[1]Economic Surplus as a Fund for Social Change and Postneoliberal Governance

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The central problem in capitalism today is not one of scarce resources clashing against innate, insatiable wants. Rather, the modern problem of monopoly capitalism is one of abundance of production clashing against scarcity of consumers. Indeed, sustaining growth while fighting against excess capacity proves to be the biggest battle in business today, fought by the capitalist power structure with the tools of neoliberalism and globalization. The economic surplus, roughly sketched, represents that gap between productive resources and consumption, and thus represents the abundance that is possible given current technology. The argument set forth is that the economic surplus remains a powerful tool in describing economic relationships and social justice issues within the context of the Great Capitalist Restoration, but more importantly, that the economic surplus represents a tool for social change. The potential for socially just amelioration and change within post-neoliberal governance is explored with explicit reference to the qualitative and instrumental framework proposed by Ron Stanfield in his somewhat overlooked but incredibly important piece, "The Fund for Social Change" (1992).

Keywords: economic surplus, fund for social change, postneoliberal governance

"The surplus as a fund for social change is capable of revealing to the popular mind the senselessness of the ecological destruction that they are witnessing and the persistence of alienated and hated toil in their workplaces as conditions of their existence." Ron Stanfield

Introduction

The central problem in capitalism today is not one of scarce resources clashing against innate, insatiable wants. Rather, the modern problem of monopoly capitalism is one of abundance of production clashing against scarcity of consumers. Indeed, sustaining growth while fighting against excess capacity proves

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to be the biggest battle in business today, fought with the tools of neoliberalism and globalization.

The economic surplus, roughly sketched, represents the gap between productive resources and consumption, and thus represents the abundance that is possible given current technology. Throughout his career, Stanfield has endeavored to refine and recontextualize the concept of the economic surplus under the changing social structure of capitalism (Stanfield, 1984). As well, he has stressed that the existence of the surplus should not be of primary concern, but rather its control and implementation should be the focus of study and moreover recognized as the means by which social change might take place (Stanfield, 1972).

The argument set forth in this paper is that the economic surplus remains a powerful tool in describing economic relationships and social justice issues within the context of the Great Capitalist Restoration, but more importantly, that the economic surplus represents a fund of resources – a tool for social change. The procedure is simple. The conceptualization of the economic surplus as a fund and as a driving mechanism of monopoly capitalism is explicated and discussed in the first section. The following section then explores the role of the power in determining the expenditure of the economic surplus fund within the context of neoliberalism and globalization. The final section explores the potential for socially just amelioration and change with explicit reference to the qualitative and instrumental framework proposed by Ron Stanfield in his somewhat overlooked but incredibly important piece, "The Fund for Social Change" (1992).

Economic Surplus (Re)considered – Nature of the Economic Surplus Fund

The concept of the economic surplus in its most basic form consists of the difference between what is produced and that production which is needed to reproduce society in the next period. The economic surplus so defined is not contextually specific and therefore is applicable to all societies and production forms (Heilbroner, 1985). The production of an economic surplus hence requires production beyond the subsistence level of output for a society (Lichtenstein, 1983). Within the context of monopoly capitalism, the economic surplus is more specifically defined as what is left from *potential* output once essential consumption – that is, the consumption necessary for social and material reproduction – has been met. Potential output is not the amount of output produced in a period, but rather consists of the total productive capacity, whether utilized or not, for the given level of capital stock in a society. In other words, potential output is the output that is attainable if all the available factors of production in a society are employed (Stanfield, 1984). That actual output often falls short of potential is a tendency of monopoly capitalism; i.e., a tendency towards excess capacity.

Any expenditure that contributes to the social and material reproduction of society, including maintenance of an individual's previous standard of living as well as maintenance of the previous period's productive capacity constitutes essential consumption. Consumption that increases capacity or more than reproduces society should be considered investment rather than consumption per se and as such, a potential catalyst to economic growth and development. Since it is through the economic surplus that investment is funded, it is clear that the potential for the direction and content of growth resides in the deployment of the economic surplus fund (Stanfield, 1992, 1984). The economic surplus should therefore be considered a fund, regardless of what the fund might finance.

The existence of the economic surplus fund undermines the syllogistics of market determined pricing. Indeed, the law of competitive value is no longer operative under monopoly capitalism; in its place emerges the planning system of production and administered pricing, empowered by politics, its control over the surplus fund, and its ability to manipulate production, consumption, and price (Stanfield, 1977). Evidence of the economic surplus and furthermore, that the competitive law of value is not operable under the context of monopoly capitalism is found in the amount spent for the purposes of marketing, what Baran and Sweezy, and even earlier, Veblen referred to as the sales effort. Were a competitive system in place, the funds for these expenditures would not exist (Stanfield, 1984).

Moreover, discussion of relative shares in the distribution of income is not relevant under monopoly capitalism even under the surplus fund rubric since the law of competitive value is rendered inoperable when prices are administered. This does not undermine the discussion of class or the relevance of structural inequality, but rather examines these two issues separately by dissecting examination of the surplus fund into two important analyses: the manner in which the surplus fund is used to protect vested interests and how the structural inequality of the distribution of income determines who controls the purposes to which the surplus fund is or might be put (Stanfield, 1972, 1984). The economic surplus fund, unfettered by discussion of relative income shares, reframes the issue of surplus in terms of social choice; in other words, how the surplus fund might be allocated to benefit society as opposed to how it might instead be simply redistributed. Indeed, the control of the economic surplus fund should be the locus of social justice inquiry and activity, not the form of the economic surplus fund or how it is distributed.

