Uma hipótese para a inflação latino-americana: conexões entre a teoria da inflação de Anwar Shaikh e a teoria da dependência de Ruy Mauro Marini

A hypothesis for Latin American inflation: connections between Anwar Shaikh's inflation theory and Ruy Mauro Marini's dependency theory[1]

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Resumo: O artigo desenvolve uma hipótese para contribuir nos estudos sobre por que a inflação na América Latina é persistentemente maior do que a inflação nas economias avançadas. Para isso, mostra que esse hiato inflacionário é uma regularidade empírica com espraiamento regional e que as teorias econômicas ortodoxas e heterodoxas tem dificuldades de explicá-la. A contribuição da pesquisa é mostrar que esse fenômeno intrincado pode ser explicado teoricamente na convergência entre duas linhas de pesquisa que, até onde sabemos, possuem pouca integração: a teoria clássica da inflação e a teoria marxista da dependência. Para isso, articula os determinantes clássicos da inflação com as transferências internacionais de valor e superexploração da força de trabalho no capitalismo dependente. O resultado da pesquisa é o desenvolvimento da hipótese de que o imperialismo e as relações de dependência são fatores causais da regularidade empírica observada e fracamente explicada pelas teorias convencionais.

Palavras-chave: inflação, América Latina, economia marxista, teoria clássica da inflação, teoria marxista da dependência.

Abstract: This article aims to contribute to the explanation of why inflation rates in Latin America have persistently remained higher than in advanced economies. To this end, it demonstrates that this inflation gap is an empirical phenomenon with regional spread, which both orthodox and heterodox economic theories struggle to explain. The contribution of the research lies in showing that this phenomenon can be theoretically explained through the convergence of two strands that, to our knowledge, have been

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minimally connected: classical theory of inflation and Marxist Theory of Dependency. Accordingly, the determinants of inflation in classical theory are articulated with international transfers of value and the super-exploitation of labour power in dependent capitalism. This research demonstrates that imperialism and dependency relations can be examined as causal factors in the inflation gap between Latin America and advanced economies.
Keywords: Inflation, Latin America, Marxist economics, Classical theory of inflation, Marxist Theory of Dependency.

INTRODUCTION

It is fairly known that since the end of World War II, inflation rates in Latin American countries have been higher than in wealthy nations. It is also observed that when global inflation increased, it rose even more in peripheral economies. According to data from the International Monetary Fund (IMF), starting in 1980, Latin America and the Caribbean consistently had an average inflation rate higher than that of the G7 countries and the global average throughout all years of the historical series. In this regard, we identify two unresolved questions: why does this inflation gap exist, and is there a mechanism that simultaneously pushes inflation up in one region while driving it down in another?

In contemporary debate, the explanation for Latin American inflation that seems to enjoy the most acceptance, focuses on the role of credibility and reputation of governments and Central Banks in shaping inflation expectations, with an emphasis on each country's internal fiscal and monetary issues (De Mendonça and Veiga, 2017; Sargent, Williams, and Zha, 2009). Conversely, Neely and Rapach (2011) acknowledge that "inflation is always and everywhere a monetary phenomenon" and conclude that non-monetary factors can generate transitory effects on inflation, with external macroeconomic shocks being channels through which inflation rates become interconnected. The authors demonstrate that *regional factors* help to explain national inflation rates, so that it is possible to take into account a *Latin American inflation*, even within orthodox theoretical frameworks.

In this sense, if there is such a *Latin American inflation*, there must be at least one shared feature that affects the region, driving its economies to a more or less common direction. Thus, we conducted a literature review summarising different explanations on this feature, including those based on exogenous shocks, according to a *Jevonian* tradition

of sunspots (Kehoe, Nicolini, Sargent, 2021, p. 35); on colonial legacies, in the institutionalist tradition (Acemoglu *et al*., 2003; Aisen and Veiga, 2006); and on levels of economic development or complexity, as in contemporary structuralism (Nell, 2023; Roncaglia de Carvalho, Ribeiro, and Marques, 2018). There is also some interesting explanations in the Marxist field regarding contemporary inflation in general (Prado, 2023; Shaikh, 2016; Silva and Maldonado Filho, 2017), but relatively few of them discuss Latin American inflation specifically.

Within this group, Marxist Theory of Dependency (MTD) has never directly addressed the issue, despite its efforts to explain the specific functioning of capitalism in the region. Although it recognises the effects of inflation on the working class across the continent, we have yet to be aware of any broader attempts to theorise the causes of inflation in dependent economies. Nevertheless, certain insights can be drawn from separate works. For instance, in *Subdesenvolvimento e Revolução*, Marini (2017) suggests that Brazilian early 1960s inflation, during João Goulart's government, resulted from class struggle and the capital-labour conflict, intensified by the advance of industrialisation and the urban trade union movement.

In this same context, and not only in Brazil, other theories inspired by distributive conflict and monopolistic capital gained strength (Baran and Sweezy, 1974). Although not addressing inflation specifically, Marxist Theory of Dependency offers a framework for understanding Latin America that helps solving an enigma that conventional inflation theories fail to explain: why does Latin American inflation exhibit a dynamic different from that in imperialist countries? What is the common factor in the system's periphery that produces a regional inflation rate persistently higher than the global rate?

The following premise forms the basis of our hypothesis: the countries in the region are subordinated by imperialist economic relations, through which part of the value produced in the region is drained abroad in the form of unequal exchange, profit remittances, and interest payments (Leite, 2018). While the empirical measurement of this transfer is highly complex and subject to variation depending on the methodologies employed (Breda, 2020), Hickel *et al*. (2022, pp. 7-8) estimate that approximately 25% of the combined GDP of the Global South is drained by the North. Additionally, Hickel, Lemos, and Barbour (2024, p. 8) calculate that between 9% and 16% of the Global South's annual productive capacity (labour power) is siphoned off. These findings align with the MTD argument that Latin America's integration into global capitalism subjects

all the region's countries to more or less continuous processes of international transfer of value abroad.

We claim that this subordination via international transfer of value contributes to the historically observed inflation gap between Latin America and the G7, acting as a driver of divergence and causing Latin American inflation to remain persistently higher than inflation in imperialist countries. In other words, imperialism seems to drive the persistent inflation differential in the region by draining resources and wealth. We will attempt to demonstrate this argument and its causal links by combining Ruy Mauro Marini's dependency theory and Anwar Shaikh's broader inflation theory.

Anwar Shaikh (2016) denominates his explanation of the inflationary process in a capitalist economy with fiat currency as the *classical theory of inflation*. He argues that inflation in contemporary capitalism is simultaneously determined by three factors that affect both the demand and supply sides of the economy: purchasing power, net profitability, and the growth utilisation rate. He also notes that the endogenous expansion of credit, equivalent to a virtually unrestricted and continuous issuance of fiat money, leads to a growing mass of purchasing power in the economic system. This vector of aggregate demand expansion pushes prices upward when there are constraints on expanding aggregate supply. In turn, these constraints are determined by the expected profit rate on new investments and the growth utilisation rate, which measures how far current economic growth is from the maximum growth rate.

