Value, price, inflation and the Power of Capital: a Marxist Vision[1] [2]

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Abstract

Few Marxists venture into the discussion of inflation. The idea of prices as reflectors of value, if not equal, appears as a solution that would exhaust the issue. Many have tried for a long time to find a more "solid" reference of "equilibrium" less metaphysical than the neoclassical definition. Inflation seems to be the exclusive subject of simple neoclassical metaphysics based on equal economic agents interacting in markets governed by simple supply and demand relations, the basis for their current theoretical construction. The objective of this text is to discuss inflation under a Marxist point of view, as a result of a dispute over wealth. A dispute that is only possible when there is difference of power of control over the surplus value created. Inflation disrupts the whole convention of credibility created socially around the general equivalent. But that is its result. Its cause appears to be linked to the power relations over the surplus value created. Any economic agent (in the neoclassical sense of the term) that seeks to raise its stake in wealth by raising prices, believing itself to have more power, given the unequal relationships, does not imagine that they could be followed by others. Inflation occurs when the relevant or organized (large companies) agents with different degrees of economic power try to take ownership of a larger part of the surplus value created socially. This involves a dispute between capitalists and between capitalists and workers and depends on power relations, each agent vying for portions of surplus value created socially by the collective work. The power of large banks depends upon the degree of monopoly over credit defined by the capacity to centralize social assets and thus snatch up surplus-value produced socially through interest charges or control of enterprises. The power of large traders depends on its degree of control of trade (centralization) in the negotiation process to snatch up the surplus-value of productive sectors. Inflation occurs when an agent involved feels more powerful than others to set their prices higher in order to raise their super-profit. It is the perception of power over the market, which leads the large company to raise its prices. It is the result of the action of individual oligopolistic or monopolistic company during its strategy to win ever-increasing portions of social surplus-value. Inflation is the result of disparate powers and not of equal conditions. If the dream of perfect markets existed, without power relationships, maybe it would be possible to think of stable prices. Prices, in fact, reflect this dispute for the surplus by force. Inflation is a materialization of a conflict for the created surplus-value. The determination of prices in an economy is part of the mechanism of power and control over the surplus. To examine this phenomenon is fundamental to a criticism of foundations of neoclassical thought.

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1- Introduction

Why discuss inflation, a subject that appears to have disappeared in the theoretical debate? Isn't its apparent the victory of orthodoxy, which today is able to control the entire economic policy and dominate, in respect to this question, economic theory?

The return to orthodox thought that dominates mainstream economic theory was structured on the inflation of the 70's and 80's and still maintains itself in regard to this question. As such, to criticize orthodoxy involves, in addition to other debates, a re-thinking of the discussion around the core question of orthodox thought: the determination of prices. It was from the base of price theory that the neo-classical economists, from Freidman to Lucas and Sargent, boasted to have "liquidated" the Keynesian orthodoxy of IS-LM, bringing neo-keynesians together with orthodoxy as demonstrated by Mankiw in his classic "The Reincarnation of Keynesian Economics" (1991)[4].

The inflationary question as such, created space for the construction of broad outline of neo-liberal policies which became hegemonic in the 1990s and which were key to the formation of economic thought in the 1980s and 1990s. It was used by the monetarism of Freidman as the "monster" – the fault of populist governments who had printed too much money – to be tamed by actions which psychologically guarantee the precepts originating from the quantitative theory of money, a central logic of the "rational expectations" of Lucas and Sargent. Subsequently, orthodoxy uses inflation as a "firewall" to its thinking and as a justification of neoliberal practices. It has been able to place the blame for the elevation of prices as the result of the "disrespect" of the metaphysical actions of the "laws of the market". When asked to provide some more accurate explanation, it is given to "excess demand" beyond a fixed supply, the fault of consumers who don't know how to save, or of populist States. On the other hand, labour is blamed for their pressure to obtain salaries greater than what would be "fair", given their falling marginal product; these same workers responsible for limiting the aggregate supply since they would not accept working for wages less than their marginal disutility[5]. Businesses in this logic are always considered passive agents.

In discussions of inflation, companies rarely appear. They are represented by neoclasicals as subordinate, dependent variables of the above elements. They define their prices as automaton maximizers of production and profit, subject to, on the one hand, costs which are given by the desires of labour in the determination of their wages, and on the other the desires of the powerful consumers and their demand curves. This neoclassical logic serves a competitive market as much as a monopolist one. A business as a decision-making being, which defines its prices, is never present

[4] See also Mankiw (2006:6).

[5] See this discussion in detail in Sawaya (2012).

in the discussion, a solution that appears ideologically perfect in the objective of obscuring the power relationships of capitalism. Nothing like putting the blame of all ills (the monster of inflation) in the hands of disperse consumers and workers, as well as the always available "scapegoats" of States.

In spite of ample discussion in the 1970s and 80s of the determination of prices in economies with elevated degrees of centralization of capital – dominated by large economic groups – based on Marx and Kalecki and the classic work of Sylos Labini (1980), this debate was largely abandoned, even by the critics of orthodoxy. In part the debate was incorporated into the neoclassical thinking as the "theory of total costs" or prices determined by mark-up in situations of monopoly or oligopoly, but without denting the orthodox logic, which remained preserved in its original hypothesis. The complex determination of the percent from which stems profit above the direct cost was easily incorporated into the logic of equilibrium, reformulated by "game theories", maintaining the original neoclassical theory practically intact. "Inflation of costs" was added to "inflation of demand", respecting the "quantitative theory of money" and of equilibrium.

