Monopoly Capitalism Revisited*

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This paper seeks to update and extend the analysis contained in Monopoly Capitalism[1], by considering research done since its publication. I will also consider some of the criticisms of the book which have been made. I will proceed by first identifying the central themes of the book and then pick-up the topics which appear to merit some reassessment. These include Rivalry and Collusion, Efficient Bargaining, Savings and Corporate Control, Equilibrium vs Anti-Equilibrium and lastly, the Internationalisation of Production.

The Central Themes of Monopoly Capitalism

Within the advanced industrial countries oligopoly is now pretty ubiquitous. Given the general presence of oligopoly we would expect some degree of market power to be a normal characteristic of the economy.[2] Thus we would expect price to diverge from the competitive level and as a result we would have the beginnings of a theory of distribution. Assuming some degree of symmetry,[3] three factors jointly determine the share of profits under oligopoly: the degree of concentration of the industry; the degree of collusion and the industry elasticity of demand. To a considerable degree, each of these factors is under the control of the firms making-up the oligopoly group. Thus firms within the same market may choose to merge their interests; as a result, those that remain may find it easier to collude, and they will have a greater incentive to do so;

1. Keith Cowling (1982) Monopoly Capitalism, London, Macmillan.

2. I will return to this point in the section on Rivalry and Collusion.

3. The alternative, asymmetric, case of dominant firm(s) and competitive fringe I find neither descriptive of structure nor behaviour.

and, lastly, firms can create a greater dependency among their customers, and therefore a greater price inelasticity of demand, by appropriate investment in advertising and product differentiation activities.[4/]

Over the past one hundred years or so there has undoubtedly been a very substantial general increase in market concentration and such an increase will tend to imply an increase in the share of profits, and therefore a reduction in the share of wages, due to the fact that we expect the degree of monopoly, or oligopoly, $(p - mc/p)$ to rise with concentration, assuming profit maximising behaviour. This will come about directly (eg assuming Cournot behaviour), but also indirectly via the impact of concentration on the degree of collusion and on advertising and the degree of product differentiation. However, changes in concentration may have no effect if the degree of monopoly is effectively constrained by the existence of potential rivalry. This will generally be ruled out, either because of the existence of barriers to entry, or because of investment in excess capacity as a credible deterrent to entry, a theme we shall take up in the next section.

The process of concentration raises a further distributional issue. Much investment will be directed towards acquiring and maintaining dominant positions - that is it will be devoted to distributional ends to be gained through market control. The competition for monopoly rents will itself create waste. Thus, given

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4. Pagoulatos and Sorenson (1986) have demonstrated that advertising expenditure is an important determinant of the inter-industry variation in the elasticity of demand, with high advertising expenditures implying low elasticities.

the degree of utilisation of resources, a system which allows the generation of monopoly rents will result in a diversion of resources from expanding the output of the system towards the redistribution of that output. Excess capacity (to deter prospective entrants), and excessive advertising and product differentiation, through research and development, would be cases in point.[5/]

I now wish to turn to the possible stagnationist tendencies which may be induced by the concentrating process we have identified. Whilst the potential clearly exists for an increase in the share of profits, putting on one side for the time being issues of trade union power and international competition, whether or not this is realised depends on the impact of the process itself on aggregate demand. The immediate impact would be a downward revision in planned investment in line with the planned reduction in the rate of output within those sectors where the degree of monopoly has increased. The reduction in aggregate investment, in the absence of compensating adjustments elsewhere, would lead to a reduction in the level of profits in the total system, which would lead to further cut-backs in investment, and so on. Compensating, upward adjustments in investment elsewhere may of course take place as a result of the underlying tendency for the potential share of profits to increase. However such adjustments are likely to involve considerable lags, due to the uncertainty surrounding profit expectations and the long gestation periods involved in new investment projects, coupled with the fact that the planned cutbacks in those sectors experiencing an increase in the degree of monopoly become unplanned cut-backs elsewhere.

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5. Wolff (1986) has attempted to identify the major components of such waste in the case of the US economy.

Clearly any deficiency in investment could be made up by an increase in consumption out of the increased potential flow of profits, but this is unlikely to be fast enough, nor is it likely to be of the required extent, given that capitalists receive their income less frequently than workers, and also tend to have lower propensities to consume. Managerialism, reflected in rising intra-corporate consumption, could provide at least a partial antidote to such a realisation crisis, but it contains its own contradictions. Although in aggregate, by tending to maintain demand, managerialism serves to maintain profits, it will be seen as something to be minimised by those (stockholders) interested in the flow of reported profits. Thus although the growth of giant firms operating in oligopolistic markets gives rise to a substantial growth in managerial discretion, with all the associated expenditures which that implies, such discretion will inevitably lead to measures to curtail it.