In this sense, his theory constitutes a general theory of inflation for contemporary capitalism, which will be further developed. In other words, it explains Latin American, European, and Asian inflation. According to Shaikh's classical theory of inflation, price increases occur due to production bottlenecks that emerge as the growth utilisation rate nears a critical threshold (for example, when industries operate with almost full capacity).

However, an element of classical theory of inflation, combined with Marxist Theory of Dependency, helps explain why inflation in Latin America is *sui generis* and exhibits a more or less regular gap compared to core countries. The apparent link lies between the transfer of value from the periphery to the core, as posited by dependency theory, and its impact on the relationship between the growth utilisation rate and the profit rate in dependent economies. This transfer thus acts as a driver of divergence between inflation rates in peripheral and core countries. If this hypothesis holds, it becomes possible to understand, for example, the historically observed regularity of a persistently higher inflation rate in Latin America compared to G7 countries.

Before developing the hypothesis of this article, it is important to demonstrate, in the two parts of Section 1, that this inflation gap does exist and has regional roots, which some schools of thought have sought to explain. Then, in Section 2, we discuss the premises of Shaikh's (2016) inflation theory, further elaborated in Section 3. In Section 4, we make an initial connection with Marxist Theory of Dependency, incorporating into Shaikh's theory the concept of resource drainage from the periphery. Section 5 adds the super-exploitation of labour power to the argument. Lastly, we present some concluding remarks.

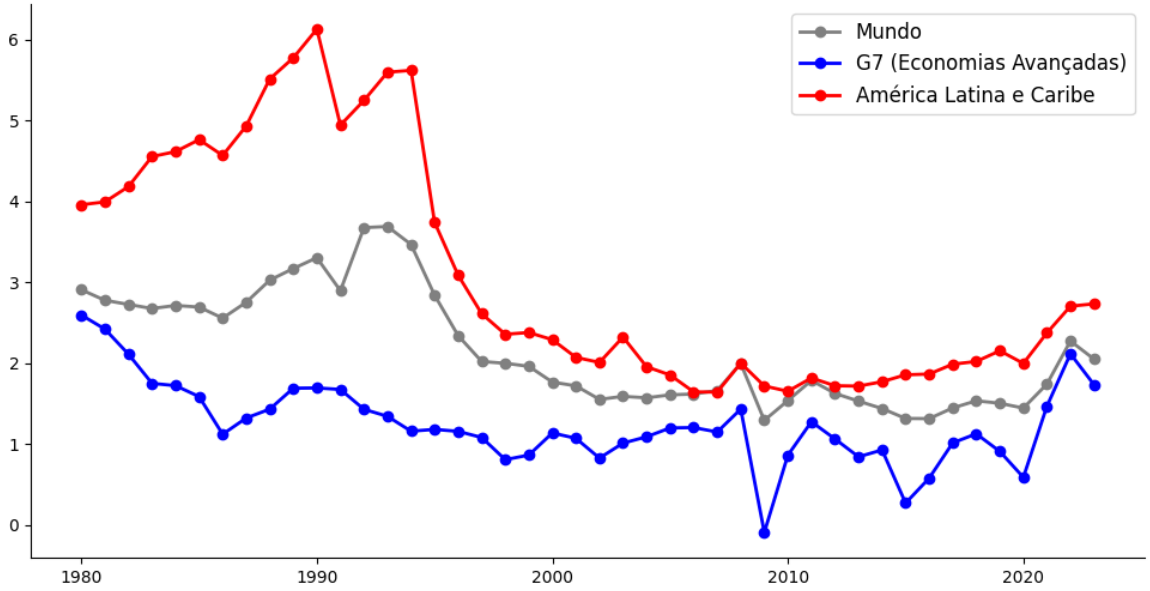
INFLATION IN LATIN AMERICA

Empirical Regularity

As previously indicated, it is possible to ascertain that there is a gap between inflation rates in Latin America and those in the G7 countries[5]. This discrepancy is evident in the IMF's World Economic Outlook (2024) historical series, which covers the period from 1980 to the early 2020s and treats Latin America and the Caribbean (LAC) as a single region. Every year, LAC's inflation rate exceeds that of the G7. Figure 1 also shows the global inflation rate, which is consistently higher than that of the G7, but not always lower than LAC's. This inflation gap persisted even when inflation accelerated in the core economies — both in the series' early and later years — and during the most favourable period for LAC in terms of easing external constraints, the 2000s.

[5] The IMF calculates these regional inflation rates as the weighted geometric mean of the national inflation rates of the 33 LAC countries and the G7 countries (United States, Japan, Germany, the United Kingdom, France, Italy, and Canada).

Figure 1: Inflation rates: LAC, G7, and the World, on a logarithmic scale (1980-2023)



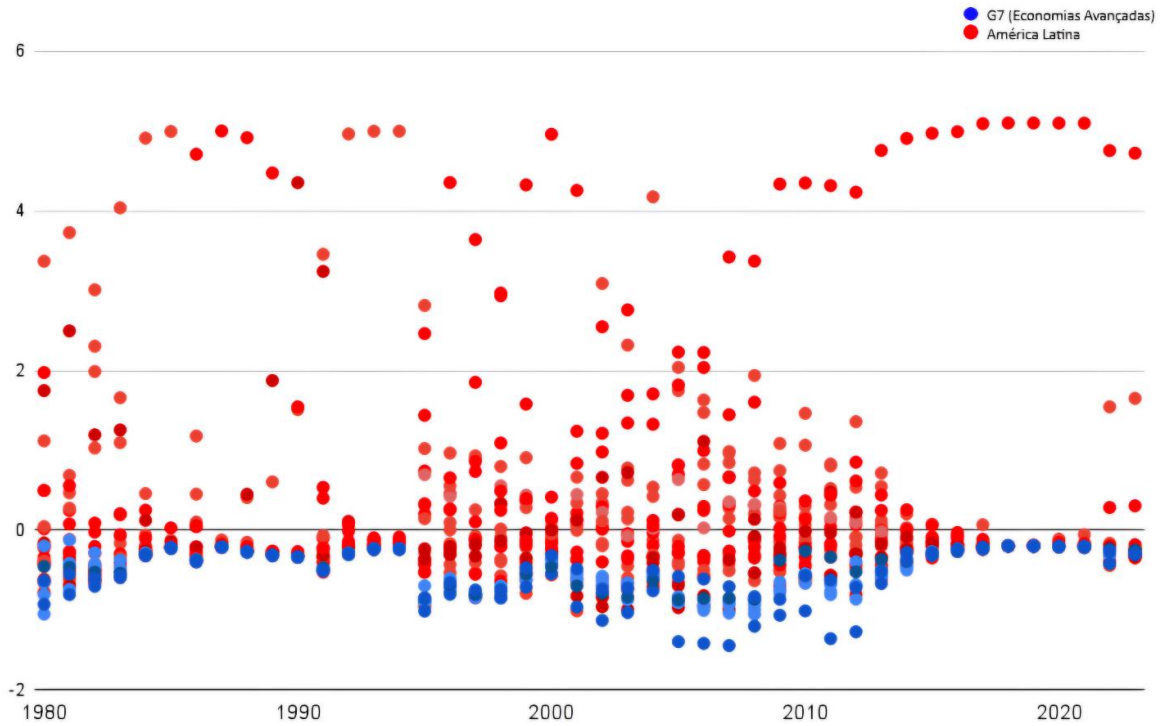
Source: World Economic Outlook, International Monetary Fund (2024).