Structural Inconsistencies

Under the rubric of monopoly capitalism, structural imbalance is created by the gap between productive capacity and consumption limits; the former defined by the state of technology, the latter by the prevailing social and political institutions and the distribution of income (Stanfield, 1977). The structural inequality of the distribution of income endemic to all varieties of capitalism constrains the amount of production that can be consumed within a given society. The problem of ineffective demand or underconsumption plagues the modern corporation, which coupled with downwardly rigid pricing cuts productivity and is thus faced with the problem of excess capacity or capital overhang[2] (Foster, 2000).

Modern day crisis under the monopoly capital system is thus the crisis of chronic excess capacity, which cannot be used to produce more consumer goods, given the inequality of the distribution of income, and cannot be used for investment, i.e., to produce productivity enhancing goods, as this compounds the problem of excess capacity (Foster, 2000). While the economic surplus consists of the gap between potential output and essential consumption, the gap between productive capacity and the limits to consumption might be conceptualized as the structurally determined portion of the economic surplus fund and thus directly reflects the degree of excess capacity within a given time period. Chronic excess capacity and idle capital stock brought about by the accumulation of surplus funds and underconsumption creates a systemic tendency towards stagnation under monopoly capitalism. This tendency coupled with the power[3] of monopoly capital to administer mark-up pricing (and by extension, downwardly rigid pricing) creates macroeconomic instability and a predisposition for stagflation (Foster, 1984).

Compounding the problem of excess capacity and tendency towards stagnation is the structural maladjustment resulting from neo/New Keynesian advocated remedies for relieving excess capacity by stimulating the economy through government investment financed through deficits. Government spending especially within the growing movement to privatization exhausts the economic surplus fund by closing the gap between productive capacity and now increasing public sector consumption. As early as 1957, Baran pointed out that such stimulation within the monopoly capitalist system encourages business overestimation of demand elasticity which in turn encourages production beyond the limits of consumption, thereby amplifying the economy's tendency toward stagnation and consequently cycles back the need for government stimulus of the economy. Furthermore, financing unstructured investment through government deficits especially in non-capital stock increasing investment, such as military armaments and technological research would result in precarious inflationary overhang (Baran, 1957; Foster, 1984).

The central issue under a monopoly capitalist system thus concerns structural maladjustment and stagnation (Mott, 1992). The systemic tendency towards stagflation emerges from the underlying tendencies of modern monopoly capitalism toward chronic excess capacity, idle capital stock, and surplus funds in frozen suspension, correlated with the tendency to inflationary overhang, worsened by

[2] "Capital overhang" is the phrase used by the W. Bush administration to denote excess capacity: "The U.S. economy made notable progress in 2003. The recovery was still tenuous going into the year…it was still struggling against powerful contractionary forces-the capital overhang, revelations about corporate scandals, and uncertainty about future economic and geopolitical conditions…" (Mankiw, Chairman of the Council of Economic Advisors, 2004)

[3] This is not to say that monopoly capital is able to exercise absolute and complete control over pricing; consumer demand still plays a role in the setting of price.

government deficit financing in order to commission output to forestall the threat of the former (Foster, 1984). Given these tendential laws, it would seem as though the modern monopoly capitalist system would eventually be swallowed by its own stagnationist crises. The modern social structure of accumulation, however, has proven quite adept at forestalling such crises through the creation of non-productive venues of expending economic surplus funds.

Coping Mechanisms

Given the limits on consumption imposed by the inequality of the distribution of income and the consequent need to expand productive capacity while avoiding the creation of idle capital, the modern capital system creates a means of producing "waste"[4] (Dowd, 1989). The production of waste may occur in many forms, but the most desirable is that which does not serve to create consumption goods or to increase productive capacity. Baran and Sweezy in their 1966 classic dedicate several chapters, indeed the core of the book to exploring the different non-productive manners in which the surplus fund might be expended: the sales effort, which creates demand and employs an entire industry of non-productive workers; government expenditure which is tethered through lobbying efforts and campaign donations to the monopoly capital system; and the military industrial establishment, likewise persuasively and pecuniarily connected to the government (Davis, 1992). The threat of excess capacity and idle capital stock makes the creation of wasteful output – be it through marketing expenditures or the stockpiling of military armaments – a necessary and ultimately profitable endeavor. These outlets for surplus funds are made all the more attractive by virtue of their inability to expand productive capacity and compound the excess capacity problem (Foster, 1984).

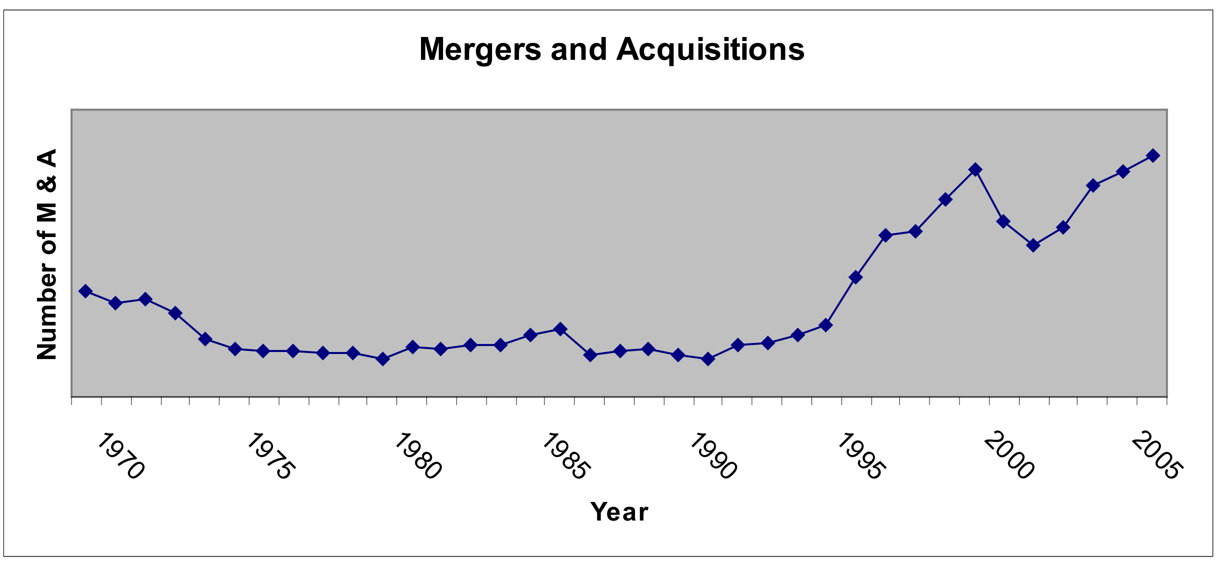
Indeed, the monopoly capitalist system has proven to be adaptive and creative in confronting the problems of capital overhang and stagnation. Under monopoly capitalism, price competition fades and in its place emerges the competition to relieve excess capacity most often via marketing efforts (Foster, 2000). An increasing portion of surplus funds is funneled into marketing efforts: research and development of new products, packaging design and materials, and promotional efforts (Lippet, 1992). One reaction of monopoly capital in the increasingly saturated market place is to develop finer market segmentation to support further product differentiation. Such marketing endeavors serve a two-fold purpose: one, to act as a means of surplus fund expenditure in a non-productive capacity, and two, to enhance invidious distinctions and commodity-driven identity. The continuing development of internet technologies to collect and disseminate information

