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A Generalised Commodity Theory of Exploitation

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Abstract

This paper argues that the conceptual framework of Marx's Capital allows for the extraction of a commodity-based theory of capitalist exploitation that is distinct from the traditional labour-value based theory. The rationale for extracting such a theory is that it allows for an explanation of the current rise in global economic inequality in a way that shows this development to be entirely consistent with the fundamental laws of capitalism as it enters its globalised and financialised stage of development.

Key words: commodity; capitalist exploitation; globalised capitalism; financialised capitalism

I

The current phase of capitalism is marked by an accelerating degree of global income and wealth inequality. There are basically two lines of explanation for this development. One line involves exploitation: some individuals are getting richer than others because the former are able to appropriate a surplus created by the latter. The other line does not involve exploitation: if some individuals are getting richer than others it is simply because they are better placed to take more advantage of the opportunities opened up by ongoing advances in the contemporary socio-economic landscape. These contrasting explanations of rising inequality have contrasting implications regarding its relation to capitalism. If inequality is not endemic to capitalism, not an integral part of its DNA as an economic system so to speak, then it must be the result of external interferences in its operation and, most notably, those to do with policies. As the Nobel laureate, Joseph Stiglitz, put it: "inequality is not, for the most part, the result of economic forces. It is not, in this sense, the result of inexorable economic laws. Rather, it is the consequence of our policies, and in turn, a reflection of our policies" (Stiglitz, 2015, p.428). If, on the contrary, today's inequality is caused by exploitation, it must then follow that it is indeed inextricably bound up with capitalism's ongoing operation and will therefore continue to rise in the absence of any external interferences in that operation. In other words, inequality will in this case continue to rise not because of policies but because of their absence. This is the position that will be put in this paper.

In so doing, it will use a theory of capitalist exploitation that is extracted from the conceptual apparatus introduced in the opening chapters of Karl Marx's major work, *Capital*. While Marx himself moved on from this apparatus to develop a labour value-based theory of capitalist exploitation, in what follows we stay within that apparatus to substitute a commodity-based theory of capitalist exploitation. The rationale for this substitution comes down to elasticity. The capitalism of the 21st century differs from the capitalism of Marx's day in two fundamental respects: it is now a globalised system following the collapse of communism and it is also now a financialised system following the scale growth of the world's financial markets to the point where these now dominate the world's product markets on which they rest. Thus, a modern theory of capitalist exploitation must accommodate both of these paradigmatic shifts in capitalism if it is to be logically consistent and this is what a theory of exploitation based on the aggregative category of class and a labour theory of value cannot do because they essentially restrict exploitation to the confines of the production sphere. By contrast, a commodity theory of capitalist exploitation can accommodate both the globalised and financialised dimensions of this exploitation because the reductive nature of the commodity category allows for sufficient analytical expansion as to make possible this accommodation.

The structure of this paper is as follows. Section two briefly explains how modern capitalism has become a complete commodity system in the Marxian sense as a result of its globalisation and financialisation. Section three explains the global scale of surplus appropriation made possible by financialisation. Section four explains why this surplus appropriation is in accordance with the laws of commodity exchange. Section five concludes.

II

Marx's definition of commodity is unique in that it is at once more exclusive and inclusive than is usual. Its exclusivity is readily apparent in regard to material products in that where all goods and services are usually classified as commodities on account of their materiality, this is not the case with Marx. Only those whose prices are determined against socially sanctioned production standards qualify as commodities whereas those whose prices are established on privately negotiated terms are disqualified. As production standards can change in line with new inventions or new methods of production, it follows that products that are commoditised at one point in time can be de-commoditised at another point if their production fails to keep

step with the new production standards. Commodity exchange thus defined presupposes the institution of money: where its measure of value function facilitates the private assignment of prices, its medium of exchange function ensures that this assignment occurs in conformance with social standards (i.e. privately assigned prices of products are either validated or falsified against prevailing standards according to whether there are offers or non-offers to buy the products in question), while its store of value function finally, by allowing for the temporal and spatial separation of sales and purchases and thereby eliminating the mutual coincidence of wants condition for exchange, facilitates the continuity of a decentralised, standard setting process of price formation.

The inclusivity of Marx's commodity principle lies in the fact that the principle can encompass entities other than material products. These, to begin with, are the human capacities for production, the capacity for labour that is hired out for a wage and the capital capacity, the ability to combine human and nonhuman inputs together to produce outputs for a profit. It is in regard to this inclusivity of Marx's commodity principle that its historically contingent dimension can be seen to be as important as its socially contingent dimension: entities may have the potential to become commoditised, but it is only under specific historical circumstances that that potential is realised as was the case with the labour power and capital capacities. These capacities had long had the potential to become commoditised because their deployments in certain monetised exchange settings had long pre-dated the advent of industrial capitalism, but it was only with the agrarian and industrial revolutions of the 18th century, which enabled the formation of mass markets and the corresponding establishment of production standards set through decentralised monetary exchange, that the deployment and pricing of the capacities for production also became subject to these standards. Thus, the validation of prices of particular goods or services that include profit mark ups inform producers that their capital capacity has been deployed according to prevailing market standards while the converse is the case with the falsification of these prices consequent on non-offers to buy. Wages are subject to two different types of price formation process, one inside the confines of the firm through the associative relation with the owner of capital and the other inside the wider market place through the impersonal exchange relation; either way, the validation of privately assigned wages indicate that the labour powers offered meet required skill-related standards while the converse is the case with the falsification of assigned wages consequent on non-offers of money.