Considering that the data in Figure 1 is aggregated through mean values, one might question whether the inflation gap is truly structural and regionally solid or simply the result of outliers skewing the mean values upwards. To investigate this issue, we also analysed the standardised national inflation rates[6] of each Latin American[7] and G7 countries. As the mean of the standardised variables in Figure 2 is zero, with a standard deviation of one, negative (positive) values indicate inflation rates below (above) the mean for each year.

[6] Each observation x_i was standardised as $x_itP=(x_it-t)/t$, where μt is the mean, and sigma is the standard deviation of inflation rates in year *t*. X^p is the inflation rate, *i* the country, and *t* the year.

[7] We excluded the Caribbean from the sample, as Marxist Theory of Dependency deals mainly with Latin America. Additionally, including Caribbean countries would not substantially alter the analysis but would make Figure 2 harder to interpret, given that 13 countries would be added to the sample.

Figure 2: Inflation rates, Latin American and G7 countries, on a standardised scale (1980-2023)



Source: Elaborated by the authors based on the International Monetary Fund (2024).

The standardised national inflation rates demonstrate that the inflation gap is structural, firmly established at the regional level, and independent of extreme values. A general trend can be observed whereby the inflation of all G7 countries remains below that of all Latin American countries every year; no G7 country recorded inflation above the mean, and all high-rate outliers were from Latin America. The first exception occurred in Argentina in 2001 when the inflation rate (-1.1%) was lower than in any G7 country due to an economic crisis that erupted after a decade of currency parity and peso-dollar convertibility. In contrast, the following year, Argentina recorded the highest inflation rate between the two groups (25.9%). Peru is another notable example, with the second lowest inflation rate among the two groups in 2002 and 2005 (0.2% and 1.6%, respectively). Overall, no G7 country experienced above-average inflation, and the highest rates were all observed in Latin America.

Note that when one country experienced inflation that was nearly five standard deviations above the average, the markers for other countries converge, resulting in what looks like a single point at the graphical representation. This phenomenon was observed between 1984 and 1985 in Bolivia, where inflation exceeded four and five digits; between 1986 and 1988, in Nicaragua, where it reached 13,109.5% in 1987; and in Peru, where

inflation reached 7,481.7% in 1990. This apparent conversion was also observed in Brazil, from 1992 to 1994, when inflation reached approximately four digits; in Ecuador, when it reached 96.1% in 2000; and in Venezuela, where it rose from 254.9% to 1,588.5% between 2014 and 2021, reaching a peak of 65,374.1% in 2018, according to IMF data.

However, we wish to emphasise that even if these outliers were excluded, the graph would still illustrate the mentioned inflationary gap, where inflation in Latin American countries remains consistently higher than in the core capitalist countries. This raises the question of how this phenomenon can be explained. Has economic literature managed to do so? If so, what causal links have been proposed?

Explanation attempts

"The Conquest of South American Inflation" (Sargent, Williams, and Zha, 2009), an article by Nobel laureate Thomas Sargent and two co-authors, carries a provocative title evoking a military metaphor inspired by Sargent's prior work on U.S. inflation (Sargent, 1999). The authors employed a sophisticated inflation model based on rational expectations and money supply, focusing strictly on national factors without accounting for interconnections or shared regional elements. They then compared the model's theoretical outcomes to historical hyperinflation episodes in Argentina, Bolivia, Brazil, Chile, and Peru. This approach led to unrealistic conclusions, such as: "the high and volatile inflation episode in Brazil finally ended in 1994 with a sustainable fiscal reform" (Sargent, Williams, and Zha, 2009, p. 245).

However, regional explanatory features are not overlooked by all neoliberal approaches. Neely and Rapach (2011), for example, provide an illustration of the channels that link inflation rates across countries, such as the international transmission of macroeconomic shocks. With regard to Latin America, the authors highlight the particular significance of the regional factor in elucidating the events of the 1980s and 1990s. In other words, even monetarist theory acknowledges the existence of regional inflation in Latin America, rather than confining its analysis to national inflation rates. It is true, however, that the ultimate explanation for inflation is often reduced to national factors, such as fiscal crises and the use of seigniorage revenues, fuelled by central banks that are allegedly influenced by structuralist and populist ideas. Neely and Rapach (2011), on the other hand, empirically acknowledge, based on econometric results, that the common factor has a "high explanatory power" (Neely and Rapach, 2011, p. 1482) over national inflation rates. In other words, they admit that the interconnected set of elements

within this region we call Latin America — and not just a number of separate neighbouring national units — is of significance.

Recently, in a project organised by Kehoe and Nicolini (2021) within the orthodox theoretical framework, a group of authors sought to identify the features shared by Latin American countries that cause their inflation and economic instability. The authors argue that their approach is not, as is the case with other orthodox approaches, merely a "measurement without theory." Rather, it offers a theory that, in their view, diverges from the prevailing perspective that proposes to let "data to speak for itself".[8]

The authors claim that inflation in Latin America has two primary causes: firstly, the monetary and fiscal policies that have been implemented, and secondly, agents' expectations of future policies. The argument made is that an inflationary crisis typically originates from an expansion in government spending, which occurs in response to pressure from social groups and without an equivalent increase in revenue generation. In the initial stages of the deficit, the government typically resorts to borrowing, mostly from external financial markets. Once the debt reaches a certain limit, creditors are less inclined to offer further loans, thereby precipitating a crisis. This process may be repeated until reforms, crises or moratoriums occur. This is seen as the underlying cause of the stagnation and instability observed in Latin America (Kehoe, Nicolini, Sargent, 2021, p. 21).

In regard to the authors' formalisation of the inflationary crises in Latin America, it can be summarised in two lines of argument. The first concerns the relationship between fiscal deficits and inflation, while the second addresses the limits to sustaining deficits through debt and moratorium. As they correctly observe, fiscal deficits are not a direct cause of inflation. This is due to the possibility of financing the deficit by issuing government bonds, which initially avoid inflationary pressure. However, they underline that there are limits to this resource, as Sargent (1986) also pointed out. This is expressed through an equation in which the magnitude of fiscal deficits initially depends on the future capacity to generate debt. This, in turn, depends on the credibility and reputation

[8] It is not the purpose of this article to debate the implications of the methodology employed by the mainstream. However, it is noteworthy that the reasoning proposed by the project is not as theory-based as its authors believe it to be. This is evident in situations where the proof of the theory comes from an equation or some derivation of it, as is the case with their defence of the quantity theory of money: "This equation implies that sustained increases in money growth generate sustained increases in prices". (Kehoe, Nicolini, Sargent, 2021, p. 31).

of governments, which are exogenously defined variables (Kehoe, Nicolini, Sargent, 2021, pp. 31-33).

It was inevitable that the authors would address the occurrence of moratoriums in the context of high external debt, which marked the Latin American economies in the period under study. In the theoretical model, the outcome of the debts of the Latin American economies and the eventual occurrence of moratoriums are determined by an extrinsic random variable: “The model that we have outlined has two equilibria. We can think of the determination of which equilibrium occurs as being determined by a randomization device, a sunspot” (Kehoe, Nicolini, Sargent, 2021, p. 35).

