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INDUSTRIALIZATION AND CLASS STRUCTURE IN ALGERIA

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ABSTRACT

This dissertation analyzes the relationship between industrialization and class in Algeria during the 1967-77 period. The purpose of the analysis is to show that while industrialization was initiated by specific classes in power, it, in fact, restructured these classes by establishing a new dominant class. The study analyzes the concept of class (defined in terms of control over economic ownership and possession) as applied to the Algerian industrial structure comprising the state and private sectors. It is argued that the two sectors are characterized by the same relations of production, capitalist relations, and that they are controlled by the same class: the industrial bourgeoisie. The approaches of dependency, noncapitalist path and state capitalism are rejected as inadequate in explaining the character of the Algerian social formation because they neglect the real class relations in the state and private sectors. It is argued instead that a newly formed dominant class, the industrial bourgeoisie, is leading a course of independent capitalist development.

TABLE OF CONTENTS

ABSTRACT

LIST OF TABLES v

LIST OF ILLUSTRATIONS vi

Chapter

I. INDUSTRIALIZATION AND CLASS IN THE THIRD WORLD: THE THEORETICAL CONTEXT	1
Introduction	1
Definition of Concepts	4
Review of Literature	16
A Theoretical Framework for Studying Third World Formations	30
Conclusion	49
U. ALGERIAN "SOCIALISM" AND "INDUSTRIAL REVOLUTION"	52
Introduction: Historical Background	52
The Transition Period	57
The Industrial Revolution	66
The Theoretical Foundation of the Algerian Development Strategy	66
Characteristics of Algerian Industrialization	71
On the Definition of the Algerian Industrial Structure	79
The Colonial Heritage	89
External Factors	93
Conclusion	98
III. INDUSTRIAL SELF-MANAGEMENT AND ITS NEGATION . .	100
Introduction	100
The Emergence of Self-Management	101
Perceptions of Self-Management	104
The Limited Application of Self-Management	105
Loss of Control by Workers over Means of Production	108
The Negation of Self-Management: The Develop- ment of State Industrial Sector and Its	116
Organization 1966-71	116
Conclusion	143

IV. THE FORMATION OF THE INDUSTRIAL BOURGEOISIE . . .	145
Introduction	145
The Formation of the Industrial Bourgeoisie in the State Sector	146
The Formation of the Industrial Bourgeoisie in the Private Sector	165
The Relationship between the Private and State Sectors	188
Conclusion	193
V. CONCLUSION	194
BIBLIOGRAPHY	202

LIST OF TABLES

1. Unambiguous Locations within Class Relations . .	39
2. Changes in the Social Structure 1960-66	62
3. Structure of Realized Investments 1967-77 . . .	77
4. Structure of Algerian Administration (1963) . .	▪
90	
5. Structure of Industry in 1966	106
6. Representation in Administrative Council . . .	▪ 126
7. Representation in Administrative Council of SONELGAZ	126
8. Evolution of Wages and Prices 1969-77	140
9. Wage Increases 1969-78	142
10. Application of GSE	157
11. Projects Authorized by Commissions of Investments	172
12. Rise of Production in the Private Sector	176
13. The Evolution of Private Enterprises (The AARDES Study)	177
14. The Origin of Algerian Industrialists	179
15. Evolution of Employment in Private Industrial Sector 1966-77	184
16. Number of Strikes and Strikers 1969-72	189

LIST OF ILLUSTRATIONS

1. The Basic Class Relations of Capitalist Society .	41
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CHAPTER I

INDUSTRIALIZATION AND CLASS IN THE THIRD WORLD: THE THEORETICAL CONTEXT

Introduction

This dissertation analyzes the relationship between class structure and industrialization in Algeria between 1967 and 1977.¹ The objective of the study is to show that while industrialization was initiated by specific classes in power, it, in fact, restructured these classes by establishing a new dominant class. Throughout the 1967-77 period, and as part of its "socialist" development strategy, Algeria nationalized all major foreign businesses and engaged in an accelerated industrialization program which heavily favored capital goods industry.² This process resulted in the formation of one of the largest state industrial sectors in the Third World.

Yet, despite its seemingly socialist character (as exemplified by the establishment of self-management in the 1962-

¹This period covers the first three development plans: The Three-Year Plan, 1967-69; The First Four-Year Plan, 1970-73; and The Second Four-Year Plan, 1974-77.

²Although the above three plans are officially called "Industrial Revolution," we will use instead the term industrialization, which also encompasses the nationalization process and the role of the private industrial sector in development.

65 period, the nationalizations of 1966-71, the Agrarian Revolution of 1971, and the "socialist management" of state enterprises of 1971), the Algerian social formation, on the theoretical level, has been interpreted as anything but socialist. Instead, it has been characterized as noncapitalist³, dependent capitalist⁴, independent capitalist⁵, state capitalist⁶, state bureaucratic capitalist⁷, bureaucratic development society⁸, and even "private capitalist society with a relatively important state sector."⁹

It was these different theoretical interpretations that prompted the need for the present study. This dissertation will argue that industrialization in Algeria was a class project which resulted in the formation of a dominant

³V. G. Solodovnikov, "The Non-Capitalist Road of Development in Africa," Marxism Today 13, No. 9 (September 1969): 278-282.

⁴Samir Amin, Unequal Development (New York: Monthly Review Press, 1976).

⁵Bill Warren, "Imperialism and Capitalist Industrialization," New Left Review, No. 81 (September/October 1973):3-44.

⁶Marc Raffinot and Pierre Jacquemot, Le capitalisme d'état Algérien (Paris: Maspéro, 1977); Karen Farsoun, "State Capitalism in Algeria," Middle East Research and Information Project, No. 35 (February 1975):3-30.

⁷Tahar Benhouria, L'économie de l'Algérie (Paris: Maspero, 1980).

⁸Hartmut Elsenhans, "Capitalisme d'état ou Société bureaucratique de développement," Etudes Internationales 13, No. 1 (March 1982):3-22.

⁹Alex Dupuy and Barry Truchil, "Problems in the Theory of State Capitalism," Theory and Society 8, No. 1 (July 1979):1-38.

national industrial bourgeoisie leading a course of independent capitalist development.

In this dissertation we will deal mainly with the first three above-mentioned theories (the noncapitalist, the dependent capitalist, and the independent capitalist) because they represent opposing views and are recognized as major theoretical perspectives in the study of Third World development.

Defending the noncapitalist thesis, Solodovnikov holds that the state-led industrialization in the Third World necessarily creates a large state sector which forms the material foundation for a transition to socialism. Amin, on the other hand, maintains that since the "periphery" is economically dependent on the dominant capitalist "center," Third World industrialization is also bound to be dependent. Warren challenges the dependency thesis by arguing that industrialization in the Third World is resulting in an independent capitalist development through persistent increase in industrial production.

These theories will be critically examined later in the study, but for now it suffices to say that they (and the other theories mentioned above, for that matter) are too economicistic. As a result, they neglect the social aspect of the problem, i.e., class relations. The noncapitalist development theory bases its analysis on the formation of the state sector with almost total neglect of the class structure of the private sector, save for class relations in the state

sector. The dependency theory views the "periphery" as a mere complementary economic unit that serves the interests of the "center" and thus removes any possibility for internal classes to play an independent role in development. And the independent capitalist theory, although it presents an interesting analysis, bases its arguments solely on economic factors by focusing on industrial production quotas as a criterion of independency.

This dissertation proceeds from the idea that any serious characterization of a Third World social formation must inevitably be based on the analysis of class relations. It is only after conducting such an analysis that we can uncover the class forces, the real social forces, that enable us to characterize a social formation as socialist, capitalist, or otherwise. The study consists of five chapters. Chapter I analyzes the theoretical context of the concepts industrialization and class as applied to the Third World; Chapter II discusses the historical and theoretical framework of Algeria's "socialism" and "Industrial Revolution"; Chapter III examines the Algerian experience of industrial self-management and its negation; Chapter IV deals with the formation of the Algerian Industrial bourgeoisie; Chapter V is a conclusion.

Definition of Concepts

Industrialization

Industry usually designates that part of the

nonagricultural sector that utilizes machinery in large-scale production of economic goods. It is without doubt the most important branch in the economies of today's developed social formations. Because of that, numerous Third World formations are heavily engaged in industrial development programs to develop their productive forces. Industry can be divided into two large sectors: the extractive sector and the manufacturing sector. The former includes products that are directly extracted from nature, such as ores of ferrous and nonferrous metals, crude oil and gas, and fishing products. The latter (the manufacturing sector) refers to the use of industrial machinery in processing the above extracted products and others. These include chemical and petrochemical products, machinery, cement and construction materials, canned food, etc.

In their analyses of capitalist industrial development, Marx and later Lenin also divided industry into two "Departments." Department I encompasses "the production of means of production--or articles which serve for productive consumption, i.e., are to be put back into production, articles which are consumed, not by people, but by capital."¹⁰ This "department" is usually referred to as heavy industry, or capital goods industry, which produces machinery, tractors, fertilizer, etc. Department II refers to "the production of

¹⁰V. I. Lenin, The Development of Capitalism in Russia (Moscow: Progress Publishers, 1977), p. 51.

articles of consumption, i.e., of articles used for personal consumption."¹¹ This department includes items such as food products, furniture, textile, refrigerators, radios, television sets, etc., and is generally called light industry.

It is the Marx-Lenin division that concerns us in this study because Department I (heavy industry) received the lion's share of Algerian development capital during the 1967-77 period (about 40 percent of total investment and 80 percent of industrial investment).

While industry simply designates a part of an economic structure of a society, industrialization refers to the historical process of creation and use of technology and scientific research in large-scale production of consumer goods (Department II) and capital goods (Department I). The production of the latter has become especially important in today's economic development strategies since it is this sector that ensures the reproduction process by supplying the means of production necessary for continuous development.

In historical terms, industrialization refers to the process of transformation of a particular social formation from the dominance of a peasant agrarian economy to the dominance of an industrial economy. The first such transformation occurred in Western Europe, particularly Great Britain, starting about 1790. This process of industrialization was led by the bourgeoisie and has been termed the

¹¹ *ibid.*

"Industrial Revolution."¹² After the Russian Revolution of 1917, the Soviet state led a major industrialization process that put emphasis on heavy industry (Department I). Since then, this strategy of development has been known as "the Soviet model" of industrialization.¹³ This model is distinct from the "Industrial Revolution" because the latter followed a "natural" course of development, i.e., it was unplanned and no special emphasis was placed on either heavy or light industry.

With the emergence of newly independent formations, especially after World War II, industrialization has been regarded by some of the states of these formations as their only hope for overcoming the economic backwardness inherited from colonialism. Thus, they have been engaged in extensive industrial programs in order for them to "catch up" with the already industrialized world. Different from the industrialization of capitalist and "socialist" formations, however, Third World industrialization is led by neither a bourgeoisie nor by a proletariat as strong classes that could, as Slovo put it, "mold society in [their] own image."¹⁴ Colonial domination prevented the formation of any cohesive indigenous

¹²See, for example, J. Kuczynski, The Rise of the Working Class (New York: McGraw Hill, 1967).

¹³On Soviet industrialization, see Maurice Dobb, Papers on Capitalism, Development and Planning (New York: International Publishers, 1967).

¹⁴Joe Slovo, "A Critical Appraisal of the Non-Capitalist Path and the National Democratic State in Africa," Marxism Today 18, No. 6 (June 1974):175.

class. Thus, after independence, "the state is in a better position than any single class to mobilize the necessary resources to promote industrialization."¹⁵

State-led industrialization in the Third World relies heavily on the import of technology, technical expertise, finance, and even management expertise, from the advanced capitalist formations. The advanced socialist formations are now unable to compete with international capitalism in these areas.¹⁶

Class

The controversy over the concept of class since Marx has, for the most part, been confined to its applicability to the realities of Western (West European and North American) capitalist social formations. This confinement, however, could be justified by the fact that the industrialization and the accumulation of capital within those formations was accompanied by a process of proletarianization and bourgeoisieification and, thus, the formation of the two main antagonistic classes of the capitalist mode of production: the proletariat and the bourgeoisie. But with the tremendous industrial growth and its social and economic consequences in

¹⁵Marnia Lazreg, The Emergence of Classes in Algeria (Boulder, Colorado: West View Press, 1976), p. 2.

¹⁶The tendency toward heavy import of capitalist technology may also be partly explained in class terms: the ruling class may consciously attempt to minimize its commercial dealings with the "Socialist Bloc" and strengthen instead its economic ties with the "West."

the West, there emerged different social groups that occupied intermediate positions between the main classes. These groups, analyzed as "middle" or "new petty-bourgeois" classes, were regarded by class theorists (especially non-Marxists) as a phenomenon that ran counter to Marx's prediction of continuous polarization between the proletariat and the bourgeoisie.¹⁷ Moreover, the once unchallenged concepts of proletariat and bourgeoisie have themselves become problematic. There is persistent disagreement among scholars about what constitutes the bourgeoisie and the proletariat on the one hand, and about the revolutionary potential of the proletariat on the other.¹⁸

Class as a concept is even more problematic when applied to Third World formations. This is so because, as mentioned above, their subjection to colonialism did not permit the formation of a coherent class that could assume leadership in political and economic development. For example, this situation is used as a pretext by some African leaders to deny the

¹⁷See for example, Charles Page, Class and American Sociology (New York: Schocken Books, 1969).

¹⁸See Adam Przeworski, "Proletariat into Class: The Process of Class Formation from Karl Kautsky's the Class Struggle to Recent Controversies," Politics and Society 7, No. 4 (1977):343-401; and Erik Olin Wright, "Varieties of Marxist Conceptions of Class Structure," Politics and Society 9, No. 3 (1980):323-70.

existence of classes in their countries.¹⁹ Leopold Sedar-Senghor of Senegal contends that class is a colonial phenomenon that ended when colonialists left.²⁰ And, in Algeria, the late President Boumedienne avoided the use of the term class. He referred only to "senior cadres," although his predecessor, Ben Bella, referred to the bourgeoisie repeatedly in his speeches.²¹

Despite the theoretical and the political problems of the concept of class, numerous scholars have attempted the analysis of classes in Third World formations. But before we critically examine some of those attempts that dealt specifically with Algeria, we need to define this controversial concept and situate it in a theoretical context that we think can explain adequately the class structure of the Algerian social formation.

The Marxist definition of class is distinguished from conventional social science definitions by its emphasis on the social relations that develop between people in the organization of the production process rather than on the "gradational" categories which are based on income distribution, social status, power relations or "market life

¹⁹See Hughes Glyn, "Preconditions of Socialist Development in Africa," Monthly Review 22, No. 1 (May 1970):11-30. Also I. Wallerstein, "Class and Class Conflict in Contemporary Africa," Canadian Journal of African Studies 7, No. 3 (1973):375-80.

²⁰Glyn, pp. 14-15.

²¹Lazreg, p. 116.

chances."²² "Classes," Erik Wright states, "are not understood as being simply 'above' or 'below' other classes; rather, classes are always defined in terms of their social relations to other classes." And, he adds, "The social relations that define classes are analyzed primarily in terms of the social organization of economic relations rather than the technical organization of economic relations."²³ Within this context, Wright gives his broad definition of class as "common positions within the social relations of production."²⁴

It can be argued, then, that classes are primarily generated at the economic level: the production process. This, however, does not totally exclude the role of the political and ideological factors. Indeed, the very organization of the production process entails political and ideological "dimensions." Classes, then, can be defined as "relationships generated and reproduced within the productive processes or economic life of a given type of society or mode of production."²⁵ In contrast to the relations of

²²See, for example, Ralf Dahrendorf, Class and Class Conflict in Industrial Society (Stanford: Stanford University Press, 1965); and Max Weber, "Class, Status and Party," in Class, Status, and Power: Social Stratification in Comparative Perspective, ed. R. Bendix and S. M. Lipset, 2nd ed. (New York: Free Press, 1966), pp. 21-28.

²³Wright, p. 325.

²⁴ibid., p. 326.

²⁵Albert Szymanski, Class Structure: A Critical Perspective (New York: Praeger Publishers, 1983), p. 76.

cooperation that characterize a "classless" society, class relationships are intrinsically contradictory and antagonistic, i.e., based on the domination and exploitation of one class that occupies a certain position within the social division of labor by another class that occupies a different (contradictory) position.

In conducting a class analysis of a social formation, then, we need to unravel the relations of exploitation and domination between people within the production process. These relations can be understood by analyzing the structural positions (the class structure) that are the potential ground for their realization. This does not mean that class analysis is reduced to the analysis of the class structure (class-in-itself); rather, it means that the analysis of class formation or class struggle presupposes an understanding of the class structure, i.e., the structural positions that people occupy in order for them to pursue their class interest and engage in struggle.²⁶ As Wright correctly noted, "If class as a concept is to explain anything, it must provide the basis for explaining class struggles, the formation of people into classes as organized social forces."²⁷

Because this study is confined to the analysis of class structure, we need to clearly distinguish between this

²⁶Erik Olin Wright, "The Status of the Political in the Concept of Class Structure," Politics and Society 11, No. 3 (1982):323.

²⁷Wright, "Varieties," p. 339.

concept and other related ones, namely, class struggle and class formation. "Class struggle refers to the practices of individuals and collectivities in pursuit of class interests; class formation designates the social relations within each class that determine its capacity to pursue its interests."²⁸ It is important, therefore, to stress that this thesis is not a study of class consciousness or class struggle; rather, it is primarily an analysis of the relations of production and the structural positions occupied by individuals in the process of production (class structure) during a major industrial transformation.

Industry and Class

The industrial structure of a social formation represents an important part of its productive forces. This is so given the fact that nearly all developed formations (capitalist and "socialist") are industrialized. It is this reality that urges Third World formations to industrialize. But, industrialization does not simply mean the setting up of (imported) machinery into operation. If it were, then all Third World formations would have become developed by now. Industrialization involves a set of procedures in which the human (social) role is dominant: from deciding what appropriate technology is needed, to the allocation of investment capital, to the organization of production and distribution.

²⁸Wright, "The Status of the Political," p. 322.

Therefore, if we speak about the impact (or consequences) of industrialization on the social structure or class structure, we should not think of it in linear terms. Noble captured this idea by stating that "technology . . . is not an irreducible first cause; its social effects follow from the social causes that brought it into being. Behind the technology lies the very same social relations."²⁹

The relationship between industry and class had long been expressed by Marx and Engels when they stated: "Industry and commerce, production and the exchange of the necessities of life, themselves determine distribution, the structure of the different social classes and are, in turn, determined by it as to the mode in which they are carried on. 1130

Applying this conception to the realities of the Third World, James Petras writes: "Class transformation and the subsequent 'weighting' of different classes will give shape and substance to development, as will the development, in one form or another, shape the emerging class structure."³¹

²⁹David Noble, "Social Choice in Machine Design: The Case of Automatically Controlled Machine Tools," in Case Studies on the Labor Process, ed. A. Zimbalist (New York: Monthly Review Press, 1979), p. 18.

³⁰Karl Marx and Frederick Engels, "The German Ideology," in The Marx-Engels Reader, ed. Robert Tucker (New York: Norton & Co., 1978), p. 170.

³¹James Petras, "Class and Politics in the Periphery," Review of Radical Political Economics 8, No. 2 (Summer 1976):21.

It is clear, then, that in Marxist terms, the relationship between industry and class is dialectical. Industry affects the class structure that brought it into being. Within this context we see the process of industrialization in Algeria as a product of specific class forces that decided its implementation and allocated investment funds for it. Yet, the mode of organization of production (and distribution) created a class of controllers of the means of production which is distinguished from the class of workers who only perform but do not control work. Thus, contrary to bourgeois sociologists³² who see the social division of labor as necessary in advanced methods of production, we contend that a distinction must be made between the technical division of labor, which is necessary for industrial production, and the social division of labor, which is an aspect of class relations.

The study of industry and class, or the labor process in Marxist theory, has mostly been confined to the experiences of advanced capitalist formations. Third World formations which have yet to achieve industrialization have been usually studied either as dependent "peripheries" (and thus, both their industrialization and their internal class relations are not taken seriously) or are studied as noncapitalist or "socialist-oriented" (and, therefore, class analysis is bound

³²Clark Kerr et al., Industrialism and Industrial Man: The Problems of Labor and Management in Economic Growth (New York: Oxford University Press, 1964).

to be inappropriate).

Numerous authors, however, have been observing the emergence of capitalist class structures in the Third World. Szymanski, for example, observed that "the export of industrial capital and technology by the transnational corporations is resulting in the rapid growth of an industrial proletariat . . . and a significant bourgeoisie."

³³ The rest of this thesis will focus on the formation of an industrial bourgeoisie and industrial proletariat in Algeria. Industrialization, it is argued, served as a mechanism of this capitalist class formation.

Review of Literature

We will now critically review the three theories that deal with industrialization in the Third World in general, and in Algeria in particular: the dependency theory, the independency theory, and the noncapitalist theory. We will then briefly review some other relevant theories.

The Dependency Theory

Although the dependency theory is represented by many theorists with different presentations of arguments, the mainstream of their analyses rests on the idea that underdevelopment of the Third World formations (the "periphery" or the "satellites") is caused and perpetuated by the appropriation of surplus--generated in the periphery--by the developed

³³Albert Szymanski, The Logic of Imperialism (New York: Praeger, 1981), p. 398.

capitalist formations (the "center" or the "metropolis"). This appropriated surplus is invested in the "center" formations and is, thus, contributing to further development of these formations while perpetuating underdevelopment in the "periphery." A closer look at Amin's theory will clarify these points.

Amin argues that since the center is economically more developed than the periphery, the former is in a stronger position to control both the price of commodities in the world market and the flow of technology to the periphery.³⁴ The center is able to appropriate part of the surplus generated in the periphery through unequal exchange of commodities that embody different amounts of labor: "Analysis of exchange between advanced countries and underdeveloped ones leads us to observe that exchange is unequal whenever labor of the same productivity is rewarded at a lower rate in the periphery."³⁵

This unequal exchange between the center and periphery has several implications, according to Amin:

1. The nature of peripheral formations can be understood only when they are situated within the capitalist world market.³⁶

2. "The structures of the periphery are shaped so as to

³⁴Amin, pp. 153-54.

³⁵Ibid., p. 294.

³⁶Ibid., pp. 148-9.

meet the needs of accumulation at the center"^{3.7} by specializing in production of raw materials and other commodities needed by the center.

3. Even if they engage in industrialization, the peripheral formations cannot become economically independent. "On the contrary, they [become] even more dependent than they were" before³⁸ because they specialize in "classical type" of industry "while the center reserves for itself the ultra-modern branches of activity (automation, electronics, the conquest of space, atomic power)."³⁹

In summary, Amin forcefully argues that "the economies of the system's periphery have no real conjunctural phenomenon of their own even transmitted from outside, because they are without any internal dynamics of their own."⁴⁰

The preceding three points on the economies of the periphery are paralleled by three points concerning the class structure of these formations:

1. "The social structure of the periphery is a truncated structure that can only be understood when it is situated as an element in a world social structure."⁴¹

2. The peripheral "parasitic social groups . . . function as transmission belts for the dominant classes of the center."⁴²

³⁷Ibid., p. 104.

³⁸Ibid., p. 213.

³⁹Ibid., p. 190.

⁴⁰Ibid., p. 279.

⁴¹Ibid., p. 294.

⁴²Ibid., p. 193.

3. Industrialization of the periphery created only a small privileged proletariat (because it secured its employment from among a large number of unemployed) and "a middle class of salaried professionals" in the state sector. The dominant capital in the center "forbids any formation of a bourgeoisie of national entrepreneurs." The bourgeoisie of the periphery is, for Amin, located in the center.⁴³

While Amin's theory provides a good analysis on the role of monopoly capital in the development of the Third World and on the dangers of dependency, it, nevertheless, has several shortcomings.

First, it bases its analysis of the Third World at the circulation level without going deeper into the production process. For, the commodities generated in the periphery take place in a specific mode of production with its specific forces and relations of production. Therefore, an understanding of the Third World economies must start from analyzing their production processes, not merely their relation to the world economy. While the circulation level (exchange) is important, it cannot by itself tell us how the commodities exchanged are produced and under what relations of production they were produced. Second, the production and appropriation of surplus is an aspect of class relations and not merely a relation between one social formation and another. Third, Amin's theory places Third World formations

⁴³Ibid., pp. 213-4.

in a ready-made subordinate position vis-a-vis the advanced capitalist formations without clarifying the role of class struggle in social change and the prospects for the development of capitalist class relations. We cannot just take for granted that Third World classes are always subordinated to the "center" bourgeoisie and that they will remain subordinated no matter what development takes place. Third World formations are not static. Social and economic change always takes place and the prospects for independent development, as Warren correctly observed, "are quite good" (see below). Fourth, bourgeois classes in the Third World are not merely "transmission belts" but are social forces able in some cases to shape the development of these social formations. As this study will show, industrialization not only produces a proletariat and "the middle classes," as Amin contends, but also produces a bourgeoisie that could sustain an autonomous capitalist development in the periphery.

Finally, as regards the type of technology adopted by the Third World, the Algerian experience shows that contrary to Amin's argument, Algeria imports the most modern industrial machinery for various branches of activity. Of course, the Third World is not yet ready to specialize in space programs and other up-to-date research, but the important thing is that a technological base for development has been established. In fact, some Third World formations have been increasingly adopting certain non-"classical" types of

industry such as atomic power and electronics. Brazil and Pakistan are examples.

The Independent Capitalist Development Theory
 Contrary to Amin's view that capitalism in the center blocks the development of capitalism in the periphery, Bill Warren contends that "the prospects for a successful capitalist economic development (implying industrialization) of a significant number of major underdeveloped countries are quite good."⁴⁴ This contention rests upon the historical changes which, in Warren's view, occurred in the periphery after World War II and which affected "the distribution of power within the capitalist world."⁴⁵

Political independence, according to Warren, "has been a direct cause" of industrialization because it created the need for raising the people's living conditions.⁴⁶ Warren argues that after only a short period of time in their industrialization, high rates of growth--as measured by output and G.D.P.--have been achieved. In fact, during the 1960s, according to him, the manufacturing output and G.D.P. grew at a faster rate than in major developed social formations.⁴⁷

⁴⁴Warren, p. 3. Warren defines "successful capitalist development" as "that development which provides the appropriate economic, social and political conditions for the continuing reproduction of capital, as a social system representing the highest form of commodity production" (Ibid., p. 4) .

⁴⁵Ibid., pp. 3-4.

⁴⁶ Ibid., p. 11.

⁴⁷Ibid., p. 5.

The empirical data of economic growth in the Third World led Warren to believe that "the ties of dependence" with the imperialist world "are being markedly loosened" and that imperialism, in general, seems to "favor" the industrialization of the Third World.⁴⁸

Warren argues that because a strong national bourgeoisie is lacking in the Third World, industrialization is being "initiated and directed by a variety of ruling classes and combinations of such classes, or their representatives, who may themselves become industrial bourgeoisie or may be displaced by the industrial Frankensteins they have erected or they may become fused with them."⁴⁹ Warren, however, does not deal with the formation of these industrializers or their "Frankensteins" in his article.

Although his arguments have been forcefully rejected by some scholars,⁵⁰ Warren's theory is a good contribution to development scholarship because it brought attention to the need for examining the historical changes occurring in the Third World. But, despite some of its valid arguments, Warren's theory fails to provide a class analysis that presents the argument in a stronger manner. As it deals with increasing industrial production, this theory does not show

⁴⁸Ibid., p. 4.

⁴⁹Ibid., pp. 42-3.

⁵⁰James Petras, "Industrialization in the Third World," in Critical Perspectives on Imperialism and Social Class in the Third World, ed. James Petras (New York: Monthly Review Press, 1978), pp. 103-36.

how production takes place and how the surplus is appropriated. Only after dealing with this question that we could uncover the bourgeoisie and the whole class structure of the Third World.

The Noncapitalist Development Theory

This theory, widely held by Soviet scholars,⁵¹ is based on a simple formula for economic development of certain Third World formations (such as Algeria in our case): since there is no strong bourgeoisie to lead a capitalist development and no strong proletariat to lead a socialist development, the petty-bourgeois leaders who control the state can still choose a socialist-oriented or noncapitalist development path simply by creating a strong public sector in industry and agriculture.

In the countries with a socialist orientation, social, economic, and political transformations are subordinated, above all, to the strengthening of the public sector which in due course must create the basis for the victory of the socialist system. . . .

