

Class and Monopoly

by Stephen Resnick and Richard Wolff in

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Monopoly refers to a power or political process, whereas class refers to economic processes. This paper offers a systematic examination of the diverse possible relationships between monopoly power and class structure. The conceptual differentiation of power from class is central to the logic of our argument (Resnick and Wolff 1987, especially chapter 3).ⁱ Power, for us, is a process of wielding authority over or directing the behavior of individuals. These behaviors may be economic, cultural, political, and so on. Class is a different process; it entails producing, appropriating, and distributing surplus labor. There are different kinds of class processes - communist, capitalist, feudal, and so on - which vary according to who produces, appropriates, and distributes the social surplus and how that process is organized. No doubt, the distribution of power in society contributes to - participates in the overdetermination of - what kinds of class processes occur in that society and their particular qualities. Similarly, a society's particular class process overdetermines its power processes. However, the interaction of power and class processes is no warrant for collapsing them, reducing either to an effect of the other, or ignoring how both also are overdetermined by the natural, cultural, and indeed all the other processes that comprise any society. Monopoly designates a particular distribution of power in and over a particular institution, namely a market. By market we mean a social institution that accomplishes - in the sense of quid-pro-quo exchanges - the passages of products and resources among producers and consumers.ⁱⁱ Monopolists, by definition, have the power directly and purposefully to influence prices in the markets where they sell commodities. Monopolies presuppose markets. By contrast, class processes can exist - and historically often have existed - without markets (Wolff 1995). Surplus labor was often performed, appropriated, and distributed in past societies without the presence of markets and thus without the presence of monopolies. The same is true today at sites in many societies (see the analysis of surplus labor inside U.S. households in Fraad, Resnick, and Wolff 1994). The possible relationships between monopoly (power) and class are highly variable and conjunctural. This provides further support for keeping class and monopoly separate as analytical categories.

In our view, a Marxist theory of monopoly aims systematically to expose and explore the linkages that may connect class processes to monopolistic power processes in those societies in which markets exist. Non-Marxist theories of monopoly view these matters quite differently, since they typically abstract from considerations of class or deny its existence altogether. Among Marxists, too, disagreement yields several theories of monopoly (and of class as well). We will therefore both specify our particular Marxist argument and its differences from alternative approaches, both Marxist and non-Marxist. Our conclusions suggest what analytical and political stakes attach to the different approaches.

1. A Brief History of Monopoly Theories

Strictly speaking, monopoly refers to a market in which one seller confronts many buyers. However, in this paper, we will use the term more loosely to refer to both monopoly (one seller) and oligopoly (few sellers). Thus monopoly will mean a market situation in which the sellers are few enough (one or several) to be able to wield direct influence over the price of commodities in that market. The opposite of such a monopoly - long called "competition" - entails a market situation in which a sufficient number of sellers confronts the many buyers such that no one or a subset of several sellers can influence market prices.

Before the generalization of specifically capitalist class structures of production in Europe, various non-capitalist class structures characterized production in that part of the world. These included the slave, feudal, primitive communist, and individual self-employed (what Marx termed "the ancient") class structures. Sometimes their non-capitalist products were distributed via market exchanges and thereby became feudal, slave, communist or ancient commodities. In such non-capitalist markets, monopolistic distributions of market power often arose. Geographic isolation, unique technological advantages, state power (especially military), church dictates, guild rules, and other mechanisms could secure monopoly power for short or long periods and across small or large regions depending on historical conditions.

Markets have always been contested institutions. Plato and Aristotle debated their social costs and benefits, the medieval Church divided over market practices (Roll 1946, 15-48), and socialists continue a long dispute over markets versus planning. Where and when markets existed, monopoly power within them never ceased to be highly controversial. Opponents have denounced monopolies as obstacles to the economic and social benefits asserted to flow from competitive markets. Supporters of monopolies have countered with demonstrations of how, where, when and why monopolies can procure greater economic or social benefits - especially via economies of scale - than competition could achieve.

In the sixteenth century the debates turned on whether monopolies, rather than competition, could achieve more economic growth, national security, employment, and other social benefits. Adam Smith asserted the "natural" superiority of competitive markets in optimally allocating resources, but he allowed for the benefits of "temporary monopolies" (1937, 594-595, 712). In the 1840s, John Stuart Mill's Principles of Political Economy agreed with Smith and added that "natural" monopolies should be "nationalized" (Book I, Chapter 8). On the other hand, Friedrich List's Das nationale System der politischen Oekonomie (1841) demonstrated how state-protected monopolies for "infant industries" would outperform what could be accomplished via competitive markets. Subsequent debates only refined and mathematically formalized the basic alternative positions on whether greater "efficiency" - static or dynamic - would result from monopoly or competition (Marshall 1891, 512-527).

Europe's uneven transition from mercantilism to capitalism had foregrounded the issue of monopoly versus competition for economists such as those we have considered. They disputed competition versus monopoly in terms of maximizing outputs in relation to costs and to consumers'

demands. They did not pose, answer, or debate questions about monopoly's effects on class processes in the sense of producing, appropriating, and distributing surplus labor or surplus value. Even after Marx's work had demonstrated the existence and social effects of these class processes within modern capitalism, neither Marx nor any of his contemporaries analyzed the relation of class processes to monopoly (Howard and King 1989, 13 and 91). This happened partly because the capitalist class structures of the later eighteenth and nineteenth centuries coexisted with relatively competitive markets. Monopoly, associated with a fading mercantilism, had likewise faded from center stage.

Toward the end of the nineteenth century, however, European capitalism changed in ways that reignited interest in and debates over monopolies. Trusts and cartels then seemed to be growing quickly at the expense of competition (Clapham 1951, chapter 4). Broad social movements arose that opposed monopoly as the cause of many social problems. In the United States the Sherman and Clayton Acts reflected the popularity of anti-monopoly feelings.

