

Monopoly Capital at the Turn of the Millennium

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April 1, 2000

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This article is dedicated to Paul Sweezy on his 90th birthday. It is also meant as a personal expression of my conviction that *Monopoly Capital* (1966) by Paul Baran and Paul Sweezy, which provided a rich analysis of capital accumulation and crisis rooted in insights from Marx, Keynes, Kalecki, and Schumpeter, is still the most useful starting point from which to view the historical evolution of the United States and other advanced capitalist economies. My intention in this article is to use that general analysis to comment on some of the central empirical developments within the economy in our time—in a new millennium and under conditions of the globalization of monopoly capital.

Economic analysts, as everyone knows, have widely differing views on the way the economy works. The single most important division lies between right and left—a division that has its roots in class. But even among those on the left there are areas of sharp disagreement. One of these is over the centrality of the Keynesian revolution to the development of economics. Did the revolution in economic thought, associated with thinkers such as Keynes and Kalecki, teach things that Marxist political economists should view as essential? Another disagreement is over the role of monopoly and competition. How central is the concentration and centralization of capital to our understanding of the workings of capitalism today—a full century after Marxists and other radicals first raised the question of monopoly capitalism? Whatever one's abstract theory is—and all theories by definition rely on a degree of abstraction—its usefulness lies in its capacity to make sense of everyday reality, while providing the strategic analysis necessary for practical revolutionary solutions.

Throughout its history, *MR* has advanced a theoretical view known as monopoly capital or stagnation theory. This perspective, outlined in Baran

and Sweezy's *Monopoly Capital*, argued that Marx's "law of the tendency of the rate of profit to fall" was no longer directly applicable to the monopoly capitalist economy that emerged at the beginning of the twentieth century, and had to be replaced by a "law of the tendency of surplus to rise" – where surplus was defined as the difference between the wages of production workers and total value added. A key contradiction of capitalism in its monopoly stage is therefore that of rising surplus and the associated problems of surplus absorption.

Rising surplus and the accumulation of a mountain of surplus means that capitalist firms are faced with the problem of how to employ all of it, i.e., how to use the piled-up cash to make more profit. True, capitalists can use or waste some of this surplus for personal pleasure. But that is peanuts compared to the size of the growing surplus. So the problem remains one of how to absorb all of the surplus actually and potentially available. Generally, the answer is sought in new investment, but that expansion of capital comes up against consumption limits imposed by the distribution of income: who will buy the increased volume of output? New epoch-making innovations – resembling the steam engine, the railroad, and the automobile in the overall effect on accumulation – could conceivably provide sufficient profitable investment outlets, but such epoch-making innovations are *historical* rather than *economic* factors that cannot be counted on to appear when needed or on the scale necessary in terms of surplus absorption. Even the astounding new field of computer/digital technology has so far absorbed only a small part of the massive economic surplus hanging over the economy. Foreign investment, which once provided an outlet for surplus, has become an efficient device for the transfer of surplus from the periphery to the core of the capitalist system, thereby further compounding the problem. All of this means that the system has a powerful tendency towards stagnation, arising from an inability to find outlets for all of the surplus actually and potentially generated at the level of production – a problem partly (but only partly) compensated for by the rise of various countervailing factors, such as the growing sales effort, military spending, and financial expansion.

Like all theoretical perspectives this one has to be put to the harsh test of reality, and modified where necessary to explain changing historical conditions. In what follows, I will attempt to show concretely, by focusing on current historical developments, why I believe this general approach is vital to the explanation of economic conditions today – at the beginning of a new millennium.

The Party

The first thing one notes, in turning to those accounts that dominate today's business news, is that corporations are awash in rising profits. In the final months of 1999, the business press was euphoric as it became clear that "the party" –referring to the current period of extraordinarily high profits– would continue past the millennial turning point into the year 2000. In its quarterly profits scoreboard in mid-August, *Business Week* declared that "Corporate America's profits are cruising at warp speed Profits for the 900 companies on *Business Week's* Corporate Scoreboard rose a merry 28% during this year's second quarter, the best performance since 1996's final period." What was fueling the expansion in the late recovery phase of the business cycle, the same magazine had declared two weeks before, was the fact that corporations were awash in cash, with 851 billion dollars in retained earnings. In December 1999, word was out in the business community that the U.S. economy was exiting "the millennium with an unprecedented bang."