Commodity systems at the time that Marx was writing remained restricted in two senses: in a geographical sense in that such systems only operated in a few regions of the world, and in a categorical sense in that these regional systems only consisted of the labour power and capital capacities and their material outputs. Both of these restrictions have since been lifted.

Following the collapse of communism at the end of the 20th century, production for the market and against market standards is now the norm in virtually all of the world's national economies. This development taken in conjunction with the recent rapid advances in communication and transportation technologies that have compressed the physical differences separating the world's countries has meant that the majority of material goods and services now produced are subject to comparisons against internationally compatible market standards (Cohen, (1993); Lysandrou, (2005); (2019)). On the categorical front, the closing decades of the 20th century also saw the further expansion of the commodity principle to encompass the government capacity, that is, the capacity to provide a stream of public services in return for tax income, and equity and debt securities, tradable financial claims on the future outputs of capacities. As with the capacities of labour and capital, the government capacity becomes commoditised at the point where its deployment is monitored against socially sanctioned standards of behaviour. The difference is that where such standards covering private capacities can exist at both a national and an international level, the same is not true of the public capacity. Given that a national government is sovereign in a domestic economy, there is no comparable domestic entity against which its conduct can be judged. Only in an international context, where there are many governments but also where none are sovereign, can the very idea of a uniform standard for comparing the behaviour and activities of governments become meaningful. The financialisation of capitalism plays a significant role in this context for while it is the globalisation of capitalism that allows for the potential commoditisation of governments' capacities by allowing for an increase in the numbers of sovereign national governments participating in the global capitalist system, it is through the financialisation of capitalism that that potential is realised.

It is not as easy to explain the financialisation of capitalism as it is to explain its globalisation. Whatever its many serious defects, capitalism has one major functional advantage over all other socio-economic systems based on the relational principle, namely, its ability to promote economic efficiency to a greater extent than can be done by any of these other systems. If any final proof of this point was needed, it was provided by the sudden implosion of the Eastern European socialist command economies in 1989-90 following decades of economic

stagnation. By contrast, it is difficult to see how economic efficiency can be the principal driving force behind the financialisation of capitalism. At the root of this difficulty is the premise that finance serves only one essential function, which, in Robert Merton and Paul Brodie's classic definition, is “to facilitate the allocation and deployment of economic resources across time and space in an uncertain environment” (Merton and Brodie, 1995, p.4). All branches of the economics profession concur with this definition, but where there is a divergence of opinion is over the aggregate size that the financial sector needs to reach to be able to facilitate the allocation and deployment of economic resources. While mainstream economists generally hold the view that the larger is the financial sector the more cost effectively it can make this facilitation, most heterodox economists hold the contrary view that the current size of the financial sector is far in excess of the minimum required to enable it to serve the real sector. What seems to confirm this contrary view is that there is nothing historically new about the various ways and mechanisms through which the financial system executes its resource allocative support role (Epstein (2013). If in all previous periods the financial sector was perfectly capable of providing these support mechanisms without excessively increasing its size relative to the real sector, the observation that there is now such an excessive increase can be construed as an abnormality, a deviation from the usual norms of capitalism in that rather than finance serving the interests of production, production is being squeezed to serve the interests of speculators and rentiers (Seccareccia (2013); Vercelli, (2014)¹

In advancing a contrary position on financialisation we first note that it is the size of the security market segment of the global financial sector that has been outgrowing the real economy at the fastest rate. Consider the four decades spanning 1980 to 2020. The world's broad money supply (as defined by the World Bank (2024)) rose from around 65% of world GDP in 1980 to around 100% in 2000, and then to 140% in 2020. The corresponding growth figures for world securities stocks are starker, for where the combined outstanding value of these stocks in 1980 was approximately \$11 trillion, a sum on a par with that for world GDP in that year, by 2000 their outstanding value was about two and a half times that for world GDP (\$80 trillion versus \$33 trillion) a ratio that was replicated in 2020 (bond and equity volumes outstanding had by then amounted to \$106.2 trillion and \$97 trillion respectively as

¹ For a critique of the heterodox position on financialisation, see Lysandrou (2016; 2019)

against a world GDP of \$87.8 trillion (SIFMA, (2022)). In our view, the fundamental reason why it is the securities markets that are now experiencing unusually rapid scale growth is that these markets now serve a second essential function that is distinct from their traditional function.

To understand this second function, consider the capacities for production and service provision possessed by the corporations and governments that are today the major producers and service providers in most domestic capitalist economies: then, if the traditional function of the financial securities markets along with that of the banking sector is to facilitate the efficiency with which these capacities for production are deployed by facilitating the efficient allocation of the resources required by these capacities, the new additional function of the securities markets is to facilitate the efficient accommodation of the financial pressures that are bearing down on the capacities for production. As modern-day capitalist economies grow in scale and complexity, so also do the financial pressures facing their corporations and governments and what this in turn means is that these organisations must find cost-effective ways of coping with these pressures. One of these ways is by making heavy use of the securities markets. What all securities have in common is that they are financial claims on the future income streams generated by producers, which means that while these producers can raise substantial sums at the point of issuance of securities, they can spread the repayments on them over intermittent points in the future. In the case of private corporations, the growing financial pressures principally relate to those of market competition. In an era of rapid technological innovation and of ever intensifying competition, corporations must have constant access to large external sources of funds to finance research and product development, or to finance mergers and acquisitions, or to finance any of the other measures needed for survival. The financial pressures on governments pertain to a broader array of socio-economic changes, the most significant of which is demographic change. The trend rises in population ageing and in old age dependency ratios over recent decades has seen a corresponding rise in government social spending both as a percentage of GDP and as a percentage of total government expenditure (OECD (2019)). While there may be scope for further tax increases, any rise in tax income would still fall far short of the sums needed to cope with the costs of financing pension and health care provision in addition to the costs of financing various other government expenditure commitments.