The national-capitalist and foreign sectors in these countries are regarded as temporary phenomena to be eliminated with the growth and strengthening of the anti-capitalist public sector.

This theoretical position was held by Lenin, who stated that bypassing capitalism as a stage of development--in a transition to socialism--is possible by adopting socialist

⁵¹Solodovnikov, "The Non-Capitalist Road"; also Yuri Popov, Marxist Political Economy as Applied to the African Scene (Moscow: Novosti Press, 1973).

⁵²Solodovnikov, p.280.

principles and by support from socialist formations.⁵³ The noncapitalist theory equates acceptance of socialist principles with state ownership of the means of production (through nationalization and creation of state enterprises).⁵⁴ The Soviets hailed the nationalizations of foreign companies in Algeria and considered them a major step in the process of a transition towards socialism.⁵⁵ They have, accordingly, provided technical help and political support to achieve that transition to "socialism."

Soviet scholars became convinced that the industrial public sector will ensure a transition to socialism by creating a proletariat (able to assume later its historic role) and reducing social inequality: "While capitalism . . . leads to the creation of a class of owners and a class of deprived people, noncapitalist development solves the problem of developing the productive forces on the basis of social property of the means of production, which excludes the formation of antagonistic classes and polarization of the society into rich and poor."⁵⁶

This thesis, however, is not confirmed by reality. Certain Third World formations have nationalized foreign

⁵³On this point, see Slovo, pp. 178-9.

⁵⁴Popov, p. 82.

⁵⁵See Carol R. Saivetz, "Algerian Socialism Under Ben Bella and Boumedienne: The Soviet Assessment," The Maghreb Review 7 (May/August 1982):87-93.

⁵⁶Solodovnikov, p. 282.

businesses, created large state-sectors and even adopted socialism as a goal of their development programs, yet they are still far from a socialist transition. Egypt has demonstrated just that, and Algeria is in the process of doing so.

Strengthening the state sector is not sufficient for a transition to socialism. France, Great Britain, and Japan, for example, have strong state sectors but are capitalist formations. Similarly, nationalizations or adoption of socialist principles by leaders of the Third World cannot ensure a representation of working class interests and, therefore, a transition to socialism. The real mechanism by which socialism can be achieved is the workers' control of the means of production.

Other Theories

What the above theories have in common is the failure to see the development of internal classes of the Third World formations. Perhaps this is what led some scholars to consider other approaches that try to explain the rapid changes occurring in the Third World. In this regard, the "state-capitalism" thesis is probably the most widely accepted alternative approach.⁵⁷

State capitalism theory rests on two general assumptions:

⁵⁷See Petras, Critical Perspectives. On Algeria, see Farsoun, "State Capitalism," Raffinot and Jacquemot, Le capitalisme d'etat, and Benhouria, L'economie de l'Algerie.

1. The state plays a major role in development by directly engaging in the industrialization process. The role of the foreign and the national private sectors is thereby regulated by the state.

2. The state and the state sector are controlled by bureaucrats and technocrats who constitute a "state bourgeoisie."

State capitalism theorists, however, differ on the question of the extent of dependency of Third World formations on international capitalism. In the case of Algeria, for example, while Benhouria considers the state sector as very dependent on international capitalism,⁵⁸ Farsoun sees the state sector as relatively autonomous and capable of contributing to some form of independent development.⁵⁹

There are several problems with the state capitalism thesis. First, state capitalism proponents, while recognizing some form of class formation, fail to see the dynamic of class formation because they concentrate their analysis almost exclusively on the state sector.

Second, as a result of concentrating their analysis on the state sector, they neglect the important role played by the private sector in development and thus the role of the private bourgeoisie in the accumulation process.

Third, these theorists, as Dupuy and Truchil correctly

⁵⁸ Benhouria, L'economie de l'Algerie.

⁵⁹Farsoun, "State Capitalism."

pointed out, fail to make any qualitative distinction between the private and state sector.⁶⁰ This is a particularly important point for class analysis because if the two sectors are not qualitatively different, i.e., if they are characterized by the same relations of production, then what we have is one strong bourgeois class (that controls both the private and state sectors and exploits the proletariat) rather than two different classes within the two sectors.

When taking into consideration the above points, the theorists of state capitalism seem to concentrate more on the characteristics of the state sector rather than on the economic sector as a whole. In my view, the major role played by the state in development obscured the relations of domination and exploitation within the state sector since the state seems to represent the population as a whole and not the interests of one class. As a result, state capitalism theorists concentrate only on the appearances of the state sector rather than on the relations of production within this sector.

Recently, an interesting approach which challenged the theory of state capitalism was advanced by Hartmut Elsenhans.⁶¹ This author argues that the economic

⁶⁰Dupuy and Truchil, pp. 31-32.

⁶¹Elsenhans, "Capitalisme d'état." See also his "Contradictions in the Algerian Development Process: The Reform of the Public Sector and the New Approach to the Private Sector in Industry," The Maghreb Review 7 (May/August 1982): 62-72.

intervention of the state in the Third World, and in Algeria in particular, is not characterized by "state-capitalism" but by a new mode of production he labeled as "the bureaucratic development society" dominated by a state-class that is different from dominant capitalist classes:

Algeria [is] determined by a new type of mode of production, the bureaucratic development society which is dominated by a state-class. This class is not capitalist because it appropriates surplus by politico-administrative means and allocates surplus not in function of profit rate differentials [sic].

The state class (sometimes he uses the plural term "state-classes"), according to Elsenhans, appropriates the surplus and allocates it either to investment or to its own consumption. Unlike the private capitalists who invest for profit, the state-class merely allocates part of the surplus produced in the state sector for investment without considering profit returns. This is so, according to Elsenhans, because the state-class relies on political means for the reproduction of its dominant position.⁶³ The state-class to Elsenhans consists of political "clans" that struggle between themselves to acquire a larger share of surplus. As a result, the part of surplus assigned to consumption tends to increase at the expense of the investment part of surplus.⁶⁴

Strangely enough, Elsenhans thinks that there is no "tendency that private enterprises will become powerful

⁶²Elsenhans, "Contradictions," p. 70.

⁶³Elsenhans, "Capitalisme d'etat," p. 13.

⁶⁴Ibid., p. 16.

enough to restrict the government's investment policies."⁶⁵
 He even goes as far as saying that

Algeria is not on the way to capitalism. The private sector is not even interested in such a perspective. This private sector will continue to depend for its and for part of its market upon the public sector. The problems with Elsenhans's approach are self-evident.

First, by concentrating only on political factors in the study of his "new mode of production" Elsenhans undermines the very concept of mode of production. The political belongs to the superstructure and, thus, is a reflection of specific economic relations (the relations between forces and relations of production). Elsenhans criticizes state-capitalist theorists for "impoverishing the theory of modes of production" by using privilege as a criterion in the definition of state bourgeoisie, yet he himself falls in the trap by substituting one superstructure element (privilege) for another (politics). Second, the strange claim that the private sector is "not interested" in capitalism is a plain contradiction. A sector that he himself differentiates from the state sector by profit motivation is not interested in making more profits?

Elsenhans, therefore, does not seem to provide an adequate theoretical alternative to the theory of state capitalism as he contends. He merely compounds the issue with unrealistic assumptions.

⁶⁵Elsenhans, "Contradictions," p. 69.

⁶⁶Ibid.

A Theoretical Framework for Studying
Third World Formations

In this section, we will review two important contributions to the study of class structure of advanced capitalist formations: the theories of Nicos Poulantzas and Erik Olin Wright. We will then formulate a theoretical framework for studying classes in Algeria based on these two theories.

Poulantzas's Theory of Class

According to Poulantzas, classes are "groups of social agents of men defined principally, but not exclusively, by their place in the productive process, i.e., by their place in the economic sphere."⁶⁷ According to this definition, however, economic relations alone cannot define social classes. "The structural determination" of classes also includes political and ideological relations. Poulantzas means by "the structural determination" of class, the objective positions occupied by class members within the social division of labor and not the "agents" themselves who occupy those positions. Poulantzas stresses that classes do not exist outside of the class struggle, and thus he explicitly rejects the distinction between class-in-itself and class-for-itself:

Social classes do not firstly exist, as such, and only then enter into class struggle. Social classes coincide

⁶⁷Nicos Poulantzas, "On Social Classes," New Left Review, No. 78 (March-April 1973):27.

with class practices, i.e., the class struggle, and are only defined in their mutual opposition.

By analyzing the economic, political and ideological criteria, Poulantzas identifies three classes in "contemporary" capitalist formations: the proletariat, the bourgeoisie, and the petty-bourgeoisie (the latter consists of the "traditional" and the "new" petty-bourgeoisie).

In a class society, the relations of production include the relations of the worker to the means of production and the relations of the nonworker (the owner) to the means of production. "These relations," Poulantzas writes, "involve two aspects":

1. "Economic ownership," which is "the real economic control of the means of production, i.e., the power to assign the means of production to given uses and so to dispose of the products obtained."⁶⁹ Economic ownership is to "be distinguished from juridical ownership which is sanctioned by law and belongs to the superstructure."⁷⁰ This distinction, Poulantzas argues, is important in defining the class structure of, for example, "the socialist" formations (the U.S.S.R. and others). In these formations, while the state has juridical ownership of the means of production as the representative of all the people, the economic ownership

⁶⁸Nicos Poulantzas, Classes in Contemporary Capitalism (London: New Left Books, 1975), p. 14.

⁶⁹Poulantzas, "On Social Classes," p. 28.

⁷⁰Ibid., p. 29.

belongs to the managers of state enterprises and state and party officials.⁷¹

2. "Possession," which is "the capacity to put the means of production into operation."⁷² While the serf in the feudal mode of production had possession of the means of production (the land), the worker in the capitalist mode of production owns only his labor power, which he sells to the capitalist, who has both economic ownership and possession of the means of production.

The basic class relation of a capitalist society is, then, the exploitation of the worker by the capitalist through the extraction of surplus value in the form of unpaid labor embodied in commodities directly produced by the worker. The bourgeoisie, according to Poulantzas, is the class that has economic ownership and possession of the means of production and exploits the workers and dominates them politically and ideologically.⁷³

Poulantzas's definition of the boundary between the proletariat and the new petty-bourgeoisie is based on the definition of the economic, political, and ideological criteria. The economic criterion that defines the working class and the new petty-bourgeoisie is based on the distinction between productive and unproductive labor. The working class, accordingly, refers to those involved in productive

⁷¹ Ibid.

⁷²Ibid., p. 28.

⁷³Ibid., p. 39.

work (production of physical commodities and thus, surplus value). The new petty-bourgeoisie, on the other hand, "consists of the nonproductive wage-earning workers." Although Poulantzas recognizes that these "wage-earners are themselves exploited, and their wages correspond to the reproduction of their labor-power," he contends that they do not belong to the working class since they "are not directly exploited in the form of the dominant capitalist relation of exploitation, the creation of surplus-value."⁷⁴

The political criterion that defines the boundary between the working class and the new petty-bourgeoisie is based on the distinction between supervisory and nonsupervisory work. Thus, while supervisory work itself is productive, it is a political domination over the working class despite the fact that supervisors are themselves dominated by capital.⁷⁵

The ideological criterion that differentiates between the working class and the new petty-bourgeoisie is based on the distinction between manual and mental work. Mental work is the "secret knowledge" by which production is organized and planned. The workers are excluded from this "secret knowledge" that belongs to the new petty-bourgeoisie and the bourgeoisie.⁷⁶

⁷⁴Poulantzas, Classes in Contemporary Capitalism, p. 212.

⁷⁵Ibid, pp. 227-28.

⁷⁶Ibid, p. 256.

Finally, it is important to note that Poulantzas merges "the traditional" bourgeoisie (craftsmen, traders, etc.), who belong to precapitalist modes of production) and the new petty-bourgeoisie (lower level managers, engineers and technicians, supervisors and "white-collar" workers) into one class: the petty-bourgeoisie. The reason for this, according to Poulantzas, is that the "traditional" and the "new" petty-bourgeoisies share a common ideology based on reformism, individualism, and power fetishism that separates them from the bourgeoisie and the proletariat.⁷⁷

Wright's Alternative Theory of Class and
His Criticism of Poulantzas' Approach

Wright's theory rests on a critical analysis of Poulantzas's class model and then an elaboration of "an alternative conceptualization of class boundaries." His main criticism of Poulantzas can be summed up as follows:

First, the division between productive and unproductive labor as an economic criterion of class determination does not, according to Wright, represent a fundamental difference in "class interests at the economic level." Do "productive and unproductive workers have a different interest with respect to socialism"?⁷⁸ The definition Poulantzas gives to productive labor as the production of surplus-value through the production of physical commodities is inadequate, since

⁷⁷Ibid.

⁷⁸Erik Olin Wright, Class, Crisis & the State (London: Verso Editions, 1979), p. 48.

certain unproductive positions also produce surplus-value. Wright gives as an example the position of a grocery store clerk. "To the extent that clerks place commodities on shelves (and thus perform the last stage of the transportation of commodities), then they are productive; but to the extent that they operate cash registers, then they are unproductive."⁷⁹

While Poulantzas maintains that the economic criteria are the principal determinants of class, his analysis seems to place the political and ideological criteria on equal footing with the economic and thus undermine the primacy of the economic in class definition. Moreover, "rather than viewing economic criteria as being rooted in the technical division of labor and politico-ideological criteria in the social division, both should be considered dimensions of the social division of labor."⁸⁰ Thus, supervision, according to Wright, should be regarded only as one aspect of political relations rather than a political relation per se. As for the ideological criteria, Wright states, "it is never clear exactly why the mental-manual division should be considered a determinant of an actual class boundary rather than simply an internal division within the working class."⁸¹

Finally, on a practical basis, Wright demonstrates that the application of Poulantzas's criteria to the American

⁷⁹Ibid., p. 47.

⁸⁰Ibid., p. 52.

⁸¹Ibid., p. 53.

class structure means that the American working class "constitutes less than 20 percent of the American labor force."⁸² Poulantzas's theory, then, "produces a picture of class structure which is unrealistic."⁸³

Having criticized Poulantzas, Wright advances his alternative approach. He defines classes as "common positions within a special kind. of contradictory social relationships, social relations of production."⁸⁴ This definition means that:

1. Classes constitute positions or "empty places" which are "independent of the will of those who occupy them." Class analysis, then, must "primarily" be centered around the analysis of those positions and "secondarily" around the "individuals who fill the slots."⁸⁵

2. Classes are not understood merely as a hierarchy of positions but as relationships to other classes.⁸⁶

3. Classes are located within the social relations of production. The concept of production "must not be understood narrowly as the production of physical commodities, but

⁸²Ibid., p. 55.

⁸³Gavin MacKenzie, "Class Boundaries and the Labor Process," in Social Class and the Division of Labor, ed. Anthony Giddens and Gavin MacKenzie (Cambridge: Cambridge University Press, 1982), p. 71.

⁸⁴Erik Olin Wright, Class Structure and Income Determination (New York: Academic Press, 1979), p. 20.

⁸⁵Ibid., pp. 20-21.

⁸⁶Ibid., p. 21.

includes the production of services as well."⁸⁷

4. The social relations between classes are in contradiction and are "viewed as a necessary consequence of the very relationship which defines classes."⁸⁸ This contradiction "implies that there is an intrinsic antagonism"⁸⁹ within the class structure. The class structure, however, must not be seen in a static way, but in a historical context. Class structure shapes and is itself shaped by class struggle. The task of understanding the class structure and class struggle must begin with studying the historical transformation of the social relations of production of a capitalist society.⁹⁰

Wright defines the capitalist relations of production as constituting three basic relations: control over money capital or investments--control over how much is produced and what is produced, which corresponds to Poulantzas's "economic ownership"; control over physical capital or the means of production--control of how things are produced; and authority or control over supervision and discipline within the labor process.⁹¹

These relations of authority and control, Wright notes, do not refer to the capacity of the individual per se to control capital, means of production and labor, but refer to "the social relations into which the individual enters."⁹²

⁸⁷ibid., p. 23.

⁸⁸Ibid., p. 22.

⁸⁹ibid., p. 21.

⁹⁰Ibid., pp. 22-3.

⁹¹ibid., p. 24.

⁹²Ibid.

It must be noted that the three relations of control reflect a hierarchical structure. "Control over investment sets limits on the range of possible decisions over the use of the physical means of production, and control over the physical means of production sets limits on control of actual labor within the labor process."⁹³ This hierarchical authority has important consequences in defining certain positions within the social relations of production.

Based on the above hierarchical structure, Wright is able to define "the fundamental class antagonism between workers and capitalists" in the capitalist mode of production as a "polarization" around the criteria of control over investments, means of production, and labor. While the capitalists control all three processes, the workers are excluded from control of any of them. But in dealing with a social formation "other class positions appear" between the proletariat and the bourgeoisie. These middle positions either belong to "subordinate relations of production" (simple commodity production; see Table 1), or merely represent "contradictory class relations of capitalist society." These contradictory locations are what is usually referred to as "middle class" or "new petty-bourgeoisie." Wright identifies "three clusters" of these locations: (a) managers and supervisors, occupying a contradictory location (relations) between the bourgeoisie and the proletariat; (b) small

⁹³Ibid., p. 25.

TABLE 1
UNAMBIGUOUS LOCATIONS WITHIN CLASS RELATIONS

Class	Processes Underlying Class Relations		
	Economic Ownership	Possession	
	Control Over investments & the accumulation process	Control over physical means of production	Control over labour power of others
Bourgeoisie	+	+	+
Proletariat	-		
Petty- Bourgeoisie	+	+	

+ = Full Control; - = No Control

SOURCE: Erik Olin Wright, Class, Crisis and the State (London: Verso Editions, 1979), p. 75.

employers, occupying a contradictory location between the petty bourgeoisie and the bourgeoisie; and, (c) semi-autonomous wage-earners, occupying a contradictory location between the petty-bourgeoisie and the proletariat⁹⁴ (see Figure 1).

The class relations of advanced capitalist society, Wright argues, can be understood by three historical processes of capitalist production: (a) the workers' loss of control over the labor process; (b) the differentiation of the functions of capital; and (c) the development of complex hierarchies.

The Loss of Control Over the Labor Process by Workers

During early European industrialization, what Marx called manufacturing, the workers "owned all or part of their immediate means of production . . . and often retained relatively high levels of control over the pace of their labor, the length of the working day, and other aspects of the labor process."⁹⁵ With the development of machinery and "mass assembly-line production" (the technical division of labor), the workers gradually lost control over their labor process to the capitalist. Workers' control of their labor was an obstacle for the capitalist "to raise the rate of exploitation and this, in turn, acted as a serious constraint on the accumulation process in early capitalism."⁹⁶

⁹⁴Ibid.

⁹⁵Ibid.

⁹⁶Ibid.

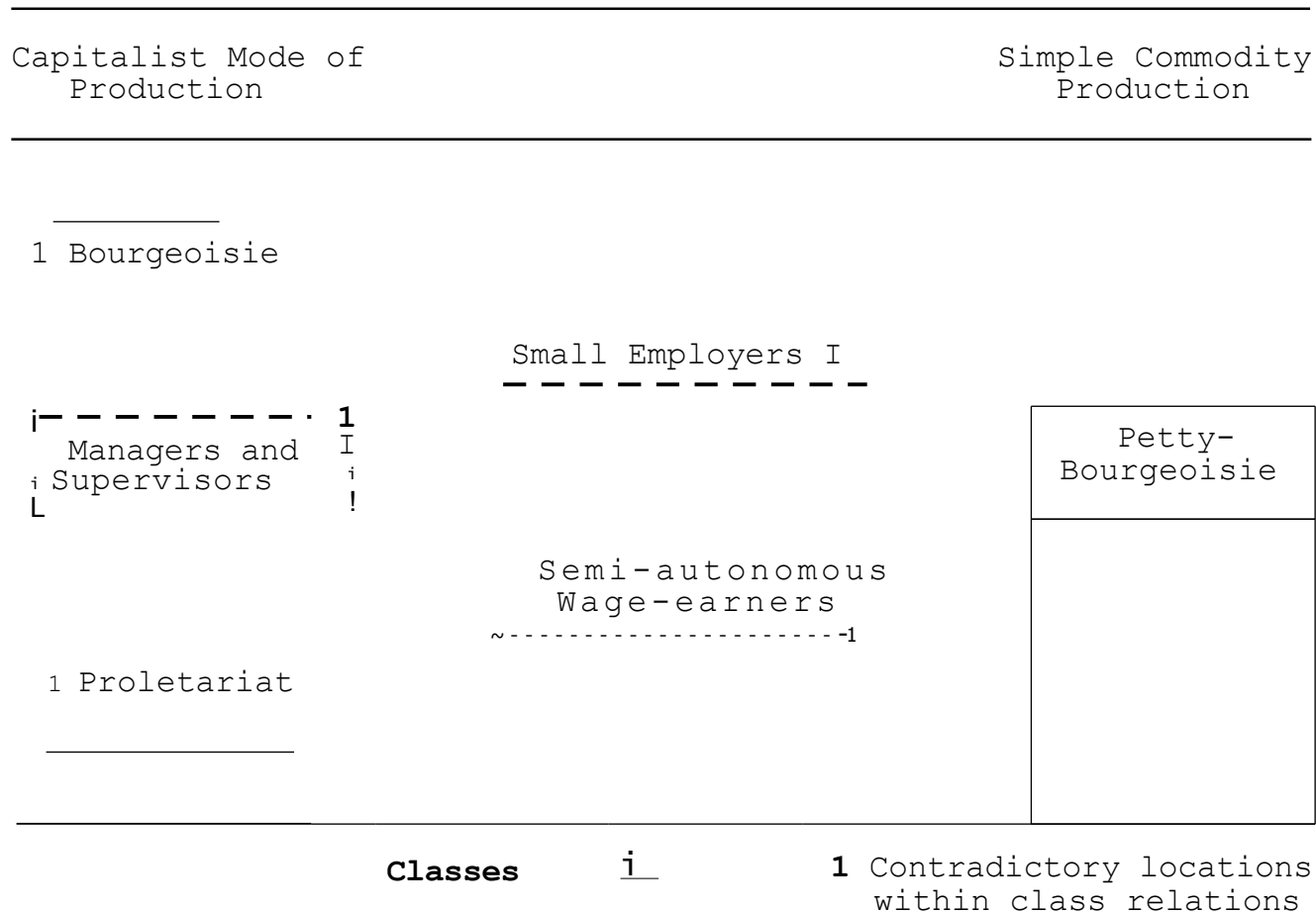


Fig. 1. The basic class relations of capitalist society

SOURCE: Erik Olin Wright, Class, Crisis and the State (London: Verso Editions, 1979), p. 63.

The creation of factories, and the subsequent forms of their management, are viewed as forms of class struggle in which machinery "de-skilled" the workers, on the one hand, and helped capitalists gain more control over the labor process on the other.⁹⁷

The Differentiation of the Functions of Capital

The expanding process of concentration and centralization of capital made it "impossible for the capitalist to participate directly in all aspects of decision-making;" thus, some functions of capital were transformed to "a responsible managerial hierarchy to conduct the day-to-day operations of capitalist production."⁹⁸ The legal ownership of the means of production became only one aspect of domination within the capitalist relations of production since other forms of domination (economic ownership and possession) have taken place.

The Development of Complex Hierarchies

The process of concentration and centralization of capital which differentiated the functions of capital also generated hierarchical positions within each of these functions. Economic ownership, for example, is fulfilled by different groups of people within that ladder of hierarchy.

⁹⁷Ibid., p. 29.

⁹⁸Erik Olin Wright, "Class Boundaries in Advanced Capitalist Societies," New Left Review, No. 98 (July-August 1976):29.

There are those who have full economic ownership: "the highest executives . . . and certain members of the board of directors" of modern corporations. And, there are those who have partial control, i.e., contributing to investment decisions (such as managers of units of production). In addition, there are those who have minimal (marginal) control "involved in decision-making over narrow aspects of subunits of production."⁹⁹

The same levels of control--"full," "partial," and "minimal"--can be applied to the relations of possession (control over the means of production and control over labor).

Within this theoretical context, Wright is able to analyze what he calls "contradictory locations within class relations" short for "contradictory locations within the basic contradictory class relations."

A Critical Appraisal of Poulantzas's and Wright's Theories of Classes

Poulantzas's Theory

Although praised by many as a major contribution to Marxist thought, Poulantzas's theory cannot escape criticism. For one thing, it is too abstract (in the Althusserian tradition). Its highly theoretical analysis makes it difficult to apply to concrete historical cases, and problems appear at the definition of some of its concepts such as "productive" and "unproductive" labor. We have already summarized

⁹⁹Ibid., p. 30.

Wright's criticism of Poulantzas in which he concretized this point. Another criticism that can be made is best stated by MacKenzie: Poulantzas's theory "is formalistic and mechanical" and does not provide an "explanation of the historical processes which led to the existence of [the] three great classes" of advanced capitalist formations.¹⁰⁰ Despite these difficulties, Poulantzas's theory elaborated on important criteria in the study of class (economic ownership and possession) that surpassed the outdated single criterion of the "ownership of the means of production."

Wright's Theory

Erik Wright clearly developed his theory on the basis of avoiding the weaknesses of Poulantzas's approach. He remedied the latter's shortcomings by offering a more dynamic approach that "regard[s] some positions [within the social division of labor] as occupying objectively contradictory locations within class relations"¹⁰¹ and thus cannot rigorously fit into Poulantzas's class model.

The ahistoricity of Poulantzas's approach is solved by Wright's analysis of the three "interrelated structural changes" of capitalist development that gave rise to the "contradictory locations." Although it is contended that Wright's model of class is as "mechanical" as Poulantzas's by

¹⁰⁰MacKenzie, p. 70.

¹⁰¹Wright, Class, Crisis and the State, p. 61 (emphasis in original).

putting people in six boxes rather than three, and that Wright's historical analysis is merely "descriptive,"¹⁰² it should be considered a major contribution to the study of class.

The problem with Wright's theory, however, is the very concept of "contradictory class locations." As in Poulantzas's theory, some of Wright's concepts are difficult to study in concrete terms. The contradictory location of "semi-autonomous employees," for example, has the problem of definition of the concept "autonomy." Just how much autonomy is needed (and how it can be measured) to qualify someone to be in that contradictory class location? By the same token, the contradictory location of "small entrepreneurs" presents a problem of defining the word "small" in numbers.

Although Wright makes it clear that he is aware of these difficulties, he nevertheless did not provide a convincing argument on how they could be dealt with. As for "the contradictory class location" between the proletariat and the bourgeoisie, it "implies," as Poulantzas put it, "that these agents can occupy different and changing class locations; it [also] suggests that they can occupy a vacuum, a norman's-land between the bourgeoisie and the working class."¹⁰³

Despite these problems, the theories of Poulantzas and Wright are used as a frame of reference in our study because

¹⁰² MacKenzie, p. 70.

¹⁰³Poulantzas, "The New Petty Bourgeoisie," The Insurgent Sociologist 9, No. 1 (Summer 1979):58.

they provide important concepts (economic ownership, possession, development of complex hierarchies) capable of explaining the class structure of Third World formations instead of the overly broad concepts of dependency, noncapitalist development and others.

Application of Poulantzas's and Wright's Theories of Class to Third World Formations

Because Third World formations have distinct historical conditions, any rigorous application of advanced capitalist class theories runs the risk of producing inadequate explanation of the nature of their class structure. It is important, therefore, to identify their particular historical conditions in order to understand the historical development of their social forces.

Third World formations share a number of characteristics. First, they were subjected to direct colonial domination which distorted their pattern of development by (a) military and political domination and (b) economic exploitation through the introduction of colonial capitalist methods of production in industry and agriculture. This served specific colonial economic interests and consequently destroyed indigenous forms of production.

In Algeria, French colonialism expropriated the fertile land from the indigenous population, forced people to resettle in unproductive areas, and imposed forms of taxation to force the Algerians to work in colonial estates to pay for these taxes. These historical facts of land expropriation

and taxation are particular historical processes that separated the peasants from their means of production (the land) and forced them into the labor market.

Second, they gained their political independence usually through military struggle. Many scholars agree that political independence does not necessarily mean independence from a neocolonial economic domination (imperialism) especially from the ex-colonial country. When the colonialists departed, they only handed over political power to a new government, while leaving behind their ideology, culture, and above all, a backward economy run by capitalist methods of production.