The objective of this article is to re-examine the discussion of inflation as a relation of materialized power in the process of monopolistic competition between large economic groups, the big businesses – the true actors in capitalism – in their dispute for increasing shares of created surplus value and a struggle to impede a greater appropriation of these riches by workers and less powerful capitalists. To this end, we must revisit the determination of prices in Marx to demonstrate how this fierce war (Shaikh, 2006:105) in an economy with an elevated degree of centralization of capital could result in inflation. The objective is to demonstrate that from the discussion proposed by Marx, principally that which touches on the dispute for created social wealth, it is possible to understand how big businesses with market power seek to define their prices and through this mechanism, are real causes of inflationary pressure. In this struggle between large businesses, what seems least plausible - from the logic present in Marx – is the possibility of stability or equilibrium of prices given the degree of centralization[6] of capital. It appears logical that inflation would be a fundamental part of this war between individual capital for the created social wealth, as well as between capital and labour, even more so in moments of crisis when inflationary pressures increase. Interest rates can also be added to this dispute, the result of the monopoly of banks over financial capital as well as their pressure for increase shares of profits as they become shareholders of productive capital. In addition, we can include the dispute for value created by monopolists of physical space, land rent income. All these are competing with different degrees of power for the

[6] Centralization of capital to Marx in simple terms is the formation of monopolies and oligopolies. It represents the growth of an individual capital in the other capitals spaces.

macroeconomic wealth created. The State is also present in this dispute with its power to take a part of the surplus value through taxes and redistribute it according to its constituent political powers.

This approach seems to demonstrate that a discussion about inflation in capitalism is complex and involves deeper questions than orthodox thinking would suggest. The determination of prices involves relationships of power and not “laws of nature” as the neoclassicals would have it. These relationships of power are in the hands of those who have control over capital, which today aren’t even persons, but large economic groups and big businesses. It’s worth remembering that given the elevated degree of centralization of capital in peripheral economies like that of Brazil, where large multinational corporations dominate nearly all sectors of relevant value, this situation expresses itself in a greater manner.

“[I]n a wider analysis, supply and demand imply the existence of different classes and sections of classes which divide the total revenue of society among themselves and consume it as revenue among themselves, which, therefore, constitute the demand in the form of revenue. On the other hand, the attempt to grasp the question of the supply and demand among the producers as such requires an analysis of the total conformation of the capitalist process of production” (Marx III, 1980:220).

2- The definition of prices – mainstream

The discussion of the definition of prices is an old one. In his work on the origin of value, Smith arrived at four concepts of price: the real price based on labour, the natural price at which profit would appear as added to labour (cost); market price, varying with supply and demand; and nominal price or price in money (see discussion in Carcanholo, 2012). Ricardo further adds to the discussion the concept of relative price defined in trade based on quantities of necessary work (not costs of work) compared. But only Marx deliberated the discussion of the determination of value and its relation to price. Neoclassical thought subsequently completely abandoned the discussion of value, adopting the idea of relative prices of Ricardo, only now based on the desire of consumers enrolled in their marginal utility. By rational and maximizing hypothesis, the individual consumer, full of desires in the midst of “scarce resources”, became central in neoclassical thought in the determination of prices. Prices became defined by comparisons of marginal utility of consumers/producers in terms of the value of merchandise. Smith had considered this question, but indeed found the concept of value subjective considering the diversity of desires by agents for particular merchandise.

The neoclassical solution to this problem posed by Smith was found in the definition of one specific kind of individual, generic, a rational economic human with its “natural” and immutable behaviour. The psychology of the theory of natural behaviour (the basis for the theories of rational choice) thus became the central axis of the determination of prices defined in the “market” by the relationship between suppliers and consumers, hegemonic in their desires. Marshall completed the idea of the maximizing behaviour of the rational economic human, on one hand producer on the supply curve, and on the other, consumer on the demand curve. In spite of the introduction of supply to the discussion, based on costs of labour, the price continued to be determined by demand, the desire of consumers to whom suppliers must adjust their quantities based on their increasing marginal costs.

As such, facing the hegemony of the consumer, prices came to be determined by a behavioural theory able to be proven in the laboratory of Skinner (2003) in which, because of an automatically maximizing nature, everything tends to equilibrium. Merchandise – now a “good” as a source of pleasure – arrives on the market without a price, only its cost known. In its encounter with the consumer it has its price determined by the desire of it relative to the quantity offered. If the consumer decides to buy for that price it’s because that would satisfy its desire; if the seller sells for this price the same must be concluded. The price is defined *ex-post* in the market. We can deduce that this is in equilibrium as both had left the relation satisfied. Accordingly, the supplier receives profit as a result of being able to sell his merchandise above its costs, putting the onus on the consumer who pays according to his desire. Profit as such is considered by neoclassical thought to be a residue that the capitalist has believed to have come from his capacity to sell a merchandise above its costs, being something therefore taken from the consumer. In order to make sense on the macroeconomic level, profit is considered as a cost, a “remuneration” to the owner of capital, for which he has the right to because of his “work”, risk, ect.. It’s as if it were an additional cost added to the cost price. It comes from the capitalist to being able to sell the merchandise above his cost, the source coming from the consumer’s pocket.

Despite that this logic of thought stems from the 19th century, it gathered strength, and even with the simple hypothetical pre-Freudian concept of individual behaviour, became present in economic theory as a “law of physics”, to be respected as a law of human nature. Provable in laboratories controlled by extremely rigid and contradiction-free hypotheses, it reaches a conclusion so questionable that Mark Blaug aks “is the law of the demand a law?” (Blaug, 1980:160). Even if not a law, it became an unquestionable truth for orthodox thought to the point that only idiots put “the law of the nature of the market” in question. When reality shows that this doesn’t function as it should, the solution is to explain the complexity as “games” between individual agents with equal powers of negotiation in search of an “equilibrium of Nash”, capable of finding a price which guarantees their satisfaction.

If prices are defined on this basis, any diversion from equilibrium could only be caused by external factors capable of subverting the natural order of supply and demand: excess emission of merchandise seen as Walrasian “cash” (money), in terms of the Quantitative Theory of Money, a creation of illusory purchase power resulting in excess demand in the face of a fixed supply naturally maximized by the rational behaviour of the producer and the worker (defined in the offer of work).

Thus was created a world where there are no large companies and no power relations behind the scenes, but only harmonic movements between equals, based on a logic removed from the real process of capital accumulation in which it is clearly defined who is the independent variable (capital, investor) and who is the dependent variable (worker/consumer). The disperse economic agents are considered as free individuals with equal power to exercise their choices.

Even that this magical formula for the determination of prices was widely adopted, its extremely rigid and unreal hypotheses ended up putting in check its credibility. For everything to work, it is necessary to consider individuals, even with incomplete information, as equal, all with equal power in their harmonic encounter in the market of bargains. Only the equality and homogeneity of the relations between individual agents could permit that prices become equivalent to their desires.