For the continuing scale growth of equity and bond supplies to be possible, there must be a body of lenders whose investment requirements oblige them to also hold large amounts of these securities. These investors are the institutional asset managers. While there are other groups of investors, including high net worth individuals (HNWIs) that we shall discuss below, the largest group when taken collectively are the pension and mutual funds and insurance companies. For long a small cottage industry catering for the very wealthy, asset management has become in many countries a mass industry catering for the retirement and other welfare arrangements of large sections of the population. With this growth in asset management scale has come a corresponding growth in the need for assets in which clients' monies can be stored and from which monies can be extracted to pay clients. Although there are other types of assets that serve as stores of value for asset managers, including cash and real estate, financial securities necessarily comprise the majority proportion of their portfolios because what sets them apart from other asset classes is their ability to combine a large value storage property (because they are available in abundance) with liquidity (ease of trading with minimal impact on price) and portability (securities can be traded away from their initial conditions of issuance unlike bank credit loans). The one notable difference separating asset managers is that where the mutual funds tend to weight their portfolios towards equities, the insurance companies, and also to an extent pension funds, who roughly know the amounts of funds that have to be periodically paid out, tend to give greater weight to bonds as their finite maturities make them more suitable for duration matching purposes.

The fact that pension funds and other asset managers are constrained to always hold the bulk of their portfolios in the form of financial securities explains why it is these investors that have pressed for the introduction of various informal rules and standards of conduct in the financial markets that are all aimed at tightening cash return constraints. The crux of the matter is that as equities and bonds have no intrinsic value, it follows that it is only through their prices that they can acquire a quantitative value storage capacity, and as these prices are nothing other than the discounted values of expected future cash returns, it follows that they can only remain tangible enough to preserve determinate quantities of value over time on guarantees that cash returns are made at a certain rate and with a certain degree of regularity. To ensure these guarantees, security issuing organisations must comply with two sets of behavioural standards, governance standards in addition to production and service provision standards. Compliance with production standards is necessary for the obvious reason that without some demonstrable commitment to them on the part of security-issuing organisations

there can be no reasonable guarantee of the size and stability of the income flows against which claims are made. While necessary to the value storage function of securities, however, this first compliance is not sufficient. Corporations can excel in production but decide not to distribute cash to investors for one reason or other. Similarly, governments can excel in service provision and generate tax revenues accordingly but still give a low priority to the payment of interest on bonds. For sufficiency, a second set of behavioural standards is required, governance standards. Broadly defined, the governance of an organisation concerns the way in which it conducts its affairs to meet the different priorities of its various stakeholders. From the standpoint of investors, the question of corporate or public sector governance boils down to the level of priority given to their interests as shareholders or bondholders: high priority means that there is a reasonably good guarantee that cash will be returned to them in the required amounts and at the required intervals, whereas a low priority means that there is little guarantee that cash will be returned.

This suggestion that shareholder primacy has functional purpose is not one that finds favour with the majority of heterodox economists. On the contrary, the idea of shareholder primacy tends to be viewed as a manifestation at the corporate level of the dysfunctionality of financialisation in general (Lazonick and O'Sullivan, (2000); Aglietta and Reberieux (2005); Lazonick (2013); Driver and Thompson (2018))². The explanation for this view is that the issue of production efficiency has always been the focal point of the debate on shareholder primacy: where mainstream finance theorists hold that this efficiency is enhanced because corporate borrowers will only be able to distribute cash to outside investors if profits are maintained at sufficiently high enough levels as to allow for this distribution, heterodox economists reject this position on the grounds that if in previous periods business corporations were perfectly capable of maintaining high productivity levels while being given discretion over cash disbursements to investors, there would seem to be no economically valid reason why this discretion should now be curtailed in the current period. On the contrary, the fact that this is now happening is taken as further strong evidence that the interests of producers are being squeezed to feed the interests of rentiers. The position taken here is different in that shareholder primacy is seen to be more about the exigencies of institutional asset management in the contemporary era. Pension funds and other asset managers of course need corporations to be efficient so as to be able to regularly return cash,

² For an alternative view on the rationale behind shareholder primacy see Lysandrou and Stoyanova (2007) or Lysandrou (2009).

but production efficiency is important here less as an end in itself than as the material basis for equity price solidification. Bonds pay interest by law, but equities pay dividends on discretion, which means that to give corporate managers too much discretion over cash returns is to risk undermining, if not completely negating, the value storage capacity of equities.

While the governance standards that now run in parallel with production standards allow institutional investors some control of the risks on the securities that are included in their portfolios, what is first paramount is that they be able to compare these risks against a common standard of measurement when making their selection decisions. What is more, at a time of the increasing internationalisation of institutionally managed portfolios, risk measurement standards need to be internationally consistent. Governments are important in this context because it is their bonds that today form the basis for an international system for pricing the risks on all securities. If such a system never existed in previous eras it was because government bond markets had never then acquired the size, depth and maturity necessary for enabling government bonds to serve in a risk benchmark capacity. All through the 19th century and up to the much of the 20th century, governments tended to maintain balanced budgets and only resorted to any exceptionally heavy issuance of bonds in order to finance a large-scale construction project or to meet the costs of coping with a national emergency (Tanzi and Schuknecht (2000)). This situation did not deter international capital flows so much as to force international lenders to settle for what was conventionally considered to be a safe rate of return (Stone,1999). Government dependence on the bond markets is now both heavy and permanent for the reasons outlined above, which means that there is now always an abundance of their bonds spread across the maturity spectrum that can be used as the benchmarks for calculating the risks on all corporate securities, bonds and equities alike. The irony is that while government bonds now provide the basis for an internationally consistent system of risk benchmarks, the operationalisation of this system by private companies such as Standard and Poor and Moody's has the converse effect of subjecting governments' taxation and expenditure records to common standards of comparison because the risks on their own bonds are now themselves compared against each other.