Other adjustments within the system are possible. Aggregate demand could be maintained via a growing net export surplus, but there is little reason to suggest that this is likely to follow a rise in the degree of monopoly within any particular economy, indeed just the reverse could happen, see Koo and Martin (1984). If the rise in the degree of monopoly is a general trend within the world industrial system as a whole then it is even less likely that a growing export surplus could be maintained over an extended period, since it would raise the issue of how the rest of the world's growing trade deficit was to be financed. Of course, if all else fails, governments could step in to manage aggregate demand in order to secure the full-employment of resources. But clearly we cannot necessarily assume this sort of response. Maintaining full employment inevitably changes the balance of power between capital and labour and the state will not usually be a disinterested observer of this process. Thus, given the unwillingness to intervene at certain conjunctures, a realisation crisis remains a distinct possibility: not an inevitable outcome at any particular period of history, but, nevertheless, an almost inevitable consequence at some stage in the unravelling of the full implications of the oligopolistic system.

Rivalry and Collusion

Monopoly Capitalism included an attempt to reconcile close rivalry with collusive behaviour: "rivalrous behaviour and collusion coexist and result from a high degree of concentration within a specific market. The closer the rivalry, the more immediate is the response to any attempt to secure an advantage, but the very immediacy of the expected response serves to maintain the degree of collusion - it makes a breakaway movement unprofitable" (p.12). A lot of game theoretic work since then has suggested that collusion is indeed not as fragile as many orthodox theorists had imagined it to be, but the results at first sight do not appear all that robust. However, experiments by Axelrod (1984) were rather revealing. Game theorists were asked to submit computer programs to play repeated, prisoners - dilemma games. The clear winner was very simple and familiar - tit-for-tat! You are nice to people until they are nasty; then you are nasty until they are nice again. Tit-for-tat elicits and rewards the cooperation of others and does this by offering cooperation; retaliating speedily to non-cooperation; but forgiving equally rapidly. This is the essence of the argument about rivalry and collusion. In addition some interesting recent psychological experimentation reveals that "... people have a tendency to cooperate until experience shows that those with whom they are interacting are taking advantage of them", see Dawes and Thaler (1988). There is a norm of cooperation.

However, even if we are able to establish that collusion is not the fragile thing that many have assumed it to be, there remains the question of potential entry. Monopoly Capitalism relied, to some extent, on the Spence (1977) result that excess capacity would form a credible deterrent to entry, but Dixit (1980), had in turn shown that Spence's equilibrium was imperfect, in the Nash case. Subsequently Bulow et. al. (1985) and Kirman and Masson (1986) have rehabilitated much of the Spence position, but perhaps all these authors are missing the essence of the entry problem. We should think of the general concept of rivalry and collusion as a potential, as well as a reality. The real issue of entry, within a modern industrial economy, is when a corporation established in one market is considering invading another market dominated by another, where the latter is a potential rival in the former's market. It is this aspect of symmetry of rivalry which is lacking in the usual modelling of entry. This is an important omission because of the typical flexibility of the modern corporation, which allows it to move in any of a large number of directions, which in turn provides the basis for the generality of the symmetry assumption. The deterrent to entry is the immediacy of expected retaliation. This in turn is conditional on having the capacity to do so. This may take the form of plant and equipment but, more generally, it will comprise a strategic capability in terms of management, technology and marketing expertise. Of course as circumstances change so entry may take place, for example as one market expands relative to another so the incentive to enter increases relative to the cost, but following our earlier discussion of rivalry and collusion we might expect the norm to be one of "live and let live". This would suggest that the norm would be one in which collusive outcomes within oligopoly groups would not be undermined by potential entry.

