

# Is state planning necessary for capital? The US case

by Norman I. Fainstein and Susan S. Fainstein

Only 16 years ago Ralph Miliband (1969, 6) could say, with good reason: 'Marxists have made little notable attempt to confront the question of the state in the light of the concrete . . . reality of actual capitalist societies'. Since then theoretical and empirical studies of the capitalist state have proliferated, and several marxist schools have developed. One important focus of these efforts has been state planning (see, *inter alia*, Lindberg *et al.*, 1975; Harloe, 1977; Castells, 1977; 1978; Clavel *et al.*, 1980; Harloe and Lebas, 1981; Dear and Scott, 1981; Paris, 1982; Stone and Harpham, 1982).<sup>1</sup> Building in part on earlier critiques of the liberal paradigm of planning in the public interest (e.g. Davidoff, 1965; Gans, 1968), marxists have generally argued that the organization and logic of advanced capitalist societies causes state planning primarily to benefit big business and the upper classes (Offe, 1975; Panitch, 1977; Harvey, 1978). In broadest outline, these analysts have contended that state planning activities serve capitalist interests not only because of the political power of the corporate elite but because of the structural position of the state. Because the private sector cannot profitably create and maintain the infrastructure necessary for production, the state must continually provide the conditions for capital accumulation. Moreover, the exploitation of labour in the production process means that the state, to prevent a crisis of legitimacy, must relieve the social outcomes of corporate decision making and market processes. These functions necessitate a state with at least some degree of autonomy from the economically dominant class, and with some substantial capacity to plan for that class as a whole. Whatever capitalists believe, they and capitalism need some level of state planning to survive.

This emerging explanation of state planning itself inevitably generates new areas of disagreement (Fainstein and Fainstein, 1979). Two overarching problems are of particular importance. The first involves demonstration of the interests which state

<sup>1</sup>Our use of the term planning runs the danger of reifying a process that varies substantially in form and character in different situations and at different historical moments. We think, however, that our definition is sufficiently general and formalistic to encompass a variety of types of activity; it does not prescribe any particular institutional underlay or methodology for decision making. We certainly do not mean to imply that planning has a life of its own separate from the social interests that control it.

planning serves. It is one thing to show that state planning generally furthers capitalist interests; it is another to claim that it correspondingly disadvantages working-class interests. This issue is particularly acute for political strategists of the left, because there seem no realistic alternatives to dependence on the state for economic, social, and urban planning in the interest of the lower classes. Indeed the pressure for greater state activity rooted in labour-based parties and in state-sector personnel implies that these groups see potential benefits to themselves in state planning. On the other hand, the often demonstrated advantages of state planning for capitalist reproduction do not prevent business leaders of capitalist societies from being unenthusiastic about – and often virulently opposed to – the expansion of state planning capacities. The behaviour of actual capitalists implies either that they misperceive their own interests, or that planning produces greater costs than benefits for them. If state planning, in fact, favours business groups sufficiently to justify its opportunity costs, then both proponents and opponents suffer from false consciousness and ought to switch sides.

The second problem is inherent in all structural–functional analyses: the specification of necessity. Capitalism may need planning, but theory does not specify the level of that need, the efficacy of alternative mechanisms for achieving the same ends, or the historical circumstances under which planning is adopted or foregone. As Katznelson (1978, 86) notes:

The ordinary operation of the capitalist political economy requires a variety of state activities for the recreation of capitalist productive and social relations; [but] we do not possess a precise understanding of what these requirements are; we lack such a theory.

To say that the externalities of privately directed economic activity give rise to the need for intervention by a seemingly neutral state is not to specify the nature of that intervention or even whether it in fact will take place at all. At any particular moment capitalists assess the political and accumulation advantages of state planning approaches in comparison to other strategies. Leading elements of the class will then necessarily consider the economic and political situation in relation to their own interests (which will be expressed in generalized form). Whether they actively push for state planning, or at least accept such initiative from others, will depend on the specific manner in which definitions of interests are shaped and mediated by potentially distinct national contexts. The most important of these are the mentality of the economically dominant class, particularly its orientation toward the state, and the institutional capacity of the state itself. The necessity of planning will thus come to depend as much upon politically determined definitions of situations and a historical tradition of state planning, as upon purely objective elements in either the organization of capital or the character of an economic crisis. In other words, necessity can never be defined wholly by an objective situation divorced from ideological mediation.

These historically specific issues highlight the need to delineate better whose interests are served by state planning and to what extent planning is actually necessary for the reproduction of capitalist social relations. This essay explores

further the issue of the objective and perceived usefulness to capital of state planning, examining particularly the case of the United States. We develop the discussion first by defining state planning and summarizing the manner in which it can serve capitalist interests. Then, we examine the circumstances under which state planning actually takes place. We do this at a theoretical level by distinguishing among three (potentially interrelated) types of explanations: 1) arguments that depend upon analyses of objective interests; 2) class character explanations which emphasize the ideology and traditions of national bourgeoisies; and 3) institutional explanations centring on the organization, historical experience, and political capacity of the state. Empirical lessons about the circumstances and character of state planning are then drawn from American case studies of New Deal and war-time planning and from urban renewal. Next we consider the contemporary political divisions within the capitalist class over the desirability of planning. We conclude with a discussion of whether one can specify conditions of crisis for capitalism under which state planning becomes an objectively necessary solution.

## **I State planning and capitalist interests**

Planning is a form of decision making which self-consciously explicates its own logic, usually in technical terms; attempts to anticipate changes in an organizational environment; and establishes long-range policies designed to optimize the attainment of organizational objectives. State planning has as its object control over the production and allocation of material resources, whether these be battleships, electricity, housing units, the rate of national saving, the share of income going to labour, or the location of new towns. Every advanced industrial society exhibits substantial levels of state planning, in part stimulated by the development of large, complex, governmental organizations requiring administrative controls and predictable functioning for their continued operation.

### **1 *Types of planning***

In capitalist societies, state planning has taken on three general forms (Shonfield, 1969). The first is direct state production and/or investment through government-run industries and financial institutions. Even the highly privatized US exhibits many examples of such public production, ranging from Veterans Administration hospitals to vast hydroelectric projects. The direction of large organizations, whether public or private, with long-term needs to purchase supplies, hire and use personnel, and respond to markets inevitably calls forth a planning mechanism.