To summarise, modern capitalism is a complete commodity system in the sense of Marx because the government capacity for service provision is now judged against international

standards of comparison as are the private labour and capital capacities and because financial securities now also circulate as commodities alongside material commodities because there are now international standards for comparing and managing the risk qualities of securities just as there are international production standards for comparing the physical qualities of material products. With this summary in mind, we now look at its portents for capitalist exploitation.

III

Marx's theory of capitalist exploitation stripped to its core is this: (i) in contrast to all pre-capitalist economic systems where surplus appropriation takes place on a relational and coercive basis, under capitalism that appropriation takes place via an intermediary medium; (ii) this intermediary medium is a value expanse that consists of the prices of material products that have been produced in accordance with prevailing production standards; (iii) at any one point in time this value expanse has a fixed size because it only consists of products whose prices have been validated against socially sanctioned standards; (iv) surplus appropriation occurs because while one group of agents extracts less from the value expanse than it contributes to it, it follows that a certain amount extracted by another group has to be a surplus produced by the first group given the fixed size of the total value expanse.

There are two different ways in which this skeletal theory of capitalist exploitation can be fleshed out. The first way that begins with Marx and has continued to be the tradition is to privilege the industrial working class and its labour activity: only material products whose prices have been determined against socially sanctioned standards enter the value mass, but these standards are here defined in terms of labour time. As the working class is responsible for the entirety of a value mass that exists at any one moment but extracts only a portion of that mass in accordance with the wages paid out for the use of labour power by the capitalist class, it follows that the profits extracted by this class from the value mass can be nothing other than the surplus value appropriated from the working class. Now Marx presented two theories of surplus distribution in *Capital*, the volume one theory where surplus value is first distributed amongst capitalists in direct proportion to the amount of labour employed (variable value) and the volume three theory where surplus value is then redistributed in proportion to the total amount of non-labour and labour resources employed (constant and variable value). There have been many alternative explanations as to why Marx should have

proceeded in this way, but for the purposes of the present discussion we need here merely note that this choice of path weakens his theory of capitalist exploitation by introducing an element of inconsistency into it. Capitalist exploitation is supposed to be fundamentally different from all pre-capitalist systems of exploitation but in presenting the idea in Capital volume one that each capitalist receives an amount of surplus in proportion to the number of workers employed, it appears that the difference is not that fundamental after all. The market may interpose itself between different classes of individuals in capitalism to an extent that it does not in pre-capitalist economies, but this interposition seems merely to have a distorting effect on surplus distribution rather than provide the essential framework that simultaneously determines the creation and distribution of surplus value.

In presenting an alternative theory of capitalist exploitation, we begin with the intermediary value expanse that in today's globalised capitalism comprises of the prices of all those material products that have been produced in accordance with internationally compatible production standards. As before, it is through their possession of money as medium of exchange that individuals validate the prices of products according to whether they conform with prevailing production standards and, in so doing, thereby also indirectly validate the prices of the capacities deployed in the production of the material products, a validation that in turn contributes to the conditions enabling the commoditisation of equity and debt securities. The crucial difference on this occasion turns on what is meant by production standards. In the traditional labour theory of value, the production standards that ultimately determine which prices comprise the value expanse are defined in terms of "socially necessary labour time". However, as the individuals that are buying products are only likely to be immediately concerned with their physical attributes and not with the techniques or processes used in their production, it follows that there is no reason why the issue of "labour time" should at all enter as a determinant of value: all that is required for the price of a particular material product to be a constituent part of the value expanse is that it be seen to have been produced in a way that is "socially necessary". This adjustment to the commodity value determining criterion necessarily results in the decentring of the working class (i.e. that class of agents directly involved in the production process) both as regards value mass contribution and value mass extraction: the former because workers are not the only creators of value in that all agents in possession of purchasing power and thus in a position to validate or falsify prices contribute to value creation, and the latter because workers are not the only individuals that are exploited as there are many other groups of individuals that extract less

from the value mass than they contribute to it. The essence of the matter here is that while the labour power capacity remains absolutely central to surplus appropriation in the commodity theory of exploitation, what is different is the relation between the opposing categories of singularity and plurality.