One last issue it is interesting to address in this section is the likely response of firms in oligopolistic markets to the onset of slump conditions. Can we expect price cutting and a disintegration of collusive behaviour or a cementing of collusive arrangements in the face of common adversity? I conjectured, see Cowling (1982), p.22 and Cowling (1983), that the initial impact of a substantial fall in demand may cause an oligopoly group to fly apart. Each member of the group observes that its own sales have dropped and assumes that its rivals have been engaged in price cutting, or similar market share augmenting strategies. Each member therefore responds with similar strategies. However, if the explanation for the original observation was in fact a general slump in demand this will gradually become more obvious to each member of the group. Faced with such mutual adversity we may anticipate that the group will tend to come together to attempt to solve its mutual problems. Thus the initial impact of a turn-down in demand may well be a reduction in price-cost margins, but if the slump persists we can expect to see a recovery in margins as the degree of collusion within the oligopoly group increases. Evidence is now available to support this conjecture for the UK, Cowling (1983); Norway, Berg (1986); and the US, Bils (1987).[6/] Thus we can conclude

6. In the case of the work by Mark Bils the analysis only reveals a "very counter cyclical mark-up". However cycle is measured by employment, so that any initial change in mark-up due to a change in sales is probably missed. It remains the case that Bils provides strong evidence favouring a sharp increase in margins under slump conditions.

that the coexistence of rivalry and collusion, a seemingly paradoxical state, is the general case, and, rather than being undermined by slump conditions, will actually be enhanced by the resulting presence of a greater degree of excess capacity.

Savings and Corporate Control

I have argued earlier that monopolising tendencies will eventually lead to a stagnation tendency. An alternative, and complementary, view has been offered by Christos Pitelis (1986). He argues that the process of capital accumulation inevitably leads to the increased socialisation of capital. Initially this is achieved by the growth in discretionary shareholdings, but, at a later stage, compulsory shareholding associated with the "pension funds revolution" takes the leading role.[7/] The growth of pension funds, coupled with the growth in corporate retained earnings, appears to have had a major impact in raising the ratio of aggregate savings to private disposable income. The net inflow in life assurance and pension funds increased, as a ratio to private disposable income, from 3.59 per cent in the decade 1954/63 to 4.44% in 1964/73, and to 5.94% in 1974/83, and corporate retained earnings increased in similar fashion from 12.41 per cent, to 13.08 per cent and finally to 15.75 per cent. But did this simply substitute for a decline in personal saving? In fact personal savings increased over the same period from 1.44 per cent, to 3.77 per cent, and finally to 5 per cent.[8/] Econometric work has

7. By 1985 pension fund assets in Britain had grown to £150 billion, which represented 29% of all business equity.

8. Of course there is much current discussion about the falling propensity to save. This is no doubt linked to the freeing-up, and indeed huge promotion, of the credit supplying industry. This is likely to have a one-off impact, rather than some continuing major effect on the underlying tendencies.

confirmed that personal savings add-on to corporate savings rather than substituting for them, see Pitelis (1986). Thus Pitelis has unearthed an alternative source of a stagnationist tendency within an evolving advanced capitalist system - a declining propensity to consume related to the increasing socialisation of capital. In the case of both the monopolisation of product markets and socialisation of capital origins of stagnation there is a clear demand-side rationale for firms to look abroad, either in terms of markets for the output of surplus capacity, or in terms of investment opportunities. In either case we may detect the origins, or the further development, of the transnational organisation of production being related to demand side developments within the advanced industrial countries. This provides a link through to a later section dealing with the internationalisation of production.

Efficient Bargaining between Employers and Unions?

Where competitive labour markets prevail our expectation is that wage share will be lower the higher is the degree of concentration. But can we expect trade union pressure for higher wages and better working conditions to mitigate, or reverse, this tendency? In Monopoly Capitalism I argued that with collective bargaining at industry level, or where individual bargains are rapidly transmitted throughout the industry, the impact on distribution would be limited.[9/] In tightly-organised, concentrated industries we can

9. The exact outcomes will be dependent on the parameters of the demand and cost functions. For example, with constant elasticity of demand and constant short-run marginal cost, with labour as the sole component, it is easy to show that, in the case of wage-only bargaining, wage share will be unaffected by union power.

expect a high degree of collusion over wage fixing via multi-employer agreements or wage leadership, so that wage increases will be rapidly passed-on as price increases. Thus while union pressure may secure higher wages this is quite consistent with wage <u>share</u> remaining unchanged. Only where there is some hesitation on the firm's part, for example because of pessimistic expectations about the response of rivals, will distributional effects be significant.

But there is an alternative bargaining perspective which can imply that increases in union power will lead to inroads being made into the share of profits. We have assumed above that bargaining is simply over wages, but efficient bargaining may be expected to include both employment and wages. In such circumstances the contract curve could be of a shape, eg vertical or positively inclined, that implies increases in union power will be associated with a higher wage share, see eg McDonald and Solow (1981). In other words rather than union power being focussed purely on higher wages, which get transformed into higher prices, and therefore reduced employment as the firm now picks the optimal, lower level of output, the union is now simultaneously bargaining over the level of employment, and therefore, implicitly, the level of output.

