

## The Exploits of University Marxism

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How can Marxist theory be refuted, reformed, deformed, or castrated? This is a problem which has excited University academicians for almost a century. Two of these have succeeded in making of Marxism a theory of economic growth, and of socialism a recipe for economic development. They have presented Marx's method as the study of empirical models of reality, denied the tendency of the rate of profit to fall (after first having confused it with the rate of surplus value), and defined unemployment as the underemployment of men and equipment resulting from defective organisation and insufficient demand. Despite these and many more achievements they are considered by "enlightened opinion" as "great Marxist economists". For an epoch which likes to keep the record straight it would be unjust not to devote a few pages to these astonishing champions of the destruction and falsification, in the name of Marxism, of Marxist theory – Messrs. Baran and Sweezy.

For want of space and patience to take up in detail all the enormities which are served up in the course of two works (Baran: *The Political Economy of Growth*; Baran and Sweezy: *Monopoly Capital*), we shall be content to deal with three topics: the idea of "economic surplus", Marx's scientific method, and monopoly capitalism <sup>1</sup>.

### **Economic Surplus**

The idea of "economic surplus" is expounded in Baran's book *The Political Economy of Growth*. It is the culmination of a complete falsification of Marxist theory which presents Marx's work as a theory of economic growth and reduces socialism to a method of economic development.

To make believe that black is white it is necessary also to make believe that white is black. To effect the total *reversal* which consists in making Marx's work into a study of growth, and at the same time to find it in conflict with bourgeois economics Baran begins by reversing the latter completely and presenting it as opposed to economic growth.

"In its beginnings, economics was a revolutionary intellectual effort to seek out and establish the working principles of an economic system best able to advance the cause of mankind. In its later days it has turned upon its own past, becoming a mere attempt at an explanation and justification of the status quo – condemning and

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<sup>1</sup> Baran, "The Political Economy of Growth", Monthly Review Press, 1957; Baran and Sweezy, "Monopoly Capital", Monthly Review Press, 1966. For a critique of Baran's theories (and those of the "Monthly Review") on the question of "underdevelopment", we refer the reader to the article "Marxisme et sous-développement" published in *Programme Communiste* no. 53–54, October 1971.

suppressing at the same time all endeavours to judge the existing economic order by standards of reason, or to comprehend the origins of the prevailing conditions and the developmental potentialities that they contain..." (p. 4).

"Current efforts to bring about conditions indispensable for economic development in advanced and backward capitalist countries alike come continuously into conflict with the economic and political order of capitalism and imperialism. Thus to ruling opinion in the United States (but also in some other parts of the capitalist world), the world-wide drive for economic progress inevitably appears as profoundly subversive of the existing social order and of the prevailing system of international domination – as a revolutionary movement that has to be bribed, blocked, and, if possible, broken, if the capitalist system is at all to be preserved" (p. 11).

The "world-wide drive for economic progress" is subversive? One is tempted to smile at such statements, but for the moment let us pretend to take them seriously.

It is a fact that bourgeois political economy, at first revolutionary as it strove to break down the barriers to capitalist development, afterwards became that which we know today, that of the status quo, which means that it considers capitalism eternal and concerns itself solely with its justification and smooth operation. But what is this smooth operation of capitalism? It is the exact opposite to the stagnation suggested by Baran. Marx shows in Vol. 1 of *Capital*<sup>2</sup> that the general formula of capital, its most abstract representation, (and thus appropriate to *all* its phases and forms and not merely to *some* of them), in fact its very essence, is the movement M–C–M', i.e. value which begets value. This movement, when applied to industrial capital (the principal form of capital, from which the others, i.e. interest bearing and merchant's capital, are derived) and constantly reproduced in a cyclical manner, results in accumulation or enlarged reproduction. The capitalist is merely the agent of this movement, his economists its apologists.

"Except as personified capital, the capitalist has no historic value, and no right to... historical existence... And so far only is his own transitory existence implied in the transitory necessity for the capitalist mode of production. But so far as he is personified capital, it is not values in use and the enjoyment of them, but exchange-value and its augmentation, that spur him into action. Fanatically bent on making value expand itself, he ruthlessly forces the human race to produce for production's sake; he thus forces the development of the productive powers of society, and creates those historical conditions, which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle"<sup>3</sup>.

"Accumulate! Accumulate! That is Moses and the prophets... Save! Save! i.e. reconvert the greatest possible portion of surplus value or surplus-product into capital! Accumulation for accumulation's sake, production for production's sake: by this formula classical economy expressed the historical mission of the bourgeoisie"<sup>4</sup>.

Production for production's sake; this then is the reflection in the bourgeois mind of the real movement of industrial capital in its search for surplus value. One can now recognise the *ideology of growth* as being merely the transposition, idealisation and camouflage by vulgar political economy of the iron law which represents the very essence of capitalism. Every representation of economic growth as the most desirable ideal and the ultimate goal of humanity is not and cannot be anything more than the ideology of

<sup>2</sup> Contained in Chapter IV: "The General Formula for Capital". *Capital*, Vol. 1, Moore–Aveling edition, London, 1938, p. 123 ff.

<sup>3</sup> *Capital*, Vol. 1, Chap. 24, p. 603.

<sup>4</sup> *Capital*, Vol. 1, Chap. 24, p. 606.

capitalism, just as the old “Liberty! Equality!” was not and could not have been anything more than the ideology of small commodity production and simple circulation. Produce more! Such is the universal cri-de-coeur of capitalism, such is the command in the name of which the working classes of the East as well as the West have been enslaved. The “world-wide drive for economic progress” (a pleasant euphemism which would cause us to laugh did it not serve to spread complete confusion among the proletariat) is so little subversive that it holds power throughout the entire world. It has taken the pretty pseudonym of development, and even of human progress, to hide its true identity: the frenzied accumulation of surplus value extracted from the proletariat.

Baran elaborates this first falsification to serve as a starting point for a second, even more enormous, falsehood. According to this it has fallen to Marx and Engels to take up the standard of economic development, let fall from the hands of an impotent bourgeoisie.