The problem arises when, from the force of reality, we perceive that individuals are not found in conditions of equality with individual producers in the imaginary market of Walrasian exchanges, being owners of themselves – workers – or owners of the work of others alive or dead – capitalists. The inequality of this relationship described in the theories of monopoly and oligopoly seem to put in check this illusion of equality. But in spite of this, the refusal to accept that companies have differentiated power in relation to salaried workers and consumers continued unabated. It couldn’t be acceptable that labour lives from income that the large company allots to it. To the contrary, it would have to be the disperse worker who determines how much he wants to earn and how much he will produce. Given the quantity of money, prices would be determined by the level of equilibrium of aggregate supply, defined by the volume of employment that workers care to offer according to their marginal utilities, in relation to aggregate demand, or desire of satisfaction of those agents upon the quantities offered. With this logic remains the idea that it is workers on one hand, and consumers (one and the same) on the other who determine the dynamic of the economy, the supply and demand. The workers who define what they wish to earn: if they accept working for a determined wage it is because they are satisfied. More than this, labour unions would even represent a monopolistic power of labour. Because of this, the imbalanced causes of inflation are always the excessive elevation of wages – cost inflation – or excess demand.

The large oligopolistic companies don't appear in this story. They're considered as perfect automaton maximizers of the utility of resources – labour and technology – available at any moment in their technically defined Cobb-Douglas functions. This idea ignores who in fact has power in the economy: the large enterprise groups; capital. Labour is not seen at it is: a dependent variable that comes into existence when capital decides to produce, and in doing so, turns labour-force into worker and consumer. In truth, the worker has no alternative. Orthodoxy ignores the differences of power in the relationship between capital and work.

More than this, however, what is also ignored are the different power relations between capitals themselves when they are described as equal agents of production, be they a family business – which obtains nearly all its surplus value through the family's own work – or large multinational economic groups.

In any case, due to the weight of this reality, neoclassical thought eventually came to accept some form of inequality and thus expanded the concept of mark-up in micro-economic manuals in its analysis of the formation of prices in oligopolistic markets. Still, even while seeing that prices could be formed with this mechanism, the idea was maintained that oligopolistic (or monopolistic) companies have the power to define only the quantity they produce through the hypothetical intersection of increasing marginal costs with diminishing marginal revenue, defined by the derivative of the revenue curve given by the demand in the market. As such, the hegemonic behaviour of the consumer was maintained. Even in markets with imperfect competition, it is the power of disperse consumers in a rigid market through "economic vote" that determines prices in its demand curve. If prices rise, it could only be the fault of the consumer.

"Evidently it's no surprise that the concept of 'power relations' is absent from all texts of marginalist economists. They settle themselves to describe their own world of 'economic realities' in rigorously individualistic terms, refusing to recognize, in the actually observable world, the tendency for monopolistic transformations, more intense than ever – with all its brutal force to quash the decisions of individuals, including even the idealized 'risk-taking innovative entrepreneurs'" (Mészáros, 2002:153).

So, without considering the power relations involved, all the complexity on the determination of prices in capitalist economy with a high degree of concentration[7] and centralization was kept within the supply-and-demand logic governed by equal and maximisers individuals. The neoclassicals accepted theories of mark-up within those precepts. Large companies continued to be perfect automatons. Before any lifting costs always they will raise their prices to

[7] Capital concentration represents the growth of individual capital over itself.

compensate it, following a perfect maximizing logic. All the complexity in this discussion was dissolved by the "game theory". Before, in front of a high demand or cost, companies faced the question of how to act. Game theory equated the problem once again based on the theories of the hypothetical rational maximizing behaviour. So it tries to imagine behavioural relationships between multiple agents as equal participants in a game that would lead to the best solution, to equilibrium. Again they sought to ensure that the prices should always be in balance, especially in the long run.

Freud[8] certainly would have rolled in his grave with the perfection of behavioural theories in order to guaranty the harmony and equilibrium in economic science. These theories were incorporated as “science” into the analyses of imperfect competition, involving an extremely sophisticated mathematical instrument used to prove the rationality of human behaviour and equilibrium even in imperfect markets or complex situations. This new metaphysical wave resulted in the reconstruction of models based on the same axioms from the 19th century theories of “natural” human behaviour. This would allow for the neoclassical theory of prices to continue to be based on supply and demand curves being well behaved in their inclinations, principally in the long term. It re-enforced the idea that given the nature of the economy based on theories of behaviour, if inflation exists, it must be the fault of external factors that subvert the nature of the system and contaminate workers (i.e. unions) and consumers (i.e. expansionist policies of the state). The large companies remain on the outside of the games of perfect equilibrium, acting as black boxes or perfect automatons who have no responsibility whatsoever in the “metaphysics” of the determination of prices. Capital itself, the very centre of all power relations in capitalism, could thus be obscured and preserved.

3- The determination of prices according to Marx

To understand the determination of prices according to Marx, one must go beyond the transformation of values into prices. This seems to be just the beginning of the question. The problem begins with the definition of "prices of production" from value, and develops through the analysis of competition between individual capitals[9] with different levels of productivity and

[8] “...few people can survey human activity in its full compass. Most people have been obliged to restrict themselves to a single, or a few, fields of it. But the less a man knows about the past and the present the more insecure must prove to be his judgment of the future. And there is the further difficulty that precisely in a judgment of this kind the subjective expectations of the individual play a part which it is difficult to assess; and these turn out to be dependent on purely personal factors in his own experience, on the greater or lesser optimism of his attitude to life, as it has been dictated for him by his temperament or by his success or failure.” (Freud, 1978:87).

[9] As here Marx uses the concept of individual capital to stress that these aren’t capitalist individuals (persons) but individual companies in the usual sense. This concept incorporates large economic groups of economic control for relations of property, contractual relations, hierarchies etc.