Needless to say, the big bash occurring at the economic pinnacle of the society is an exclusive affair. The growth of wealth at the top, as *Business Week* told its corporate readers, has been accompanied by a relative decline in income and wealth shares at the bottom—with little in the way of any real income gains among wage earners at present. A Harris poll at the end of 1999 showed that most of the U.S. population believe that they have not benefitted from what is now, according to the National Bureau of Economic Research, the longest business cycle upswing in the nation's history, ongoing since March 1991—hardly a surprising result, with real wages still "barely budging," and only about a fifth of the population owning stock market assets outside of retirement funds. "The biggest fault line," *Business Week* declared in its December 27, 1999 issue,

... seems to be between Americans who are getting an extra income boost from the stock market or a dot.com employer, and everybody else. Indeed, the most striking development in the New Economy for many has been the end of the 40-hour week: Americans now log more hours on the job than workers in any other industrialized nation. But growth in real hourly compensation has dropped from a 4.3% annual rate in the third quarter of 1998 to 2.3% this year This may explain why 51% of Americans feel cheated by their employer, according to a new study from Opinion Research Corp., International.

Indeed, *Business Week* warned its corporate readers, the 52 percent of the population who, in the same Harris poll, registered sympathy with the

protesters in Seattle were responding to real economic grievances, and the protests could soon migrate in a big way from streets to workplaces.

Monopoly Capital and the Tendency of Surplus to Rise

The contradictions of the economy, however, are far more acute than a mere perusal of the business press would lead one to believe, and relate to the entire development of accumulation under monopoly capitalism. One way in which to begin to understand the conditions now confronting the U.S. economy is to look more concretely at the economic surplus being generated by the society.

An item-by-item accounting of total economic surplus, incorporating all of the relevant components from official government estimates of national income and output, is a difficult undertaking which obviously cannot be attempted here. Nevertheless, in a extremely simplified version of such an analysis, corporate profits plus depreciation plus net interest can be taken as a *first approximation* of the actual economic surplus—one which, however, leaves out many elements that properly belong to surplus, such as expenditures on marketing, now running at more than one trillion dollars a year.³ When we look at the trends in economic surplus, measured in this limited way, we discover that the share of surplus in total output is increasing. The average annual percentage of profits plus depreciation plus net interest of corporate business in Gross Domestic Product (GDP) rose from 14.2 percent between 1946 and 1973 to 14.7 percent between 1974 and 1998. Further, corporate profits plus depreciation plus net interest as a percentage of GDP soared to their *highest level ever* in 1997 at 16.6 percent—rising for the first time since the Second World War above 16.1 percent, the level reached in 1929 (the year of the Great Crash), and surpassing the Second World War peak of 16.5 percent in 1942.⁴ This strongly suggests that the problem of rising surplus has in no way lessened in recent decades, and remains endemic to monopoly capitalism as it enters the new millennium.

The strength of the tendency of surplus to rise can be traced historically, as we have seen, to changes that occurred as the system evolved from its freely competitive to its monopoly phase—that is, to the shift from an economy consisting largely of small family-based firms to one dominated by large monopolistic (or oligopolistic) enterprises. Competition begets monopoly and monopoly begets competition—but in an historically evolving pattern. Competition, rather than simply disappearing under monopoly capitalism,

became in some ways more intense. Competition over productivity and innovation—the drive to obtain the low cost position—only stepped up its pace. New dominant forms of competition also arose, especially those associated with marketing—targeting, product development, advertising, and sales promotion.

Yet, in areas of price, output, and investment, modifications took place in the nature of competition as a result of the concentration and centralization of capital—sharply distinguishing monopoly capitalism from the freely competitive age that preceded it. With the rise of the giant firm, price competition ceased to take place in any significant sense within mature monopolistic industries—as opposed to new industries in which a shakedown process is occurring (such as computers and digital technology in general), and industrial sectors that resemble the firms of the earlier competitive stage.⁵ Megacorporations tend to price *coarsely*, as Joseph Schumpeter said, in a process of indirect collusion, acting as price-makers rather than price-takers. Prices for manufactured products in mature monopolistic markets tend to go only one way: up. Hence, inflation (whether double-digit or at more moderate levels) has come to characterize monopoly capitalism. Price deflation, once fairly normal for capitalism, largely disappeared in mature industries and at the aggregate level in the system as a whole with the rise of the regime of big business.⁶ And this is true despite the fact that prices for raw materials, particularly from the third world, have had a tendency to be depressed (indeed to be caught up in deflationary spirals)—a function of the workings of the imperialist system.