“Thus the concern with economic and social change was left to a ‘heretical’ school of economics and social science. Marx and Engels accepted in essence the insistence of the classical economists on capitalism’s giant contribution to economic development. Yet, not wedded to the now dominant capitalist class, and [not]... impelled to regard capitalism as the ‘natural’ form of society and as the ultimate fulfilment of human aspirations, they were able to perceive the limits and barriers to progress inherent in the capitalist system. Indeed their approach to the matter was radically different from that of bourgeois economics. While the latter was (and is) interested in economic development only to the extent that it has led to the establishment, and is conducive to the stabilisation of, the capitalist order, Marx and Engels considered the capitalist order itself as likely to survive only as long as it did not become a fetter on further economic and social progress” (p. 5).

A clever trick. It is true that according to Marxist theory the final cause of the revolution which destroys a mode of production is the antagonism between the development of the productive forces and the relations of production; capitalism must therefore die (with suitable help from the proletariat) from its own growth. But this does not in any way imply that Marx was an apostle of economic growth, studying the capitalist mode of production from the point of view of the development which it permits or impedes. Nor shall socialism be a mode of production called upon to substitute itself for capitalism in order to allow for even faster accumulation. “Development of the productive forces of social labour”, wrote Marx, “is the historic task and justification of capital. This is just the way in which it unconsciously creates the material requirements of a higher mode of production”<sup>5</sup>. This superior mode of production will not have the same aim as capitalism. Its task is quite different: to profit from the development already achieved in order to abolish classes, socially manage the forces of production, and reduce the working time to the time necessary to produce only those use-values corresponding to the effective needs, historically determined, of the species. As for Marxism, far from being a theory of growth, its function is to be for the proletariat an intellectual arm which permits it to understand the mode of production which enslaves it. It enables the proletariat to recognise the laws of that mode of production, to thus predict its inevitable downfall and be the agent of that downfall, to finally substitute for it the superior mode of production which shall be its dialectical negation. Baran reduces Marx to the level of vulgar economy and ascribes to socialism a mission which represents the very essence of capitalism. One cannot imagine a confusion more complete. It is this sad note which begins the book of our “great Marxist economist”.

After this one can plainly expect anything. To shore up his thesis Baran now proceeds to “demonstrate” that present-day capitalism is sabotaging economic

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<sup>5</sup> *Capital*, Vol. 3, Moscow, 1966, Chap. 15, p. 259.

development. His position is, in substance, as follows. In the developed countries a fall in rates of growth has established itself as a result of the appearance of monopoly capitalism. It is because of the monopolies that capitalism does not produce all that it is capable of producing. In effect, monopoly capitalism is irrational and anarchic; it impedes technical innovation by caring more for the returns on its investments. Above all, the monopoly sectors of the economy make considerable profits, and

“...This tends to reduce the value of aggregate investment since the relatively few monopolistic and oligopolistic firms to which the bulk of the profits accrue find it both unprofitable to plow them back into their own enterprises and increasingly difficult to invest them elsewhere in the economy” (p. 85).

The result of all this is that net investment is less than it could be and that under monopoly capitalism there is a lack of development of necessary production and a squandering of the net product.

The reader will have recognised in passing many of the ideas of the national–communists on the villainous monopolies who waste their profits instead of investing them. All of these self–styled Marxists must be reminded

1. that it is not necessary to construct new theories to explain the lowering of the rate of growth: the explanation is to be found in chapter XIII of Vol. 3 of Marx’s *Capital* where the phenomenon is called the falling rate of profit. The fall in the rate of growth is merely the consequence, at the level of material production, of this fall in the rate of profit;
2. that net investment is called, in Marxist terms, accumulation of capital and that it thus represents, as we have just shown, the *raison d’être* of industrial capital: “... the industrial capitalist becomes more or less unable to fulfil his function as soon as he personifies the enjoyment of wealth, as soon as he wants the accumulation of pleasures instead of the pleasure of accumulation” writes Marx <sup>6</sup>. Fine “Marxists” are those who reproach the industrial capitalist for being unsuited to his purpose!
3. that this investment is made of the *surplus value* extorted from the minds and bodies of the proletariat cruelly regimented to work and live in an inhuman manner.

All of these curious “revolutionaries” therefore, reprove capitalism not for enslaving workers 50 hours a week or more, but for not accumulating enough; not for exploiting the proletariat but for the bad use of the fruits of this exploitation; not for its essence, but for not conforming sufficiently to this essence. They do not propose to *abolish* wage labour and surplus value, but to use them *more rationally, even more morally*. This is the economic program of the “left”, from the social democrats to the national–communists, the left of *capital*.

One is reminded of the painful dilemma of Marx’s slave–owner: “Whether to squander the surplus–product lashed out of his niggers, entirely in champagne, or whether to reconvert a part of it, into more niggers and more land” <sup>7</sup>. Mr. Baran believes himself to be marxist because he is a partisan of the second solution!

The notion of surplus is merely the result and the summary of the vision of these advanced servants of capitalism: since capitalism does not produce all that it is able to produce one can go on to calculate all that it could produce if it was a good capitalism, well organised, planned and efficient. And since it does not produce this, it has thus been demonstrated that the system is bad and that it is necessary to change it – “change” evidently means replacing it with a system capable of producing the maximum,

<sup>6</sup> “Theories of Surplus Value”, Vol. 1, Moscow, 1954, p. 274.

<sup>7</sup> *Capital*, Vol. 1, Chap. 24, p. 609.

which one baptises “socialism”. Before making this calculation, however, it is necessary to obliterate even the memory of Marxist theory. This is why Baran defines three different ideas: actual surplus, potential surplus, and planned surplus. We examine these one by one.

### **Actual Economic Surplus**

This is the name given by the author to “the difference between the actual current production of society and its actual consumption” (p. 23). In Marxist terms, such a quantity corresponds to the accumulation of constant capital, in bourgeois terms to the net formation of capital or net investment: nothing new so far. However, taking the definition given, such an idea is purely empirical or descriptive and does not *explain* anything: its theoretical interest is thus precisely nil. On the other hand its political and ideological interest for “Marxists” such as Baran becomes apparent when he writes:

“Actual economic surplus has been generated in all socio-economic formations, and while its size and structure have markedly differed from one phase of development to another, its existence has characterised nearly all of recorded history” (p. 23).

