Socialist Politics, Nationalization, and the Finance Sector

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INTRODUCTION

The purpose of this article is to raise for discussion and debate a number of issues concerning traditional conceptions of socialist politics in relation to finance. The article does not attempt to present a detailed account of the finance sector and its operations. Instead the focus is upon broad questions concerning the adequacy, or otherwise, of traditional forms of socialist theory and strategy.

In Australia attention has recently been drawn to many important issues pertaining to the finance sector: deregulation; foreign bank entry; the granting of bank licences and bank status; the internationalization of interest bearing capital and its possible effects on the Australian social formation; the structure of and changes within the insurance industry; etc. I am concerned here with the need to critically appraise our conceptual baggage as a **prior** condition to progress being made with respect to these issues. My approach is premissed on a conviction that theoretical arguments are crucial to politics and that the parlous state of affairs in which traditional Left discourses find themselves (starkly exemplified by the paucity and lack of quality of 'Left' arguments on the finance sector at the last ALP National Conference) can be partly attributed to the eschewal of critical theoretical debate in a number of areas.

This is not to suggest that socialists will 'win the day' by presenting articulate and convincing arguments alone. This would be taking rationalism too far! It is clear, however, that the dominant enthusiasm for vague sloganising and empiricist political economy, often glued to a populist radical nationalist ideology, is insufficent and can only obstruct the task of formulating an adequate response to the plethora of problems thrown up from within the social relations of contemporary capitalism.

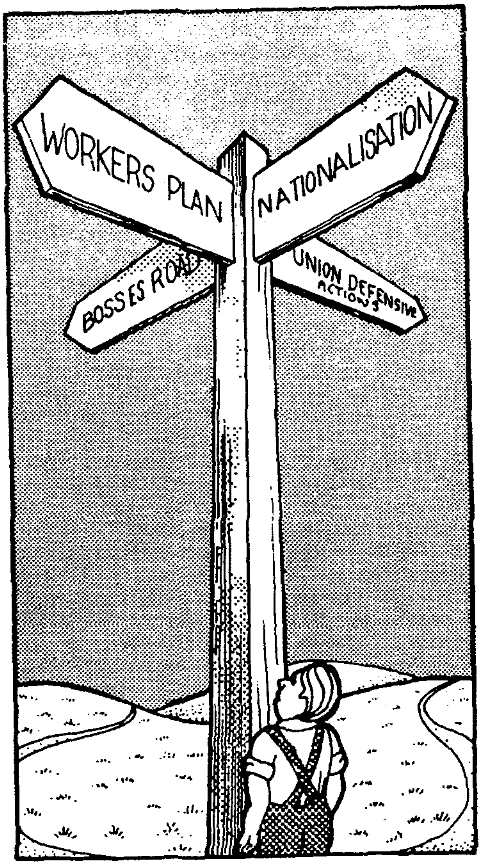
In what follows I examine the assumptions underlying current socialist politics in relation to finance, including in particular the important theme of nationalization. I look first at the theory of the capitalist enterprise, and then at the theme of nationalization itself, before turning to a consideration of the finance sector. Because many of the most central issues have been extensively discussed in the context of debates in Britain, I draw heavily on the recent British literature.

SOCIALIST THEORY AND THE CAPITALIST ENTERPRISE

The central failure of socialist theory relates to conceptualisations of the capitalist enterprise. Marx pointed to the importance of the transition to the form of the joint stock company with limited liability. But little subsequent work has been done on this issue. Instead the field has been dominated by the repetitive elaboration of general themes. Quite diverse and heterogeneous forms of organisation of capital have been treated as given by the system of capitalist production **in general.**

The failure to analyse the forms of organisation of capital in their specificity has had politically debilitating effects with regard to the formation of socialist objectives at the level of the enterprise. Rather than construct a 'politics of the enterprise', that is, an analysis which addresses itself to the organisational forms and practices constituting the firm, socialists and the Labor Left have tended to rely on vague slogans. They have only dimly recognised the need for a more explicit theorisation of enterprises and markets as a basis on which to challenge managerial prerogatives and formulate **specific** socialist objectives.

