

# **Clarification and Application of the Category Profit on Alienation**

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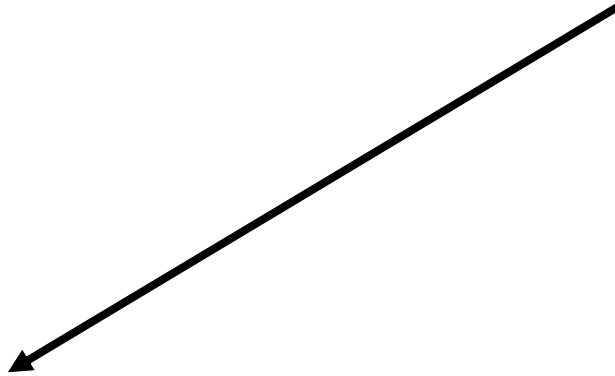
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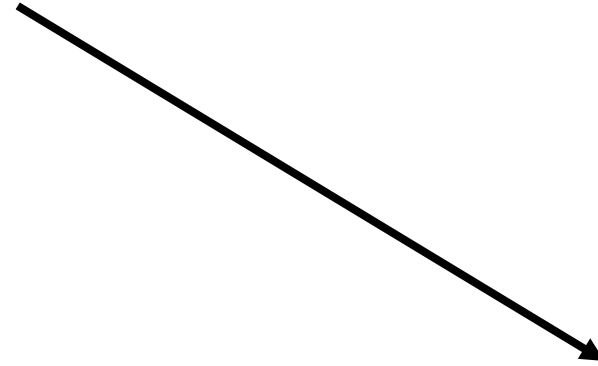
The modern literature on the Marxian labor theory of value generally neglects an important concept of the political economy, **profit on alienation** (POA).

This is understandable because, both in Marx's texts and, more importantly, in secondary literature, there is an emphasis on **surplus value** as the source of profit.

Marx has two concepts of profit  
based on two different phenomenon



**Profit** as part of **surplus value**,  
based on equal exchange arising  
from the **production of new wealth**



**Profit On Alienation (POA)**,  
based on unequal exchange  
arising from a **transfer of wealth**

Although not many, some political economists emphasize the significance of POA in different contexts:

- Shaikh; 1984, 1986, 2016

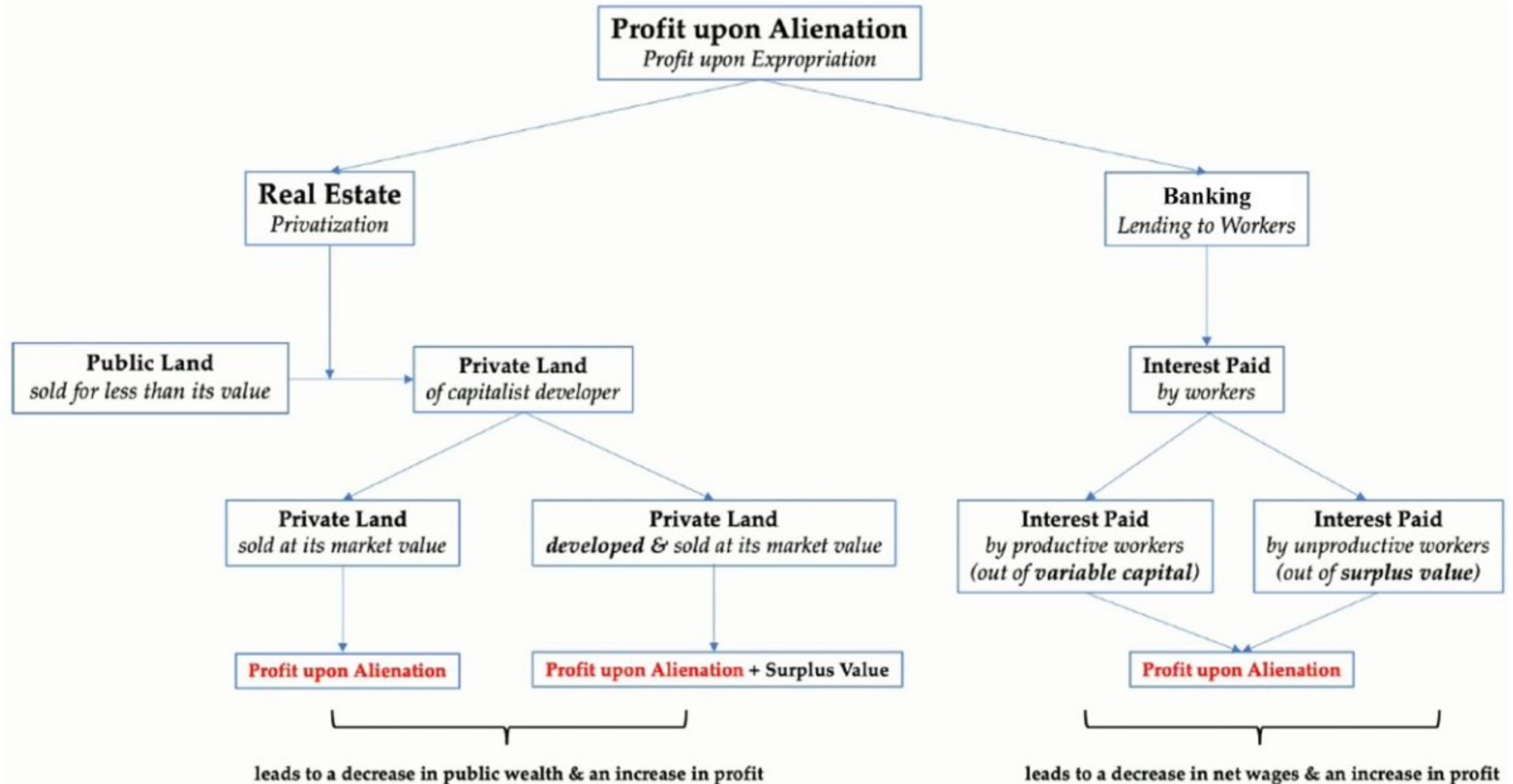
  - Transformation problem:** inequality between total surplus value and total profits

- Lapavitsas; 2014

  - Finance:** banks  $\leq$  households

- Shaikh & Tonak; 1994

  - Trade:** unequal exchange



## Empirical Case I: Land Privatization

### Steps:

- (1) Calculate the public price (what the private sector pays) using data from the Annual Reports of the Directorate General of National Property (DGNP; Milli Emlak)
- (2) Obtain market price data using the biggest commercial website (web scraped 178 thousand ads in 2021)
- (3) In the absence of specific land price indices, we use housing price indices by CBRT to reconstruct public and market prices for all the other years
- (4) Calculate the potential profit upon alienation by multiplying the difference in public and market prices per square meter and the total land area. The estimated POA in real estate for the whole period amounts to **US\$9.31**.

	Area Sold (million meters square)	Total Revenue (billion TL in current prices)	Public Price per Square Meter, PP (TL)
2010	7.13	0.13	19.07
2011	8.93	0.22	22.52
2012	15.77	0.56	35.81
2013	11.01	0.78	71.43
2014	10.20	2.29	224.52
2015	7.11	0.51	71.44
2016	15.90	0.61	38.71
2017	14.81	0.34	32.17
2018	7.86	0.40	50.76
2019	24.06	0.47	19.60
2020	17.40	0.14	8.31
2021	25.83	1.77	68.81

	House Price Index	Market Price, MP (TL)	Potential Market Revenue (billion TL)
2010	48.1	135.78	0.97
2011	51.2	144.73	1.42
2012	56.4	159.51	2.51
2013	63.6	179.74	1.98
2014	73.1	206.59	2.11
2015	84.5	238.89	1.70
2016	94.8	268.06	4.26
2017	103.4	292.52	4.33
2018	108.0	305.41	2.40
2019	118.8	336.14	8.09
2020	154.9	438.47	7.62
2021	247.4	700.30	18.05



