State and Devolution: Economic Crises and the Devolution of U.S. Superstate Power

by Robert Schaeffer

This paper examines the incorporation of superstate power by U.S. state organizations after World War Two and the subsequent "devolution" or transfer of U.S. authority to superstate organizations in response to contemporary economic crisis. After analyzing the crises that led to the devolution of U.S. agricultural and monetary authority, the paper discusses the implication of these developments for a theory of states in the interstate system, arguing that the seizure of state power may no longer be a useful or relevant objective for social movements.

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Introduction

After World War II, organizations within the U.S. state acquired "superstate" powers. That is, their power began extending beyond U.S. borders, affecting people and practices in other states around the world. And for the next 30 or 40 years, superstate "powers" were synonymous with U.S. state "organizations," which included not only government institutions and agencies but also "private" groups associated with them.[1] But in recent years, the organizational location of superstate power has shifted. Various economic crises in the 1970s and 1980s forced U.S. officials to "devolve" or transfer some superstate power from organizations *internal* to the U.S. state to organizations that are largely *external* to the U.S. state.

Although officials of U.S. state organizations initiated the devolution of power as a way to address the problems associated with serious economic crisis, and they may have hoped that devolution might conserve their power in another organizational setting, devolution has shifted real power to multiple superstate organizations. As a consequence, it is more difficult for any single state to exercise power unilaterally, and it is more difficult for individual classes or social movements to "capture" power in the way that Lenin imagined in *State and Revolution*.

Ever since Karl Marx identified the capture of state power as a goal of the international socialist movement in 1885, and since Lenin argued that state institutions should be seized by force, the state has been the focus of scholarly research and the object of political struggle. But if important global economic powers are being devolved to superstate organizations largely external to nation-states, even from strong "superpowers," then theories of the state, which assume that states are the crucial locus of power, may be seriously flawed.

After first examining the causes and consequences of the devolution of U.S. agricultural and monetary powers, I will explain the significance of these devolutionary developments for contemporary theories of the state.

The Incorporation and Devolution of U.S. Agricultural Power

After World War II, U.S. state organizations acquired superstate agricultural power. The wartime destruction of agricultural production in many regions gave U.S. organizations enormous power because they possessed the capacity to produce and deliver food to people in states around the world. They were able to do this because U.S. farm programs developed in the 1930s enabled U.S. producers to survive the global economic depression. And the long world war expanded the demand for food, which stimulated agricultural production and raised prices without exposing U.S. farmers to wartime destruction.

But U.S. agricultural organizations would not have been able to exercise the power acquired during the war unless people in other states could become regular consumers of U.S. produce. So U.S. state organizations developed the Marshall Plan and food-aid programs in the 1950s to increase the consumption of U.S. agricultural products around the world, extending in the early 1970s even to socialist bloc states (Friedmann, 1993:20). These developments made it possible for U.S. state organizations to assume superstate authority. The passage of successive U.S. farm bills, for example, helped set global commodity prices, shaped the agricultural policies of states from Senegal to the Soviet Union, changed the farming practices of Third World peasants and First World family farmers, and altered the dietary habits of urban consumers the world over (see Friedmann, 1991:71-74).[2] Because U.S. state organizations could effectively exercise superstate power, they could prevent the General Agreements on Tariffs and Trade (GATT), a superstate organization that was largely external to the U.S. state, from acquiring superstate agricultural authority.

But the ability of U.S. officials to exercise superstate agricultural powers began to change as a result of an agricultural crisis that emerged in the late 1970s and early 1980s. In 1978, the Iranian-led oil embargo raised oil prices for a second time in a decade. Because oil is the most important U.S. import, "accounting for nearly three-fourths of the U.S. trade deficit since 1970," according to Romm and Lovins (1992/93:47), rising oil prices increased the cost of imports, which worsened the U.S. balance of trade, and spurred inflation. To combat inflation and to raise money for increased military expenditures without raising taxes to pay for them, officials in the Carter and Reagan administrations in 1979-81 raised interest rates. This, coupled with massive tax cuts, led to large and growing federal budget deficits, amounting to $2.5 trillion between 1980 and 1992 (Skidmore, 1992:16). The resulting high interest rates triggered a debt crisis both for peripheral countries, whose borrowing from core countries increased "from $64 billion to $810 billion" between 1970 and 1983 (Walton, 1989:301),[3] and also for U.S. farmers, who had borrowed heavily to purchase land and expand production in the 1970s.[4] As interest rates rose, indebted countries spent more money on interest payments and less on the purchase of U.S. agricultural goods, which meant that demand contracted. And to meet their rising debt obligations, U.S. farmers intensified production, which increased agricultural supplies. The combination of falling demand in indebted countries and rising U.S. supplies resulted in lower prices, growing debt and widespread bankruptcy, both for peripheral states and for U.S. farmers.

