The Surplus in Monopoly Capitalism and the Imperialist Rent

SAMIR AMIN

Translated from the French by Shane Mage

Editor's Note: Since the 1950s Samir Amin has provided a systematic critique of the capitalist system, beginning with his landmark treatise, The Accumulation of Capital on a World Scale (1957) *and extending to his important works of the last few years, most notably* The Law of Worldwide Value *(2010). Here he provides an explanation of the importance of Baran and Sweezy's* Monopoly Capital *to this critique, relating "surplus" (which he identifies with all residual income/expenditures in the system of national accounts beyond invested profits and wages) to imperial rent. To aid in the understanding of his analysis here we have inserted two footnotes further explicating the two numerical examples he provides..*

Paul Baran and Paul Sweezy dared, and were able, to continue the work begun by Marx. Starting from the observation that capitalism's inherent tendency was to allow increases in the value of labor power (wages) only at a rate lower than the rate of increase in the productivity of social labor, they deduced that the disequilibrium resulting from this distortion would lead to stagnation absent systematic organization of ways to absorb the excess profits stemming from that tendency.

This observation was the starting point for the definition that they gave to the new concept of "surplus." Baran then extended Marx's analysis of the dynamic of capital accumulation in volume two of *Capital*, restricted to a system reduced to the two Departments of Production of means of production and of consumption goods respectively, with the introduction of a surplus-absorbing Department III.

I have always considered this bold stroke as a crucial contribution to creative utilization of Marx's thoughts. Baran and Sweezy dared and were able to "start from Marx" but they refused to stop, like so many other Marxists, at the exegesis of his writings.

Having, for my part, completely accepted this crucial contribution from Baran and Sweezy, I would like, in this modest offering for the special issue that *Monthly Review* devoted to honoring their work to put forward a "quantitative metric" of that surplus.

Metric of the Surplus

The surplus at issue, then, is the result of growth in the productivity of social labor exceeding that in the price paid for labor power. Let us assume, for example, that the rate of growth in the productivity of social labor is about 4.5 percent per year, sufficient to double the net product over a period of about fifteen years, corresponding to an assumed average lifetime for capital equipment. Departments I consists of investment goods which equal invested profits and Department II consists of wage goods which equal wages. To simplify the argument we will assume that for both Departments the organic compositions and the rates of growth of labor productivity are fixed. To permit changes in those parameters would force us to use algebraic notation for the model, which might easily be done but could make it harder for non-mathematicians to understand. Taking those complications into account would change nothing in the conclusions illustrated by the model, provided only that real wages increase less than the net product.

So let us assume that, in the long run, real wages would grow at a rate of about 2.5 percent per year to bring about an increase of 40 percent over a fifteen-year span. We end up with changes in the key magnitudes of the model in conformity with the following schema (numbers approximated):

Year	Net Revenues	Dept. I	Dept. II	Dept. III
1	100	50	50	0
15	200	70	70	60
30	400	100	100	200
45	800	140	140	520

At the end of a half-century's regular and continuous evolution of the system, the surplus (which defines the size of Department III relative to net revenue, itself the sum of wages, reinvested profits, and surplus) takes up two-thirds of the net product (roughly equivalent to GDP).[*]

The shift indicated here is approximately what in fact happened during the twentieth century in the "developed" centers of world capitalism (the United States/Europe/Japan triad). Keynes had indeed noted that mature capitalism was stricken by a latent tendency toward persistent stagnation. But he had not explained that tendency, which would have required him seriously to take into account the replacement of the "classical" competitive model by monopoly capitalism. His explanation thus remained tautological: stagnation was the result of the—unexplained—fall in the marginal efficiency of capital or expected profits on new investment (below even the strongest liquidity preference). In contrast, Baran and Sweezy explained to perfection both the tendency toward stagnation and the means used to overcome it. They unraveled the mysteries of contemporary capitalism.

Initially, that is, until the 1914 war, surplus amounted in practice merely to tax-financed state expenditures of at most 10 to 15 percent of GDP. It was a matter of spending to maintain the sovereign (public administration, police, armed forces), of expenditures linked to the public management of some social services (education and public health), and of the installation of some infrastructural elements (roads and bridges, ports, railroad lines). Analysis of the components corresponding to the concept of surplus shows the diversity of the regulations governing their administration.