Thus bargaining over wages <u>and</u> employment could indeed imply a redistribution arising from increased union power: but there is every reason to expect that employers will not acquiesce in such an approach to bargaining. Under plausible assumptions it can be concluded that the employer will set the bargaining agenda, and will restrict bargaining to wages alone, retaining sole discretion over the appropriate level of employment, see Dowrick (1988). The inclusion of jobs in the bargaining process is a matter of power as well as efficiency. This will be generally the case because the threat of job losses will serve to inhibit unions from pressing for higher wages. Thus the employer will continue to operate along the labour demand curve and wage increases will not lead generally to a redistribution between wages and profit. Of course we might expect to observe bargaining over jobs when (and where) workers are strong - but when they are strong (for example in times of low unemployment) they are less concerned about bargaining over jobs, since they can easily pick up alternatives - and when they are weak (for example in times of high unemployment), they are concerned about, but incapable of, bargaining over jobs. As Dowrick (1988) suggests, the bargaining advantage that accrues to the side setting the bargaining agenda may provide insight into why we should typically observe firms to be organised as capital hiring workers rather than as workers hiring capital.

Nevertheless, if it is generally true that unions cannot easily influence distribution how do we explain some of the recent research that appears to suggest the opposite, for example, Freeman (1983), Henley (1987), Conyon (1988) and MacPherson (1990).

Firstly, unions can certainly reduce profitability and profit share if their actions result in an increase in the degree of excess capacity in the firm or industry. Secondly, in the case of overhead labour (for example, administrative, technical and clerical labour) wage/salary increases will not be passed on as price increases so that distributional effects may be significant. Thirdly, in the short term an increase in wage will tend to increase wage share simply because time truncates the full response, and many of the studies which report this sort of effect are based on short-period observations. Lastly there will be cases where either the parameters of demand and cost functions, or the bargaining agenda, allow for union power to impact on distribution. I suspect the important dichotomy is between direct and overhead labour - in the former case union power will not have a significant impact, whereas in the latter case it will. Thus certain groups of workers, (the managerial and technological hierarchy) will find it possible to extract a share of the growing surplus accrueing as a result of a monopolising tendency, whereas other groups (direct production workers) will generally find it difficult.

Equilibrium vs Anti-Equilibrium

The central issue in a critique of Monopoly Capitalism by Fine and Murfin (1984a)(1984b) relates to whether or not a general equilibrium perspective is most appropriate. On the supply-side this arises in their critique of the (simple) aggregation procedures I use to define the average degree of monopoly, and on the demand-side in their questioning of why the system tends to crisis in the first place.[10/]

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10. They also express concerns about my treatment, or non-treatment, of the dynamics of competition and exploitation within the sphere of production, but I don't see these as central issues. I could have included more on the process of competition, but I already have repeated comments on this, whilst I declared in the introduction that I was not really going to get embroiled in the matter of exploitation in the sphere of production. I see that as adding-on to exploitation via the market and in distribution, and again I have discussed it briefly at various points: indeed I don't see exploitation within the sphere of distribution and production as being usefully divisible.

On the aggregation front they are concerned with the assumed independence of the industry elasticities of demand. If inter-industry cross elasticities are indeed zero then they get implausible general equilibrium results and with non-zero cross elasticities the results are not so simple (ie industry price-cost margins will be circumscribed by the degree of inter-industry substitutability). The central issue is partial equilibrium versus general equilibrium.

Kalecki, the originator of the line of analysis developed in Monopoly Capitalism, had little use for general equilibrium concepts, and I feel much the same. Equilibrium concepts have a role in attempting to describe the system - but only a limited one. Where equilibrium concepts are introduced is within the structure of short-run oligopolistic output/price determination.

The system on the supply side is seen to be made up of blocs, each of which acts as if independent of the rest of the system, in the short-run. Over time as the rest of the system changes, so those changes feed into this short-run output/price-setting behaviour. Non-zero cross-elasticities do not exist within this time-period, although we expect them to exist in longer time periods. However, I do not assume any tendency to long-term equilibrium. "The long run ... is but a slowly changing component of a chain of short-period situations", as Kalecki would have it, see Kalecki (1971, p.165). The dynamics of the system tend to move it away from equilibrium (see the later discussion of the demand-side), but within it, at each point of time, the degree of monopoly will be determined within the oligopoly group in each bloc, and will remain largely undisturbed by forces outside that group, for example price, advertising and product changes taking place elsewhere in the system. An approximation, but perhaps a not unreasonable one.