In conclusion, the authors highlight that Latin American countries face greater challenges in raising funds and sustaining their debts compared to more developed economies, such as those in Europe, Japan, and the United States. As previously discussed, the reputation of Latin American governments answers for a significant part of this challenge. The question thus arises as to why this phenomenon is particularly generalised in these countries. Esquivel, Kehoe and Nicolini (2021, p. 560) claim that the explanation lies not in a colonial past or any other element of the region, but in poorly formulated policies that render countries more susceptible to macroeconomic instability. But why are such “poorly formulated” policies and a “bad reputation” so frequent in Latin America?

The already self-evident flaws of orthodox explanations for Latin American inflation become glaringly obvious when they ascribe the challenges in acquiring foreign currency — and the resulting inflationary and economic instabilities — to nothing more than... sheer bad luck: “Bad luck in the past can lead to countries having bad reputations, which can persist over time” (Kehoe, Nicolini, Sargent, 2021, p. 37). When all is said and done, it seems clear that orthodox perspectives fail to offer a reasonable explanation for inflation in Latin America — a fact the authors themselves tacitly admit in a fleeting moment of lucidity, conceding that they lack a satisfactory answer to the very problem they set out to address: “The obvious and immediate question that arises is, Why? What went wrong in Latin America? The only honest answer is that we do not know” (Kehoe, Nicolini, Sargent, 2021, p. 20). They were right when, at the beginning of their project, they identified the problems that could offer an satisfactory explanation: “To study the fiscal-monetary linkages, the analysis in this collection of studies takes the fiscal deficit as the exogenous driving force. That Latin American countries have larger levels of inequality and social tensions than many other countries could explain the large levels of

government spending and deficits. We leave these issues for research" (Kehoe, Nicolini, Sargent, 2021, p. 27).

The previously mentioned issue of the colonial past is emphasised by institutionalist authors. Acemoglu *et al*. (2003) present evidence from the post-war period onwards that countries with more "extractive institutions" inherited from their colonial past experience greater economic volatility and a higher frequency of economic crises. While inflation is not a focus of the authors' study, they present a methodological approach that has been adopted by other researchers seeking to understand inflation in Latin America or, more generally, in peripheral economies. With regard to the issue of greater output volatility in "developing countries," Loayza *et al*. (2007) demonstrate that these countries are subject to greater exogenous shocks from the financial or goods markets. For example, they experience sudden stops in capital inflows or "abrupt and large changes in the international terms of trade" (Loayza *et al*., 2007, p. 346).

Elbahnasawy and Ellis (2022) build upon the work of Acemoglu *et al*. (2003) by examining the relationship between inflation and the structure of economic and political systems (instability, authoritarianism, etc.). In stating that "there is a consensus in the literature that political instability is associated with higher inflation" (Elbahnasawy and Ellis, 2022, p. 71), the authors merely touch upon the surface of the problem, summarising many other perspectives in a somewhat tangential manner to those of Kehoe, Nicolini, and Sargent (2021, p. 27) who advocate the study of "social tensions" in Latin America.

The relationship between inflation and political instability was investigated by Aisen and Veiga (2006), who sought to empirically examine the underlying causes of the observed diversity in inflationary experiences across the globe. After controlling for economic variables that affect inflation, the authors conclude that the impact of political instability on inflation is greater in developing countries with high inflation rates: "higher degrees of economic freedom and democracy are associated with lower inflation" (Aisen and Veiga, 2006, p. 1380). While they do not disagree with the assertion that monetary and fiscal policy play a role in determining inflation, they employ the institutionalist argument to elucidate the underlying factors that contribute to the implementation of suboptimal macroeconomic policies. The argument is that political instability shortens the horizon of actions of public agents, prompting a focus on policy decisions that favours the short term. From an inflationary perspective, countries with weak institutions tend to lack efficient tax systems and rely on seigniorage as a means of public financing, leading to an inflationary economic environment (Aisen and Veiga, 2006, pp. 1381–2).

An alternative approach to explaining Latin American inflation can be found in the work of Roncaglia de Carvalho, Ribeiro and Marques (2018), which draws upon the tenets of structuralism. The empirical results demonstrate a negative and low correlation between the persistence of inflation and the level of per capita income. With regard to the inflationary gap that we previously discussed, the authors state that the phenomenon observed in the data "*is a real phenomenon yet in search of a theory*" (Roncaglia de Carvalho, Ribeiro, and Marques, 2018, p. 548, emphasis added). Furthermore, they highlight that the academic literature on inflation has "strikingly ignored" this issue (*Idem*, p. 561). In a similar vein, Al Marhubi (2021) finds a statistically significant inverse correlation between economic complexity and inflation, employing a methodology encompassing 94 countries between 1970 and 2014 (Al Marhubi, 2021).

It is worthwhile to conclude this concise examination of the existing literature on the subject by noting the recent empirical survey of structural theories of inflation. Nell (2023) reintroduces Thirlwall's (1974) theory, examining its empirical predictive capacity and positing the following: "empirical evidence in favour of structuralist theories of inflation would have to show that the money supply is endogenously determined, and that the underlying cause of inflation is not demand-pull but structural in nature" (Nell, 2023, p. 51). A cursory reading of the formulation may lead to confusion with Shaikh's (2016) theory of inflation: "In this scenario, increases in the money supply accommodate structural sources of inflation due to supply rigidities and bottlenecks in the economy" (Nell, 2023, p. 51).

As discussed in the following section, Marxist theory posits that inflation is a monetary phenomenon, with its sources residing in the expansion of purchasing power and supply factors, notably the rate of profit and structural bottlenecks. In conclusion, both the orthodox and heterodox literature reviews indicate that the particular characteristics of inflation in Latin America remain a theoretical issue that requires further investigation. As has been demonstrated, the literature addresses a range of issues, including monetary and fiscal matters, the legacy of colonialism, inequality, social and political tensions, external constraints, and structural bottlenecks. In one form or another, they address the causal determinants of inflation to varying degrees of depth. The contribution of Marxist theory appears to be the establishment of a causal relationship between these apparent movements, organising the causal links from the essence toward the appearance of the inflationary phenomenon. In doing so, it assigns analytical primacy

to the factors that are of greatest consequence for capitalist accumulation: value and profit.

PREMISES OF ANWAR SHAIKH'S THEORY OF INFLATION: REAL COMPETITION, PRICES, AND FIAT MONEY

In *Capitalism: Competition, Conflict, Crisis* (2016), Anwar Shaikh's theory begins with the premise that competition determines intersectoral relative prices through the movement of capital between sectors, which responds to differing levels of sectoral profitability. In other words, "regulating" capitals move between sectors through investments, mergers, acquisitions, barriers, variations in production levels, etc., resulting in the formation of an average profitability level across sectors, corresponding to a certain relative price structure (Shaikh, 2016, p. 692–693).