The decline of price competition in the system as a whole has its counterpart in the change in the way in which output and investment are determined. Rather than lower prices in the face of a shortfall of demand as in a freely competitive economy, the typical giant firm tends to take up the slack by lowering its output and increasing its level of excess productive capacity in order to protect profit margins (the mark-up on prime production costs). As a result, investment, which is governed by expectations, tends to be regulated much more by the level of excess capacity—and by expected profits on new investment in plant and machinery if this capacity were to be expanded—than by anything else. Empirical studies have consistently shown that it is only when capacity utilization rises to 85 percent in the economy as a whole that national investment is spurred; but this process is a self-limiting one, since new investment means the growth of additional manufacturing capacity, which must find a market—investment itself then tends to lead eventually to idle capacity.

In this strange, semi-regulated world of monopoly capital, there is no longer a life-or-death competition threatening the survival of the mature capitalist enterprise (though mergers in search of greater monopoly power are a common occurrence). Rather, the giant corporations that dominate the contemporary economy engage primarily in struggles over relative market share. Although conventional economics textbooks still tell us that the existence of a perfectly competitive economy guarantees that economic profits are short-lived or nonexistent, in the real world of late capitalism, large firms not only obtain persistent profits, but there is a hierarchy of profit rates between firms. It remains a competitive world for corporations in many respects, but the goal is always the creation or perpetuation of monopoly power—that is, the power to generate persistent, high, economic profits through a mark-up on prime production costs.

The Generation and Absorption of Surplus

Since the intent here is to explain how the growth of monopoly capital is related to such fundamental tendencies as rising surplus and economic stagnation, and how this generates various distortions in the way the capitalist economy is supposed to work (according to its own ideal conception), it is useful to turn to the work of the post-Keynesian economist Myron Gordon, who has developed an empirical analysis of the underlying pattern of accumulation, focusing on the ratio of value added to the wages of production workers.⁸ Gordon shows that, while over the years 1899 to 1949 the ratio of value added to the wages of production workers in manufacturing in the United States fluctuated around 2.50, between 1949 and 1994 it rose fairly steadily to 5.25, *more than double its 1949 value*.⁹ What this means is that there is a growth in the ratio of surplus to the wages of production workers as determined at the level of production.

The shift in the employment structure of manufacturing firms, from one that was geared primarily to the employment of production workers to one in which production workers are vastly outnumbered by nonproduction workers, is closely associated with this rising surplus within production and with the pursuit of monopoly power and profits. At the beginning of the twentieth century, Gordon notes,

manufacturing firms...were engaged primarily if not solely in production. By the end of the century their primary activity had become the pursuit of monopoly power. The large modern corporation incurs the costs of a wide range of nonproduction activities for the purpose of maintaining and

increasing its monopoly power. Hence, they may be called monopoly activities. The objective of monopoly power is to increase the margin of price over production cost for the firm's products and to increase the sale of the products at these prices. These activities include research and development for the purpose of improving existing products, discovering new products, and reducing production costs. They include selling and advertising to increase sales and the markup of price over production costs. They include labor relations to persuade or intimidate workers to produce more or accept lower wages. They include political contributions, lobbying and corruption of government officials in order to obtain natural resources on favorable terms and other favors of government. They include the employment of lawyers, accountants, and financiers to avoid and evade taxes and to influence tax legislation. I could go on. These activities may be harmless apart from their cost and their consequences for the distribution of income. They may be beneficial to the degree that productivity is raised, or they may be malignant in their consequences for society. In any event, what they all have in common is the pursuit of the profits to be gained from monopoly power.

In addition to expenditures on the pursuit of monopoly power as such, there are also of course expenditures which can be seen as disguised profits – such as the enormous income (including reserves for severance and pensions) set aside for top management. Although treated as “cost deductions” before profits are calculated, these returns are obviously part of the economic surplus – indeed the lavish rewards to top corporate officers and their hangers-on may be largely returns for the successful pursuit of monopoly power, the immediate goal of today's “strategic management.”

“Monopoly workers” are defined by Gordon as all employed workers minus production workers, and thus are equivalent to nonproduction workers. Between 1899 and 1949, the number of monopoly workers increased at more than twice the rate of that of production workers. From 1949 to 1994, the growth of production workers was stagnant (falling at the end of the period), while the average annual growth rate for monopoly workers was around 2 percent.