The actuality of monopoly provoked significant segments of the emerging neoclassical tradition to think about the economics of monopoly. By the 1920s, major works applied neoclassical economic theory to monopoly or "monopolistic competition" (Chamberlin 1933, Robinson 1933). Sraffa stated bluntly that "It is necessary, therefore, to abandon the path of free competition and turn in the opposite direction, namely, towards monopoly." (1926, 542).

Serious theoretical engagement with monopoly by some neoclassical economists provoked other neoclassical economists to react. The most conservative did this by extending classical arguments about the superior efficiency of competition. Such superiority, they argued, would undermine monopolies if and when they arose. Monopolies were therefore secondary phenomena unworthy of much analytical attention. Moreover, it was mostly state intervention (if not corruption) that produced them in the first place (Freidman 1962, 119-136). The less conservative revived the older, more "balanced" neoclassical perspective that favored competition but acknowledged some scope for monopoly (because it could realize economies of scale and innovation) if properly regulated (Shepherd 1985, 145-160). Neoclassical economists again debated monopoly exclusively in terms of its impacts, relative to competition, on output quantities and prices. As Schumpeter (1954, 305-306) had once noted, a tedious repetitiveness characterizes the last three centuries of such debates.

The emerging socialist tradition also responded to the late nineteenth century populist upsurge against monopolies. Levy (1911), Hilferding's Finance Capital (1910/1980), and Lenin's Imperialism: the Highest Stage of Capitalism provoked an intense and lasting engagement of socialists with issues of monopoly and monopolistic capitalism. Lenin's became the most influential because of the Soviet revolution's global impact. For Lenin, monopoly not only was the latest stage of capitalism's evolution and hence worthy of Marxists' attention. Monopoly capitalism also generated imperialism, imperialist conflicts, and wars. Socialists could ally their anti-capitalism to the mass movements against war, imperialism, and monopoly if they could persuade them that capitalism was the root cause of all three social evils.

Socialist and especially Marxist economists have remained interested in monopoly and its relationship - which most deem central - to capitalism and capitalist imperialism (Steindl 1952, Sweezy 1956, 239-328, Sylos-Labini 1962, Baran and Sweezy 1968, Mandel 1975, 310-376, Cowling 1982, Sherman 1985). Their basic presumption became that competitive capitalism necessarily evolved into monopolistic or oligopolistic capitalism (Sherman 1991, 295-316). While basing their work on Lenin and Hilferding, they nonetheless shifted the focus in important ways. Marx and even Lenin had stressed those contradictions of capitalism located inside its production apparatus at the point where surplus labor is produced and appropriated. In contrast, many subsequent Marxists refocused analysis on how monopoly market conditions (i.e., the monopolies or "giant enterprises" typical in "late capitalism") produced stagnation, state interventions, and imperialism. Class analyses once focused on exploitation and surplus value gave way to analyses of monopolistic markets and their impacts on the macroeconomy. The very term, "class analysis," came to refer to the mass of workers (also consumers) confronting monopoly capitalist enterprises who mostly controlled the state within each nation. The Marxist theoretical goal became one of showing how this "class structure" - increasingly indistinguishable from a monopoly market structure - imposed on the workers (consumers) unemployment, relative poverty, war, and so on.

A few Marxists maintained Marx's theoretical distinction between markets and class structures as distinctly separate objects of socialist criticism. For example, Howard Sherman argued that the emergence of monopoly power was merely one of many conjunctural changes in capitalism that helped to shape its class structure (1985). In several contributions, he stressed in particular how monopoly power not only increased the instability of capitalism (1968, 214; 1991, 315) but also enhanced its class exploitation (1985, 367). Interestingly enough for this paper, Sherman also argued implicitly for a changed Marxian value theory that would recognize the impact of monopoly power on capitalism's class structure (1985, 361-364 and 374-376). We too share this view and argue here in particular for a new form of the Marxian value equation under conditions of monopoly.

Most other Marxists conflated monopoly and class within composites such as "monopoly capitalism." Thus, Marxist politicians increasingly formulated strategies of "anti-monopoly alliances." As obstacles to social progress, monopolized markets and capitalist class structures converged into one enemy. As monopolies extended their power to control the state, the composite enemy became state monopoly capitalism. This enemy was conceived much more in terms of the diverse powers it wielded than in terms of the surplus labor (i.e., class) structures it contained. The two adjectives - state and monopoly - exemplify the refocusing of Marxist social criticism from class to power. The Marxist project came to redefine socialism as chiefly the political movement whereby workers would seize the state-monopoly complex and use that power to serve social, collective "peoples" ends rather than private profitability.ⁱⁱⁱ

This brief survey of theories of monopoly enables some conclusions that pave the way for our alternative Marxist theory. Both Marxist and non-Marxist theories stress the overwhelmingly (if not totally) negative consequences of monopolized markets.^{iv} For most of the non-Marxists, when

monopolies displaced competition, the results - sooner or later, directly or indirectly - were absolutely less economic "efficiency." They defined the latter in the classic sense of how well inputs were converted into outputs (maximum product for minimum effort). For the Marxists and the more leftist of the non-Marxists, monopoly also meant greater inequalities of income and wealth and especially of political and cultural power. If class was mentioned at all, it was class defined in terms of income and wealth (poor versus rich) or in terms of power (rulers versus oppressed). No Marxist theories of monopoly yet exist that relate it systematically to class defined as the production, appropriation, and distribution of surplus labor.