A second type of planning involves state guidance and constraint, without direct control over resources — land-use planning offers a familiar example. In its most developed form, often associated with French technocracy, state bureaucracies establish close working relationships with leading corporations, either individually or organized into industry associations. Private owners of resources define objectives

in the mutual interest of capital and the state. The government persuades and mediates among potentially competitive firms; it indicates investment priorities and production targets; it develops a logical explication of its objectives in the form of a plan – hence the term ‘indicative planning’ (Shonfield, 1969, 84). Indicative planning has the advantage for capital of reducing uncertainty without taking potentially profitable activities out of private hands. ‘The plan does the same sort of thing as watching the market normally does for managers of enterprises, only better: it presents them with additional signals to guide their decisions’ (Shonfield, 1969, 231).

Corporatism is the type of state planning least familiar to Americans, though common in western Europe, especially in Austria, Sweden, The Netherlands, and, to a somewhat lesser extent, Germany:

The major interest groups are brought together and encouraged to conclude a series of bargains about their future behaviour, which will have the effect of moving economic events along the desired path. The plan . . . [establishes] the general direction in which the interest groups, including the state in its various economic guises, have agreed that they want to go (Shonfield, 1969, 231).

While indicative planning involves mediation within the business class, corporatist planning mediates between capital and labour on a national basis through development of incomes policies (Panitch, 1977, 78). Corporatist planning reduces uncertainty for individual firms by establishing wage guidelines and provides capital as a whole with a predictable share of national income and a politically managed labour movement.

## 2 *Objective interests of capital*

Although state planning almost inevitably serves some set of capitalist interests, planning activities are often opposed by business leaders. The difficulty in predicting whether capital will support state planning results from the ambiguous, sometimes contradictory relationship between planning activities and the objective interests of capital. To see this, we must first of all distinguish state planning from state spending. The former always involves some degree of penetration by the state into the domain of capital, i.e. into control of production and investment. Capital will normally support ‘pure’ governmental spending on its behalf and will acquiesce to popular pressure for social expenditures during periods of political instability (see Fainstein and Fainstein, 1982, 11ff). But once the second dimension appears – the planning element – it frequently balks. For now there is a trade-off between the advantages of subsidy or legitimation and the potential long-run dangers of politicization of the sphere of production.

From the perspective of capital, expanded state planning appears to be only one of several possible ways of addressing its functional economic and political problems. Capital might benefit more from intensified state subsidies allocated by formula rather than by planned priorities – tax expenditures, defence, public works, etc. Another possibility is represented by a reduction in the state sector,

with the residual acting mainly as domestic caretaker and international war machine. This approach limits the bureaucratic consumption potential of the state and facilitates tax reductions. A third route involves internationalization of the firm and of financial capital, an escape from the political confines of liberal democracies altogether. Combinations of all these alternatives to national planning are not only possible, but create an attractive counterstrategy.

The effort to define the capitalist interest in planning becomes even more difficult once we make the further distinction between capital as a unified theoretical abstraction, and capitalists as separate firms and households. The 'class' does not interact with 'the state', but rather, business elites interact with government officials. Moreover, in any actual situation, a particular constellation of capitalist elites and interest groups dominates politically. This reality of capitalist instead of capital, the very fact of which produces the functional need for an 'executive committee of the bourgeoisie' and some level of planned state orchestration, also creates a possible plurality of capitalist interests against state planning. Competing and contradictory interests among capitalists may either undermine class support for planning, or limit the effectiveness of such planning as takes place.

Effective planning for the class as a whole inevitably favours some firms and industries over others; the state planning strategy by its very nature makes visible the allocation of material resources. Politically powerful vested capitalist interests resist class strategies which hurt their firms. The likely end result is that capital will accept planning only when it is conservative (i.e. reproduces the extant balance of power among capitalists), not necessarily when it reflects the long-run interests of the class as a whole, much less that of other social strata. Thus, an important study of state planning in Britain, France and Italy finds that the social reform potential of planning has 'proved largely illusory', and that planning is relatively effective only 'in so far as it works for the maintenance of the social and political structure associated with it rather than for its change' (Watson, 1975; 447).

The ability of the state to act on behalf of the capitalist class as a whole conflicts with the class objective of insulating state planning from popular forces (Offe, 1975). A study of planning efforts by the US Federal Reserve System concludes:

It is unlikely that a liberal democratic state will be able to maintain independence from both the citizenry and from the narrow interests of particular sections of the business community . . . To the extent to which a central bank is established to insulate macro-economic policy from popular control, it will tend to depend on the support of the industries it regulates and their allies to maintain independence. That dependence, in turn, will undermine its policies (Epstein, 1982, 219).

Finally, the objective interests of multinational corporations may not coincide with the national interests of the social formations in which planning occurs. From their point of view national economic strategies that maximize a particular country's economic position may be irrational. The increasing power of transnational fractions of capital in the core states therefore creates a strong social force likely to oppose many forms of national economic planning in the name of internationalism and free trade.

If state planning constitutes an ambiguous – possibly contradictory – activity for furthering capitalist class accumulation interests, it has similarly indeterminate consequences for maintaining class political hegemony. The political advantage to capital of state planning is that it both socializes and rationalizes conflict generated within the economy. It helps deflect discontent from big business and the rich to the state sector, and in the process recasts political issues as technical questions. These functional capabilities become critical to capital in the face of working-class success in forcing class demands into the political arena. The effort then becomes to defuse opposition by channelling it into elaborate administrative mechanisms and compartmentalized arenas. (European examples are provided by Schmitter, 1974; Panitch, 1977; and Offe, 1981).

