian Revolution and the “rust bowl” massive shutdown of American industries can all be seen as factors. But the internal crisis that O'Connor keenly analyzed before anyone else saw it clearly should now be seen as definitive. If not to go forward, far past the acceptable limits of capital's commands, the welfare state had to go backward. The era of the grand reform, dating to the New Deal years, was winding down even as demand for full inclusion in every sense continued to rise.

Paul Mattick, the dean of orthodox Marxist economists (perhaps the last sturdy defender of the Labor Theory of Value), once wrote that

capitalism could always recover — if the necessary surplus could still be squeezed out of the working class. Mattick, a staunch old gentleman-revolutionary (to my young eyes) who had heroically fought with Rosa Luxemburg’s Spartacists at the barricades before coming to the US and to a half-century of political isolation, had not anticipated ecological crisis. But he was, in his fatalistic way, more correct than the Marxists and assorted New Leftists, feminists and so forth who thought they saw assorted versions of the Age of Aquarius around the corner. O’Connor, the Irish-American thinker bending over the “dull science,” has some of the same fatalism about him, a willingness to look close at really unpleasant possibilities even while still hoping for the best.

There, personally as well as intellectually, I find the kernel of what would become the *CNS* project. In the largest sense of capital outlays and infrastructural demands, ecology supplies the outward limit of a class (or any other) system, and the ongoing crisis of the state marks the crisis of everything else. A properly run society, even a properly run capitalist society, would not herald its own destruction by obliterating resources at a vastly accelerating pace. Neither — as Harry Magdoff once pointed out to me — would it program potential nuclear annihilation into its most basic budgetary programs, a decisive (if lunatic) measure of the military-industrial sector and its hegemony.

Many of us who mourned the destruction of habitat around us, joined organizations, called congressional delegations, wrote poems and polemics about real and potential environmental degradation (all these descriptions happen to fit me) still lacked any but the most metaphorical grasp of the actual mechanisms at work. *FCS* set out the crises that the state had to solve or postpone; *Kapitalistate* explored the contradictions; and *CNS* is in the process of nailing them down at a decisive point in human (yes, and for a huge number of species, also natural) history.



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