And with this delightful (but sly) phrase, all of Marx’s life and work are swept away. Forgotten are commodities, money, capital, surplus-value; forgotten is wage labour (even the word wage labour is ignored by Mr. Baran: it appears not once in his book); forgotten, in sum, is all of Marxist theory which (we will be excused if we remind the reader) is that of the capitalist mode of production and not that of a mode of utilisation of the net product (a utilisation which in any case is determined by the mode of production – as Engels, in his time, had to remind Herr Dühring). All good Marxists will therefore salute with us the amazing powers of abstraction of Mr. Baran; in making an abstraction of Marx’s work he has succeeded in making of him a theoretician of growth.

### **Potential Economic Surplus**

This second idea is defined by Baran as

“... the difference between the output that could be produced in a given natural and technological environment with the help of employable productive resources, and what might be regarded as essential consumption. Its realisation presupposes a more or less drastic reorganisation of the production and distribution of social output, and implies far-reaching changes in the structure of society. It appears under four headings. One is society’s excess consumption (predominantly on the part of the upper income groups, but in some countries such as the United States also on the part of the so-called middle classes), the second is the output lost to society through the existence of unproductive workers, the third is the output lost because of the irrational and wasteful organisation of the existing productive apparatus, and the fourth is the output foregone owing to the existence of unemployment caused primarily by the anarchy of capitalist production and the deficiency of effective demand” (p. 23–24).

One has to admire this definition of unemployment proffered by a “Marxist” economist: the result of anarchic organisation and insufficient demand. Mr. Baran should have taken the pains to read *Capital*: he would have learnt that for Marx, unemployment, which is relative surplus population or the industrial reserve army, results inevitably from rising organic composition i.e. from the very movement of *capital*:

"This accelerated relative diminution of the variable constituent, that goes along with the accelerated increase of the total capital, and moves more rapidly than this increase, takes the inverse form, at the other pole, of an apparently absolute

increase of the labouring population, an increase always moving more rapidly than that of the variable capital or the means of employment. But, in fact, it is capitalistic accumulation itself that constantly produces, and produces in the direct ratio of its own energy and extent, a relatively redundant population of labourers i.e. a population of greater extent than suffices for the average needs of the self-expansion of capital, and therefore a surplus population...

“The labouring population therefore produces, along with the accumulation of capital produced by it, the means by which itself is made relatively superfluous, is turned into a relative surplus population; and it does this to an always increasing extent. This is the law of population peculiar to the capitalist mode of production”<sup>8</sup>.

Every relation revealed here; nothing to do with anarchy, nothing to do with demand. Moreover we can admirably understand the level of Baran’s thinking when, a few pages further on, he talks of “the unemployment of human and *material* resources” (p. 39), and of the disgraceful waste of “human and *material* resources” (p. 37) (our emphasis). We obviously do not complain often enough about the suffering of these poor machines! Placing on the same plane humans and material, and not seeing in unemployment anything more than lost production – is just another illustration of the *technical* criticism of capitalism typical of petty-bourgeois university thought.

But passing on to the idea of “potential economic surplus”, this really is a fairy tale. The potential surplus is that which could be the net product (corresponding to global surplus value) of capitalist society if it was more “rational”, if it did not engender unemployment, or luxury production, or unproductive workers, or wastage; i.e. *if it were not in fact capitalist society at all*. This concept of potential surplus sums up the utopian petty-bourgeois dream of a capitalism bereft of wastage and obstacles to production, exemplary, morally purified. Such a concept is not even empirical as its predecessor was; it is purely a product of the imagination and on the scientific plane has thus about as much relevance as Father Christmas. Its only interest is, once again, ideological. It permits the synthesis of all of Baran’s former falsifications in defining capitalism, not as a mode of production based on wage labour and surplus value, on the exploitation of the proletariat, but as a badly organised system which produces waste, gives rise to parasites and unproductive individuals, and which therefore does not invest all that it is capable of investing. One is naturally led to the conclusion that socialism is the opposite of all this. Not a mode of production in which wage labour and surplus value – and the categories which must inevitably give birth to them – are absent, but a regime which is not anarchic, which does not waste, has no unproductive workers, can invest to the maximum and thus permit maximum growth. It can do this because it is organised, i.e. *planned*. Which leads us to our third “surplus” and ties up the whole argument into a knot of mystification.

### **Planned Economic Surplus**

This idea which can “only be applied to a socialist type of planning” represents

“... the difference between society’s ‘optimum’ output attainable in a historically given natural and technological environment under conditions of planned ‘optimal’ utilisation of all available productive resources, and some chosen ‘optimal’ volume of consumption. The meaning and contents of the ‘optimum’ involved are essentially different from those attached to this notion in bourgeois economics. They do not reflect a configuration of production and consumption determined by profit considerations of individual firms, by the income distribution, tastes and social pressures of a capitalist order...”

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<sup>8</sup> *Capital*, Vol. 1, Chap. 25. p. 643 – The 3rd and 4th sections of Chap. 25 are devoted to relative overpopulation.

“Nor does this ‘optimum’ presuppose the maximisation of output that might be attainable at any given time. It may well be associated with a less than maximum output in view of a voluntarily shortened labour day, of an increase in the time devoted to education, or of conscious discarding of certain noxious types of production (coal mining, for example). What is crucial is that the volume of output would not be determined by the fortuitous outcome of a number of uncoordinated decisions on the part of individual businessmen and corporations, but by a rational plan expressing what society would wish to produce, to save and to invest at any given time” (p. 41–42).

In writing this Baran shows that for him socialism is defined purely and simply by *planning*. Whether the planning decides a rate of growth of 10% a year or a reduction in the length of the working day makes no difference to him. That it coexists with commodities, money, wage labour, is of no importance. Planning is the essence of socialism while disorder and uncontrolled decisions are the essence of capitalism.

Let us now try to unravel this cleverly tangled web.

1. Capitalist anarchy does not imply that each capitalist does as he pleases. All of Marx’s work consists in showing that this anarchy has its iron laws, which impose themselves more or less consciously on individual capitals. Production is not determined by “tastes and social pressures” nor by the “uncoordinated decisions on the part of individual businessmen”; the exact opposite is the case. Individual capitals cannot but obey the inherent laws of capitalism, imposed upon them by competition:

“Free competition brings out the inherent laws of capitalist production, in the shape of external coercive laws having power over every individual capitalist”<sup>9</sup>.