A concrete example of the radical changes taking place in this respect in large corporations can be seen in the case of Microsoft. In fiscal year 1997, Microsoft had a total sales revenue of 11.4 billion dollars, while its labor and material costs of production were only 1.1 billion dollars. (Research and development was 1.9 billion dollars, sales and marketing 2.9 billion dollars, general administration 362 million dollars, and gross profits before taxes 5.3 billion dollars.) Prime production costs (the labor and materials costs of production) thus accounted for less than 10 percent of sales revenue, while profits made

up 47 percent of sales revenue. The remainder was accounted for by the costs of the pursuit of monopoly power. The 5.3 billion dollar profit was earned with a total investment in equipment, inventory, and buildings of less than 2 billion dollars.

Microsoft may seem like an extreme example—but as the leading high-tech corporation in the world, it also reflects the extreme direction that capital is taking in general. Moreover, the phenomenon is not simply confined to computer software firms or dot.coms. Nike, to take an additional case, subcontracts nearly all of its production to owners of factories in China, Indonesia and Vietnam. Tens of thousands of workers in Asia employed by these subcontractors produce the shoes sold by Nike, which is thus free to devote almost its entire paid employment to the pursuit of monopoly power. In 1992, Nike's payroll included eight thousand people globally, almost all of whom were in management, sales promotion, and advertising—geared to Nike's swoosh label products.

The economic surplus generated by these means is enormous, as are the costs of Nike's pursuit of monopoly power. In 1992, Michael Jordan received twenty million dollars from Nike for promoting its shoes. This was as much as the entire payroll of the four Indonesian factories involved in the production of Nikes, where the mainly female workers sometimes earned as little as fifteen cents an hour while working eleven hour days. By 1996, conditions for these workers had improved only slightly; twenty-five thousand workers produced seventy million pairs of shoes annually (each of which sold for between forty-five and one hundred dollars in North America) and received an average of 2.23 dollars per day, while often being compelled to work six hours overtime. In Vietnam, where Nike was subcontracting much of its production by the late 1990s, conditions were even worse. In 1997, most of the thirty-five thousand workers in Vietnam producing Nikes were women who worked twelve hour days for a labor cost of two dollars per pair of shoes. Under attack for the labor conditions in the factories that make its shoes, Nike has responded that it is simply a marketing company, uninvolved in production. In the words of its vice-president for Asia, "We don't know the first thing about manufacturing. We are marketers and designers."

Nike is an extreme example, mainly because of the extent of its outsourcing and subcontracting of production. In most manufacturing, direct investment in production is deemed vital, since the capacity to generate economic surplus is rooted in production, and in innovations occurring at this level.

Nonetheless, the general shift in the overall economic emphasis of firms from production to marketing and finance has been central to the evolution of the large firm throughout the past century. As early as 1939, in a Federal Trade Commission Inquiry, General Motors revealed that a Chevrolet selling for 950 dollars had production costs of around 150 dollars while the remainder went to marketing, distribution, and profits.

Mergers and Financial Speculation

The economic surplus generated by firms, according to the foregoing analysis, is enhanced by the pursuit of monopoly power and the pursuit of monopoly power generates its own costs, which increasingly dominate the balance sheets of firms. The expenditures associated with the pursuit of monopoly power are not reducible to the sales effort, but also include the absorption of surplus through such means as corporate mergers and financial speculation. As economic surplus expands, so do corporate mergers, which have as their object the pursuit of higher degrees of monopoly power through the concentration and centralization of capital. Hence, economic surplus that could be used for investment is instead used up in the buying and selling of firms—a competitive race that takes on more and more urgency as it becomes more global in character. The two greatest merger waves in history are those associated with the opening and the close of the twentieth century. “Measured relative to the size of the economy,” according to the *Economic Report of the President, 1999*, “only the spate of trust formations at the turn of the century comes close to the current level of merger activity,” with the value of mergers and acquisitions in the United States in 1998 alone exceeding 1.6 trillion dollars. Corporate mergers and acquisitions grew at a rate of almost 50 percent per year in every year but one between 1992 and 1998. Globally, more than two trillion dollars’ worth of mergers were announced in the first three quarters of 1999. The leading sectors in this merger wave have been in high technology, media, telecommunications, and finance but mega-mergers are also occurring in basic manufacturing.