	Potential Profit upon Alienation (billion TL)	Potential Profit upon Alienation (billion \$)
2010	0.83	0.55
2011	1.20	0.72
2012	1.95	1.09
2013	1.19	0.63
2014	−0.18	−0.08
2015	1.19	0.44
2016	3.65	1.21
2017	3.99	1.09
2018	2.00	0.41
2019	7.62	0.34
2020	7.48	1.07
2021	16.31	1.84

## Empirical Case II: Loans to Worker Households

### Steps:

(1) To figure out the total loans extended to worker households, we use data from the Banks Association of Turkey (TBB) and the Banking Regulation and Supervision Agency (BDDK) and report bank loans to worker households in Turkey. About 70 percent of all consumer loans are offered to worker households (TBB 2022a).

(2) Next, we use the ratios of interest income to interest expense to obtain banks' net income (or profit) on loans to worker households. The figures are our estimates of POA in the financial sector, presented in US dollars, by converting national currency values based on exchange rates in the relevant years. The total estimated POA in the financial sector for the whole period is **US\$55.2 billion**.

	Interest Income on Consumer Loans (including mortgages, in billion TL)	Interest Income on Credit Cards (in billion TL)	Interest Income on Loans to Worker Households (in billion TL)
2010	14.96	4.84	13.86
2011	17.84	4.57	15.69
2012	22.80	6.10	20.23
2013	26.03	6.60	22.84
2014	30.43	6.98	26.19
2015	34.77	8.08	29.99
2016	39.88	9.05	34.25
2017	47.27	9.06	39.43
2018	56.57	11.23	47.46
2019	69.63	13.98	54.26
2020	72.14	10.53	57.87
2021	96.80	21.70	82.95

	Interest Income to Interest Expense Ratio	Profit upon Alienation (in billion TL)	Profit upon Alienation (in billion \$)
2010	1.87	6.45	4.30
2011	1.72	6.57	3.92
2012	2.04	10.31	5.75
2013	1.65	9.00	4.72
2014	1.67	10.51	4.80
2015	1.86	13.87	5.10
2016	1.91	16.32	5.41
2017	1.91	18.78	5.15
2018	1.93	22.87	4.73
2019	2.12	28.66	5.05
2020	1.94	28.04	4.00
2021	1.84	37.87	2.27

	Total Corporate Sector Profits (in billion \$)	Total Potential POA (in billion \$)	POA as a Share of Total Profits (%)
2010	76.49	4.85	6.34
2011	43.47	6.44	10.68
2012	78.28	6.85	8.75
2013	59.77	5.35	8.96
2014	65.36	4.72	7.23
2015	57.40	5.54	9.65
2016	47.52	6.62	13.93
2017	73.65	6.24	8.48
2018	42.19	5.14	12.19
2019	65.61	5.39	8.22
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2021	83.75	4.11	4.91

Considering only the above channels of POA in two sectors gives us a reasonable sense of its significance.

