1 Intervention and the Crisis

This chapter will examine the crisis of the British economy since the mid-1960s. It will concentrate on three elements of the crisis which have influenced the emergence of local and regional shareholding: firstly, the restructuring of British industry, and the role the state has played in this; secondly, the 'property boom', and the role the state has played in this, too; and thirdly, the pressures by central government to reduce state expenditure. We will then go on to look at the spatial implications of these elements of the crisis; in other words, we will look at how far they have affected different parts of the country differentially.

Before doing so, however, we must briefly define some key concepts which this chapter will introduce and which will be of crucial importance for our analysis of local and regional authority shareholding.

I DEFINITION OF KEY CONCEPTS

(A) ACCUMULATION OF CAPITAL

Capitalism is concerned with the production and appropriation of 'surplus-value'. Surplus-value is the difference between the value of labour-power contained in a commodity (including the value of labour-power contained in the raw materials and machinery used up) and the total value of the commodity. The value of labour-power is the value of the means of subsistence (historically and 'morally' determined) and training which is necessary for the maintenance, production and reproduction of workers. Only labour can produce value and only labour can produce surplus-value. The process in essence is concerned with the production of value over and above what it takes to maintain labour-power.

The extent to which the rate of surplus-value can be increased depends on the production time available, the degree of labour productivity and the degree of training or skill needed. Labour productivity has increasingly assumed more importance. Various kinds of machinery and mechanisation increase labour productivity; this in turn means that more commodities can be produced relative to the same amount of labour-power. As a result less value is transferred to each commodity, so making each one cheaper. This lowers the value of commodities the labourer needs for subsistence, lowers the degree of average skill needed to produce a
commodity, lowers the value of machinery, and so on. In order to sustain the process of accumulation of surplus-value, some surplus-value must be reconverted into capital for use in the production process, i.e. it cannot just be spent on consumption but must be capitalised. Employing surplus-value as capital, then converting further surplus-value which is produced into capital, is the accumulation of capital. Accumulation has adopted particular money forms at the level of the company which are relevant to our analysis.

Companies are legally governed by their shareholders, who hold the ordinary shares or equity. The shareholders have risked their money-capital in order to see it expand in the accumulation process. They will be paid dividends out of non-reconverted surplus-value. Their major gain ('capital gain') should be the expansion of their capital in the form of the rise in the price of their shares, reflecting the increased surplus-value which forms the enhanced productive capital of the company. Surplus-value which is converted back into productive capital to continue the accumulation process is referred to as shareholders' funds, internal funds or retained earnings. Should the company collapse, the shareholders may well receive nothing back since their money-capital advanced may have been used up in paying for commodities (including labour-power) in the production process.

Companies can gain credit in various money forms in order to help the accumulation process; the chief one is loan capital. Loan capital, unlike share capital, usually has a fixed annual charge or rate of interest attached to it. It is also usually secured on company assets in order to ensure repayment should the company collapse. Loans are raised for short-, medium- or long-term periods. Bank overdraft facilities can provide additional short-term (and in some cases, particularly for smaller companies, medium- and long-term) finance.

(B) PRODUCTIVE LABOUR AND PRODUCTIVE EXPENDITURE

Productive labour is that which produces surplus-value. It is labour exchanged with capital to produce surplus-value. Surplus-value reconverted into capital for production is called productive capital. Capital spent on labour and materials to produce surplus-value is productive expenditure.

Unproductive labour is labour exchanged with revenue and does not produce surplus-value. Revenue items include taxes, profits (not reinvested), interest and rent. Most of these revenues are charges on surplus-value; they depend on surplus-value being created by someone else. The revenues become unproductive expenditures when they are used to pay for labour or materials. Most state employees are unproductive in this sense because they are paid out of taxes; their services are purchased with revenue whether the taxes are paid out of wages or out of non-capitalized