Corporatist planning becomes the mechanism through which the state mediates between capital and labour when labour is sufficiently unified as to force capital to bargain collectively rather than, as in the United States, on an industry-by-industry basis. As Crouch (1979, 19) argues:

Corporatism . . . [is] a strategy pursued by capitalism when it cannot adequately subordinate labour by preventing its combination and allowing market processes to work. If liberal capitalism operates through individualism and the rigorous separation of the economic, political and ideological (or normative) spheres, corporatism entails the opposite. Subordinates and other economic actors are organized, and order is secured by the hierarchical control of organization. Regulation through organization almost necessarily involves the state as the only institution capable of securing centralized order (the merging of the political and the economic); while a high degree of normative integration is also necessary to ensure consensus over hierarchy.

Planning thus legitimizes economic decisions through the apparently democratic character of the state, through its claim of representing the public interest. The scientific rationality of planning further transforms political choices into the necessary outcomes of an autonomous logic constraining all social actors. (For a more detailed exposition, see Harvey, 1978).

But state intervention and rationalization can also be detrimental to the social-control interests of capital. Expansion of state activities, even when these are initially defined as technical and administrative, runs the continual risk of uncontrollable politicization (Castells, 1977, 463). The logic of the marketplace and the economy establish narrow criteria for rationality, rules of evaluation inherently biased on behalf of capital. State planning broadens the evaluative criteria for economic decision-making to encompass social values and objectives. Social equity inevitably competes with growth as the value criterion on which decisions are based. Capital can therefore realize the legitimation advantages of planning only if democratic influences do not impinge too strongly on the planning process and planning cadres provide technical definitions of social problems which favour capital. The extent to which these conditions are met varies by place and time.

## **II The American antagonism to planning**

The United States has been unique among the advanced capitalist nations in the

extent to which it has abstained from governmental planning. Whether we refer to type of planned intervention (public production, indicative, corporatist), or to policy arenas (economy, population, land use, transportation, health care, education), the US comes out on the low end in comparison with northern Europe. (Recent surveys are provided by Sundquist, 1975; Gale *et al.*, 1982; and Heidenheimer *et al.*, 1983). 'When all the myriad instances of governmental support of business have been accounted for, the American state remains . . . the least interventionist in the advanced industrial world' (Vogel, 1978, 53). Although it is beyond our scope here to develop a general analysis of American exceptionalism, we can outline the critical factors which account for national predispositions for or against planning and which structure the American situation.

### 1 *Bourgeois mentalities*

Distinctive paths of historical development have provided national bourgeoisies with diverse seminal experiences, and accordingly, with differing class mentalities — ideological orientations toward the state, economy and civil society. These mentalities, in turn, have established particular predispositions toward state planning solutions or alternative strategies. Four interrelated historical experiences seem critical in conditioning bourgeois political consciousness:

- 1) The extent of dependence of the emerging industrial bourgeoisie on the state for creating the conditions of economic development and capital accumulation.
- 2) The presence or absence of an aristocracy which monopolizes the state and against which the bourgeoisie struggles for political power, a struggle in which the capitalist class both articulates an ideology of governance to counter that of the aristocracy and, at the same time, internalizes many aristocratic ideals of the state and of noblesse in governing.
- 3) Differing bourgeois experiences of threat from a mobilized proletariat and success in managing class conflict through economic means rather than through dependence on state initiatives.
- 4) The degree to which capital is geographically centralized and the extent of development within the business class of a national outlook.

The American business elite is distinctly defined along each dimension (see Vogel, 1978; Fainstein and Fainstein, 1978; and Katznelson, 1978). Despite an earlier 'mercantilist' period, the post-civil war industrial bourgeoisie established its supremacy with relatively little initiative from a comparatively weak national state. Nor did it need to overcome an aristocracy, since this class hardly existed in a nation without a feudal past (Hartz, 1955). As a result, business leaders never needed to develop a coherent governing ideology of their own, nor did they ever ape aristocratic values, or identify with an aristocratic military and state elite. Rather, the American state appeared to corporate elites as democratic, forever corruptible by the mass. At the same time, the working-class political threat was comparatively weak in America (Katznelson, 1978; 1981: Chapter 2), and the

self-confident bourgeoisie could handle what there was through economic means and private repression.

## 2 *State capacities*

Varying national experiences of state planning under capitalism have also been critically affected by the developmental path of the state and by its ensuing institutional capacity (which is dialectically related to, but not determined by, the consciousness of the national bourgeoisie). Here, too, the American state has been notoriously weak in several respects. Its administrative elites are drawn from relatively low social backgrounds compared to those of big business, have little *esprit de corps*, and general social prestige. Moreover, as is well known, the American state is deeply fragmented both functionally and geographically. In a word, it is institutionally structured in a manner most suitable to interest group politics and most inimical to the development of a centralized planning capacity.

Together, the evolution of the business class and of the state in America have produced a situation in which on the one hand 'the most characteristic, distinctive, and persistent belief of American corporate executives is an underlying suspicion and mistrust of government' (Vogel, 1978, 45); and, on the other hand, government subsidizes business through tax relief and infrastructural support without being able to exercise authority over it. American business enjoys the luxury of viewing its state as parasitical, incompetent, and dangerously democratic. Within this context, business proponents of state-centred solutions to social problems have always constituted a fringe element of the class, even at those historical moments when the objective situation seemed most conducive to an expanded role for state planning. Only in a few instances have some political leaders, administrative elites, and leading capitalists combined to initiate state planning programmes. In the next section, we focus on these historical moments, and see what lessons can be drawn from them.

## III *The character of planning in the United States*

To understand better the character and circumstances of state planning in the United States, we must examine particular instances. New Deal programmes and the second world war mobilization are the most often cited examples of economic planning; urban renewal activities of the period 1950–75 represent the strongest manifestation of city planning. We look at these occasions both to depict the form of planning and also to see the nature of capitalist support for it.

### 1 *The New Deal and the second world war*

Three programmes, the Agricultural Adjustment Act (AAA), the National Industrial Recovery Act (NIRA), and the Reconstruction Finance Corporation (RFC) – the



latter a Hoover Administration legacy — comprised the main thrusts of economic planning during the peacetime Roosevelt years. These efforts to direct and finance private industry operated along with other anti-depression measures including relief programmes, area-wide planning through the Tennessee Valley Authority (TVA), securities regulation, and intervention in housing and mortgage markets.