Our Marxist approach differs from other theories of monopoly by foregrounding the differences and relations between a society's class structures - in the surplus labor sense - and its market structures. We do not presume that monopoly is either the inevitable product of competitive markets or necessarily marginal to them. Indeed, we will show that (1) competitive and monopolistic markets continually transform into one another and (2) capitalist class structures interact in contradictory ways with both competitive and monopolistic market structures. The social context determines in each particular conjuncture how class, competition, and monopoly interact and transform one another. If a socialist politics keeps its critiques of capitalist class structures distinct from its critiques of particular market structures, it can avoid losing a class revolutionary perspective within an anti-monopoly movement. Then Marxists can contribute their own special class revolutionary objectives, insights, and energies to any anti-monopoly alliance. The class analysis of monopoly developed below enables a further set of theoretical and political arguments that will comprise the conclusion of the paper.

2. The Simple Class Analytics of Monopoly

Suppose that some industrial enterprises enjoy sufficient market power to set the price for the commodity they produce and sell. For our purposes here, it does not matter whether one or a few oligopolist sellers wield such power. Suppose also that this monopoly/oligopoly use its market power to raise price above the commodity's value. This excess accrues to such enterprises as a monopoly revenue additional to whatever surplus they appropriate from their productive laborers. Selling commodities for more than their values is an unequal exchange at the buyers' expense.

The monopoly revenues gained can be designated either as subsumed or nonclass revenues depending on the buyers (Resnick and Wolff 1987, chapter 3). If the buyers were, for example, other industrial capitalists, who used a portion of the surpluses they appropriated from their productive laborers to pay the monopoly premium, the latter would be subsumed class revenue. Such industrial capitalist buyers would then have so much less surplus to use to secure all the other conditions of their continued ability to appropriate surplus. Their different possible reactions to this situation would have correspondingly different effects on the economy and society. If the buyers were not surplus appropriators - for example, wage workers - then the monopoly prices they paid would be nonclass revenues for the enterprises. This is because they are not distributions of any appropriated surplus. How such wage workers respond will have economic and social effects different from the various

possible responses of industrial capitalists. Monopolies/oligopolies - understood as political processes of wielding market power - will thus impact upon class structures - understood as processes of producing, appropriating, and distributing surpluses - in multiple, complex ways, as we show below.

Consider enterprises in a wage good (Marx's department II) or capital good (department I) industry that are able to set a market price greater than the value of their produced commodities. Utilizing the Marxian value equation, we can write for these enterprises:

$$C + V + SV < W + MR.$$

Here SV represents the surplus value yielded in production and realized by the industrial capitalist if the output commodity is sold at its value (W). Hereafter this value (W) will be defined to be equal to the total exchange value (EV) of the commodity. The MR term denotes the additional value inflow that monopoly achieves. It is the difference between the commodity's monopoly price (P) and its exchange value per unit of use value (EV/UV) multiplied by the number of use values sold (UV): $MR = (P - EV/UV) \times UV$.^v

If such monopoly priced goods are sold to productive laborers, they must pay for them out of the value received by selling their labor power. Such laborers lose in unequal exchange what the sellers gain as monopoly revenues. The latter are

"nonclass revenues" (NCR) - that is, they have no direct connection to the class processes - because they comprise neither a surplus appropriated in production nor a distribution of a surplus appropriated in production. Matters are quite different if the monopoly priced commodities are means of production sold to

other industrial capitalists. The latter must divert a portion of their appropriated surplus values - make a subsumed class payment (received as a subsumed class revenue [SSCR] by the seller) - to cover the excess of monopoly prices over values. In this case, monopoly does have a direct impact on class processes; it alters

the distribution of appropriated surplus.

We can now write new value equations for industrial capitalist enterprises wielding monopoly power:

$$\text{Department I: } C + V + SV + SSCR = P \times UV$$

$$\text{Department II: } C + V + SV + NCR = P \times UV.$$

Monopoly power's gains from unequal exchange yield either a SSCR or a NCR thereby raising profit rates to $r = (SV + NCR)/(C + V)$ and

$$r = (SV + SSCR)/(C + V), \text{ respectively.}$$

Differentiating the two industries' class exploitative revenues (SV) from their subsumed or nonclass monopoly revenues (SSCR or NCR) implies a parallel difference in how industries distribute these revenues. On the one hand, capitalist boards of directors distribute their appropriated surplus values (SV) as subsumed class payments (SSCP) to reproduce their conditions of existence as surplus appropriators. SSCP includes expenditures on managers, capital accumulation, research and development, dividends, taxes, and so forth. On the other hand, these same boards also distribute the

subsumed class or nonclass monopoly revenues they may receive. Such distributions aim to reproduce the condition of existence of those monopoly revenues, namely monopoly power in their markets. If we let X and Y represent the distributions, respectively, of SSCR and NCR, then X and Y comprise expenditures to secure market power such as advertising, legal services, lobbying costs associated with securing favorable legislation, and so on.

Taking these different revenues and expenditures into account, we can adjust our equation for department I enterprises that both exploit productive laborers and engage in unequal exchanges with other class exploiters as follows:

$$SV + SSCR = SSCP + X.$$

The parallel, adjusted equation for department II enterprises that both exploit and engage in an unequal exchange with laborers (i.e. persons who do not appropriate surplus) can be written as:

$$SV + NCR = SSCP + Y.$$

For any given enterprise, the SV term may be larger or smaller than either the SSCR or NCR term. Relative size will depend on all the conditions, presumably changing continuously, that govern both the processes of appropriating surplus from employees and the different processes of market exchange. If industrial capitalist enterprises seek maximum revenue and if they see better prospects for the growth of monopoly revenues than for growth in the rate of exploitation in production, they will shift expenditures from the SSCP category to the X and Y categories. Under such circumstances, rising monopoly revenues can actually lessen capitalist production. Under other circumstances, relatively poorer prospects for monopoly revenues might persuade capitalist enterprises' board of directors to reduce their X and Y expenditures in favor of expanding production. Our argument, unlike many of the other theories of monopoly reviewed above, posits no necessary linear or tendential relation between monopoly and capitalist production. Whether monopoly expands and further secures capitalist production or has the opposite effect will depend on the ever-shifting social context.