Over time, the image is of a series of groups of oligopolists stabilising themselves at price levels well in excess of marginal cost, but making strategic decisions to reinforce their position of market power. Thus power is maintained and indeed enhanced over time with the groups emerging as separate islands of decision-making, sheltered from outside competition by their own long-run strategies, described earlier as a process of potential tit-for-tat. Occasionally groups merge, expand their sphere of influence and raise their degree of monopoly. Thus distribution is determined by product market power which is cemented and enhanced over time. Market control is strategically developed. Clashes of interest <u>within</u> groups may lead to forms of non-price competition that eat into profits, but which also serve to maintain and enhance monopoly power. Elasticities within each bloc are endogenously determined via advertising and product policies.

This is the way I see the system: collusion and rivalry coexist. They should not be seen as alternates! They should not be counterposed. This is also my reaction to Fine and Murfin's point about my "one-sided view of the relationship between monopolisation and competition" (1984(b), p.139). They argue "that monopoly and competition are inextricably connected ... so that it is erroneous to construct a theory in which one varies in inverse proportion to the other" (1984(b), p.140). Exactly: rivalry and collusion coexist within tight, oligopolistic structures, as I tried to argue in the book.

On the demand-side, Fine and Murfin ask: "why is there a crisis in the first place which sows the seeds of deeper problems?" (1984(b), p.141). They seem to be working within the paradigm of Say's Law, whilst I am working with Anti-Say's Law. Say's Law requires that $I \equiv S$, regardless of the level of aggregate output; but only by chance will $I = S$ at some level of aggregate output. For Walras the aggregate investment function was not independent - demand for investment adjusted flexibly to fulfill the conditions of general equilibrium, see Morishima and Catephores (1985), and this is what Fine and Murfin wish to assume.[11/] Entrepreneurs are the agents of equilibrium - they remove disequilibria and generate the conditions of Walrasian equilibrium. But since banks (or financial institutions, more generally), can create credit, "investment is determined by the size of investment plans and their quality", Morishima and Catephores (1985)[12/]. Thus investment is independent of savings: Anti-Say's Law prevails.

Specifically with regard to the investment function they argue that I exclude "the element of coercion associated with the need to reduce costs and defend or extend market shares in competition with

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11. As Oskar Lange pointed out, Walrasian general equilibrium can only be interpreted in terms of a centrally-planned economy, see Lange (1936).

12. Interestingly, Fine and Murfin make the point that I do not consider the role of credit. This is true in the case of private credit, and it can undoubtedly help in alleviating a short-run deficiency in aggregate demand, although increases in credit are usually observed to be correlated to rapid increases in real income. The longer-term impact is rather more problematic. For example, in the case of the United States a credit boom has apparently been required to move the economy towards full employment, but this has posed problems of fundamental imbalance in international trade. Of course the same is true with Keynesian-type reflation and exposes supply-side issues of monopoly capitalism which are addressed in the final section.

other capitals", Fine and Murfin (1984(b), p.142). This phenomenon may be present, but its necessity declines with monopolisation and therefore it cannot resolve the crisis of demand precipitated by monopolisation. The incentives for such investment or innovation remains, but it is muted by the existence of a tight oligopoly group, or by a dominant firm. Only with emerging assymetries between firms will such activity tend to increase as a result of monopolisation, and whilst these will always be present, they do not constitute the general norm. As Sylos-Labini (1962) has observed, the form of investment will also be affected. Because of the demand constraint, a concentrated economy will tend to favour labour-saving innovations. thus capital deepening is favoured over capital widening, which tends to imply rising unemployment. In turn this could weaken unions and prolong the crisis of demand.

I would conclude that general equilibrium simply does not relate to the institutions characterising modern economies. Thus it does not seem useful to raise general equilibrium issues in a critique of an analysis of the present, monopoly capitalist system.