In the traditional labour theory of value and exploitation that foregrounds the distinction between labour power and labour activity there is only one class responsible for value creation, those expending labour, but more than one class engaged in value extraction. In the commodity theory of exploitation that eliminates labour activity from the theory, the singularity-plurality relation is reversed. In this theory all individuals that have purchasing power contribute to the value mass, with the overwhelming majority of these individuals being those whose main source of purchasing power are the wages they earn through the sale of their labour power. These individuals are the majority because they include everyone that earns a wage regardless of their precise positioning within domestic economies. Turning to the extraction side of the value mass, we find that the majority of these same individuals possess only one income generating commodity, namely, their labour power. Surplus value creation therefore occurs in that while the majority portion of a given sized value mass is created by the spending decisions of wage-earning individuals, the fact that most of these individuals only have a single source of value extraction means that they collectively end up extracting less from the value mass than they contribute to it. On the other side of the equation, there are individuals that possess multiple types and volumes of income generating commodities, which include other capacities for production in addition to labour power (capital and government) and financial commodities in addition to the capacities for production (the three principal types being cash, real estate and equity and debt securities). These individuals may be able to exercise comparably greater purchasing and price-validating power than can wage earning individuals, but as their collective numbers are far smaller than are those of the latter it follows that the amount that they contribute to a value mass is invariably far less than the amount that they can extract from that mass by virtue of possessing multiple types and volumes of income generating commodities.

The aggregate size of the global value mass will grow over time in line with population growth and technological advances but as it does so the global commodity framework now in place ensures a corresponding growth in the scale of surplus appropriation. The explanation

for this lies in two volume growth asymmetries that can be expressed in the following two inequality equations:

$$(1) \Delta p > \Delta c + \Delta g;$$

$$(2) \Delta f_c > \Delta m_c$$

where Δp , Δc and Δg respectively denote the growth rates of the world's stocks of the labour power, capital, and government capacities, and Δf_c and Δm_c respectively denote the growth rates of world financial commodities stocks and of annual material commodity output.

Labour power is the most abundant of the human capacities for production, and as global population growth continues thus ensuring a continual increase in the global stock of labour power, so does this continual increase result, on the one hand, in an ever-expanding global value expanse as there are increasing numbers of wage earning individuals in a position to validate that expanse, and, on the other hand, in an ever-contracting wage income share of that expanse by virtue of the competitive pressures on wages that increase in tandem with the increasing numbers of wage earning individuals. Wage rates differ appreciably across wage earners according to differences in education, skill levels, sectoral positioning and so on, which means that some of those in the upper income categories will have enough sufficient funds after meeting immediate consumption needs as to be able to invest in other income generating assets. However, the great majority of wage earners will remain with just a single asset, their labour power, as a consequence of the continuing squeeze on the wage share of global income. To this squeeze must be added that which is emanating from the growing volumes of equity and debt securities. While the growth rates of the cash and real estate components of the financial commodity category are broadly keeping in step with the growth rate of material commodities, the trend growth rate of the financial securities component is on the contrary outstepping that of material commodities by orders of magnitude as we have seen. Security issuing corporations and governments share in common with small business firms the fact that they need to constrain the amounts paid out as wages to make space for the returns on their own production capacities but the difference is that the former also have an extra need to constrain wages, which is to be able to service the returns that must be paid out on their equities and bonds. The wage share of total global income is therefore being squeezed from two directions, a bottom-up direction as the increasing abundance of labour power weakens the bargaining position of wage earners and a top-down direction as the

increasing volumes of financial securities exert further pressure to constrain wages to make space for the increased streams of returns on these securities.

A commodity-based theory of exploitation may offer a better framework for explaining rising global inequality in the contemporary era than can a labour value-based theory as has been said, but the truth is that it is comparatively easy to advance alternative lines of explanation that make no recourse to a theory of exploitation in any of its versions (for overviews of the literature on global inequality see e.g. Karabarbounis and Neiman (2014); Piketty and Zucman (2014); OECD (2015); Dao et.al. (2017); IMF (2017); Gouzoulis et.al. (2023)). By contrast, what is comparatively difficult is to advance an explanation of rising global inequality that reconciles this phenomenon with the fundamental laws of capitalism. If rich individuals are getting richer than are others not because the latter are being exploited but because the former are better placed to benefit from ongoing changes in the socio-economic landscape, it must then follow, to recall Stiglitz's dictum, that inequality is not the result of inexorable economic laws but the consequence of policies. Stiglitz is a mainstream economist, but his statement applies as much to the heterodox wing of the economics profession as to that of the mainstream. The heterodox stance on financialisation illustrates the point. Many heterodox economists correctly highlight financialisation's role in driving down the wage share of global income while also ensuring that an increasing proportion of this income is returned to shareholders and other owners of financial assets (Dunhaupt (2017); Kohler et.al. (2019); Pariboni and Tridico (2019); Godechot (2020)). This said, the fact remains that financialisation itself tends to be construed as an abnormal process that is being powered less by any underlying economic imperatives than by the influence of neo-liberal ideology on the policies and actions of governments and corporations (Lazonick and O'Sullivan (2000); Aglietta and Reberioux (2005); Kotz (2010); Lavoie (2013); Deakin (2018); Sawyer, 2022)). What sets apart a generalised commodity theory of exploitation as introduced here is that where the 'commodity' part of the theory helps to explain why financialisation is a functionally necessary process that draws its dynamic from the interplay between the funding needs of governments and corporations and the portfolio needs of institutional asset managers, the 'exploitation' part of the theory helps to explain why increasing global inequality is the inevitable dysfunctional outcome of financialisation when this process is allowed to unfold without any outside policy interference. In elaborating on this argument, we begin with some data regarding global wealth concentration, the most disturbing of the many disturbing facets of global inequality in the modern era.