It is thus the logic of the capitalist mode of production which determines the activity of producers and not the other way round<sup>10</sup>. Planning in a social formation in which the fundamental relations of capital exist cannot but obey the laws of capital, and the illusions of the planners cannot alter this fact.

2. Gradually, as the centralisation which accompanies the development of capital proceeds, competition between capitals of an inferior calibre disappears, only to reappear at a higher level with increased violence until the highest limit constituted by national capital, is reached.

“In a given branch of industry centralisation would reach its extreme limit when all the individual capitals invested in it were fused into a single capital. In a given society the limit would not be reached until the moment when the entire social capital was united in the hands either of a single capitalist or of a single capitalist company”<sup>11</sup>.

Trusts and monopolies therefore introduce a certain amount of planning into a branch of production which replaces the open competition between the capitalists of that branch. Competition then reappears between the trusts, as well as between the latter and those branches of production which are not monopolised, to appropriate the greatest possible portion of social surplus value. The capitalist state, acting as a board of directors of the

<sup>9</sup> *Capital*, Vol. 1, Chap. 10, p. 255.

<sup>10</sup> A century after the appearance of Vol. 1 of *Capital*, petty-bourgeois “Marxism”, held enthralled by the capitalists, has not yet understood this elementary truth upon which Marx insisted many times in his work. From the Preface of the 1st German edition of *Capital*: “My standpoint, from which the evolution of the economic formation of society is viewed as a process of natural history, can less than any other make the individual responsible for relations whose creature he socially remains, however much he may subjectively raise himself above them” (p. XIX); to Chapter 51 of Vol. 3: “The principal agents of this mode of production itself, the capitalist and the wage labourer, are as such merely embodiments, personifications of capital and wage labour; definite social characteristics stamped upon individuals by the process of social production; the products of these definite social production relations” (p. 857–8).

<sup>11</sup> *Capital*, Vol. 1, p. 822.

company of capitalists of the nation (itself riven with tensions and internal struggles just as those existing among stockholders of any other company) eventually intervenes in order to substitute for competition, national planning of the allocation of the social surplus value and the production of the *country*. And at the same time that this is achieved, competition reappears with even more frenzied violence between national capitals. This process is only tendential. It is slow and uneven. The inferior levels of competition continue to exist, but on a more limited basis and within a margin of manoeuvre which is allowed to them by an overall organisation intended for a different and much more important struggle of the *entire* national capital. When an army goes to war, the quarrels between soldiers can only be tolerated insofar as they do not pose a risk to the strategic interest of the army as a whole: between 1939 and 1945 the Western powers were forced to plan their war effort – without being socialist for all that. The same was true for the capitalist economic reconstruction in the aftermath of the war. It was true for the international economic war which began to rage once again in the sixties. Conforming to Engels' provisions: with the approach of socialist society, capitalist society also makes use of a plan – the organisation of each national capital for the struggle between national capitals.

Merely because planning becomes possible (within national boundaries) in capitalist society after a certain level of development and concentration of capital has been reached, it does not suffice in order to define the mode of production as socialist. To repeat once again "that which is fundamental": what is necessary is the destruction of capitalist relationships, the disappearance of commodities, money and wage labour, and, at the same time, *the reduction of the working day* – a fundamental measure which is the most concrete result, the most vivid illustration of the end of the wage slavery of a section of humanity. All of these measures will be taken by the dictatorship of the proletariat which intervenes despotically in the economy *by means* of planning.

To conclude: the only purpose of this "surplus" – whichever adjective it follows – is to destroy Marxist theory. In particular, the ideas of "potential surplus" and "planned surplus" contain all the distortions of the ideology which seeks to define capitalism as an irrational and inefficient system of production operating in the interests of a handful of big financiers and sabotaging economic growth, while socialism is a system which is organised, has eliminated waste, and thus, thanks to planning, permits maximum economic growth. This ideology is nothing other than the remains of the political economy of Stalinism. Its function is, essentially, to obscure the fact that today, just as in Stalin's day, Russia is ruled in the economic domain by *all of the fundamental categories of capitalism*: commodities, money, wage labour and thus the frantic exploitation of the working class <sup>12</sup>.

Baran's book shows that this falsification inevitably implies from the very start a revision and reversal of the theory from A to Z. It is very simply stated: Marxist theory – like all theory of consequence – forms a whole. In changing a single element, one must change it in its entirety; to defend it in its *entirety* we are therefore obliged to defend *each single element*. Those eager for novelty who do not understand this take us for purists and dogmatists: they do not see that the theoretical arm of the revolution must be fiercely protected if the revolutionaries are not to be disarmed.

### **Marxist Scientific Method**

Baran and Sweezy expound their conception of scientific method in their work entitled *Monopoly Capital*:

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<sup>12</sup> On all that concerns the Russian economy we refer the reader to our fundamental study "Struttura economica e sociale della Russia d'oggi" (Edizioni Il Programma Comunista, Milan, 1976) and in French to our study "Bilan d'une révolution".

“Scientific understanding proceeds by way of constructing and analysing ‘models’ of the segments or aspects of reality under study. The purpose of these models is not to give a mirror image of reality, not to include all its elements in their exact sizes and proportions, but rather to single out and make available for intensive investigation those elements which are decisive. We abstract from nonessentials, we blot out the unimportant to get an unobstructed view of the important, we magnify it in order to improve the range and accuracy of our observation. A model is, and must be, unrealistic in the sense in which the word is most commonly used. Nevertheless, and in a sense paradoxically, if it is a good model it provides the key to understanding reality” (p. 14).

Thus, Marx had elaborated a *model* of English competitive capitalism:

“Now Marx derived his theoretical model of the competitive capitalist system from the study of Britain, by far the richest and most developed capitalist country of his day” (p. 6).

Now, we no longer have competitive capitalism:

“We must recognise that competition, which was the predominant form of market relations in nineteenth century Britain, has ceased to occupy that position, not only in Britain but everywhere else in the capitalist world” (p. 6).

Thus, since the time of Marx

“the structure of the capitalist economy has undergone a fundamental change... the structural change from competitive to monopoly capitalism” (p. 72).

Since Marxist analysis is no longer applicable in this era of the capitalism of monopolies, our two professors modestly propose to replace it by elaborating a “model” of monopoly capitalism. They thus betray their total lack of understanding of Marxist scientific method in general and of the role of competition in particular.