Although this premise is also featured in classical economic thought, the theory of prices — and the consequent explanation of inflation — offered by these authors requires updating to address a radical difference between contemporary capitalism and 19th-century capitalism: the transformation of the monetary system. Following the end of the legally established parity between the dollar and gold in 1971, Shaikh (2016) argues that the contemporary monetary system is entirely based on fiat money, unlike earlier systems grounded in the gold standard. The fundamental difference, from the perspective of inflation, is that while gold-based monetary systems determine the absolute price level through the relative prices of commodities in relation to gold, fiat-based systems lack such an anchor. Here, relative prices remain regulated by profit rates, as in classical theories, but the absolute price level — and its variation, the inflation rate — can only be determined by the relationship between aggregate demand and aggregate supply (Shaikh, 2016).

From the perspective of state functions, this monetary transformation benefits capitalist states. Fiat money eliminates budgetary constraints tied to the rigidity of tax systems (their inability to expand revenues in the short term) and exchange rate structures (the need to maintain fixed parities between national currencies and gold). Shaikh notes that this constraint was relaxed under specific historical circumstances, even during official gold-standard systems, as states pragmatically adopted fiat systems in situations such as revolutions or wars. However, Shaikh's key focus is the response of the U.S., European, and Japanese central banks to the 2008 crisis. Massive money issuance via public bond purchases dramatically expanded these institutions' assets (Shiratsuka, 2010,

p. 24). Consequently, the unprecedented injection of money into circulation, coupled with inflation rates that did not align with predictions from traditional theories such as the quantity theory of money, challenged traditional economic frameworks (Kara, 2023; Yue and Leung, 2011).

Leveraging this capacity, Shaikh (2016, p. 693–694) asserts that the modern credit system based on fiat money can fuel virtually unlimited growth in aggregate demand. Thus, inflation must be analysed by comparing this near-unlimited expansion potential with the constraints on aggregate supply. In other words, aggregate demand, driven by the public and private sectors through the creation of purchasing power, leads to an absolute rise in prices when aggregate supply cannot keep pace with increasing demand. While relative prices remain regulated by the equalisation of profit rates in the case of fiat money, the absolute price level is determined by the relationship between aggregate demand and aggregate supply.

In Shaikh's theory of real competition (2016, p. 692–693), companies set their prices *a priori*. However, these prices are not independent of demand. Market prices are ultimately defined by the sector's production prices, which result from the interplay of intra-sectoral competition among capitalists and the social need for the goods produced[9] (Marx, 2008, p. 235–237). Since the market price determines profit margins, it also dictates the capitalist's profit rate, which, in the long term, tends to equalise across sectors due to capital movement towards more profitable industries. Over time, this dynamic forms an average profit rate that governs the relative price of goods through intersectoral competition[10].

The argument can be summarised as follows: when market demand for a specific type of good (i.e., social need) exceeds the average supply capacity of that market, individual prices increase. As price levels simultaneously influence individual demand and investment decisions — shaping future supply capacity — price levels under fiat currency systems become path-dependent.

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[9] This approach to competition diverges significantly from the theory of competition found in inflation theories based on monopoly capital, which attribute extra profits to the monopolistic power of setting market prices above production prices or average values. For a critique of monopoly capital theory, see Silva and Maldonado Filho (2017).

[10] "The competition between capitalists – which is itself this movement of equalization – consists here in their withdrawing capital bit by bit from those spheres where profit is below the average for a long period, and similarly injecting it bit by bit into spheres where it is above this; or, alternatively, in their dividing additional capital between these spheres in varying proportions. There is a constant variation in the injection and withdrawal of capital vis-à-vis these various spheres" (Marx, 1991, 488-489)

Production growth, meanwhile, has a clear upper limit: the profit rate. According to Shaikh (2016, pp. 694–695), Ricardo, Marx, Kaldor, and Pasinetti all argue that the maximum rate of economic growth occurs when all surplus product is reinvested. Since the creation of surplus product, or surplus-value, is conditioned by the profit rate, this represents the upper limit for economic growth. For example, if a capital's profit rate rises from 10% to 15%, production capacity — assuming full reinvestment of profits — could increase by the same proportion. Therefore, assuming an endogenous unemployment rate formed by the "reserve army of labour" (Marx, 2015), *production growth is limited by the profit rate*, not, as neoclassical aggregate supply models suggest, by labour market rigidity.

This argument is particularly relevant for economies with a relatively larger proportion of unemployed or economically inactive populations, such as those in Latin America. In such economies, lower profit rates translate to a reduced capacity for production expansion, increasing inflationary pressures when purchasing power rises. To examine the logic behind these inflationary pressures, Shaikh's argument must be developed further, highlighting the factors that influence them.

PURCHASING POWER, PROFITABILITY, AND GROWTH UTILISATION: CAUSES OF INFLATION

According to Shaikh's theory (2016), the three factors influencing inflation are: (i) the rate of growth utilisation (represented by σ), (ii) net profitability (the profit rate minus the interest rate, represented by *rr*), and (iii) purchasing power (represented by *pp*). The first two operate on the supply side, while the third acts on the demand side.

To understand how these factors interact, let us begin by examining the rate of growth utilisation, which, as previously noted, reflects how close the economy is to its growth limit. This is measured by the ratio between the actual accumulation rate (representing the proportion of reinvested profits) and the maximum accumulation rate, defined by the net profit rate. This ratio indicates the economy's proximity to its growth ceiling[11]:

[11] The ensuing argument is illustrated mathematically in this section in order to adhere to Shaikh's expository strategy, and subsequently in the following sections in order to demonstrate the compatibility of Marini's theory with this particular expository strategy. It should be noted that this is not a case of the usual correlation between the scientificity of an argument and the formalisation of propositions. The theoretical validity of this argument is not supported by formalisations and therefore does not escape critical scrutiny.

$$\sigma = \frac{g_k}{r} = \frac{\frac{\Delta K}{K}}{\frac{P}{K}} = \frac{\Delta K}{P} = \frac{I}{P} \ \#(1)$$

Where σ is the growth utilisation rate, g_k is the capital accumulation rate, r is the profit rate, ΔK represents the change in capital stock, equivalent to investments (I), K is the total capital stock, and P is the profit mass. Thus, the growth utilisation rate measures the proportion of productive investments in profits.

Shaikh underscores that as the growth utilisation rate approaches a critical value, production growth becomes increasingly constrained. Consequently, capitalist firms are more likely to respond to rising demand by raising prices rather than increasing output. This aspect is crucial to his inflation theory since, beyond this threshold, any increase in aggregate demand results in inflationary pressure, making the economy more prone to inflation (Barredo-Zuriarrain, 2024, p. 309).

Let us now consider profitability's role. The decision to expand production is, first and foremost, private and uncoordinated. For individual capitalists, the average profit rate or past profit rates hold little significance. The decision to invest depends on the profitability of incremental capital, rather than total capital. Given that new investments are typically financed through credit (Germer, 2011), it is necessary to calculate net profitability by deducting the interest rate from the gross profitability figure. In essence, the relevant profit rate is the net incremental rate, expressed as:

$$rr_t^I \cong \frac{PGR_t}{IGR_{t-1}} \ \#(2)$$

Where rr_t^I represents the incremental net profit rate at time *t*, PGR_t is the gross profit mass for the *t* period, and IGR_{t-1} is the gross investment from the *t-1* period. The idea is that *today's* profits result from *yesterday's* investments, and the ratio between the two determines whether new investments will occur. The magnitude of the incremental net profit rate influences the flow of productive capital, affecting economic growth and inflation rates.