Interpretations vary concerning the social interests served by the state expansion resulting from these planning and spending programmes. The initial, popular view of Roosevelt's intentions, seemingly corroborated by the intensity of business disapproval, pictures the president as using state power in favour of the masses against capitalist interests (see Schlesinger, 1960, Chapters 15 and 21). Leftist critics of the time and a number of contemporary analysts have contradicted that assessment and criticized the New Deal for yielding to capitalist pressure from an elite group of business leaders — the 'corporate liberals' (Weinstein, 1968; Kolko, 1976, Chapter 4; Williams, 1966, 439–69).

Another strain of thought characterizes the New Deal as following an erratic path due to essential inconsistencies arising from the need to cater to multiple constituencies and from the perseverance of business groups in opposing it (Block, 1977a; Skocpol, 1980). Despite Roosevelt's strong national support, oppositional groups were strongly entrenched within the state structure and able to limit or roll back interventionist initiatives:

*The central place of Congress in national US public policymaking gave extra leverage to locally entrenched farm and business interests unwilling to accept permanent extensions of federal or executive capacities to intervene in the economy. Congressionally centered conservative coalitions reined in New Deal social spending by 1938 and cut off appropriations for the NRPB [National Resources Planning Board] during the war. Further, in the struggles over executive reorganization in 1937–38 and over the full Employment Bill in 1945–46, such coalitions defeated efforts to institutionalize executive planning and budgetary capacities that would have been essential to further federal interventions along social Keynesian lines (Skocpol, 1984, 13).*

Most scholars agree that while the New Deal was markedly interventionist in its stance toward the privately-owned sector of the economy and did, particularly under the auspices of NIRA, seek to rationalize production through planned, industry-wide investment and output levels, its overall planning effort was highly fragmented and contradictory (see Shonfield, 1969, Chapter 15; Graham, 1976, Chapter 1).

The incomplete character of planning efforts in the 1930s stems from their narrow base of support. Block (1977b) and Skocpol (1980) contend that state managers, rather than leading capitalists, were the main progenitors of planning activity. These persons had a vested material interest in the expansion of the state sector requisite for such activity (Sanders, 1982). During the initial crisis of the depression, governmental elites had sufficient leeway to introduce new modes of state intervention, which served working-class as well as capitalist interests. But long-term institutionalization of state expansion, particularly when it involved state oversight of private production, was vigorously resisted by capital. This resistance persisted during the New Deal period and ultimately terminated most

of the New Deal planning programmes. Capital refused to accept state planning because it threatened political intrusion into workplace relations. For economic planning cannot restrict itself to setting production goals but must also deal with those factors that determine the cost structure of industry: wages, prices, hours and working conditions. The political success of labour in gaining governmental sanctions for union organization meant that capital had reason to fear that state planning would assist workers at the expense of capitalists.

The controversy over business support for, and benefits from, the New Deal is significant for the debate over the relative autonomy of the state. If, as is universally acknowledged, most businesspeople vocally and passionately opposed the New Deal's planning and welfare measures, then was not the state acting fully autonomously against the interests of capital? But, if the owners of the largest corporations, who constituted the most important fraction of capital, supported state action, then, notwithstanding their small number, the state remained an instrument of capital. Or, even though capitalists might unanimously oppose state activity, if the outcome benefited capital, if it saved capitalism despite itself, then the state through its relative autonomy acted to organize the real interests of capital. The Gaullist triumph in France and the subsequent liberation of the French colonial empire offers perhaps the best recent example of such autonomous state action. But this model does not fit well the type of situation we are discussing here. Although de Gaulle did transform governmental institutions, he did so within the context of a historically very strong state. When we talk about state planning in America, we are discussing the creation of such a role. Action by elected leaders to refashion the state structure itself must be based in powerful supportive external constituencies in order to become institutionalized. These external sources of support were lacking in the United States.

Nevertheless, while planning could not be lastingly institutionalized during the 1930s because of capitalist resistance, it still may have been necessary for the reproduction of capitalist social relations — that is, it may have saved capital despite itself. During the depression the irrationalities of competition drove profitability ever lower, producing a chain of consequences of reduced production, employment and consumption. But to say that the national economy required planning to overcome these conditions does not mean that capitalist planning under peacetime conditions could in fact overcome the structural defects that had produced economic disaster. As Kolko (1976, 149) contends:

The experience of national economic regulation during the first Roosevelt Administration proved that while political intervention into the economy was a necessary condition of capitalism's viability, it was by no means a sufficient one . . . Given the intrinsically ungovernable nature of the economy and its structural limits, the effort transcended the means available. All theories of regulated capitalism — to say nothing of Weberian organizational concepts which assume that the movements toward integration and predictability are the direction of history — ignored the intrinsically mercurial and reciprocal and inevitably unstable, framework in which American capitalism was now fixed: there were the dilemmas of the uncontrollable international context of any national economy, the profound limits of social knowledge and comprehension in defining solutions, the unavoidably fluctuating character of politics and personalities essential to regulation,

the divisions within business ranks affecting both politics and policy, the inherent structural dilemmas of the economy at a given stage, and the endless possible configurations among all these factors.

Put another way, even if there were much greater consensus on the legitimacy of such an effort, state activity could not overcome the structural contradictions underlying the economic crisis of the great depression. Capitalists perhaps should have wanted planning more than they did; planning did have the potential to overcome some of the irrationalities for the capitalist class of the anarchy of production. But the elements of a solution to economic crisis were not available.

The salvation of the American economy awaited the second world war and the taut economy that resulted from wartime mobilization. Revived production was accompanied by the development of a planning apparatus that penetrated the entire economic structure. The War Production Board (later renamed the Office of War Mobilization) managed production and procurement; direct governmental subsidy paid for two thirds of wartime plant expansion (Hacker, 1970, 324); war-industry and military demands for personnel generated full employment. Price controls restrained competition, moderated inflation and created predictable markets. The government directly intervened to set wage rates (Graham, 1976, Chapter 2). Although strike activity persisted and union membership vastly expanded during the war years, the Congress of Industrial Organizations (CIO) leadership participated in a no-strike pledge and sought to impose it on militant member unions (Gordon *et al.*, 1982, 183).