The equalities in the equations above ($SV=SSCP$, $SSCR=X$, and $NCR=Y$) are not logical or empirical necessities; our exposition simply begins with them. For example, if we assume for simplicity that SV equals SSCP (the board of directors distributes all the surplus it appropriates), it is possible that X - expenditures on, say, advertising or maintaining a trade mark - may give rise to a monopoly revenue (SSCR) exceeding that expenditure. Then the total flow of revenues ($SV+SSCR$) exceeds the total expenditures made ($SSCP+X$). The difference between SSCR and X then represents an added inflow of value for boards of directors. They could use it to expand SSCP (including capital accumulation) and thereby enhance their industrial class position as surplus appropriators. The same logic applies when $NCR>Y$. In these ways, monopoly revenues may enable the deepening and widening of capitalist class structures in production.

Enterprises would not likely devote such additional SSCP to capital accumulation and output expansion within already monopolized markets. Instead they might expand dividends to owners or salaries to managers. They also could create new sources of surplus value by using the additional SSCP to produce other commodities.

Monopoly revenues gained in one market would then serve the enterprise to expand class exploitation and enter other markets. If, in these newly entered markets, other firms had held monopoly positions, such entry might eliminate those monopoly positions. There can be no presumption, then, that monopoly simply displaces competition. We thus part company with the many economists reviewed above who associate capitalism with a unidirectional tendency for monopoly to replace competition. Monopolies may colonize hitherto competitive markets, but they may likewise undermine hitherto monopolized markets. Only the specific economic and social context, itself ceaselessly changing, will determine which tendency prevails, where, and for how long.

Monopoly revenues that exceed the costs of maintaining them ($SSCR > X$ or $NCR > Y$) might also enable enterprise boards of directors to strengthen not their class positions in production but rather to expand or newly develop subsumed and non-class revenue positions. For example, they might purchase common stock (X) of other industrial capitalist enterprises, whether in their own or a different industry, to gain dividends and capital gains. Wage good enterprises especially may be interested in using such monopoly revenues to lend them to consumers to enable them to purchase monopoly priced wage-good commodities. Utilized in this way, monopoly revenues expand consumer sales, even while monopoly prices constrain those same sales. Such monopoly wage-good enterprises benefit in two ways: they receive one non-class revenue (NCR) through unequal exchanges with consumers and another NCR in the form of interest on their loans to those consumers.

Monopoly power arises and disappears in wage or capital good markets for many, varied reasons. Industrial capitalists seek revenues not only from appropriating surpluses in production but also from monopoly as well as stock ownership, renting, lending and still other positions. No intrinsic greater or lesser importance attaches to any one of these positions or its associated expenditures. Corporate boards adapt to, even as they create, ever changing revenue conditions by continually shifting expenditures among SSCP, X, and Y. In so doing, they necessarily alter the very nature of the corporation.^{vi}

In our monopoly example, X or Y expenditures may arise at any moment to enable the establishment of a monopoly position for an enterprise. Expenditures on advertising and product design, for example, likely start even before an industrial capitalist produces a commodity. Creating buyers' loyalty to a differentiated commodity may enable sellers to charge a price greater than the commodity's value. Likewise, X or Y expenditures on acquiring patents, trade marks, tariff legislation, cartel arrangements, and so on, will, if successful, become conditions of existence of monopoly revenues.

However, as is well known, monopoly power and revenues can arise without any initial X or Y expenditures. For example, the competitive search for super profit within capital or wage good industries may eliminate less efficient firms leaving ever fewer enterprises. Eventually, the few survivors may gain sufficient market power to set the price above value - thereby securing monopoly revenues (SSCR and/or NCR). On the other hand, once monopoly revenue positions accrue to the remaining enterprises, X or Y

expenditures typically follow in the form of, say, advertising to help secure those new, monopoly revenue flows.

Equally likely are scenarios of continual research and development expenditures (still another part of SSCP) creating new kinds of capital and wage good commodities - literally new industries - that earn innovating firms not only new sources of SV in production, but new monopoly revenue flows of SSCR or NCR in the market. The latter tend to survive only until other enterprises - whether in the industry or not - figure out ways to make these new commodities or to transform (via design and/or advertising) their old commodities into competitive alternatives for buyers.

This discussion shows that monopoly power and monopoly revenues are not unusual, special, or permanent phenomena in capitalism. Industrial capitalists who seek more revenues devise strategies to gain monopoly revenues where possible and profitable. This can and often does work to undermine other capitalists' monopoly power. The resulting rises and falls of monopoly revenues across industries are thus distinct from - although interactive with - the rises and falls of surplus appropriation.

3. The Consequences Of Monopoly Power

No inevitable set of consequences flows from the emergence of monopoly power in wage or capital good industries. In contrast to much of the literature - for example, the premiss of writers such as Hilferding, Lenin, and Baran and Sweezy - no new "laws of monopoly capitalism" displace the "laws of competitive capitalism". The existence of monopolies unevenly developing from one market to the next is not in question, nor is their possible impact on capitalist enterprises. The question is whether the uneven development and oscillations of monopoly and competition entails some basic, tendential change of capitalism requiring a corresponding change in Marxist theory. We believe that no such tendential change in capitalism exists nor requires a sea change in Marxist theory. Instead, what Marxist theory does need is to keep carefully distinct the class analytics of capitalist production from the power analysis of market structures and so prepare the ground for analyzing the ever-shifting, conjunctural interactions between the two.