"organic compositions"[10] vying for the added value. This dispute materializes itself in the search for greater productivity and results in elevation of the organic composition of capital, capital concentration, tendency for falling profit rates, crisis. The whole process culminates with the centralization of capital. This seems to be the route held in the three parts of Volume IV of Book III of "Capital". Even if Marx had not so composed this Volume (Engels did), it seems that there is a didactic logic that leads to the centralization of capital as a result of competition triggered by the dispute over different masses of surplus value and larger profits.

This means that there seems to be a direct dynamic relationship between the prices of production and the formation of monopolies and oligopolies. It does not seem to make sense, therefore, to stop the analysis on the idea that the transformation of value to price of production ends in equilibrium with profit rates the same for all capitals. Continuing the reading, upon triggering the war of competition there is no equilibrium price or rest. As Shaikh (2006: 105) points out, "the Marxist notion of competition defines a process and not a state. It describes a destructive and antagonistic process, not a fantasy of equilibrium. Competition between capitalists is described as war ". And this war, as Marx himself completes, results in crisis – a tendency towards a fall in profit rates – and in centralization of capital. Marx tries to describe the movement of individual capital and general capital together as a complex whole.

This entire process demonstrates the movement of individual capital in search of increasing portions of created social surplus value. The determination of prices of production is the logical axis of this dispute, this war that, according to Marx himself, has the appearance of simple mobility of capitals as imagined by Smith in the process of equalization of profit rates, but, analyzing more depth, it becomes a war. The centralization of capital, the formation of monopolies and oligopolies is its result, becoming a war of unequals based on prices, for the dispute of surplus value. Given that the "the surplus value, realized in the sale of a commodity appears to the capitalist as an excess of its selling price over its immanent value [cost price] of merchandise" (Marx III, 1980: 41), one can deduce from this that the large centralized economic groups can or continually want to use the mechanism of elevation of prices as a way of appropriating increasing portions of global surplus value, creating inflationary pressures. If that was not exactly the sequence thought by Marx, it seems to have an enormous logic in the face of concrete reality.

To understand the reasoning, in his analysis of surplus value and its transformation into profit, Marx thinks macro-economically. Society as a whole, producing with a determined volume of working hours in general, social working hours, is able to create a determined value. The

[10] In simple terms, this consists of the rise of capital-labour relationship in terms of value.

resulting value of this social working time, given the technology and the degree of productivity, could even be called GDP[11] or global product value formed by what Marx calls the social cost of production, the social time (abstract labour) spent to produce it. This social value is given in a specific time and place. You can only raise it extending the workday in hours worked about the same capital (elevation of surplus value rates) or, given the technology, raising the number of workers involved in the production process (elevation of the mass of surplus value). While the increase in productivity increases the amount of use-values produced, the individual value of each unit produced decreases (using the same social work, social cost, greater quantity will be produced), and so does not raise the overall social value produced in terms of social work required (hours worked). In this way, the value of this product is what society has to distribute. The crucial difference between this and the neoclassical reasoning is that this doesn't confuse value with quantity of goods.

The social cost of producing the global product is the amount of necessary social work, hours of work that the society spends to this end. It is all the work spent that constitutes the dead work, past work of someone transferred to the product, materialized in machinery, equipment and raw materials, and alive work, creator of the new value. The new value created, new social work time, composes the income of workers, wages, and the sum of the surplus value appropriated by capital what, macro-economically, is the same as the mass of appropriated profits by individual capital. Given that there is only one amount of value created, this defines what there will be in this society to be distributed after the replacement of dead work consumed in the process.

By this logic, that is not very different from that of the neoclassical general equilibrium or the social accountability, statically thinking, there is only one value to be distributed, and the mass of profits is already inside it as a result of social work applied. So, there is no sense in thinking about the individual capital profit as a result of selling their products at a higher price than the social cost. In the reasoning it is assumed that workers earn the equivalent to what is necessary for their social existence, given real wages. In a simple example of the problem, if the capitalists in general would add 20% advantage over their direct cost prices – all capitalists doing the same – the costs also will rise to 20% considering real salaries (in terms of purchase power) are stable. In this example there would be no profit. Therefore, in social accountability, profits appear as costs to be covered by the value produced in the process and not as something that would come from the capitalist's guile to sell goods for higher prices than its social cost. In fact, profit comes from the capitalist's guile to convince the employee that he or she earns the equivalent of their marginal

[11] This would be approximation since GDP is referenced in currency.

product, hiding with the help of neoclassical economists that this is a value lower than what the employee actually creates. The profit seen as an extra on the social cost price obtained on the market leaves the neoclassical general equilibrium logic itself without nexus.

If an individual capital raises his price due to the increase desire of consumers for a certain good, he is diminishing the ability of consumers to buy other goods, and therefore those would have to have their prices reduced. That would mean a transfer of value from companies that have had to lower their prices to the one that elevated it. If on the other hand, the other individual capitals do not decrease their prices, that is a transfer of income of all workers to capitalists by the fall of real wages. In macroeconomic terms it is the transfer of social value by an increase in the rate of surplus value.

By that logic, assuming that workers earn exactly the fair[12] amount necessary for their social existence[13], as well as the payment for dead work (wear), necessarily the surplus value is the equivalent to what exceeds the work paid to the workers, it is the value created and appropriated by individual capitals. Given the amount of total social work, the social value that capital appropriates is directly related to the surplus work, that time that society works, but does not require to for its social existence[14]. This surplus work is the surplus value or profit.

The distribution of surplus value between labour and capital is the ratio of required work (paid) and over work (added value), the rate of surplus value. Even assuming that workers receive the value of the effort of their labour, the rate of global surplus value is given for the whole economy. This relationship only changes if wages in general rise above productivity, which means real wages rise. Productivity raises the surplus value rate because, to get the same amount of use-values necessary for their social existence, workers need less necessary work, raising surplus work. As such, if he has wage increases according to his rise in productivity, the rate of surplus value will be maintained. On the other hand, the increase in wages above productivity means a decrease in the surplus value rate and an increase the participation of labour in global income.

It is interesting to note that, despite the fact that an increase in real wages represents a drop in the rate of profits (a drop in global surplus value rate), it does not mean a drop in the mass of global profits of the economy nor in the mass of surplus value. As pointed out by Marx and corroborated by Kalecki (1983: cap 9)[15] in his model, a real wage increase could lead to a change in the composition of demand, increasing the mass of profits of the economy despite the fall in the rate

[12] This isn't a question of justice. The fact is that no company would hire a worker to pay them exactly equal to what he creates. The company would make nothing from hiring him. To be worth it to a company, every worker must create a value greater than that which he needs for his social existence.