IV

For this data, we draw on that provided by the Capgemini Research Institute in its annual world wealth report, a publication that dates back to 1996. While recognising that this data cannot be completely accurate given much of the secrecy that shrouds private wealth concentration, it can nevertheless be considered to give a reasonably accurate picture of two major trends in this concentration. The first concerns the highly skewed structure of wealth concentration. Taking as an example the data for 2021, we find that in that year the world's high net worth individuals (HNWIs), i.e. individuals with assets net of primary residence of \$1 million and above, totalled 21.7 million and held approximately \$86 trillion worth of assets. What is even more striking is that where the ordinary millionaires (those holding between \$1 million and \$5 million worth of assets), numbering 19.5 million (90% of the HNWI population), held 43% of the total estimated HNWI assets in 2021, and where the mid-tier millionaires (those holding between \$5 million and \$30 million worth of assets), numbering 1.9 million, held 22.7% of those estimated assets, the ultra-HNWI's (those holding over \$30 million worth of assets), numbering just 210,000, held 34% of those assets, that is to say, assets worth approximately \$28 trillion. When considering that the world population number is now heading towards 8 billion, the correct percentage figure separating out the world's HNWIs is not 1% but closer to 0.1% while the percentage figure regarding the world's 210,000 ultra-HNWIs becomes so vanishingly small as to become meaningless. The second major trend regarding global wealth concentration concerns the category breakdown of the assets in which wealth is stored. The sources of wealth origination are many but there are essentially only five asset categories in which wealth is stored: cash, equities, bonds, real estate, and alternative investments (e.g. investments in hedge funds and private equity) and of these five it is the financial securities categories of equities and bonds that between them typically account for an average of around 50% of total HNWI wealth holdings (the actual figure for 2021 was 48.3%). When we add this latter observation to the more general observation that over the past three decades or so the growth rates of world equity and bond volumes have considerably outstripped the growth rate of world GDP, we can understand how the financialisation of the global economy lies at the root not only of global wealth concentration but also of the concentration within that concentration: once wealth is originated and any surplus that is not consumed stored in income generating financial assets, that wealth accumulates of its own accord with the result that the greater the amount of

wealth held, the greater the rate of wealth accumulation, which then helps to explain the widening gaps separating the different groups of HNWI's.

Now if wealth concentration at the very top of the global wealth pyramid can accumulate of its own accord in the current era of financialisation, then it must follow that this development cannot be the result, or the reflection, of policies but must instead draw its dynamic from something more fundamental in capitalism's structural makeup as an economic system. The question is whether this conclusion can be reached without recourse to the idea that the something which is fundamental to capitalism's DNA is nothing other than a distinctive form of exploitation and surplus appropriation. To answer this question let us first turn to Thomas Piketty. Piketty has not been the only mainstream economist who has looked at how the 'dispersion' side of global inequality (the widening income gaps separating different groups of the world's population) and the 'concentration' side (the growing accumulation of wealth in the hands of a tiny minority of the world's population) fit together. Others have done so, but in their case the focus of attention has typically been restricted to such issues as to how too much wealth concentration in the hands of a country's top income earning individuals may impact that country's economic growth rate (Stiglitz (2016); Heathcote and Perri (2018); Bricker and Henriques (2020); Mian et.al. (2021)) Piketty by contrast is unique in that he has really been the only mainstream economist who, having significantly contributed to the empirical literature documenting rising global inequality, has gone on to formulate a general theory in which this development is presented as an inextricable part of the unfolding trajectory of global capitalism. Indeed, it is precisely because of Piketty's uniqueness in this respect that when he introduced his theory in his book *Capital in the 21st century* (published in English in 2014), it received world-wide attention. The essence of Piketty's theory is contained in what he calls the "two fundamental laws governing capitalism". The first law, which essentially consists of a set of accounting identities, is that the share of capital income as a percentage of total income (or total output) is determined by the rate of return on capital (the annual income on capital as a percentage of its size) multiplied by the capital/income ratio (society's total capital as a multiple of total annual income). The second law, which is that giving analytical drive to Piketty's theory, is that the capital income share will tend to increase exponentially because the rate of return on capital, r , will tend to exceed the rate of growth of total output, g , and because the reinvestments of the returns on capital mean a corresponding exponential increase in the total capital/total income ratio which is a determinant of the capital income share. The Achilles heel in this theory as summed up in the

inequality equation $r > g$, is that it is the 'flow' dimension of wealth accumulation (the return rate on capital) that is prioritised over its 'stock' dimension (the tangible forms in which wealth is housed), with the result that Piketty has to fall back on the assumption that all the returns on capital must be continually re-invested, that is to say, the savings ratio of wealthy individuals, s , must be equal to one. On the contrary, if it is less than one, then it may turn out that $sr < g$ in which case the idea that there will be an inexorable increase in global wealth concentration in the absence of any policy interference is undermined and can therefore be rejected. This was one of Stiglitz's key points in his critique of Piketty. As he put it, "many at the top seem not to invest their money well, with investment and consumption often becoming blurred as their wealth is put into extravagant houses, horses, wineries, and art. The upshot is that wealth is often not perpetuated" (ibid.p.429).