### **Competitive Capitalism and Monopoly Capitalism**

We shall first see where the odd conception which describes competitive capitalism and monopoly capitalism as two systems of fundamentally different structures, and therefore governed by different laws (as our authors attempt to establish further on), can lead. Baran does not flinch from placing on the same plane the passage from feudalism to capitalism on the one hand and the passage from competitive to monopoly capitalism on the other:

“As the transition from feudalism to competitive capitalism led not only to a vast expansion of the economic surplus but also to a transfer of a large share of it from the feudal landlord to the capitalist businessman, the transition from competitive to monopoly capitalism has resulted in a tremendous increase of the absolute value of the economic surplus and in the shift of control over it from the relatively small capitalist to a few giant corporations”<sup>13</sup>.

Marx constructed the theory of a *mode of production* in which he explained that the change from one mode of production to another cannot be accomplished except by a violent revolution. Baran replaces modes of production by “economic regimes” which succeed one another sometimes violently and sometimes imperceptibly, and are distinguished from one another not by their *relations of production* but by the manner in which they make use of their economic “surplus”. For Marxists there is only *one mode of capitalist production* whose development consists of several phases but whose invariant essence is most concretely characterised by the existence of *wage labour*. The “Marxist”

<sup>13</sup> “The Political Economy of Growth”, p. 60–61. The remaining quotes are from “Monopoly Capital”.

Baran has without doubt forgotten this first truth. But we already know why our professors rush to jump on the secondary aspect, monopolies: it is because their major worry is to avoid seeing the essential, *capital* and the fundamental relation which corresponds to it: *wage labour*.

This discovery of a new economic “regime” gives Baran and Sweezy the opportunity to further justify their term “surplus” (they pose a new “surplus” without a qualifying adjective. Is it actual? It is potential? Is it sometimes one and sometimes the other? One thing is certain, the authors themselves don’t know either).

“The economic surplus is, in the briefest possible definition, the difference between what a society produces and the costs of producing it... In a highly developed monopoly capitalist society the surplus assumes many forms and disguises. [*Note at foot of page*: It is for this reason that we prefer the concept ‘surplus’ to the traditional Marxian ‘surplus value’, since the latter is probably identified in the minds of most people familiar with Marxian economic theory as equal to the sum of profits + interest + rent. It is true that Marx demonstrates... that surplus value also comprises other items such as the revenues of State and Church, the expenses of transforming commodities into money, and the wages of unproductive workers. In general however, he treated these as secondary factors and excluded them from his basic theoretical schema. *It is our contention that under monopoly capitalism this procedure is no longer justified, and we hope that a change in terminology will help to effect the needed shift in theoretical position.*]” (p. 10. Our emphasis).

If we understand correctly, according to Baran and Sweezy, it is no longer justifiable to attribute to the State, to unproductive workers, etc., a secondary role in the explanation and movement of capital and surplus value. There are however, *only* two ways of looking at the question:

- either surplus value is extorted by *industrial capital* which buys the commodity labour–power at its value in order to recoup, by its use in the process of production, a larger value than was paid – a *surplus value* – to be divided between the profit of enterprise, interest, and rent and finally redistributed among the many parasites such as the State, those engaged in unproductive activities, etc. In this case the State, those engaged in unproductive activities, etc., have only a secondary role, and the introduction of the category “surplus” merely confuses the issue;
- or else, if one wishes to attribute to the State *as such* (and not just in its role as a capitalist), and to other parasites, not a secondary but an essential role, it must be admitted that they themselves *directly* extort surplus value from the proletariat: we would be interested to know *how* they manage to do this. At all events, it can be seen that we have left the realm of the real world of the capitalist mode of production and have entered that of the “monopoly capitalist mode of production” or some other delirious invention to which the authors will not openly admit.

There is no third solution. In one case as in the other the term “surplus” once again serves to obliterate Marxist theory.

Whatever the pretext invoked, all attempts to make competition the discriminating element between the two supposedly fundamentally opposed systems is stupid for two reasons:

1. because the centralisation of capital, far from suppressing competition, does no more than depersonalise it and carry it to a higher level where it is waged with even greater violence;
2. because competition is not an element of the “structure” of capital (to use the jargon of the authors). This is so far from being the case that Marx, desiring to study *capital*

*in general*, had, in Vols. 1 and 2 of *Capital*, to make an abstraction of competition. He only introduced the latter when, in Vol. 3, he redescended to the surface of the capitalist economy in its conceptual reconstruction. "A scientific analysis of competition is not possible before we have a conception of the inner nature of capital" <sup>14</sup>.

Competition can only in effect *execute* the laws of capital: it can neither explain nor change them:

"Competition executes the inner laws of capital; makes them into compulsory laws towards the individual capital, but it does not invent them. It realises them. To try to explain them simply as results of competition therefore means to concede that one does not understand them" <sup>15</sup>.

Thus has Marx pre-empted us. Baran and Sweezy have understood nothing either of capitalism or *Capital*.

### Theory and Model

If our two professors have made such nonsense of the role of competition, it is in effect because they have not bothered to understand Marx's method. According to them, scientific method consists of constructing models of reality under discussion and then to establish the relationships between the elements of the model.

What is a model? It is a schematic representation of the salient aspects of the reality observed at a given moment, leaving to one side all that is secondary. What can it tell us? In the best of cases, a good description of a phenomenon bereft of all that is secondary or accidental. But to describe is not to explain. Such a method is *empirical*: it rests at the level of phenomenal appearance (free from all accidental disturbances). Now appearance is not scientific truth. On the contrary: "All science would be superfluous if the outward appearance and the essence of things directly coincided" <sup>16</sup>. What is more this method is not dialectic. It fixes the observed forms and prevents at the same time consideration of their movement and *transformation*.

Marx did something entirely different: his work does not consist of a model, but of a theory. Marx did not construct a model of English competitive capitalism: he *explained* the capitalist mode of production and its laws of development; he constructed its *theory*, and he *illustrated* this theory using concrete historical examples drawn from the capitalist society in which he lived (the only possible empirical verification in the social sciences when expounding theory):

"In this work I have to examine *the capitalist mode of production*, and the *conditions of production and exchange corresponding to that mode*. Up to the present time their classic ground is England. That is the reason why England is used as the *chief illustration* in the development of my *theoretical ideas*" <sup>17</sup>.