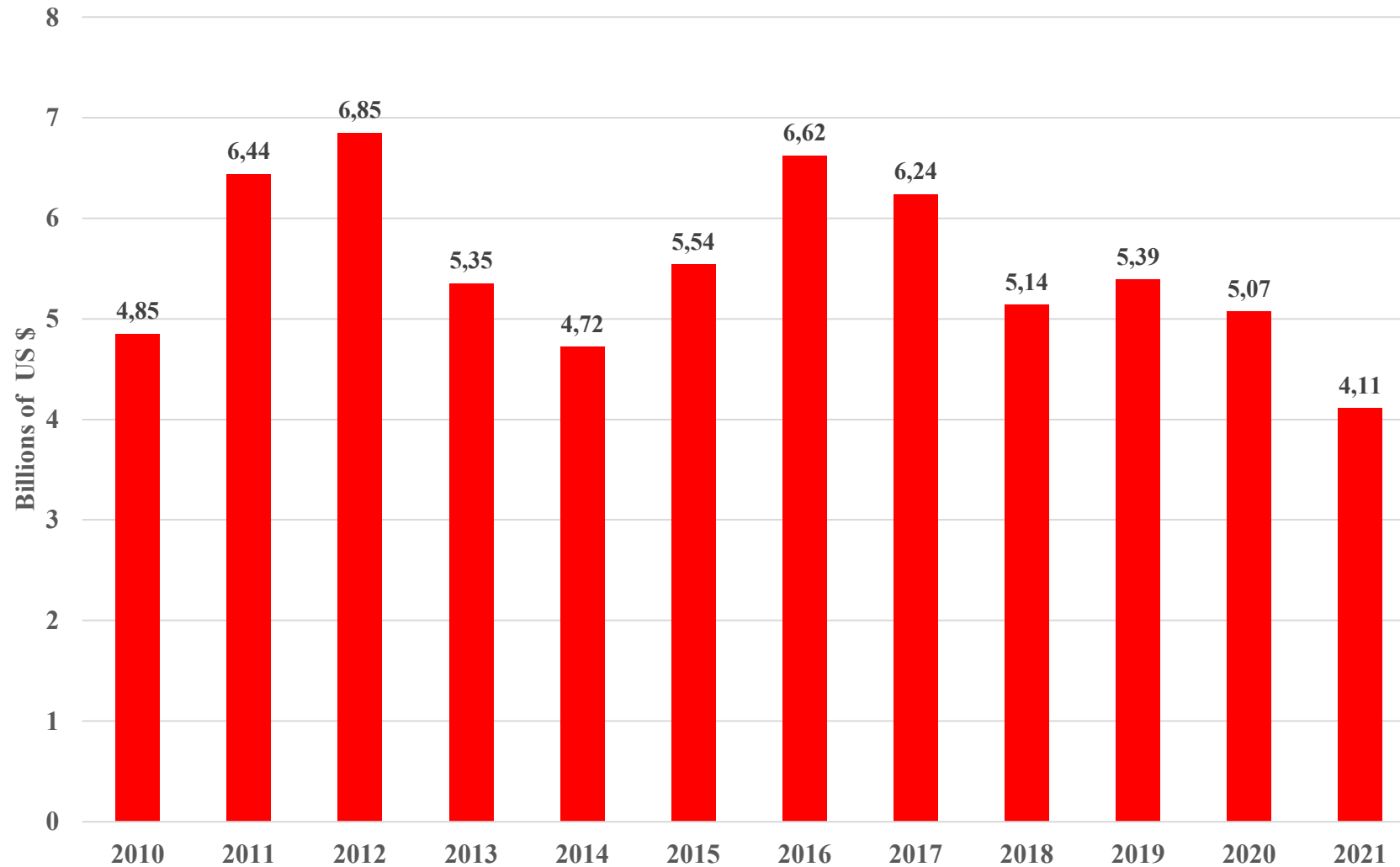
For 2011-2021, the average ratio of POA to total profits was %9.03, and in 2016, it reached %14!

Moreover, for example, in 2019, when the share of total corporate profit, as a percentage of GDP, was around %8.7, the size of POA was % 0.71.

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# Profit on Alienation

Privatized Land & Interests Paid by Workers



# Discussion

## LAND

- Accumulation by Dispossession (Harvey)
- Existing research mainly based on political or sociological aspects
- POA is a new analytical framework in which value transfers are central

## LOANS to WORKERS

- Transfers both from variable capital (wage fund) and surplus value
- POA is significant in the improved estimation of both the rate of surplus value and the mass of surplus value.



# Conclusion

- Data issues
  - Better estimations of public and market prices
  - Including land not sold but used for profit sharing (i.e. TOKI projects)
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- Further Research
  - Informal-formal sector interactions
  - Unequal Exchange in international trade