Business willingness to accommodate the vast wartime planning enterprise undoubtedly had its roots in patriotic commitment. But it also reflected the dominant role of business elites in government priority setting. The War Production Board could not issue an order unless the advisory committee representing the affected industry had approved it. Businesspeople still on the payroll of their former employers staffed government agencies (McConnell, 1966, 259–61). Labour had just token representation in policy-making bodies. Only during wartime could this depoliticization of the planning process sustain itself. Thus, despite its success in reviving the economy and its close, even symbiotic, relationship with capital, the giant system for state management of the economy quickly ended upon the war's conclusion.

## 2 *Postwar urban renewal programmes*

While the end of the war meant the termination of national economic planning, the postwar years did give birth to the highly interventionist programme of the local state incorporated in the federal urban renewal programme. Unlike the preceding period no deep sense of crisis provoked state action. Consequently the programme started slowly and never penetrated the structure of metropolitan development to the extent that the earlier federal programmes touched on all aspects of the economy. More than previously, public officeholders framed the very

definition of the problem – as urban decay resulting from obsolete infrastructure and the costliness of site aggregation for redevelopment. Supported by a coalition of diverse pressure groups, state officials devised the means to transform urban cores (Gelfand, 1975, 152–56).

The response of business to the opportunities presented by federal urban renewal legislation varied from one municipality to the next; in some (e.g. New Orleans) business refused to become involved, and for many years no programmes were mounted; in others (e.g. New Haven, Boston, Chicago) the mayor mobilized a supportive business coalition; in yet others (e.g. San Francisco, Pittsburgh) business formed a planning group and political lobby to develop programmes and put in office a political regime that would implement them (Fainstein *et al.*, 1983). But regardless of the level of initial business enthusiasm for urban renewal, its support for redevelopment planning faded as policy making began to incorporate more elements of the public (Wilson, 1966).

Urban renewal planning differed in ambition from place to place. Nevertheless, the process tended to pass through three phases. In our previous work (Fainstein *et al.*, 1983, Chapter 7) we characterized these phases as directive (1950–64), concessionary (1965–74), and conserving (1975–81). During the directive period, business elements devoted to reestablishing the central business district through large-scale clearance activities acted as the dominant constituency for planning. The actual decision-making process, however, took place within the state sector, where urban renewal authorities, insulated from electoral pressures and connected directly to federal funding sources, quickly expanded in size and power. In the following phase political crisis forced federal and city governments to pay more attention to lower-income and minority residents. While lower-class interests never became fully incorporated within the planning process, planners could no longer ignore the desires of residents of affected neighbourhoods. City governments offered concessions in the form of subsidized housing, improved relocation assistance, citizen participation mechanisms, neighbourhood-based services, and the allocation of particular turfs (see Hartman, 1974).

As the planning process became more democratic and less profitable, however, it began to lose its upper-income supporters. Ultimately the passage of the Housing and Community Development Act of 1974, establishing the Community Development Block Grant Program (CDBG), terminated the preponderant state role of the directive and concessionary periods (Nathan *et al.*, 1977). Community-based interests retained at least some of the access and relative shares of benefits that they had won during the epoch of high mobilization. But the reduction in funds available for redevelopment under CDBG, its limits on federal controls, and a renewed stress on private enterprise embodied in ‘public–private partnerships’ for urban development meant that state planning had essentially ended. The termination of most urban renewal authorities proceeded forthwith.

Whereas economic planning involves state intervention in the realms of both production and reproduction, urban redevelopment activity functions primarily in the latter arena (Castells, 1978; Saunders, 1981). Consequently the stake of

capital, except the particular fraction that lives off the real estate market, is much more limited in both its potential gains and losses. Capitalists have a crucial interest in maintaining their dominant economic and social position through their hegemonic control over productive investments and the wage agreement. The outcomes of the social allocation of space resulting from urban redevelopment planning, while real and important to the reproduction of capitalist social relations, affect them less.

Scholars have applied both instrumentalist and functionalist interpretations to the analysis of urban renewal. Friedland (1983) accepts both approaches but emphasizes the former. He finds that cities adopted urban renewal programmes when corporations were powerful, regardless of the physical constraints that might exist; cities without major corporate headquarters did not mount such efforts, even if objective physical conditions seemed to call for them. Other theorists stress the role of the state in regulating urban development 'in pursuit of the long-term goal of preserving the cohesion of society as a whole at the cost of a few immediate concessions granted to the dominated classes' (Lojkine, 1977, 152; see also Harvey, 1975). But, just as Kolko contends that the New Deal could not resolve the underlying contradictions that gave rise to the crisis of the depression, Lojkine likewise concludes:

Far from removing the contradictions which gave rise to the current urban crisis, state policy intensifies them in that it now has to give them official reorganization, but without being able to provide a coherent and definitive way of resolving them (Lojkine, 1977, 153).

In the United States state intervention in the patterns of urban land use and the development of the built environment could not alleviate the fiscal strain on central cities and, except in a few cases, failed to restore the functional vitality of central business districts. The rebellion against urban renewal mounted by the urban movements of the 1960s and 1970s reduced the usefulness of the state as an organizer of capitalist interests and instrument for rationalizing urban land uses.

Thus our three cases of state planning in the United States point to the same generalization: planning endures as a state activity when it relatively painlessly organizes the long-run interests of capital and simultaneously insulates the process from democratic forces. During the exceptional times of the early New Deal and the Great Society, state planning operated in opposition to the perceived objectives of capitalists. This tension quickly produced the dismantling of the planning structure, even though some of the concessions of these periods still exist.<sup>2</sup> On the whole, capital has largely succeeded in restricting the power of the state to limit its decisional freedom, foregoing the opportunity of using the state to further rationalize economic and spatial relations in its own interest.

<sup>2</sup> The preservation of such concessions supports the class struggle theory of state action whereby pressure from beneath can produce a legitimization crisis such that 'non-reformist reforms' become institutionalized.