At the same time, producers in other states around the world increased their production of agricultural goods. Farmers in the European Community, assisted by large subsidies, and farmers in peripheral countries like India, aided by Green-Revolution productivity increases, sold mounting surpluses on overseas markets. India, for example, increased grain production by nearly 20 percent, from 131.15 million metric tons (mmt) in 1980 to 190.23 mmt in 1989 (Orr, 1992:65-66). Watkins (1991:40) notes that "rising self-sufficiency in key Asian markets, including India, Pakistan and Indonesia...furthers constrained import demand." As a result of these developments, U.S. agricultural exports declined from $41 billion in 1980 to $29 billion in 1985 (Hufbauer, 1989:162), and its share of the overseas wheat market shrank from 55 to 36 percent between 1980 and 1986 (Watkins, 1991:40). Clairmonte (1991:12) concluded that "U.S. agriculture had fallen on hard times, from 27 percent of world exports in the mid-1970s to 10 percent [in 1990]."

Officials of U.S. state organizations regarded agricultural exports as critical because agricultural products accounted for one-fifth of all exports and were one of the few industrial sectors (along with chemicals and high technology) that recorded substantial trade surpluses. Agricultural was more dependent on exports than other industries, exporting one-third of its cereal production, which accounted for half of world trade. And in political terms, farmers and agricultural organizations provided important electoral support for the Republican Party in the 1980s.

To boost agricultural exports and reduce growing trade deficits, the Reagan administration used the 1985 farm bill to cut loan rates to farmers so that U.S. grain exporters like Cargill could purchase and sell lower priced goods on overseas markets, thereby regaining market shares. As Republican Senator Rudy Boschwitz argued, "If we do not lower our farm prices to discourage these [developing] countries now, our world wide competitive position will continue to slide....This [discouragement] should be one of the foremost goals of our agricultural policy" (Watkins, 1990:2). But because lower loan rates meant higher deficiency payments to farmers (the government pays the difference between the loan rate and the target price, which is supposed to cover the costs of production--it does for large farmers but not for smaller family farms), the cost of farm subsidy programs increased to $30 billion in 1986, ten times the 1980 level (Watkins, 1991:40), which added to the growing budget deficit.

In the short run, the Reagan administration was willing to use subsidies as a way to lower world prices and wrestle over market shares with the European Community, which increased its own subsidies to remain competitive on overseas markets as prices fell. U.S. Agriculture Secretary John Block described this strategy as "squeezing the CAP [Common Agricultural Policy] until the pips squeak" (Watkins, 1990:2). But in the long run, they sought a more durable, less expensive solution to these problems. So U.S. state officials decided that if U.S. and EC agricultural subsidies could be eliminated through trade agreements, they could reduce the federal deficit, undercut competitors in the EC, recapture overseas markets, increase U.S. exports and improve the U.S. balance of trade.

In response to this cumulative crisis, U.S. officials began using free trade agreements and superstate trade organizations like GATT to defend the fading U.S. trading position in the world, which led to the devolution of power from U.S. state organizations to organizations external to the U.S. state. In the mid-1980s, they initiated a two-track process to negotiate more favorable trade relations for agriculture and other sectors of the U.S. economy (Schaeffer, 1993).

U.S. officials began by initiating bi-lateral trade agreements with other countries. U.S. officials negotiated and concluded free trade agreements with Canada in 1988 and with Mexico and Canada in 1993. These were intended to serve as models for the new round of GATT negotiations, which began in 1986, and were designed as a fall-back position should GATT negotiations fail to achieve U.S. policy objectives. While pursuing bilateral agreements with its neighbors, U.S. officials also used Section 301 of the Trade Acts of 1984 and 1988 as a unilateral weapon to force other states to comply with U.S. trade demands. Section 301 permitted U.S. officials to retaliate against states that denied U.S. corporations reasonable access to their markets, dumped goods in the United States at below-market prices, or failed to protect U.S. patents and copyrights (Davidow, 1991:47). The threat of retaliation was used to force peripheral states to comply with U.S. trade demands in bilateral negotiations and in multi-lateral forums like GATT. As Watkins (1992:36) notes, "By 1990, more than half of the 32 cases under Section 301 investigation involved developing countries...."

While U.S. officials pursued bi-lateral trade agreements, they also turned in 1986 to multi-lateral forums like the GATT to address problems associated with the crisis. Since it was founded in 1947, successive GATT rounds had been used to reduce average tariffs on manufactured goods from about 40 percent in 1950 to about 5 percent in 1990 (Orr, 1992:118). Because tariffs were already low, and the original aims of GATT--tariff reduction--largely achieved, U.S. officials argued that GATT widen its agenda, asking GATT members to do more than simply lower tariffs and promote uniform treatment by member states.[5] For the first time, U.S. officials argued that agriculture should be included and pressed for the adoption of measures that would: 1) promote the monopoly power of transnational corporations; 2) reduce sensible regulations designed to protect consumers and the environment; 3) cut the prices of agricultural goods and natural resources; and 4) guarantee supplies for food, fiber and natural resources in peripheral states for producers and consumers in core states (Schaeffer, 1993).