Finally, the impact of these *aggregate supply*-side factors on inflation is contingent upon developments in *aggregate demand*. Breaking down aggregate demand into household consumption, business investments, government expenditure net of tax revenues, and net exports, Shaikh argues that excess demand is financed through the creation of new purchasing power (*pp*). For instance, investments can exceed savings when credit is utilised. Likewise, fiscal deficits are often financed through credit

operations, including those involving the Treasury and the Central Bank. In one way or another, under the modern monetary system, the expansion of demand is invariably underpinned by credit[12].

Demand expansion is also financed through credit in cases of excess external demand, such as positive net exports, which encompass transactions in goods and services, as well as instances of external credit inflows recorded in the Balance of Payments. In summary, the creation of purchasing power in an economy (pp) is driven by the expansion of domestic credit, external credit, and current transactions in the Balance of Payments.

As previously discussed, the maximum growth rate is determined by the general profit rate. As the growth utilisation rate, as expressed in (1), increases, variations in real production proportions and real growth rates encounter bottlenecks with increasing frequency as the actual growth rate approaches the theoretical maximum. The upper limit of product growth is rarely reached because these bottlenecks tighten the constraints on growth potential (Shaikh, 2022, p. 198). Consequently, the growth utilisation rate can be seen as a "gauge of growth tension" (Shaikh, 2016, p. 700).

Certainly, factors like the incorporation of new technologies into the production process, which reduce the use of constant capital elements, or even the relative reduction in labour employed in production, can alleviate this tension. However, in classical macrodynamic theory, Shaikh (2016) argues that net profitability determines the growth of the capital stock, which, in turn, increases the productive capacity growth rate. Over the long term, this ultimately determines the growth of output. Consequently, as the real growth rate approaches the profit rate, the *critical* question becomes: why does excess demand lead to price increases rather than higher output? And in the case of peripheral economies, why are price increases *nearly always* greater than those observed in imperialist economies?

To address the first question, let us turn to Shaikh's theory, leaving the second for the next section, where we will incorporate Marini's framework. Considering that nominal output growth (g_y) can be decomposed into real output growth (g_{yR}) plus price variations (π), the inflation rate can be expressed as the difference between nominal and real growth rates.

[12] This viewpoint is consistent with the Marxist theory of inflation, which posits that "inflation, from this viewpoint, is the result of a discrepancy between the value of newly created money and the quantum [quantity of money] required to sustain production" (Silva and Maldonado Filho, 2017, p. 35).

Nominal output growth results from the creation of purchasing power (*pp*), while real output growth hinges on the factors discussed earlier: purchasing power (*pp*), incremental net profitability (rr^I), and the growth utilisation rate (σ). Greater purchasing power *boosts* both nominal and real growth; higher incremental net profitability similarly *boosts* real growth; and a higher growth utilisation rate *constrains* real growth.

In algebraic terms, we have:

$$g_y = f(pp) \qquad \#(3)$$

$$, where \ \frac{\partial g_y}{\partial pp} > 0$$

$$g_{yR} = f(pp, rr^I, \sigma) \quad \#(4)$$

$$, \qquad where \ \frac{\partial g_{yR}}{\partial pp} > 0, \qquad \frac{\partial g_{yR}}{\partial rr^I} > 0, \qquad \frac{\partial g_{yR}}{\partial \sigma} < 0$$

From the fact that $\pi = g_y - g_{yR}$, Shaikh concludes that:

$$\pi = f(pp, rr^I, \sigma) \ \#(5)$$

$$, where \frac{\partial \pi}{\partial pp} > 0, \frac{\partial \pi}{\partial rr^I} < 0, \frac{\partial \pi}{\partial \sigma} > 0.$$

By combining equations (3) and (4), Shaikh develops a general theory wherein, under a fiat currency system, inflation responds positively to increases in purchasing power (as its effect on nominal growth consistently exceeds its effect on real growth), negatively to incremental net profitability (due to its positive impact on real output growth, thereby expanding the supply of goods), and positively to the growth utilisation rate (as higher utilisation rates exacerbate bottlenecks that induce price increases). These relationships are non-linear, meaning, for example, that the relative effect of the growth utilisation rate on inflation intensifies as the real growth rate nears the theoretical maximum.

To draw a parallel with inflation theories based on the Phillips Curve, Shaikh demonstrates that since σ represents the ratio of accumulation to the profit rate, a decline in the profit rate can simultaneously lower growth and increase unemployment. However, if the growth rate decreases less than the profit rate, the economy becomes more susceptible to inflation due to a rising utilisation rate, potentially leading to phenomena like stagflation (Shaikh, 2016, p. 703).

In a capitalist system operating with fiat currency, growth in purchasing power faces virtually no constraint, while supply-side factors fluctuate within certain bounds. As a result, Shaikh (2016, p. 703) anticipated a strong direct correlation between purchasing power and inflation, with the inflation rate approximately equalling the rate of new purchasing power creation[13]. A study on Venezuelan inflation based on Shaikh's framework found that, alongside supply-side factors such as low profitability, the creation of new purchasing power significantly contributed to inflationary processes (Barredo-Zuriarraian, 2024). Conversely, a recent empirical study on inflation in European countries between 2001 and 2020, using the same supply and demand factors identified by Shaikh, concluded that only supply-side factors were statistically significant in its analysis (Ozden and Bolkol, 2023).

How can the discrepancy between these studies — one emphasising demand as a predominant inflationary factor, the other prioritising supply — be explained? We have observed that excess demand fuels inflationary pressures as real growth rates near critical thresholds. Moreover, it is necessary to explain why price increases tend to be more pronounced in peripheral economies than in imperialist ones. In the following sections, we will draw on Marini's theoretical insights to tackle these questions by developing a working hypothesis that integrates classical theory of inflation with the Marxist Theory of Dependency.

A HYPOTHESIS FOR EXPLAINING INFLATION IN DEPENDENT CAPITALISM: CONNECTING THE THEORIES OF ANWAR SHAIK AND RUY MAURO MATINI

A preliminary bridge between the inflation theory discussed earlier and the Marxist Theory of Dependency is already hinted at in Shaikh's (2016) text. This is because it was necessary to address industrial strategies in contexts of productive bottlenecks when the growth utilisation rate is high — meaning when industries are operating near their maximum capacity. In such situations, faced with demand pressures, individual industries may resort to inventory variations, imports, *increasing the intensity of the working day* and the number of shifts (Shaikh, 2016, pp. 699–700).

[13] This is analogous to the theoretically anticipated non-linear correlation between a country's relative inflation rate and its nominal exchange rate: in countries with relatively elevated inflation rates, fluctuations in nominal exchange rates are predominantly influenced by changes in inflation rates (Shaikh, 1995, p. 74).