[4] The concept of "waste" used here is Veblenian waste, which is not intentionally pejorative, but rather is subjectively determined from the vantage point of society – social welfare – and as such specifically addresses those resources which are applied to the production of goods and services which do not meet the needs of the general populace and could otherwise be applied to the production of goods and services which sustain and enrich the lives of all, such as healthcare, housing, and education. Nasser, 35-6.

provides a convenient vehicle for such marketing efforts (Dawson, 1992). Expenditure of surplus funds in research and development efforts serves similar purposes: the creation of new products permits further monopoly profits to accrue[5] as well as provides a venue for alleviating excess capacity (Heilbroner, 1985). What is neglected in these expenditures is the waste that is extant in spending economic surplus funds on the development of non-quality enhancing product features, such as a new scent of soap, color of paper towel, or ethnic identification commodities; or in the creation of products which do not substantively enhance the quality of living.

Modern surplus fund expenditure also finds relief in the constant legal maneuvering requisite of further concentration and centralization efforts: "synergy," the buzz word of modern business, is simply Marx's "concentration and centralization" dressed in a three-piece suit (Foster, 2000). As will be discussed further below, when excess capacity looms, business becomes reticent to expand productive capacity further and as a result, looks increasingly to financial markets as a means of divesting surplus funds (Foster, 2003). The strategy in monopoly capitalism is thus focused on the short run, and combines the traditional tendency towards mergers and acquisitions, with the growth of the finance industry, both of which contribute to the increasing channeling of the accumulation drive into financial markets (Davis, 1992). See Figure 1.

Figure 1



Source: Paulter, 2001.

Additional adaptations employed by monopoly capitalism to expend surplus funds in non-productive ways include renewed and expanded positioning efforts in labor

[5] Profits accrued due to product differentiation or planned obsolescence are commonly referred to as "Schumpeterian profits" in heterodox circles and "technological rents" in conventional economics circles. See Heilbroner (73) for further detail.

relations, political jockeying and lobbying and the strategic retention of lawyers, accountants, and financial consultants. See Tables 1 and 2, below:

Table 1*

Overall Spending for Federal Lobbying 2000-2005		
	Average per Month	Total
2005	$196,925,183	$2,363,102,190
2004	$178,472,799	$2,141,673,584
2003	$165,957,336	$1,991,488,025
2002	$148,721,954	$1,784,663,447
2001	$132,750,726	$1,593,008,706
2000	$132,963,519	$1,595,562,224

*Data is from Congressional Quarterly which bases its figures on Federal reports whose filings "are not clear under Federal lobby rules."

Table 2*

Percentage Increases for Overall Spending for Federal Lobbying 2000-2005		
	% Change Average	% Change Total
2004-05	10.34%	10.34%
2003-04	7.54%	7.54%
2002-03	11.59%	11.59%
2001-02	12.03%	12.03%
2000-01	-0.16%	-0.16%

*Data is from Congressional Quarterly which bases its figures on Federal reports whose filings "are not clear under Federal lobby rules." Numbers are not adjusted for inflation which is assumed to be at an average of 3.5% per year.

In the first two quarters of 2005, "Corporations, trade associations, lawyers and unions spent about $6.5 million a day to lobby Congress and the Bush administration" (Mullins, 2006).

Military expenditures present arguably one of the most convenient and sustainable means of surplus fund expenditure from the perspective of monopoly capital. See Table 3, below:

Table 3*

Discretionary Funding by Major Agency (Net budget authority in billions of dollars)				
	2006	2007		2008
Agency	Actual	Request	Current Law [1]	Request
Defense	**410.7**	**439.3**	**429.6**	**481.4**
Health, Human Services	69.1	67.6	69.1	69.3
Education	56.5	54.4	56	56
Veterans Affairs	32.9	35.7	33.2	39.4
HUD	34.1	33.6	34.7	35.2
State, Internat'l Programs	30.2	33.9	28.7	35
Homeland Security	30.7	30.9	32	34.3
Energy	23.6	23.6	22.8	24.3
Agriculture	21.1	19.7	19.6	20.2
Justice	21.1	19.5	19.4	20.2
NASA	16.3	16.8	16.2	17.3
Transportation	14.6	13.2	10.7	12.1
Treasury	11.4	11.6	11.4	12.1
Interior	10.8	10.5	10.3	10.6
Labor	11.3	10.9	11.7	10.6
Social Security	7.4	7.9	7.6	7.9
Other Agencies	6.7	6.7	6.5	7.5
EPA	7.6	7.3	7.5	7.2
Commerce	6.4	6.1	5.6	6.6
National Science Foundation	5.6	6	5.6	6.4
Judicial Branch	5.3	5.9	5.3	6.1
Corps of Engineers	5.3	4.7	4.7	4.9
Legislative Branch	3.8	4.3	3.7	4.4
SBA	0.5	0.6	0.4	0.5
Executive Office	0.3	0.3	0.3	0.3
Total, Discretionary Spending	**843.4**	**871**	**852.8**	**929.8**

Note: Amounts exclude enacted and requested supplemental and emergency funding.

