A Shrinking Universe
How Corporate Power Shapes Inequality

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ABSTRACT
Income inequality has recently appeared on the public radar in North America, but much of the attention has been confined to its ominously high level and its socially corrosive impact. The long-term drivers of inequality, by contrast, have attracted less attention. This presentation will explore the linkages between corporate power and inequality, arguing that both the level and pattern of inequality in Canada closely shadows the differential size and performance of dominant corporations.


Chart Book available online at: http://brennanjordan.tumblr.com/presentations
Corporate Power and Income Inequality
A Visual Representation

Globalization of corporate ownership

Depth

Differential Accumulation

Breadth

The distribution of personal income

Aggregate concentration

Depressed democratic engagement

The profit markup

Institutional Strength of Organized Labour

National wage bill

Hourly earnings

Capital-labour redistribution
PRESENTATION CHECK POINTS

The produce of the earth... is divided among three classes of the community... To determine the laws which regulate this distribution is the principal problem in Political Economy...
- David Ricardo (1817)

Wherever there is great property, there is great inequality. For one very rich man, there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many.
- Adam Smith (1776)

Two Puzzles
- Twentieth Century Economics and the Large Corporation
  - The modern corporation as a (non-state) power institution
  - The challenge issued to political science by Adolf Berle
- Income Inequality and Social Pathology
  - Wilkinson and Pickett’s, The Spirit Level

Capital, Power and the Conventional Dualisms of the Social Sciences
- ‘Economics’ and ‘politics’
- ‘Real’ and ‘nominal’
- The measure and meaning of capital
  - The marginal productivity theory of distribution

The Alien Vision of Thorstein Veblen
- The immaterial equipment
- ‘Business’ and ‘Industry’

Corporate Power: Stepping Stones
- Gardiner Means and the administered prices thesis
- Michal Kalecki’s degree of monopoly

Capital as Power: Conceptual Infrastructure
- Dominant capital and differential accumulation
  - From aggregate to disaggregate
  - From absolute to relative
- Regimes of differential accumulation

Working Assumptions
- Political economy as an integrated system of wealth and power
- Capital as capitalization (finance and only finance)
- Distribution manifests, in part, socio-institutional power
Table 1

Some Categorical Schemes within Political Economy

<table>
<thead>
<tr>
<th>The Conventional Dualism of the Social Sciences</th>
<th>The Alien Dualism of Thorstein Veblen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>'Economics'</strong></td>
<td><strong>'Politics'</strong></td>
</tr>
<tr>
<td>Private</td>
<td>Public</td>
</tr>
<tr>
<td>Markets</td>
<td>States</td>
</tr>
<tr>
<td>Business</td>
<td>Government</td>
</tr>
<tr>
<td>Individual gain</td>
<td>Collective good</td>
</tr>
<tr>
<td>Consumers</td>
<td>Citizens</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Pursuit of wealth</td>
<td>Pursuit of power</td>
</tr>
<tr>
<td>Employers vs employees</td>
<td>Rulers vs ruled</td>
</tr>
<tr>
<td>Competitive</td>
<td>Cooperative</td>
</tr>
<tr>
<td>Voluntary contracts</td>
<td>Coercive laws</td>
</tr>
<tr>
<td>Productive</td>
<td>Parasitic</td>
</tr>
<tr>
<td>Dynamic</td>
<td>Static</td>
</tr>
<tr>
<td>Realm of freedom</td>
<td>Realm of coercion</td>
</tr>
<tr>
<td>Natural law</td>
<td>Conventional law</td>
</tr>
<tr>
<td>Progressive</td>
<td>Necessary evil</td>
</tr>
</tbody>
</table>
Table 2
The Real/Nominal Duality

<table>
<thead>
<tr>
<th>‘Real’</th>
<th>‘Nominal’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material</td>
<td>Immaterial</td>
</tr>
<tr>
<td>Utils/Utility</td>
<td>Prices/Pecuniary</td>
</tr>
<tr>
<td>Hedonistic terms</td>
<td>Business terms</td>
</tr>
<tr>
<td>(pleasure and pain)</td>
<td>(gain and cost)</td>
</tr>
<tr>
<td>Production and consumption</td>
<td>Finance and investment</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>Debt and equity</td>
</tr>
<tr>
<td>Capital wealth</td>
<td>Capital value</td>
</tr>
</tbody>
</table>

