Seventh Lecture
Capital *AS* Power
Dominant Capital and Differential Accumulation

Differential Accumulation
· Profit maximization?
· "Beating the average"
· Capital As power
· Differential accumulation and redistribution
· Capital in general vs. hierarchy of capitalists
· Dominant capital
· From the qualities of power to the quantities of accumulation
· Differential capitalization

Regimes of differential accumulation
· Breadth (size) and depth (elemental power)
· External breadth: green-field
· Internal breadth: mergers and acquisitions
· External depth: stagflation
· Internal depth: cost cutting
· Paths of differential accumulation: corporate strategies vs. regimes

Maximizing Profit

$$profit = f(state\ of\ the\ world;\ action\ of\ GE)$$

Identity politics:

"A ruling group is a ruling group so long as it can nominate its successors. . . . *Who* wields power is not important, provided that the hierarchical structure remains always the same."

> Orwell, George. 1948. *Nineteen Eighty-Four.* London and Toronto: Secker & Warburg and S. J. Reginald Saunders & Co. Ltd., p. 211
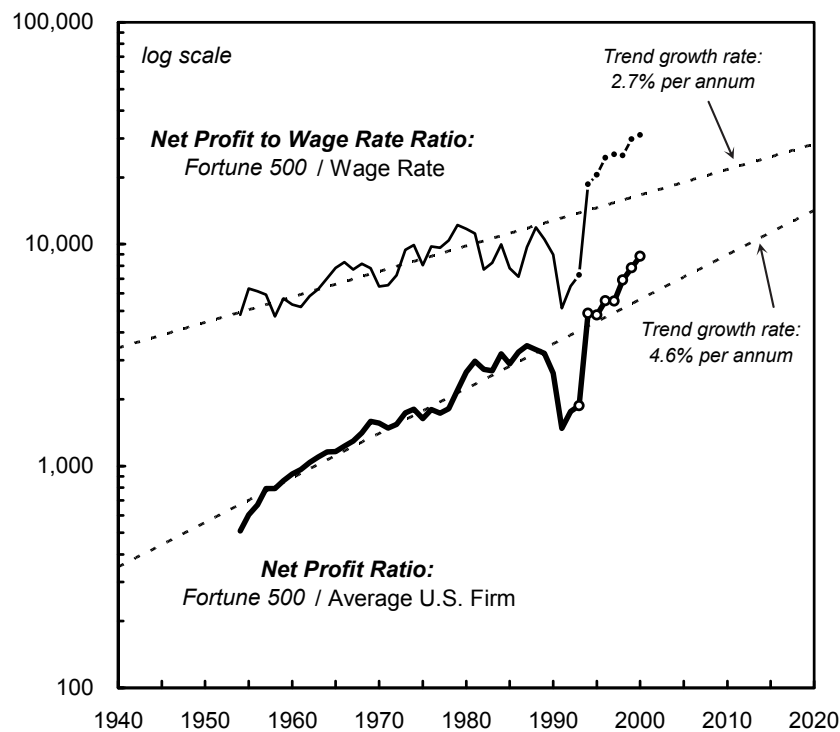
Capitalization and Differential Capitalization

$$capitalization \equiv \frac{earnings}{risk \times normal\ rate\ of\ return}$$

$$C \equiv \frac{E}{R \times NRR}$$

$$differential\ capitalization \equiv \frac{differential\ earnings}{differential\ risk}$$

$$DC \equiv \frac{DE}{DR} \equiv \frac{E_{DK}/E_A}{R_{DK}/R_A}$$

FIGURE 1   Differential Accumulation in the United States

NOTE: Net profit for the average U.S. firm is total after tax profit divided by the number of corporate tax return. The annual wage rate is based on total private average hourly earnings. Until 1993, the Fortune 500 list included only industrial corporations (firms deriving at least half their sales revenues from manufacturing and/or mining). In 1994, the list was expanded to include all corporations. For 1992-3, data for Fortune 500 companies are reported without SFAS 106 special charges.

SOURCE: *Fortune*; U.S. Internal Revenue Service; U.S. Department of Commerce through Global Insight (series codes: ZA for profit after tax without IVA and CCADJ; AHEEAP for total private average hourly earnings).

Earnings

$$earnings \equiv earnings$$

$$earnings \equiv employment \times \frac{earnings}{employment}$$

$$earnings \equiv employment \times earnings \ per \ employees$$

$$earnings \equiv breadth \times depth$$

Differential Earnings

$$\frac{earnings_{DK}}{earnings_{A}} \equiv \frac{employment_{DK}}{employment_{A}} \times \frac{earnings \ per \ employees_{DK}}{earnings \ per \ employee_{A}}$$

$$earnings_{D} \equiv employment_{D} \times earnings \ per \ employees_{D}$$

Table 1
Regimes of Differential Accumulation

	External	*Internal*
Breadth	**Green-field**	**Mergers & Acquisitions**
Depth	**Stagflation**	**Cost-cutting**