To explore this thesis, we consider at one extreme the impact of generalized monopoly prices on all wage goods purchased by productive laborers. We then shall turn to the impact on capitalist enterprises generally of monopoly power in the capital goods industry.

Initially, assume that workers receive a value of their labor power (V) equal to the value of the goods purchased from department II capitalists: $V = EV/UV \times UV$ (where EV/UV is the value per unit of wage goods and UV is the quantity of such goods purchased). Now assume that the prices of these goods rise due to monopoly power. If the value of labor power remains unchanged, then $V < P \times UV$ (where P represents the higher monopoly prices). By paying more for these commodities than their values workers transfer a non-class revenue (NCR) to the monopoly capitalists selling them. With no other assumptions, productive laborers suffer a decline in their real wages (a decline in their UV s purchased).

Industrial capitalists, as noted, may well use this NCR to increase their SSCP (e.g., dividends, managers' salaries, research and development on new commodities); their Y (e.g., advertising and new product design, loans to consumers); and/or their X (purchase of shares of common stock or bonds of other industrial enterprises). In this case, while consumption demand in the economy is increased by monopoly power's expansion of subsumed and nonclass revenues, it is decreased by monopoly power's reduction of real wages. Consumer demand thus exists in contradiction, overdetermined by the multiple, different, and ever-shifting determinations that constitute it.

Workers' possible reactions to reduced real incomes and consumption expenditures complicates the analysis further. Suppose, for example, that labor unions could raise money wages (W) above the value of labor power (V) and thereby maintain real wages in the face of higher - i.e., monopolized - wage good prices. In that case, workers' compel their industrial capitalist employers to use a portion of their surplus to make a subsumed class payment (SSCP) equal to $W - V$. Such capitalists must distribute a portion of the workers' surplus back to them in order to secure access to the labor power they must buy.

In effect, the unions' monopoly power in the labor power confronts the monopoly power of department II capitalists. The outcome depends upon the relative power each monopolist wields in the two different markets. If what workers' lose (NCR) in the wage-goods market equals what they gain (SSCR) in the monopolized market for labor power, their real income and demand for wage goods remain unchanged. However, that equality depends entirely on circumstance. In any case, whether capitalists pay more or less for monopolized labor power than they recoup in monopolized wage goods markets, what transpires in both markets is different from and has no necessary particular impact upon exploitation - i.e., the class processes of producing and appropriating surplus labor.

To underscore this difference between class exploitation and the power wielded by corporations and unions, let us return to our previous assumptions in which the coexistence of $NCR > Y$ and $SV = SSCP$ provided department II enterprises with a favorable revenue inequality: $SV + NCR > SSCP + Y$. Suppose unions' reactions succeeded in raising money wages and thereby compelled a subsumed class payment (SSCP) from the capitalists to pay for the excess of wages over the value of labor power. Suppose, finally, that this SSCP exceeded the excess of monopoly revenue (NCR) over the cost of securing that monopoly (Y). This would represent a critical problem for these department II enterprises. In response, these enterprises could try to intensify exploitation, to appropriate more surplus value (SV) from their productive laborers. Indeed, it might be possible to raise the rate of exploitation partly because workers had gained a SSCP through their unions' actions. While this example indicates how monopoly could result in a higher rate of class exploitation in the economy, such an effect of monopoly on class is only one of many possible alternative effects.

Enterprises might not be able to increase the rate of exploitation. Instead, they might then try to raise their output prices once more, thereby trying to gain more from unequal exchanges as commodity sellers (NCR) than they lose as buyers ($SSCP_{\text{union}}$).^{vii} If unions react by raising their wage demands - the "wage-price spiral" - its impact, if any, on exploitation would depend on the social context.^{viii}

To take this example one more step, if the social situation precluded department II enterprises from both increasing the rate of exploitation and raising their output prices, they might then have to focus more on the right hand side of their class equation, reducing other kinds of SSCP (i.e., other than $SSCP_{unions}$), and/or X and/or Y expenditures.

In summary, the implications of monopoly power in department II enterprises are contradictory. Monopoly prices may reduce workers' real wages, even as they expand enterprises' revenues. Yet, these are merely the initial set of contradictory consequences. In turn, they provoke further consequences ramifying ceaselessly. Workers might react passively to higher monopoly prices and suffer reduced real wages and consumption. They might strike for higher market wages, go into debt, or otherwise obtain still other revenue flows.^{ix} Then, too, workers might turn their frustrations in the face of this situation against the state by demanding lower personal and/or property taxes.^x

In parallel fashion, higher monopoly revenues for enterprises may or may not set in motion new expenditures and/or new corporate growth strategies. And, of course, monopoly's effects on labor and capital provoke further reactions by each to the other and so on. Monopoly's effects are always overdetermined by a myriad of social processes. No necessary (inevitable, essentialist, or determinist) linkage runs from monopoly - as cause - to any particular class or non-class effects. This conclusion clashes with the bulk of Marxist and non-Marxist literature on monopoly which has presumed or argued for the just such necessary/determinist effects. Likewise, socialist and Marxist political movements have premised many of their strategic visions on notions of intrinsic, necessary tendencies of monopoly and its impacts on class structure and on capitalist society generally.

When it is department I enterprises that wield monopoly power, the consequences are different from, but nonetheless as contradictory as, those that follow from department II monopolies. Whereas department II monopoly prices directly affect wage workers, department I monopoly prices first affect other industrial capitalists. The latter need to allocate a portion of their appropriated surplus - make subsumed class payments - to pay for the difference between the monopoly price and the value of constant capital. When department II capitalists pay for department I's output at monopoly prices, then department II enterprises' $SSCP_{mon}$ - a new demand and burden on their surplus - equals the $SSCR_{mon}$ received by department I capitalists. If we assume a further simplicity - that department I enterprises enjoy this monopoly without having to make any outlay (X) to secure it - then the reallocation of value from department II to department I enterprises occurs without any direct or necessary impact on the surplus value appropriated in either department.