[13] This value is socially defined, as well as varying from country to country.

[14] In capitalism, its real destiny would be new investments, the very amplified accumulation of capital.

[15] See also Possas (1987:100).

of profits. But this, being a macroeconomic rationale, is not apparent for each individual capital that sees in the elevation of wages only the elevation of costs and, as a class, has the power to pass it on to their prices, not allowing it to change the surplus value rate.

Prices for Marx, defined as production prices, can be considered as prices of mark-up to which is added a percentage of the costs paid, which constitutes the average rate of profit, or overall minimum profit rate desired by the individual capitals. All individual capitals seek a profit rate at least equal to or greater than the general, seeing it as given by "the market", apparently, for them, set in abstract. "So far as profits are concerned, the various capitalists are just so many stockholders in a stock company in which the shares of profit are uniformly divided … so that profits differ … in accordance with the amount of capital invested by each in the aggregate enterprise, i.e., according to his investment in social production as a whole, according to the number of his shares" (Marx III, 1980: 180) of the total social wealth.

The central issue is that for Marx the pricing problem does not end in the process of equalization of profit rates as they find the equilibrium. On the contrary, it begins with the definition of production prices that would equalize the profit rate between all capitals as part of their capital share. The problem formulates because different individual capitals, producing relatively homogeneous goods, seeking the same rate of profit on its cost, would arrive at different prices. Individual capitals that have different levels of productivity due to greater or lesser advanced technologies – reflection of the capital/labour ratio in terms of value (organic composition) – would have to sell their goods for different prices for the same rate of profit. Those less productive individual capitals would have to sell their goods at prices higher than those that have higher productivity. This would not be cohesive in the real world in a competitive process. For Marx, the survival of the less productive capital would only be possible if the demand is higher than supply, making those more productive companies, following higher prices, to have surplus-profit. But, when the offer is equal to or greater than the demand, the capitals that have lower productivity would not be able to sell their goods. At this point, from this logic Marx begins his analysis of the competitive war (Marx III, 1980: cap X). The less productive capitals will seek the most advanced technology, a process that culminates with the downward trend in the rate of profit, over-accumulation or overproduction, and would result in capital centralization, on a continuous and incessant mechanism, without any possibility of equilibrium.

Therefore, it can be said that for Marx there are no equilibrium prices and this idea is misplaced. Individual capital are caught in a relentless competitive dynamic, vying for the market space with each other for market share, seeking all the time process and product innovations that ensure them a growing participation in this market and a larger profit. They are seeking leadership, as management gurus would say (see Porter, 1998). With productivity gains, also increase the rate of surplus value by reducing working hours needed (paid), maintaining the real wage.

It is interesting to add that the size of the demand fails to be central in this war, since each individual capitalist seeks to grow over its competitors (market share). They seek, therefore, greater participation in socially created surplus value, seen as surplus-profit and super-profit, taking from other capitals. Schumpeter (1961) realized and understood exactly this process described in Marx to formulate his theory of the dynamics of capitalism as a permanent pursuit for innovation on the part of each individual capital, without rest. It is worth remembering that for Schumpeter, rest means absence of profit rate[16] (that which does not proceed for Marx).

But what is important to highlight for what is proposed here is the fact that in the competitive war, each individual capital sees the possibility appropriating a larger part of the overall surplus value created through the price mechanism. Innovation itself has as a foundation the reduction of costs in the face of higher prices. As Marx said, the overall surplus value already exists and, "if a commodity is sold above or below its value, there is merely another kind of division of surplus-value" (Marx III, 1980: 47). Thus, each individual capital sees the price as a mechanism of appropriation of the social surplus value.

The competitive war described by Marx demonstrates that individual capital are all the time trying to swallow up increasing portions of surplus value and surplus-profit. The individual capital looks for this increasing control over surplus value by raising productivity in order to lower the value of their goods and, by selling them at market value equal to the price practiced by most individual capitals, have surplus-profit. For each individual capital in isolation, the manner in which to gain more takes the appearance of something which results from prices, as pointed out, that he can sell for prices higher than what it cost. In fact, considering the mark-up price, "surplus-value itself does not appear as the product of the appropriation of labour-time, but as an excess of the selling price of commodities over their cost-price" (Marx III, 1980: 47). All his gain seems, for him, as coming from the price differential.

The permanent pressure for high productivity, as Schumpeter well realized from Marx, is a search for at least temporary monopoly power. Thus, it can be said that, as capital concentrates and centralizes, this temporary monopoly can be perceived as relatively solid or lasting. The company "price leader" (Labini, 1980: 109), looking at the market from above, with all the barriers to entry that are imposed to preserve their level of monopoly, attempts through to control the prices to

[16] It is beyond our scope here to discuss the existence or not of profit in rest. Schumpeter (1961) reaches this conclusion because it stems from the neoclassical presupposition that in equilibrium or rest in a state of competition individual capitals would need to sell their merchandise for prices given by the average minimum cost in tangent to a horizontal demand curve equal to its marginal revenue.

ensure high portions of the global surplus value created in the economy. Inflationary pressure is the result of the feeling of being able to do this alone, without being accompanied by other capital or by workers' wages. If followed by others, the result is inflation. In this case the attempt of ownership on the surplus value could end up simply as a settlement over a greater amount of currency, the general equivalent, which originally would represent power over the social wealth, but that simply represents more monetary units reflecting the same social value. "Maximizing behaviour, without the currency or without the embarrassment of its rules, would become a war of all against all. But as the currency itself is a product of the fierce fight for wealth, is also not safe to periodic disruptions that can make the whole society to return to its primitive State "(Belluzzo and Almeida, 2002: 29). In economies where the capital has a high degree of centralization, the feeling of power on the part of big business is big enough to the point of attempting to take ownership of the social surplus produced in monetary form continuously. The result seems to be the constant pressure on prices. In economies with high degree of centralization of capital with high monopoly power in accordance with kaleckians, the pressure on prices seems to be the materialization of this war.