Third, the state owns the major means of production. The state ownership of the means of production after independence can be regarded as a differentiation in the functions of capital. The colonial ownership became national state ownership. Although state ownership is considered to be a public ownership in the sense that the state is the representative of all people, economic ownership (control over investment) is the sole responsibility of the state sector managers and officials. The workers are excluded from that control. Thus, while legal ownership loses its importance in the state sector, economic ownership has become important.

The relations of economic ownership in Third World formations include not only control over investment and accumulation but also control over planning. In Algeria, for

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example, a separate ministry with its own bureaucratic apparatus was created to plan economic projects undertaken by the state and the private capitalist sectors. The foreign capitalist sector in the Third World represents multinational corporations in projects of extraction of raw materials and energy resources or building industrial projects for the state. The study of this sector is outside the scope of this thesis. What is of interest to us, however, is the national private capitalist sector, which plays an important role in economic development. In Algeria, the national private sector is composed of a large number of small and intermediate enterprises that are largely engaged in light industry, commerce, and services. The study of the class relations within the state and private industrial sectors, one purpose of this dissertation, is a matter of finding criteria for the definition of classes that can be applied to any economic sector, state or private. From the study of Poulantzas's and Wright's theories we have learned that the general criteria for the definition of classes in capitalist social formations rests on three processes: control over labor power, control over means of production, and control over investments and accumulation. The first two processes correspond to what Poulantzas calls possession and the third process corresponds to economic ownership. Based on these criteria, we are able to define theoretically the basic class structure of Algeria as follows.

The working class--the proletariat--is the class that is

excluded from all three types of control: control over investments and planning, control over means of production (and production process), and control over labor power. This class is comprised of manual, clerical, and lower white-collar workers in industry, agriculture, transportation, and services. As we are concerned only with industry in this study, the industrial working class will refer to those manual, clerical and lower white-collar workers in Departments I and II in the state and private sectors.

The bourgeoisie is the class that has control over economic ownership (and legal ownership in the private sector) and possession. This class includes industrial entrepreneurs, big merchants, landowners who employ labor, and top executives and managers of state and private enterprises.

The focus of the dissertation will then be on the formation of the bourgeoisie that has control over investment and accumulation process and the overall control over means of production and labor power in the state and private industrial sectors; and on the formation of the industrial proletariat which lacks the above functions of control.

Conclusion

Third World social formations are undergoing an industrialization process led by the state rather than by a specific class. However, this process of development seems to result in the formation of a capitalist class structure.

In order to understand this process of class formation, we need to focus our analysis on the economic level, namely industrial production, to reveal the fundamental class relations that will enable us to comprehend the character of development in the Third World.

Several theories attempted but failed to correctly understand the real development of Third World formations. Dependency theory focuses primarily on the role of external factors in shaping the development of Third World formations. It places these formations in a ready-made subordinate position vis-a-vis imperialism. As a result, the dynamics and roles of internal social forces in development are greatly underestimated. The concept of dependency, therefore, does not present itself as a viable element in explaining social change in the "periphery." Similarly, the noncapitalist development theory emphasizes the economic intervention of the state as a basis for building socialism while it neglects the character of relations of production in the state sector so essential in the transition to socialism. The emphasis on "nationalization" and "statization" rather than on "socialization" leaves this theory a mere descriptive approach almost totally ideologically motivated.

The independent capitalist development theory of Bill Warren is a more realistic approach in explaining development since it at least shows the material element in that process. Yet, like the other theories, it does not show the role of

social forces (classes) in that process. "State capitalism" and "bureaucratic development society" theories, while they deal with classes, do so only at the political level.

In order to formulate a theoretical framework for studying the class structure of Algeria, we have examined the theories of Poulantzas and Wright because we think that these two theories contain important aspects which can be applied to the realities of the Algerian social formation.

Poulantzas's theory provided us with the important concepts of economic ownership and possession which replaced the outdated class criterion of ownership of the means of production. Wright's theory further developed the concepts by putting them in their historical perspective.

Third World formations are different from advanced capitalist formations because both industrialization and capitalist class formation are new phenomena to them. Yet, their development seems to indicate that they are undergoing similar processes of class formation and polarization over the aspects of economic ownership and possession.

In the next chapter we will examine the historical and theoretical foundations of Algerian "socialism" and "Industrial Revolution." The remaining two chapters will then analyze the social organization of industrial production, i. e., the relations of economic ownership and possession in industry.

CHAPTER II

ALGERIAN "SOCIALISM" AND "INDUSTRIAL REVOLUTION"

Introduction: Historical Background

Although industrialization, defined as part of the Algerian⁰ socialist^N strategy of development, was present in the official documents of the state since independence in 1962, the process itself did not get underway in a planned, large-scale manner until 1967 with the initiation of the Three-Year Plan. The Algerian "Industrial Revolution" program was initiated and shaped by specific classes that came to power after the 1965 coup d'état. What were the socio-historical conditions of industrialization in Algeria? This chapter sets out to study the Algerian "socialist" development strategy and the colonial and external factors that have influence on the organization of industrial production.

The long Turkish rule of Algeria¹ that began in 1519 ended when the French army entered and occupied Algiers in 1830. The French colonial system was then forcefully spread to the rest of Algeria and lasted until 1962. During this colonial period (1830-1962), several resistance movements

¹On the Turkish rule era, see Mouloud Gaid, L'algerie sous les Turks (Tunis: Maison Tunisienne de l'édition, 1973).

occurred in different regions of the country,² but it was not until 1954 that the Algerian people organized themselves on a national scale into a unified liberation movement led by the National Liberation Front (FLN).³

The FLN, formed by different political parties which existed prior to 1954, was supported by the overwhelming majority of Algerians: the peasantry from which the National Liberation Army (ALN) was largely recruited, the petty-bourgeoisie, and part of the national bourgeoisie.⁴ The FLN, as described by Bejaoui, was "not a purely ideological party of the liberal western type, nor a class party in Marxist terms . . . but a revolutionary equalitarian and democratic party. 1,5

The goal of the FLN was an armed struggle to liberate Algeria from French occupation. Following its first Congress in 1956, the FLN reorganized the country into new administrative units (to replace the French system), collected

²The most prominent of these movements were the resistance led by Emir Abdelkader between 1832 and 1847 in Western Algeria, and the short-lived revolt of El-Mokrani in Northeastern Algeria in 1871.

³The FLN became Algeria's single ruling party after independence.

⁴Part of the bourgeoisie cooperated with the French and so did the "feudal" landowners and some local leaders. Even the Algerian proletarians working in French factories and farms were "passive" toward the revolution. See "The Tripoli Program" in Annuaire de l'Afrique du Nord 1962 (hereafter AAN) (Paris: Centre National de la Recherche Scientifique [hereafter CNRS], 1963), p. 693.

⁵Quoted from Lazreg, p. 139.

taxes, and recruited "freedom fighters."⁶ From 1958 (when the provisional government was formed) until 1962, as the FLN acquired international recognition and support, the armed struggle intensified and the French were forced to negotiate a cease fire and an end to military occupation of Algeria.

Under the terms of the FLN-French Evian agreements, negotiated in March of 1962, France agreed to recognize the total sovereignty of Algeria and provide technical and financial help to restore and develop the Algerian economic and administrative structures.⁷ In return, Algeria was to respect French interests and property in the country and provide the French with special privileges in the exploitation of the rich resources of the Sahara.⁸ All in all, as Clegg put it: "Under the Evian agreements, it was assumed that Algeria would choose independence but remain closely tied to France with no radical changes in social or economic organization."⁹

But, as early as June 1962 (only three months after the signing of the Evian agreements), the FLN leaders met in Tripoli (Libya) and adopted a "socialist" political and

⁶ibid., p. 140.

⁷"The Tripoli Program," p.

658. ⁸ibid., pp. 658, 667.

⁹Ian Clegg, Workers' Self-Management in Algeria (New York and London: Monthly Review Press, 1971), p. 38.

economic platform for independent Algeria. The "Tripoli program" expressed the necessity of "anti-imperialist struggle in the World," pledged to support all revolutionary movements fighting against colonialism, and to develop and organize the Algerian economy according to "socialist principles."¹⁰

The adoption of a socialist option in Tripoli was not merely a political choice of those who drafted the program, but stemmed from the objective social and economic conditions in Algeria during the colonial period.

The French and other European settlers took over the most fertile land of the country and forced Algerians to resettle in unproductive, mountainous areas. The destruction of the Algerian property system¹¹ coupled with imposition of a wide variety of taxes on the population resulted in the migration of the poor peasants to urban areas to seek employment. A large number of Algerians, especially from the mountainous Kabyle areas, started emigrating to France for work.¹²

As the French developed an export-type economy to satisfy their needs in the mother country, Algeria was transformed into a market for French industrial goods. At the

¹⁰"The Tripoli Program," pp. 693-704.

¹¹See Lazreg, pp. 21-36.

¹²See Mahfoud Bennoune, "The Origin of the Algerian Proletariat," Dialectical Anthropology 1, No. 3 (May 1976) : 201-24.

moment of independence in 1962, most Algerians (about 90 percent) were living off agriculture, while most of the urban population was poor and unemployed.

These objective conditions, then, dictated the adoption of a "socialist" platform that would benefit the majority of Algerians: the peasants, the workers, and the unemployed who were the backbone of the armed liberation war. Within this context, the Tripoli program stated: "The analysis of the social content of the liberation struggle reveals that it is the peasants and workers, in general, who were the active base of the movement and who gave it its essentially popular character. 13

The program, then, elaborated the ideological orientation of independent Algeria: "The armed struggle must be followed by the ideological combat and the struggle for national independence must be followed by the people's democratic revolution . . . [which] is the conscious construction of the country within the framework of socialist principles and with the power in the hands of the people."¹⁴

The program, however, did not specify those "socialist principles" but only referred to "collective ownership of the principal means of production" and to "national planning."¹⁵ The program defined the tasks of the Algerian "democratic revolution" as follows: (a) the agrarian revolution, which

¹³"The Tripoli Program," p. 294.

¹⁴Ibid.

¹⁵Ibid.

will aim at modernizing agriculture and redistributing the land according to the principle "the land to those who work it"; (b) the development of the infrastructure and the nationalization of transport; (c) nationalization of credit and foreign trade (including banks and insurance business); (d) nationalization of mineral and energy resources; and (e) industrialization, which will create a heavy industrial basis to modernize agriculture and exploit the mineral and energy resources of the country.¹⁶

While these tasks were to be carried out by the new Algerian state, the program expressed the need for both national and foreign capital to supplement the state's efforts in development. However, the program concluded that "the state must not, by any means, create an industrial basis for the benefit of the local bourgeoisie as was the case in some countries.¹¹¹⁷

The notion of Algerian "socialism" and the general guidelines of the development policy were then generally defined before the initiation of the "Industrial Revolution" program in 1967. But why was this program not possible during the 1962-66 period?

The Transition Period

At independence, Algeria was in a state of chaos. Two million peasants in "regroupment camps" were returning to

their homes and half a million refugees were about to return from Tunisia and Morocco.¹⁸ In 1963, 500,000 people were unemployed and about one million underemployed.¹⁹ The problems of Algeria were further compounded by a rural exodus when about 800,000 people migrated to urban areas between 1960 and 1963.²⁰ The departure of the Europeans immediately after independence encouraged Algerians to move to the cities to take over their jobs. In 1962 about 905,000 jobs in all branches of economic activity were available.²¹ The departure of European owners and administrative and economic cadres left the country almost paralyzed. Thus, the workers, encouraged by their "Union Generale des Travailleurs Algeriens" (UGTA), moved in to take over the vacant factories and farms and immediately formed their own management committees to run them. The government institutionalized this system later as self-management (see Chapter III).

Meanwhile, the relatively rich Algerians were busy buying the business and residential properties of the departing Europeans. About 2000 commercial and industrial enterprises and between 200,000 and 250,000 dwellings were bought by Algerians for very low prices.²²

¹⁸Clegg, p. 44.

¹⁹Gerard Chaliand, L'Algérie est-elle socialiste? (Paris: Maspéro, 1964), p. 100.

²⁰Raffinot and Jacquemot, p. 51.

²¹ibid., p. 54.

²²Ibid.

In this chaotic situation, Algeria witnessed a severe political crisis:

This crisis was provoked by class realignment which began in the summer of 1962, both within the FLN and the Algerian society at large. Class and ideological distinctions grew into grave contradictions, notably into differences of opinion both between the right and the left of the FLN, and between different sections of the left. By the fall of 1962, a coalition of desperate factions, coming from heterogeneous social backgrounds

. gained power under the leadership of a populist leader, Ben Bella.²

The new Algerian government, which officially declared itself as socialist, vowed to apply the principles of the Tripoli program. The establishment of self-management system in the vacant European factories and farms was interpreted by the workers' union and the "leftist" members of the government as a unique socialist experiment in the Third World. Some government officials stressed that Algeria had once and for all chosen a socialist path of development that stemmed from Algerian realities.

President Ben Bella, for example, stated in 1962: "We want an Algerian socialism born of our national experience, benefitting from the experience of socialist countries."²⁴

The Congress of the Electric and Gas Federation held in December 1963 defined Algerian socialism as "self-management

²³Mahfoud Bennoune, "Algerian Peasants and National Politics, MERIP, No. 48 (June 1976):9.

²⁴Maria Antonietta Macciocchi, "An Interview with Ben Bella," in Man, State and Society in the Contemporary Maghreb, ed. I. W. Zartman (New York: Praeger Publishers, 1973), p. 124.

plus electrification."²⁵ A government official in 1963 went as far as saying that "Algeria is one hundred percent socialist."²⁶ The choice of a socialist option was reaffirmed by the Algiers Charter of 1964, which stated that Algeria would seek a society in which "the exploitation of man by man is abolished."²⁷ The Charter called for building labor-intensive industry to solve the acute problem of unemployment, but it saw agrarian reform as "a first step toward industrialization."²⁸

Despite this pronounced socialism, however, Algeria remained far from a socialist development. The self-management sector was controlled by the state through the appointment of directors and resulted in the reduction of the workers to mere wage-earners (see Chapter III). Instead of the expansion of a real self-management sector to enhance the socialist option, the state developed its own industrial sector, which greatly undermined the role of the workers in management. The private sector grew, especially in commerce and services, and foreign capital remained in control of the most important economic activities (particularly the hydro-carbon sector).²⁹ Despite the initiation of the code of

²⁵Quoted from Raffinot and Jacquemot, p. 67.

²⁶Raymond Vallin, "Muslim Socialism in Algeria," in *Man, State and Society in the Contemporary Maghreb*, ed. I. W. Zartman (New York: Praeger Publishers, 1973), p. 50.

²⁷"The Charter of Algiers," printed in *AAN*, 1964 (Paris: CNRS, 1965), p. 543.

²⁸*Ibid.*, p. 566.

²⁹Benhouria, pp. 246-7.

investments in 1963, foreign capitalist firms managed to transfer large amounts of profits outside Algeria and reduced their investments in Algeria to avoid possible nationalizations.³⁰ On the whole, except for some large industrial projects which were part of the colonial "Constantine plan"³¹ still financed by the French government, Algeria did not witness any large-scale industrial development in the early postindependence 1962-66 period. This period can generally be described as a "transition period"³² or the "waiting period"³³ in which there existed a certain class equilibrium that did not permit any specific class from leading an industrialization process for its own interests. Table 2 demonstrates some of the aspects of this class equilibrium.

In general, the nonagrarian class structure of the transition period was as follows.

The foreign bourgeoisie, even after the flight of the Europeans after independence, controlled, as we have mentioned before, most of industry, but its activities were

³⁰Ibid., p. 246.

³¹A five-year development plan (1959-63) initiated by the colonial administration in hope of restructuring Algerian society and containing the liberation war. The plan stopped at independence in 1962, but some of its projects were transferred to the Algerian state with uninterrupted financing by the French government in compliance with the Evian Agreements.

³²Benhouria, p. 239.

³³Abdellatif Benachou, L'experience Algerienne de planification et de developpement 1962-1982 (Algiers: SNED, 1983), p. 12.

TABLE 2
CHANGES IN THE SOCIAL STRUCTURE 1960-66

Social Category	Year			
	1960		1966	
	Algerians	French	Algerians	French
Liberal Professions and Top Cadres	15,200	21,300	25,400	11,000
Employers, Artisans	79,200	43,500	5,600	800
Agriculturalists	442,800	2,700	387,300	1,000
Middle Cadres	38,800	76,800	61,800	14,200
Clerical Workers	65,200	66,600	100,700	8,300
Merchants	135,600	31,800	177,400	
Industrial Workers	372,400	54,300	358,700	11,400
Agricultural Workers	324,400	3,300	477,000	8,300
Service Personnel	60,000	20,700	147,800	3,400
TOTAL	1,533,400	321,000	1,741,700	58,400

SOURCE: Tahar Benhouria, L'economie de l'Algerie (Paris: Maspéro, 1980), p. 250.

becoming increasingly supervised by the state through the Code of Investments of 1963. The socialist rhetoric further discouraged the expansion of foreign business. The foreign bourgeoisie was not then a dominant class in Algeria in the "transition period."

The national bourgeoisie, though expanded in commerce, services, and some light industry activities, remained weak vis-a-vis foreign capital and state sectors. Furthermore, self-management constituted a major threat for its development and thus was entrenched in the most profitable activities that did not require large numbers of workers (commerce, for example).

The proletariat was small in number and even declined between 1960 and 1966 as Table 2 shows. Its attempt to establish new relations of production through self-management was successfully opposed by the bourgeoisie (as will be seen in Chapter III) .

The petty-bourgeoisie is perhaps the only class that saw a considerable change in its structure. As Table 2 clearly indicates, there was an increase in all petty-bourgeois activities: liberal professionals, middle cadres, and merchants. But the petty-bourgeoisie was unable by itself to offer a specific class project without siding either with the proletariat or with the bourgeoisie. In Algeria, the petty-bourgeoisie played an exceptionally important role before and after independence. During the liberation war, it furnished leaders who led the workers and peasants in the struggle

against colonialism. After independence, it supplied high-ranking personnel and cadres for the state's political and socio-economic structures.

Knowing that the Algerian private bourgeoisie was weak in the first years of independence, the petty-bourgeoisie saw a great opportunity for growth into a bourgeoisie. Immediately after independence, we recall, thousands of commercial, industrial, and other properties were bought by Algerians from their departing owners. This process of bourgeoisification was, however, threatened by the workers' imposed self-management system, and the threat became real when some Algerian-owned petty-bourgeois businesses (hotels, cafés, cinemas, shops, etc.) were nationalized and put under self-management.³⁴ These nationalizations, encouraged by the militant workers' union (UGTA) and other militants, might have instigated the alliance of the petty bourgeoisie and the bourgeoisie against the threat of workers' self-management. In this respect, the coup d'état of June 19, 1965, can be viewed as the concretization of this alliance, since after the coup, the government denationalized the self-managed properties previously seized from their Algerian owners.³⁵ The denationalization was, as Clegg stated, "a political move, recognizing the implicit support of the petty-bourgeoisie for the coup."³⁶ The coup d'état, supported also

³⁴Clegg, pp. 135, 150-1.

³⁵Ibid.

³⁶Ibid., p. 134.

by large landowners,³⁷ was then, "part of a class struggle . . . already underway"³⁸ and came to put "an end to the class equilibrium" of the 1962-65 period.³⁹ Now the stage was set for new economic policies without the influence of the workers and their representatives.

In 1966, the government initiated a new code of investments regulating and encouraging both the foreign and private capitalist sectors' investments in "nonvital" economic activities.⁴⁰ The state sector was to lead the development process through the control of "vital" branches of the economy. The newly established national commission of investments, as Benhouria remarked, did not include representatives of the workers' union as the previous commission of 1963 did.⁴¹ This indicated that the state was able to initiate development programs in which workers were not part of management and the decision-making process. Industrialization has become both a political and economic strategy around which the dominant classes rallied to ensure their historical legitimacy and control over the workers.

³⁷Ibid., p. 111.

³⁸Ibid.

³⁹Benhouria, p. 222.

⁴⁰"The Code of Investments," printed as an appendix in Ministere de l'Industrie et de l'Energie, Annuaire industriel 1969, 2 vols. (Algiers: 1969), 2:681.

⁴¹Benhouria, p. 248.

The Industrial Revolution

After engaging in a series of nationalizations of foreign businesses and initiating an investment code which regulated foreign and national private capital investments, the government spelled out the guidelines of an Algerian economic development policy in the unpublished document of February 1967.⁴² This document defined the objective of the development strategy as the establishment of "an integrated sound economy able to respond to all the needs of the eighteen million Algerians."⁴³

This development strategy was founded on heavy industry (particularly mechanical and electrical industry) in the hopes that it would develop other industries, modernize agriculture, raise the standards of living of the people, and eliminate unemployment by 1980.⁴⁴ The development strategy, thus defined, was to be led by the state; that is, the state would plan and finance the major industrial projects and orient the foreign and national private sectors investments to certain "nonvital" activities.

The Theoretical Foundation of the
Algerian Development Strategy

The Algerian development strategy is based on the

⁴² Direction generale du plan et des etudes économique, Perspective de planification et stratégie du développement (Algiers: February, 1967). See Benachenhou, p. 30.

⁴³Quoted from Benachenhou, p. 30.

⁴⁴Ibid., pp. 30-1.

theories of the economists Francois Perroux and, particularly, Gérard Destanne de Bernis.⁴⁵

Destanne de Bernis's theoretical model rests on a simple argument: in order for Algeria to catch up with the already industrialized world, she has to engage in the development of the "industrializing industries" (heavy industry), which would produce the means of production necessary to create and maintain other industries, modernize agriculture, and provide employment.⁴⁶

The industrializing industries included energy-related industry (petroleum, gas, and petrochemicals), and the metallurgical, mechanical, and chemical industries (which produce fertilizer for agriculture). Algeria, according to Destanne de Bernis, could finance these huge industrial projects through oil and gas revenues. Although Destanne de Bernis recognized that this model was capital intensive and, thus, would not absorb unemployment immediately, he believed that agriculture will temporarily be an outlet for employment until labor-intensive light industry is developed.⁴⁷

⁴⁵François Perroux, L'Algérie de demain (Paris: Presses Universitaires de France, 1962); Gérard Destanne de Bernis, "L'industrialisation en Algérie," in Problèmes de l'Algérie indépendante, ed. François Perroux (Paris: Presses Universitaires, 1963); G. Destanne de Bernis, "Les industries industrialisantes et les options Algériennes," Tiers Monde, 1971 (Paris: Presses Universitaires de France, 1971, pp. 545-631.

⁴⁶Destanne de Bernis, "Les industries industrialisantes," p. 547.

⁴⁷Ibid., p. 555.

with machinery, fertilizer, and other goods. Moreover, large scale industrialization would open new opportunities for the landowners to invest in nonagricultural activities. The poor peasants and the unemployed supported the state-led industrialization because they see a chance for secure employment.

The only likely classes that might have resented industrialization were the feudal landowners, fearful of losing their cheap workforce, and the compradore bourgeoisie, which saw its future in a deadlock because the state would have to monopolize all import/export trade to protect national development from imperialism.

The main characteristic of the Algerian development strategy then, is the development of capital goods industry, described by Boumedienne as "the locomotive which will draw behind it agriculture, light industry, and other carriages of our economic life."⁵⁰

Heavy industry is essential, not only to economic development, but also to economic independence. "There is no economic independence," Boumedienne stated, "without national heavy industry."⁵¹ Heavy industry, or Department I industry, is the production of the means of production (machine tools, primary raw materials) and other materials used in the process of industrial or agricultural production. Light industry, or Department II, is the production of consumer

⁵⁰Quoted from Farsoun, p. 6.

⁵¹Quoted from Raffinot and Jacquemot, p. 187.

This model of development presented itself as "socially neutral,"⁴⁸ i.e., it emphasized only the economic elements of development without spelling out the social structure or the social reforms required for such a project. As Benachenhou pointed out, Destanne de Bernis's "reference to social structures appeared only at the level of the necessity of the agrarian reform and the vigorous involvement of the state in the direction of the economy."⁴⁹ In my opinion, it was this "social neutrality" of the model that made it attractive to the classes in power to initiate the project. Industrialization, in these terms, appeared as a unifying goal from which almost all classes could benefit. The private bourgeoisie can develop in security. The state industrial sector will furnish it with capital goods and protect it from foreign **competition** . The state bureaucracy and technocracy, representing different classes, see industrialization as a means of acquiring historical legitimacy and consolidating their political and economic powers. The petty-bourgeoisie regards industrialization as a means of enhancing its economic interests, since large projects will create opportunities for enlargement of intermediate positions in the state sector and in small private businesses. The petty-bourgeois members are then the eligible candidates for the future Algerian bourgeoisie. The landowners who employ wage labor see industrialization as a modernizing force which would furnish them

⁴⁸Benachenhou, p. 26.

⁴⁹Ibid.

goods. Thus, in theory, Department I industry includes mining and quarry, metallurgy, mechanical and electrical industry, and the hydrocarbon sector, while Department II industry covers textiles, food and other consumer goods. In reality, however, the Algerian state-industrial structure is divided into three main sectors as were defined in 1977 by the state: (a) the energy sector, composed of two companies--the oil company SONATRACH and its affiliates, and the electricity and gas company SONEGAS; (b) the Department I sector, composed of five state companies--the mining company SONAREM, the steel company SNS, the metal construction company SN Metal, the mechanical construction company SONACOME , and the electrical and electronic company SONELEC; and (c) the Department II sector, which consists of twelve state companies--the food companies SOGEDIA and SEMPAC, the mineral water company SNEMA, the tobacco and match company SNTA, the textile company SONITEX, the hides and leather company SONIPEC, the chemical products company SNIC, the wood products company SNLB, the handicrafts company SNAT, the construction materials company SNMC, the paper company SONIC, and the research and training companies INPED and SNERI.⁵²

The state sector is thus founded primarily on Department I industry, because it was this sector that would primarily generate and furnish the department II sector (both state and

⁵²This information is taken from Benachenhou, pp. 133-451, and G. Boutaleb, "Les dangers de l'extraversion," *lution Africaine*, No. 890 (March 1981):34.

private) with the means of production and primary raw materials in order for Algeria to "catch up" with the industrialized world and become the "Japan of the Mediterranean."⁵³

Characteristics of Algerian Industrialization

The Algerian development strategy is characterized by several features, some of which may indicate an independent development process.

Nationalizations

It was impossible for the state to engage in large-scale industrialization while the most important economic activities were still controlled by foreign capital. In this regard, the period from 1966 to 1971 in Algeria can truly be described as the period of nationalizations. Nationalized industry provides both financial resources needed for investments and the power to control the flow of these resources. Aware of this situation, the state sweepingly nationalized all major foreign businesses in six years. In 1966, the state nationalized "mines . . . transport, banking, insurance, oil distribution, textile production, steel and chemicals, and most of the import/export trade as well as a substantial share in oil and natural gas production."⁵⁴ In 1967, the state nationalized the American and British

⁵³M. Ghosali (The General Director of SONATRACH), quoted from John Nellis, Algerian National Charter of 1976: Content, Public Reaction and Significance (Washington, D.C.: Georgetown University, Center for Contemporary Arab Studies, 1980), p. 10.

⁵⁴Clegg, p. 135.

companies because of the latter's "aggression against the Arab world during the 1967 Arab-Israeli War."⁵⁵ Also, these companies were regarded by the government as agents for imperialist domination.⁵⁶ In May 1968, forty companies of food, chemicals, mechanical and construction industries were nationalized.⁵⁷ By June 1968, the state nationalized about 80 percent of the foreign industrial sector.⁵⁸ And, finally, on February 24, 1971, the last foreign oil companies (mostly French) were nationalized, making the state the major owner of all types of industries. The foreign companies had to settle for a minority of shares in investments.

These nationalizations strengthened the position of the state in dealing with multinational corporations. National state companies became potential partners, not simply clients, in negotiating business contracts with foreign companies. This is important for a development strategy aimed at "economic independence." The state corporations were indeed "vital" economic structures, and thus, needed protection from foreign political and economic influence.

Special Contracts and Terms of Trade

Import of technology, or what is termed the "transfer of

⁵⁵Mohamed Boussoumah, L'entreprise socialiste en Algerie (Paris: Economica, 1982), p. 444.

⁵⁶Ibid.