This reallocation of value can lead the affected enterprises to react in a variety of ways. They can adjust the left or right hand side or both sides of their equations. Raising surplus value, particularly by the adversely affected capitalists in department II, is only one possible reaction. Further, each reaction creates still further adjustments on the part of others in a never ending process of actions and reactions.

Consider, finally, the economic consequences if generalized monopoly power characterizes

both departments I and II and if workers either remain passive when faced with higher monopoly prices or else raise their wages to pay for them. To simplify, we shall further assume that monopoly prices in both departments rise proportionately, that demands for both goods are equally inelastic, and that neither department needs to make expenditures to secure their respective monopolies. When workers remain passive, the development of monopoly provokes uneven development between the two departments. Monopoly enterprises in department I initially gain a value inflow at the expense of their counterparts in department II. To see this result more clearly, consider these equations for the two departments:

Department I: $SV + SSCR_{mon} > SSCP$

Department II: $SV + NCR_{mon} < (SSCP + SSCP_{mon})$.

Enterprises in department I newly wielding monopoly power gain a value inflow of $SSCR_{mon}$ via an unequal market exchange with enterprises in department II. Department II enterprises fare differently. On the one hand, their monopolies gain a value inflow of NCR_{mon} via unequal exchange with (and at the expense of) the passive workers. On the other hand, given our simplifying assumptions, their value gain from workers, NCR_{mon} , equals - and hence is offset by - their value loss to department I monopoly capitalists, $SSCP_{mon}$. The rising profitability of monopoly capitalists in department I relative to department II might well provoke capital flows, unemployment, and a ramifying host of economic shifts and countershifts.

The outcomes are different when workers can increase money wages in step with higher (monopolized) consumer good prices.

Department I enterprises enjoy monopoly gains ($SSCR_{mon}$) in their unequal exchanges with industrial capitalists in department II, but only to lose them in the unequal exchange with workers who have raised their money wages. Department II enterprises are in deeper trouble. Their loss of $SSCR_{mon}$ to department I monopoly capitalists is not offset by any monopoly gain (NCR) from their exchanges with workers because the latter have raised their money wages. Department II capitalists thus face a crisis while department I capitalists achieve no net gain from their monopolies. While other assumptions and reactions would, of course, yield other outcomes of monopoly positions achieved by capitalists in either or both departments, our examples suffice to show the utterly contingent effects of monopolies when they do occur.

4. Merchants, Banks, and Foreign Exploitation

We may extend our analysis of monopoly to nonindustrial capitalists, i.e. enterprises that do not produce commodities and hence do not appropriate surplus labor. For example, "pure" merchants and banks - enterprises exclusively engaged in buying and reselling commodities or in lending money at interest - can achieve a kind of monopoly power. In such enterprises, monopoly power does not occur together with exploitation although it indirectly affects exploitation elsewhere in the economy. Our analysis also can be extended to both industrial and nonindustrial enterprises that enjoy monopoly power in international transactions. These analyses too will highlight the important political

implications of distinguishing between class exploitation and monopoly power.

Consider a merchant who establishes a monopoly position, reselling a purchased commodity at a price that exceeds its unit value. This merchant thereby effectively charges a fee to buyers (a monopoly revenue) to enable them to purchase that commodity at its value (price = value plus the monopoly revenue fee). If the buyer is an industrial capitalist who uses the commodity as a productive input, the merchant's fee (monopoly revenue) imposes a subsumed class payment on the industrial capitalist out of his appropriated surplus. When the buyer facing the monopolizing merchant is anyone else, e.g. a worker, the merchant's monopoly revenue represents a nonclass payment - an unequal exchange - imposed on that buyer.

Suppose that this merchant also establishes a monopoly position in the purchase of commodities from industrial capitalists. As such a monopsonist, the merchant buys the commodities at a market price below what normally would be paid to industrial capitalists by competing merchants. This merchant would actually receive two subsumed class payments from industrial capitalists. The first would be the normal competitive fee industrialists pay to merchants for buying their commodity outputs (in *Capital*, Vol. 3, Marx locates this fee - which secures the rapid turnover of industrial capitalists' capital - as the discount below value at which industrial capitalists normally sell their products to merchants). Merchants who wield monopsony power obtain a second, additional discount, which industrial capitalists' must pay to secure the rapid turnover offered by the monopsony merchants.

Merchants wielding such monopoly and monopsony powers in commodity markets can affect the class structure in diverse ways. As sellers of monopolized inputs to industrial capitalists, merchants force industrial capitalists to distribute more of the surplus to them, leaving less to distribute to other subsumed classes who provided important conditions of existence for industrial capital (e.g., bankers, shareholders, managers, research and development staffs, and so on). For example, OPEC's monopoly power in the 1970s raised oil prices to buying industrial capitalists, thereby helping to produce a capitalist crisis in that decade. Likewise, OPEC's monopoly prices charged to workers and other consumers effectively reduced the latter's real incomes. Where workers could successfully react by achieving wage increases, the crisis for industrial capitalists worsened. Such an example suggests why sometimes industrial capitalists, unions, managers, bankers, and so forth may form political alliances to fight the monopoly power wielded by merchants. The examples also suggest why such alliances - when successful in reducing or eliminating merchant monopoly power - may thereby strengthen exploitation inside industrial capitalist enterprises.

Consider, as a second example, the "pure" moneylender who achieves monopoly power in lending that permits an interest rate that exceeds the normal, competitive rate. Loans made at this monopoly rate to an industrial capitalist impose a second subsumed class payment in addition to that entailed in the industrial capitalist's normal interest payment. Again, this second subsumed class payment leaves that much less surplus value for the industrial capitalist to use to secure all other conditions of existence. Likewise, if moneylenders charge monopoly interest rates to borrowers other

than industrial capitalists, the non-class payments thereby imposed on such borrowers will negatively impact their financial positions provoking all sorts of possible reactions.