We highlight this part of the argument because Shaikh's inflation theory provides a basis for examining the impact of changes in the absolute production of surplus value. In a way, this leads to a compensatory mechanism, where Shaikh's inflation theory arrives at an outcome analogous to what Marini termed the super-exploitation of labour. However, for authors within the Marxist Theory of Dependency framework, super-exploitation only makes sense as a structuring category of dependency when associated with the transfer of value (Amaral and Duarte, 2023; Marini, 2017)[14].

Here lies the key to understanding the specificity of inflation in Latin America: the ratio of investment to the mass of profit, or the growth utilisation rate, determines inflation in certain contexts. After all, the relationship between dependent economies and imperialist economies imposes an international transfer of surplus value from the periphery to the centre. This means that part of the total profit generated in dependent economies is appropriated freely by core economies (Hickel *et al*., 2022; Hickel, Lemos, and Barbour, 2024)[15]. Such drainage of value compresses the profit mass in dependent economies, reducing the concrete possibilities of capital accumulation and raising the growth utilisation rate. The introduction of labour force super-exploitation further complicates this analysis, as it converts the worker's consumption fund into a capitalist accumulation fund (Amaral and Carcanholo, 2009, p. 221). Accordingly, this analysis will proceed in two stages: first, by incorporating the transfer of value into Shaikh's theory; and second, by including super-exploitation.

In algebraic terms, the growth utilisation rate in dependent economies can be expressed as σ_d:

$$\sigma_d = \frac{I_d}{P_d}$$

Where I_d and P_d represent, respectively, the total investment and profit in dependent economies. The existence of an international transfer of surplus value exerts pressure on P_d, requiring us to deduct the mass of profit transferred abroad (P_t). Consequently, the actual profit mass within dependent economies is given by:

[14] This point is the subject of debate within the Marxist Theory of Dependency, as scholars diverge opinions regarding the nature of super-exploitation. Some argue it is a universal phenomenon, applicable even to core countries (Valencia and Felix, 2019). Others contend that, while it may be exclusive to dependent capitalism, it is not necessarily associated with the transfer of value (Luce, 2018). A third school of thought asserts that super-exploitation of the labour force is a theoretical construct, contingent upon its dialectical relationship with the transfer of value (Amaral and Duarte, 2023; Carcanholo, 2013; Leite and Alves, 2024).
[15] Theoretically, it is possible to explain the unequal exchange between industrial capitals, in Marini's terms (2017), based on Shaikh's theory of real competition (2016), as proposed by Leite (2017).

$$P_d{}^* = P_d - P_t$$

Following this reasoning, we can express the actual growth utilisation rate in dependent economies as:

$$\sigma_d{}^* = \frac{I_d}{P_d{}^*} = \frac{I_d}{P_d - P_t} \ \#(6)$$

It should be noted that $\sigma_d{}^* > \sigma_d$. Additionally, the greater the transfer of value, the higher the growth utilisation rate in dependent economies:

$$\sigma_d{}^* = f(P_t), where \frac{\partial \sigma_d{}^*}{\partial P_t} > 0$$

Since $\pi_d = f(pp, rr^I, \sigma_d{}^*)$ e $\sigma_d{}^* = f(P_t)$, the greater the imperialist pressure for peripheral resources, the higher the tendency for inflation in dependent economies.

In summary, the hypothesis developed in this article suggests that value transfer operates through a mechanism that impacts inflation. In the case of dependent economies, the net transfer of value reduces the amount of profit available for domestic realisation and increases the growth utilisation rate, bringing it more frequently closer to the maximum growth rate. This results in bottlenecks occurring more often than in core economies.

Conversely, the opposite occurs in imperialist economies, which appropriate part of the surplus value produced in dependent economies. That is, the imperialist position of core countries leads to an expansion of the total mass of profits available for reinvestment, which reduces the actual growth utilisation rate in these economies. This dynamic results in fewer bottlenecks and a dampening of inflationary pressure:

$$\sigma_c{}^* = f(P_t), where \frac{\partial \sigma_c{}^*}{\partial P_t} < 0$$

Thus, value transfer simultaneously drives the growth utilisation rate of peripheral countries upward and that of core downward. This connection between Shaikh's inflation theory and Marini's dependency theory provides the theoretical basis to propose that the growth utilisation rate in Latin America tends to be closer to the critical growth value. Consequently, this region is more prone to bottlenecks, which are accompanied by inflationary pressures. This condition may help explain the inflationary gap discussed in the first section of this article.

SUPER-EXPLOITATION AND INFLATION IN DEPENDENT ECONOMIES

An examination of the conjunctural analyses undertaken by Ruy Mauro Marini in his interpretation of inflationary processes reveals an intriguing connection with our hypothesis. In January 1961, Marini published an article in the newspaper *O Metropolitano*, analysing inflation through the vectors of aggregate demand and supply. He argued that increased purchasing power via monetary issuance leads to inflation if supply cannot meet rising demand. According to his analysis, when money is injected into circulation, the "agents of production" will seek to purchase goods. Prices may rise if "supply is rigid and does not respond to the expansion of demand" or remain stable if industries "have the capacity to offer a greater quantity of goods." Summarising, he stated: "The issue, therefore, comes down to determining whether, in Brazil, supply has already reached a *rigidity point* corresponding to full employment of factors or *bottlenecks* (such as labour shortages), or whether it can still expand in response to demand stimuli" (Marini, 1961, our emphasis). Fundamentally, our argument is that value transfer brings the supply conditions in dependent economies closer to the "rigidity point" referred to by Marini.

However, the existence of super-exploitation as an objective fact in dependent economies, necessarily linked to the transfer of value (Osorio, 2018), introduces a caveat to the previously developed argument on inflation. Super-exploitation, a process of expropriating part of the value of labour power by local capitalists, acts as a compensatory mechanism for value transfers, preventing reductions in the mass of profits for capitalists in dependent economies. If this mechanism offsets value transfers by increasing rates of exploitation and profit, it also mitigates the upward pressure on the growth utilisation rate and, consequently, the inflationary pressures arising from it. In this sense, Equation (6) should be revised to incorporate, in the denominator, the value expropriated from the working class (P_e), with evident implications for the growth utilisation rate and inflation in dependent economies:

$$\widetilde{\sigma_d}^* = \frac{I_d}{P_d{}^* + P_e} = \frac{I_d}{P_d - P_t + P_e} \quad \#(7)$$

Where $\widetilde{\sigma_d}^*$ is the growth utilisation rate with super-exploitation of labour, accounting for P_e, the value expropriated by local capitalists, which converts the workers' consumption fund into a capital accumulation fund. Thus, the effect of super-exploitation on the growth utilisation rate depends on its magnitude relative to the value transferred from local capitalists abroad. We identify three scenarios, all else being equal:

(i) If, in absolute terms, $P_t = P_e$, then $\widetilde{\sigma_d}^* = \sigma_d$, and there is no additional pressure from the growth utilisation rate on the inflation rate. However, the dependency relationship (essentially understood as the categorical pair of value transfer and super-exploitation) exerts inflationary pressure insofar as compensation occurs in domestic currency (local capitalists pay a wage in local currency that is below the equivalent value of the labour power)[16] and the international transfer of value occurs in foreign currency (whether through trade channels, profit remittances, or interest payments), the transfer is mediated by the acquisition of foreign currency in the exchange market[17]. Although the mass of profits remains the same, the imperialist pressure on peripheral resources consistently pushes the exchange rate higher, generating traditional inflationary effects.