Corresponding approximately to Marx's Departments I and II in the national accounts are the sectors defined respectively as "primary" (agricultural production and mining), "secondary" (manufacturing), and a portion of so-called "tertiary" activities which is hard to derive from statistics that were not

[*] Editors' Note: In the first numerical example below Amin assumes that prices are proportional to labor values, that is, the organic composition of capital is the same throughout the economy and that rates of exploitation (wages divided by profits) are also equal. If markets were competitive, then, as per standard neoclassical economic theory, wages would rise by the same percentage as the rise in labor productivity. In his example, wages would rise by 4.5 percent, the same as the increase he assumes in productivity. However, he proposes, as do Baran and Sweezy (see the first essay by John Bellamy Foster for reasons why this is so), that under monopoly capital conditions, wages rise by less than productivity (abstracting from labor struggle that might force wages up). This means that over time the gap between the total output of a society and wages gets larger and larger. This is represented by the surplus in the last column of the example. This surplus has to be absorbed somewhere in the economy to avoid stagnation.

designed for that purpose, even when the definition of their status is not itself confusing. To be held to participate—indirectly—in the output of Departments I and II are: transportation of implements, raw materials, and finished products; trade in those products; and the cost of managing the financial institutions needed to service the two Departments. What are not to be regarded as direct or indirect constitutive elements in their output, and therefore to be counted as elements of surplus, are: government administration, public expenditures and transfer payments (for education, health, social security, pensions, and old-age benefits), services (advertising) corresponding to selling costs, and personal services paid for out of income (including housing).

Whether the "services" at issue, lumped together in the national accounts under the title "tertiary activities" (with the possibility of distinguishing among them a new sector termed "quaternary"), are administered by public or private entities does not by itself qualify them as belonging to Department III ("the surplus"). The fact remains that the volume of "tertiary" activities in the developed countries of the center (as also in many of the peripheral countries, though that question—a different one—does not concern us here) is much larger than that of the primary and secondary sector. Moreover, the sum of taxes and obligatory contributions in those countries by itself amounts to or exceeds 40 percent of their GDP. Talk by some fundamentalist right-wing ideologists calling for "reduction" of these fiscal extractions is purely demagogic: capitalism can no longer function in any other way. In reality, any possible decrease in the taxes paid by the "rich" must necessarily be made up by heavier taxation on the "poor"!

We can thus estimate without risk of major error that the "surplus" (the Department III) accounts for half of GDP or, in other terms, has grown from 10 percent of GDP in the nineteenth century to 50 percent in the first decade of the twenty-first century. So if—in Marx's day—an analysis of accumulation limited to consideration of Departments I and II made sense, that is no longer the case. The enrichment of Marxist thought by Baran, Sweezy, and Magdoff through their taking account of Department III (and the linked concept of "surplus," defined as we have recalled it) is for that reason decisive. I find it deplorable that this is still doubted by a majority of the analysts of contemporary Marxism!

Once again, not "everything" in this surplus is to be "condemned" as useless or parasitical. Far from it! On the contrary, growth in a large fraction of the expenditures linked to this Department III is worthy of support. For a more advanced stage in the unfolding of human civilization, spending on such activities as education, health care, social security, and retirement—or even other socializing "services" linked to democratic forms of structuring alternatives to structuring by the market, such as public transport, housing, and others—would be summoned to take on even more importance. In contrast, some constitutive elements of Department III—like the "selling costs" that grew so fabulously during the twentieth century—are evidently of a parasitic nature and were quite early on viewed as such by some economists, like Joan Robinson, who were minimized or disparaged by their profession. Some public (weapons) and some private (security guards, legal departments) expenditures likewise are parasitic. A fraction of Department III, to be sure, is (or should we say was?) made up of spending that benefits workers and complements their wages (health care and unemployment insurance, pensions). Just the same, these benefits, won by the working classes through intense struggle, have been called into question during the past three decades, some have been cut back severely, others have shifted from provision by a public authority based on the principle of social solidarity to private management supposedly "freely bargained for" on the basis of "individual rights." This management technique, prevalent in the United States and expanding in Europe, opens supplementary, and very lucrative, areas for the investment of surplus.

The fact remains that in capitalism all these usages of the GDP—whether "useful" or not—fulfill the same function: to allow accumulation to continue despite the growing insufficiency of labor incomes. What is more, the permanent battle over transferring many fundamental elements of Department III from public to private management opens supplemental opportunities for capital to "make a profit" (and thereby increase the volume of surplus!). Private medical care tells us that "If the sick are to be treated it must above all be profitable (to private clinics, to laboratories, to pharmaceutical manufacturers, and to the insurers)"! My analysis of Department III of surplus absorption stands within the spirit of the pioneering work of Baran and Sweezy. The necessary conclusion is that a large proportion of the activities managed on those terms are parasitic and inflate the GDP, thus reducing drastically its significance as an indicator of the real "wealth" of a society.