[1] Base funding levels are equal to the amounts enacted in the 2007 Department of Defense and Homeland Security Acts with other Government operations equal to the estimated full-year funding levels provided by P.L. 109-289, Division B, as amended.

* Table 3 represents federal expenditures by agency with numbers provided by the US federal government. Straightforward statistics with respect to budget allocation to defense is problematic at best because it requires the normative decision of what constitutes "defense."

The military industrial complex is able to exhaust surplus funds through political lobbying efforts which in turn create direct demand not only for the manufacture of defense-related products, but increasingly for defense related technologies. The convincing principles of protecting human rights and spreading of democracy support the expenditure of surplus funds in this manner; military expenditure on par with that required for the defense against attacks on the homeland are able to receive popular approval. Such international policing essentially works to restructure the overthrown despot's regime into an apparatus amenable to the transnational principles and goals of modern capitalism. Such change also necessitates physical reconstruction required in compulsory nation-building following the forceful (at times, pre-emptive), messy, and unavoidable infrastructural destruction in the regime change.

Likewise, the defense of ideals presents a politically safe, morally defensible, and interminable means of rationalizing the continuous armament effort as even in times of peace a nation must stand ever vigilant against potential threats. Stanfield refers to this perpetual need for preparedness as the "peace-war" philosophy: "The basic axiom of peace-war is that in order to avoid using armaments, we must continually pile them up and advance them technically… Peace-war defends not the nation's people and property so much as the institutions of capitalism. The threat involved is not so much military as it is the menace posed to capitalism by the specter of underconsumption" (1977). The framing of the "war on terror" as an ideological imperative and responsibility of the US creates the justification for increasing and sustained spending for the defense of ideals, such as "freedom," an idea which seamlessly defends the idea of "free markets." The peace-war imperative derives not only from the need to expend surplus funds, but also in broader relief from the basic, systemic drive of capitalism to accumulate (Magdoff, 2003).

Neoliberalism and Globalization – Neoliberalism

Historically, the creation of surplus funds has occurred in varying stages through trade arrangements, the wage-labor relationship, and "Schumpeterian profits," and in modern times, consists of some combination of all three (Heilbroner, 1985).

The control of surplus funds is in large part determined by the political system in place, be it democratic, totalitarian, or monarchical; centralized or dispersed. The modern day accrual of surplus funds to centralized corporate interests is thus a political arrangement, not an economic inevitability (Heilbroner, 1985).

Before moving forward, note must be taken that modern capitalism has evolved beyond the basic worker-capitalist dichotomy. "Class" may be defined in numerous ways and its importance in the explanation of economic phenomenon and the construction of identity weighed differently. Indeed, social phenomena are complex, uneasily delineated, and fluid; the relationship or perhaps inseparability of economic and social phenomena render class as a crude manner by which to understand both. Since the degree of power and influence any individual or social entity holds highly correlates with income and wealth, and for the sake of simplicity, class shall be discussed in terms of income and political power[6].

The highest income bracket remains populated by corporate owners and high corporate officers to whom most surplus funds accrue. Income levels below this echelon can be further stratified into crude yet useful classifications with the weight of the population ascending as class income rank descends. The lower, popular class can be dissected into two sub-groups based on the security of their position within the workforce: "stabilized" or "precarious"[7] (Amin, 2003). The stabilized popular class consists of the managerial and professional occupations; a sort of middle class though not equidistant from each flanking class; the stabilized popular class simply exists between the lowest and highest ranks with the distance between the stabilized and precarious classes smaller than that from above. The stabilized popular class thus acts as a buffer between the highest and lowest income classes and as a means of creating seemingly attainable invidious distinctions[8]. Not only do popular classes as a group consist of three-quarters of the world's urban population, half of the urban population falls into the precarious popular class (see Table 4):

Table 4*

Percentages of Total World Urban Population			
	Centers	**Peripheries**	**World**
Wealthy and middle classes	11	13	25
Popular classes	24	54	75
Stabilized	(13)	(11)	(25)
Precarious	(9)	(43)	(50)
Total	33	67	100
Population concerned (millions)	(1,000)	(2,000)	(3,000)

*Table cited directly from source (Amin, 2003); methodology not disclosed

Despite its minority status, the highest income group maintains and advances its control over the bulk of economic surplus funds. Neoliberalism revives the

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[6] There exist an extraordinary number of interpretations of Marx, Marxism, and class: "But it is utterly silly to spend any time on the semantic issue of whether something is or is not 'Marxian,' when there are hundreds of versions of Marxism – and hundreds of interpretations of Marx." (Sherman, 1995, 7-8). See Wrenn, 2004 for a non-exhaustive laundry list of modern Marxist thought.

[7] "…'(P)recarious' rather than 'non-integrated' or 'marginalized,' because these workers are perfectly integrated into the systemic logic that commands the accumulation of capital" (Amin, 2003).

[8] See Zinn for a detailed accounting of twentieth century US class divisions and the buffer class penomenon.

classical liberal ideological policy dominant in the US economy up to World War II, whereby the state once again becomes increasingly dominated by the interests of the highest income, corporate class who seek protection from the intensifying market setting (Stanfield, 1992). With the evolution of the economy into concentrated capitalism, the political courtesy extended to business pursuits becomes ever more transparent, particularly when examined within the context of the surplus funds framework. The state is increasingly conscripted by the high income controllers of surplus funds as a tool in the accumulation drive and the struggle to control even greater surplus funds (Stanfield, 1992).

