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Samir Amin
The Law of Worldwide Value
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The works of Samir Amin and other dependency theorists appeared during the great crisis of Marxism. At that moment it seemed that one of its basic assumptions – the theory of pauperization of the working classes – has been negated by the rise of the welfare state and the golden years of postwar capitalism. Moreover, the debate on the so-called transformation problem seemed to imply that Marxian political economy is at best a degenerated research program that should give up any attempt to substantiate crucial notions and tendencies such as exploitation or the tendency of the rate of profit to fall. For mainstream academia, all dependency theories were but a desperate attempt to rescue Marxism, an escape itself bound to be refuted by the historical development.

There is hardly a book more appropriate to test this prediction than Amin's *The Law of Worldwide Value*. Not only is its main conceptual tool the labor theory of value (LTV), but it is also a synthesis of research spanning over more than sixty years of capitalist development. This necessarily limited review is composed of two parts. First, an outline of Amin's basic explanatory model is given, followed by a short comment on the use of LTV. Second, Amin's theory of finance is presented, and cases of Eastern Europe and China are discussed in order to determine how they fit into Amin's general explanatory framework.

Amin's conception is rooted in Marx's schemes of reproduction developed in *Capital II*. For Amin, this type of modeling reveals two basic problems of capitalism: the time lag between completion and realization of capital goods (products of Department I), which implies that capitalists lack the income to purchase the necessary means of production; and the problem of the realization of product in an economy in which productivity gains are not paralleled with the growth of real wages. As early as the 1960s, Amin (in *Unequal Development* or, say, *Accumulation on a World Scale*) proposed unique solutions to these controversial problems that had troubled Marxists since the time of Mikhail Tugan-Baranovsky and Rosa Luxemburg. These solutions are the core of his theory enabling all subsequent explanations of the development of capitalism, which might be reduced to three hypothesis: (a) the volume of the financial sector and its relation to real sector are but functions of the abovementioned time lag between production and realization, which has to be overcome if expanded reproduction is to proceed; (b) revenues, such as the ground rent and extractive rent in general, are to be modeled in the same way as real wage, i. e., analyzed as the outcome of the class struggle within the boundaries of economic laws; (c) the problem of absorbing the productivity gains (the surplus) in a system in which real wages lag behind the growth of productivity is resolved by the processes of monopolization and absorption of surplus by the state sector.

Before focusing on the first hypothesis, let me briefly comment on the latter two. In Amin's model, the (absolute) rent is treated, like real wage, as an initial given that (together with the input-output matrix and the assumptions regarding the growth of productivity) determines a unique set of prices of production and the rate of profit. The magnitude of rent is thus objectively limited by the parameters of a given economy that shape the relationship between the *rentier* and capitalist classes. However, political class struggles influence the economic basis, as was the case with, say, the relationship between the British bourgeoisie and landowners. Before the abolition of Corn Laws, absolute rent was a part of costs of production and as such an objective parameter of the British economic system. With the abolition of these laws, the economic system suddenly grew to encompass the USA on the basis of a specific division of labor between the British industry and American agriculture. At this level, the economic laws of equilibrium of supply and demand reappeared – but this time without absolute ground rent.

This schematic example demonstrates Amin's ability to explain economic phenomena in a way that avoids both economic determinism and voluntarism. It is inherent to all his theories, be they of interest or of extractive rent. The letter, as a generalization of the ground rent to the prices of other natural resources, is the key to his understanding of unequal access to the utilization of natural resources. Together with unequal exploitation of labor (i. e. the transfers of value from periphery to the cent due to unequal remuneration of labor with equal productivity) this unequal access forms the central phenomenon of the capitalist world system: imperialist rent.

