Apple’s $257 billion cash hoard and parasitic accumulation

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The most striking feature of Apple’s financial results for the first quarter, released earlier this week, was the growth of its enormous cash holdings.

The US tech giant now holds more than $257 billion in cash reserves, a figure which has doubled in the past four and a half years. Some 93 percent of this more than a quarter of a trillion dollar cash pile is held outside the country in the form of short- and long-term securities in order to escape paying US corporate taxes.

In the last quarter of 2016, it is estimated that Apple was accumulating cash at the rate of $3.6 million per hour.

The cash reserve means that Apple now has on hand more money than the market value of both American retail giants Wal-Mart and Procter & Gamble and holds more than the combined foreign currency reserves of the UK and Canada.

The company increased its returns to shareholders by $50 billion and reported earnings per share grew by 10 percent in the three months of the year.

There is considerable conjecture about what the company intends to do with its vast holdings. But one thing can be definitely said at the outset: they will not be devoted to productive activities but rather to financial operations aimed at increasing profits still further.

Apple has indicated that if the Trump administration introduces legislation either waiving or at least significantly reducing tax payments on any money returned to the US then it could repatriate some of its money.

Trump has raised the possibility of tax breaks on overseas cashing holdings with the claim that this will bring jobs back to America.

But if Apple does bring back its cash it will not be used for increased investment, leading to the creating of more jobs, but will be deployed on essentially parasitic activities.

This could include the purchase of other companies, including content providers—the live streaming channel Netflix has been mentioned as a possible target—or to finance further share buybacks in order to boost the value of the company’s stock.

Some of the money could also be used in increased dividends, with one of the world’s richest individuals, Warren Buffett a major beneficiary following the decision by his company, Berkshire Hathaway, to double its holding in Apple last January.

Buffett’s move could well have been made in anticipation of a decision by the Trump administration to change the tax regime to encourage Apple and others to return cash to the US.

Whatever Apple decides to do it will be of an essentially parasitic character.

These operations are not an aberration but express the essential characteristics of the profit accumulation process of Apple and other high-tech corporations, which have more in common with financial firms than the industrial corporations of the past.

Unlike those corporations, which once dominated the American economic landscape, Apple does not essentially accumulate profit through the extraction of surplus value from the employment of a large industrial workforce but through the appropriation of surplus value extracted elsewhere. That is, its massive profits are essentially a form of rent.

The economic category, rent, first emerged in relation to land ownership.

Under the capitalist mode of production, competition between different sections of capital effects the formation of a general or average rate of profit. The overall mass of surplus value extracted from the working class as a whole is distributed among the different sections of capital, Marx explained, according to the proportion of the total capital of society they contribute.

They function as shareholders in the common plunder.

But, like everything else in the profit system, this distribution does not take place through a conscious plan but through competition in the market which drives the movement of capital.

If profit in one sector of the economy is higher than the average, the capital investment flows into that sector, increasing the supply of commodities it produces, thereby lowering their price and reducing the profit level until it reaches the average. It is this divergence, above and below the average, which drives the continuous movement of capital.

However, in the case of agriculture there is a barrier to the movement of capital in the form of land ownership.

This enables the formation of higher prices than would otherwise apply had capital been able to freely move into that sector. The price divergence results in higher profits than would otherwise apply, a portion of which is appropriated by the landowner in the form of rent.

This rent is not the result of the extraction of additional surplus value but rather the appropriation of surplus value produced elsewhere by the monopoly ownership of an economic resource, in this case land.

While it takes a very different form, the profit accumulation of Apple and other such firms is essentially the same. In this case the monopoly is not of land but of knowledge protected, as is the land, by a series of laws, in this case intellectual property rights. These rights are jealously protected, to which a series of hard-fought court cases attests, because they are key to profit accumulation.

Apple does not manufacture the iPhones and other products it sells. They are put together in giant industrial concerns employing hundreds of thousands of workers, such as Foxconn in China, under conditions of intense exploitation, from components made elsewhere.

It has been estimated that the cost of an iPhone, retailing for around $650 to $700, is made up of $220 for the components and $5 for the labour of assembly.

The selling price of nearly three times the production cost means that Apple is able to secure a far higher rate of return on its capital outlay than is obtainable elsewhere—the average or general rate of profit.

What prevents the movement of capital to push down the price is the monopoly, enshrined in the intellectual property rights which Apple has over the software. Of course, other firms compete and put out rival operating systems. But their mode of accumulation is the same—it is based on a monopoly of knowledge, which, if it were freely available, would result in a massive fall in prices across the board.

Of course, like the landowners of the past, Apple and the other high-tech giants claim entitlement to this higher rate of return of return because of the outlay on hiring those who develop the new software programs and operating systems.

But these claims are no more justified than the claims of the landlords who, by means of their ownership of a natural resource, claimed a portion of wealth.

In the case of Apple and the other high-tech giants, money power is used to exploit a social resource, in the form of knowledge and science, in order to appropriate private profit.

Apple spends millions of dollars each year buying up the best brains from around the world to develop their new programs and devices. It is a cutthroat struggle in which failure to remain one step ahead runs the risk of becoming the next Nokia or Blackberry, bypassed in the sweep of technological change. This is one of the reasons why the high-tech firms have voiced opposition to Trump’s immigration restrictions, fearing that if barriers are set in place talent will go elsewhere.

But for all the money Apple and others lay out, they essentially obtain these services for next to nothing. This is because the capacities of the mathematics, engineering and computer programming graduates they hire are a pittance compared to the outlays by society as a whole, on schools, universities and other educational facilities, without which these undoubtedly talented and gifted individuals could not have developed their expertise.

In short, Apple’s mode of profit accumulation, expressed most graphically in its vast cash pile, is based on pressing science, which develops socially, into the service of capital for private profit, leading to the further accumulation of wealth on the heights of society, flowing into the coffers of figures such as Warren Buffett, at the expense of the population as a whole.