⁵⁷Clegg, p. 88.

⁵⁸David Ottaway and Marina Ottaway, Algeria: The tics .of a Socialist Revolution (Berkeley and Los Angeles: University of California Press, 1970), p. 266.

technology," in the industrialization process took place either through direct purchases from foreign companies--the predominant form in the 1967-74 period--in projects that could be handled by state corporations or by negotiating long- and short-term contracts with foreign companies in which the latter undertook the tasks of construction and of initial production.⁵⁹ The foreign firm provided the technical and organizational means of production while training Algerians for the takeover of the project when the contract term ended. Overwhelmed by the large number of industrial projects, the state often resorted to contracts in the Second Four-Year Plan.⁶⁰

As part of the state's strategy of independent course of development, Algeria dealt with foreign companies on the basis of the diversification of trade by "seeking the most varied foreign contracts possible."⁶¹ Involving "varied" foreign partners reduced the danger of dependency by encouraging competition among foreign companies and producing attractive terms of contracts to choose from. Under this strategy, Algerian state officials acquired a reputation for their determination to protect the state sector against any attempted foreign manipulation. In the field of research,

⁵⁹Benachenhou, p. 81.

⁶⁰Elsenhans, "Contradictions," P. 63.

⁶¹The ex-Minister of Industry and Energy, Belaid Abdessalem, quoted in Henri Alleg, "Algeria Seven Years After--Socialism or Capitalism?" Marxism Today 14, No. 3 (March 1970):83.

for example, Algerians, noted an American observer, "sometimes commissioned the Russians, the British, or the Yugoslavs to duplicate the Americans by undertaking identical studies."⁶²

The Algerians, stated the British Journal The Economist, were "fortified by the call for boldness towards the rich countries."⁶³ In dealing with EEC countries, for example, the argument used by the state in negotiating business deals was as follows:

We are a developing country with natural resources, particularly oil and gas, which you need. But we have to use part of our energy to establish our own industries. To do this, we need massive financial and technical help. We also need guaranteed markets for the goods our new industries will be turning out. . . . You can help us in all that. We can help you, too: our market for your industrial products is widening year by year and our imports [will increase]. . . . Let us work out a firm long-term agreement embracing everything at once.

These statements attest to the awareness of the state to a well-defined class project of economic development that was not supposed to compromise its major goal (economic independence) and invite any form of foreign domination that might affect the role of national class forces in development.

⁶²Edward Sheehan, "The Algerians Intend to Go It Alone, Raise Hell, Hold Out and Grow," New York Times Magazine, 23 April 1972, p. 28.

⁶³"Algeria: The Making of a Model," The Economist (London), 29 September 1973, p. 66.

⁶⁴ibid.

Capital Financing

Investment capital was ensured by three important sources. First, oil revenues, which amounted to more than three billion dollars in 1975.⁶⁵ These revenues increased considerably after 1971 with the sharp rise of oil prices. Investment spending rose accordingly. Second, Emigrant workers' remittances, which amounted to more than 400 million dollars in 1973.⁶⁶ Third, foreign loans, which rose from about one billion dollars in 1973 to about three billion dollars in 1979.⁶⁷ Most of these loans came from capitalist monetary organizations (World Bank, IMF, etc.) But Algeria also borrowed from rich Arab countries such as Kuwait to minimize dependence on the West.⁶⁸

Investments

Since 1967, investment in industry received the lion's share of the Algerian development capital. Most industrial investment was channeled toward hydrocarbons and Department I industries. Within the latter, steel, mechanical engineering, and electrical industries were favored.

⁶⁵On the role of oil revenues in Algeria's economic development, see Influence des revenus pétroliers sur le développement économique en Algeriie (Paris: Ecole des Hauts études en sciences sociales et économique, 1977).

⁶⁶Raffinot and Jacquemot, p. 161.

⁶⁷Elsenhans, "Contradictions," p. 7, and Benhouria, p. 299.

⁶⁸Farsoun, p. 8.

TABLE 3
STRUCTURE OF REALIZED INVESTMENTS 1967-77

Branch of Economic Activity	Period					
	1967-69		1970-73		1974-77	
	Vol. ^a	%	Vol. ^a	%	Vol. ^a	%
Hydrocarbons	2.7	28	9.8	27	36	30.0
Department I Industries	2.2	22	9.7	27	33	29.8
Department II Industries	.45	6	1.3	3	5	4.3
Total Industry	5.4	56	20.8	57	74.2	64.1
Agriculture	1.6	16	4.6	13	5.8	4.7
Other Branches	2.7	28	11.3	30	40.8	33.3
TOTAL	9.7	100	36.7	100	120.8	100.0

SOURCE: Abdellatif Benachenhou, L'expérience Algérienne de planification et de développement 1962-1982 (Algiers: SNED, 1983), p. 48.

^aVolume in billions of Algerian dinars.

employment, the labor supply remained large. Benachenhou estimated that 945,993 people or 28.4 percent of the total active population were unemployed in 1977.⁷³

The emphasis on capital-intensive industry produced an ever-increasing need for qualified personnel, while the labor market offered only manual workers, largely of peasant origin. The failure to reduce unemployment as promised in the development plans became so acute that after the death of President Boumedienne in December 1978, the state called for a reorganization of the state sector and turned to the private sector for help in solving the unemployment problem.⁷⁴

Production

Apart from oil and gas, the Algerian industrial sector produced hundreds of both types of capital and consumer goods. In 1977, for example, Algeria produced 3,515 trucks, 3,486 engines, 14,500 vehicle radiators, 53,800 television sets, 2,294 stoves, and 2,839 tractors.⁷⁵ Production targets, however, were not met during the 1967-77 period. "The potential of theoretical productivity of the productive apparatus," remarked a party publication, "differs quite concretely from the actual performance."⁷⁶ Production

⁷³Benachenhou, p. 221.

⁷⁴Elsenhans, "Contradictions," p. 64.

⁷⁵Ministere de la planification et de l'Aménagement du Territoire, Annuaire statistique de l'Algérie 1979 (Algiers: n.d.), pp. 283-5.

⁷⁶Quoted from Elsenhans, "Contradictions," p. 63.

problems are generally attributed to lack of experienced personnel and inefficiency of workers and management. As Elsenhans correctly noted, during the 1967-77 period, the state concentrated heavily on investments at the expense of production and productivity.⁷⁷ The state might explain the emphasis on investments by the necessity for a rapid acquisition of technology.⁷⁸ But this argument ran counter to the fundamental principle of the state's development strategy.

The role assigned to the state industrial sector was that of "primitive socialist accumulation" of capital. And, if accumulation for reinvestment was to be sacrificed for rapid acquisition of technology, then the very structure that supposedly would create resources for acquisition of technology would be undermined. This problem was a product of the Algerian development strategy in general, and the organization and management of the state sector in particular. The emphasis on material, rather than on social, factors in the industrialization process (as the theory of Destanne de Bernis teaches) resulted in an inefficient and undemocratic organization of production because it excluded from the beginning the majority of its workforce from effectively controlling the production process.

On the Definition of the Algerian
Industrial Structure

Since independence, Algeria has known at least three

⁷⁷Ibid., p. 62.

⁷⁸Ibid., p. 63.

industrial sectors that were presumably characterized by different forms of economic organization: the self-management sector, the state sector, and the private sector.

Together these differing economic sectors constituted the backbone of the Algerian economic foundation, which characterized the Algerian social formation as a whole. Any serious analysis of the nature of the Algerian formation should aim at disclosing the qualitative character of these sectors and the relationships between them. To what extent are the above sectors different? Are they characterized by different relations of production (and, thus, belong to various modes of production) or merely constitute interrelated production processes within one particular mode of production?

In her study on the emergence of classes in Algeria, M. Lazreg referred to the above-mentioned sectors as "three modes of production"⁷⁹ which she also described as "types of economic organization."⁸⁰ Lazreg claims that "these three types of economic organization have one element in common: namely, the appropriation of labor power through wage allocation."⁸¹ On the relationship between these three "modes of production," Lazreg wrote:

Although there are three types of economic organization in Algeria, there are only two modes of appropriation of the means of production: the private and the state-controlled. The socialized sector (the self-managed),

⁷⁹Lazreg, p. 9.

⁸⁰Ibid.

⁸¹Ibid., 12.

which is theoretically separate from the public sector, is empirically confounded with it.

Lazreg's assertions, however, are not substantiated by an analysis of how "the appropriation of labor power" takes place at the production level within each of these "types of economic organization." Again, it is, important to stress that any characterization of the three economic sectors should follow from an analysis of the relations of production, i.e. the social organization of economic production.

Benhassine, an Algerian economist, offers his own typology of the Algerian industrial structure. He divides the latter into seven components or what he terms "structures": (a) the pre-industrial production for the market; (b) the national private industrial capital; (c) the state democratic structure (where production is collectively managed by workers and cadres); (d) the state national structure (where production is not collectively managed by workers and cadres); (e) the mixed industrial capital (state/foreign private capital); (f) the mixed industrial capital (state/national private capital); and, (g) the foreign industrial capital.⁸³

Benhassine divided these structures into three clusters or "ensembles" of structures: the precapitalist ensemble of

⁸²Ibid.

⁸³M. L. Benhassine, "Industrialization et classes sociales: Le cas de l'Algérie," Revue Algérienne des Sciences Juridiques, Economiques et Politiques (hereafter RASJEP) 14, No. 3 (December 1977):597.

structures, which includes the first of the above components plus other nonindustrial structures; the Algerian capitalist and noncapitalist ensemble of structures, comprised of components (b), (c), and (d) above plus other nonindustrial structures; and the foreign monopoly and mixed capital ensemble of structures, which is mainly comprised of the last three components.⁸⁴

Each of these three "ensembles" of structures is a theoretical equivalent to the concept of mode of production. But while Benhassine reaffirms the centrality of the concept of mode of production in Marxist analysis, he argues that the particular historical development of Third World formations dictates the need for the concept of "structure" (or "socio-economic structure") as a methodological tool in understanding a mode of production.⁸⁵ Third World formations, Benhassine argues, were subject to colonial domination in the past, and now face imperialist domination. This long course of domination disrupted the possibility of any genuine economic development and created instead "different socioeconomic structures that are not homogeneous enough to be called mode or modes of production, but rather are labeled as " pluristructure."⁸⁶ These "structures" differ from each other by (a) the level of development of the productive

⁸⁴M. L. Benhassine, "Essai de réflexion théorique sur la nature du secteur d'état dans les pays du Tiers-Monde, avec référence particulière à l'expérience du secteur d'état en Algérie," RASJEP 19, No. 3 (September 1982):393.

⁸⁵Ibid., p. 392.

Ibid.

As Table 3 indicates, industrial investment capital was allocated at the expense of other economic sectors. These figures, however, indicated only the realized investments, which does not necessarily mean that all planned investments were actually spent. By the end of 1974, for example, the "rest a realiser" or "to be completed" industrial investments were 53,772 million Algerian dinars (AD).⁶⁹

Employment

The rapid expansion of the state industrial sector was accompanied by an accelerated growth of the industrial workforce in this sector despite the tendency to use capital-intensive industry. Thus, industrial employment rose from 69,872 in 1966 to 143,605 in 1971, to 368,002 in 1977.⁷⁰ In 1977, the energy sector employed 100,000 workers, the Department I sector had 105,836 workers, and Department II sector employed 120,000 workers.⁷¹

The large industrial projects, which were subjected to an extensive propaganda campaign, became prestigious work areas that caused the peasants to "refuse to accept plots [distributed within the Agrarian Revolution program] in order to maintain their chance of getting a better paying job in industry."⁷² Despite the steady increase in industrial

⁶⁹Influence des Revenus Pétroliers, p. 7.

⁷⁰Benachenhou, pp. 96-7. ⁷¹

ibid., pp. 134, 139, 145.

⁷²Elsenhans, "Contradictions," p. 66.

forces, and (b) the type of ownership of the means of production.⁸⁷

Benhassine differentiates between "structure" and "mode of production" in the following manner:

In its historical development process, a socioeconomic structure becomes a mode of production. A mode of production, in its declining state and historical disintegration, tends to become a degraded socioeconomic structure.

Some structures can thus be dominant over others. This dominance, Benhassine argues, is created by certain development strategies that favor certain structures over others. And he adds that because of a lack of a well defined economic - class project, the state created an economic structure that is dominant over the precapitalist and over the national private structures, while at the same time, this state sector is "dependent" on the international capitalist market."⁸⁹

While Benhassine reaffirms the centrality of the concept of mode of production, his multistructural approach, it seems, merely discloses and describes economic components of a social formation rather than focuses on the analysis of the nature of dominant relations of production so fundamental in understanding a mode of production. As a result, his

⁸⁷Benhassine differentiates between "type" of ownership of the means of production and "form" of ownership. While the latter designates the general form of ownership within one mode of production, such as private property in capitalism, the former refers to different "types" of private property-- for example, monopoly capital, competitive capital, petty-bourgeois capital, etc. Ibid., p. 392.

⁸⁸Ibid., p. 392.

⁸⁹Ibid., pp. 393, 396.

approach fragments both the economic and social structures into "juridical" and formal components that are not necessarily different in terms of the character of relations of production. Using Benhassine's theoretical model might lead to inadequate conclusions. For example, the role of the working class in the private sector would be considered different from their role in the state or the self-managed sectors, while the real character of the relations of production in all sectors is not yet analyzed. If all sectors are characterized by the same relations of production, then the workers in all these sectors constitute one proletarian class facing different fractions of one exploiting class (private capitalists, "state bourgeoisie," for example).

What is needed, then, is the subjection of the so-called different economic sectors or "structures" to a systematic analysis of the relations of production that characterize them. This analysis will enable us to disclose whether these sectors are qualitatively different (i.e., characterized by different relations) or merely constitute parts of an undifferentiated economic structure. In the following two chapters, we will analyze the relations of production of three industrial sectors that constitute the Algerian industrial structure: the self-management sector, the state sector, and the private sector. These three sectors are the typology found in almost all publications (except Benhassine's). The analysis of these sectors will be based on the

hypothesis that they are not characterized by different relations of production.

The Self-Managed Sector was created in the first years of independence (1962-65) after the takeover, by workers of the vacant properties left by departing colonial settlers. Although it was relatively small in size in relation to the state and private sectors, it nevertheless presented an attempt to introduce a new system of organization of production that could replace capitalist management methods. Because this sector was absorbed by the state sector after the 1965 coup d'état, it is considered here an important and indispensable element in understanding the organization of the state sector itself.

The Private Sector refers to the privately owned industrial companies that employ wage labor. This sector is probably the most unproblematic in terms of characterization of its relations of production. It is always characterized as a capitalist exploitative sector even by the official state publications. Nevertheless, this sector's potential is greatly undermined because of its relatively small size compared to the state sector. We will argue that this sector is very dynamic and displays potential for continuous expansion.

The State Sector encompasses the nationalized industries, the state companies created since 1962, and the mixed companies involving state and national or foreign private capital. This sector also incorporated the industrial self-

management sector after 1965. The state sector has always been considered the leading economic force of Algerian "socialism." But while it is recognized that the state sector in industry has indeed created the material foundation for "economic independence," it remains questionable whether this "economic independence" is leading to "socialism" or capitalism.

Our task in the following chapters is to apply a systematic analysis of the relations of production in each sector and study the relationship between them in order to find out whether they are characterized by similar relations of production (and thus could be considered as one mode of production) or by different relations of production (and thus constitute different "modes of production").

From the study of Poulantzas's and Wright's theories we have learned that any serious definition of class boundaries (class structure) must be founded on the analysis of relations of production, because it will be at the level of production that analysis will enable us to uncover the relations of exploitation and domination.⁹⁰

The relations of production, together with their corresponding forces of production and superstructure (politics and ideology), constitute a mode of production. The class

⁹⁰Exploitation refers to a quantitative relation whereby the exploiter extracts surplus-labor from the exploited, whereas domination entails only a relation of influence and control without necessarily extracting surplus-labor.

structure of a mode of production contains only two antagonistic classes: the slaves/masters in the slave mode of production; the serfs/lords in the later stage of the tribute mode of production (feudalism);⁹¹ and the proletariat/bourgeoisie in the capitalist mode of production. But a mode of production does not (at least not yet) exist in its pure form with its two-class structure. What exists is a social formation which combines two or more different modes of production (one of which is dominant) and consequently more than two classes.

In the Algerian social formation, there exists precapitalist modes of production (what Benhassine called semifeudal and other forms of production),⁹² the capitalist mode of production in the private sector (in industry and agriculture). What we need to know, then, is whether the self-managed and the state sectors in industry constitute part of this capitalist mode of production.

Capitalist production is characterized by two important elements: (a) existence of wage labor (and a labor market) and (b) the orientation of production toward profit and the appropriation of it by the class that has economic ownership and possession. In other words, the organization of production according to capitalist relations of production. To analyze the relations of production one must start from the

⁹¹On the tribute mode of production, see Amin, *Unequal Development*, pp. 13-26.

⁹²Benhassine, "Essai," p. 393.

assumption that "people could not carry on social production without entering into definite relations of production."⁹³ But what are the relations of production after all? Bettelheim defines them as "a system of positions assigned to the agents of production in relation to the principal means of production."⁹⁴

We have already defined, in Chapter I, the relations of production in the capitalist production process. There we maintained that the juridical ownership of the means of production is no longer exclusive in the definition of capitalist relations of production. Within this framework, the state ownership of the means of production (the state sector) is not considered enough to establish a socialist economy. What ensures the latter is a socialist organization of production based on "effective participation of the producers in the management and control of national economy."⁹⁵

Before we analyze the social organization of production in the three sectors in the coming two chapters, we will discuss some elements that contribute to the extension of capitalist relations of production to Algeria and other Third World formations. These are the colonial and the external factors.

⁹³Maurice Cornforth, Historical Materialism (New York: International Publishers, 1962), p. 96.

⁹⁴Charles Bettelheim, Economic Calculation and Forms of Property, trans. John Taylor (New York: MRP, 1975), p. 55.

⁹⁵Ahmed Akkache, Capitaux étrangers et libération économique: L'expérience Algérienne (Paris: Maspéro, 1971), p. 139.

The Colonial Heritage

Postcolonial social formations not only inherit from colonialism a backward economy, but also capitalist methods of administration and management. Algeria, which was subjected to more than 130 years of French colonialism, inherited from the French an administrative and management system geared to hierarchy along capitalist lines.

Faced with the shortage of cadres at the moment of independence, the government recruited heavily from those with limited education and experience.⁹⁶ The government also resorted to French technical help. The Evian agreements already outlined a "technical cooperation" between Algeria and France, whereby the latter would provide the administrative and technical help to ensure a normal functioning of the administration and the economy. "At independence," Clegg stated, "not only were the structures of the colonial administration preserved but the majority of the middle and upper echelons were also formed by it."⁹⁷

In 1963, the social structure of the Algerian administration was largely of colonial origin, as demonstrated by Table 4. Category A in the table refers to the top positions of the decision-making process. Those positions were held by top FLN and Provisional Government (GPRA) cadres with high

⁹⁶Abderrahmane Remili, L'administration Algerienne (Paris: Editions Berger-Laurault, 1973), p. 30.

⁹⁷Clegg, p. 113.

TABLE 4
STRUCTURE OF ALGERIAN ADMINISTRATION (1963)

Category	Percentages of Individuals From Colonial Administration
A	43
B	77
C	12
D	3

SOURCE: Ian Clegg, Workers' Self-Management in Algeria (New York: Monthly Review Press, 1971), p. 113.

educational levels. Forty-three percent of these positions were held by French-trained Algerians.⁹⁸

Category B refers to the managerial positions (office supervisors and skilled personnel) that required a relatively high level of education. Seventy-seven percent of positions in this category were held by Algerians who previously worked in colonial administration.

Category C refers to clerical and subordinate positions (clerks and messengers). These positions which did not require a high level of skill or education were mainly given to the FLN supporters as a compensation for their loyalty and

⁹⁸In 1955, there were 205 Algerian cadres out of 73,000 cadres of administration (Raffinot and Jacquemot, p. 41). The Constantine Plan trained 23,182 Algerians in administrative jobs (Clegg, p. 113).

active involvement in the liberation war. Only 12 percent of members of this category and 3 percent of Category D were recruited from ex-members of the colonial administration.

The role of the French-trained Algerians and the French technicians recruited after independence attest to the weight of colonial capitalist organizational methods in the management of Algerian administration and economy after independence. Despite the proclaimed socialism, the Algerian government made no effort to change the French administrative system in the first five years of independence.

The Algerian National Assembly declared in December 1963 that the administrative system inherited from the French would be kept (except in matters that touch national security).⁹⁹ This position was reaffirmed by the Algiers Charter of 1964, which stated that "a revolution is never a brutal and total rupture from the past",¹⁰⁰

The formal break with the colonial administrative system began when the state initiated the Code of the "Commune"¹⁰¹ in 1967 and the Code of the "Wilaya" in 1969. The need for the Algerianization of the administrative system was firmly linked to the Algerian development strategy, which aimed at establishing strong state institutions to ensure an

⁹⁹Remili, L'Administration, p. 8.

¹⁰⁰Quoted from Remili, L'administration, p. 8.

¹⁰¹Commune is the smallest administrative district in Algeria. A number of communes constitute daira and a number of diaras constitute wilaya.

independent development policy. "Strong state and administrative stability," stated Boumedienne, are "indispensable to a sound economic development."¹⁰²

The role of the former colonial capitalist administrative and management system can be seen in the adoption by "socialist" Algeria of capitalist hierarchy in all state administrative and economic structures. In fact, neither Algeria nor any other so-called socialist formation has been able so far to introduce anything other than capitalist hierarchical methods of organization.¹⁰³ The self-management system in Algeria, which was supposed to break with the capitalist organization of production of the past, was itself subjected to capitalist hierarchy, as the next chapter will demonstrate. By hierarchy we mean a system of positions arranged in a pyramidal structure whereby those in the top positions control¹⁰⁴ the overall functioning of that structure by initiating decisions and regulations that are then

¹⁰²Quoted from Remili, L'administration, p. 8.

¹⁰³See Stephen Marglin, "What Do Bosses Do? The Origins and Functions of Hierarchy in Capitalist Production." Review of Radical Political Economics 6, No. 2 (Summer 1974):60-112.

¹⁰⁴Control is defined as the "removal of any possibility of worker intervention in decision making, and the increasingly thorough and detailed imposition of prescriptions and standards designed elsewhere" (Graeme Salaman, "Managing the Frontier of Control," in Social Class and the Division of Labor, ed. Anthony Giddens and Gavin MacKenzie [Cambridge: Cambridge University Press, 1982], p. 49). In a capitalist production process, for example, "'control' is . . . the ability of capitalists and/or managers to obtain desired work behavior from workers" (Richard Edwards, Contested Terrain: The Transformation of the Workplace in the Twentieth Century [New York: Basic Books, 1979], p. 17).

transmitted and executed in an orderly manner through the different ranks of the hierarchy.

In a capitalist production process, "the social function of the hierarchical control . . . is to provide for the accumulation of capital."¹⁰⁵ In class terms, this means that the hierarchical organization of production in capitalism is ensured by a social division of labor¹⁰⁶ which divides the social structure of production into classes. The capitalists are on the top of the hierarchy (with the overall control over economic ownership and possession); the salaried petty-bourgeoisie in the middle of the hierarchy with control over the relations of possession; and the proletariat are at the bottom of the hierarchy, excluded from all forms of control.

External Factors

International capitalism plays an important role in the reproduction of capitalist relations of production in the Third World, particularly in the industrial sector of the economy.

Unlike agricultural revolutions or reforms which mostly

¹⁰⁵Marglin, p. 62.

¹⁰⁶A distinction must be made between the social division of labor, which refers to a class division within the production process, and the technical division of labor, which is the positions necessitated by production itself (the forces of production). "In the actual organization of the labor process, the social division of labor, directly dependent upon the relations of production, dominates the technical division" (Nicos Poulantzas, quoted from Wright, Class, Crisis and the State, p. 37).

involve internal elements (peasants and land), industrialization in the Third World requires the involvement of certain foreign elements such as import of machinery and technical experts, at least in the first stages of development. In particular, the role of international capitalism is essential in the industrialization of even those formations that choose socialist development, since the socialist "bloc" is unable to provide all the material and technical means of development. Speaking on China's need for foreign capital in its socialist development, Mao Tse-Tung stated in 1956: "Without foreign aid, and imagining that we can count on our own resources, we will never make it."¹⁰⁷ And as recently as 1985, Soviet economic advisers in Angola advised the Angolan government "to turn to Western transnationals such as Gulf Oil for new capital" to solve the problems of its socialist economic development.¹⁰⁸

By providing various means of development, advanced capitalist formations are, in fact, transmitting to the Third World the image of capitalist production. "The country that is more developed industrially only shows, to the less developed, the image of its own future," stated Marx.¹⁰⁹ This image is shown through several factors which directly or

¹⁰⁷Arghiri Emmanuel, Appropriate or Underdeveloped Technology? (New York: John Wiley & Sons, 1982), p. 32.

¹⁰⁸The Washington Post, 6 June 1985, p. 35.

¹⁰⁹Karl Marx, Capital, 3 vols. (New York: International Publishers, 1967), 1:8-9.

indirectly contribute to the extension of capitalist relations of production in the Third World. Let us briefly discuss some of these factors.

Publications and Research Studies

The successive defeats of colonial systems, particularly after World War II, led the international bourgeoisie to seek ways of influencing the newly created national states. Among these are the publications and research studies designed to encourage the development of capitalism in the Third World and at the same time, discourage state planning and direct involvement in the economy.

Two of these studies can be cited as examples. First, the National Planning Association's, The Development of African Private Enterprise, a report by T. Geigand and W. Armstrong (Washington, DC, March 1964). "This study analyzes the main problems which impede the emergence and development of modern forms of indigenous private economic activity in the countries of tropical Africa, and describes the measures for mitigating them which would be undertaken by African entrepreneurs themselves, by their governments, by Europeans, Americans and other private companies operating in Africa, and by foreign governments and international organizations providing aid to African countries" (Preface, p. vi). Second, the United Nations Technical Assistance Program, A Handbook of Public Administration (New York, 1961). This handbook advises Third World states to use foreign experts

and consultants in public administration.

There are, of course, countless other academic works which influence development strategies. We recall, for example, that the Algerian industrialization program owes much to the theory of the French economist G. Destanne de Bernis.

In general, then, such studies contribute to extension of capitalist relations of production in the Third World.

The Technology Factor

The so-called "transfer of technology" is not simply a neutral "transfer" of the means of production. Technology not only embodies scientific knowledge, but also organizational methods, values, and ideology. The fact that most of development technology comes from the capitalist West produces a notion of the technical superiority of capitalist production methods. The existing socialist systems have failed, until now, to surpass capitalist methods of production since they have not offered qualitatively new systems of management.

Industrialization, then, becomes a process of imitation of capitalist organization of production. "Through the effects of imitation," says Bishara Khader, a Palestinian economist, "men and societies tend to reproduce consciously or unconsciously the image . . . of the industrialized societies."¹¹⁰

¹¹⁰Quoted from Boutaleb, p. 27.

It is therefore extremely important for any real socialist development to draw the line between "technology as a means [of development] and the logic of industrial 'civilization' as a model for the cultural [and social] orientation of societies."¹¹¹

The Role of Consultants

Algeria's ambitious "Industrial Revolution" program called for a large number of foreign consultants and cadres to help plan and organize new projects or simply to solve the problems of management of the state sector. Algeria, says an American journalist, "abounds in American industrial consultants . . . from the most prestigious private companies."¹¹²

The role of consultants in Algeria is the transmission of the "economic laws of capitalism" by "train[ing] the indigenous managers in the spirit of capitalist management."¹¹³

In short, foreign capital transmits to the Third World the capitalist relations of production through various means. One can also cite the pressure used by international financial organizations on states to invest in profitable businesses¹¹⁴ or make certain economic reforms.¹¹⁵ While

¹¹¹Ibid.

¹¹²Sheehan, p. 28.

¹¹³Quoted from Alleg, p. 84.

¹¹⁴"Algeria's Chief Tightens His Grip," Business Week, 5 September 1977, p. 42.

¹¹⁵As seen in the recent reforms in Soudan just before Numeiri was ousted.

international capitalism cannot always play a determinant role in the development of capitalism in the Third World, it certainly contributes one way or another to the extension of capitalist relations of production to these formations.