This need has been driven home to those who, like the Labor Resource Centre in Melbourne, are attempting to develop workable programmes within regions, industries and enterprises. To develop specific objectives and policies requires at base "... understanding how industries work, the impact of government policy, learning about cost structures, profits and so on - all the things we have shied away from so as not to get contaminated".1 In the U.K., Tomlinson has expressed similar sentiments, arguing that the absence of discussion:



has left a gaping void ... where a 'politics of the enterprise' should have been. The Left has not dirtied its hands by examining all those gritty but crucial problems about financial control, information systems, organizational hierarchies, accounting methods, etc. which any serious proposals for enterprise reform would have to deal with.[2]

Both statements draw attention to the neglect by socialists of the precise organisational forms, modes of calculation and practices of capitalist enterprises (management practices, company strategy, organisational hierarchies, the legal form of the firm, means of financial reproduction, investment strategies, pricing policy, relations to state apparatuses, sexual division of labour, etc.). These phenomena, which cannot simply be read off from the structure of the capitalist mode of production, are important subjects of economic and political struggles. They are loci for the formulation of objectives and the development of strategies. As a result, they need to be adequately understood if socialist politics is to obtain any purchase in the conditions of the present.

NATIONALIZATION AND CORPORATE ORGANISATION

Nationalization is widely supported as a central socialist political objective. This section critically examines the relevance of this objective to the construction of a socialist politics with respect to corporate enterprise. The observations made and conclusions reached in this section are drawn upon in later sections which are addressed more specifically to the corporate finance sector.

Nationalization remains a centrepiece of socialist strategy, in spite of the existence both of extensive disagreement concerning the nature or objectives of nationalization policy and of intense criticism of current forms of public enterprise. The slogan "nationalization plus workers' control" is frequently employed to gesturally resolve the contradiction between regarding nationalization as a 'socialist panacea'[3] and recognising the shortcomings of organisation and practices of existing state enterprises. But in most cases the reference to worker control is little more than rhetoric, devoid of any concrete connection to current economic and political conditions.

It is a contention of this article that the centrality accorded to the nationalization objective has been a major factor inhibiting construction of an adequate socialist 'politics of the enterprise'. Support for nationalization as the centrepiece of socialist strategy relies on a particular conception of the significance of legal ownership of property and therefore of the significance of a transfer of ownership from private to public hands. Nationalization can, of itself, only be seen as some sort of panacea if legal ownership of property is regarded as the principal determinant of enterprise organisation and operation. It is only if legal ownership is perceived in these terms that the transfer of enterprise from private to public hands will be regarded as sufficient to ensure transformation of enterprise functions, practices and effects.

This conception of the centrality of legal ownership to corporate organisation has its counterpart in legalistic (constitutionalist) notions of politics. Hindess has trenchantly criticized constitutionalist notions of politics which radically exaggerate the effective capacities of parliament to determine the activities of private capitals.[4] His emphasis on the limits and constraints of parliamentary sovereignty is taken up by Tomlinson in relation to nationalization. Tomlinson maintains that underlying much socialist discussion of nationalization are legalistic notions of property tied to constitutionalist notions of politics. Such notions assume an essential location for socialist politics by implying that the practices "both of private/public property and of the state can be deduced from their legal/constitutional essences".[5]

To object to the reduction of corporate organisation and operation to a legal essence is not to assert that legal ownership is irrelevant to analysis of corporate enterprise. On the contrary, it is to insist that questions concerning the effectivity of law in corporate relations of production be placed upon the political agenda and be subject to specific analysis. This involves, inter alia, recognising that as non-human agents corporations are subject to forms of regulation and definition that are quite different to those applying to individual subjects and that legal regulation of corporations can be extended or diminished through political action.

The fact that corporate organisation is irreducible to any legal essence means that political action affecting the regulation of corporate relations will not necessarily transform corporate organisation and operations. This makes it all the more important to analyse the manner in which the legal aspects of corporate organisation are integrated with its other aspects in the context of particular corporate operations. With reference to legal ownership it is necessary to specify rather than assume the mechanisms whereby property qua property exerts pertinent effects with respect to the organisational form and operation of that property. Any political objectives based upon changes in legal ownership must specify:

(a) the particular objectives in pursuit of which the legal status of that property is to be changed, and
(b) the particular mechanisms whereby legal changes have effects upon the locus and character of decision-making within the firm and consequently on the practices employed.[6]

Nationalization as a political objective is also supported by the Left-progressivist notion of the necessarily historically progressive nature of ongoing 'socialization'. In accordance with this notion, the nationalization of individual enterprises facilitates the development of a proto-socialist economy within a capitalist shell. Achievement of socialist objectives can be extended simply by extension of the proto-socialist economy. The full achievement of socialist objectives will occur when the proto-socialist economy breaks its "capitalist shell" and the economy becomes socialist.