This suggests why debtors, despite occupying quite different class positions - such as, say, workers and exploiting capitalists - will sometimes form alliances against monopoly interest rates. And once again, when such an alliance is successful, capitalist exploitation inside industrial enterprises may well be strengthened. Needing to devote less surplus to interest rates, industrial capitalists can instead deploy it to secure other conditions of existence such as increased supervisory pressures on productive workers.

Consider now flows of value between nations. Such flows may or may not entail class exploitation. A flow in money form may simply be the equivalent of a reverse flow in commodity form as in commodity exchange across national boundaries. A flow of value may also be surplus value produced by workers in one country and appropriated by the industrial capitalists of another country, namely the Marxian concept of "foreign exploitation." Finally, a flow of value may be a distribution of already appropriated surplus value - a subsumed class payment - from the capitalists of one country to citizens of another. The latter provide those capitalists' conditions of existence and thereby secure subsumed class payments such as monopoly input prices, merchants fees, and interest charges as well as normal merchants fees, interest payments, rental payments, patent fees, and so forth. There are significant political stakes in keeping distinct whether these international value flows represent the appropriation of surplus or the distribution of already appropriated surplus.

When a US industrial enterprise hires Panamanian labor power to produce commodities in Panama for sale globally, a case of foreign exploitation exists. US capital exploits Panamanian labor. In contrast, no foreign exploitation would exist if US enterprises operated a monopoly in the sale of US produced commodities to Panamanians. In this case, Panamanian industrial capitalists who purchased such outputs would have to divert a subsumed class payment to the US seller (to cover the monopoly price premium). This monopoly claim on the Panamanian industrial capitalist's appropriated surplus would diminish the surplus available to secure all its other conditions of existence. If this US enterprise also sold its US products directly to Panamanian citizens at monopoly prices, it would reap the gains from such unequal exchanges at the expense of those citizens' real standard of living.

When a U.S. bank establishes a monopoly position in Panama and lends to Panamanian industrial capitalists, it too receives a subsumed class payment (to cover the monopoly interest premium) above and beyond the normal interest payment for such a loan. And when the U.S. bank establishes and uses its monopoly power to charge a monopoly rate on loans to all other Panamanian citizens, it gains additional nonclass revenues at the expense of those citizens.

Consider, then, the politics of a social movement that might arise in Panama in opposition to the "exploitation of Panama by foreign monopolies." For Panamanian citizens, the appeal of such a movement would focus on how their standards of living might be enhanced if the import prices charged by foreign merchants and the interest rates by foreign lenders could be reduced by breaking their

monopolies. In contrast, for Panamanian capitalists, the appeal of such a movement would focus on how their industrial capitalist position - vis-a-vis the Panamanian laborers they exploit - would be strengthened, if they no longer had to pay monopoly prices for needed industrial inputs, monopoly fees to foreign merchants, or monopoly interest charges to foreign lenders. Breaking the foreign monopoly would free a portion of surplus that could then be used, say, to hire more supervisors to pressure workers to generate greater surpluses, and so on.

In short, an "anti-monopoly" or "anti-foreign-monopoly" politics can inform a social movement which strengthens capitalist exploitation or improves the standard of living of workers or combinations of both. An anti-monopoly or anti-foreign-monopoly strategy advanced by a political movement will not necessarily have anti- as opposed to pro-capitalist economic consequences. This is one implication of the analytical separation of class from monopoly argued in this paper.

5. Conclusions

One way to summarize our results so far is to differentiate them from the widely influential, alternative monopoly capitalism school (Baran and Sweezy 1968) and defenses of that school (Sherman 1985). First of all, by drawing a distinction between the economic process of class and the political process of power, we highlight the different concepts of "surplus" deployed in each approach. The monopoly capital school aggregates and conflates the surplus appropriated in production (SV) with the gains from unequal monopolized exchanges (SSCR and NCR). It simply speaks of these aggregates as "surplus." In its famous "tendency for the surplus to rise," it cannot and does not distinguish surplus appropriation from unequal exchange. Not only was Marx keenly focused on precisely that distinction, but our approach likewise shows how monopoly changes in markets have no necessary, particular effects on the class process of exploitation. Thus we showed how monopoly price increases in wage goods might or might not raise the rate of exploitation depending on the social context. Our approach to monopoly theoretically separates class from exchange processes. This enables correspondingly differentiated political strategies in ways disabled by the alternative monopoly capital school.

Second, our class analysis underscores the complexity and flexibility of monopoly capitalists' expenditures in (1) eliminating old, (2) securing existing, and (3) creating new revenue positions. These positions include surplus appropriator, receiver of distributions from other appropriators, and receiver of gains from unequal exchanges such as those in monopolized markets. The monopoly capital school proceeds very differently. First, it reduces monopoly capitalists' expenditures to basically three kinds: capital accumulation, capitalists' luxury consumption, and the "wasteful sales effort" (advertising, etc.). Second, it finds that these outlays will simply not suffice to use up all the "surplus" achieved by monopoly capitalist corporations. Thus an insufficient aggregate demand chronically threatens the economy as a whole. The reasoning holds that there are limits on monopoly capitalists' accumulation (given their already monopolized markets), on their already high levels of luxury consumption, and on their sales efforts. Even the possibilities of exports and military procurement (both driven by state-

managed imperialism) will not, they argue, solve the problem. Hence stagnation always threatens and sooner or later depresses the economy.