It is not simply the quantitative extent of mergers and acquisitions that matters but also their type and purpose. Many of these mergers, as noted in the *Economic Report of the President*, are “synergy-seeking mergers” in which large corporations are seeking to take advantage of “economies of scope” by moving into closely related markets. Further, while the great merger wave at the beginning of the twentieth century was directed mainly at control of an overwhelming share of domestic markets by three or four firms, the merger

strategy of today has shifted to consolidating a substantial share of international markets through: (a) establishing production facilities in other industrialized countries (where the biggest markets are to be found), and (b) cross-border buyouts and mergers.

The merger in 1998 of Daimler Benz and Chrysler to form a 130 billion dollar company, DaimlerChrysler, which *Business Week* called “the first global car colossus,” is a case in point. It was an attempt to consolidate a global market position in an industry where there “there is plant capacity to build at least 15 million more vehicles each year than will be sold.” According to McGraw-Hill business analysts, such consolidation within the auto industry worldwide is inevitable, with the number of leading auto companies in the world expected to drop by half, from forty to twenty, in the opening decades of this century. The DaimlerChrysler merger was followed last year by Ford’s acquisition of Volvo. Moreover, the globalization of monopoly capital in the auto industry is stepping up its pace. According to *The Wall Street Journal* of February 14, 2000,

The world’s two biggest auto companies are about to enter a bidding war for an insolvent South Korean car maker—and the outcome could determine who will be No. 1.

Ford Motor Co. intends to take on General Motors Corp. in the auction of Daewoo Motor Co., Ford Chairman W. Wayne Booker confirmed over the weekend, ending weeks of speculation about Ford’s plans. GM set the auction in motion when it offered around \$6 billion for most of Daewoo’s assets. People close to the situation say DaimlerChrysler AG also is seriously considering jumping in. A DailmerChrysler spokesman wouldn’t comment.

Why are the world’s biggest car makers so keenly interested? At first glance, Daewoo Motor seems hardly worthy of such attention. It owes sixteen billion dollars it can’t repay, has car factories in some of the world’s oddest corners, and its American marketing arm even publishes a brochure that opens with the question, “Dae-who?”

But the contest is one for world domination. Ford’s string of 1990s acquisitions—capped by its purchase a year ago of Volvo Cars Ltd.—has positioned it to overtake GM for global auto-making leadership. Whichever company gets Daewoo Motors’ annual worldwide capacity of about two million cars will have the potential to be the biggest.

Despite the fact that the current merger frenzy, as the above example dramatically demonstrates, is directed at global rather than national markets,

the underlying aim remains a familiar one. As Michael Mandel, economics editor of *Business Week*, declared in October 1999, “The old market verities apply: As concentration increases, it’s easier for remaining players to raise prices. In the copper industry, the prospect of consolidation helped drive up future prices by more than 20% since the middle of June.”

What is now the greatest merger wave in capitalist history is rapidly transforming the global competitive environment. Already by the mid-1990s, the largest three hundred corporations in the world accounted for 70 percent of foreign direct investment and 25 percent of world capital assets. The top ten telecommunications firms now control 86 percent of a 262 billion dollar world market—and analysts expect the number of giant telecommunications firms controlling that world market to be halved early in this century. The rivalry between giant firms is being intensified at the transnational level as corporations seek to carve out larger and larger world market territories.

The underpinnings of the current massive merger wave can be understood much more fully by examining the way they are financed. Although it is still frequently claimed in textbook economics that the main purpose of both the issue of new stock and borrowing by nonfinancial corporations is to finance investment in productive capacity, this is far from the case. In the 1980s, U.S. corporations borrowed heavily, not in order to finance real investment (which they continued to pay for out of gross profits), but for the purpose of stock buybacks (to boost the value of their shares) and takeovers. This borrowing was thus geared to the speculative purchase of existing assets with the expectation of expanding capital gains, and, in the case of takeovers, the creation of new monopolistic positions through “synergy.” In the 1990s, the diversion of corporate funds to Wall Street has intensified, but firms have relied on their own profits increasingly for this purpose rather than debt (though also continued to borrow as a defensive strategy against hostile takeovers). The speculative bubble associated with the internet and the Nasdaq in particular had created such an out-of-this-world situation, by the opening month of 2000, that the digital giant America Online (AOL) was able to purchase Time Warner, in a 183 billion-dollar deal that constituted the biggest (though still pending) merger in all of history. And AOL was able to do so despite the fact that it had only 20 percent the annual revenue and 15 percent of the workforce of Time Warner.