The notion of a proto-socialist economy developing within a capitalist shell is both teleological and riddled with quite conservative political assumptions concerning the form of socialist social relations. As Tomlinson notes:

> Its implications for socialists are bizarre. It implies that the particular kinds of markets served, the commodity form of production employed, the managerial practices employed, etc. by capitalist firms don't really matter because socialisation is occurring in any case. All differences are subsumed under this over-arching tendency. Capitalism **may** exhibit strong tendencies to increasing division of labour and integration of production, but the form of this integration cannot be separated off from the other practices embodied in the firm.[7]

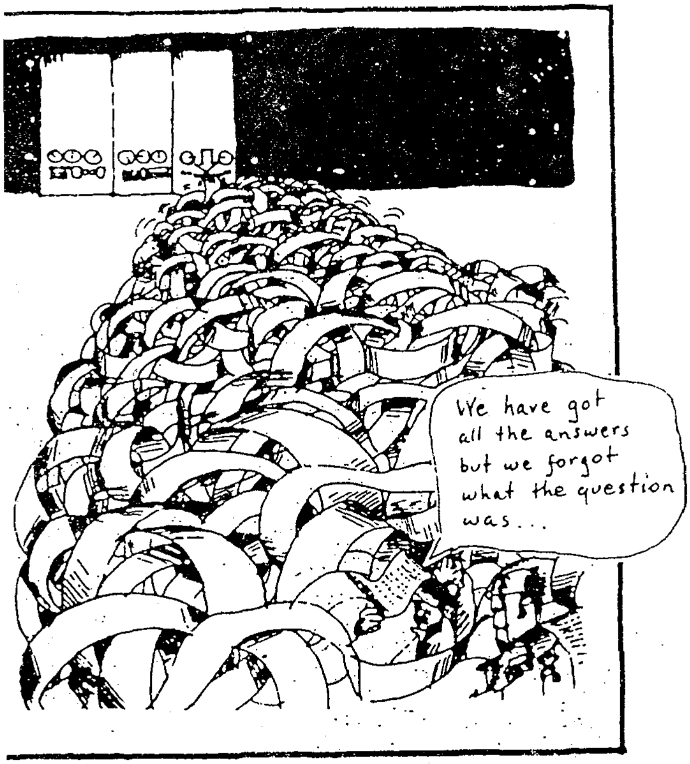
Nationalization, viewed as the cornerstone of socialist politics, can be seen to have politically limiting effects. As a political objective, nationalization is based upon the notions that legal ownership is the crucial determinant of corporate organisation and operation, and that, ongoing socialization of ownership necessarily extends the achievement of socialist objectives. These notions combine to remove crucial questions concerning corporate organisation from analysis. To the extent that legal ownership is regarded as the crucial determinant of corporate organisation, the specific effects of law upon corporate organisation remain unexamined. Similarly, questions concerning other aspects of organisation such as financial management, investment financing and pricing policies, labour organisation, management structure, and relations between the enterprise and the state apparatuses are ignored.

The perspective that accompanies proposals for nationalization glosses over the important differences between the various forms of the capitalist enterprise. Instead it assumes a homogeneity. On the one hand it assumes a relatively healthy core to the enterprise that is subject to the ongoing process of 'socialization'. On the other hand it assumes a rotten shell - identified with the legal form - that represents the imposition of the goal of profit maximisation. Not only does this lose sight of the complexity of current forms of organisation and operation but it also suppresses the correlative complexity of the tasks of socialist transformation. Nationalization appears as a spurious solution. Nor can the addition of a reference to workers control provide much assistance. This only serves to evade the key questions concerning the transformation of the practices constituting the particular enterprise.

It should be apparent that these arguments in no way preclude nationalization as a **possible** strategy. Rather, the objection is related to the prophylactic effects of seeing nationalisation as **the** socialist objective. The possibility of developing political support by means of other objectives may in fact be inhibited by calls for outright nationalization.

To summarise, there are two crucial ways in which unexamined nationalization proposals may be seen as conservative rather than radical: (i) they imbricate socialist theory and politics within existing constitutional and political theories as opposed to challenging them, and (ii) they displace the question of the form of organisation of the joint stock company by suggesting that what is wrong with the joint stock company is its legal essence.[8]

If meaningful proposals for enterprise reform are to be formulated and implemented, then we need to insist that the specificity of legal forms, institutional arrangements, questions of size and scale, efficiency and expertise, etc. all be put under the socialist microscope.