Before turning to the financial sector, it is worth considering Amin's use of LTV. Amin operates with the concept of value as the measure of the progress of productive forces. This notion relies on the assumption that, in the last analysis, economy tends to allocate its social labor force in a way that enables continued reproduction of immediate producers (real wage) and the use of labor according to prevailing technical norms (the input-output matrix). The so-called transformation problem is about calculating a unique set of prices of production and profit rate consistent with these assumptions. Despite all the criticisms of this interpretation of LTV, it should be said that it is a consistent analytical tool, which has obvious advantages compared to models based on prices (Sraffa), since labor value is independent of distribution and makes possible the comparison between different periods (and even modes) of production. The problem with this theory is hence not epistemological, as it was often argued, but technical. The magnitudes of labor are difficult to estimate, which might explain why Amin, despite his assertions that such measurement is possible, never measures the extent of value transfers inherent to unequal exchange. A better approach to the problem of measurement would be to apply the new interpretation of LTV (Dumenil, Foley) that has recently yielded good results in estimating the rate of profit and distributive shares on the national level (Mohun).

The key to understanding Amin's theory of finance is his criticism of Marx's theory of interest developed in *Capital III*. Contrary to his usual method, Marx seems to settle with an explanation based on supply and demand, which fix the rate somewhere between 0 and the rate of profit. Amin's criticism is twofold. The model of reproduction implies that the interval in which the rate of interest is fixed is more limited than Marx thinks, and that it is objectively determined by the requirements of expanded reproduction. Like the quantity of money, the quantity of credit is constantly (re)adjusted to the requirements of "antevalidation" (Lipietz) of production necessary for maintaining the pace of production (and not *vice versa*, as the quantity theory of money would have it). It is worth noting that Amin's theory of money and credit, although very general, is quite close to those developed by Lipeitz and Foley in the early 1980s. From the point of view of the class struggle it is crucial to realize that, unlike the demand, the supply of credit (the financial sector) is not composed of rivalry individual capitals. Rather, it, "like the state, represents the collective interest of the bourgeois class" (Amin, p. 63). Amin's analysis precludes any theory of financialization as a dominant feature of contemporary capitalism: "Financialization is thus in no way a regrettable deviation and its explosive growth does not operate to the detriment of growth in the 'real' economy" (p. 64). On the contrary, it is a necessary condition for, and a consequence of, accumulation of capital on a increasingly worldwide scale.

What can Amin's theory of finance tell us about the contemporary world? First of all, it makes clear that the "Chinese economic miracle" is strictly correlative to the changes in central capitalist formations. The financial sector, operating on a worldwide scale, is a prerequisite for the accumulation of capital on a world scale. We should get used to the idea that Marx's schemes of reproduction now apply at the level of global economy, and that the problems of reproduction (the "antevalidation" of production, the absorption of surplus) are now posed and solved at that level as well. This also implies that explanations of class struggles at the level of isolated social formations are now misleading. The main antagonism is defined at the global level and it juxtaposes the capitalist classes of the center and the working masses (workers and peasants) in developing countries. The secondary antagonism is the one between the working and middle classes of the central formations, on one side, and the ruling classes of the periphery, on the other. Both antagonisms are bound to grow as long as the popular classes in both parts of the world remain dominated by their respective ruling classes with their common strategy of neoliberal globalization.

The destinies shaped by neoliberal globalization are diverse. Emerging countries like China (i. e. their ruling classes) are able to follow the path of general industrialization reflected in current account surpluses and independent industrial policies. Others, like the new EU member states, follow the road of classical dependence. This is characterized by lags in development of productive forces, lower social standards, and huge current account deficits, especially on the capital account. Net capital outflows bear witness to the fact that capital accumulated in those countries is extracted to finance investment of the centers. By applying Amin's theory, we can discern deeper patterns. The main social contradiction of the EU is not between Northern and Southern countries, but between the working people of the EU periphery and central capital. The latter's "headquarter" is the financial sector as "capitalist class organized collectively" (p. 63). The crisis will change the way the control of the financial sector is distributed among the ruling classes of the "Old members." "New members" are not part of this process, since their financial sector is controlled entirely by the capital of the old member states, and their bourgeoisies are reduced to a status of comprador classes. In Slovenia, political decisions regarding the privatization of the banking sector and countries' "blue chips" taking place as we speak are thus symptomatic of a ruling elite that has abandoned all ambition of semi-autonomous development and an egalitarian social model, settling instead for a deeper, unprecedented level of peripherization.

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