#### IV Contemporary divisions within the capitalist class

The scepticism with which American capitalists approach the concept of state planning displays itself in the current debate over a national industrial policy. In the face of an international crisis of accumulation, momentarily mitigated by a cyclical boom, the 'corporate liberal' segment of capital has been advocating planned federal involvement in setting industrial priorities, financing growth in leading sectors, alleviating the hardships caused by economic restructuring, and intervening in urban fiscal crisis. Omitted, however, from the various prescriptions for a visible hand to deal with the malaises of the American economy are calls for a wage and price policy. In fact, Felix Rohaytn's much publicized appeal for national economic planning boils down to a revived Reconstruction Finance Corporation (RFC). This entity would grant low-cost loans with strings attached – in other words, it would be a copy of the Municipal Assistance Corporation (MAC) that Rohaytn headed in New York (Rohaytn, 1980; 1981a; 1981b). Doubtless, as in the New York instance, the new institution would suppress wage demands and require fiscal stringency from its borrowers. But policies would be made on an *ad hoc*, industry-by-industry basis rather than in the context of comprehensive national economic planning, and the RFC's control would extend only to the organizations that it was financing. The device of an RFC, of course, would ensure that, rather than elected officials making policy decisions, planning would take place in an insulated, business-dominated environment.

In a book popular among business readers, Magaziner and Reich (1982) similarly issue an urgently worded plea for a strong national policy:

A rational industrial policy must accomplish two interrelated objectives. First, it must strive to integrate the full range of targeted government policies – procurement, research and development, trade, antitrust, tax credits, and subsidies – into a coherent strategy for encouraging the development of internationally competitive businesses. Second, it must seek to facilitate the movement of capital and labor into businesses that permit higher value added per employee. In these ways, industrial policy should complement the strategic decisions of US firms (Magaziner and Reich, 1982, 343).

Once again the formulation neglects to discuss the key determination that would underlie any meaningful national economic policy – the division of income between profit and wages. Instead, Magaziner and Reich propose a series of discrete programmes ranging from subsidies for displaced workers to coordination of overseas purchases of raw materials. Despite their commitment to economic rationalization, they admit to some misgivings over entrusting the US government with this broadened role:

The difficulties . . . should not be underestimated . . . The US lacks the tradition of an expert and independent civil service that could provide the business community and the general public with a high level of advice and analysis (Magaziner and Reich, 1982, 377).

Lester Thurow, another academic read by corporate liberals, also calls for government involvement in investment decisions, although he is extremely vague about how this is to be accomplished:

Major investment decisions have become too important to be left to the private market alone, but a way must be found to incorporate private corporate planning into this process in a nonadversary way (Thurow, 1980, 192).

Thurow (1980) differs from most of his counterparts by naming equity as the central problem of economic transformation. He sets the goal of reducing income inequality within the entire society to the degree that currently exists among white males. To achieve this objective he advocates the use of government as employer of last resort and overhaul of the tax system. But he does not intend that the state should enter the wage-setting process within the private economy.

These exhortations to national planning, weak as they are, incorporate the interests of those business leaders who desire predictability and government regulation of economic competition. Far more popular with corporate executives, however, is the Reagan response to economic crisis, a response which relies not on planning but on restructuring the private sector to reduce costs, promote higher profitability, and thereby produce economic growth (Ferguson and Rogers, 1981).

Conservative analysts are not alone in regarding economic stagnation as a consequence of inadequate investment in the expansion of production. Both left and right interpret the 1980–82 recession as a failure of economic growth resulting from inadequate levels of investment in expanding production. The causes of this insufficiency are disputed, but a shortage of capital is usually considered to be a principal one.<sup>3</sup>

Within the limits of continued maintenance of a capitalist economy, there are two logical possibilities for the mobilization of additional capital for investment. One, the approach of those calling for a national industrial policy, is to use the powers of the state to raise capital by bidding it away from relatively inefficient uses and directing its allocation to more productive ones; the second, propounded by President Reagan and his supporters, is to increase the amount of profits available for future investments through reducing the size of the government sector (Gilder, 1981). The approach of lowering taxation, diminishing regulation, and reducing welfare programmes assists business doubly: it lowers the costs of production, and it forces many workers to accept reduced wages once state assistance no longer offers an alternative to the labour market. Since eviscerating the state sector has the further advantage for business of enlarging its area of freedom in decision making, the popularity of the Reagan strategy is not surprising. To the extent that the federal government constrains the private economy, it does so through monetary and tax policy rather than direct controls on industry (see Epstein, 1982). Recent Reagan administration tax proposals would even reduce this leverage.

Within the realm of urban and regional planning, the stance is the same. Rather than relying on direct governmental intervention to plan urban development and assist areas suffering from the flight of capital, the administration depends on the growth dividend from reduced governmental intrusion:

<sup>3</sup> Bowles *et al.* (1983) explicitly reject this view, however, claiming that there is no real capital shortage but rather that capital is misdirected.

The foundation for the Administration's urban policy is the Economic Recovery Program . . . comprising tax cuts, reductions in the rate of government spending, regulatory relief, and monetary restraint . . . Urban areas and the people living there will benefit from a healthy national economy that provides jobs and leads to an adequate local tax base (USDHUD, 1982: 1; also see Tomaskovic-Devey and Miller, 1982).

Administration spokespersons regard planning as the cause rather than the solution to problems of urban blight (see Savas, 1982). Reduced regulation of business and increased regulation of the poor combine to attract investment back to central cities. Again, the proposed solution has obvious appeal to the capitalist class. The question, however, that tests the ultimate usefulness of Reagan's economic and urban strategies for capital is, will they work? Capitalists may like Reagan's methods, but can increased reliance on uncoordinated private decision making, within the context of modern international capitalism, ensure the survival of the system or is state planning a functional necessity?

## V The functional necessity of state planning for capital

When inquiring whether state planning is necessary under capitalism, we confront a perennial problem of social analysis, the demonstration that a particular structure or activity, in this case state planning, is required for the implementation of a necessary function, here the reproduction of the capitalist economy. The original critics of capitalist planning showed convincingly that planning was not the road to serfdom and in fact served capitalist needs. But they did not demonstrate that it served capital better than alternative responses to economic and social strains.<sup>4</sup> The danger that it presents to capitalist domination means that resort to state intervention has occurred at only certain historical moments, either when the relationship between capital and the state was extremely close or when the ascendancy of state managers permitted them to take initiatives despite capitalist opposition (see Flora and Alber, 1981). Capitalist opposition and the limited capabilities of state managers are, however, closely intertwined in the United States. Bureaucratic competence depends on its social context (see Fainstein and Fainstein, 1980). Its weakness is both cause and consequence.