MARXISM AND FINANCE CAPITAL

In many respects all the thorny problems related to an adequate theorisation of the capitalist enterprise and the political efficacy of nationalization can be found embedded within the debate on finance capital.

The concept of finance capital is derived from the writings of Hilferding and Lenin.[9] Crudely stated, their approach entailed linking the process of increasing concentration and centralization of capital with its internationalization. In particular it focused upon what was seen as a dominant tendency towards the integration and fusion of banks and corporations at the institutional level.

Subsequent writers, adopting a more explicitly Marxist approach, have attempted to reformulate the concept of finance capital in terms of the circuits of capital value. In this latter work finance capital is identified with the integration or fusion of the circuit of money (or banking or interest bearing) capital and the circuit of industrial capital.[10] The relationship is couched in terms of the simultaneous dominance and dependence of money capital. Money capital is dominant in the sense that the control over the social power of money confers a vital role with respect to accumulation. It is dependent in so far as it is seen to absorb rather than generate surplus value. Most commonly, it is the dominance of money capital that is seen as the key to the concept of finance capital.

Recent literature on finance capital has been concerned with examining the way in which the fusion is effected and the way in which the dominance of money capital is secured. In this respect it overlaps with the larger body of literature that, since the time of the debate on the work of Eduard Bernstein, has sought to explore the topic of ownership and control of corporations. Common to both has been a concern with the question of whether it is possible to argue that it is finance capital that is in a position of ownership and control in the current stage of capitalism. For some time the answer to this question was reached by means of a simple analysis of shareholdings. More recently the analysis has broadened somewhat in order to accomodate a more sophisticated understanding of capital. However, this has in turn served to problematise the very concept of 'control'.

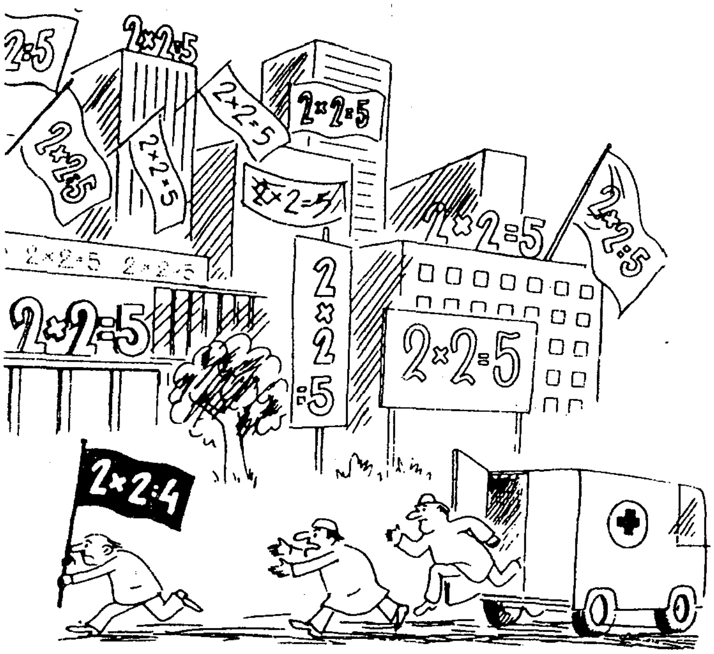
It is this vexed issue of 'control' that I concentrate on in this section. I proceed by means of an examination of a number of recent contributions to the debate on finance capital. I highlight a number of difficulties and lacunae within traditional approaches and argue that socialists need to be able to specify in a more direct manner precisely how the mechanisms securing control operate. In order to reveal the power structures of finance and to formulate strategic objectives with respect to the use and control of finance, that is, to develop a **politics of investment**, socialists must move beyond the traditional debate on ownership and control.

As Overbeek suggests, the structural relation integrating the financial and industrial sectors can take four forms:

(i) financial - share ownership, long and short term credit;
(ii) services - management of investment portfolios, advising on mergers, takeovers;
(iii) institutional - interlocking directorships; and
(iv) informal - family ties, etc.[11]

Overbeek himself concentrates his analysis primarily on the third of these - interlocking directorships. A similar approach is taken by Scott[12]. He begins by pointing out that the joint stock company form, as the typical form of the modern capitalist enterprise, represents a move away from personal to impersonal possession. As a result, he suggests that the characteristic mode of control defining contemporary capitalism should be seen as control through a 'constellation of interests'. He describes this in terms of 'strategic control'. From an overview of a number of countries (USA, Germany, Japan, Australia, Canada) Scott suggests that the development from personal to impersonal possession is associated with an integration and interdependence between the financial and industrial sectors of the economy. In each country there is or has been a transition from entrepreneurial capital to financial capital. As a corollary of this argument he suggests that analysis which focuses on shareholdings to indicate patterns of ownership and control is insufficient. Economic power and control, and the complex mechanisms and structures through which they operate, cannot be reduced to simple indices of proportional shareholdings held by institutions or groups. This is not to say that such analysis is unimportant, merely that it is limited and unrevealing of itself.