Neoliberalism is thus a tendency of the capitalist system – a "structurally-based imperative" – as opposed to a historically specific policy agenda (Nasser, 2003). The primary purpose of the neoliberal Great Capitalist Restoration[9] is to empower the institutions of monopoly capital, continually increasing its control over economic surplus funds. The neoliberal ideology proposes that the ultimate and only necessary regulator of economic activity is the market, that the economic sphere runs its course naturally and with ruthless objectivity under laws of logic; a conceptualization that further supports the subordination of political and social spheres to the natural mechanics of the economy (Amin, 2001).

Neoliberalism does not, however, advocate complete removal of government intervention in the market; high income interests seek protection and remain dependent on political aggregate demand stimulation to shrink excess capacity, expend surplus funds, and to save it from stagnation. The privatization of government spending thus becomes more accurately framed as the partial privatization of government projects through privately contracted state infrastructural production and services. Partial privatization separates the electorate from private producer with the state acting as the financial intermediary, essentially removing public oversight without alleviating state spending to relieve surplus funds (Nasser, 2003). The electorate thus retains the power to influence the institutions of governance, but no longer holds power over the government assisted expenditure of surplus funds since neoliberal privatization veils government expenditure and intervention.

Neoliberalism also calls for the removal, non-enforcement, or loosening of governmental regulations which provide oversight into corporate operations. Privatization coupled with diminishing corporate transparency further veils the power structure and political role in the expenditure of surplus funds and excess capacity relief. The neoliberal movement as well calls for the retrenchment of the welfare state through the eradication or scaling back of government sponsored social programs which work to reduce the insecurity of workers by providing a social safety net (Stanfield, 2005). The shrinking of social programs illustrates the

[9] The term "Great Capitalist Restoration" was first coined by Stanfield.

potential for government assisted expenditure of surplus funds directly and specifically for the benefit of the public sector: the popular classes.

Moreover, the neoliberal project involves the removal or loosening of barriers to the international flow of capital and as such, undermines measures taken by developing countries meant to protect their nascent economies (Nasser, 2003). Global neoliberal policy increases capital mobility for higher income countries and surplus fund accrual – with both lax, free market policy and with the payback of development debt (Arrighi, 2003). In a very crucial sense, the mechanisms of modern capital supersede the reach of political powers as transnational corporate endeavors are able to stretch across space, transcending political boundaries and assimilating production, essentially harnessing surplus fund creation from source to service (Heilbroner, 1985).

With the advent of neoliberal policy, the previous goal of "development" – helping low income regions develop domestic infrastructure to create, sustain, and develop their respective domestic economies – was replaced with the objective of "globalization" whereby the high income countries would assist lower income countries in creating domestic infrastructure by pre-packing aid and advisement with the economic policy of high income countries. It is from these beginnings – the formation of the "Washington Consensus" and western neoliberalism – that the imposition of conditionalities for the receipt of aid was born (Arrighi, 2003).

Conditionalities imposed by IMF loans to less-developed nations typically require the lowering of tariffs on imports, fiscal policy austerity, and cuts in the wages of government employees – essentially the implementation of neoliberal policies – meant to insure continued flow of economic surplus funds (Bond, 2004). One need only look to the current balance of payments, which for both the US and for many developing countries consistently runs a deficit to see the impact of surplus fund allocation on domestic growth: those developing countries which are bound by the conditionalities imposed by the IMF see much of their surplus fund exported for the repayment of debt while the US is able to reinvest its surplus funds. Where surplus reinvestment is needed most to build lacking infrastructure and develop domestic industry, it is least likely to stay (Foster, 2001).

Globalization

The transnational flow of surplus funds reproduces class relationships on a global scale; distinctions in pace of development apply to inter-country relations as well as intra-country economies. Regions can be grouped into three basic categories of international "class" which parallel the distinctions made above: core states as the highest income nations; followed by semi-periphery, middle income regions; lastly by periphery – the most impoverished of regions. As evidenced in Table 4, the precarious popular class – specifically the precarious popular class – is concentrated in periphery economies. This trend begins in the post WWII period with the neoliberal counter-revolution.

"Semi-periphery" countries possess the possibility of movement in either direction – inward or outward. These regions are much more diverse than the other two strata with many differentiations according to cultural, political, and economic characteristics, but share the function of operating as a buffer between core and periphery economies based on these characteristics (Wallerstein, 1976). Like the intra-country income level differentiation, the gap between the upper two nations is of greater magnitude than that between the lower two regions despite the diversity within the semi-periphery category. It must be noted that there has been more convergence with respect to income within strata for all countries, than income convergence between countries (Arrighi, 2003).

Historical path dependence from the industrialization period of Western Europe and subsequently the US led to and maintains this global economic hierarchy. Where economic dominance exists, political advantage persists; geo-political boundaries thus conscript the strata (Arrighi, 2003). The domination of high income nations resides in their economic power over surplus funds which is highly correlated with but not tantamount to political power. Indeed, were it not for the high command over economic surplus funds, it is doubtful that the high income countries could maintain position politically and militarily over regions in various and nascent stages of development (Heilbroner, 1985).