The Internationalisation of Production

I have painted a picture of prices rising in relation to marginal cost as markets have become more concentrated, but there remains the question of international competition. Although industrial concentration in all advanced industrial countries may be rising, its impact on price-cost margins may be nullified by rising import competition. Whether or not this is the case depends on who controls such trade. In contrast to the usual assumptions, imports are often under the direct control of the domestic oligopoly structure, via its own transnational base (including sub-contracting arrangements) or via agency and franchise agreements. The relationship between the degree of monopoly and the level of imports is a complicated one and the conventional wisdom that the degree of monopoly falls as imports rise can be very misleading. In some recent work Neumann et.al. (1985, p.17) conclude that, in the case of West Germany, "collusiveness has not visibly decreased in spite of a substantial increase in foreign trade". This supports the earlier work of Murfin and Cowling (1981) which found little evidence that rising import penetration had held down prices in the UK. In the longer term it is possible to argue that the growth of intra-industry trade may enhance the degree of monopoly, rather than decrease it, by serving as a mechanism whereby dominant firms, with a domestic base plus transnational connections, may more easily squeeze out smaller and weaker domestic rivals. Thus free trade leads to the increasing dominance of the transnationals and can contribute to a higher level of concentration and degree of monopoly in each domestic market. For a formal derivation of the precise conditions see Sugden (1983).

Thus the growth of the transnational organisation of production can impact on the distribution of income via product market effects, but this impact can also be supplemented via labour market effects working through a process of "divide and rule" see Cowling and Sugden (1987). The outcome of conflict between workers and employers depends on their relative bargaining power, and in its turn the bargaining power of workers depends very much on their ability to act collectively and this is very difficult when people work in different countries. Whilst in principle it is possible for labour to overcome organisational difficulties, cultural factors pose more fundamental problems. This suggests that a firm may decide to produce in various countries so that it can face a divided workforce. Costs of different types of labour vary across countries and firms will take advantage of this, but costs also depend on the bargaining power of labour and its employers and this is endogenous to the firms' locational decisions. The growth of transnationalism gives added impetus to the redistribution from wages to profits via these labour market effects.

Having established that transnationalism can impact on distribution, by bearing down on wages and raising price-cost margins, and having established earlier that redistributions favouring profits can lead to stagnationist tendencies, we can see that there can exist an indirect link between transnationalism and stagnation. This indirect link is in turn supplemented by more direct effects working from both the supply and demand side. On the supply side the combination of more-or-less unified international markets and giant international firms bestriding them provides a ready mechanism for the processes of deindustrialisation to develop wherever the conditions for profitable accumulation are weakened. What we have witnessed is an increasing geographical flexibility of capitalist production which allows capital to escape organised labour. By making investment conditional on wage cuts transnationals may also be able to gain the cooperation of the state in securing the appropriate environment in which wage costs will tend to be held down. On the demand-side we now have a system where the effectiveness of demand management by the nation state is reduced because of the greater leakage induced by the transnational organisation of production, thus reducing the incentive to adopt such measures, whilst at the same time the greater degree of integration of the international economy implies that stagnation tendencies in any one country will be more quickly transmitted to other countries, eventually leading to feedbacks on the originating country. An integrated world economy is produced, but without an overall planning mechanism. Thus rather than having the stability which could result from international integration within a supra-national planning authority, we have the growing instability of international integration organised by individual transnational corporations. The most vivid example is the world financial system, with the resulting huge, short-term gyrations in exchange rates undermining the ability of industrial capitalism to plan its investment and production policies and make informed locational decisions. The central point being that the very flexibility of unregulated financial capital has induced this state of affairs where the efficiency of industrial capital is impaired.

Concluding Remarks

I have sought to update and extend the analysis of Monopoly Capitalism, and also respond to some criticisms. I conclude that the main thrust of the book remains intact and indeed is strengthened by research and observation completed since it was published. I would just wish to finish on a matter coming directly out of the last section. We are awash in a sea of professional comment which unreservedly recommends the free play of market forces at the international level. This is not simply a view advanced by the Right, but also by most Keynesian and liberal commentators. To my mind, simplistic economic arguments which once had substantial validity, and which of course retain some, are being pushed far too far by otherwise reasonable people, to the exclusion of other far more fundamental matters. The flowering of a multiplicity of cultures requires barriers to international forces: barriers not to people and ideas, but to capital. We need to nurture the roots of our society by establishing the autonomy of small communities, but, paradoxically, in a monopoly capitalist world, this requires state intervention to secure a level of aggregate demand consistent with full employment plus a strategic commitment to national industrial development. The aim of such a strategy is not to induce a stagnation in demand for the output of the rest of the world, but to establish conditions whereby a particular society can thrive and prosper. Dynamic, fully employed economies are not a threat to each other, but they cannot be established without some degree of isolation from world capitalist forces.

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