<sup>4</sup>Similarly theorists who revealed the functions for capital of a relatively autonomous state nevertheless could not explain *a priori* whether that state would be an interventionist or caretaker one (see Gough, 1975). To say that any institution will be made to serve capitalist ends (Baran and Sweezy, 1966) does not mean that all institutions will be equally useful or desirable to capitalists or that they will have identical effects for members of other classes. Marxist structuralism, which derives state institutions from a theory of capitalist social relations, tends toward an overdeterminism on the one hand by seeing all institutions as automatic results of capitalist needs; on the other hand, it fails to specify why particular forms are adopted instead of others. Lack of attention to intracapitalist differences occurs because marxist analysis tends to see all capitalist societies as producing the same general outcomes at any given level of development – whatever differences exist among capitalist states therefore do not matter a great deal. (See Bowles and Gintis, 1982, and Skocpol, 1979, for critiques of the insensitivity to differences among states.)



Many analysts identify the moments when state managers seized the initiative as ones of economic and social crisis. But an examination of the conditions of crisis makes any easy explanation of planning as an automatic response to objective conditions less apparent. Castells (1980, 8) defines structural crisis as a situation in which 'it becomes impossible to expand or reproduce the system without a transformation or reorganization of the basic characteristics of production, distribution, and management, and their expression in terms of social organization'. O'Connor (1981, 322) argues that approaches to crisis theory which root the conditions of crisis wholly in the economic substructure 'can delineate logical possibilities of crisis but little else'. He further asserts that crises are socially constructed rather than systemically created (1981, 323). Without going as far into subjectivism as O'Connor, we can still contend that objective interests alone (Balbus, 1971), as distinct from structures of perception and communication, do not determine the existence of crisis nor the nature of remedy. 'Only when members of a society experience structural alterations as critical for continued existence and feel their social identity threatened can we speak of crises' (Habermas, 1973, 3). Thus subjective elements themselves constitute part of the objective situation. Perceptions of crisis and interpretations of appropriate remedies limit the possibilities that will 'work'. Necessity, in other words, can never be defined in sheerly economic terms, even though economic conditions do affect people's consciousness in ways that broaden the range of conceivable alternatives.

### *Who benefits?*

We have raised the question of the necessity of state planning for capital because we have wondered why, when its potential benefits have seemed clear (Lowe, 1969, 169–70), capitalists have nevertheless avoided fully utilizing this instrument. The reluctance of capital to seek the social industrial complex (O'Connor, 1973) or state monopoly capitalism (Hill, 1978) can appear to be mere shortsightedness or stupidity. Our exploration of the subject has led us to conclude both that the objective possibilities of state planning for mitigating capitalist contradictions are limited and that capitalists correctly diagnose political realities when they fear state intervention (see Habermas, 1973, 53–55). But such a finding does not demonstrate that either capital or the majority of citizens is objectively better off in the absence of an active, planning state.

This article has focused on the conditions of state planning in the United States. American exceptionalism makes generalizations from this experience suspect. Certainly European capitalists are more accepting of a broader state role within their own countries, and, as we have argued elsewhere, the consequences are a moderation of cyclical effects, higher levels of welfare, and better cities (Fainstein and Fainstein, 1978). But the existence of capitalist nations in which state planning has a broader scope does not necessarily imply that the capitalists of those countries differ sharply from their American counterparts in their toleration of state intervention in corporate decision making. The dominant position of American capital

means that its relation to its governmental institutions structures the world political economy even if most other states follow a different path. The continued existence of the United States as a haven for capital is crucial for the world capitalist class. European and third world elites take advantage of the American situation by exporting their capital to this country. Moreover, they also evade the intrusiveness of their own governments through investments in platform economies abroad and the use of off-shore financial institutions. Within the world system as a whole the International Monetary Fund, strongly influenced by American financial interests, plays a similar role to the US Federal Reserve in enforcing discipline on the workforce of debtor countries without limiting capitalist power over the allocation of investments. Thus the existence of unregulated havens and the unplanned character of the world economy makes tolerable the interventions of national governments when they do occur.

We have not sought to determine whether state planning benefits other classes besides capital, but our argument concerning the intrinsic threat of politicization implies that planning always carries a democratic potential (see Fainstein and Fainstein, 1979; Dyckman, 1983). We have further assumed that whether or not the American government imposes planning does matter in terms of which economic sectors and geographic locations are winners or losers in attracting funds and that these differences are not trivial. Marxist theory implies that neither Reagan's anti-planning strategy nor Rohaytn *et al.*'s national industrial policy nor even the much more elaborate planning interventions of the European states can overcome the contradictions reflected in declining rates of profit, shrinking markets, and the worldwide development of underdevelopment. Indeed, state action or inaction may not be capable of affecting the long-run secular tendencies of capitalism. Nevertheless, within the United States both of the two competing strategies may have the short-term effect of reviving economic growth, with the Reagan approach being far more costly to the working class than the state planning alternative.

The fleeting moments in which planning has prevailed in America do not, then, show it to be a preferred solution for capital nor capable of rationalizing capitalist development. While planning seems to promise that the state can control the dynamics of capitalism sufficiently to produce stable growth, in practice the political base and effective operation of planning are so difficult to achieve as to undermine its potential. State planning, as a device used by capitalists to overcome the contradictions underlying the capitalist mode of production, stumbles on its own contradictions. To deal with the obstacles blocking the extended reproduction of the system, planning must be coextensive with the system. But such a scope for planning would so limit capitalist hegemony as to transform it. It is therefore resisted by capital even in crises where the unguided market is producing outcomes destructive of profits and threatening the ultimate demise of the system. State planning can be necessary for capital in particular historical circumstances when capital accepts the legitimacy of state intervention. But, except in wartime, the very behaviour that makes state action acceptable to capital will delegitimize it to the remainder of society, thereby reviving its political threat and causing business once again to withdraw.