Counterposed to this is the current fashion of considering the rapid growth of this Department as a sign of the transformation of capitalism, its passage from the "industrial age" into a new stage, the "knowledge economy." Capital's unending pursuit of realization would thus regain its legitimacy. The expression "knowledge capitalism" is itself an oxymoron. Tomorrow's economy, the socialist economy, would indeed be a "knowledge economy": capitalism can never be such. To fantasize that the development of the productive forces, by itself, is establishing—within capitalism—tomorrow's economy, as the writings of Antonio Negri and his students would have us believe, has only a seeming validity. In reality, the realization of capital, necessarily based on the oppression of labor, wipes out the progressive aspect of this development. This annihilation is at the core of the development of Department III, designed to absorb the surplus inseparable from monopoly capitalism.

We must therefore avoid confounding today's reality (capitalism) with a fantasy about the future (socialism). Socialism is not a more adequate form of capitalism, doing the same things but only better and with a fairer income distribution. Its governing paradigm—socialization of management over direct production of use-values—thus comports exactly with a powerful development of some of the expenditures which currently, under capitalism, take part in its main function, surplus absorption.

Order of Magnitude of the Imperialist Rent

In its globalized set-up capitalism is inseparable from imperialist exploitation of its dominated peripheries by its dominant centers. Under monopoly capitalism that exploitation takes the form of monopoly rents (in ordinary language, the superprofits of multinational corporations) that are themselves by and large imperialist rents.

In the propositions that I have put forward formulating the terms of a globalized law of value (see my *The Law of Worldwide Value*), I stated the full importance of this rent.[1] I would here like to give an idea of its quantitative scope in the capitalism of generalized monopolies and to link its effects to those associated with surplus absorption.

The order of magnitude of the quantifiable fraction of the imperialist rent, the result of the differential in the prices of labor powers of equal productivity, is obviously large. In order here to give a sense of that order of magnitude, we hypothesize a division of the world's Gross Product in the ratio of two-thirds for the centers (20 percent of the world's population) and one third for the peripheries (80 percent of the population). We assume an annual rate of growth of Gross Product of 4.5 percent for both centers and peripheries, and a rate of growth of wages of 3.5 percent for the centers but total stagnation (zero growth) for peripheral wages. After fifteen years of development in this model we would arrive at the results summarized in the following table:

YEAR	CENTERS	PERIPHERIES	WORLD

1	Gross Product	66	33	100
	Wages	33	17	50
	Profits	33	16	50
15	Gross Product	132	68	200
	Wages	56	17	73
	Profits	56	17	73
	Department III	20	--	20
	Imperialist Rent	---	34	34

Of course, the volume of this imperialist rent, which seems to be on the order of half the Gross Domestic Product of the peripheries, or 17 percent of the world's Gross Product and 25 percent of the centers' GDPs, is partially hidden by exchange rates. It is a question here of a well-known reality that introduces uncertainty into international comparisons: are GDP value-comparisons to be made in terms of market exchange rates or according to exchange rates reflecting purchasing-power parities? Moreover, the rent is not transferred as a net benefit to the centers. That the local ruling classes hold on to some of it is itself the condition for their agreement to "play the globalization game." But the fact remains that the material benefits drawn from this rent, accruing not only to the profit of capital ruling on a world scale but equally to the profit of the centers' opulent societies, are more than considerable.[†]

In addition to the quantifiable advantages linked to differential pricing of labor powers, there are others, nonquantifiable but no less crucial, based on exclusive access to the planet's material resources, on technological monopolies, and on control over the globalized financial system.

The share of imperialist rent transferred from the peripheries to the centers accentuates in its turn the global disequilibrium pointed out by Baran and forms an additional factor swelling the surplus to be absorbed. The contrast to be observed during the present phase of the crisis, between weak growth in the centers (United States, Europe, Japan) and rapid growth in the developing countries of the periphery, is to be understood only in terms of an overall analysis linking analysis of how surplus is absorbed to analysis of the extraction of imperialist rent.

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[1] Samir Amin, *The Law of Worldwide Value* (New York: Monthly Review Press, 1978)

[†] Editors' Note: In the second numerical example, Amin extends the analysis of the surplus to the global economy. Here monopoly capital is able to move around the globe and use its economic and political power to pay workers in the periphery of global capitalism a wage considerably below that in the center, even though their productivities are the same. For clarity of exposition, Amin assumes that wages in the peripheral countries do not increase at all. This results in an enormous growth of surplus in the periphery much of which is siphoned off as imperial rent and ends up in the center via multinational corporations. The super profits (based upon superexploitation of the wage labor) then have to be absorbed, making the stagnation tendency analyzed by Baran and Sweezy potentially more difficult to overcome.