Increasingly, we are faced with a world economy governed by financial speculation and the attempt to create *global monopoly* (or oligopoly) power—led by media and telecommunications and fanning out through all sectors of

production. In this shift to a more global playing field, there is the likelihood of increasing currency and trade wars between capitalist blocs, even as core capital attempts to head off trouble by establishing new rule-making bodies at the international level, such as the World Trade Organization (WTO). Real power, however, lies not with such transnational rule-making bodies (which can never become an “international of capital”), but with the actual states and corporations.

The United States and World Competition

In this age of globally expanding circuits of capital, the United States has for the most part been able to set the pace. The source of this U.S. advantage resides not simply in the special role of the dollar; its military power; the ability of its corporations to position themselves strategically in global markets so as to obtain spectacular mark-ups (evidence of monopoly power); or its position as a haven for foreign capital—but also in the low rate of increase in unit labor costs (i.e., nominal hourly compensation per unit of output) of U.S. manufacturing relative to manufacturing in the other capitalist states. This can be seen in Table 1 (below). With exception of the United States and Canada, all of the G-7 countries had double-digit rates of increase in exchange-rate adjusted unit labor costs from 1985 to 1990. Moreover, in the 1990 to 1998 period, the exchange-rate adjusted rate of increase in unit labor costs in the United States remained lower than those of its two biggest competitors: Japan and Germany.

| Average Annual Rates of Change of Unit Labor Costs in Manufacturing, G7 Countries: U.S. Dollar Basis | | |
|---|------------------|------------------|
| | 1985-1990 | 1990-1998 |
| U.S. | 1.6 | 0.2 |
| Japan | 10.8 | 1.3 |
| Germany (West) | 15.9 | 0.3 |
| France | 11.6 | -2.0 |
| United Kingdom | 11.4 | 1.8 |
| Italy | 14.4 | -2.3 |
| Canada | 7.1 | -2.3 |

Source: United States Department of Labor, Bureau of Labor Statistics, “International Comparisons of Manufacturing Productivity and Unit Labor Cost Trends, 1998,” *News*, August 27, 1991, Table B, p. 11. The employment compensation component of unit labor costs includes both direct and indirect payments to employees. Direct payments include wages and salaries (also encompassing compensation to corporate executives), vacation pay, tips, bonuses, etc. Indirect payments include employer contributions to legally required insurance programs and contractual and private benefit plans,

including social insurance funds, private pensions, and health and welfare plans, and workers' compensation for injuries.

Unit labor costs are a more comprehensive indicator of international competitiveness than labor productivity growth rates, which they partly reflect. Hence, it is the relatively slow growth of unit labor costs in the United States, Bureau of Labor Statistics analysts tell us, that point to the *decisive advantage* gained by the United States in *overall competitive position* over its major competitors in the period after 1985.²⁰ There can be little doubt about where the ultimate source of this advantage lies: in the effectiveness of the class struggle against labor in the United States. According to one study, real after-tax hourly compensation of production workers in the U.S. economy dropped by almost 14 percent between 1977 and 1995.²¹ The present expansion has been accompanied by increasing attacks on unions; growth of "nonstandard employment" (in which part-time and other contingent employment constitutes a bigger and bigger portion of total employment); longer work hours; and cutbacks in state spending for human welfare. In this battle to lower the floor, U.S. capital has played the leading role and its major competitors are increasingly moving in the same direction.

The same general process taking place in the U.S. economy is occurring globally on a much larger, more polarized scale. What Harry Magdoff noted in *The Age of Imperialism* as far back as 1969 is even more apparent today (though it now applies to the giant firms of numerous states): "It is the professed goal of these international firms [U.S. multinationals] to obtain the lowest unit production costs on a world-wide basis. It is also their aim, though not necessarily openly stated, to come out on top in the merger movement in the European Common Market and to control as large a share of the world market as they do of the United States market." In fact there is an "essential oneness" to the U.S. economy and its foreign economic policy. According to the dominant corporate consensus, the struggle against domestic labor is at one with the struggle with other capitalist blocs, and with the struggle against already superexploited third-world labor. In each and every case, the goal is a narrow pursuit of low production costs, widening profit margins, increased capital gains, and global monopoly power—at the expense of all other interests and values.