In addition to GATT, U.S. officials also used debt-crisis negotiations, which have been conducted by superstate organizations like the International Monetary Fund, to press for the reduction of tariffs, an end to restrictions on foreign investment, the privatization of state assets, the devaluation of currencies so that privatized assets could be purchased cheaply by foreign investors, the elimination of subsidies to domestic producers and consumers, and the protection of real and "intellectual" (patents and copyrights) foreign property (Schaeffer, 1993:176).

In Mexico, for instance, debt-crisis negotiations in 1982 led to the reduction of average tariffs from 40 to 10 percent, and the devaluation of the peso from 25 pesos to the dollar in 1982 to 3,100 pesos to the dollar 10 years later, which has enabled U.S. firms to purchase privatized state assets at bargain prices.

If U.S. proposals are adopted, small producers, consumers, taxpayers and political parties will find it more difficult to use state power to defend or advance their interests. For example, consumers and environmentalists have passed legislation or persuaded some state officials to adopt measures regulating pesticide use, unionizing farm workers, protecting consumers with labeling requirements, conserving natural resources, and requiring agricultural producers to pay fees or observe costly regulations. Because state officials want to eliminate the regulations and "protections" that different social groups have managed to obtain, U.S. state officials have tried to devolve power to superstate organizations that are more difficult for subordinate social groups to capture.

U.S. proposals in GATT and language in NAFTA are explicit about devolving power from state organization they regard as vulnerable to capture by other social groups. Language in GATT requires contracting parties to "take such reasonable measures as may be available to it to ensure observance of the provisions of this agreement by the regional and local authorities within its territory" (Grimmet, 1991:38). And the NAFTA text goes even further, requiring members to "take all necessary steps, where changes to domestic laws will be required to implement their provisions...to ensure conformity of their law with these agreements" (Wallach, 1991:2).[6]

The superstate powers that sub-state and state organization now have would be assigned to the dispute arbitration panels called for in free trade agreements or to superstate bureaucracies like Codex Alimentarius. Codex, which now has little superstate authority (adoption of its standards for trade in animal and food products is now voluntary), would acquire considerable power under free trade agreements. And because participation in Codex decision-making is reserved for official government delegations consisting of bureaucrats and food industry representatives, the power invested in it would become more functional for social groups like transnational corporations and more autonomous with regard to social groups--representatives of consumer and environmental organizations--who are excluded from participation in Codex (Ritchie, 1990:217; Schaeffer, 1993).

One of the interesting features of contemporary free trade agreements is that they do not contain any provisions regulating monopoly or requiring the extension of U.S. anti-trust law. If they were really "free trade" agreements in the sense used by Adam Smith and the classical economists, for whom monopoly was as much an enemy of trade as tariffs, they would contain anti-monopoly provisions. The omission of anti-trust provisions demonstrates that free trade agreements are selectively "anti-protectionist." That is they undermine the "protection" obtained by subordinate social groups but permit dominant classes to use monopoly as a way to protect their interests.

The devolution of superstate agricultural power has several important features. First, the devolution of power from U.S. state organizations to superstate organizations external to the U.S. state--from the Department of Agriculture to GATT, from the Environmental Protection Agency to Codex--was initiated by U.S. state officials, principally in the Department of Commerce and in the office of the U.S. Trade Representative. They did so because they saw devolution as a way to address the agricultural crisis of the 1980s and as a way to create organizations that would be more difficult for subordinate social groups to capture. The devolution of power will prove beneficial for some groups but costly for others. In agriculture, FTAs will likely benefit transnational agribusiness firms, but harm family farmers and producers of subsidized agricultural commodities, and reduce the power of state organizations like the Department of Agriculture or Environmental Protection Agency.

Second, officials of U.S. superstate organizations devolved power to multiple superstate organizations--through bi-lateral and multilateral agreements--each with somewhat different authority, not to a single superordinate organization. They did this because multiple global organizations are more difficult for social groups or other states to capture and because these organizations are relatively non-bureaucratic and inexpensive. For example, free trade agreements use temporary arbitration panels rather than huge, expensive bureaucracies to administer and enforce provisions of agreements.

If U.S. officials can use FTAs to reduce competition from some producers in Europe and the periphery, extend transnational corporations' property rights and profitability, eliminate environmental, consumer and worker regulations, and guarantee the supply of cheap resources, then the devolution of power may enable some U.S. agricultural producers to regain overseas markets, improve the U.S. balance of trade and reduce the federal budget deficit. But it is unlikely that they will reestablish the kind of power enjoyed by U.S. state organizations prior to 1980.