Conclusion

The Algerian development strategy was defined in general terms at independence as part of an "Algerian socialism" that aimed at establishing a modern society free of external influence. During the 1962-65 period, there was a certain class equilibrium that prevented any specific class from leading the course of economic development. This class equilibrium ended when a coalition of classes (bourgeoisie, petty-bourgeoisie, and agrarian exploiting classes) established themselves in power through a coup d'état.

In searching for ways of establishing its hegemony over political and economic structures, the new class coalition initiated an ambitious industrialization program designed to achieve a rapid transformation of Algerian society. Industrialization during the 1967-77 period created tremendous social and economic changes. Algeria recovered the control over its economic wealth and established the basis for an independent development process. Yet, despite all the achievements during that period, unemployment was (and still is) high, and production and productivity remained low. The problems of the state sector are the product of a specific organization of production (see Chapters III and IV).

The Algerian industrial structure is composed of three juridical sectors: the self-managed sector (until 1975), the state-owned sector, and the private sector. The analysis of how these sectors are organized and managed is the key to understanding the fundamental differences and similarities between them. The way the Algerian industrial structure is managed is affected by several elements. First, colonial capitalism established the basis of capitalist organization of production by transferring to the new Algerian state an administrative and managerial system geared to capitalist hierarchy and organization of production. These hierarchical relations are also transmitted from the capitalist world through various elements such as publications, technology, managerial and technical consultants.

Bearing all this in mind, we now proceed to analyze the actual organization of production of the three economic sectors discussed above.

CHAPTER III

INDUSTRIAL SELF-MANAGEMENT AND ITS NEGATION

Introduction

The self-management experience in Algeria presented itself as a challenge to the inherited capitalist system of production management. But despite all the hopes placed on self-management as "the corner stone" of Algerian socialism, the extent of its application was limited and it faced serious problems that led to its final downfall. The study of the organization of production in Algeria necessitates a close look at self-management as a pioneer experience upon which capitalist management methods developed.

We have discussed previously the most important aspects of capitalist relations of production. We have said that the latter are characterized by the control over "economic ownership" and "possession" by the bourgeoisie. Self-management in Algeria was an attempt to put control over the above aspects where it belongs: in the hands of the workers themselves. But the formation of the state industrial sector negated self-management and enhanced the control of the bourgeoisie over accumulation and production processes, i.e., the formation of an industrial bourgeoisie in the state sector.

The Emergence of Self-Management

The massive departure of the French and other European settlers in the summer of 1962 left behind a large number of agricultural and industrial properties unattended. Clegg estimated that one million hectares of fertile land and one thousand industrial enterprises were left vacant.¹

In what was generally believed to be a spontaneous move, the Algerian workers wasted no time in occupying those "vacant properties."² Encouraged by the national workers' union (UGTA), the workers set up their own management committees and restarted production. The FLN saw the workers' takeover as a fulfillment of traditional values of cooperation characteristic of Algerian peasant society.³ But it wasn't until March 1963, that the government reacted to the workers' action by institutionalizing workers' self-management as "the Algerian form of economic organization."⁴

In March 1963 the government issued the first decree, which set up the criteria for declaring a property vacant.⁵ Vacant property was defined as properties abandoned by their original owners unwilling to return to them. On this matter,

¹Clegg, p. 58.

²See, for example, Chaliand, L'Algérie est-elle socialiste? Against the notion of spontaneity of the workers' actions, Boussoumah (without elaborating) argues that self-management in Algeria was rooted in the "social practice of the armed national movement" (Boussoumah, p. 7).

³Clegg, p. 109.

⁴Lazreg, p. 90.

⁵Ibid., p. 91.

Lazreg contends that "the rights of French owners were maintained until it was made sure (through various appeals made to them) that they were unwilling to return."⁶

The second decree of March 22, 1963, declared that the vacant industrial mining enterprises as well as agricultural concerns are to manage their own affairs through the following bodies:

- a. the workers' general assembly
- b. the workers' council
- c. the management committee
- d. the director

This decree stated, however, that "certain enterprises or undertakings of national importance may be integrated into the public sector and managed by public or semi-public bodies or by (national corporations)."⁸

The Workers' General Assembly

This assembly was constituted by "the regular workers (seasonal workers are excluded from membership)."⁹ The workers' assembly, which was "called by the workers' council or the management committee at least once every three months," handled the economic and financial affairs (investment, sales) of the enterprise according to the national

⁶ibid., p. 90.

⁷"The March Decrees," printed as an appendix in Clegg, p. 201.

⁸ibid.

⁹After 1965, the seasonal workers enjoyed the same rights as permanent workers (Lazreg, pp. 103-4).

plan.¹⁰ It also "adopt[ed] the arrangement concerning the organization of work and the definition and distribution of functions and responsibilities."¹¹

The Workers' Council

The worker's council, drawn from the general assembly, must have two-thirds of its members "engaged in the production work of the enterprise." Its members (a minimum of ten and a maximum of one hundred) meet at least once a month (or for extraordinary sessions) to handle "the purchase and sale of material equipment," hire new workers, and "decide . . . on long- and medium-term loans" of the enterprise.¹²

The Management Committee

The management committee "comprises three to eleven members elected by the workers' council from among its own members; of those, two-thirds must be directly engaged in production."¹³ The committee "assumes the tasks of managing the enterprise" (planning and organization), "arranges short-term loans," and handles the purchase and sales of input and output of production. The committee "meets at least once a month . . . (and) at the call of its president who is chosen from its members once a year."¹⁴

¹⁰"The March Decrees," pp. 201-2.

¹¹Ibid., p. 202.

¹²Ibid., p. 203.

¹³Ibid.

¹⁴Ibid.

The Director

The director "represents the state in the enterprise." His function is to oversee the financial and economic functioning of the enterprise and make sure that the general functioning of the unit conforms to a national plan.¹⁵

Perceptions of Self-Management

The establishment of self-management in Algeria seemed at the time to be a unique socialist experience in the Third World.¹⁶ Algeria was known as a revolutionary country, and the leftist-elements in the government even criticized other socialist experiences for not being socialist enough. The Algerian national worker's union, for example, expressed in its congress in January 1963 its opposition to the form of state socialism which "allows the petty-bourgeois spirit to persist and allows the exploiters to profit from the situation in reinforcing their privileges and consolidating their political positions."¹⁷

The Algiers Charter (1964) stated₁ in the same spirit/ that "the worker (in the U.S.S.R.) is an anonymous fragment of the machinery of production."¹⁸ The Charter noted that

¹⁵Ibid., p. 204. Ben Bella, under the workers' pressure, changed, in theory, the position of the director from that of a state representative to that of a permanent worker (Clegg, p. 63).

¹⁶Clegg noted that the organs of the Algerian self-management system "are very similar to those in the basic Yugoslav system of self-management" (Clegg, p. 61).

¹⁷Ibid., p. 117.

¹⁸Ibid., p. 125.

nationalizations alone do not guarantee socialism. What ensures socialist development is self-management, which is "the only real solution to the double contradiction of private property and the separation between decision-making and decision-execution."¹⁹

The Algiers Charter, then, equated socialism with self-management. It saw the latter as a means for ending exploitation and ensuring "the direct involvement of the producer" in management.²⁰ But despite all the rhetoric about self-management, its concrete application was a different story.

The Limited Application of Self-Management

Compared to the size of the private and state industrial sectors, the self-management industrial sector was a drop in the bucket. Benachenhou estimates that there were 330 self-managed enterprises in 1964, employing only 3,000 workers.²¹ Other estimates give the figure of 400 enterprises with 12,000 workers.²² By 1966, the number of enterprises declined to 218 (see Table 5).

In addition to its small size, self-management in industry was largely applied to unimportant enterprises.²³

¹⁹Ibid., pp. 125-26.

²⁰Ibid., p. 126.

²¹Benachenhou, p. 15.

²²Ahmed Mahsas, L'autogestion en Algérie (Paris: Editions Anthropos, 1975), p. 257.

²³For instance, the tobacco industry, considered important by the state, was not put under self-management.

TABLE 5
STRUCTURE OF INDUSTRY IN 1966

Type of Ownership	Number of Enterprises	Number of Employees
Self-managed	218	14,934
Private	599	40,570
State (including mixed companies)	433	45,871
TOTAL	1,250	101,375

SOURCE: Ian Clegg, Workers' Self-Management in Algeria (New York: Monthly Review Press, 1971), p. 88.

Clegg states that 45 percent of the self-managed enterprises were "of a semi-artisan character" and only 6 percent were "in basic industrial production."²⁴ More important, however, was the way it functioned in relation to other economic sectors.

In addition to being dependent on state agencies and regional authorities for credit and product marketing,²⁵ the self-managed sector faced tough competition from the private sector. The latter "dominated the very market that self-

²⁴Clegg, p. 88.

²⁵Mahsas, p. 257, and Richard Lawless, "Algeria: The Contradictions of Rapid Industrialization," in North Africa: Contemporary Politics and Economic Development, ed. Richard Lawless and Allan Findlay (New York: St. Martin's Press, 1984), p. 155.

management enterprises needed."²⁶ Moreover, the self-managed sector suffered from cash shortages and was unable to offer good credit terms to its customers "who then turned to the private sector."²⁷ Lazreg points out that "when the customer was a government agency, payments were practically never made."²⁸ But when this situation led to severe shortages of liquid capital, the self-managed enterprises were blamed for inefficiency and their management committees were dissolved and replaced by state managerial "experts."²⁹

During the industrial self-management congress, which was organized by the FLN in March 1964, another major problem was unveiled: "The self-managed sector cannot offer the same salaries as private enterprise and . . . an equalization of salaries in the two sectors . . . was not easily feasible."³⁰

In the same congress, the workers criticized the state agencies for being an obstacle to further development of self-management.³¹

It is then obvious that the state agencies tended to favor the private sector over the self-managed sector in terms of credit, marketing, and technical assistance. This

²⁶Lazreg, p. 98.

²⁷Ibid., p. 99.

²⁸Ibid.

²⁹Lazreg, p. 100. For an example, see p. 222.

³⁰Damien Helie, "Industrial Self-Management in Algeria," in *Man, State and Society in the Contemporary Maghreb*, ed. I. W. Zartman (New York: Praeger Publishers, 1973), p. 469.

³¹Lazreg, p. 109.

is due, in part, to the fact that "the government administration and banks . . . are accustomed to working with private business and not with new entities with little security."³² But, most important, self-management was fundamentally opposed by the bourgeoisie (in both private and state sectors) as we shall see below.

Loss of Control la Workers
over Means of Production

Self-management organs, as noted by many authors, seem to function in a capitalist hierarchical structure with the director at the top of the hierarchy making the important decisions concerning the functioning of the enterprise, and the workers' general assembly at the bottom of the hierarchy excluded from the real decision-making process and having only consultative functions. The workers' assembly "does not have the power to make decisions; it simply endorses rather than controls decisions made within the enterprise."³³

The mere presence of a director in the self-managed enterprise appointed by the state rather than by the workers shows the intent of the state to reduce the workers

³²Helie, p. 468. In order for them to qualify for a loan, self-managed enterprises had to prove tht they earned a profit in the previous three years. But this was practically impossible for the majority of enterprises. The shortage of "liquid capital" became a structural problem in most self-managed enterprises since the state refused to provide them with the badly needed loans. See Clegg, p. 155.

³³Lazreg, p. 93.

to "simply state employees."³⁴ The establishment of the director's control is due in part to the lack of workers' education and experience in management. Because of this,

the workers do not know the legislation on self-management and are unaware of their rights. Apart from their wage problems, they participate little in the meetings since they do not have the background to tackle the current problems.

Problems in the self-management sector arose between workers and managers and also between the workers themselves which further divided the working class. "The elected members of the self-management committees often grant themselves privileges"³⁶ and, thus, enter into conflict with "ordinary workers." Conflict also arose "between skilled and unskilled workers."³⁷

Because of these problems, it seems only fair to suggest that the state-appointed directors succeeded in separating workers from control over the means of production. This means that the directors and the state officials who appointed them did not identify their interests with those of the workers. The private bourgeoisie and the bourgeois elements in the state felt that their interests were threatened with the creation of self-management system; they reacted by creating problems for this system in order to

³⁴Lawless, p. 159; Lazreg, p. 98.

³⁵Helie, p. 472.

³⁶Ibid., p. 471.

³⁷Samir Amin, The Maghreb in the Modern World, Algeria, Tunisia, Morocco, trans. Michael Perl (Baltimore: Penguin Books, 1970), p. 195.

contain it: "The nascent national bourgeoisie of administrators, party officials and technicians turned to attack the committees as an explicit threat to their own developing class interests."³⁸

The process of proletarianization and bourgeoisification in the self-management sector attest to the dynamism of the Algerian bourgeoisie and to the difficult historical conditions in which self-management was functioning. Controlled by the state through the directors and the subsequent imposition of hierarchical organizational structures, it became difficult to consider the experience of self-management in Algeria as a real "workers' self-management" because, "The institutions of the system of socialist self-management presuppose a nonhierarchical type of organization, an integration of managerial and executive functions, [and] call for producers with a wide knowledge involved in all the major processes of decision-making in the organization."³⁹ In Algeria, these conditions were not met in the so-called self-management sector. This is what led Raffinot and Jacquemot to suggest that the March decrees, which were elaborated by the government, created an economic sector organized along three "state-capitalist" principles: administrative appointment of directors,

³⁸Clegg, p. 58.

³⁹Silvano Bolcic, "Class Interests and Post-War Economic Development in Yugoslavia," paper presented at the International Conference on Social Classes, Social Change, and Economic Development in the Mediterranean, Athens, Greece, 36 May 1984.

profitability, and the presence of wage labor.⁴⁰

Self-management was subject to state control ever since it was institutionalized by the famous March decrees of 1963. But its existence as such was not threatened until after the coup d'état of June 19, 1965, which established a new class alliance in power. Although control over self-management was a priority task to the "Revolutionary council," the latter had to pursue a careful course of action to avoid any social disturbances. Any brisk dissolution of "management committees" and "workers' councils" would have meant an attack on the hopes of the proletarians for the establishment of a decentralized management system.

Faced with demonstrations and strikes, the governing "Revolutionary Council" declared that "the principle of self-management [was] one of the fundamental givens of our socialist option."⁴¹ It even promised financial and material aid to self-managed enterprises.⁴²

But afterwards, the government evaluated self-managed enterprises on "solely economic criteria" and criticized them for inefficient management and production.⁴³ Boumedienne, for example, "blame[d] the workers for their low productivity and declare[d] that self-management 'must conform to the law and submit to control.'"⁴⁴ The debate over the future of

⁴⁰Raffinot and Jacquemot, p. 67.

⁴¹Boussoumah, p. 267.

⁴²Clegg, p. 135.

⁴³Ibid., pp. 133-4.

⁴⁴Lazreg, p. 101.

self-management, say Raffinot and Jacquemot, "was finally resolved during 1966 in favor of the 'technocrats'--the advocates of closer state-control."⁴⁵ The government then proceeded to take over self-managed enterprises. The first action of the government was the denationalization of some small concerns, hotels, shops, etc., which were either returned to their Algerian owners or sold.⁴⁶ Other enterprises (the relatively important ones) were annexed to the state sector. The remaining self-management enterprises were "deemed too weak to be of any economic value for the state."⁴⁷ Moreover, they were not given the financial and material help they were promised.⁴⁸

The process of the state gaining control over self-management was intensified with a successive wave of annexing self-managed enterprises to state companies, especially between 1966 and 1968. The examples are many:⁴⁹

1. "Huileries Modernes d'Alger," an important cooking oil company, was annexed to SNCG in 1967.

2. Construction enterprises were annexed to the state company, SONATIBA.

3. Other enterprises of metallurgy (COMETAL), wood (CIB), furniture (CAMA), and milk processing (COLAITAL) "lost

⁴⁵Raffinot and Jacquemot, p.107. ⁴⁶Clegg, pp. 135, 151-3.

⁴⁷Lazreg, p. 102.

⁴⁸Boussoumah, p. 273.

⁴⁹The information given here comes from Raffinot and Jacquemot, pp. 107-8, and Clegg, p. 137-8, unless otherwise indicated.

their management committees and were run instead by foremen nominated by the complex director. The workers were represented by an elected council with consultative powers only."

4. In March 1967, 23 self-managed enterprises were annexed to the state transport company, SNTR. Three months later nine other enterprises were taken over. By 1970, SNTR had obtained 36 self-managed enterprises.⁵⁰

5. In 1968, fifteen other self-managed enterprises were incorporated into state companies.⁵¹

The workers and their union, UGTA (before it became firmly controlled by the government), reacted to these takeovers:

1. In April 1966, the UGTA denounced the denationalization of twenty-one self-managed concerns and their return to Algerian owners.⁵²

2. In 1967, the workers of the gas and electricity enterprise, EGA, defended self-management in their enterprise and opposed a government takeover.⁵³

3. In August 1967, the UGTA criticized the creation of state companies that do not "favor the moral and material interest of the worker in what he is producing."⁵⁴

Ever since the First Three-Year Plan was launched in 1967, the pace of annexing self-managed enterprises to state

⁵⁰Boussoumah, p. 295. ⁵²

lbid.

⁵⁴Ibid.

⁵¹lbid., p. 275.

⁵³Ottaway and Ottaway, p.249.

companies was accelerated until the total takeover of all industrial enterprises during the Second Four-Year Plan (1974-77).⁵⁵ Boussoumah remarked that almost all state companies (except banks, insurance, and the oil industry) absorbed some self-managed enterprises.⁵⁶ SONACOME, for example, one of the largest companies of Department I industry (created in 1967), started by annexing self-managed enterprises.⁵⁷

This is why, in part, we view industrialization as a mechanism of a capitalist class formation in Algeria. Industrial complexes erected by the state not only controlled the self-management sector by annexing their enterprises but also established a material foundation on which a bourgeoisie is to assume control.

With the self-managed industrial sector becoming part of the state sector, we can only note its brief history and the failure of workers again to overcome the dominance of capitalist relations of production. The same workers that once fought for a decentralized democratic system of management are now simple wage workers submitting to the relations of production they once attacked.

Self-management was seen by the state as a deviation from the Algerian "socialist option." After the coup, this

⁵⁵Self-management survives, however, in the agricultural sector but only in a formal way since the state, through the directors, has control over economic ownership and possession. See Benhouria, pp. 61-126.

⁵⁶Boussoumah, p. 311.

⁵⁷Ibid., p. 297.

idea was clearly expressed by several officials. An official of the giant state oil company, SONATRACH, stated that self-management "is a child's dream. The workers will have auto-gestion in twenty or fifty years as a reward for their hard work in the present."⁵⁸ The influential Minister of Industry, Belaid Abdessalem, one of the advocates of Algerian industrial strategy, said:

Self-management cannot succeed in underdeveloped countries because the workers lack experience and spirit of [self-management]. They prefer instead the system of national corporations and state control.

President Boumedienne stated in 1968 that

self-management system is considered a deviation by certain theorists of socialism. That is why Marxists in some socialist countries, especially in the Soviet Union, have considered self-management a deviationist activity when it was applied in Yugoslavia. As for Algeria, we have decided, in spite of all the criticisms, to create national corporations because our task is to put an end to anarchy, squandering and chaos in this sector.

In short, industrial self-management in Algeria was overthrown as a viable alternative method to the capitalist organization of production. But while self-management was considered by some as "dead for a long time,"⁶¹ it "could not be abolished" totally for fear of "serious political repercussions."⁶² Self-management still exists in agriculture,

⁵⁸Quoted from Clegg, p. 137.

⁵⁹Annuaire de l'Afrique du Nord 1967 (Paris: CNRS, 1968), pp. 388-89.

⁶⁰Quoted from Lazreg, p. 104.

⁶¹Raffinot and Jacquemot, p.108. ⁶²Ottaway and Ottaway, p.227.

although it is practically under the control of the state.

The process of state control over self-management is well-summarized by Michel: "Everything has happened as if there was a struggle between a self-management conception of socialism and state socialism, and everything has turned out as if, in the first stage, state socialism has won over self-management."⁶³

But what Michel considers "state socialism" must also be dealt with analytically to see whether, in fact, it is "state socialism" or something else. To do that, we need to analyze the social organization of the state industrial sector throughout the period of the "Industrial Revolution"--1967-77.

The Negation of Self-Management: The Development
of State Industrial Sector and Its
Organization 1966-71

In the first four years of independence, 1962-66, there existed alongside the self-managed and the private foreign and national sectors a state industrial sector comprised of (a) the inherited enterprises from the colonial state, (b) the nationalized enterprises, and (c) the newly created enterprises. Yet, until 1966, the state sector remained small and was mainly confined to light industry.⁶⁴

⁶³Quoted from Clegg, p. 114.

⁶⁴It should be noted that the Algerian state was engaged in the completion of some heavy industrial projects (the steel complex of El-Hadjar, for example) inherited from the Constantine Plan.

The idea of developing a strong state industrial sector was always present in Algerian Charters and other documents. We recall from Chapter II that the Tripoli program, for example, expressed the need for a creation of a strong industrial state sector. But contrary to the development experiences of some Third World formations which relied on import substitution industrialization and created dependent economies, the Algerian state, the program asserted, would establish a heavy industrial basis to create the means of production necessary for modernizing agriculture and developing other industries for ensuring "economic independence" and "socialism."⁶⁵

We have seen in Chapter II that this process did not start systematically until 1967 (with the initiation of the Three-Year Development Program). By 1977 (the end of the Second Four-Year Plan), Algeria established one of the largest and most modern state industrial sectors in the Third World.

How, then, is the state industrial sector organized? How has it affected the class structure?

In general terms, the state industrial sector can be defined as "an ensemble of enterprises which are juridically owned by the state and in which the direction of the investments is decided at the level of state power and in which managers are appointed by a political decision at the state

⁶⁵"The Tripoli Program," pp. 699-701.

level."⁶⁶

The Algerian state owns three types of establishments:⁶⁷

1. Public Enterprises with an "administrative character" (that is, managed on the basis of administrative law), found mostly in social and cultural activities (schools, hospitals, etc.) but also existing in some economic activities.

2. Public enterprises with an "industrial or commercial character" such as the Algerian Development Bank (BAD) and the state tobacco and match company (SNTA). "Their organization is inspired by management methods of private enterprises."⁶⁸

3. National Corporations (or companies), which are the real driving economic base of industrialization in Algeria. They are regulated solely by the commercial law that dates as far back as 1867 and thus are relatively more autonomous structures than the above two types of public establishments. National corporations can be divided into two categories: (a) state companies,⁶⁹ which are wholly owned by the state, and (b) mixed companies (or joint venture companies), in

⁶⁶Benachenhou, p. 9.

⁶⁷This information was taken from Abderrahmane Remili, Les institutions administratives Algériennes, 2nd ed. (Algiers: SNED, 1973), pp. 161-7.

⁶⁸ibid., p. 163.

⁶⁹Notice here that the term "state companies" is narrower than the general term "national companies." The two, however, are merely juridical categories.

which the state (in most cases) owns the majority of investment capital (at least 51 percent).⁷⁰

The focus of our analysis is on the organization of the state companies, particularly those under the tutelage of the Ministries of Heavy and Light Industries.⁷¹

The organization of state companies (or enterprises) is a complicated matter. Until 1971 (before the introduction of so-called Socialist Management of Enterprises in November of 1977), the state companies constituted heterogeneous entities that were subject to relatively different management regulations. Each nationalized or newly created company is run on the basis of a specific decree issued by the government. At least two types of state companies can be distinguished depending on the extent of autonomy from the state:

1. Sociétés anonymes, or public mixed companies, resemble the capitalist "joint stock" companies. These state companies are relatively autonomous structures and are jointly owned by at least seven different parties representing the public establishments or enterprises and are

⁷⁰A few mixed companies exist in which the state owns a minority of shares. ,For example, "Compagnie Générale de la Chaussure" and "Bonneterie de l'Oued Mina" (Boussoumah, p. 394)

⁷¹Today, there exist about sixty state companies and fifty mixed companies. The mixed companies are excluded from our analysis because they are not subject to management methods advocated by the state through the so-called " Socialist Management" Charter of 1971. Boussoumah correctly noted that although the state owns the majority of shares in most companies, it did not subject mixed companies to " socialist management" for fear of discouraging private capitalist investments (Boussoumah, p. 435).

organized by management organs similar to the general assembly of stockholders, administrative council, and director of capitalist corporations). There exist at least five state companies of this type: CNAN, SONATRACH, SNCTP, SONACO, and AGENOR.⁷²

2. The Soviet type of enterprises: the centralized authority. These state enterprises (as SONATIBA and SONACOME), which predominated between 1966 and 1971, have no collegial bodies (administrative councils). They have instead a consultative organ, usually called "control and orientation committee," that almost entirely represents the state. All managerial power is in the hands of a director who is responsible only to the Minister of Tutelage. This type of economic organization is a copy of the Soviet one-man management system advocated by Lenin in 1917 (and renewed in 1965). The Algerian state resorted to this method of management specifically between 1966 and 1971 for two reasons: (a) to solve the problem of shortages of qualified and experienced cadres needed in administrative councils between 1962 and 1966,⁷³ and (b) to dissolve the management committees of the newly controlled self-management enterprises.

The term state enterprise was first defined in 1969 by the National Social and Economic Council (CNES) as "une personne morale qui a la qualité de commerçant et dont les

⁷²ibid., p. 381.

⁷³Remili, Les Institutions, p. 166.

biens sont publiques."⁷⁴ The state industrial companies regroup the most important economic activity in the country and provide a strong and modern industrial base which serves as a material foundation for an independent development path. They are, as A. Akkache remarked, an "effective instrument in the struggle against the dominance of foreign capital."⁷⁵ But this quality does not suggest that state companies are an "effective instrument" against capitalism despite the fact that socialism is the proclaimed objective of the state. State companies are "typically capitalist"⁷⁶ because they are organized according to the capitalist commercial law. This means that their foremost goal is the realization of profit and that control over the accumulation and production process is in the hands of the state (represented by managers) rather than in the hands of the producers themselves.

The creation and control of the Algerian state enterprises is ensured by the following organs:⁷⁷

The Ministry of Planning

The need for a rapid industrialization program in Algeria to "catch up" with the developed world necessitated a

⁷⁴This definition also includes the "public enterprises with an industrial and commercial character." Excluded from this definition are the "public enterprises with an administrative character," the local communal and Wilaya enterprises, and the mixed companies (Boussoumah, p. 349).

⁷⁵Akkache, p. 99.

⁷⁶Ibid., p. 101.

⁷⁷It must be noted that here we are only concerned with the management of enterprises, not of specific units.

rational planning procedure by the state to gather all possible and potential means to initiate development programs. Until 1970, planning was handled by "Direction Generale de Ministere." This organ became, in 1970, the State Secretariat for Planning. But, with the increasingly vital role of planning in development, the organ of planning acquired the status of the Ministry of "Planning and National Development" in 1979.

Planning in Algeria functioned according to market mechanisms. That is, in order for the planners to initiate a specific development program, they have to, in addition to other things, study market demand and supply, etc.

Planning decisions, during the Three-Year development plan (1967-1969), were "extremely centralized."⁷⁸ That is, they only involved top state officials. During the First Four-Year Plan (1970-73), however, the managers of state corporations were associated with the planning process.⁷⁹ Planning, as Benachenhou stated, "was not really democratic because it did not include workers' representatives and local officials in the process."⁸⁰

To concretize planning decisions, the industrial projects are assigned to their proper sponsors, usually the Ministries of Heavy Industry or Light Industry. The Ministry of Tutelage, then, appoints a general director who implements

⁷⁸Benachenhou, p. 71. ⁸⁰

⁷⁹Ibid.

Ibid., p. 72.

the investment capital in assigned projects. While the General Manager is the highest authority of the enterprise, the Minister of Tutelage is responsible for the general orientation and activity programs and the appointment of top employees of the company.⁸¹ The Minister of Tutelage, thus, becomes a comanager of the enterprise.

Throughout the industrial revolution period (1967-77), industrial projects multiplied and the responsibility of the Ministry of Industry and Energy intensified, making it more difficult for one ministry to handle all enterprises. The Ministry of Industry and Energy was then broken down into three separate ministries: (a) the Ministry of Energy and Petrochemicals, handling SONATRACH and SONEGAS; (b) the Ministry of Heavy Industry, controlling five enterprises; and (c) the Ministry of Light Industry, managing twelve enterprises.