As well, low productivity or low per capita GDP is not indicative of low surplus production. Ruling elites in less developed regions – even at the local level – who exert power over the allocation of the surplus may apply the fund to ceremonial purposes, maintenance of status and invidious distinctions, military force, and as a reserve for flight should their regime crumble[10] (Stanfield, 1992). "World-economies then are divided into core-states and peripheral areas. I do not say peripheral states because one characteristic of a peripheral area is that the indigenous state is weak, ranging from its nonexistence (that is, a colonial situation) to one with a low degree of autonomy (that is, a neo-colonial situation)" (Wallerstein, 1976). Patterns of surplus fund accumulation and dissemination are a direct reflection of a region's social structure. Lack of domestic increases in productive capacity begs questions of where surplus funds are accumulating, who controls its accumulation, and to what purpose surplus funds are being put (Lippit, 1985); in other words, "who plans the what" (Stanfield, 1974). Accordingly, poverty within semi-periphery and periphery regions may not necessarily be indicative of lack of development, but rather of the concentration of surplus funds into the hands of those who do not dispose of it through productivity enhancing investments or investment in crucial public infrastructure (Lippit, 1985).

The global push for the intensification of the division of labor within the last 30 years does not occur via specialization or ability, but rather along and among

[10] Baran, in his 1957 classic, points out that regions which are able to build monuments, maintain palatial estates, or fight wars are only able to do so through domestically generated surplus funds (Lippit, 1985, 10, 17).

geographical, spatial lines. It therefore represents an organization of production that is increasingly based on the social advantage, position, and more importantly the ability of states located in the center of the global economic system to expropriate surplus funds. The more skilled occupational tasks are concentrated in those regions with greater economic power and as such are part of the impetus in the effort to maintain social and economic status (Wallerstein, 1976).

The global division of labor when studied within the context of spatial income strata demonstrates the persistence of regional and international strata. High income countries are able to fund innovations in product and production through their control over surplus funds (and through readily and easily available credit). It is to the originating countries that "Schumpeterian profits" accrue so that even if industrial innovation is diffused quickly on a global scale, lower income countries are not able to tap those profits as markets are already established. Despite the economic boost that industrial innovation offers, the spoils have not been equivalent between income strata. Furthermore, the greater the time interval in the diffusion of innovation downward through income strata, the more intensified competition in the global market becomes. Despite lower labor costs, lower income strata cannot reap the Schumpeterian profits that higher income strata can due to lag time in the diffusion of innovation (Arrighi, 2003).

Once the product or production innovation has been diffused to lower strata the market becomes highly competitive. Even with excess capacity, however, firms are reticent to switch to other industries requiring additional fixed capital outlay because of the lower costs of attempting to increase international competitiveness, established consumer and vertical supplier relationships, sunk capital investment, and technological specialization. Without effective demand or demand that has been diffused, capital sits idle. Exacerbating the problem of excess capacity in the latter part of the twentieth century was the ability of lower income countries to enter manufacturing industries with lower costs, especially labor costs. Overestimation of elasticity of demand caused by neo/new Keynesian government spending further contributed to excess capacity[11] (Brenner, 2001).

Indeed, the lower income countries eventual entry into the global marketplace between WWII and the 1970s led to intensifying competition which at one point threatened the top of the income hierarchy despite the advantage of the innovative process. This threat (along with stagflation) helped fuel the revitalization of neoliberal ideology, hence the switch in global economic goals from development to that of neoliberal globalization. The turn around of economic policy to the neoliberal ideology demonstrates the power of higher income strata in the accumulation of surplus funds (Arrighi, 2003).

It is during the late 1960s and early 1970s that the highly productive sectors of the later developing countries began to infringe upon US markets which at that

[11] Even these policies have not been enough to fully restore rates of profitability (Brenner, 18-20).

point had not moved entirely from manufacturing industries into financial markets. Excess capacity in capital markets combined with less-contained costs on other factors of production such as labor led to a falling rate in profit for US manufacturers. The ability of the later developing countries to contain costs slipped farther away with the devaluation of the dollar following the period of falling rates of profit and the large defense production for the Vietnam War. Despite the downward movement of the dollar, US manufacturers remained plagued by excess capacity. Falling rates of profit in both early and later developing countries, the former caused by growing excess capacity, the latter by rising costs and stronger currency, resulted in a world-wide manufacturing crisis (Brenner, 2001). Increased competition in global markets thus exacerbates the problem of excess capacity; firms must find methods of relieving excess capacity/surplus of funds via non-productive methods (Brenner, 2001).

High income countries have the advantage of escaping highly competitive markets because of their ability to apply surplus funds in the creation of new innovations, products, or services with less competitive crowding; indeed, higher income countries can escape global competitive pressures by creating entirely new markets. The intensified competition following the Second World War prompted the potentially unlimited growth of financial markets along with continuous attempts on the part of the state to alleviate excess capacity via domestic protection and public spending (Brenner, 2001). The US was able to side-step the intensifying competitive pressures produced by industrial innovation diffusion by transforming itself from an industrial-based economy to a service economy mostly through the creation and expansion (through amenable policy changes) of new global markets – financial markets (Arrighi, 2003).

The high income countries of the west were thus relieved of excess capacity and found outlets for surplus funds by moving out of manufacturing industries (with the exception of non-productive goods such as military expenditures) and into financial markets which appeared to offer infinite expansion via continuous creation of new financial instruments. Already precariously balanced countries dependent on financing for the development of their economies consequently found new competition from high income countries in the global financial marketplace – competition with greater strength and better positioning (Arrighi, 2003). Despite the competition, new financial markets could fund innovation in lower income countries, and in so doing increase not only their financial dependency, but also the path dependence of their industrial markets.

Indeed, financial speculation and maneuvering within financial markets provides yet another expanding outlet for surplus fund relief (Foster, 2000). Accordingly, the growth of financial markets under the impetus of creating new outlets for surplus funds has lead to unprecedented speculative activity and the creation of new and potentially volatile financial instruments, such as derivatives (Foster, 2002). "Competition and technology are driving speedier innovation, resulting in a breathtaking diversity of new financial instruments and services to businesses, consumers, and investors. Events such as the combination of the New York Stock Exchange and Euronext mark the continuation, not the end, of this convergence" (Remarks by Commissioner Atkins, SEC).