In recent years U.S. state organizations have not only devolved considerable agricultural power, they have also devolved monetary power acquired during World War II.

The Incorporation and Devolution of U.S. Monetary Power

During World War II, U.S. state organizations began acquiring superstate monetary authority. In addition to food, U.S. allies also needed money, which the U.S. officials were willing to lend them so long as the Allies ceded important monetary powers to the United States (Block, 1977). Using the leverage afforded them by wartime and postwar loan and aid programs, U.S. officials began constructing a new superstate monetary system called "Bretton Woods" that assigned special monetary authority to U.S. organizations, particularly the Federal Reserve, a state organization that retains great autonomy relative to elected officials and government institutions (Greider, 1987). The object of the Bretton Woods system was to make currencies convertible with each other and use the dollar (backed by gold at a fixed price) as the standard in a system of fixed exchange rates. As Gilpin (1987:133-34) said, "The Federal Reserve became the world's banker and the dollar became the basis of the international monetary system."

Although other states had the authority to print money, they could not set the rate of exchange. Only U.S. state organizations could do that. And they used this superstate authority to print and spend money abroad, much of it to maintain a global military presence and wage wars in Korea and Vietnam.

U.S. state organizations possessed considerable superstate monetary authority during the 1950s and 1960s. But monetary crises in the early 1970s and mid-1980s forced U.S. state officials to devolve considerable power over monetary policy to organizations external to the U.S. state.

The monetary crisis that emerged in the early 1970s was the result of two developments. First, U.S. military spending on the war spurred inflation, which undermined the value of the dollar. And second, the increasing competitiveness of European and Japanese goods on global markets led to trade surpluses with the United States, which strengthened the unofficial value of their currencies relative to the U.S. dollar. The problem was that the exchange rates fixed by the Bretton Woods agreements made it difficult for countries to readjust their currencies to reflect these new realities.

To solve the problems associated with this--growing inflation and increasing German unwillingness to accept U.S. dollars at fixed official rates--U.S. state officials first took unilateral action. In August 1971, the Nixon administration eliminated the system of fixed exchange rates, which led to a devaluation of the dollar vis-à-vis European and Japanese currencies, and abandoned the practice of converting dollars to gold at a fixed price (Gilpin, 1987:140).

During this first phase of the crisis, U.S. state organization did not devolve power to organizations external to the state. Instead they took unilateral action that ended their ability to exercise unilateral superstate power in the future. It was not until the second phase of the crisis a decade later that they devolved superstate monetary power to organizations external to the U.S. state.

The measures taken by U.S. organizations in the 1970s attenuated monetary problems for a time, allowing a considerable realignment of the major currencies, but largely failed to address the problems associated with endemic inflation, which was compounded by the quadrupling of oil prices during the second OPEC oil embargo in 1972 (the first, in 1967-68 had been a failure) and the third oil embargo in 1978-79 following the Iranian revolution.

To curb the inflationary problems associated with the third oil embargo, and to pay for increased military expenditures without raising taxes, U.S. state officials sharply raised interest rates. While high U.S. interest rates created a crisis for Third World debtors and overextended U.S. farmers (see above), they also attracted capital from around the world, which greatly strengthened the value of the dollar. But the rising value of the dollar made U.S. goods more expensive and less competitive with Japanese and European goods on overseas markets, while making European and Japanese products cheaper and more competitive in the United States. The result was a growing U.S. trade deficit, which quadrupled from $25.3 billion in 1980 to $108.3 billion in 1984 (Gilpin, 1987:157).

Faced with a rising trade deficit and a decline in the ability of U.S. firms to compete in both foreign and domestic markets, U.S. officials in 1985 again decided to devalue the dollar vis-à-vis Japanese and European currencies. A devalued dollar was supposed to make U.S. goods cheaper on foreign markets and foreign goods more expensive in America. But in the 1980s, unlike the 1970s, they could not unilaterally change exchange rates. This time they had to secure the cooperation of other states and devolve power to superstate organizations in which other states participated.

It was in this context that U.S. state officials began devolving power to the Group of Five, later known as the Group of Seven, a superstate organization consisting of the United States, West Germany, France, Great Britain and Japan (later Italy and Canada). Meeting in September, 1985 at the Plaza Hotel in New York City, U.S. officials convinced Japanese and European finance ministers to devalue the dollar and increase the value of their currencies in coming years (Funabashi, 1989). The secret agreement they concluded, which became known as the "Plaza Accords," transferred considerable superstate monetary power, long held by U.S. state organizations, to others. The G-7, Japan's Ministry of Finance, the German Bundesbank and, importantly, privately organized currency markets around the world, all acquired new power and responsibility as a result of this devolutionary process.