Now let us turn to a Marxian commodity perspective on wealth accumulation and on this occasion start with the second of our inequality equations, $\Delta fc > \Delta mc$. By financial commodities, fc , we refer to cash, real estate and equities and bonds. The Capgemini world wealth report lists five financial asset categories, but when financial assets are divided according to their generic type the five categories essentially reduce to just three, with equities and bonds collapsed into the one joint category of financial securities and with the alternative investment category eliminated altogether as the combinations of financial assets managed by hedge funds and private equity firms are really nothing other than those of cash, real estate and securities. Of these three main asset types, it is that of securities that is the major driving force behind the high growth rate of financial commodities relative to the growth of material commodities, and the reason for this as previously observed lies in the interplay between the financing needs of corporations and governments on the one hand and the asset management needs of institutional investors on the other. This difference in needs manifests in the different ways in which financial securities are viewed. For corporations and governments, it is only the flow aspect of securities that is important: they issue securities to raise funds at one point with the promise to repay the funds at another point, and in the meantime, they use the funds to finance various expenditures. By contrast, for institutional asset managers it is both the flow and stock aspects of securities that are important: they lend funds when buying securities at one point on the expectation of being repaid at another point and, in the meantime, they use the securities as stores of value. As the value storage capacity of securities depends on their prices and as these can only fulfil a tangible value storage role on condition that cash returns are made regularly and at a certain rate, it follows that the

prime importance of the rate of return on financial securities lies not in its direct relation to the rate of growth of material output (as in Piketty's $r > g$ inequality equation) but in its indirect relation to the output growth rate that runs via its contribution to the solidification of the prices and hence value storage capacities of securities and hence also to the growth rate of financial securities stocks.

While the three main types of institutional asset managers (the pension and mutual funds and insurance companies) represent the largest group on the demand side of the bond and equity markets when taken collectively, none of them compare with the size of the HNWI group when taken individually because, in amassing vast amounts of private wealth, it is the securities segment of the financial sector that rich individuals must rely upon the most to house that wealth. In this context, what is important as regards these individuals' saving rate, s , is not that this rate be equal to one but that it be greater than zero: anything left over after any consumption expenditures is then put into wealth storage assets. It is obviously the case that as we move from the ordinary millionaires next door through to the super millionaires and then to the billionaires, the savings rate will rise from just above zero to close to one because of the sheer amounts of surplus funds involved. If we return to the HNWI data for 2021, we saw that the 210,000 or so ultra-HNWIs then held approximately \$28 trillion of assets. Assuming as a conservative estimate that these assets generated an average return of about 5% in that year, then the ultra-HNWIs would have earned about \$1.4 trillion, a sum roughly on a par with the 2021 GDP figure for Brazil or for Russia (and well above the corresponding figures for many other large economies such as, for example, Spain and Australia), which means that no matter what amounts were spent on luxury houses, horses, wineries and the rest, there would have still been enormous amounts of surplus funds left over that would have required storage space and it would have inevitably been financial securities that would have been most called upon to meet this requirement. HNWI's hold cash and they hold real estate, but the problem with these two asset types is that their growth rates are more tightly constrained by the GDP growth rate, cash because of the endogeneity principle and real estate because of its physical substance. As equities and bonds have no physical substance and do not need to comply with the endogeneity principle as it is not their primary function to serve as means of exchange or payment, their growth rates are more readily able to exceed that of GDP, an ability which then explains why these securities are absolutely key to housing HNWI's huge accumulations of wealth.

The fact that the rate of growth of financial commodities has considerably outstripped that of material commodities in the recent decades may have facilitated the ever-growing degree of global wealth concentration over this same period, but the fact also remains that for this process to continue the global volumes of material commodities to which corporations and governments make a significant contribution must keep within striking distance of the financial securities that they issue: after all, if they are to be able to deliver returns on their securities on any regularly expanding basis, that ability in turn depends on their expanding contribution to world production and service provision. In this context, the first of our inequality equations, $\Delta p > \Delta c + \Delta g$, again comes to the forefront of attention. Labour power is both the most abundant capacity for production and the one that is growing at the fastest rate, which means that it is the individuals with this capacity that have to be most relied upon to physically absorb the increasing volumes of material products and services that are made available while, at the same time, it is these individuals who comprise the majority of those with purchasing power that must be most relied upon to sanction or falsify privately assigned prices thereby determining the overall size and composition of the global value mass at any given moment. For a significant proportion of this value mass to be made available for distribution to investors holding securities, two prerequisite conditions are required. The first is that the proportion extracted from this mass by wage earning individuals be far less than their contribution to it, and this condition is met because of the sheer abundance of these individuals taken in conjunction with other factors such as ongoing technological change (the new generations of computers and machines that are perpetually being introduced cannot substitute for humans on the consumption and price validating side of the value expanse, but they can certainly help to reduce the wage share extracted from that expanse by substituting for humans in production). The second condition is that having retained enough surplus funds after having both compensated their own capacities for production and any labour power employed, corporations and governments then prioritise the distribution of these funds to investors. This condition has been met because of the change in the nature of corporate and government dependence on the securities markets. As this dependence has now become permanently substantial for the reasons given above, corporations and governments now have no choice but to comply with tight cash return rules and constraints because these are insisted upon by the pension funds and other institutional investors whose asset management function gives them the ability to absorb expanding amounts of equity and debt securities but who will only exercise that ability on the assurance that these securities can preserve determinate

quantities of value over time. High net worth individuals enter the picture here in that while institutional investors may have initiated the conditions making possible the transformation of financial securities from mere promissory notes into tangible stores of value, it is these wealthy individuals that have been foremost amongst the other groups of investors that have taken full advantage of this transformation.