Marx therefore gave us a theory and not a model. Not a schema but an explanation and exposition of the laws which govern the birth, movement and death of the capitalist mode of production. Far from being content with summarising what he saw, he searched for and found *scientific truth*, which is often the complete opposite of the immediate interpretation suggested by outward appearances. To *explain*, he started by analysing the *elementary form* of capitalist social wealth: the commodity. And, on the basis of this elementary form he constructed the essential abstraction thanks to which he was then able to

<sup>14</sup> *Capital*, Vol. 1, Chap. 12, p. 255.

<sup>15</sup> "Grundrisse", Penguin 1974 (paperback) edition, p. 752. Marx's remark is directed against Adam Smith.

<sup>16</sup> *Capital*, Vol. 3, Chap. 48, p. 817.

<sup>17</sup> Preface to the 1st German edition, Vol. 1, p. XVII (our emphasis).

conceptually reconstruct the rest: value, which consists in essence of labour *in general* (abstract human labour). It was on the basis of this abstraction (without which it is impossible to proceed) that he developed the theory: value permits the explanation of the concrete forms of commodities and money and at the same time provides the secret of *capital*: value which begets value. Value, capital, surplus value, etc., are the *concepts*, the theoretical instruments which permit the *understanding* of the concrete forms which appear on the surface of capitalist society, their mutual relations, the laws of their movement and of their transformation. The theory is the explanatory discourse which permits us to *understand* the capitalist mode of production, to *know* its movement, thanks to our knowledge of its laws, and thus to *predict* the evolution of the concrete forms by which it manifests itself.

The “model” does not allow us to understand or predict, that is not its aim. It is the methodological symbol of the impotence of bourgeois social “science” which having long since given up explaining reality, is content when it succeeds in schematising and baptising appearances. The approach of our authors is the best example of this impotence. Having defined their method they proceed to its application in constructing their model of monopoly capitalism. Briefly, their reasoning is as follows:

1. The “typical unit” of present day capitalism is the “ideal type” of big firm or enterprise, characterised by the behaviour of its directors which have complete control of effective management, who themselves recruit their successors, and who ensure by a policy of self-financing the financial independence of the firm.
2. Empirical studies show that the objectives and the motivations of these directors are as follows: power, large growth-rates and sizes of enterprise.
3. That such objectives can only be maintained if there are very high rates of profit – even if personal enrichment is not the fundamental aim of these directors. Thus the objective of the big enterprise is profit.
4. What is monopoly capitalism? It is a system where giant corporations such as these are the dominant force.

This whole approach merely reverts to defining capital by describing the activities of its representatives. Even if the description is in places correct, this does not advance by one iota our *understanding* of the phenomenon. Twenty pages of the construction of a model result in this remarkable discovery: the objective of the giant corporation is profit. But why does it seek to make profit? Because, reply Baran and Sweezy, this is what is shown by a study of its directors. If poor Marx had been acquainted with the method of models, he would have been spared all his efforts! In place of writing thousands of pages it would have been sufficient for him to define competitive capitalism as a system of small enterprises directed by individuals eager to enrich themselves and, indulging in competition, succeed only in lowering their rates of profit. Explaining capital by its agents is just as stupid as explaining the State by its functionaries or a disease by its symptoms: it is however what bourgeois charlatanism has done for more than a century.

To complete this methodological masterpiece our two professors finish the construction of their “model” in the following manner:

5. The relations between these big firms themselves and between them and other economic agents are market relations, and thus the relations of price: “... the study of monopoly capitalism must begin with the workings of the price mechanism” (p. 53).
6. The thing which distinguishes monopoly capitalism is that the big enterprise is a “price maker” while under competitive capitalism the individual enterprise is a “price taker” (p. 53).

To commence the analysis at the level of price is obviously to prevent any further advance in the understanding of things as they are. It is a regression, not merely in comparison with Marx, but even compared with classical political economy who at least posed the question of *value* in order to explain *price*. The entire first volume of *Capital*, which our “Marxist” professors have been until now content with demolishing piece by piece, is here swept resolutely to one side *en bloc*. For them, capitalism can be explained at the level of circulation <sup>18</sup>.

Marx constructed the *theory* of a *mode of production*; Baran and Sweezy describe certain parts of the process of circulation. In doing so they follow in the footsteps of vulgar political economists before them, but the latter at least had the grace not to pretend they were Marxists.

### The “Laws” of Monopoly Capitalism

A stupid method produces stupid results – we could not really have expected otherwise. It becomes obvious that at the level of results, i.e. the “laws” discovered thanks to the Baran–Sweezy method, the confusion attains its height. These results and their demonstration can be summarised in the following way: competition, which manifests itself in forms other than a price war, obliges the monopolies to lower their costs of production; but being monopolies, they can fix their prices at the level that they desire. In this way their profit margins increase. It follows logically that under monopoly capitalism profits increase in value both absolutely and relatively (relatively in relation to the national revenue, that is). This is the “*law of increasing surplus*” (equated, for the purposes of argument, with profit), valid for monopoly capitalism, and which must be substituted for the law of the falling rate of profit, valid only for competitive capitalism.

This is so confused that we must retrace the argument step by step.

### The Increase in Profit Margins

According to the authors, monopolies fix their prices at the desired level and concentrate on the other hand on lowering their costs of production. Thus under monopoly capitalism, profit margins increase:

“... we have argued, that oligopolies succeed in attaining a close approximation to the theoretical monopoly price” (p. 67).

“The whole motivation of cost reduction is to increase profits, and the monopolistic structure of markets enables the corporations to appropriate the lion’s share of the fruits of increasing productivity directly in the form of higher profits. This means that under monopoly capitalism, declining costs imply continuously widening profit margins” (p. 71).