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Les critiques de la planification au sein des formations sociales et capitalistes considèrent que la planification d'état favorise les intérêts du capital aux dépens des travailleurs. Néanmoins, les groupes commerciaux s'opposent fréquemment à la planification étatique, ce qui semble impliquer soit qu'ils perçoivent mal leurs propres intérêts, soit qu'en fait cette planification ne leur est pas toujours bénéfique. Cet article étudie dans quelles circonstances la planification étatique dessert les intérêts capitalistes.

La planification est définie comme la formulation et l'exécution consciente d'objectifs et de moyens au sein de l'Etat. La planification étatique peut être fonctionnelle pour le capital si elle agit dans l'intérêt collectif de la classe capitaliste. Néanmoins, l'Etat en tant que véhicule de planification présente des dangers importants pour le capital. Ces dangers sont liés à son potentiel démocratique, à son potentiel de consommation bureaucratique, à sa tendance à favoriser certaines fractions du capital aux dépens d'autres, et à sa tendance à favoriser les intérêts nationaux malgré l'idée internationale que nous nous faisons souvent du gros capital.

Trois périodes de planification aux USA (le New Deal, la deuxième Guerre Mondiale et le renouveau urbain) sont examinées pour comprendre dans quelles circonstances les milieux capitalistes soutiennent et s'opposent aux interventions étatiques. Le soutien actuel des milieux d'affaires à une politique industrielle nationale est mis sur le compte des avantages qu'offre une situation prévisible pour les grosses organisations économiques. L'opposition à une telle politique est liée aux conséquences probables au point de vue interventions dans les négociations salariales. Nous concluons que le capital n'exigera ou n'acceptera des initiatives de planification étatique que dans des conditions de crise, et qu'il abandonnera rapidement cette position

lorsque la crise s'achèvera. Même dans les cas où a lieu une planification étatique capitaliste, les contradictions à sa base affaiblissent ses possibilités d'atteindre ses objectifs stabilisateurs.

Kritiker einer staatlichen Planung in kapitalistischen Gesellschaften behaupten, eine solche zentrale Planung fördere lediglich die Interessen des Kapitals auf Kosten der Arbeiterklasse. Tatsache ist jedoch, daß Unternehmerkreise vielfach eine staatliche Planung ablehnen, was bedeuten würde, daß sie entweder ihre Interessen nicht erkennen oder aber eine staatliche Planung nicht unbedingt günstig für sie ist. In dieser Arbeit wird untersucht, unter welchen Umständen staatliche Planung kapitalistische Interessen fördert.

Planung wird als bewußte Formulierung und Anwendung von Mitteln und Methoden durch den Staat definiert. Staatliche Planung kann zweckmäßig für das Kapital sein, sofern sie im kollektiven Interesse der Kapitalisten erfolgt. Der Staat als Planungszentrale stellt jedoch auch beachtliche Gefahren für das Kapital dar. Diese ergeben sich aus seinem demokratischen Potential, seinem bürokratischen Konsumpotential, seine Tendenz, bestimmte Kapitalgruppen auf Kosten anderer vorzuziehen, und seiner Neigung, nationale Interessen zu begünstigen, während das Großkapital einen internationalen Wirkungsbereich hat.

Anhand dreier Beispiele – New Deal, Mobilmachung im 2. Weltkrieg und städtebauliche Erneuerung – werden die Umstände kapitalistischer Unterstützung bzw. Opposition in bezug auf eine geplante Intervention des Staates untersucht. Die derzeitige Unterstützung einer landesweiten Industriepolitik seitens der Unternehmer wird auf den damit verbundenen Vorteil der Vorhersehbarkeit für große Wirtschaftsunternehmen zurückgeführt. Die Opposition gegen eine solche zentrale Planung dagegen dürfte auf Befürchtungen einer eventuellen Einmischung des Staates in Tarifverhandlungen beruhen. Daraus läßt sich schließen, daß das Kapital nur in Krisensituationen staatliche Planungsmaßnahmen verlangt bzw. akzeptiert und, sobald die Krise vorüber ist, schnell wieder Abstand hiervon nimmt. Selbst in den Fällen, in denen eine kapitalistische staatliche Planung durchgeführt wird, untergraben die ihr zugrundeliegenden Widersprüche die angestrebte Stabilisierungswirkung.

Los que critican la planificación dentro de formaciones sociales capitalistas han dicho que la planificación estatal sirve a los intereses del capital, a expensas de la clase trabajadora. Sin embargo, grupos comerciales con frecuencia se oponen a la planificación estatal: implicando que o bien no entienden sus propios intereses o que en la realidad la planificación no les trae necesariamente beneficios. Esta ponencia estudia bajo qué circunstancias la planificación estatal sirve a los intereses capitalistas.

Se define la planificación como la formulación e implementación consciente de fines y medios dentro del estado. La planificación estatal puede ser funcional para el capital si actúa en los intereses colectivos de la clase capitalista. Sin embargo, el estado como vehículo para la planificación presenta importantes peligros para el capital. Estos provienen de su potencial democrático: su consumo burocrático potencial; su tendencia a favorecer ciertas fracciones de capital a expensas de otras, y su tendencia a favorecer a los intereses nacionales a pesar del carácter internacional del capital en gran escala.

Se examinan ejemplos de planificación en los Estados Unidos – el Nuevo Trato, la movilización en la Segunda Guerra Mundial, y la renovación urbana – para entender las circunstancias del apoyo y oposición capitalistas a la intervención planificada del estado. El apoyo actual del comercio a la política industrial nacional se dice depende de las ventajas para grandes organizaciones económicas del poder pronosticar el futuro. La oposición a tal política se basa principalmente en la probabilidad de intervención en los acuerdos sobre jornales. Llegamos a la conclusión que el capital pedirá o aceptará la iniciativa del estado en la planificación solamente en condiciones de crisis, y se echará hacia atrás rápidamente cuando la crisis termine. Aun en las circunstancias cuando la planificación en el estado capitalista ocurra, las contradicciones subyacentes debilitarán la posibilidad de que logre sus objetivos de estabilización.