The devolution of monetary power to the G-7 achieved the immediate goal of realigning the major currencies. The value of the dollar fell by nearly one-half against the yen in the next few years. Together with the 1971-era devaluation, the value of the dollar vis-á-vis the yen declined by about 66 percent, from about $1 to 300 yen in 1974 to about $1 to 100 yen today (Orr, 1992:167). But successive currency realignments have not accomplished what officials of superstate organizations expected, largely because private producers and consumers have acted in unanticipated ways.

The principle objective of the Plaza Accords was to reduce the U.S. trade deficit. Changing exchange rates (declining dollar, stronger yen) were supposed to make U.S. goods cheaper in Japan, and Japanese products more expensive in America, which was supposed to discourage American consumers from purchasing Japanese imports and "Buy American" instead. But rather than let a stronger yen raise their prices in the United States, Japanese producers cut their prices and accepted lower profits to retain market shares.[7] The price of Japanese goods increased somewhat, but not at the same pace as the value of the yen. And rather than let their prices fall well below Japanese goods, which would make them more attractive to U.S. consumers, American producers raised prices to make greater profits without increasing market share or expanding production, which would entail greater costs and result in lower short-term profits.

Faced with only modest price differentials, U.S. consumers continued buying higher priced but also higher quality Japanese goods. Furthermore, continued consumer resistance to lower quality American products in Japan (and informal market restrictions there), and the unwillingness of American producers to cut their prices in Japan meant that U.S. exports to Japanese markets did not greatly increase. As a result, the dollar-yen realignment did little to reduce the U.S. trade deficit.[8]

The currency realignment also had important unanticipated consequences. The devaluation of the dollar cut the price of U.S. assets for Japanese investors by half. And in the years following the Plaza Accords, Japanese investors bought U.S. real estate (Pebble Beach, Rockefeller Center), industrial corporations (MCA, Columbia Pictures), and raw materials (timber from the Pacific Northwest).[9] The purchase of one of every four trees cut in the Northwest and their shipment to Japan without first being milled has resulted in rising U.S. timber prices and the export of U.S. mill jobs to Japan (Schaeffer, 1989).

U.S. producers, consumers and workers were not the only ones affected. Because the United Nations uses dollars to operate, the dollar devaluation cost the United Nations $83 million in 1986-87, making it harder to fulfill its superstate obligations. And Panama, which used the dollar as its national currency, helplessly watched its value plunge, contributing to economic problems that led to U.S. military intervention in 1989.

These developments illustrate an important point about state and superstate organizations: they can perform complex functions and exercise superstate power to address important problems without actually solving them. In this case, U.S. superstate organizations used their power to realign currencies. But successive dollar devaluations failed to combat inflation in the 1970s or to reduce the U.S. trade deficit in the 1980s.

As with agricultural power, U.S. state officials initiated the devolution of superstate power. By relocating power in multiple organizations with greater autonomy from domestic social groups and by sharing responsibilities and costs with others, they expected to address problems associated with economic crisis and retain much of their power. But it is doubtful that they can actually address U.S. problems and maintain their power in these new venues.

Devolution and a Theory of the State(s)

The devolution of superstate power is not an entirely new historical development. It may be a cyclical process associated with the decline of superpower states. For example, many of the superstate powers possessed by British state organizations in the 19th century devolved during and after World War I, much as the superstate powers of the U.S. state are devolving today. But there are important differences between the contemporary devolution of U.S. power and the devolution of British power after World War I.

The devolution of British superstate power after World War I took place in a period characterized by a ferocious, multi-sided conflict. First-generation European colonial empires (Great Britain, France, Belgium and Holland), second-generation, would-be colonial empires (Germany, Italy and Japan), nation-state republics (the United States and Soviet Union), and republican independence movements in European colonies (China, Korea, Vietnam, Indonesia, India, Palestine, Ireland and elsewhere) were all joined in a multi-sided struggle. The conflict among these states and would-be states prevented an orderly transfer of British power to superstate organizations like the League of Nations (Schaeffer, 1990:46-57). The result was the devolution of British power to individual states, a process that led to interstate competition and global war.

Today, by contrast, the devolution of U.S. superstate power is occurring during a period of cooperation among core states. To be sure, there are inter-core disagreements, but disputes over trade policies or military intervention in the Balkans do not lead to trade wars, military conflicts among core states or attempts by individual core states to assume superstate powers for themselves. Indeed, there is great reluctance to do this. This cooperation is based in part on the "shared interests" created by cross-border economic integrations of production, exchange and ownership, which was absent during the decline of British hegemony. Indeed, colonial empires and autarchic states in the 1920s and 1930s prevented and restricted these kinds of integrations, reserving production, exchange and ownership for social groups and organizations internal to the state. As it turns out, "globalization" may greatly reduce competition and war among core states, though it may sharpen conflicts within core and peripheral states.