Scott's analysis relies substantially on the role of interlocking directorships in order to flesh out his argument. In discussing the role of bank power, i.e. the possession by banks of company shares and their potential for strategic deployment, he emphasises the role of interlocks in ensuring certain levels of coordination and integration. He stresses that the structure of these interlocks does not derive from the will or consciousness of financial managers, because the complex 'intercorporate configuration' involves practices which are irreducible to the motives of individuals or groups of individuals. Corporate strategies can only be developed within particular systems of constraints and power relations which can never be understood in a voluntarist way. Scott concludes that banks and other financial institutions exert influence through continuing pressure via the mechanism of interlocks, which provide 'access to knowledge', 'channels of communication' and an ability to grant or withhold credit.



Scott's analysis does not go far enough. It should be noted that share ownership and corporate interlocks of financial institutions in companies and increasingly in themselves signify nothing more than a **control potential**, the realisation of which depends on the specific practices and strategies deployed. As Minns has indicated, an exclusive focus on either shareholding or interlocks tends to ignore other mechanisms of control. Also important are institutional investors' ability to influence share price, thereby affecting mergers and rights issues, the conditions attached to bank lending, and so on.[13] Similarly, interlocks do not necessarily imply the cohesion of or coalescence between banking and industrial capital. Minns points to 'dawn raids' as examples of a situation where knowledge of, and linkages to, other companies have worked in quite the opposite direction. In dawn raids or mergers banks and finacial institutions have frequently sold their shares in the victim companies irrespective of the consequences for the particular enterprise with which they were supposedly 'fused'.

The critique of interlocks dovetails with Scott's own critique of conflating 'control' and ownership of proportional shareholdings. It should be stressed that this does not mean that share holding concentrations and links via interlocking directorships, etc. should not be subject to analysis. Rather it is to reiterate the point that they can only represent, at most, a control potential. This potential can only ever be realised within specific determinate conditions and practices and it is these latter that must be the main object of analysis. Indeed, for institutions to be in a position of 'strategic control' they need not own the shares they are dealing with, nor even be in possession of a secure interlock.

Scott, it is true, recognises the limits of the traditional share ownership approach and his account attempts to specify the limits to any conception of unilateral control in the corporate sphere. He adopts a definition of finance capital that has the virtue of drawing attention to the practices constituting the enterprise.[14] But he fails to go on to examine these practices.

In this respect the work of Thompson is more promising. He does not rely on an examination of interlocks, but instead stresses that questions pertaining to control can be more fruitfully pursued through an examination of the financial practices of enterprises, including in particular the conditions surrounding borrowing and lending.

Thompson has argued that it is impossible to study the financial sector in isolation from the company sector and corporate policy. Marxism has distinguished between the various forms of capital and their circuits, the different forms of capital representing relationships within and beween capitals in combination. Because companies have a presence in money, credit and capital markets as lenders as well as borrowers, Thompson maintains that it is incorrect simply to identify banking capital with the financial sector and industrial capital with the manufacturing or productive sector. Thompson argues that banking capital establishes its dominance through the dominance of the borrowing and lending relationship and the creation of credit. This involves the intersection of legal, accounting, and economic practices, which define the relationships between different forms of capital and which govern the use and distribution of funds within the economy. These conditions and practices also straddle State financial activities (Gilt and Treasury Bill markets) and the articulation of international and national financial markets.[16]

Thompson's argument deepens the analysis of control. At the same time it draws out an important point concerning the nature of modern enterprise; a point that is also stressed in the work of Tomlinson and Cutler et al. These writers begin with the fact that the modern legal form of the capitalist enterprise is the joint stock company with limited liability. That is, the enterprise **per se** is constituted as a legal subject. This status means that corporate property is legally separate and irreducible to individuals, or as Tomlinson puts it:

> the agents of possession need not be individuals, ... on the contrary the norm of modern capitalism is that the corporation **per se** has effective possession. And despite the legal or customary privilege accorded to human individuals in such discussions, these non-human agents are not reducible to the human agents who direct them.[17]

The overriding emphasis in traditional socialist literature on **who** controls has tended to obscure the above point and prevent the posing of the pertinent questions to do with the mechanisms securing control. The issue of control, how it is to be understood and theorised, cannot be separated from the organisational form of the enterprise - its social and discursive construction. Economic power and control must be seen not only in terms of individuals' positions, shareholdings, etc. but also as operating through specific economic, political, and legal mechanisms and practices that secure effective possession consistent with the pursuit of certain definable corporate policy objectives. These mechanisms and practices do not simply congeal at one point within the enterprise but are dispersed within it.

One important consequence of this approach is that it allows the discussion to move beyond the traditional debate on ownership and control. Rather than defining the economic system in terms of the role of particular kinds of individuals (e.g. owners and managers) the emphasis is firmly placed upon the social relation of capital.

FINANCIAL CALCULATION AND THE ENTERPRISE

The concept of control, as understood by both the "Right" and "Left" in terms of an index of proportional shareholdings held by groups, persons or institutions, glosses over the specific mechanisms through which disparate objectives are pursued within enterprises. In reformulating this traditional conception Tomlinson writes that control is better understood in terms of "a series of practices which construct loci of decision making with particular modes of calculation and thus with a determinate set of possible outcomes".[18]

Thompson attempts a similar reformulation in his analysis of the relationship between industrial and banking capital. He focuses particular attention upon the practices of the latter in the UK capital markets in order to demonstrate how banking capital establishes its dominance with respect to both share and loan form lending. The **loan form** is predicated upon a specific economic relationship and is subject to specific forms of scrutiny by banking capital. These relate to the obligation of firms to conform to yield ratio/liquidity ratio requirements and involve forms of economic calculation articulated around the balance sheet. **Share form** lending is also predicated upon a specific economic relationship and is similarly subject to specific forms of scrutiny. These are primarily related to profitability, cash flow and earnings ratios; forms of calcluation which are articulated around the income statement.

Such accounting practices and forms of calculation relate to the internal conditions of an enterprise and its borrowing and lending requirements, etc. They proceed by means of an assessment of 'financial status' or 'credit worthiness' by banking capital. These modes of calculation are not simply pre-given or derivable from the notion of a general structural location. They involve the deployment of specific discursive means in formulating objectives and reaching decisions. Therefore quite varying forms of economic calculation may be employed by firms within a national economy. Similarly, significant variations may occur according to the defining criteria and practices in different countries. For example, Thompson points out that the Japanese gearing ratio is five times greater than the UK's, not as the result of any subjective predilections of Japanese entrepreneurs for greater risk taking, but rather as the result of the particular relationship between the financial and industrial sectors, which allows such gearing to be acceptable.[19] The unavoidable conclusion is that "there is no uniquely defined mode of calculation (e.g. profit maximising) that is employed by enterprises as a function either of their supposed rationality or of the rigours of the marketplace".[20]

Loan form lending is closely tied to the liquidity and gearing position of the enterprise and it is because of this that accountancy calculations and practices assume an importance. Liquidity and yield ratios relate to questions of asset cover (i.e. the calculations pertaining to the types and liabilities of enterprises) and, as previously stated, these creditor calculations centre around data contained in the balance sheet.

Thompson maintains that:

> Within these calculations are embodied the acceptable financial practices of the firm itself. From the accounting data presented by the firm for disclosure... banking capital makes these kinds of calculations to decide the "credit worthiness" of firms; "where" any additional credit will be located and also whether the already existing credit is "effectively" located.[21]

An enterprise's gearing and liquidity position must therefore be kept within the boundaries prescribed by the numerous practices that determine what is 'acceptable' in order to guarantee the continued provision of credit. The fact that an enterprise may be internally self-financing (75% of investment funds in the UK are self-generated; 44% from retained earnings, 31% from depreciation) does not mean that industrial capital is free from external financial constraint. At times enterprises will be required to protect their share values by adjusting their liability and asset structure as a defence against takeover threats. Within share form lending on the secondary market the earnings ratio is of crucial significance in indicating profitability and determining the value of shareholdings. The conclusion reached by Thompson is that:

> whether industrial capital is to raise funds via the stock market or via the loans from the bank, its ability to do this is vitally dependent upon the way it has 'managed' its funds internally. This manifests itself in its status on the stock exchange and in its public declaration of financial viability via the balance sheet/income statement. Thus even those funds that are not subject to the market, i.e. internal retained surpluses, are conditioned by the practices and ideology of banking capital.[22]

Thompson's work is important in drawing attention to the variability of the conditions within different enterprises. It helps to break down some of the global concepts, e.g. of 'control', that have impeded socialist analysis. However, it could also be seen to threaten some of the concepts that Thompson himself still uses. Thus, it could be argued that, even when rigorously theorised as in Thompson's work, the concept of 'finance capital' tends to impart an artificial unity to the relationships and processes that are being examined.[23] In this sense it continues to suggest an originating point for the practices within the enterprise. In Thompson's case this does not vitiate the other important elements of his analysis, but it does suggest that proponents of the notion of finance capital still need to be able to specify precisely **where** the integration of circuits takes place.

CONCLUSION: IMPLICATIONS FOR SOCIALIST ANALYSIS AND STRATEGY

I have argued that three important elements need to be taken into account in developing socialist analysis. It is necessary firstly to question the notion of any sovereign source of power; secondly to take into account the forms of organisation of enterprises; and thirdly to stress that there are diverse objectives which may be pursued in relation to capitalist enterprise.

Socialists cannot make adequate types of political assessment if they remain encumbered by a global conception of economic power. It is important to break with the notion that there is a single **essential** locus of power around which multifarious economic and political practices revolve. Power understood as essentialised and capable of general relocation cannot address the problem of changing the conditions of struggle in one or more arenas within capitalist enterprises. There is precious little for socialists to hang their hats on strategically if capitalist enterprises are conceptualised in this manner. The imagery of despotic omnipotence merely serves to inhibit an understanding of organisational forms and the articulation of decision making arenas within the firm.

The abject failure of socialists and the Labor Left to develop a strategic conception of politics that addresses itself to the organizational forms of enterprises and state apparatuses stems in part from the forms of political analysis and political calculation that they have employed. Traditional socialist theory has given priority to the distinction between private and public property in its analysis of economic power. I have argued that the policies and procedures of capitalist enterprises cannot be derived from their juridical form and that the private/public dichotomy does not embrace all the mechanisms pertaining to control over the means of production. If the traditional view is maintained, then differences amongst organisational forms of enterprises, amongst forms of ownership, and amongst economic practices within and between the private and public spheres tend to be devalued or become treated as epiphenomenal expressions of forces acting elsewhere. Subsumed beneath an overarching functional imperative, such differences no longer become pertinent for the formulation of specific socialist objectives. Yet it is precisely these different forms of ownership patterns, enterprise calculations, and enterprise functions, etc. which are important in the setting of particular objectives with respect to corporate entities. To once more draw on Tomlinson's incisive analysis:

> "Control" ... must be seen as having meaning only in relation to specific sites of decision-making with specific constituencies exercising decision-making. "Controlling" the enterprise must involve locating various points of decision-making in it and attempting to obtain effective control at these various points.[24]

Linked with this failure to examine the plurality of objectives which may be pursued in relation to the capitalist enterprise is a failure to seriously consider what political and economic conditions are necessary for the implementation of policy objectives. This is most apparent in the Alternative Economic Strategy (AES) literature pertaining to 'industrial regeneration', investment strategies and nationalization proposals. Cutler et al point out that there are major problems in welding socialist politics to such programmes of 'industrial regeneration', in so far as these programmes "largely ignore the **political conditions of their implementation,** and ... fail to answer the question of whether such a regeneration is possible and whether, if possible, it can take place under conditions which will be of benefit to socialist politics".[25] What this suggests is that socialists must approach policy in terms of the requirements for achieving particular objectives under existing political and economic conditions. Such a conception involves strategic calculation around the details of policy, how it is to be operationalised, possible obstacles, sources of support/opposition, etc. It demands that attention be paid to the practices and organisational forms of institutions, whether these be capitalist enterprises, state apparatuses or trade unions.