The problem is how each individual capital sees this war. Common sense tells them their profit is the result of being able to sell goods above their costs. As Marx said, capitalists never understood why buyers agree to pay a value greater than the cost. On one hand, they have a hard time understanding that workers base their buying decisions on their own work, in the amount of hours they need to work to buy certain goods. They always will be exchanging hours worked – socially needed (paid) plus surplus hours – with the hours incorporated into goods they buy – in which is also contemplated the necessary and surplus work, the social work required. So the worker-buyers have the feeling that they are paying the right price: they worked 8h to buy a commodity which cost 8h to be produced by the work of others. This is the relationship that the worker-consumer sees in market of equivalent exchange. So even the goods being bought and sold on the market as equivalent in overall work, abstract for their social cost, have surplus value embedded in them.

Even in this context, each individual capital believes it has profit because they raise the prices of their products at the time of the sale, outsmarting the buyer with actions that "fetishise the goods" in order for them to pay more than the goods are worth. It is seen as a great marketer who earns money by this feat. Thus, the more "smart" is to create an uncontrollable urge in the purchaser, the higher the profit rate will be. This is the appearance of things, because the buyer only acquires goods when compared with their working hours (which is spent working if worker, or that it will save in its production line, if producer). On this appearance Marx says “Surplus-value is given, but given as an excess of the selling price of the commodity over its cost-price; and it remains a mystery where this surplus originated - from the exploitation of labour in the process of production, or from outwitting the purchaser in the process of circulation, or from both” (Marx III, 1980:50).

The fact that the capitalist always sees his gain as a result of the high price he can charge for his goods results necessarily in an inflationary trend. If the capitalist has power, has control over the market, is the leader, he will seek to raise the price every time he feel he can gain more with this. This seems to be the logic of inflationary pressure in a concentrated, centralized capitalism, with a high degree of monopoly.

It is worth adding that this mechanism has little to do with supply and demand. Variations between them just change the shape and the strategy of each individual capital in their quest for appropriation of the social surplus value. This is not contradictory with the fact that the centralized capital, with its power to keep supply low, is able to grab larger parts of the overall surplus value of the economy as it becomes easier to sell the goods for a higher prices. Its market power allows him to obtain more surplus value from other capitals that would be forced to reduce prices, or to get income from workers if the other individual capitals manage to follow up with raising prices, but not the workers. In this latter case, the capitals together would be raising the rate of surplus value, and so the rate of profit to the detriment of the labour. In the first case, given the rate, the mass of surplus value would be diverted from weaker capitals to the stronger and more powerful.

Still, it is worth remembering that this described logic is always dynamic and the war is incessant. The individual capital leader must always seek to remain in the lead either by institutional or technological power mechanisms (barriers to entry and others).

The relentless pursuit of innovation pointed to by Marx as a mechanism of this process is essential. Innovation raises productivity which becomes key for the individual capital to overcome its competitors and thus steal from them surplus value, conquer and remain at the top by lifting barriers to concentration, size, control over markets and technology. This mechanism also contributes to lower labours participation in global surplus value given that the productivity gain raises the rate of global surplus value by relatively lowering the social necessary work for the existence of the worker. Productivity raises the surplus value rate not because capital produces more use-values, but because it allows a decrease in the relative participation of labour in the wealth created, given that he can buy the same use-value with the least amount of work required (Marx I, 1980: 702).

Each individual capital always will seek productivity gains even if in a monopoly market because it sees gains in unit costs cuts (it earns more off of labour). This strategy does not depend on its power of control over prices. Both forms – price control and increased productivity — work together to provide greater ownership of the social wealth created.

"The changes in the degree of monopolization are of crucial importance not only for the distribution of income between workers and capitalists, but also ... for the distribution of income among capitalists. Thus, the increase in the degree of monopolization motivated by the growth of large corporations results in a transfer of income relative to other industries dominated by such corporations. Thus, the income is redistributed, moving from small businesses to large companies" (Kalecki, 1983a:13).

4- Prices and the big oligopolistic companies

Capitalism is not like the imaginary neo-liberal ideological belief, a productive system where thousands of small companies create wealth with the work of their own owners, as would think Hayek in his hypothetical society. As he himself says "as long as the property is divided among many owners, none of them ... has the exclusive power to determine the income and the position of any individual. No one is bound to any specific owner. ... No one has absolute power over us and, as individuals, we can choose the sense of our life – this is because the control of the means of production is divided among many people who act independently" (Hayek, 1994:110-1).

Capitalism is a system that begins to exist when big companies come to control the production process. "The capitalist production only really begins when a particular capital occupies, at one time, a considerable number of employees, when the process of work increases and provides products in larger quantities". This is the "starting point of capitalist production" (Marx I, 1980: 370). And Marx continues, "the private property, obtained with the personal effort, based as it were in the identification of individual isolated and independent worker ... is supplanted by capitalistic property based on the exploitation of the work of others, free only formally". This process operates continuously by the centralization of capital, by the formation of monopolies and oligopolies. "The capitalist mode of ownership of goods ... is the first denial of individual private property based on the work itself" (Marx I, 1980: 880-81). Maybe, if capitalism was in fact formed by a large number of small business owners getting rich with their own work, Marx would not have been so critical of the system.

Going a little further, Marx completes the idea asserting that capitalism begins with dissociation "between workers and producers ... that is the concept of capital, [a process that] is inaugurated with the primitive accumulation, ..., then appears as an uninterrupted process in the accumulation and concentration of capital and now, finally, is expressed by the centralization in a few hands of existing capital and through decapitalization (the new form of expropriation) of large number of capitalists" (Marx III, 1980: 283). As such, capitalism is made up of large centralized capital, Labini leading companies (1980), which reached the leadership by the methods of Porter (1998) and with power over individuals and other minor capital.