The Director of the Enterprise

The top management position of a state company is held by a Director, usually nominated by the Ministry of Tutelage. There are two types of Directors: in the companies where there exists a collegial management body (an administrative council), which is the frequent form of management, we find a General Director alongside the President of the Administrative Council; in other companies (especially the most important ones), the positions of the General Director and

⁸¹Boussoumah, p. 393.

President of the Administrative Council are fused in one position: the "President Director General" or PDG. The PDG exists in eleven state enterprises. Among them: SONATRACH, SNTA, SNSEMPAC and several banking institutions. The PDG is responsible for "the daily management, the application of the politics of the enterprise, and the execution of decisions taken by the administrative council" and hires and fires personnel.⁸² The PDG is generally assisted by a number of directors of units belonging to the same enterprise.

Whether it is a general director or a PDG, the principle of management in Algeria remains the same: the concentration of authority in the hands of one man who is only responsible to the Minister. Even the existence of the President of the Administrative Council, as we will see below, does not reduce the power of the General Director except in rare cases where the President of the Administrative Council is himself a head of state or a Minister.

Since 1966, the power of directors has been greatly enhanced by replacing the collegial organs of management with consultative organs.⁸³ This tendency was, in fact, confirmed by President Boumedienne in 1971 when he said:

In the past, we have given priority to the authority of the directors because our "pathological" economy was in need of firm hands at the top. Today, we have reached a stage wherethe question of control is posed with acute-ness.

⁸²ibid., p. 379.

⁸³Ibid., p. 38.

⁸⁴Remili, *Les Institutions*, p. 167.

The concentration of managerial authority in the Director's position was a drive not only to solve economic problems but as we mentioned earlier it was meant to dissolve the self-management system and thus, the separation of workers from control over their means of production.

The Collegial Organ

In most state companies, the General Director assumes his responsibilities alongside an Administrative Council that is supposed to represent the different parties comprising the company. This Administrative Council, which we will refer to as management council, is usually called "control and orientation committee" in the enterprises belonging to the Ministries of Industry and Energy (SONACOME , *SNS*, SONACO, etc.) . In other companies, it is called "committee de direction" (BNA, CPA, BEA).⁸⁵ In thirteen companies (out of fifty that have some type of an administrative council) the administrative council represents exclusively the state Ministries. In the rest, other parties are represented (party, trade union, etc.).⁸⁶ Yet, even if other parties are a part of an administrative council, their representation is only symbolic, as Table 6 clearly demonstrates. The representation of different parties of the companies have changed dramatically since 1966 in favor of the state. Table 7 shows the change in the

⁸⁵Exceptionally, however, INAPI has an "administrative council."

⁸⁶Boussoumah, p. 366.

TABLE 6
 REPRESENTATION IN ADMINISTRATIVE COUNCIL

Company	Parties Represented				
	State	Personnel	UGTA	Party	Technicians
SNL	6		1	1	2
SN IB	5	2	1	1	2
SONELGAZ	6	2	1	1	2
SNCOTEC	6	1	---	---	2

SOURCE: Mohamed Boussoumah, L'Entreprise Socialiste en Algerie (Paris: Economica, 1982), p. 395.

TABLE 7
 REPRESENTATION IN ADMINISTRATIVE COUNCIL
 OF SONELGAZ

Period	Parties Represented				
	State	Personnel	UGTA	Party	Technicians
1962-65	2	2	2		
1966-71	6	2	0	1	1

SOURCE: Compiled from Boussoumah, pp. 371, 395.

composition of the administrative council of the EGA (which became SONEGAS in 1966). It becomes clear, then, that whether it is called an administrative council or control and orientation committee, the state after 1965 became the supreme authority which appointed most of the members of the council or committee and decided on the representation quotas of other parties.⁸⁷

The substitution of ex-management committees of self-management by consultative organs in state enterprises was denounced by UGTA (before it was dominated by the state) as "a reversal compared to the epoch of foreign domination."⁸⁸ The National Federation of EGA demanded in its congress of 1967 the creation of management councils that would represent the workers and other parties. The state, however, refused to establish autonomous management bodies.⁸⁹

The role of the management council in an enterprise is twofold:

First of all, it observes the activity of the firm and deliberates upon the reports concluded by the general director and those of the "commissaire aux comptes," as well as over the programs of production and marketing. Secondly, it gives its opinions regarding the budgets of the firm, the increase and decrease of capital, the allotment of resources, the status of the personnel, and the 'internal regulation that structures the firm. However important these functions may be, the decisions on investment, budget, and other vital matters remain in the hands of the General Director and the Minister of Tutelage.

⁸⁷Ibid., pp. 375-6.

⁸⁸Ibid., p. 367.

⁸⁹Ibid.

⁹⁰Ibid., p. 374.

The Management Council is presided over by a President. The role of the President is to consult the General Director and to call on meetings of his council on matters concerning the company. The most frequent method of management consists of a General Director and a President of a Management Council (although as we mentioned before, the General Director sometimes presides over the council). The position of the President varies in terms of authority from one enterprise to another. In some enterprises, the President of the council is the key figure of the company. This is true in cases where the President of the council happens to be a top state official as was the case with SONATRACH, whose council was presided over by the Minister of Economy, and *SNS*, whose council was headed by an ex-GPRA leader.⁹¹ In most enterprises, however, the position of the President is an honorary position, since it is the General Director who exercises the power of overall managerial tasks. This trend was greatly intensified after 1965 and was, as Boussoumah stated, an effective means of removing some potential political opponents who presided over administrative councils.⁹²

An Example

Let us now examine concretely the organization of one state company in order to bring into focus all aspects of

management discussed above:⁹³ SONACOME (The National State Company of Mechanical Construction Industries), under the tutelage of the Ministry of Heavy Industry, created August 9, 1967. Its general objectives include (a) undertake studies on the market and its evolution; (b) plan and prepare annual and long-term production programs; (c) secure the necessary supplies for execution of programs; (d) define sales policy and ensure the flow and distribution of products; (e) realize all crucial technical and technological, economic, and financial studies; (f) acquire, exploit, and register all licenses, patents, and manufacturing procedures linked to the firm's activity; and (g) undertake construction, installation, and handling of new industrial equipment.

This company has a monopoly over importation of mechanical products. Upon the completion of all its production units, the company will produce tractors, engines, agricultural machinery, machine tools, automobiles, bicycles, and motorcycles, and industrial equipment. In 1977, the company operated six productive units employing about 12,000 employees. Among them are 580 foreign engineers and technicians (115 from socialist countries and 465 from capitalist countries) .

The top managerial authority of the enterprise is held by a General Director, who is appointed by the Ministry of

⁹³ This information is taken from Tayeb Said-Amer, L'Industrialisation en Algérie (Paris: Editions Anthropos, 1978), pp. 252-3, 256; and from Akkache, pp. 100-1.

Industry. The Director is responsible for the daily management of the company and the execution of the development plan and is the head of twenty-one directors and is responsible for different departments and units within the company. He is assisted by "control and orientation committee." The latter is comprised of four representatives of state ministries, two representatives of personnel, and two counselors chosen according to their "technical competence." The committee is a consultative organ which gives its opinion on matters concerning internal regulations of the company, the status of personnel, general problems of management and investment allocation. "The final repartition of benefits is decided jointly by the Ministries of Industry and Finance after a dividend--equal to the amount of interest of the Central Bank--is paid to the state."⁹⁴

The way state companies are organized clearly shows two important aspects of class relations on the state industrial sector. First, at least until 1971, the producers were almost entirely excluded from control over planning, investments, and production process. And second, control over the above processes was in the hands of state officials and top managers who run the state enterprises according to capitalist management methods (hierarchy and social division of labor) .

Based on that, it seems fair to suggest that the state

⁹⁴Akkache, p. 101.

industrial sector is characterized by both capitalist hierarchy and social division of labor. The social structure of industry is thus divided into at least two classes: the industrial wage workers, and what we will refer to as the industrial bourgeoisie in the state sector.

The Industrial Bourgeoisie

This class is part of what is usually called "bureaucratic bourgeoisie" or "state bourgeoisie." Bettelheim defines the "state bourgeoisie" as comprising "agents of social reproduction other than the direct producers who, because of the existing system of social practices, possesses effective control over the means of production and products which officially belong to the state."⁹⁵

This so-called state bourgeoisie can become a dominant class when "it carves a privileged stature from its economic position within the social division of labor and prevents workers from real control over the means of production."⁹⁶

The formation of the industrial bourgeoisie in the state sector was implicitly recognized by state officials. Boume-dienne, for example, spoke of those who "sit atop the economic structures and body of the state and who try to suck the value of the labor of the toilers."⁹⁷ In fact, even before the "Industrial Revolution" was launched, the Charter

⁹⁵Bettelheim, quoted from Raffinot and Jacquemot, pp. 119-20.

⁹⁶Ibid., p. 120.

⁹⁷Farsoun, p. 28.

of Algiers (1964) remarked that "since independence, a new social grouping of a bureaucratic bourgeoisie has been developing rapidly in the state administration and the economy."⁹⁸

But even if "bureaucratic bourgeoisie" was developing in the first four years of independence, it was relatively weak given the fact that most of Algeria's important industry was controlled by foreign capital. It was only during the 1967-77 period that Algeria recovered its economic wealth and engaged in industrial building. The processes of nationalization and industrialization were, then, the real basis upon which developed a strong Algerian industrial bourgeoisie in the state sector since the state became the controller and manager of an enormous industrial structure. And despite the pronounced socialism by the state, Algeria, as The Economist well summed it up,

has found a new, albeit nominally socialist, ruling class: surprisingly dynamic, rather puritan, a bit too self-confident, incredibly young. A group of presidents of nationalized companies and top administrators in their twenties and early thirties may be going to lead their nation . . . into a Franco-Japanese style of state-led capitalist miracle, despite the socialist and nationalist rhetoric that they are politically obliged to mouth.⁷²

The Industrial Proletariat

Industrial production in the state sector not only involves planning and directing investments at the enterprise level, but also includes technical, supervisory, clerical,

⁹⁸Quoted from Clegg, p. 114.

⁹⁹"Algeria: The Socialist Revolutionaries Are at Take-Off Point," The Economist (London), 13 April 1974, p. 41.

and manual work in the production units (the factories) belonging to that enterprise. Yet, regardless of the type of work performed (physical or mental) by a proletariat, we mean all the positions within the social relations of production occupied by people who do not control planning, investment, and production processes.

Throughout the analysis of state enterprises, we have seen that the latter, as Boussoumah correctly remarked, share one important characteristic: "conspicuous weakness of the participation of workers in the management .of enterprises." " Although Although there were some limited attempts to associate workers in management,¹⁰¹ these efforts "did not constitute a serious obstacle to the authority of enterprise management or [Ministry] of Tutelage."¹⁰² In August 1967, for example, the Minister of Industry and Energy "opposed the creation of union branches in his ministry."¹⁰³ In the same year, that same minister did not allow the FLN and the UGTA to participate in the conference on the "socialist industrial sector." He even removed the union leaders who opposed his decisions.¹⁰⁴ These actions clearly suggest that the

¹⁰⁰Boussoumah, p. 311.

¹⁰¹Creation of trade union (FNTPGA) in SONATRACH in 1967, the UGTA's discussion in its congress of May 1969 of methods of associating workers in management, and the Revolutionary Council's declaration in 1967 of "effective participation of the producers in management" (Boussoumah, pp. 400, 401, 410).

¹⁰²Ibid., p. 401.

¹⁰³Lazreg, p. 83.

¹⁰⁴Clegg, p. 138.

Algerian "socialist" industrialization was viewed narrowly in terms of its technical aspect (achieving economic development) rather than of its social egalitarian aspect that required participation of all those involved in industrial development. This idea was, in fact, bluntly expressed by Boumedienne in 1975 when he claimed that he favored technical competence over political and ideological orientation.¹⁰⁵

The characteristics and problems of the state industrial sector point to the contradictory nature of Algeria's state-led industrialization (at least as far as the workers are concerned). On the one hand, the state officials had repeatedly proclaimed socialism as a goal of Algerian development strategy, while on the other hand the vast majority of those who were involved in industrialization process--the workers--were almost entirely separated from control over that process. There is, as Helie put it,

a striking contrast between the world of politicians who talk ideology and politics, and that of workers in the factories, who talk salaries and everyday problems. Everything happens as if there were no communication between the top and the lower social levels, as if the people involved did not even speak the same language. Indeed, workers and managers in Algeria do not speak the

same language. This situation led to the rise of conflict not only between managers and workers, but also between the workers themselves (see below).

¹⁰⁵"Ben Bella, ou est-il?" *Jeune Afrique*, No. 912, 28 June 1978, p. 33.

¹⁰⁶Helie, p. 470.

Conflict in State Enterprises

As a result of separation of workers from control over their means of production--a violation of the fundamental principle of the proclaimed socialism--problems and conflict arose at different levels of the factory: lack of motivation of workers and cadres, strikes, and even conflict within the structure of the proletariat itself.

The social problems of the factory created by irresponsible and hostile managers increased the lack of motivation to improve production and productivity. A worker of SONACOME expressed his attitude in the following manner: "Why make extra efforts if we are put at the same level as those who work less."¹⁰⁷ A young cadre of the same company stated: "Why be responsible in an environment where only irresponsibility prevails?"¹⁰⁸ The shop heads and foremen are so preoccupied with their hours and wage problems that they become careless about the production process.¹⁰⁹

Conflict within the state enterprise also arose between white-collar and blue-collar workers because the former are privileged and better paid.¹¹⁰ This is what is usually referred to by Marxists as the antagonism between conception and execution, or mental and manual labor. Braverman stated that "in the setting of antagonistic social relations, of alienated labor, hand and brain become not just separated,

¹⁰⁷Said-Amer, p. 52.

¹⁰⁸Ibid., p. 57.

¹⁰⁹Ibid., p. 55.

¹¹⁰Ibid., p. 61.

but divided and hostile."¹¹¹ These problems, then, attest to the conditions in which work is performed in the state sector. Other problems such as low wages and housing shortages for workers further complicated the social divisions.

Wages and Exploitation

It is a general characteristic of all class societies that the dominant class acquires disproportionately large amounts of the surplus produced by the dominated class. In advanced capitalist formations, for example, the bourgeoisie (owners and managers) receives the highest earnings--consisting of profits, high wages, bonuses, etc.--through the mechanism of exploitation of the working class. Similarly, the industrial bourgeoisie in the state sector ensures its domination and exploitation of the working class not just by controlling planning, investment, and production processes, but also by receiving the highest earnings in wages and benefits.¹¹² But before we examine concretely this unequal distribution of wealth, it is important to clarify some theoretical problems arising from dealing with exploitation in the state sector.

First, there is a belief that since the state in Algeria is the owner of the means of production and is "socialist" in character, there can be no exploitation because the state

¹¹¹Harry Braverman, Labor and Monopoly Capital (New York and London: Monthly Review Press, 1974), p. 125.

¹¹²Richard Hyman, Industrial Relations: A Marxist Introduction (London: The Macmillan Press, 1975), p. 30.

represents the general interest of the people. We have already dealt with this issue in Chapter I . Therefore, we can only briefly summarize our argument. State ownership of the means of production is a juridical form of ownership or as Raffinot and Jacquemot call it "a juridical fiction" " that occults the veritable nature of the system of appropriation and allocation of the means of production, and the social surplus product, namely a capitalist system."¹¹³

Therefore, in order for the state sector to be socialist, it must supersede mere nationalization and building new factories by ensuring control over the means of production by the workers themselves. But as we have previously shown, this doesn't seem to be the case in Algeria.

Second, knowing that in capitalism exploitation is realized through profit making, there exists the notion that it is inappropriate to speak of exploitation in the Algerian state sector since most state companies failed to make profits, especially since, at least until 1975, only one company--SONATRACH--made such profits from selling large quantities of oil and gas.¹¹⁴ The deficits of other state corporations are financed by government subsidies.

There are two problems with this view. First, the

¹¹³Raffinot and Jacquemot, p. 120. Benhouria claims that after some nationalizations the workers lost "part of their rights" such as wages and benefits (p. 271).

¹¹⁴John R. Nellis, "Maladministration: Cause or Result of Underdevelopment? The Algerian Example," Canadian Journal of African Studies 13, No. 3 (1980):409.

deficits of state corporations should not be seen--as is implied in the above notion--as a permanent phenomenon. In fact, industrial projects are new in Algeria, and the problems arising from working with new equipment and the necessity of training personnel, etc., necessitates significant governmental financial support until technical problems are resolved. Second, the existence of deficits does not inhibit the state managers from acquiring high earnings and benefits, since, as we have said, the state finances the deficits. The deficits are a decrease in the quantity of the surplus product but not necessarily a decrease in the surplus value. 115 It is essential, therefore, to bear in mind that unless the means of production are socialized, i.e., under the control of the workers themselves, the state sector of the economy cannot but become the arena for the extension of capitalist relations of production of which income differentials are a direct consequence.

Linking economic development to equal distribution of wealth was always stressed in all official documents. The general report of the First Four-Year Plan (1970-73), for example, stated: "Our socialist option requires the construction of the equitable society where the fruits of development must be shared equally."¹¹⁶

¹¹⁵On the relation of deficits to surplus-value extraction, see Benhouria, pp. 92-6.

¹¹⁶Ministere d'Etat charge des Finances et du plan, Plan quadriennal, 1970-73 Rapport Général (Algiers: 1970), p. 17.

The report adds that the goal of the development strategy is to "reduce the gap which separates (the disinherited) from those who had the opportunity to enjoy more favorable economic conditions through the unequal distribution of incomes."¹¹⁷ But as we will see in the following, the facts have proven otherwise. It was estimated in 1965 that 8,000 Algerian families earned between 35 percent and 40 percent of the national income.¹¹⁸ In 1972, the figure was 5 percent of Algerians owned 28 percent of national revenue.¹¹⁹

Between 1963 and 1968, consumer goods prices rose by 15 percent, while minimum wage remained stagnant and was still based on wage scales of the colonial system introduced in 1950.¹²⁰ As Table 8 indicates, even the rise in wages for different industrial occupational categories did not keep up with further increases in prices of consumer goods. In 1969, the average yearly income of a semiskilled worker in textile industry was DA 4,892, while the cadre in the same industry received DA 20,274 yearly. That is a ratio of about one to four. In chemical industry the unskilled worker earned DA 5,943 yearly, while a cadre in the same industry earned DA 29,146 yearly, a ratio of about one to five. In the hydrocarbon sector income disparities are even larger. An unskilled worker earned in 1969 DA 9,000 yearly, while a

¹¹⁷Ibid., pp. 17-8.

¹¹⁸Alleg, p. 85.

¹¹⁹Lazreg, p. xv.

¹²⁰Benhouria, p. 270.

TABLE 8
 EVOLUTION OF WAGES AND PRICES 1969-77
 (IN PERCENTAGES)

Industry	1970-73	1976-77	1969-77
Food, drink & tobacco	+25.3	+57.5	98
Clothing & shoes	+30.4	+33.0	73
General price index	+20.4	+38.0	67
Minimum wage	+27.2	+82.5	130
Unskilled workers	+16.4	+67.0	95
Semiskilled workers	+23.1	+50.0	87
Skilled workers	+31.0	+38.0	81
Highly skilled workers	+25.0	+20.0	50

SOURCE: Abdellatif Benachenhou, L'expérience Algérienne de planification et de développement 1962-1982 (Algiers: SNED, 1983), p. 67.

cadre received DA 58,000 in the same year.¹²¹

Because of these high wage inequalities, the government raised the minimum wage between 1969 and 1977 by 130 percent.¹²² And the lowest job categories gained higher increases in wages than did other categories. Table 9 sums up the wage increases of different categories between 1969 and 1978.

Wage differentials remained high in all state companies of heavy and light industry. And the introduction of the so-called "Socialist Management of Enterprises" in 1971 did not ameliorate the situation. In 1977, for example, the ratio of the wage of unskilled worker to that of a cadre was 24.7 percent in SNS, 37.5 percent in SNMETAL, 28.8 percent in SONACOME, 34.6 percent in SONELEC, 33.6 percent in SONAREM, and 31.5 percent in light industry.¹²³ These wage disparities should be regarded as extremely high in a formation that is supposed to be "socialist."

The system of wages in the state sector is such that the cadres and administrative employees get a larger share of the pie than the qualified workers and engineers.¹²⁴ This confirms what we have said earlier about the dominance of mental over physical work. But because engineers are badly needed in the industrial development, they frequently demand higher

¹²¹Ibid., p. 271.

¹²²Benachenhou, p. 67.

¹²³ibid.

¹²⁴Ibid., p. 130.

TABLE 9
WAGE INCREASES 1969-78
(IN ALGERIAN DINARS)

Industry	1969	1973	1977	1969-77
Minimum wage	1.36	1.73	3.16	+130%
Unskilled workers	1.82	2.12	3.55	+ 95%
Semiskilled workers	2.33	2.87	4.30	+ 85%
Skilled workers	2.66	3.49	4.83	+ 82%
Highly skilled workers	3.51	4.39	5.26	+ 50%

, SOURCE: Abdellatif Benachenhou, L'expérience Algérienne de planification et de développement 1962-1982 (Algiers: SNED, 1983), p. 66.

salaries and benefits and they often succeed in getting them.¹²⁵

The industrial bourgeoisie in the state sector had, in fact, secured for itself a dominant position within the social division of labor because it controls the most important branches of economic activity. The process of nationalizations of large foreign businesses and building huge modern industrial factories, coupled with the rhetoric of socialist ideology that promises a bright future for all, earns the industrial bourgeoisie both legitimacy and prestige. This

¹²⁵Jean Leca, "Algerian Socialism: Nationalism, Industrialization, and State-building," in Socialism in the Third World, ed. Helen Desfosses and Jacques Levesque (New York: Praeger, 1975), p. 148.

situation veils the exploitative nature of state sector.¹²⁶ The members of this class, then, reward themselves with villas, luxury cars, bonuses, etc. In a state with young experience in industrial development generally characterized by deficits, the problems of excessive rewards and corruption heighten the problem of deficits. And the financing of these large deficits by the state only hurts the working class and other dominated classes by taking away part of money allocated to social programs.

Conclusion

Industrial self-management appeared after independence as a viable alternative to capitalist management methods. Yet, both the numerical and political weakness of the proletariat led to a successful containment of self-management by the state representing all classes but workers.

While it witnessed some limited growth during the 1962-65 period, industrial self-management was gradually controlled by the state through direct takeover of the self-managed enterprises and through creation of state companies. The latter, which completely absorbed industrial self-managed enterprises by 1975, negated the attempt of workers to control their own labor process and directly created the class of controllers of economic ownership (planning and investment processes) and possession (control over production

¹²⁶Mahmoud Hussein, Class Conflict in Egypt 1945-1970 (New York and London: Monthly Review Press, 1973), p. 173.

process).

As the next chapter will demonstrate further, the industrial bourgeoisie in the state sector was able, after 1971, to legitimize its dominant position through the initiation of the so-called "socialist management of enterprises."

CHAPTER IV

THE FORMATION OF THE INDUSTRIAL BOURGEOISIE

Introduction

In this chapter, we will analyze the formation of the industrial bourgeoisie in Algeria in the state and private sectors. The negation of self-management through state control over industry was finally formalized in 1971 with the initiation of the so-called "Socialist Management of Enterprises," a program that defined labor relations in industry in such a way as to install legitimacy to state managers' control over economic ownership and possession and, thus, formally disassociated workers from these functions.

The private industrial bourgeoisie, on the other hand, was experiencing tremendous growth with the development of the state sector. Private capital found in the state sector both protection from foreign competition and the material incentives for growth (loans, cheap raw materials, and expanding market created by state sector employment).

The two fractions of the industrial bourgeoisie (the state and the private) are viewed here as constituting one class that controls economic ownership and possession, and thus, had control over an independent development process.

The Formation of the Industrial Bourgeoisie
in the State Sector

Since independence, Algeria witnessed several historical processes that were considered part of the "socialist" strategy of development. First, self-management was seen as the "cornerstone" of Algerian socialism.¹ Then, the sweeping nationalizations of 1966-71 were regarded as "the process of construction of material bases of socialism."² And then "the agrarian revolution" and "the socialist management of enterprises," both of which appeared in 1971, were declared as revolutionary measures set out to suppress "all forms of exploitation of labor"³ and to "manage the economy according to socialist methods,"⁴ respectively.

As we are still dealing with the organization of the state industrial sector, and with the self-management sector now mostly absorbed by the state sector, will the "Socialist Management of the Enterprises" (hereafter GSE) establish a true socialist organization of production in which the workers "dispose of all the powers of control over the management of the enterprise?"⁵

¹A view held by UGTA before it became controlled by the government after 1967 (Boussoumah, p. 6).

²n The Charter of Socialist Organization of Enterprises (OSE)," printed in AAN 1971 (Paris: CNRS, 1972), p. 804.

³"The Agrarian Revolution Charter," printed in AAN, 1972, p.742.

⁴"Charter of OSE," p. 804.

This section, then, sets out to analyze the initiation and application of GSE in the 1971-77 period.⁶

The Charter and Code of the New
Organization of Enterprises

While clearly leading a course of what seemed a negation of the self-management system, in March 1967 the new revolutionary council adopted a resolution in support of "an effective participation of the producer in management and the well-functioning of socialist enterprises."⁷ But it was not until November 16, 1971, that the government presented a program that spelled out and codified a new method of "socialist" management: "The Charter of the Organization of Socialist Enterprises" and "The Code of the Socialist Management of Enterprises." With this new system of management, declared a top party official, "the socialist enterprise in Algeria will be neither of self-management nor of state capitalism but of an intermediate system."⁸ The Charter and Code are actually two sides of the same coin. While the former restated the objectives of the Algerian "socialist" development strategy and introduced a new method of organization of state industry, the latter simply codified the principles of the Charter.

⁵Article 28 of "Code of Socialist Management of Enterprises" (GSE) in ANN, 1971, p. 813.

⁶Although it was initiated in 1971, GSE was not applied until 1974.

⁷Boussoumah, p. 2.

⁸ibid., p. 433.

With the absence of any "effective" participation of workers in management of the state sector after 1965, and the continued deficits and problems of production, there was a persistent need for the reorganization of the economy. The report of the First Four Year Plan (1970-73) stated that "the socialist organization of society and development constitute the fundamental choice which must guide the whole decisions [concerning] the national economy."⁹ The Charter and Code, therefore, were regarded as measures to win the battles of management and production.

The problems of management were well known. With the rigid centralization of the management authority in the hands of directors and ministers, there was a tendency for the intensification of conflict between the workers and managers and therefore between workers and state. In order to curb this process of class-in-formation, the Charter and Code then "came to correct a political difficulty, "¹⁰ and "to put an end to all the contradictions between the political power and the working class."¹¹

In a seminar held in April 1971 about the organization of the state sector, Boumedienne stated the objectives of the organizational reform: to integrate workers in the decision-making process, to provide social stability for socialist

⁹Ministere d'etat charge des finances et du plan, Plan quadriennal 1970-73, p. 3.

¹⁰Raffinot and Jacquemot, p. 109.

¹¹Ibid., p. 113.

accumulation, to increase production and productivity, and to avoid the weaknesses of other socialist experiences.¹² A joint commission from FLN and UGTA prepared the project of GSE by the end of September, 1971, but it was not officially declared until November 16, 1971. The reason for this delay, noted Boussoumah, was political: "The June 19th, 1965 regime deliberately launched the Agrarian Revolution prior to the revolution in enterprise . . . at least chronologically."¹³

The Charter of GSE criticized the application of the self-management system and vowed to correct the problems of management created by it:

The revolutionary command has deployed an utmost effort to correct self-managment virtually in decay before June 19, 1965. In fact, even when the self-management slogan kept feeding the themes of political declarations and speeches, the reality was something different: a paralyzing centralization and a suffocating bureaucracy that added up to the overall confusion in the area of conceptualization. All this resulted in the suppression of the pow of the workers' control in the self-managed sector.

Within the new OSE the worker would become a "producer-manager" and "is no longer an object or a factor of production from which capitalism strives to extract maximum surplus value."¹⁵ "The output of the workers' labor," the Charter confirmed, "shall not be confiscated by an exploitative class for its own benefit as is the case in capitalism."¹⁶

The GSE will also homogenize the legal character of the

¹²Boussoumah, pp. 432-3. ¹⁴

¹³ibid., pp. 434-5.