The upshot of the above discussion is that the enveloping system of globally uniform pricing standards is absolutely central to rising global inequality in that, on the one hand, these standards drive a wedge between the value creating and value extracting power of global labour, which ensures that a surplus is available for distribution to holders of securities, while, on the other hand, they underpin the value storage capability of securities, which are the wealthy individuals' most preferred, because most abundant, type of wealth container. It therefore follows that to omit any explanation of this central role of pricing standards in driving global inequality is to forfeit any real chance of showing how this development is concordant with the laws of capitalism and there can no better example of this forfeiture than that offered by Piketty. In his book of 2014, he argued that the global wealth concentration driven by the disparity between the growth rates of the rate of return on capital and of world material output is the inevitable consequence of the two fundamental laws of capitalism as described above. It turns out, however, that these laws as characterised by Piketty are not at all specific to capitalism. While the strength of his definition of capital is that it includes financial assets in addition to physical stocks of machinery (unlike in mainstream theory that restricts the definition to the latter category), its weakness is that it makes no significant differentiation between the security segment of the financial asset class and the other segments with the result that what is missed is the vital importance of standards to the value storage capacity of securities. The same weakness characterises his definition of total output in that this so broadened out as to include all products and services that are produced regardless of whether they are priced and exchanged according to market standards or not. What results from the sheer breadth of these definitions is that no fundamental distinction is drawn between the pre-capitalist forms of economic inequality and the specifically capitalist form. Rather, any differences are merely secondary such as that land played a more significant role in wealth concentration in pre-capitalist systems while financial assets now have a more prominent role under capitalism. The fact of the matter is that the differences are fundamental in that where associative and coercive relations predominated in the perpetuation of inequality in pre-capitalist systems with market exchange playing a limited, if

any, role, the exact reverse is the case in the capitalist system where market exchange is absolutely central to the perpetuation of inequality and where any coercive relations are the exception rather than the rule. It is therefore entirely understandable why any account of rising income inequality and wealth concentration under capitalism that presents these developments as obeying some general laws that are applicable to all economic systems is not going to command widespread support. It is indicative of this point that it was Piketty that Stiglitz targeted when categorically denying that inequality under capitalism was "the result of inexorable economic laws".

Let us now view socio-economic systems through the lens of the Marxian commodity principle that has no meaning outside of the idea of market sanctioned pricing standards. From this viewpoint, it becomes clear that the difference separating out capitalism from all previous systems is one of kind and not merely one of degree because it is only under capitalism that the commodity principle moves from the margins of domestic economies to penetrate their interior and this is because it is only under capitalism that the commodity principle begins to systematically encompass the labour power and capital capacities. Having first gained dominance in a few Western European countries between the mid-18th and mid-19th centuries, the reach and scope of the commodity principle has since then expanded to the point where it now encompasses most global regions, both East and West, most human capacities for production, both private and public, and most financial claims on capacities in addition to most of their material outputs. The driving force behind this inexorable expansion the commodity principle has been efficiency: production efficiency in the case of globalisation as the application of the principle to material products allows for their more efficient production and distribution at a time of the increasing scale and complexity of domestic economies, and financial efficiency in the case of financialisation as the application of the principle to financial securities allows for a cost effective way of accommodating the increasing financial pressures associated with the increasing scale and complexity of domestic economies. The end-result of the inexorable expansion of the commodity principle has been the equally inexorable expansion of global income inequality and private wealth concentration because of the absence of any barriers strong enough to block the operation of the two growth rate inequalities, $\Delta l_p > \Delta c + \Delta g$ and $\Delta f_c > \Delta m_c$. The 1990s was critical in this respect because this was the decade that saw the complete collapse of any such barriers that had been in place in the immediate post- World War 2 period. As regards the first of the above

growth rate inequalities, a major reason why the post-war decades witnessed a trend rise of the wage income share of Western capitalist economies was that a third of the world's population was then kept separate behind the wall of communism. That wall collapsed in the 1990s thus releasing huge stocks of labour power onto the global labour pool, and that release, coupled with the ongoing advances in transportation and communication technologies, has ensured a continuity of the pressures keeping down the wage share of global income. As regards the second of the above inequalities, another major reason for the post-war rise in the wage income share in the Western capitalist economies was that their governments were able to keep their most wealthy individuals under their tax umbrella, an ability that was greatly facilitated by strict capital mobility controls that were then relatively easy to maintain because the capitalist world's securities markets were then still relatively small as compared with their product markets. Following the rapid scale growth of the securities markets from about 1990 onwards, and the corresponding pressure to relax capital mobility controls, governments can no longer effectively tax their very wealthy individuals given the ease with which the latter can now move both themselves and their wealth across borders.

V

The key insight of Karl Marx's theory of capitalist exploitation is that the commoditisation of labour power that runs in parallel with the commoditisation of material outputs ensures that the majority of individuals will always contribute more to a value expanse than they extract from it, thereby allowing the remaining surplus to be appropriated by a minority of other individuals. The upshot of this insight is that if capitalism is allowed to continually expand as a commodity system without any effective control, so will the scale of surplus appropriation continue to expand accordingly. This is precisely what is happening today. Capitalism has now become a fully operational global commodity system and yet there are no matching global institutions that can control this system. The only global institutions that have any connection to the running of the global capitalist economy are either those that set down and umpire international standards and rules of conduct (the Bank for International Settlements in the sphere of banking and the World Trade Organisation in the sphere of international trade are two examples) or that provide countries with heavily conditioned financial assistance to help them function in line with prevailing international standards and rules of conduct (the International Monetary Fund and the World Bank are notable examples). Stiglitz could

therefore not have been more wrong when stating that inequality "is the consequence of our policies, and in turn, a reflection of our policies" because the scale of global inequality has now increased to unprecedented, not to say obscene, proportions for the exact opposite reason that there are no policies strong enough to counteract this increase. To correct for this global institutional deficit, what are needed are new global institutions that are equipped with the same powers of intervention and redress as have national governments and, in light of all that has been said above, the first of such institutions should be a global tax authority charged with implementing a global wealth tax.

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