The devolution of superstate power by U.S. state organizations cannot be seen in isolation. It has to be set in a global historical context. It is also important to note that the U.S. state is devolving powers that other states do not have. This means that theories of states cannot be based on a study of powerful states alone.

Marxist political economists have long tried to develop a theory of the state in generic terms. By analyzing the role played and functions performed by strong core states, they attempted to develop a "theory," or set of expectations, about the roles played and functions performed by modern states everywhere. Although these analysts disagreed about the precise roles and functions of state organizations, they generally agreed that an understanding of functions--accumulation, reproduction, mediation, legitimation, protection, taxation (Tilly, 1992; Lane, 1979)--would help political movements and social classes to seize state power, a goal of most socialist and independence movements since Marx first identified it as the raison d'etre of the international socialist movement in 1876.[10]

There is some merit to this approach. In the early 1970s, scholars began developing a more complex and extensive understanding of the state, broadening the definition of state power to include organizations outside government proper (O'Connor, 1973; Offe, 1985; Habermas, 1973), expanding the list of functions performed by contemporary states, specifying their relation to different social classes (Mills, 1956; Domhoff, 1983; Miliband, 1969, 1983; Poulantzas, 1975; and Wright, 1978), and tracking their historical development (Anderson, 1974; Tilly, 1975; Wallerstein, 1979; Skocpol, 1979).

But there are three problems with this approach. First, what is needed is not a theory of the state, but a theory of ***states*** in the contemporary interstate system. Second, the functions performed by states depend on a state's relative strength or position within the interstate system. Simply put, superstates perform functions that other states cannot. The ability to perform functions and achieve goals is a measure of their relative "strength" within the system. It is important in this context that the performance of functions should not be confused with the ability of states to solve problems or realize objectives. And third, the object of a Marxist theory of the state, which has been to assist the seizure of state power, may no longer be appropriate, if it ever was.

A theory of states must be set in the context of the contemporary interstate system that emerged in the postwar period. After World War II, the United States and Soviet Union, the two republics that acquired superstate powers as a result of the war, together created a new interstate system based on nation-state republics (Schaeffer, 1990:73-83). This required the conversion of European empires and the creation of independent republics in their colonies. By and large, the great republics succeeded in creating a system consisting of fairly uniform polities. Whether they identified themselves as capitalist or communist, states around the world called themselves "republics" (the use of the adjective "peoples'" or "democratic" usually signified that the states were communist, while the absence of an adjective usually signified a capitalist orientation), adopted republican "constitutions," established republican institutions like "Congresses," observed republican norms like holding elections for congressional representatives, and adopted common republican objectives: self-determination, sovereignty, democracy and economic development.

But while polities became relatively homogeneous--with republican states sitting next to each other in the United Nations--political power and economic wealth remained sharply differentiated. Indeed, the great republics insisted on it, reserving important, newly acquired super powers for themselves, such as the right to intervene militarily in their separate spheres of influence and prevent other states from acquiring political power or economic wealth at superstate expense. If political power and economic wealth had been made uniform, as was often promised, then one might have been able to talk about a theory of the *state* in this context. But the reality was very different. Power and wealth in the system was sharply differentiated and, over time, the gap between the wealth and power of core states and peripheral states has increased (Arrighi, 1991). The result was the creation of an interstate system characterized by uniformity and diversity, what I have called an "egalitarian hierarchy":

> In the interstate system, independent states have equal rights to print their own money, to tax their own populace, and to raise their own armies. But they do not possess equal abilities to set the rate of exchange for their currency, to impose tariffs or taxes on others, or to deploy their armies outside their state's territorial boundaries. Some states--great states, superpowers--possess that ability, and some of them more than others. Their ability to do so is a measure of their position in the interstate hierarchy (Schaeffer, 1990:82).

In this setting, where states have very different political and economic capacities, it is difficult to assign each a common set of functions. Although most states have at least the capacity to levy taxes and raise armies, which finance and protect them, some states can perform additional functions, such as providing educational, communication and transport infrastructure that facilitates economic growth. And a few states, like the United States and Soviet Union, can undertake functions that other states cannot even imagine as requisite tasks. In the early 1960s, for instance, officials of U.S. and Soviet state organizations set space exploration and a manned lunar landing as a goal and created organizations like NASA to perform this function. But only the U.S. state managed to land humans on the moon. This was a "function" that no other state managed to perform.