Table 3
‘Business’ and ‘Industry’: Sociology and Political Economy

<table>
<thead>
<tr>
<th>Condition of the possibility of...</th>
<th>Degree 0</th>
<th>Degree 1</th>
<th>Degree 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherited Knowledge (‘Culture’)</td>
<td>Industrial Community</td>
<td>Private Proprietor (Capitalist Employer)</td>
<td>Absentee Owner (Pecuniary Magnate)</td>
</tr>
<tr>
<td>Immaterial Equipment</td>
<td>Mechanical Process</td>
<td>Money Sphere</td>
<td>Credit Sphere</td>
</tr>
</tbody>
</table>

Inspired from Veblen (1904).

Table 4
Nitzan & Bichler’s ‘Regimes of Differential Accumulation’

<table>
<thead>
<tr>
<th></th>
<th>External</th>
<th>Internal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breadth</td>
<td>Green-Field Investment</td>
<td>Mergers and Acquisitions</td>
</tr>
<tr>
<td>Depth</td>
<td>Stagflation</td>
<td>Cost-Cutting</td>
</tr>
</tbody>
</table>

Source: Nitzan and Bichler (2009: 329), Table 14.2.
Figure 2
Differential Accumulation in Canada, 1950-2010

Differential Capitalization
Ratio of the average of the top 60 firms, ranked annually by equity market capitalization, and the average of all stocks on the TSX, Left

Differential Pre-Tax Profit
Ratio of the average of the top 60 firms, ranked annually by equity market capitalization, and the average of the corporate universe, Right

Correlation Coefficient = 0.88

Figure 3
Internal to External Breadth:
Nitzan and Bichler's Amalgamation Index, 1914-2011

Percent

Buy-to-Build Indicator
Mergers and acquisitions as a percent of gross fixed private investment


Average = 25

1914-2
Table 5
Accounting Conventions, Sociological Categories and Distributional Struggle

<table>
<thead>
<tr>
<th>Accounting Entry</th>
<th>Sociological Category</th>
<th>Distributive Struggle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Owners vs. Owners</td>
<td>Market share</td>
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<tr>
<td></td>
<td>Owners vs. Non-Owners</td>
<td>Sales price inflation</td>
</tr>
<tr>
<td>Expenses</td>
<td>Owners vs. Workers</td>
<td>Wage inflation/deflation</td>
</tr>
<tr>
<td></td>
<td>Workers vs. Workers</td>
<td>Wage location in the industrial geography</td>
</tr>
<tr>
<td>Profit</td>
<td>Owners vs. Owners</td>
<td>Distributive share</td>
</tr>
<tr>
<td></td>
<td>Owners vs. Workers</td>
<td>Distributive share</td>
</tr>
<tr>
<td></td>
<td>Owners vs. Society</td>
<td>Distributive share</td>
</tr>
</tbody>
</table>

Figure 6
The ‘Degree of Monopoly’ and Capital-Labour Redistribution, 1940-2011
Figure 7
Organized Labour Strength and Average Hourly Earnings, 1910-2012

Union Density
Total private and public sector coverage as a percent of workforce, Right

Average Hourly Earnings Index
Inflation-adjusted, set to 100 in 1910, Left

Correlation Coefficient - 0.85

Figure 8
Organized Labour Strength and the National Wage Bill, 1920-2012

Union Density
Total private and public sector coverage as a percent of the workforce, Right

Adjusted National Wage Bill
Wages and salaries as a percent of GDP less the wages and salaries portion of the top percentile income share, Left

Correlation Coefficient - 0.78
Figure 11
Differential Accumulation and Income Inequality, 1940-2010

Differential Capitalization
Ratio of the average equity market capitalization of the top 50 Canadian-based firms and the average of the entire Toronto Stock Exchange. Right

Top 0.1 Percent Income Share
P999-100, Left

Correlation Coefficient - 0.93

Figure 12
Income Inequality and Democratic Engagement in Canada, 1910-2011

Voter Turnout in Federal Elections
Percent, Left

Income Equality
Pareto-Lorenz Coefficient, Right

Correlation Coefficient
1920-2010 - 0.70
1945-2010 - 0.76
1988-2010 - 0.84
Select Bibliography