It goes without saying that this "essential oneness" in the accumulation drive of the system at all levels at the beginning of the twenty-first century conceals its own internal antagonisms. The anti-WTO protests in Seattle may signal the

fact that the “party” for capital at this historical juncture is nearly over—in more ways than one.

Notes

1. Paul A. Baran and Paul M. Sweezy, *Monopoly Capital* (New York: Monthly Review Press, 1966), p. 125. It should be emphasized that in referring to “the tendency of surplus to rise” Baran and Sweezy had no intention of presenting this as an *iron law*, i.e., one not subject to countervailing factors that modify or mitigate its effect. Rather they invariably emphasized that this was a mere *tendency* (or tendential law), which could not be examined apart from such countervailing factors.
2. *Business Week*, August 16, 1999, pp. 88-90, August 2, 1999, pp. 28-31 and December 27, 1999, pp. 52-55.
3. Kevin J. Clancy and Robert S. Shulman, *Across the Board* (October 1993), p. 38, and *Marketing Myths that are Killing Business* (New York: McGraw Hill, 1994), pp. 140, 171.
4. *National Income and Product Accounts of the United States*, vol. 1, Tables 1.1 and 1.16; and U.S. Commerce Department, *Survey of Current Business*, vol. 79, no. 8 (August 1999), pp. D2 and D5. I would like to thank my friend and colleague Michael Dawson for the initial analysis of this data. It should be noted that depreciation is sometimes seen as a cost to be deducted before arriving at net profits, but in practice depreciation (the amount of which is enormously increased by accelerated depreciation allowances) is part of the social accumulation fund (or total economic surplus) available to capital and hence needs to be included in the surplus. In other words, the appropriate categories for analysis of accumulation are gross profits, gross savings/surplus and gross domestic product (all of which include depreciation) rather than net profits, net savings, or net national product. For more detailed discussion of these issues as well as a far more comprehensive empirical treatment of the tendency of the surplus to rise see Michael Dawson and John Bellamy Foster, “The Tendency of Surplus to Rise, 1963-1988,” in John B. Davis, ed., *The Economic Surplus in Advanced Economies* (Brookfield, Vermont: Edward Elgar, 1992), pp. 42-70. A heavily abridged version of this research was published under the same title in *Monthly Review*, vol. 43, no. 4 (September 1991), pp. 37-50. For a graph of this data showing the tendency of the surplus to rise, see Michael Dawson and John Bellamy Foster, “Is There an Allocation Problem?: Accounting for Unproductive Labor,” *Science & Society*, vol. 58, no. 3 (Fall 1994), p. 323.
5. Both monopolistic and competitive sectors of the economy continue to exist side by side, but the giant corporation, able to control to a considerable extent its level of price, output, and investment, is the typical firm in a dynamic

sense in the monopoly capitalist economy. Noting the difference in price structure in monopolistic and competitive industries, the Natural Resources Committee report, *The Structure of the American Economy* (1939), directed by Gardiner Means, observed that the term "monopoly" could be "used on the whole to refer to situations in which sufficient control would be exercised over price by an individual producer or by a colluding group of producers to make possible monopoly profits, i.e., profits above the rate necessary to induce new investment in other industries not subject to monopoly control." Conversely, "a situation was in general classified as competitive if there was insufficient control over price to make monopoly profits possible." Gardiner Means, ed., *The Structure of the American Economy, Part I* (Washington, D.C.: U.S. Government Printing Office, 1939), p. 139.

6. See Harry Magdoff, "A Note on Inflation," in John Bellamy Foster and Henryk Szlajfer, ed., *The Faltering Economy: The Problem of Accumulation Under Monopoly Capitalism* (New York: Monthly Review Press, 1984), pp. 118-23. The Great Depression was of course an exception to the inflationary tendencies under monopoly capitalism.
7. Competition, which has as its main goal the development of monopoly power (entailing surplus profits or monopoly rents) through the monopolization of particular technologies and markets, is sometimes known as "Schumpeterian competition" and closely corresponds with how the term "competition" is used within business today. See James Galbraith, *Created Unequal: The Crisis in American Pay* (New York: The Free Press, 1998), pp. 40-42.
8. Myron Gordon, "Monopoly Power in the United States Manufacturing Sector, 1899 to 1994," *Journal of Post Keynesian Economics*, vol. 20, no. 3 (Spring 1998), pp. 323-25. Gordon's analysis is inspired by Michal Kalecki's concept of the "degree of monopoly," defined as the price mark-up over average prime production costs. On the relation of Kalecki's analysis to that of Baran and Sweezy see John Bellamy Foster, *The Theory of Monopoly Capitalism* (New York: Monthly Review Press, 1986).
9. Gordon, "Monopoly Power," pp. 323-25. The production workers category, upon which much of Gordon's analysis depends, is described in the *Census of Manufactures* as follows: "This item includes workers (up through the line-supervisor level) engaged in fabricating, processing, assembling, inspecting, receiving, storing, handling, packing, warehousing, shipping (but not delivering), maintenance, repair, janitorial and guard services, product development, auxiliary production for plant's own use (e.g., power plant), recordkeeping, and other services closely associated with production operations at the establishment covered by the report. Employees about the working-supervisor level are excluded from this item." *General Summary, Census of Manufactures, 1992*, p. A-1. Like most economic statistics there are some conceptual issues raised by the production workers category, which