This analysis misses the economic roles and importance of corporate distributions of their appropriated surplus to those (subsumed classes) within and without the corporate enterprises whose activities secure that surplus appropriation. By focusing only on capital accumulation, capitalists' consumption, and the sales effort, the monopoly capital school marginalizes or altogether ignores the many other corporate subsumed class expenditures including those on research and development, managers' salaries, dividends, loans to other capitalists and individuals, patents, and so forth (Norton, 1983). Those expenditures intended and unintended effects are ignored in creating new fundamental (surplus appropriating), subsumed, and nonclass revenue positions for monopoly capitalist corporations. For example, such corporations use portions of their appropriated surplus value to invent new commodities that enable new surplus value to be appropriated. Along the way, they can and often do invent new technologies which they then lease to other industrial or nonindustrial enterprises, thereby earning new subsumed and non-class revenues, respectively.

Such developments have not been well understood in the monopoly capital school. Likewise, it is not surprising that the monopoly capital school has not appreciated the economic importance of monopoly capitalists' purchasing each others stock and extending massive credits to all sorts of borrowers.

Monopoly power can instead be understood, in our view, as merely one of the many ways corporations seek added revenues.

Monopoly power, when achieved, does not necessarily contribute to an expanding economy, nor to a stagnating one. Our value examples show the many ways that monopolies can and do contribute to a variety of different economic conditions: more competition and less competition; more and less technical innovation; inflationary spirals; depressed real wages and consumption spending; unevenly developing departments; simultaneously falling real wage and rising subsumed class incomes; and so on. Our point in these examples was to argue for the open-ended, socially contingent contradictions created in the economy when monopoly power occurs. It is an argument against conceiving of monopoly in necessarily tendential terms.

However political movements, governments, and theoretical schools respond to monopoly's rises and falls, we see the distinctively Marxian contribution as keeping separate the class dimensions of production (exploitation) from the power dimension of markets (monopoly/competition). This avoids conflating them into some fixed, necessary relation. It enables a political strategy that can take a position on monopoly without thereby losing its unique capacity to identify, expose, and so place on the social agenda the transformation of class relations: the elimination of exploitation.

Endnotes

- i. Of course, definitions and analytical usages of concepts such as power and class have always been multiple, different, and contested. That is one reason why we specify ours here.
- ii. Across most human history, resources and products of labor have not passed through markets on their movements among producers and consumers. Even in societies with well-developed divisions of labor among producers, other institutions than markets have organized those movements. Kinship systems, the state, and churches are among the other institutions that are functional alternatives to markets.
- iii. In an early statement, Hilferding wrote: "In the violent clash of these hostile interests the dictatorship of the magnates of capital will finally be transformed into the dictatorship of the proletariat"(1980, 370). This general view has characterized most socialist conceptualizations of monopoly ever since: monopoly state capitalism versus the proletariat as "the" class struggle of our time.
- iv. The few theories that recognize some economic benefits - efficiency gains - from monopolies do so defensively with abundant caveats and with no interest in or analysis of the class effects.
- v. Our analysis of monopoly could just as well be carried out in terms of the deviation of market prices from prices of productions. That difference while appropriate in other contexts is not relevant here.
- vi. By this we mean there is nothing stable or permanent about a modern corporation. It continually alters its economic function and image as it adjusts its revenues and expenditures over its life. A monopoly position and its associated expenditures represent merely one of many ways it creates flows of SSCR and NCR for itself. Any corporation may even eliminate purposefully both its SV appropriating and monopoly revenue position, if it expects a higher profit return functioning only as a lending, leasing, or marketing enterprise. The industrial enterprise has become a "pure" financial or merchant enterprise. In today's capitalism, enterprise often take on a number of these diverse functions at one and the same time, thereby rendering it difficult if not impossible to exactly label what is their overall economic function. Such multiple functions strongly suggests the absurdity of essentializing one kind of corporate expenditure - typically capital accumulation - as somehow determining the ultimate success of the corporation. Movements among and creation of alternative revenue positions require corporate boards continually to be ready to shift corporate expenditures, not only within each of the SSCP, X, and Y terms, but among them as well.
- vii. We are assuming here that the resulting rise in enterprises' NCR can occur without any necessary expansion of Y expenditures. Generally, capitalist boards attempt to create a new situation for themselves in which $(NCR - Y) > SSCP_{union}$. Faced with the monopoly power of unions, they need to increase the efficiency of their own monopoly position in product markets.
- viii. A spiral that depends upon an increased supply of money (and/or velocity) to finance ever higher deviations of market prices and wages from assumed unchanged values.

ix. Male workers, involved in what we have called elsewhere traditional, feudal households, might try to increase the surpluses they appropriated from their wives' household labors to offset their lowered real wages and consumption (Fraad, Resnick, and Wolff, 1994). In this case, monopoly power wielded by corporations outside such households could lead to a higher rate of class exploitation and increased struggle within households. Additionally, women within these households increasingly sell their labor power on a part or full time basis to offset the falling real incomes of their husbands. With women producing surplus within the household and now outside of it as well, we might expect household tensions to increase even more. Women entering the labor force also change conditions in the labor market and this too would have to be included in any analysis of market wages.

x. Including both state taxes on workers and benefits directed to them yields: $V + NCR = EV/UV \times UV + TX$, where NCR stands for state provided benefits (education, road services, police protection, and so forth), TX for taxes paid to the state enabling such benefits to be forthcoming, and where, for simplicity, an equality is assumed to hold between these received benefits and paid taxes. With no other changes, corporate monopoly prices will create a crisis for workers: $V + NCR < P \times UV + TX$. Reacting to this inequality, workers may well demand reduced state taxes, while arguing ever bit as vociferously for the same level of state provided benefits. Where and when successful, reduced taxes let monopolists off the hook of workers' potential wrath, relieve their real income problems, while plunging the state into all sorts of budget dilemmas.

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