Most states in the system do not have the capacity to function like superstates. And some states have great difficulty performing even minimal functions, much less achieving self-determination, democracy or economic development. As Basil Davidson (1992:257) says of Zaire:

> ....the capital of Kinshasa [absorbed] all attainable rural resources as well as whatever might be milked from foreign donors and investors. To every practical purpose, whether legally or illegally extractive, the state was now reduced to Kinshasa and its satellites, to zones of mining or cash-crop production, and to the air communication between these....The state of Zaire, in other words, had become a myth. Outside its coercions and corruptions the country was left to survive as it might, or else to rot. In 1960, the authoritarian but well ordered Belgium Congo had possessed 88,000 miles of usable road; by 1985 the total length of usable road was down to 12,000 miles, of which only 1,400 was paved. Vast rural areas from which no wealth could be easily or any longer extracted were abandoned to their own devices, and it was now, early in the 1970s, that hunger appears to have become endemic across wide if otherwise silenced regions.[11]

While state organizations continued to exist in Zaire, and to be recognized abroad--one can still apply for a visa at its embassy in Washington, D.C.--they have disappeared entirely in other "states" like Liberia or Somalia. As de Wall and Omaal (1993:198) have noted, private and public superstate organizations--international relief organizations and military missions--have assumed responsibility for finance, trade, infrastructure and protection and have attempted to acquire widespread legitimacy in Somalia and around the world for their efforts.[12] "Every morning in Mogadishu and in Baidoa," they note, "there is a meeting to discuss security. It is attended by the representatives from the relief agencies, the United Nations, the American forces and other members of the new multi-national force in Somalia. Until mid-January [1993], virtually no Somalis attended" (de Wall and Omaal 1993:200). Is it any surprise, then, that some people have called for the recolonization of states that fail to perform the assigned functions of states? The headline for Paul Johnson's article in the *New York Times Magazine* (1993) argued: "Colonialism's Back and Not a Moment to Soon: Let's face it, some countries are just not fit to govern themselves."

One could argue that these "states" are not really states at all, simply "myths" as Davidson says, and that a theory of the states need not account for their failure or include them in a general theory. But a comprehensive theory of states should be able to analyze superstates, strong states, weak states and even mythical states. Indeed, it is only by including the weak and mythical states, which perform few functions and fail to realize even minimal goals, that one can make sense of strong states and the role they play in the world.

Because states perform different functions and have different capacities to solve problems and achieve goals, perhaps it would be better to describe protection, accumulation, infrastructure development and legitimation as "entelechies," goals or objectives that are pursued but not necessarily realized (Schaeffer, 1981) and to recognize that these entelechies change over time. In the early modern period, for example, many states adopted "mercantilist" entelechies, while today they have adopted "modernizationist" ones that seek to achieve democracy and economic development.

Since Karl Marx persuaded the socialist movement to adopt the seizure of state power as its entelechy over the objections of Mikhail Bakunin and the anarchists, who thought state power should be smashed not seized, independence movements and state officials in post-colonial countries have believed that state power would help them exercise political power on behalf of their social constituencies and promote economic development. But after a century of seizing power and trying to use state organizations in an instrumental way, officials and movements in capitalist and communist states have experienced profound economic and political crises that have revealed the fact that state power could not easily be used to make themselves powerful or wealthy. State power may have been instrumental for social classes in powerful and wealthy Western European, North American and Asian states, but it proved a blunt instrument for social classes in post-colonial states.

In this context, the goal of seizing state power may be inappropriate or irrelevant for two reasons. First, upper and middle classes created imperial and republican states as "constitutional" organizations. That is, their founders designed institutions that could perform important functions for some classes, which could not be performed, in the same way, for other classes. And they designed institutions that could endure over time, which means that could resist capture by other social classes who might have used them in a different way. Like the classical composers who wrote music symphony orchestras, the founders of modern states wrote constitutions for a particular set of state institutions. And just as it is difficult to use a symphony orchestra to play rock and roll, it is difficult to use class-based state institutions to benefit social classes with different political, social and economic objectives. This means that social movements concerned with the equal distribution of wealth and power should not necessarily expect state organizations to help them realize their goals.

Second, as we have seen, the power associated with states may be relocated or devolved to other organizations that perform similar functions, organizations that are often external to the state. This makes them even more difficult for subordinate social groups to capture. This is particularly true when state officials devolve economic power to "markets." As social organizations, markets are hard for social classes to "lobby," "corner" or "seize." So, for example, the devolution of considerable monetary power in Europe to currency markets means that even state officials in Britain, Italy or Germany can do little to prevent currency devaluations triggered by market actors.

For example, Myerson (1993) recently reported that George Soros, who manages the multi-billion dollar investments of the Quantum Fund, which speculates heavily on currency markets, "published a letter in the *Times* of London yesterday saying that the German mark is bound to fall, causing Europe's currency to do just that. Mr. Soros has no seat on the boards of the German Bundesbank or the Federal Reserve, but central bankers might envy his power to make currency markets rattle and quake." This kind of development makes the seizure of state power, with their finance ministries and treasury departments, even more problematic.