The economic surplus fund approach emphasizes the distribution of power; recognizes that investment is not synonymous with growth nor necessarily indicative of increases in domestic per capita incomes; and incorporates institutional analysis into the framework thereby demonstrating that low growth is not reflective of low productivity (Danielson, 1990). In the case of lower income countries, there would thus appear to be two issues at hand: the existence of economic surplus funds and its implementation. It should be reemphasized that it is not overall per capita output but rather potential output beyond essential consumption that determines the level of surplus funds. It is therefore entirely feasible that a low income country produce a high level of surplus funds – lower income is not indicative of low surplus funds. Indeed, these countries might generate high surplus funds that are either misallocated or expropriated and therefore not allowed to pursue domestic investment outlets that could increase productive capacity or improve infrastructure, thus driving economic development[12] (Stanfield, 1992).

Future of Economic Surplus Fund: The New Society – Reframing and Refocusing

The culture of capitalism teaches from early in life the ethics of accumulation; all gain is earned and all loss and suffering deserved. The mantra of individual responsibility likewise teaches that one must work hard, sweat, and toil, so that she may consume; she must consume for the sake of jobs in which she and others must work hard, sweat, and toil, so that they may consume. Modern monopoly capitalist society of the past century has become so focused on the work ethic, so narrowly romanced by the idea of merit, that the purpose and content of employment no longer matters – the job, its produce, and the uses to which that produce might be put can be meaningless so long as people work. A person must "earn" what she receives, regardless of whether or not she gets what she needs (Wilson, 1961). The degradation of daily work manifests in the increasing forces of production. The persistent fragmentation of work, the split of the workforce into cohorts arranged through a hierarchy of managerial levels and the splitting of the workforce into categorical and specified functions degrades and alienates individuals from the work process denying them a sense of completion, cooperation, and participation in a larger, collective goal. The individual becomes ensnared in the needlessly meaningless drudgery – irksomeness – of work (Stanfield, 1992).

[12] Lower income regions should not be considered poor; indeed these are regions that are rich in natural resources. We should rather consider these countries impoverished.

The irrationality of the current system is brought to bear in stark terms within the context of the economic surplus fund and its allocation under modern capitalism. The surplus fund continues to be diverted into the research and development of "new and improved" product differentiations that flood choices to increasingly overwhelmed consumers as well as introduces and suggests previously non-essential or unknown wants (Dawson, 1992). One need only look to the pharmaceutical industry to understand the irrational imbalance of lifestyle drugs such as hair replacement therapy and erectile dysfunction cures against the research into tropical disease or the access to medicines in underdeveloped countries racked with curable diseases, such as tuberculosis or malaria (Lexchin, 2001). The burden of abundance creates a strain on natural resources, further alienating the individual from nature and disrupting the ecological balance (Stanfield, 1992). The planned obsolesce and "creative destruction" of new, but more importantly, disposable products serves to relieve the surplus fund, but threatens the ecological balance of the planet (Dawson, 1992).

The comparison of federal expenditures on education versus military armament casts light on the irrational role played by the government in the alleviation of excess capacity (again see Table 3). The suggestion of consumer wants and the persuasion of patriotic allegiance to manufactured enemies[13] provide shed light on to not only the irrationality of the system, but as part and parcel, the irrationality of surplus fund allocation and of national and individual priorities under modern capitalism (Dawson, 1992). The resultant waste and irrationality of the utilization of surplus funds under the control of modern capital does not address issues of personal fulfillment or social reform, but rather creates the "ideological wasteland" which ultimately no commodity can remedy and policy that does not address authentic social issues (Baran, 1966).

While Baran and Sweezy eloquently modernized Marxist thought by focusing on the institutionalization of monopoly power in both the market and political arena, there remains vestigial adherence to the classic juxtaposition of the impoverished proletariat masses against the few, privileged capitalist 'fat cats.' As such, there remains the hope of revolution through the proletariat realization (i.e., consciousness) of the quantitative imbalance of society's abundance. Stanfield proposed early in his career that neo-Marxists should focus instead on the qualitative deterioration of life under the monopoly capitalist system. As such any future consciousness of imbalance would be predicated on waste and irrationality rather than on income imbalances (Stanfield, 1972).

The economic surplus could instead easily represent a fund from which resources may be drawn to the benefit of society, to each individual, to individuals in need, or to specific individuals or groups. There is no law of nature (or supernature for that

[13] This is not a phenomenon that is recent, nor is it unique to a specific party. Clinton used the phrase 'rogue states;' Bush used the phrase 'axis of evil.'

matter) which determines who should accumulate and control surplus funds, and in the modern, centralized capitalist system, we see the accidental historical arrangement in which surplus funds accrue to those with already established political and corporate power (Stanfield, 1992). When the needs of society and individuals constitute the basis of the distribution of surplus funds, invidious distinctions and meritocracy are no longer important (Stanfield, 1984). In the end, the surplus fund represents society's potential. This potential can be directed toward change or to maintaining the status quo; to benefiting the masses or the privileged few; to redressing social problems and anxiety or to ignoring, distracting, and anesthetizing society to those social problems (Lichtenstein, 1983). Visualizing the economic surplus as a fund for social change requires a change in mental models – casting off the market mentality, pecuniary incentive structures, and culture of capitalism – while adopting new mental models which envision the expansion of productive capacity aimed at improving the quality of life, not merely the quantity of production (Stanfield, 1992).