The Charter of OSE, p. 805.

¹⁵ibid., p. 806.

¹⁶Ibid.

state sector. The previous categories of "public enterprise with an administrative character," "public enterprise with an industrial and commercial character," and "state corporation" will be merged into a two part category: "the socialist enterprise with an administrative or industrial and commercial character."¹⁷ The new "socialist enterprise" will encompass all national state (owned wholly by the state) and local enterprises "except the cooperative and the agricultural self-managed sectors."¹⁸

The Workers' Assembly

The principle task of GSE was to create a workers' assembly at the level of the enterprise and at the level of each unit comprising the enterprise. First, an assembly is elected at the unit level, for a period of three years, by all workers of the unit who are at least 19 years of age and have been performing "effective work" for at least six months.¹⁹ The candidates for the assembly, however, must be union members (for at least one year) and twenty-one years old or over.²⁰ Second, the elected assemblies of units will then elect their own assembly that will represent them at the enterprise level (also for a period of three years).²¹

¹⁷Boussoumah, p. 351.

¹⁸The Code of GSE, Articles 1, 2, 3. ¹⁹Ibid., Articles 21, 22, 25.

²⁰Ibid., Article 26. ²¹Ibid., Article 22.

The assembly of the enterprise or unit is composed of 7 to 25 elected members depending on the size of the workforce it represents.²² The list of candidates to the assembly must contain double the number of seats to be elected. The list is "selected"²³ by a special commission created at the enterprise and unit levels. The commission consists of two representatives from the party, two representatives from the workers' union, and two representatives from the Ministry of Tutelage.²⁴

The workers' assembly, stated the Charter, was "to play an important role" in both the "elaboration and control of the realization of a plan" and "the protection of national heritage, the preservation of public funds against waste, muddling, embezzlement, and inefficient use of resources."²⁵ The specific functions of the workers' assembly as outlined by the Code, however, were somewhat inconsistent. For example, article 28 of the Code states: "The workers' assembly holds all powers of control over the management of the enterprise or the unit and over the implementation of

²²Ibid., Article 24.

²³Rather than simply gathering the names of eligible candidates, the commission actually selects the candidates by applying other criteria than those listed in the Code. See John R. Nellis, "Socialist Management in Algeria," The Journal of Modern African Studies 15, No. 4 (December 1977): 546.

²⁴Decree of "Elections in the Socialist Enterprises," March 1972 in ANN, 1972 (Paris: CNRS, 1973), p. 741.

²⁵The Charter of OSE, p. 808.

programs."²⁶ But Article 29 of the same Code says the assembly "gives advice and recommendations on development planning, investment programs, etc."²⁷ The Code uses other conflicting statements which attest to lack of a well-defined role of the workers assembly. Note, for example, the following statements: "The assembly is associated to the management office in the elaboration of the policies of personnel and professional training" (Article 31). The assembly "decides over the allocation of the financial output of the enterprise or the unit" (Article 32). "The assembly adopts the internal regulation of the enterprise or of the unit" (Article 33). "The assembly is consulted on all fundamental reforms . . . or important modifications concerning the situation of the workers or the structure of a unit or of an enterprise" (Articles 36, 37).²⁸

But perhaps the most striking statement of the Code is Article 47, which states that "the workers' assembly could be suspended at the initiative of the Ministry of Tutelage, the party, or the workers' union."²⁹ The power of the workers' assembly is then further reduced. In order to ensure a permanent character to the workers' assembly, the enterprise or the unit will create one or several (maximum five)

²⁶Ibid., p. 813 (emphasis added).

²⁷Ibid.

²⁸The Charter of OSE, pp. 813-4 (emphasis added).

²⁹Ibid., p. 814.

"permanent commissions" to handle different tasks: first, the economic and financial commission, which generally studies problems of management and production; second, the commission of social and cultural affairs, which handles the problems pertaining to "the social situation of the workers" and also administers the sociocultural works of the enterprise or unit; third, the commission of personnel and professional training, "which participates in the elaboration of the politics of personnel and training" and is consulted on matters of hiring personnel; fourth, the commission of disciplinary affairs, which "expresses its preliminary opinion" in nonemergency situations over questions concerning the discipline of personnel; and fifth, the commission of hygiene and security, which ensures reapplication of hygiene and security regulations.³⁰

The members of the commissions are either members of assemblies only or members of the latter joined by management representatives.³¹

The Management Council

Each enterprise or unit has a management council. The enterprise council is presided over by the General Director and consists of a "certain number of the General Director's immediate assistants and one or two representatives elected

³⁰The Code of GSE, p. 815.

³¹ibid.

by the workers' assembly for a period of three years."³² Similarly, the unit council is presided over by the Director of the unit and is comprised of "certain members of the Director's assistants and one or two representatives of the workers' assembly for a period of three years."³³

The enterprise or unit council "is kept informed about all activities regarding the general functioning of the enterprise or unit. The council members "could be revoked in the case of grave error committed while performing their duties or insufficient results imputed to their bad management."³⁴

The Enterprise and Unit Directors

The General Director of the enterprise, under the authority of the Ministry of Tutelage, "exercises a hierarchical authority over the personnel . . . [and] is responsible for the general functioning of the enterprise."³⁵ In enterprises of "national importance," such as SONATRACH, the General Director is "assisted . . . by assistant general director and one or several [unit] directors."³⁶ The director of the unit is responsible for the general functions

³²Ibid., Article 57. ³³Ibid.

, Article 65. ³⁴Ibid.,

Articles 60 and 68. ³⁵Ibid.

, Article 61. ³⁶Ibid.,

Article 62.

of his unit and is "under the authority of the General Director of the enterprise."³⁷

The Ministry of Tutelage

The Ministry of Tutelage is the highest authority of the enterprise and possesses "all powers of orientation and control" and "nominates" the General Directors and "appoints" the directors of the units.³⁸

The Distribution of Profits

If an enterprise makes a profit it will be divided into:

1. Supplementary revenue fund for the workers
2. Payment of state charges
3. Reinvestment capital of the enterprise

(No exact quotas were given.)

The Implementation of GSE

The program of GSE was initially prepared for implementation in socialist enterprises "with an economic character," but in February 1975 it was declared that it will be applied to "all enterprises, whether they are of an economic, social, or cultural character."³⁹ Despite its seemingly urgent character, the implementation of GSE did not start seriously until January 1974. Nellis notes that the "determination [of

³⁷Ibid., Article 69.

³⁸Ibid., Articles 62, 70, 80.

³⁹The Minister of Labor, in charge of GSE, quoted from Nellis, "Socialist Management," p. 538.

officials] to avoid foreign or historical models necessitated a slow, careful step-by-step approach."⁴⁰

Two national commissions were created to carry out the program of GSE: La Commission Nationale Pour la Gestion Socialiste des Entreprises, created in 1972, which applied the program of GSE and La Commission Nationale Operationelle, in charge of "campagns of explanation, elections, logistics, and all the myriad details of actual implementation."⁴¹

The first experiment of GSE was done in SN METAL in April 1972, but the actual large-scale application of the program got underway in 1974. Because of the slow application of GSE, even some enterprises that were created after 1971, such as ONCN and ONSE, were not put under GSE. By 1979, 57 socialist enterprises were under GSE⁴² (see Table 10). Until 1978, SONATRACH and DNC were not affected by GSE.

The report of the CNO on the state of application of GSE published in 1981 cited "le probleme du decoupage en unites" as the reason for not applying OSE to SONATRACH.⁴³ But the report gave no reason for not applying GSE to DNC, which is under the authority of the Ministry of Defense. The report, however, stated that regarding SONATRACH and DNC: "Commendable efforts are being deployed in the area of training by

⁴⁰Ibid., p. 544.

⁴¹ibid., p. 545.

⁴²Boussoumah, p. 353.

⁴³"Gestion socialiste des entreprises," report of La Commission Nationale Operationelle, appeared in RASJEP 18, No. 3 (September 1981):596.

TABLE 10
APPLICATION OF GSE

Variable	1974	1975	1979	1981
Number of enterprises	2	3	57	92
Number of units	2	5	832	1,051
Number of workers	66,307	126,008	322,714	423,151

SOURCE: Abdellatif Benachenhou, L'Expérience Algérienne de planification et de développement 1962-1982 (Algiers: SNED, 1983), p. 272.

the Union and management officials in order to facilitate the introduction of GSE."⁴⁴

Results of GSE: Stability or Conflict

We have seen that the appearance of GSE in November 1971 was a consequence of specific political and socioeconomic developments in Algeria (particularly during the 1966-71 period). At the political level, the process of containment of self-management after 1965 compelled the new "socialist" state to introduce an alternative method (or form) of management in order to ensure social stability in the face of a growing proletariat. At the socioeconomic level, the rapid expansion of the state industrial sector coupled with continued deficits, corruption, etc., and centralized state authority necessitated a reorganization of the state sector

⁴⁴Ibid., pp. 596-597.

to solve the social and economic problems associated with industrialization. In addition to that there was a need to homogenize the legal character of the state sector.⁴⁵ But how socialist is GSE in both the text and application?

There are several problems that could be attributed to the text of GSE.

First, designed to win the battles of management and production, the Charter and Code of GSE presented the worker as a "producer-manager" with the rights to a fair wage, share of profit, opportunity for training, job security, etc. But along with these rights, the worker's duties were also identified: strife for increase in production, improvement of productivity, elimination of waste, etc. In addition to these duties, strikes were prohibited in the state sector and the union became firmly controlled by the state. In this seemingly balanced sheet of "rights" and "duties" the worker stood to lose more than he gained because the new management system regulated his activities and allowed no room for his initiatives other than within the framework of GSE.

Second, while the workers' assembly was given an important role in social and cultural affairs, its role in economic and financial domains remained marginal. The real power of control remained in the hands of managers and the ministries concerned, while the workers had only consultative

⁴⁵Until 1971, the state listed ten legal categories within the state sector. See Ministère de l'industrie et de l'énergie, Annuaire industriel 1969, 2 vols. (Algiers: 1969), 1:9.

powers. This is why the Code of GSE used statements such as the workers' assembly "is consulted" or "expresses its opinion" etc., rather than "controls." Lack of workers' control over financial and economic affairs was attributed by some to insufficient workers' experience in management due to their peasant background. The workers according to this view have to learn first the methods of management before they can handle important responsibilities.⁴⁶ This notion testifies to a prior isolation of workers from real control.

Third, while the Charter and Code devoted most of the text to the workers' assembly, they seem to favor "production" over workers' participation in management.⁴⁷ This is so because as we have already mentioned above, the real economic power remains outside the workers' assembly.

Fourth, the electoral commission, that practically "selects" the list of candidates to the workers' assembly rather than simply gathers the names of candidates, has only one-third of its members from the workers' union (the rest are from the party and the state); workers' representation is therefore severely reduced.

It seems, therefore, fair to say that despite its seemingly socialist character, the GSE did not present a radical change in the existing management system. The principle of GSE was that "the workers' participation must not, under any

46A view strongly defended by the Minister of Labor (Nellis, "Socialist Management," p. 549).

⁴⁷Ibid., pp. 548-50.

circumstances, undermine the normal functioning of the enterprise."⁴⁸

The problems of GSE did not stop at the textual level. The lack of workers' understanding of the texts, because of illiteracy and their peasant background, for example, made it easier for the managers to manipulate the program's application. In SONACOME, for example, Said-Amer stated that the efforts of the workers' assembly are blocked through corruption and creation of obstacles.⁴⁹ In other companies there "has been the continued conflict of interest between the workers and the managers in spite of the glowing words of the Charter and the vigorous efforts of the National leaders."⁵⁰ In other enterprises the workers' assemblies simply "didn't function at all."⁵¹

The managers reacted negatively to GSE because first it threatened their authority and exposed them to workers' criticism, and second, the managers were only interested **in** the production aspect of reform not workers' participation because their performance is judged by output not by workers' participation. Nellis well summarizes this point:

They [the managers] probably feel themselves to be far more exposed than the individual worker to disciplinary action by the government; they thus publicly applaud the new program but suspect that ultimately it is the firm's

⁴⁸Le Monde, 2 November 1979, p.

31. ⁴⁹Said-Amer, p. 63.

⁵⁰Nellis, "Socialist Management," p. 547.

⁵¹ibid., p. 550.

production record, and not the degree to which [worker's] participation is successful, which will determine their personal future.

At the state level GSE might have been regarded as a means of containing possible social disturbances in factories. But "It is not impossible," stated Raffinot and Jacquemot, "that the reform of the enterprise becomes a means of intensification of social struggles, a risk that the [political] power precisely tried to avoid."⁵³ In fact, this is exactly what happened, following the application of GSE. Thus, although strikes are legally prohibited in the state sector, "Algerian industrial workers frequently express[ed] their grievances through wildcat strikes."⁵⁴ In April 1976 a union-management conflict broke out in SNCOTEC. The UGTA accused the management of being "wasteful and inefficient."⁵⁵ The summer of 1977 witnessed a series of strikes in the state companies SNMETAL, SNS, SNTF, and RSTA. The workers protested "the abuses of power or the authoritarianism of managers or delays on wage payments, overtime, or benefits."⁵⁶ The interesting thing here is that the strikes occurred after the application of the so-called socialist-

⁵²Ibid., p. 548.

⁵³Raffinot and Jacquemot, p. 113.

⁵⁴U.S. Department of Commerce, Overseas Business Reports, Marketing in Algeria (Washington, D.C.:1977), p. 26.

⁵⁵Nellis, "Maladministration," p. 407.

⁵⁶Jean-Pierre Durand, "Exacerbation des contradictions sociales et resserement des alliances politiques en Algerie" (ANN 1977) :129.

management of enterprises. The resort to strikes by state sector workers indicates a fundamental class relation: the working class demonstrated itself as a distinctive class whose interests are contradictory to that of the industrial bourgeois class. The state sector workers did not identify themselves with management and thus resorted to strikes not for the purpose of changing the management system but for acquiring their basic rights. Their actions are paralleled by the strikes of unionized workers in other capitalist formations. This is, then, an important point indicating the formation of the industrial proletariat and industrial bourgeoisie in the state sector. Industrialization, thus, has fulfilled its historical mission.

Class conflict has been a recurrent phenomenon throughout the decade of the "Industrial Revolution." Yet, some Algerian scholars prefer to deny existence of class. They instead explain the class struggle within the state industrial sector as conflict between "generations" or between those who have "historical legitimacy" (the founders of the industrial enterprises) and those who have "technical legitimacy" (the young Algerian cadres).⁵⁷ The fact of the matter, however, is that the social conflict within state enterprises arose, as we have seen, as a result of adopting capitalist methods of management and thus explicitly accepting the social inequalities that arise from that.

⁵⁷Said-Amer, p. 60.

The state tried to solve the problems of management by presenting GSE as a program that will, at least in theory, reduce the gap between managers and workers by presenting the latter as both workers and managers of the state sector. Algeria, stated President Boumediene, must "ban from their mind the very idea of the existence of 'the boss' and the 'workers.'"⁵⁸ But with continued social conflict, it was learned that "it is not sufficient to say that the managers are the workers in order to resolve the problem."⁵⁹

With the emergence of the National Charter and the Constitution of 1976, the place of work and the worker were again defined according to "socialist" principles. Article 24 of the 1976 Constitution, for example, stated that the Algerian society was founded on the principle "from each according to his abilities to each according to his work." Yet, the program of GSE clearly constrained the abilities of the workers especially in the field of application of the program. The persistent problems of housing, inflation, transportation, etc., reduced the workers to mere wage earners who saw GSE as a means of increasing their income.⁶⁰

The failure of GSE to ameliorate labor relations for the better of all only resulted in workers' strikes. The management formula of GSE, therefore, can be seen as the point of

⁵⁸Nellis, "Socialist Management," p.

539. ⁵⁹Ibid., p. 548.

⁶⁰Boutaleb, pp. 35-36.

departure for a legitimized division between workers and managers, the latter being used to fulfilling their work in conflict situations. "Management," stated Braverman, "is habituated to carrying on labor processes in a setting of social antagonism and, in fact, has never known it to be otherwise."⁶¹

In a national conference of GSE attended by one thousand officials, managers, and workers' representatives in December 1975, the topic of discussion was increased production while holding back workers' demands.⁶² For example, when workers demanded more wages, the reply by managers and officials was "you can earn more by producing more."⁶³ Nellis described the Conference as follows: "In general, the tone of official speeches--although not the terminology--was not far removed from that of statements made by Western management."⁶⁴

The socialist management of enterprises misled the workers to believe that they had become managers, while actually their status remained almost the same as in pre-GSE. Six years after GSE appeared, Boumedienne was still speaking about winning the battles of management and production. He stated in March 1977:

Management is henceforth a battle to win, just as we have won that of investment. . . . In truth, the problem of the management of the economy, and more

⁶¹Braverman, p. 36.

⁶²Nellis, "Socialist Management," pp. 550-1.

⁶³Ibid., p. 551.

⁶⁴Ibid., pp. 551-2.

particularly of production and service units, will constitute our major concern for the coming years.⁶⁵

The Algerian state firmly believes that to solve the problems of production, the managers should develop more business "acumen" by giving more control power to managers.⁶⁶ It is no exaggeration therefore to consider that while GSE was "un instrument valable" for reducing the intense class conflict, in no way it constituted a sufficient method of eliminating that conflict.⁶⁷ And it is no exaggeration to consider GSE as just another participatory system in another capitalist formation.

The Formation of the Industrial Bourgeoisie
in the Private Sector

As a general characteristic of all capitalist powers, the French suppressed the development of a national private bourgeoisie in Algeria. In fact, it was the weakness of this bourgeoisie that prompted the state's direct intervention in economic development after independence, i.e., the formation of the state sector.⁶⁸ Subsequently, the role played by the Algerian private sector in development, particularly in industrialization, has generally been interpreted as marginal

⁶⁵Nellis, "Maladministration," p. 410.

⁶⁶Middle East Economic Digest, 24 November 1978, p. 22.

⁶⁷Benachenhou, p. 270.

"Ibid., pp. 9-10.

in relation to the role of the state sector.⁶⁹ Yet, as we will demonstrate, the Algerian industrial private sector has been developing quite rapidly since independence, ironically accompanying the growth of the state sector.

Historical Background

The origin of the Algerian private bourgeoisie can be dated back to the precolonial era.⁷⁰ Algeria, long before the French conquest in 1830, exported to Europe and Asia several agricultural products such as wheat, leather, and wool. Within Algeria itself there was an extensive commercial network between different regions. For example, the mountainous Kabyle area traded some craft manufactured goods (jewelry, gunpowder, weapons, shoes) "to supplement the meager return from local arboriculture, horticulture, and stock raising."⁷¹ Other regions of the country such as Constantine and Telemcene were well known for their commercial activities. An Algerian "mercantile bourgeoisie" thus existed prior to the French colonial era, although "the

⁶⁹See, for example, Farsoun, "State Capitalism," and Elsenhans, "Contradictions." For similar arguments on Africa, see Hamza Alavi, "The State in Post-colonial Societies," New Left Review, No. 74 (July-August 1972):59-81.

⁷⁰The FLN associates the birth of Algerian bourgeoisie with French colonialism. See Andrée Michel, "Les classes sociales en Algérie," Cahiers internationaux de sociologie 38 (January-June 1965):209.

⁷¹Hugh Roberts, "The Algerian Bureaucracy," Review of African Political Economy, No. 24 (May-August 1982):53.

Turkish government did not allow it to grow."⁷²

The French occupation of Algeria put a tight squeeze on the native agricultural, commercial, and industrial activities in the beginning of the colonial period. But with the growth of the settlers' businesses, more room was allowed for indigenous commercial and industrial activities. By 1955 there were about 9,000 native Algerian enterprises employing some 30,000 wage workers and 90,000 enterprises with no hired labor.⁷³ The French, then, remained in control of all important industrial and commercial activities.

The departure of the French settlers at independence seemed to give a chance to the Algerian bourgeoisie and petty-bourgeoisie to replace the colonial owners:

With the massive departure of the Pied-noirs, the small national Algerian bourgeoisie and petit-bourgeoisie moved in to purchase their property. Furniture, cars, then apartments, land and businesses were offered at ridiculously low prices by panic-stricken colons desperate to realize at least some of their capital assets before leaving.

For example, an Algerian entrepreneur bought a soft drink factory in T elemcene for only 8 million AF while the factory cost 50 million AF.⁷⁵ In addition, some Algerians managed to

⁷²Lazreg, p. 718.

⁷³Raymond Barbe, "Les classes sociales en Alg erie", Economie et Politique, No. 63 (October 1959):25.

⁷⁴Clegg, p. 47.

⁷⁵Bouzi ane Semmoud, "Croissance du secteur industriel prive en Alg erie dans ses relations avec le secteur national," Canadian Journal of African Studies 16, No. 2 (1982):282.

buy some financially troubled small textile factories in France, and in some cases even hired their previous owners as technicians in Algeria.⁷⁶

This move was countered by the takeover of factories and commercial establishments by the Algerian workers immediately after independence. The spread of self-management is seen as a means of preventing the Algerian bourgeoisie from establishing itself as a strong class⁷⁷. Moreover, in 1963, the new Algerian government nationalized a number of small Algerian businesses such as cinemas, cafés and shops.⁷⁸ This led some optimistic officials to declare that there was no bourgeoisie in Algeria at that time.⁷⁹ The fact was, however, that during the 1962-66 period there existed some 35,000 artisans, 83,000 small merchants,⁸⁰ and 40 private industrial enterprises each employed more than 15 wage workers.⁸¹ In addition there existed hundreds of smaller enterprises. How, then, did this small Algerian industrial bourgeoisie evolve with the development of the state sector?

⁷⁶Jean Peneff, Industriels Algériens (Paris: Centre national de la recherche scientifique, 1981), p. 115.

⁷⁷Boussoumah, pp. 6-7.

⁷⁸They were returned to their original owners after the 1965 coup d 'etat (Boussoumah, p. 389). After the coup, it was learned that Ben Bella intended to nationalize all private enterprises but was opposed by some of his cabinet ministers (Raffinot and Jacquemot, p. 86).

⁷⁹Chaliand, p. 9.

⁸⁰Raffinot and Jacquemot, p. 42.

⁸¹Peneff, p. 11.

The Development of the Private Industrial
Bourgeoisie (1967-77)

The National Charter of 1976 defined two types of private property: nonexploitative private property and exploitative private property. Nonexploitative property refers to "the small means of production or of services operated by their individual owners only or with use of a limited number of workers."⁸² Exploitative property was defined as the large scale ownership that employs wage labor and extracts surplus-value.⁸³ Within the latter we can distinguish between national productive property--mainly in industry and agriculture--and a compradore property which depends directly on foreign business.

Ever since independence, the compradore bourgeoisie was regarded by the Algerian state as dangerous to the Algerian economic development process because it served as a middleman for imperialist domination. This bourgeoisie was practically eliminated when the state established a monopoly over the import/export trade in 1968 and prohibited the use of agents of foreign capital.

The productive or the industrial bourgeoisie, on the other hand, has always been tolerated and in fact was encouraged to grow on the basis of supplementing the state's efforts in industrialization: "If large-scale investments

⁸²The National Charter (quoted from Boussoumah, p. 335). ⁸³Ibid.

and means of production are necessarily handled by the state, then it is in the national interest not to preclude, and thus not to discourage, national private investments."⁸⁴

. Thus since 1966, with the emergence of the Code of Investments, the industrial private bourgeoisie was officially assigned a role in economic development within the national framework of planning.

The Code of Investments

Since independence, two codes of investments were initiated by the Algerian government to regulate the activity of the private sector: the 1963 code, which was mainly concerned with foreign capital, and the 1966 code, which dealt with both foreign and national private sectors. The 1966 code, which concerns us here, defined the terms of Algerian private investments. The National commission of investments dealt with investments of more than DA 500,000, while regional commissions directed lesser projects.

The national commission authorized 28 projects (11 involving foreign capital) in March 1968, 26 projects in October of the same year, and 60 in February of 1969. The regional commissions authorized 41 projects in March 1968. By September, 1968, DA 161 million were authorized for investment in the private sector.⁸⁵ From 1967 to 1974 the

⁸⁴Raffinot and Jacquemot, p. 87.

⁸⁵These figures were taken from Alleg, p. 83, and Lazreg, p. 113.

volume of investments authorized to the private sector was about DA 875 million⁸⁶ (some put the figure at DA 900 million⁸⁷), and the number of enterprises created was more than 800 (see Table 11). These numbers attest to the important role the private sector played in the industrialization process. The decline of private investment projects authorized after 1970 did not necessarily mean a decline in private investments. Private capitalists might have carried on their investments without state loans.

The Growth of the Private Sector

While the state sector received all the publicity and propaganda since independence, the private sector remained unknown and was developing quietly until the mid-seventies, when it suddenly became the subject of some research studies. Perhaps the most extensive research ever done on the Algerian private industrial sector was the four-volume AARDES study conducted in the first years of the 1970s.⁸⁸ The research analyzed a sample of 1,500 private industrial enterprises and has since become an important source of information and data.⁸⁹ Another important research study was conducted by

⁸⁶Benachenhou, p. 100.

⁸⁷Peneff, p. 15.

⁸⁸Association Algérienne pour la recherche démographique, économique et sociale, étude industrie prive, 4 vols. (Algiers: January 1975).

⁸⁹It must be noted that the research dealt with manufacturing industry only (therefore excluding extractive, mining, construction, and hydrocarbon industries) and was mainly concerned with enterprises employing more than five workers.

TABLE 11
PROJECTS AUTHORIZED BY COMMISSIONS OF INVESTMENTS

Year	Number of Projects	Volume of Investments ^a	Number of Jobs Created
1967	65	35,902,000	1,828
1968	220	136,299,000	7,221
1969	279	251,652,000	9,485
1970	123	145,934,000	4,419
1971	41	41,164	1,873
1972-74	<100	200,000	1,500

SOURCE: Marc Raffinot and Pierre Jacquemot, Le Capitalisme d'Etat Algerien (Paris: Maspéro, 1977), p. 89.

^aIn Algerian dinars.

the French sociologist Jean Peneff. His research was conducted on a sample of 217 Algerian industrialists in the postindependence period. The information below is drawn mainly from the above two studies.

In 1976, the private sector in Algeria (in all branches excluding hydrocarbons) produced about 50 percent of national production: 50 percent of agricultural production, 60 percent of construction, 50 percent of light industry, 80 percent of retail commerce, and 75 percent of services.⁹⁰ It included 180,000 merchants, 120,000 artisans, 40,000 professionals and entrepreneurs, and 200,000 wage workers in

⁹⁰Boussoumah, pp. 337-8, and Nellis, "Maladministration," p. 408.

industry, commerce and agriculture.⁹¹ In industry alone, the private sector produced 37 percent of total production and employed 47 percent of industrial workers in 1975.⁹²

The private sector invested mostly in light industry, since the state overwhelmingly controlled heavy industry. In 1970, the total turnover of private light industry was over a billion Algerian dinars.⁹³ Investment money was usually acquired from the state for large projects. But small industrialists receive interest-free loans from family members and friends without the latter's participation in ownership.⁹⁴

Although most of its investment was directed toward light industry, the private sector was also involved in the production of certain products considered as heavy industry. In 1970, there were about 518 private industrial enterprises considered by AARDES as heavy industry. These enterprises produce water pumps, trucks, cement, bricks, and textile products used in Department II industries. Private sector industry produces a total of 130 products (raw materials or machines) characterized as heavy industry.⁹⁵ Most of the private enterprises, however, were located in light industry, especially textile, which represented 50 percent of this industry and 35 percent of total private industry.⁹⁶ In 1974, the private sector produced about 82 percent of the 25

⁹¹Boussoumah, pp. 337-8.

⁹²Roberts, p. 46.

⁹³AARDES, 4:111. ⁹⁵

⁹⁴Penef, p. 126.

AARDES, 2:63.