have to be taken into account in its application, such as the fact that it excludes all of those managers supervising production above the line-supervisor level (including these among nonproduction workers). Nevertheless, it draws an important distinction between those production workers directly engaged in the process of producing use values and those nonproduction workers primarily geared to management, marketing and finance, etc.

10. Gordon, "Monopoly Power," pp. 326-27.
11. There are some theoretical difficulties in equating the "nonproduction workers" category with the concept of "monopoly workers." For one thing, monopoly power is normally rooted in production, so that production workers are also, in a sense, monopoly workers. But Gordon's intention is clearly one of emphasizing that production workers are caught up in the stringent capitalist logic of increasing productivity, and at the same time keeping down unit labor costs—in other words raising the rate of exploitation—in contrast to nonproduction (or "monopoly") workers who have as their main task the increase of the mark-up.
12. *Ibid*, pp. 327-28.
13. Richard J. Barnet and John Cavanagh, *Global Dreams* (New York: Simon and Schuster, 1994), pp. 325-28; Walter LaFeber, *Michael Jordan and the New Global Capitalism* (New York: W.W. Norton, 1999), pp. 106-07, 147-48; David Korten, *The Post-Corporate World: Life After Capitalism*, (1999), pp. 77-78.
14. On General Motors see Douglas Dowd, *The Waste of Nations* (Boulder: Westview Press, 1989), pp. 65-66. This example of course doesn't take account of the fact that the sales effort had actually penetrated into the production process of such large firms, as Veblen and later Baran and Sweezy were to argue, so that incorporated into production costs themselves were the costs associated with frequent model changes—accounting for perhaps a third of all production costs in automobile production by the middle of the last century. See Baran and Sweezy, *Monopoly Capital*, pp. 131-38.
15. *Economic Report of the President*, 1999, p. 39; Korten, *The Post-Corporate World*, p. 42; *New York Times*, January 19, 1998, p. A1; Michael J. Mandel, "All These Mergers are Great But..." *Business Week*, October 18, 1999, p. 48.
16. "The First Global Car Colossus," *Business Week*, May 18, 1998, pp. 40-41.
17. Mandel, "All These Mergers," p. 48.
18. Michael Dawson and John Bellamy Foster, "Virtual Capitalism," in Robert W. McChesney, Ellen Meiksins Wood and John Bellamy Foster, ed., *Capitalism in the Information Age* (New York: Monthly Review Press, 1998), pp. 53-54; United Nations, *Human Development Report* (New York: Oxford University Press, 1999), p. 3.
19. Doug Henwood, *Wall Street* (New York: Verso, 1997), pp. 72-75; *Business Week*, January 24, 2000, p. 37.

20. U.S. Department of Labor, Bureau of Labor Statistics, *A BLS Reader on Productivity*, Bulletin 2474 (April 1996), p. 12.
21. Eric A. Nilsson, "Trends in Compensation for Production Workers, 1948-1995," *Review of Radical Political Economics*, vol. 31, no. 4 (December 1999), pp. 133-63.
22. Harry Magdoff, *The Age of Imperialism* (New York: Monthly Review Press, 1969), p. 200. On the concept of the "essential oneness" of U.S. accumulation see Harry Magdoff, *Imperialism: From the Colonial Age to the Present* (New York: Monthly Review Press, 1978), p. 239.

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Monthly Review, 2000, Volume 51, Issue 11 (April)

monthlyreview.org/2000/04/01/monopoly-capital-at-the-turn-of-the-millennium