Such an explanation is worth *absolutely nothing* because, resting as we have seen at the level of *phenomenal appearance*, it cannot but summarise the false interpretation suggested by this appearance. It is true that one or *some* monopolies can, by preventing the entry of new capitalists into their branch, escape the equalisation of the rate of profit (explained by Marx in the second section of Vol. 3 of *Capital*), and can thus ensure for themselves a monopoly super profit. In doing this, however, they have not *created* this extra value, but *appropriated* value created by the labour power employed by *other*

<sup>18</sup> The authors, moreover, manifestly ignore the *process of production* of capital: “We are particularly conscious of the fact that this approach, as we have used it, has resulted in almost total neglect of a subject which occupies a central place in Marx’s study of capitalism: the labour process” (p. 8). To see only the labour process in the capitalist process of production is to provide further evidence, if such were needed, of the authors’ lack of understanding.

capitals. And in a system with generalised monopoly in all branches, at the global level, such an explanation (Baran and Sweezy's) is completely useless since it reverts to saying that the entire system can create super profits merely by increasing prices; in other words value can be created in the sphere of circulation.

If our authors had taken the trouble to read chapter V of Vol. 1 of *Capital* they would have avoided such a patent absurdity: Marx demonstrates therein, in his usual impeccable manner, that it is impossible to create value in the sphere of circulation<sup>19</sup>. Thirty seconds reflection would be enough for a child to conclude that if tomorrow everyone decided to sell his commodity at a 10% higher price (including labour-power), this would enrich no one. Or else, if the only commodity which did not raise its price was labour-power, then the explanation of increased profit lies not in monopoly prices but in the increased exploitation of the working class, a general tendency of capital in which monopolies as such play no role in particular. But Baran and Sweezy are incapable of understanding this: if one makes profit then My Goodness! we have sold dearer than we bought. Here is the political economy of the grocer in all its splendour!

A solution to the problem remains to be found. If the profit margins of the large American corporations have, over a long period, a statistically justified, sustained rise (we are not implying that this is or is not the case) the explanation cannot be found in their policies on costs or on prices, but elsewhere. Without going into any great detail, we can see that Marxist theory offers several ways in which this might be achieved.

- **Monopoly super profit:** American monopolies may escape the equalisation of the rate of profit of American capitals and the equalisation of the world rate of profit (this last functions with more difficulty due to the lower mobility of capital at a world level). Monopoly super profits thus realised *cannot but* be at the expense of other capitals, whether American or no, operating in the non-monopolised sectors. The raising of monopoly prices is merely the concrete form taken by a transfer of value:

“The monopoly prices of certain commodities... merely transfer a portion of the profit of other commodity producers to the commodities having the monopoly price. A local disturbance in the distribution of the surplus-value among the various spheres of production would indirectly take place, but it would leave the limit of this surplus-value itself unaltered”<sup>20</sup>.

- **Super profit from productivity:** Following upon the increased productivity of labour-power, the individual value of a commodity may fall below its social value. The capitalist has only to sell it at its social value to pocket some extra profit. Such extra profits are realised in one branch of production be it at the level of the world market or of a national market:

“Capitals invested in foreign trade can yield a higher rate of profit, because, in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries. Insofar as

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<sup>19</sup> The aim of the chapter entitled “The Contradiction of the General Formula of Capital”. When we remember that this demonstration is an essential cornerstone of Marx's reasoning when passing from the general formula of capital to the illustration of the role of the commodity labour-power; that he stressed the question many times in Vol. 2 (chaps. 5 and 6) and Vol. 3 (4th Section); that the 1st section of Vol. 3 is entirely devoted to showing that profit is a mystified category, the disguise of surplus-value, it is disconcerting to have to waste time and paper to remind “Marxists” of these elementary truths.

<sup>20</sup> *Capital*, Vol. 3, Chap. 50, p. 861. To this explanation the authors devote one phrase, by accident, when talking about something else (the intervention of the state). “... Extra large profits are gained not only at the expense of consumers but also of other capitalists” (p. 65). It does not occur to them that the explanation of super profits lies here. We can see also that the word “extra-large” indicates that we are in the domain of the plaintive economics of the petty bourgeoisie, and not that of Marxist theory.

the labour of the more advanced country is here realised as labour of a higher specific weight, the rate of profit rises, because labour which has not been paid as being of a higher quality is sold as such. The same may obtain in relation to the country to which commodities are exported and to that from which commodities are imported; namely, the latter may offer more materialised labour *in kind* than it receives, and yet thereby receive commodities cheaper than it could produce them. Just as a manufacturer who employs a new invention before it becomes generally used, undersells his competitors and yet sells his commodity above its individual value, that is, realises the specifically higher productiveness of the labour he employs as surplus labour. He thus secures a surplus-profit”<sup>21</sup>.

- **Super profits arising from the export of capital:**

“As concerns capitals invested in colonies, etc., on the other hand, they may yield higher rates of profit for the simple reason that the rate of profit is higher there due to backward development and likewise the exploitation of labour, because of the use of slaves, coolies, etc. Why should not these higher rates of profit, realised by capitalists in certain lines and sent home by them, enter into the equalisation of the general rate of profit and thus tend, pro tanto, to raise it, unless it is the monopolies that stand in the way”<sup>22</sup>.

We will not elaborate upon these explanations, most particularly the last, since they are already widely known (cf. *Imperialism – the Highest Stage of Capitalism*). That the profit margins of giant American corporations are due at least in part to American imperialism which entangles the entire planet in chains is beyond dispute. And yet our two American “Marxist” professors have forgotten it.

### **The Absolute Increase in the Mass of Profits**

Baran and Sweezy continue their argument by stating that growing profit margins imply an increase in the mass of profits:

“[such] continuously widening profit margins in turn imply aggregate profits which rise not only absolutely but as a share of national product. If we provisionally equate aggregate profits with society’s economic surplus, we can formulate as a law of monopoly capitalism that the surplus tends to rise both absolutely and relatively as the system develops” (p. 71–72).

Our two professors obviously imagine that they have made a great discovery: *because* of monopolies, the mass of profit grows. Marx wrote:

“Thus, the same development of the social productiveness of labour expresses itself with the progress of capitalist production on the one hand in a tendency of the *rate* of profit to fall progressively and, on the other, in a progressive growth of the absolute mass of the appropriated surplus value, or profit; so that on the whole a *relative decrease* of the variable capital and profit is accompanied by an *absolute increase* of both. This twofold effect, as we have seen, can express itself only in a growth of the total capital at a pace more rapid than that at which the rate of profit falls”<sup>23</sup>.