(ii) If, in absolute terms, $P_t > P_e$, then $\widetilde{\sigma_d}^* > \sigma_d$, and the dependency relationship exerts upward pressure on the inflation rate through two channels: the impact on the growth utilisation rate and the exchange rate effect.

(iii) If, in absolute terms, $P_t < P_e$, then $\widetilde{\sigma_d}^* < \sigma_d$, and the dependency relationship generates an indeterminate effect on the inflation rate, insofar as, on the one hand, the reduction in the growth utilisation rate has disinflationary effects, while, on the other hand, the exchange rate pressure has inflationary effects.

If the impact of value transfer on inflation in dependent capitalism is related to the degree of super-exploitation, factors such as the resistance and collective organisation of workers in dependent countries become significant. Numerous historical or conjunctural analyses by Marini link class struggle to inflation. For instance, he associates Brazil's "serious foreign exchange crisis" of 1954 with the "course of inflation" during the same period, which "prompted the workers' movement to demand wage adjustments" (Marini, 2013, p. 78). Similarly, examining early 1960s Brazil, he notes that "it was impossible to continue financing industrialisation through forced savings, as the popular standard of living was compressed to the maximum [...] and there was a trade union movement in better conditions to defend itself" (Marini, 2013, p. 89).

Thus, the categorical pair of value transfer and super-exploitation must be accounted for in any theory of inflation within dependent capitalism. Latin America

[16] "By combining low wages with extended working hours and intensified work rhythms, industrial capital mobilised substantially larger masses of labour than those that, under normal conditions, corresponded to the total money allocated to pay them, thus disabling itself from absorbing much of the new labour forces entering the market" (Marini, 2020).

[17] For illustration, Marini calculated the "net transfer of resources abroad" through the external debt channel alone at USD 275 billion between 1982 and 1991 (Marini, 1992), precisely during a period of accelerating inflation in Brazil.

exhibits a historical regularity: periods of acute external restriction coincide with inflationary acceleration, while periods of intense wage repression align with inflation containment. For example, during Brazil's "economic miracle" (1967-1973), both vectors of the dependency relationship favoured the local capitalist class. Unprecedented foreign capital attraction alleviated structural foreign exchange issues of the industrialisation period, while political repression reinforced super-exploitation and income inequality, creating a disinflationary context (Araújo, 2017) amidst a sharp decline in the wage share in Brazil's economy (Miebach and Marquetti, 2023, p. 602). Conversely, the democratisation period saw aggravated value transfers, the political reorganisation of trade unions and the working class, and consequent inflationary acceleration (Carneiro, 2002). Additionally, a sharp decline in Brazil's profit rate between 1973 and 1989 (Marquetti, Maldonado Filho, and Lautert, 2010) corresponds with inflationary acceleration, supporting the inflation theory outlined here.

Heterodox traditions invoke external constraints and distributive conflict as causal mechanisms for inflation. Indeed, there is an empirical and historical relationship between exchange rate devaluations and inflationary acceleration, recognised by all economic schools. However, beyond empirical regularities, it is necessary to explain the causal process theoretically. Otherwise, a tautology ensues where dollar price variations cause price variations of other goods and vice versa — *price causes price*. Our contribution is to demonstrate, from the Marxist theory of value, that value transfer drives up the dollar's price in domestic currency and, consequently, price inflation.

At the same time, distributive conflict is central to post-Keynesian and Sraffian explanations of inflation (Lavoie, 2022, p. 627)[18]. However, our proposal is not a conflict of this kind. First, we assume that capitalist accumulation involves the constant maintenance and expansion of a reserve army of labour, ensuring that labour supply does not constrain economic growth: "there will be a variable level of employment determined by the level of output" (Shaikh, 2016, p. 695).

In dependent capitalism, a historically distinct pattern of economic development is added, unlike that of core countries. "The general conditions" of Latin American economies, writes Duarte (2015, p. 12), "prevented permanent absorption of a significant portion of the labour supply into the most advanced sectors, pushing this population towards precarious, unstable, and vulnerable forms of employment — and, therefore,

[18] A critique of post-Keynesian theories of inflation based on Marxism suggests that, among other things, inflation can exist for purely monetary reasons (Lapavitsas; Saad-Filho, 2000).

marginal forms of labour." As Osorio (2018) observes, the "extensive relative surplus population" in Latin America is an objective condition for super-exploitation, whereby inflation resulting from resistance, if read as a conflict outcome, obscures the essential relation of expropriation caused by the historical and social conditions underpinning dependent capitalism.

CONCLUDING REMARKS

Our research sought to develop a hypothesis to explain why inflation rates in Latin America persistently exceed those of the G7 countries. To this end, we have combined Marini's dependency theory (2017) with Shaikh's inflation theory (2016), demonstrating that the international transfer of value from dependent economies to core economies through imperialist relations brings Latin America's growth utilisation rate closer to its critical value, thereby fostering inflationary tendencies. Conversely, the opposite pattern is observed in the countries that appropriate this mass of value. Thus, the theoretical hypothesis developed here explains the inflation gap and its persistent reproduction.

Our contribution lies in integrating these two related research strands, which, to our knowledge, had yet to be done. This dialogue must proceed with some caveats. First, Marini's theory in *A Dialética da Dependência* operates at the abstraction levels of values and production prices, not market prices. Through this lens, he argues that super-exploitation arises from unequal exchange, itself a product of competition among industrial capitals in the global market. By contrast, Shaikh's inflation theory progresses from production prices to market prices, seeking to explain chronic inflation in contemporary capitalism. In this special case, transitioning between abstraction levels is pertinent, as Marx (2008, p. 213) states, the sum of all sold commodities' prices "is the monetary expression of the total labour contained," i.e., the total value.

Our methodology involved a *more expansive consideration of potential forms of value transfer*, in alignment with the framework proposed by Marini (2012). He examined value transfers through unequal exchange, profit remittances, interest payments, royalties, and other related mechanisms within the capital cycle of dependent economies. By consolidating these transfers as a drain on *surplus value* produced in peripheral economies — and recognising profit as "the transfigured form" of surplus value (Marx, 2008, p. 51) — we conclude that the drainage of surplus value corresponds to the drainage of profit. This approach introduces a variable that directly engages with Shaikh's (2016) determinants of inflation, particularly the growth utilisation rate.

This dialogue was further facilitated by the shared competition theory underlying both Marini's (2012; 2017) and Shaikh's (2016) theories. Both authors consider that individual capitalists' investment decisions are driven by profit rates, with expected profitability disparities prompting capital flows between sectors and a tendency towards a general profit rate. While Marini does not emphasise the equalisation of profit rates among regulating capitals, as Shaikh does (2016, p. 265), both are anchored in Marx's competition theory.

Our review of the literature revealed significant gaps in both mainstream and heterodox inflation theories, particularly in their capacity to account for the role of profit rates and, more critically, the impact of imperialist relations on inflation in dependent economies. In this sense, we hope that the hypothesis presented here can be further developed, contributing to a deeper understanding of Latin America's reality.

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