It can be said that capitalism is a social organization of production in which major economic groups hierarchically structured control the markets, which means, control individuals (workers/consumers). When the liberal neoclassical economists claim that market operation should be free, this means, in particular, to leave it in the hands of capital. Large companies, the real capital, are very well organized and planned in their goal of conquest power and control over the markets. Individuals, on the other hand, are scattered and without any organization and who often cannot even rely on the State, hypothetically, their representative. Individuals have less influence and decision-making power, becoming easy prey to manipulation by capital. Therefore, it is not within one individual consumer/worker scattered in the "free market" the path to understanding of inflation. The consumer/employee does not have real power to either determine the prices of demand or their salaries. As Baudrillard points out "... the freedom and sovereignty of the consumer are mystification. The mystic well fed (and first of all, by economists) on individual satisfaction and choice, culmination point of a civilization of "freedom", constitutes the very ideology of the industrial system…" (Baudrillard, 2008:83).

To the neoclassicals "the implicit image is that the company is like a machine with human parts, with managerial command controlling actions ..." (Nelson 2006: 40). According to Nelson, in 1930s some studies have showed that companies are not machines, but complex social organizations (Nelson, 2006: 42), and that in 1950s studies found no administrative relations stable and structured to make the company run like a machine (Nelson, 2006: 44). Companies are not perfect production maximizing automata, efficiently allocating scarce resources in this way.

Therefore, if the desire is to understand price determination, a concrete form of appropriation of the social wealth created, the real relationships of power cannot be put aside. To put the focus on the disperse consumer's demand and on wages (costs) is to divert the debate from its structural nexus and ideologize the result.

The debate on inflation never takes big business as its central nexus, a result of its form of social organization. Companies (individual capital) are not black boxes (in allusion to the title of the book by Rosemberg, 2006). Instead are entities who think, plan and act according to tactics and strategies very well prepared, with the goal to obtain, as much as possible, the wealth created socially from weaker companies and social segments less organized[17] as workers/consumers.

[17] It is for this reason that, when labour unions gain strength or when states resolve to make redistributive fiscal policies, they transfer their production plants to another location.

Companies seek to be true armies in the "art of war" (Tzu, 2008-which became the bedside book of the great CEOs) in this struggle for global surplus value.

The size of the market does not have much importance. The size of the demand does not prevent its strategic concentrating action designed to take the place of its competitors. The leadership obtained via technology (productivity) and price control is measured by the size of the market share, as well as the goals of the executives in charge of that war. There will always be market to be stolen while there are competitors to be expelled in the process of centralization of capital. The dream of monopoly and its preservation ("leadership", in the language of management gurus) serve to keep the guns and the strategy always being updated. The Mission of the battalion of executives is to control the markets. Equilibrium and tranquillity are not words that are part of their vocabulary. The domain of finance capital over the large conglomerates only served to amplify this constant pressure that submits the "accumulation of capital to the demands of financial return " (Aglietta 2007: 63)[18] and this is the result of the power of companies in the market.

And, as Penrose (2006: 381) has already stated, there is no technical limit to the growth of firms like diseconomies of scale. As well as pointed out by Kalecki (1980: 115), more common are large companies who operate with constant marginal costs, if not decreasing, can offer any amount of goods on the market without any change to the unit cost[19]. The companies have no limit to size and the degree of control that can reach the markets.

In addition, today companies are structured as watertight business units, operating as independent companies, relating among themselves by contracts (Williamson, 1985). Outsourcing of production contracts is part of the control over the "value chain". This system allows a centralized and hierarchical control to large groups without any real property relationships among the participants. In this way, there seems to be no limits to the concentration and centralization of capital.

These contractual relations set the prices in the value chain and ensure the power to the leader. Large groups can thus determine prices both in the backward and frontward, ensuring the portion of value that will be captured. "Large companies have the ability to influence not only in the prices of finished products, but also of productive factors, particularly ... of variable factors" (Labini, 1980: 133), making raw material prices something "purely financial" (Labini, 1980: 136). “Holding” type firms specialize in the structuring of the control strategy. "There is a growing consensus that most joint ventures, alliances and relationships in network cooperation should be

[18] On this subject see also Chesnais (2004).
[19] If there are gains in scale from verticalization, marginal cost can still fall.

considered as part or parcel of spheres of influence and control of multinational companies" (Dunning, 1993:6).

Control over the value chains can occur at any time during the cycle of accumulation, in production, in commercialization[20], in credit. In addition to the verticalization, leading companies also seek production (or commerce) in a range of differentiated products within a single sector, expanding the control over the market horizontally (Porter, 1985: 150); producing or selling products from different trademarks to seek market monopolization.

Evidence of the degree of control of the large economic groups in the world and on the periphery is vast [21].

5- Inflation as a surplus value war

Neoclassical thought is correct when looking at inflation focusing on only on its most apparent form. In fact, at first glance, the "widespread" elevation of prices (what it never is) is nothing more than a higher amount of walrasian “numeraire”, or “general equivalent”, or currency issued by the State that each agent appropriates and that would become necessary to give up in exchange for all goods. Looking at it from this angle, it would be precisely a monetary phenomenon without any connection with the real economy, since real trading remains between equivalents. Thus, for theorists of the Quantity Theory of Money, it would be enough to control the amount of money-commodity, keeping it scarce, to control prices, and as such prudently eliminate any reference to conflict or relationship to question of present value in price.

This view looks at the surface of the issue. It becomes easy and ideologically useful to place the problem of rising prices upon the quantity of currency (its reflection) as if the image reflected in the mirror was the object itself and independent of the subject, set in the "market" by an abstraction of interrelated hypothetical desires. Departing from appearance, Marx says that in reality the "Price is the money-name of the labour realized in a commodity” (Marx I, 1980:114).