Marx had established then the law of the augmentation of the mass of profits (or of surplus-value) one century ago. He demonstrated that it was an inherent tendency of capital necessitated by its movement of accumulation. Monopolies have nothing to do with the question. Our “Marxist” professors are really good: not only have they not discovered

<sup>21</sup> *Capital*, Vol. 3, Chap. 14, p. 238.

<sup>22</sup> This passage follows directly on the last.

<sup>23</sup> *Capital*, Vol. 3, Chap. 13, p. 223 (our emphasis).

anything, they have succeeded in giving us a false explanation of a law already perfectly explained a hundred years ago.

### **The Relative Increase in Profits**

According to the reasoning of the authors the increase in profits occurs not only in absolute terms but also in *relative* value i.e. “as a share of national product” (see above). Ignoring the total abandonment of Marxism which consists in referring to a completely mystified category belonging to bourgeois economics, and supposing that it was intended to mean the Marxist “social revenue” designated by  $(v + s)$ , or the total sum of variable capital and surplus value for one year, we have the following:

To say that profits augment “as a share of national product” means purely and simply that the ratio  $s / (v + s)$  increases. This relation never must be mistaken for the rate of profit which is not at issue here until constant capital is introduced <sup>24</sup>. The increase in this ratio is the result of the increase in the relation  $s / v$  which is the *rate* of surplus value. In other words, putting the best face upon it, all that Baran and Sweezy have “discovered” at the end of their tortuous and, in any case, incorrect reasoning is that the rate of surplus value increases – a fact illustrated by Marx long ago.

But to cap it all, even after attaining these dizzy heights of idiocy, not only do our professors not understand that they have discovered nothing new, they imagine that this “new” law is specific to monopoly capitalism and contradicts the law of the falling rate of profit <sup>25</sup>.

### **The Law of Increasing Surplus**

The conclusion of their demonstration, expurgated, accelerated, improved and reduced, gives the following:

“We can formulate as a law of monopoly capitalism that the surplus tends to rise both absolutely and relatively as the system develops.

“This law immediately invites comparison, as it should, with the classical Marxian law of the falling tendency of the rate of profit. Without entering into an analysis of the different versions of the latter, we can say that they all presuppose a competitive system. By substituting the law of rising surplus for the law of falling profit, we are therefore not rejecting or revising a time-honoured theorem of political economy: we are simply taking account of the fact that the structure of the capitalist economy has undergone a fundamental change since that theorem was formulated. What is most essential about the structural change from competitive to monopoly capitalism finds its theoretical expression in this substitution” (p. 71–72).

Here is a concluding reply to these final absurdities:

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<sup>24</sup> Recalling that the rate of profit is represented by the formula  $s / (c + v)$  in which  $c$  represents the constant capital advanced.

<sup>25</sup> One cannot deny to Mr. Sweezy a certain consistency in false ideas. He has contrived, for more than thirty years now, to disprove, by various means, this fundamental law of Marxist theory – starting with “The Theory of Capitalist Development” (London, 1946). In this work he substituted (with suitable modesty) for Marx’s view – judged defective – an entirely different one based on the increase of wages due to accumulation. Later, in “Monopoly Capital”, he stated that this law was not false, but had lost its applicability. Today, we do not need to challenge his silliness at the level of theory, it suffices merely to hear the daily lament of the bourgeoisie that the rate of profit is falling in practice (the remedy to which they have found to be the lowering of wages). When Samuel Brittan, an economic commentator of the “Financial Times”, writes that “A falling productivity of capital is normally due to a rapid increase in capital per man, unmatched by correspondingly technical advances, leading to diminishing returns” (FT. 3 March 1977), he shows a better understanding of reality than all the Sweezys put together.

- The law of the tendency of the *rate* of profit to fall (and not profit itself) has no “different versions” and does not presuppose “a competitive system”. It lies in the innate movement of capital itself which arises from the rise in organic composition and thus the growth in the productivity of labour:

“This mode of production produces a progressive relative decrease of the variable capital as compared to the constant capital, and consequently a continuously rising organic composition of the total capital. The immediate result of this is that the rate of surplus–value, at the same, or even a rising degree of exploitation is represented by a continuously falling general rate of profit... The progressive tendency of the rate of profit to fall is, therefore, just *an expression peculiar to the capitalist mode of production* of the progressive development of the social productivity of labour”<sup>26</sup>.

- Furthermore, the law of a rising rate of surplus–value, that our “Marxists” call the “law of increasing surplus” because they do not understand the difference between the *rate of profit* and the rate of *surplus–value*, was established by Marx as a general law of capital: monopolies have nothing to do with it.
- Finally, there is obviously no substitute for these laws: the law of the increase in the rate of surplus–value and the law of the tendency of the rate of profit to fall. They cannot be contradictory since they both express, at different levels, the innermost essence of capitalism.

Only incredible simpletons could pack into such a few pages so great a number of stupidities. Well can Baran and Sweezy take their places among bourgeois university scholars!

We really lack the courage to make a final summary of all this foolishness. The reader is probably also exhausted after scaling these heights of university cretinism, and so we leave the last word to Lenin. Here is how he concluded a polemic against Tugan–Baranowski, who had also attempted in his own way to “improve” Marxism – the phenomenon is not new apparently – and, moreover, was much better acquainted with Marx’s work than are Baran and Sweezy:

“The puzzled reader may ask: how could a learned liberal professor have forgotten these elementary axioms familiar to anybody who has read any exposition of the views of socialism? The answer is simple: the *personal* qualities of present day professors are such that we may find among them even exceptionally stupid people like Tugan. But the *social* status of professors in bourgeois society is such that only those are allowed to hold such posts who sell science to serve the interests of capital, and agree to utter the most fatuous nonsense, the most unscrupulous drivel and twaddle against the socialists. The bourgeoisie will forgive the professors all this as long as they go on ‘abolishing’ socialism”<sup>27</sup>.

A final word: of all the little academic wood grub who owe their existence to and earn their living from gnawing away at revolutionary theory, those who camouflage themselves behind a disguise of Marxist vocabulary are the most dangerous and repugnant.

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<sup>26</sup> *Capital*, Vol. 3, Chap. 13, p. 212–213.

<sup>27</sup> Lenin, *Collected Works*, Vol. 20, p. 146–147.

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