Instrumental Economic Policy

The economic surplus fund of a society may be put to any number of possible uses. Surplus funds could be applied to public infrastructural and social needs, such as transportation thoroughfares, education, or health; changes that would also increase productive capacity. Likewise, surplus funds might be directed to the improvement of qualitative facets of living, to increase leisure time by decreasing required work loads, or to the development of culture through dance, theatre, or art. Surplus funds could instead be directed towards ceremonial purposes, to maintain a ruling or elite class, or be expropriated abroad, none of which serve to expand productive capacity or improve the quality of life for the masses. Such choices are not new. In commenting on Europe during the sixteenth century, Tawney noted,

Applied to the arts of peace, the new resources commanded by Europe during the first half of the sixteenth century might have done something to exorcise the specters of pestilence and famine, and to raise the material fabric of civilization to undreamed-of heights. Its rulers, secular and ecclesiastical alike, thought otherwise. When pestilence and famine were ceasing to be necessities imposed by nature, they re-established them by political art. The sluice which they opened to drain away each new accession of superfluous wealth was war (1926).

In the case of middle and low income countries, the implementation of the economic surplus fund and whether or not it expands productive capacity determines whether economic growth, and subsequently development occurs. More importantly, the direction of the surplus fund can be aimed to meet the needs/wants of a society writ large, or can be directed so as to benefit specific group(s) of individuals (Lichtenstein, 1983).

The critical issue at hand is how much of the economic surplus fund is applied to enhancing productivity and quality of life and how much is wasted on maintaining the ruling elite through either conspicuous consumption or military armaments: "There is no reason that Social Security has to be internally self-supporting any more than the Pentagon" (Foster, 2005). The form of the economic surplus fund, that is how the fund is used, is thus clearly a matter of power. Whoever controls the economic surplus fund determines its use, whether productive or non-productive and consequently whether or not economic growth and development occur.

Even within the capitalist framework, directing economic surplus funds into social programs illustrates the potential for social change – including but not limited to increasing "human capital" as opposed to channeling the funds into non-productivity increasing investment outlets. In other words, the economic surplus fund could be invested in the people as opposed to production. Deficit financing could theoretically within the capitalist economic surplus fund framework be somewhat off-set by the increase in tax revenues from a better educated and sustained workforce thereby easing the threat of inflation. Outside of the capitalist framework, economic surplus funds have the potential to finance the free time of individuals allowing time for fulfilling work, encouraging greater social interaction or creative activities.

If economic policy is to be truly instrumental, that is, serve the needs of society then it must be subordinated to society. Likewise, progress should not be measured by expansion of productive capacity, but rather by the expansion of human capacity for creativity, thought, and social relations. Traditional Marxist thought, in concentrating on the role the state plays in the amelioration of class tensions and antagonisms, has overlooked the necessity of the state in providing necessary infrastructure, such as basic education and transportation thoroughfares to maintain and increase productivity, and in so doing has neglected social consumption (Stanfield, 1972). Instrumental economic policy should allocate surplus funds to the social provisioning of individuals, including an individual's development, which necessitates freeing the individual from the illusion of the disutility of work, creating space in which meaningful relationships with other individuals might form, as well as fostering creative and intellectual thought (Stanfield, 1984).

Instrumental economic policy calls for long run administered structural adjustment, specifically with respect to supply-side issues when addressing ineffective aggregate demand – the complete Keynesian policy prescription. Stanfield advocated from early in his career that attention be placed on those power relations that dictate the allocation and distribution of surplus funds rather than on the issues of price or employment both of which are the products of how surplus funds are used. While New Keynesian economics latched onto Keynes' explanation of ineffective demand, what they failed to do was to connect the theory of ineffective demand to theories of imperfect competition (Mott, 1992). In other words, (as argued eloquently by Joan Robinson), attention must be paid to the structure of aggregate employment and output, rather than simply the levels of aggregate employment and output (Stanfield, 1972, Stanfield, 2005). That the market system offers impartial coordination is indeed a fallacy; instead, a system of planning and coordination of the economic surplus fund occurs under the ideology of free enterprise (Stanfield, 1984).

Visions of the Future

Stanfield's vision of a "new society" articulated in "The Fund for Social Change" is one that allows for the authentic development of human creativity, imagination, aesthetics, and social interaction, whereby such development takes precedence above the production process per se. The role of productivity would be reduced to servant, rather than master of growth, and harnessed so as to serve the purpose of human development: "In a very significant sense, the nature of a society is revealed by the manner in which it disposes of its surplus" (Weisskopf, 1972). Society's concern would shift from how much the economy can grow in quantitative, productive terms to the qualitative test of how much, how, and in what direction should the economy grow. Productivity and efficiency in this new society would be focused on the instrumentality of production as opposed to the optimization goals of capitalist production. Likewise, human work would shed its cumbersome and pejorative connotation and be humanized and channeled into socially necessary work. The drudge and toil associated with endless production in pursuit of "unnatural" and presumably endless wants would be removed and in its place work which reveals its usefulness, completeness, and contribution to the development of the individual and the collective would arise. The pace, direction, and content of economic growth within the new society would be a matter of publicly decided and debated political choice[14]. As such, the growth of the economic surplus fund, including the financing of such growth, would be structured and distributed as decided by and to the benefit of the collective. Public forums established to gather, disseminate, and discuss potential products would serve to elucidate the true costs associated with any one course of action, and as such, work to internalize previous externally produced costs, such as ecological damage (Stanfield, 1992).

There is an increasing awakening in certain parts of the world to the irrationality of the globalizing, neoliberal Great Capitalist Restoration. Excess capacity, coupled with financial instability wrought by increasing speculative activity, threatens an already dangerously precarious macroeconomic balance. Even if modern monopoly capital were to continue to prove adept at its adaptive responses, the people of the world still face eminent ecological destruction, cultural disintegration and dissonance, worsening inequality, and a social malaise which continues to fester and rage at the irrationality and waste endemic to the system. Social change is still possible. Dr. Ron Stanfield has shown us the path to such change resides in the

[14] Stanfield addresses the possibility of the biological imperative to dominate in his discussion of a new society. See Stanfield, 1992, 26.

popular harnessing, control, and allocation of the economic surplus fund – the fund for social change.

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