The money has some autonomy, which in fact helps to scramble the relationships, but continues to be an image, even if distorted, of the object that it reflects. "The price or money-form of commodities is, like their form of value generally, a form quite distinct from their palpable bodily form; it is, therefore, a purely ideal or mental form... when … money serves as a measure of value it is employed only as imaginary or ideal money" (Marx I, 1980: 106-7). So he admits that "The possibility, therefore, of quantitative incongruity between price and magnitude of value … is inherent in the price-form itself" (Marx, 1980: 115). But, as he himself warns us, "Hence although

[20] The classic example of control by commercial capital of a productive chain is Walmart.
[21] See, Nolan e Zhang (2010), Korten (1996:257), see also with more recent data Vitali, Glattfelder and Battiston (2011).

the movement of the money is merely the expression of the circulation of commodities, yet the contrary appears to be the actual fact, and the circulation of commodities seems to be the result of the movement of the money" (Marx I, 1980: 129), showing how the quantity theory see the problem inverted. This is exactly what the monetarists confuse. They think it is money that gives life and value to goods, and not the goods themselves, already loaded with value, which determine the existence and validity of money. Money only exists because there are goods loaded with value to give it meaning. Otherwise, if there are no goods to represent its value in the form of money, the social work embedded in them, this is no more than "painted paper" without any value. So Marx claims that money has no value, has only use value that is to represent the abstract work embedded in created social goods. The movement of money “as the medium of circulation, is, in fact, merely the movement of commodities while changing their forms” (Marx I, 1980:129).

Going a little further, contrary to neoclassical thought, money is not like any other commodity. In some distant past it took the form of a socially chosen commodity that abandoned its original use-value to simply become representative of the universal value of social work. Today it is easy to see that the commodity-currency (gold, for example), a form of money[22], was over time substituted by a simulacrum, was replaced in its currency function by symbols made of other material, “purely symbolic". This clearly demonstrates that the metallic value of money, or as a goods itself, has no relationship with its money function, "things that are relatively without value, such as paper notes, can serve as coins in its place” (Marx I, 1980:140).

Credit money perceived as a problem for the quantity theory of money by Wicksell (1986: 175) inserts even more doubts into the neo-classical logic. Credit is a form of payment that does not have its existence based on any form of physical money in paper or other form. Through credit as a means of payment, money "... takes various forms peculiar to itself under which it makes itself at home in the sphere of great commercial transactions. Gold and silver coin, on the other hand, are mostly relegated to the sphere of retail trade" (Marx I, 1980: 154). If we go a little beyond this, stating that credit money becomes in modern capitalism the most important form of the means of payment, monopoly of the financial system, since it is concentrated, and which disputes the overall surplus value by interest rate, when not as a shareholder. Because of this, money is endogenous and these constitute little studied issues in the classical system, complicating to a great degree quantity theory.

Therefore, it seems clear that it is not prudent to focus on appearance and leave the set of relationships in which the object actually gains any meaning. Pricing cannot be related to the

[22] It is worth remembering that for Marx, money also involves credit.

amount of currency. This does not modify the original idea that when you have inflation, it may be necessary to increase the amount of general equivalent for the realization of exchange, as a result.

Then the question becomes to understand the origin of pressure on prices and not explain this by its result. Modern neoclassical thought itself evolves, at least somewhat, the concepts of inflation caused by demand and costs, as previously stated, although the idea of demand inflation has been completely contaminated by the quantity theory of money (see Mankiw, 1991).

At any rate, to think of inflation as simply general elevation of prices in which all agents make the decision simultaneously, none of them overlapping the other, with identical powers over wealth, can only have coherency for an abstract hypothesis of perfect competition in a world where everyone is equal. If indeed all agents have the same degree of power, the only logical explanation for the rise of prices can be the quantity theory of money and its impact on demand. Similarly, when we assume that agents or families have the same degree of power over the appropriation of wealth, the enlarged hypothesis falls into excess demand for a rigid supply determined by the labour market, with production structures where marginal costs are increasing.

In the capitalist economy, power relations are not only unequal in origin between capital and labour, but increasingly unequal between the individual capitals. This fact together with the perception, on the part of each agent, that money itself (quantities of the general equivalent) is the true wealth and not a reflector, causes all agents to fight for appropriations of it in monetary form. The act of raising prices is, in its simplest form, a desire for appropriation of the currency-money with the obvious perspective this means a greater power of command over the abstract social wealth. And indeed this is so if the agent who increased their prices holds sufficient economic power to appropriate a major part of the abstract social work created. The hypothesis developed here is that this mechanism must be the agent that triggers inflation. All others involved who have less economic power will try to run behind, but most likely without the success of the leader.

The question is to what extent workers and other weaker capitalists manage to follow the price elevation held by concentrated and centralized big capital. Added to this, is the power of the State to allow this price setting by the less fortunate, or to prevent the accumulation of created surplus value in the hands of a few using fiscal policies, or, on the contrary, preventing wage adjustments. Facing the power of big business in its mark-up pricing, this mechanism can in fact accelerate inflation. It may even be its origin, since any attempt, via tax policy to redistribute the surplus value created, is seen as cheating and in fact inflationary.

The State tries to administer this "violence” by regulating the currency (in terms of Aglietta, 1990: 80-1), but it seems that it has become increasingly difficult as the process of global centralization of capital grows and the increasing participation of financial capital in this game. The problem occurs when "prices [reflect] the effects of conflicts for the accumulation of capital" (Aglietta, 1990: 139).

In economies with high degree of centralization of capital it seems to be very difficult to expect a distribution of wealth via higher real wages (above the productivity) or via distributive tax policies. Big business almost always succeeds, at least in part, to neutralize this distribution by raising prices. Inflationary pressures seem to be the result of this war, more fierce in peripheral economies dominated by major multinational capitals structured worldwide in large oligopolies. In these economies, the historic inflation reveals the inability to impose any regulation upon this distributive conflict via price. On the contrary, this scenario only accepts policies to protect profits, justified as necessary for the continuity of accumulation, which in fact, paradoxically seems to be correct.

In fact, the only reason that inflation globally and in Brazil was low in the 1990’s and 2000’s, has little relationship with the policy of “inflation targeting” (see Sawaya, 2012). It seems to have been the entry of China into the dispute for world market share (see Aglietta and Barrebi, 2007) with relative success in their war against the great global oligopolies as shown by Aglietta and Barrebi (2007), in part by aligning to them (see Sawaya, 2011). In the case of Brazil, the most specific power of oligopolies was undermined by exchange rate appreciation policy which resulted in increasing imports with prices also set by the Chinese (see Holland and Mori 2010). And worse, in Brazil, large centralized capital with total freedom, pushing for this policy turned out to cause "deindustrialization" always threatening to change countries when see its profit down.

How can one think of economic development with distribution of wealth in an economy governed by large economic groups controlling the value chain?

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