This article has also raised a number of closely allied arguments that question the political efficacy of unexamined nationalization proposals.[26] If, as Thompson and others suggest, it is the practices within the organisational forms of the enterprise that are the crucial determinants of strategic control and decisions to invest, then it is clear that nationalization cannot in itself provide an answer for socialists. A simple change in legal ownership that still leaves the practices intact (modes of calculation, management structures, and division of labour, etc.) will only lead to disappointment and provide a basis for anti-socialist propaganda. As Cutler et al note:

> Nationalisation is in no sense a non-commodity measure. Public ownership does not remove the effects of commodity production and competition.[27]

This does not rule out a call for nationalization. But, it does suggest that in proposing the nationalization of enterprises and industries, the "Left" should consider "what it wants to do with them, and it should recognise that what it can do is limited by the fact that they remain commodity producers dominated by the continued existence of the private sector".[28]

In summary, I have tried to stress that any process of socialist construction must utilise **existing** political conditions and attempt to locate areas of capitalist social relations that are open to reform and capable of transformation. Support for socialist politics can only be mobilised by the political action of socialists in these arenas. To date, socialists have largely failed in these tasks, with the result that they have been consistently outmanoeuvred by their opponents on key issues. In order to develop a more effective political conception - one that is not simple gestural or oppositional - socialists need to improve their capacity for strategic analysis.

ACKNOWLEDGMENT

I would like to thank Iain Campbell and Graeme Lowe for their contributions and comments on this article. The usual caveats apply.

NOTES

1. J. Macklin, 'Contributing to the Process', Australian Left Review, 85, Spring 1983, p.35.
2. J. Tomlinson, The Unequal Struggle? British Socialism and the Capitalist Enterprise (London: Methuen, 1982), p3.
3. Ibid.
4. B.Hindess, 'Democracy and the Limitations of Parliamentary Democracy in Britain', Politics and Power, 1, 1980.
5. J. Tomlinson, op.cit., p.67.
6. Ibid., p.66.
7. Ibid., p.17.
8. See Ibid., pp.66-68.
9. R. Hilferding, Finance Capital (London: Routledge and Kegan Paul, 1981); V.I. Lenin, Imperialism: The Highest Stage of Capitalism (Moscow: Progress Publishers, 1969).
10. Marx outlines 3 primary forms and circuits of capital:
(i) the circuit of interest bearing capital, bank capital, money capital: M - M'
(ii) the circuit of commercial or commodity capital: M - C - M'
(iii) the circuit of industrial capital

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        MP
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M - C      ......... P ......... C' - M'
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        LP
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(see K. Marx, Capital, vol.2 (Harmondsworth: Penguin, 1978).)

11. H. Overbeek, 'Finance Capital and the Crisis in Britain', Capital and Class 11, Summer 1980, p.102.
12. J. Scott, Corporations, Classes and Capitalism (London: Heinemann, 1979).
13. R. Minns, Take Over the City: The Case for Public Ownership of Private Institutions (London: Pluto Press, 1982), p.148.
14. Scott draws on Thompson's definition of finance capital (see below).
15. G. Thompson, 'The Relationship Between the Financial and Industrial Sector in the United Kingdom Economy', Economy and Society 6/3, August 1977; cf. A. Hussain, 'Hilferding's Finance Capital', Bulletin of the Conference of Socialist Economists, June 1976.
16. G. Thompson, op. cit., p.252.
17. J. Tomlinson, op. cit., p.96.
18. Ibid., p.97.
19. G. Thompson, op. cit., p.268.
20. B. Hindess, paper given at La Trobe University, 1984.
21. G. Thompson, op.cit., p.269.
22. Ibid., p.270.
23. Finance capital for Thompson designates the articulation of the three primary forms of capital. It represents an articulated combination of commercial capital, industrial capital and banking capital, and furthermore within this articulation it is banking capital which dominates the other forms of capital. Finance capital is determined by the forms of that combination and exists only through the means of representation of that combination. (see G. Thompson, op.cit., p.247.)
24. J. Tomlinson, op. cit., p.126.
25. A. Cutler, B. Hindess, P. Hirst, and A. Hussain, Marx's 'Capital' and Capitalism Today vol.2 (London: Routledge and Kegan Paul, 1978), pp.276-7, my emphasis.
26. I have not dealt with arguments in favour of nationalization. Minns is perhaps the most articulate and sophisticated proponent of nationalisation as a strategy for the UK. Because of the structure of investment control within the UK financial institutions, and their dependent yet dominant position, Minns argues that by nationalising just 30 of the 130 (UK and foreign) financial groups, the State would come to control between 20-40% of the shares in nearly 3/4 of the top 50 companies. See R. Minns, op. cit., p.71; cf. idem, Pension Funds and British Capitalism (London: Heinemann, 1980); and idem, 'Pension Funds - An Alternative View', Capital and Class 14, Summer 1981.
27. A. Cutler et al, op. cit., p.286.
28. Ibid.