And the continued proliferation of states--what might be called the "glut of nations" produced by the partition of nation-state republics in Eastern Europe and elsewhere--means that it is more difficult for social groups who seize state power to use state organizations to realize their objectives. As Hopkins (1982:87) has pointed out,

> Indeed, there are now actually in operation in the world-system two fundamentally different principles of organization; The one is essentially political and organizes the world's population as the subject of a series of formally distinct 'sovereign states.' The other is essentially economic (capitalist) and organizes the world's population as participants in a single, and *organized*, world production system.

The multiplicity of states makes it difficult for any single state to manage or control the singular world economy, which is why superstate power of the kind exercised by Great Britain or the United States is rare and also temporary.

In this context, the seizure of state power may be inappropriate for movements concerned with the equal distribution of wealth and power. And the attempt to develop theories that can help social movements realize this entelechy may be irrelevant. The contemporary devolution of state power may require an evolution in thinking.

Notes

1. In the case of agriculture, the American Farm Bureau Federation, land grant universities, the *Des Moines Register*, Cargill, and the Democratic and Republican parties could all be described as "state" organizations, at least in part, some of the time. The "state" is not simply "government," but the groups that provide material support and ideological justification and perform important functions that are necessary to sustain the accumulation of capital.

2. As Watkins (1990:4) notes, "In corn, wheat and soybeans, for instance, the U.S. loan rate is the biggest single influence on world price levels."

3. Latin America absorbed nearly half of these loans, about $350 billion, according to Walton (1989:301).

4. According to Friedmann (1993:21), "Farm debt more than tripled in the 1970s, fueled by high [produce] prices and speculation in farm lands."

5. As U.S. Trade Representative Carla Hills put it, "There is no question about it. This new round of GATT talks is a bold and ambitious undertaking. We want new rules governing investment, we want corporations to be able to make investments overseas without being required to take a local partner or export a given percentage of their output, to use local parts, or to meet any of a dozen other requirements" (Environmental News Network, 1991:3.3).

6. According to former California Governor Jerry Brown, there is a "fundamental conflict between intrusive international regulations and American democracy. Our constitutional system rests on democratic accountability with significant legal and regulatory differences recognized among states and localities. NAFTA...would curtail local preferences and thereby undermine the ability of diverse communities to control their own destiny" (Brown, 1992:7).

7. Much the same is true of German producers. Protzman (1992) writes that BMW "will raise prices by about 5 percent--shy of the 10 percent increase in the mark's value against the dollar this year--on its high performance cars. Karl Gerlinger, the president of BMW of North America, explained, 'If you base your prices only on exchange rates, you will be out of the market immediately. You have to look at currency movements as a long-term factor and figure your costs and prices from there.'" German, like Japanese producers, refused to let government-sponsored currency realignments determine private price policies or market strategies.

8. As Michiharu Maeda, a vice president of Adi-Ichi Life Insurance, explained, "The stronger yen will not solve the trade gap with Japan, but it may reduce public pressure on the Clinton administration to take action to open the Japanese market" (Uchitelle, 1993).

9. In 1990, the Japanese invested $55 billion abroad, up 25 percent from 1989, much of it in the United States, often purchasing "small firms and new technologies" which "may attract less attention than a few big ones." As Intel chief Andrew Grove put it, "The Japanese are learning how to make their acquisitions less high-profile" (Sanger, 1990:C1).

And Judis (1993:24) writes, "According to the Economic Strategy Institute, Japanese companies acquired 426 American high-tech companies between October 1988 and October 1992."

10. As I have written (1990:44),

> Independence movements adopted sovereign state power as a goal rather slowly, in part because the seizure of state power had only recently become identified as a necessary component of social change. The international socialist movement had adopted the seizure of state power as a goal only in the late 19th century, and then only after the rancorous debate between anarchists and Marxists which dissolved the First International in 1876.

11. According to Attali (1991:73; see also Noble, 1993),

> Europe's periphery, Africa, is a lost continent. It is one of the last places on earth in which famine persists. The terrible facts of having fallen into an economic black hole speak for themselves: since 1970, Africa's share of the world markets have been reduced by half; its debt has been multiplied by twenty and now equals its total gross product; and income per capita in sub-Saharan Africa has fallen by one-quarter since 1987.

12. "In 1992, private voluntary organizations raised tens of millions of dollars from ordinary citizens, and hundreds of millions from governments...channeled more aid to the third world than the World Bank...handled a half-million tons of food aid and were a major influence on the policies of poor governments from Cambodia to Angola," write de Wall and Omaal (1993:198). This is a good description of the superstate powers of private superstate organizations.

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