⁹⁶AARDES, 4:88.

million pairs of shoes produced in Algeria.⁹⁷ Food industry represented 25 percent of all private industry and 19 percent of total production. The private sector was concentrated in confectionary products, food canning, soft drinks, etc., and practically controlled most of the production of these products. From the sample of AARDES, the number of Department II enterprises jumped from 665 in 1968 to 935 in 1970.⁹⁸ Private enterprises preferred to invest in final consumption products (food, textile, shoes) since they are more profitable and require a low organic composition of capital: "The capitalist, guided by the desire to obtain the greatest possible amount of profit, has often had to invest his capital into those branches where there is a ready market, the organic composition of capital is low and the rate of its turnover is high."⁹⁹

The expansion of the private light industry seemed to be induced by the growth of the state sector itself, because the increase of employment in the state sector, especially in heavy industry, has meant an increase in the demand for consumer goods by the industrial workforce.

In textiles, the private sector dominated much of the production. Moreover, the state sector produced adult

⁹⁷Peneff, p. 25.

⁹⁸AARDES, 4:88.

⁹⁹B. B. Runov, "World Scientific and Technological Progress and the Internal Conditions for the Development of Productive Forces in Africa," in Technology and African Development, ed. Jurki Kakonen (Turun yliopiston: Offsetpaino, 1979), p. 15.

clothing (a small market), while the private sector produced infants' and children's clothing, which was a much larger market, since the majority of the Algerian population after 1966 has been twenty years old and younger (about 60 percent in 1980) .100

The general evolution of private manufacturing industry is shown in Table 12. Private industrial enterprises were located mostly in the Algiers area. In 1970, out of a total of 1,490 enterprises, 48 percent were located in the Algiers area, 35 percent in the Oran region, and 16 percent in the Constantine area.¹⁰¹ This distribution of enterprises was characterized a high concentration of capital. In 1974, 84 textile enterprises employed 50 percent of the total textile workforce and had 50 percent of the total turnover.¹⁰² The location of large private enterprises in large cities (especially in Algiers) is attributed to several factors. First, large cities are better equipped with the energy resources (electricity and gas) and water needed for industrial production. Second, large cities offered a variety of production locations such as buildings, garages, and even apartments that could be hidden if necessary to avoid paying taxes and to escape government regulations. For example, enterprises that employed fewer than fifty wage workers were usually

¹⁰⁰Semmoud, p. 285.

¹⁰¹AARDES, 3:11.

¹⁰²Lawless, p. 171.

TABLE 12

RISE OF PRODUCTION IN THE PRIVATE SECTOR^a

Year	Index
1972	132
1973	142
1974	157

SOURCE: Jean Peneff, Industriels Algériens (Paris: Centre National de la Recherche Scientifique, 1981), p. 25.

^aIndex = 100 in 1969.

located in basements or even apartments.¹⁰³ Third, large cities provided much of the raw material needed for production, since state industry was also concentrated in these areas. And fourth, large cities provided a ready market for private enterprises products and so there was no need to ship their products elsewhere.

While the exact number of private enterprises is still unknown, their number has been on a steady rise since independence; this has been the case particularly after the appearance of the Code of Investments in 1966 (see Table 13).

During the 1968-70 period, there was a steady rise in both large and small enterprises. The number of enterprises

¹⁰³ Peneff, p. 43, and Semmoud, p. 289. Some enterprises only function at night to avoid paying taxes. AARDES, 3:84.

TABLE 13
THE EVOLUTION OF PRIVATE ENTERPRISES
(THE AARDES STUDY)

Enterprise	Before 1900	1901- 1954	1955- 1962	1963- 1965	1966- 1967	1968- 1971	Total
Department I Enterprises	6	91	51	82	90	145	465
Department II Enterprises	3	173	69	169	149	371	934
Total Number of Enterprises	9	264	120	251	239	516	1,399

SOURCE: AARDES, vol 2., p. 16.

employing more than four workers was estimated at 2,000 in 1970.¹⁰⁴ However, enterprises employing fewer than 50 workers rose faster than larger ones.¹⁰⁵ The private industrialists wanted to avoid the formation of union branches in their enterprises. In the beginning of the 1970s, for example, AARDES research indicated that out of 1,473 enterprises, 934 employed between 5 and 19 workers, 367 employed between 20 and 49 workers, while only 167 enterprises had more than 49 workers.¹⁰⁶

¹⁰⁴Jean Peneff, "Les Chefs d'entreprises en Algérie," RASJEP 20, No. 3 (September 1983):130.

¹⁰⁵Peneff, Industriels Algériens, p. 102.

¹⁰⁶AARDES, 4:156-7.

The Origin of the Algerian Industrialists

After 1962, two general groups of entrepreneurs can be distinguished:

1. Those who previously owned capital or means of production such as big and small merchants, industrialists, and artisans.

2. Those who acquired capital without being previously engaged in production or trade. This category includes the retirees who accumulated money through savings and (ironically) old members of the National Liberation Army (1954-62) or FLN or the retired officers of the Army after independence who benefited from what is known as "don de guerre," which is a business license or enterprise given by the government to top government officers who participated in the liberation war.¹⁰⁷

But as Table 14 shows (the AARDES sample), most of the industrial enterprises created in Algeria originated from commerce or the handicraft industry. In fact, commerce has been the main source of industrial investment in Algeria, particularly after the 1966 period. The monopolization of the import/export trade by the state forced the merchants to switch their investments to industry.¹⁰⁸ The same explanation can be given to agriculture. The Agrarian Revolution of 1971 forced the big landowners to invest in industry (see Table 14). The artisans' share in industrial investment was

TABLE 14
THE ORIGIN OF ALGERIAN INDUSTRIALISTS

Category	Until 1954	1955- 1962	1963- 1965	After 1966	Total
Commerce	102	37	163	599	901
Artisan work	51	22	18	141	232
Agriculture	22	0	0	50	72
Industry	35	14	37	93	179
Civil Service	0	0	0	14	14
ALN	0	0	18	0	18
FLN	0	0	0	0	0
TOTAL	210	73	236	897	1,416

SOURCE: AARDES, 4, p. 141.

also important because the state encouraged them with loans.

In addition to those accumulating capital in Algeria, we should note that the state has been encouraging the rich Algerians living in France to transfer their investments to Algeria.¹⁰⁹ In 1965 Algerians had 50 million dollars in French banks,¹¹⁰ while in 1969, about 7,000 merchants were operating their businesses in France.¹¹¹ Other Algerian workers in France have been, since independence, transferring their savings to Algeria. Peneff indicated in his research that out of 63 workers who became entrepreneurs 40 percent were emigrant workers in France.¹¹²

The Social Organization of the Private Sector

Unlike the state sector, which is under the tutelage of state ministries, the private sector is directly under the control of its individual owners, families, collectivities, or shareholders as is the case with capitalist corporations. The AARDES study showed that out of 1,497 enterprises about 40 percent were owned by individuals, 50 percent owned by families or collectivities, and 10 percent were large corporations.¹¹³

The private entrepreneurs controlled the investment decisions of their enterprises but did not control the

¹⁰⁹In 1975 about 700,000 Algerians lived in France.

¹¹⁰Farsoun, p. 10.

¹¹¹Peneff, Industriels Algeriens, p. 19.

¹¹²Ibid., p. 60.

¹¹³AARDES, 4:134.

overall planning programs initiated by the state. Several government documents repeatedly stressed that the private sector must work within the guidelines of the national development strategy. This situation was only logical since it was the state that led economic development as the private bourgeoisie was unable to do so. Thus, in a way, the private bourgeoisie was "forced to surrender part of [its] initiatives and capital to the central state power."¹¹⁴ Yet, in another way, the private sector could benefit tremendously from state planning by acquiring protection from a predictable stiff foreign competition. In any case, the private entrepreneurs were relieved from sensitive responsibilities that affected their future and were able instead to concentrate on realizing their investments and accumulating huge profits.

Some Algerian entrepreneurs were already familiar with capitalist organization of production. They had learned the skill either through working in colonial capitalist firms or by owning businesses in the colonial period. The ex-employees of European colonial firms or business owners served as intermediaries between the Algerian consumers and European firms since they knew best "the taste" and "the needs" of the Algerian consumers.¹¹⁵ After independence, the new Algerian entrepreneurs managed to keep pace with their

¹¹⁴Hussein, p. 169.

¹¹⁵Peneff, Industriels Algériens, p. 72.

capital accumulation even under the difficult circumstances of the first few years of independence.

Most small enterprises were managed directly by their owners, while larger ones required hiring managers since owners needed to travel to make business transactions. The AARDES study shows that while 967 entrepreneurs themselves controlled the production process, 373 were aided by family members or other assistants.¹¹⁶ In these enterprises the entrepreneur, as Stephen Hyman put it, "saw everything, knew everything, and decided everything."¹¹⁷ But this was only reasonable in a social formation characterized by political instability and continuous growth of the state sector. In large enterprises, managers controlled the overall production process while "foremen" and "technicians" directly controlled the workers to ensure discipline and work efficiency.⁻¹¹⁸ On the whole, large enterprises were characterized by "a rational **organization of work**" where the capitalist ensured the production and reproduction of material and nonmaterial conditions for the development of his enterprise¹¹⁹ Small enterprises, however, have "fundamental problems" of finance and supplies so they resort to further "reductions in workers' salaries in order to ensure large profits."¹²⁰

¹¹⁶AARDES, 3:87.

¹¹⁷Stephen Hyman, quoted in Richard Edwards, Contested Terrain, p. 25.

¹¹⁸AARDES, 3:87.

¹¹⁹Ibid., p. 13.

¹²⁰Ibid., p. 13.

Employment

Employment in the private industrial sector has shown a steady rise since 1966. And by 1977 the number of the industrial workforce almost doubled (see Table 15). The rise of industrial employment was particularly high in the construction industry, in which the number of workers rose from a mere 30,300 in 1966 to 105,512 in 1977.¹²¹ The decline in employment in the industrial sector in the 1973-74 period was due to the fact that 450 enterprises (80 percent of which employed fewer than twenty workers) "disappeared" for reasons of closings or seizures by the government, or bankruptcy.¹²² After 1974, however, employment grew steadily in absolute numbers.

It should be noted that a number of small enterprises, particularly in the textile and food industries, hire seasonal workers during certain periods of the year when demand increases for specific products. The number of enterprises using seasonal workers rose from 109 in 1969 to 133 in 1970.¹²³ In 1970, the number of seasonal workers employed in all Department II industry was 5,377, including 220 females.

124

The private entrepreneurs even hired teenagers disguised as apprentices. In the rug-making industry, children as

¹²¹Benachenhou, pp. 96-7.

¹²²AARDES, 4:4-5.

¹²³AARDES, 3:60.

¹²⁴AARDES, 4:116.

TABLE 15

EVOLUTION OF EMPLOYMENT IN PRIVATE INDUSTRIAL SECTOR 1966-77

Variable	1966	1968	1970	1971	1972	1973	1974	1975	1976	1977
Total employment in industry	91,204	76,046	85,126	141,683	142,037	171,049	142,281	153,119	166,905	178,367
Percentage of total industrial employment	56.6	37.0	33.0	49.6	50.0	45.4	37.5	35.0	34.0	32.6

SOURCE: Abdellatif Benachenhou, L'expérience Algérienne de planification et de développement 1962-1982 (Algiers: *SNED*, 1983), pp. 96-7.

young as 9 and 10 were recruited.¹²⁵ A study conducted by CASORAL (health insurance) inspectors found that employees "exploited [teenagers] under the cover of apprenticeship." Twelve- and fourteen-year-olds were paid only fifteen to fifty dinars weekly, while they performed the same work as adults. The report said that some workers had to cover up for their employees to save their jobs.¹²⁶

The entrepreneurs recruited their workers and apprentices directly from the local labor supply or through friends or intermediaries and thus avoided contacts with the "Bureau de main-d'oeuvre" (Labor Office).¹²⁷ Higher qualified personnel and cadres, however, were mainly recruited from overseas (especially France),¹²⁸ since Algeria lacked a sufficient number of these personnel.

Wages and Exploitation

The private entrepreneurs resorted to all types of exploitative methods to acquire the greatest possible amount of profit. Thus, they hired children, used "cottage industry," and paid the workers meager wages by the hour, day, or even by the piece.¹²⁹ For example, the AARDES study shows that out of 42,588 workers covered by the research, 36,822 were paid hourly or monthly, 5,674 daily, and 693 by the

¹²⁵AARDES. 3:69.

¹²⁶peneff, *Industriels Algeriens*, pp. 27-8.

¹²⁷Ibid., p. 71.

¹²⁸Ibid., p. 75.

¹²⁹Semmoud, p. 286.

piece.¹³⁰ The daily and per piece payments were usually below minimum wage.¹³¹ In 1969, while minimum wage was AD 1.36 an hour, 41 percent of day laborers were paid about AD 1.12 an hour. For those who were paid monthly, 55.7 percent of males and 57.2 percent of females earned less than DA 300 per month.¹³² These figures could in reality be lower, noted the AARDES study, because those interviewed were entrepreneurs not workers.¹³³

In general, most enterprises did not pay their workers above the minimum wage except in textile, leather, and shoes, where quality and care are important.¹³⁴ The range of salaries run from DA 2,400 for an apprentice to DA 25,960 for a technical cadre--a ratio of one to ten. In other enterprises (for example, the shoes industry), the range was one to twenty.¹³⁵ The workers accepted these low wages because of the high unemployment in Algeria. Some enterprises extracted absolute surplus value by extending the working day. For example, the average work week was 40.43 hours, but in 58 enterprises surveyed by the AARDES research, the average was 45.26 hours. Some enterprises employing between 600 and 800 workers had a 46.92-hour work week.¹³⁶

In 1971, work inspectors surveyed 201 enterprises and

¹³⁰AARDES, 3:91. ¹³¹Ibid., p. 102.

¹³²Peneff, Industriels Algériens, p. 28.

¹³³AARDES, 3:108. ¹³⁴Ibid., p. 104.

¹³⁵Ibid., p. 109. ¹³⁶Ibid., p. 81.

found that in addition to bad working conditions some enterprises had a 60-hour work week while the workers were paid only for an average work week of 40 hours.¹³⁷ The report concluded that this was

an over-exploitation of women and children. . . .
Actually the work is carried out without any guaranteed conditions of health and security. Unfortunately, the latter aspect security] also applies to some state enterprises.

Unionism in the Private Sector

The absence of union branches in most of the private sector enterprises was accompanied by the persistence of low wages and bad working conditions.¹³⁹ Although the ordinance of November 16, 1971 (which appeared with the Charter and Code of Socialist Management of Enterprises) , stated that a union branch must be created in all=private enterprises employing more than 9 workers,¹⁴⁰ AARDES research reported that only 25 percent of enterprises had union offices. The general tendency had been that the smaller the enterprise, the less likely it was to have a union branch. The sample studied by AARDES showed that 91 percent of small units (employing 5 to 19 workers), 59.4 percent of medium-size units (employing 20 to 49 workers), and 25 percent of larger ones (employing more than 49 workers) had no unions.¹⁴¹

Because of lack of union branches and the persistent

¹³⁷ Peneff, Industriels Algériens, p. 28

¹³⁸AARDES, 3:132. ¹⁴⁰

¹³⁹AARDES, 3:132.

AAN, 1971, p. 819.

¹⁴¹AARDES, 3:132.

"catastrophic conditions of work,"¹⁴² the workers resorted to strikes (see Table 16).

The conditions of work in the private sector attested to the brutal exploitation of the working class by the capitalist entrepreneurs. The latter seem to take advantage of high rate of unemployment and lack of strict government regulations to enforce their own terms of work relations and conditions to amass the greatest possible profits.

The Relationship between the Private and State Sectors

From the analysis of the state and private sectors we have learned that these two sectors developed simultaneously during the 1967-77 period. What, then, is the nature of their relation to each other and how can this be explained in terms of class?

The development of the state and private industrial sectors in Algeria was a result of specific historical conditions and class relations. Since independence, and particularly after 1966, there has been a quest for rapid independent economic development in which all sectors and all classes have been participating. The relations between the two sectors do not "constitute . . . the principle contradiction in Algeria"¹⁴³ as some might suggest, but instead constitute complementary relations in which the two sectors form a single capitalist economic structure rather than two

TABLE 16
NUMBER OF STRIKES AND STRIKERS 1969-72

Year	Number of Strikes	Number of Strikers
1969	72	10,869
1970	99	13,898
1971	154	21,603
1972	145	20,332

SOURCE: Jean Peneff, Industriels Algériens (Paris: Centre National de la Recherche Scientifique, 1981), p. 28.

qualitatively different structures.

The persistent danger posed by imperialism has rallied the different fractions of the national bourgeoisie to lead and maintain an independent course of development. The Algerian national bourgeoisie--as is well expressed in various official documents--has learned from the experience of other Third World formations which became victims of imperialist domination. The only way it could assume control over the development and accumulation process was through gathering all the potential national economic and social resources. The development of the state and private sectors has, then, become a historical necessity, especially since the two sectors are characterized by the same relations of production. Thus, although problems are expected to emerge during the course of development both within and between the two juridical sectors, it would be a mistake to consider this

a fundamental threat to the very existence of the two fractions of the national industrial bourgeoisie. While there is no clear-cut division between the two sectors, the general orientation of the state sector toward heavy industry and the private sector toward light industry produced a condition in which each sector seems to perform a historical role that sustains the overall conditions of reproduction in both sectors. The state sector provides a shield that protects the private sector from foreign competition, and the private sector in turn engages in the production of consumer goods industries to reduce imports and provide jobs for the unemployed, especially as the state sector tends to use capital-intensive industry.

But if the development of the state sector is directly ensured by the state itself (through providing investment capital and hiring foreign consultants and technicians while training Algerians), what are the conditions that sustain the development of the private sector, knowing that the latter has no direct access to foreign markets because of the state sector's monopoly over import/export trade?

There are several ways through which the private sector develops under these conditions. First, the state sector absorbs the high cost of industrialization through investments in research, production of capital goods industry, and training of future Algerian cadres. Relieved from all these costs, the private bourgeoisie accumulates large amounts of

capital by investing in the most profitable areas. Second, the private sector acquires its means of production from the state sector "at controlled prices which are often less than local cost price and even below the price on the world market."¹⁴⁴ The study of AARDES shows that out of 9,954 machines used by the enterprises surveyed, 2,730 or 27.4 percent of them originated in Algeria, i.e., either imported or produced locally by the state sector.¹⁴⁵ Third, the private sector also purchases its raw materials from the state sector with fixed prices that ensure more profitability. Several examples can be cited. The construction company SNMC sells 2.5 million tons of cement (40 percent of its total sales) yearly to the private sector. The company loses 30 DA a ton produced or imported.¹⁴⁶ The steel company SNS markets 30 percent of its sales to the private sector at prices below production costs and market prices.¹⁴⁷ The same can be said about SONATRACH and SONITEX, which sell plastic and textile raw materials to the private sector.¹⁴⁸ Another example is cited by Semmoud. In 1980, private companies bought paper from state corporations at 1974 prices while the notebooks produced were sold at prices three to

¹⁴⁴Lawless, pp. 171-2.

¹⁴⁵AARDES, 2:31. The state sector actually produces only about 131 types of machines, of which thirty are sold to the private sector (Ibid., p. 32).

¹⁴⁶Benachenhou, p. 109.

¹⁴⁷Ibid.

¹⁴⁸Ibid.

four times higher than 1974 prices.¹⁴⁹ Because of controlled prices of raw materials, some private companies in the Oran area were able to realize a turnover of twenty or even one hundred times their invested capital.¹⁵⁰

The state industrial sector served as a mechanism for the development of the private sector. "It is no exaggeration," says Benachenhou, "to state that it is the dynamics and the mode of function of the public sector that constitutes the objective basis of the development of the private sector in industry."¹⁵¹

The transfer of value from the state sector to the private sector should not, however, be seen as a permanent phenomenon. The fact is that this problem is only temporary and will eventually disappear when state sector resolves its organizational and material problems (shortage of managers and technicians, deficits, etc.). At this stage, the two sectors may engage in competition as capitalist companies normally do. This process has already started after the death of President Boumedienne in December 1978. Since 1979 the attention of the state has been focusing on the reorganization of the state sector whereby the latter becomes an autonomous structure functioning purely on market mechanisms.

¹⁴⁹Semmoud, p. 285. ¹⁵¹

Benachenhou, p. 101.

¹⁵⁰Ibid.

Conclusion

The formation of the Algerian industrial bourgeoisie has been taking place in two complementary sectors: the state and the private sectors. In the state sector, the industrial bourgeoisie was able to establish itself in a dominant position vis-a-vis the industrial working class through securing for itself control over economic ownership and possession, i. e., control over planning, investment, and production processes. This control was taking place since the first years of independence but was accelerated during the 1966-71 period and was finally formalized by the Charter and Code of the "Socialist Management of Enterprises."

The state-led industrialization spurred an extraordinary growth of the private industrial bourgeoisie. The latter secured for itself a strong position in the Algerian development process, ironically, because of the growth of the state sector. The two fractions of the same bourgeoisie (the industrial bourgeoisie in the state and private sectors) share a fundamental characteristic as in any other capitalist social formation: control over accumulation and production process, and thus the domination and exploitation of the working class.

CHAPTER V

CONCLUSION

Third World social formations have been the subject of a continuous debate over the character of their economic development. Different theories (dependency, independency, noncapitalist development and state-capitalism) approached the subject of development differently and arrived accordingly at various and even opposing conclusions. In order to contribute to this debate we proposed to analyze the Algerian industrial development in relation to class structure that both set it into motion and was restructured by it.

Algeria underwent a major social economic transformation through its "Industrial Revolution" program that put emphasis on the creation of Department II industries. This process of development led largely by the state sector with the participation of the private sector, established a strong industrial base that could truly be regarded as a foundation for an independent course of development. The establishment of heavy industry which produces the means of production is in fact the creation of material mechanisms of development. This industry can supply other industries (in the state and private sectors) and agriculture with the means of production and primary and intermediate raw materials.

The Algerian development strategy is rooted in its

historical past. Even before the formal independence of July 5, 1962, industrialization was seen by the leaders of the liberation war as a remedy for the inherited backward colonial economy. Although the idea of industrialization was present in official documents, the process itself did not get underway until after the coup d'état of 1965. During the 1962-65 period there seemed to be a class equilibrium that did not result in a specific class-based development strategy. The new class alliance that came to power after the coup eliminated the working class from any real political power and proceeded to engage in a large-scale development program. This program while it was initiated by different classes in power resulted in the restructuring of this class structure by establishing a new dominant class: the industrial bourgeoisie in the state and private sectors.

The industrial bourgeoisie has become the dominant force of development because it controls the very process of industrialization. This control evolved from containing the self-management system (the removal of workers from the decision-making process) to directing industrial development process. The dominance of the industrial bourgeoisie as a whole over the process of development takes place in two juridical sectors: the state-owned and the privately owned. The fractions of the industrial bourgeoisie in the state and private sectors constitute one dominant class that controls industrial production as a whole. The state and private sectors

display fundamental similarities rather than fundamental differences because they are governed by the same relations of production: capitalist relations of production.

The working class attempted to establish new relations of production through self-management, but its efforts were unsuccessful and the industrial bourgeoisie was able to contain self-management and establish on its ruins capitalist management methods removing any meaningful role of the workers in management. The so-called socialist management of enterprises formalized the capitalist relations of production rather than introduced a qualitatively new management system.

The theories of dependency, state capitalism, and non-capitalist development failed to offer a viable approach that explains social change in the Third World. The dependency theory, by assuming that these formations are dependent, limits itself only to elements that indicate dependency while it rejects elements of independency as unimportant. This approach tells only one side of the story and falls victim to its own method. The focus of the dependency theory kept it out of touch with the real achievements of capitalist development in the Third World, as the experience of Algeria clearly demonstrates.

The dependency theory seems to look at all Third World formations as helpless entities which can only be saved by a proletarian socialist development. While we consider that this is the only way of ensuring equality and social progress, we think that the process of industrialization in

Algeria has established the basis for a real independent capitalist development. This independent capitalist development is reproducing itself mainly through internal mechanisms: industrial production and the exploitation of the working class by the industrial bourgeoisie. Other classes--the petty-bourgeoisie and the agrarian bourgeoisie--are benefitting from this independent development because they are ensured not only a secure market but also security against foreign economic domination.

Industrialization in Algeria was initiated by several classes that took power in the 1965 coup d'état, but the process of development established one dominant class (the industrial bourgeoisie) over other classes. It is simply erroneous to state that the process of industrialization is controlled by other than an industrial bourgeoisie because, as we have seen, the relations of production that characterize industrial production are capitalist and are reproduced through economic and social mechanisms.

The process of industrialization and class formation is not, however, a smooth process. On the one hand, this process faces external pressures. Developed and highly competitive capitalism abroad exerts its influence for a share of the Algerian development process. Pressure occurs through finance capital (loans) and through technology, which necessitates the use of foreign technicians and managers to set industrialization into motion, at least in the first stages

of development. These external elements of influence are not, however, powerful enough to lead to a dependent development, they merely help speed up the process of extension of capitalist relations of production there. The Algerian bourgeoisie learns from the international bourgeoisie how to run a capitalist labor process. On the other hand, there exist problems of deficits, production and productivity, and unemployment. These problems are in part due to the shortage of qualified personnel and lack of sufficient experience in development. These questions, rather than being looked at as part of some kind of new mode of production (as Elsenhans does), seem to be concomitants of the Algerian strategy of development because of the rapid industrialization process per se. With time these problems will be resolved by more efficient methods of production. The Algerian state has already taken steps to reorganize the production process (after 1977) in such a way as to achieve a more efficient capitalist production.

The organization of the state sector has demonstrated that an industrial bourgeois class is established and assumes the leadership of development alongside the private industrial bourgeoisie. The class of the industrial bourgeoisie as a whole is defined not in terms of juridical ownership of the means of production (state and private), as both state-capitalism and noncapitalist development theories may emphasize, but rather, this class is defined in terms of control over the accumulation process (planning and investment) and

the production process (means of production and labor power). Both Wright and Poulantzas have provided us with these useful concepts in the study of class in the Third World.

State capitalism and noncapitalist development theories base their analysis on the state sector while they neglect the role of the private sector and the relationship between these two sectors. These theories seem to concentrate on the juridical ownership of the means of production rather than on control over economic ownership and possession.

As defined in the Algerian development strategy, industrialization in Algeria is a process of production and accumulation. Industrialization aims, thus, at creating the material basis for accumulation and development. Control over industrialization is, then, necessarily control over the accumulation process. In Algeria this control over accumulation is ensured, as we have said, by two interrelated functions: planning and investment. A planning state agency, which later became a separate ministry, links all possible economic potential of development. The private and state sectors can assume the role of independent development through cooperation and even competition, but not to the extent that might threaten their very existence. The very existence of a national industrial bourgeoisie is conditioned by a successful resistance to imperialist penetration. In social terms this means that the two fractions of the bourgeoisie can cooperate for establishing a material basis which

will be sustained by state regulations and limited competition as in all other capitalist economies. The role of the workers in the development process, as a logical consequence of any capitalist development, remains that of producing for wages without any meaningful participation in the decision-making process.

In the so-called "socialist" Algeria, the workers tried but failed to lead a socialist development. The reason for this failure can be attributed to several factors of which we can mention the lack of a strong working class as such. Its limited size, compounded by illiteracy and inexperience in organizational matters, made it an easy target for the bourgeoisie and other classes as we have learned from the experience of self-management.

This dissertation did not intend to analyze all aspects of development nor all aspects of class relations in Algeria. It focused mainly on some aspects of economic (industry) and social (class) forces of development. The study of the relationship between these two concepts revealed that several other areas need to be studied in order to provide a complete picture of all aspects of development.

First, this dissertation, for example, did not deal with the middle positions within the social division of labor, i. e., the petty-bourgeoisie. Both lack of sufficient data and complexity of the subject did not permit the inclusion of this class in the analysis and may require separate research to reveal its mechanisms of development.

Second, this dissertation limited itself to the concrete historical development of Algeria. Similar research on other formations may provide the basis for comparison. The focus should not be based on the outdated concepts of dependency, noncapitalist, and .even state-capitalism theories but rather on the analysis of the production process as such, regardless of the juridical aspects of ownership of the means of production. Through this analysis we can reveal the real social forces that are the motor of social change in any social formation.

In short, we can state that Algeria has, in fact, established the material and social foundation for an independent capitalist development, and the potential for sustaining this development is good. Sooner or later the attention of the Algerian industrial bourgeoisie may focus on areas of expansion not only within Algeria but also in the Arab world and other Third World formations.

While socialist development is highly unlikely, a capitalist development in Algeria is an established fact. The bourgeoisie has established itself in the fore as a historically legitimate leading force of development.

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