

All Value-Form, No Value-Substance: Comments on Moseley's New Book, Part 1

Andrew Kliman, May 11, 2016

A number of people have written to me, wanting to know what I think of Fred Moseley's (2016) new book. So I've reluctantly decided to address this matter, in order to show that he hasn't smashed the temporal single-system interpretation (TSSI) of the quantitative dimension of Marx's value theory, even though I think that this response will prove to be a waste of time and effort.

In truth, my efforts to engage with the Marxian economists during the last three decades have consistently been a waste of time and effort. Their primary aim is to hawk their wares—promote their “approaches”—not to get at the truth, resolve outstanding issues, or better understand Marx's work if a better understanding comes into conflict with their “approaches.” Even some former proponents of the temporal single-system interpretation (TSSI) of the quantitative dimension of Marx's value theory have refashioned themselves as purveyors of a so-called “temporal approach.”

Moreover, those who have turned to Marx since the Great Recession have, unfortunately, largely imbibed these norms. In some cases, promoting one's “approach” is conducive to their own careerist aspirations. In other cases, they can't be bothered trying to force open a genuine debate and trying to ensure that it doesn't just display wares for them to choose among, but decides outstanding matters. In still other cases, they are just unfamiliar with anything but hawking wares. And there are still more than a few opponents of reason around, postmodernist and otherwise.

Because I have other (and, in my opinion, better) things to do, and especially because I don't anticipate that anything positive will result from my commenting on Moseley's book, I'll make the comments in installments, and I may quit and move on before I've said everything I should say.

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I'm going to begin with a matter that could—in a better world—easily be decided by reasoned debate. Moseley has long tried to distinguish himself from physicalists (proponents of what Ian Steedman called the “physical quantities approach” to the determination of relative prices, profits, and the rate of profit). Indeed, he describes his interpretation of Marx's value theory as “macro-monetary,” which certainly sounds different. So, is there in fact any quantitative difference between Moseley's equilibrium rate of profit and the equilibrium rate of profit of the (other) physicalists?

He has long claimed that they are indeed different, and he repeats the claim in the new book (see, e.g., p. 307). Whereas technology and the physical (“real”) wage rate are the only proximate determinants of the equilibrium rate of profit of the Sraffians and other physicalists, Moseley

contends that, in his interpretation of Marx, the equilibrium rate of profit is instead “determined by the ratio of the actual total annual surplus-value ... to the actual total stock of capital invested” (p. 36).

In *Reclaiming Marx's "Capital": A Refutation of the Myth of Inconsistency* (Kliman 2007, pp. 172–4), I showed that this contention is false. By means of numerical and algebraic examples, I showed that Moseley's equilibrium rate of profit is quantitatively identical to other physicalists, because it is “determined by the same technological and real wage coefficients that determine all other [physical] theorists' rate of profit, and in exactly the same manner. That he expresses his rate of profit as the ratio of surplus-value to capital value advanced, instead of as a ratio of physical coefficients, makes no difference. It is all value-form and no value-substance.”

Moseley does not challenge my results. He tacitly concedes that, in the examples I provided, the two rates of profit are quantitatively identical, and determined by the exact same factors, in the exact same manner. But he fails to point this out explicitly. And he is not ready to set the record straight.

Instead, he complains about the fact that my examples are for a one-good economy (“corn” is the only means of production, wage good, and product). According to Moseley, this is an “inappropriate assumption.” *But he does not bother to try to explain why it is “inappropriate.”* In fact, it was quite appropriate for the task to which it was put—the task of illustrating how Moseley and other physicalists arrive at the same quantitative results even though they tell different stories and supposedly start from different “givens.” Precisely because they were unrealistically simple, my examples illustrated this point more clearly than more complicated examples.

After presenting my examples, I noted (p. 173) that “[i]t is possible (but much more tedious) to show that the same conclusions hold true in multisector examples in which prices and values differ.” Moseley (p. 307) charges that “this assertion is false.” “[The one-good-economy] assumption, *and only this assumption*, makes it possible to cancel the λ 's (labour-values) on p. 173 and arrive at Kliman's conclusion” (emphasis added).

The person who denies an assertion is, of course, the one who bears the burden of proof. But Moseley offers no proof. Instead, he tells us what the “rate of profit in Marx's theory refers ... to.” This is irrelevant for two reasons. First, the issue here isn't Marx's theory, but Moseley's interpretation. Second, the issue isn't what the words “rate of profit” refer to, but whether Moseley's and other physicalists' rates of profit are quantitatively identical, even though they “refer to” different things. (He also introduces another irrelevancy at this point, concerning the Sraffian conception of “joint products.” I never claimed that his interpretation is specifically Sraffian; I claimed that it arrives at physicalist results. Sraffians are only a subset of physicalists.)

But let us shoulder Moseley's burden of proof for him and see whether, in fact, he is correct. Is it “only th[e] assumption” of a one-good-economy that transforms his “macro-monetary” interpretation into a physicalist one?

Let's consider a two-good economy, without fixed capital or "joint products." Sector one produces a good used as the means of production in both sectors. Sector 2 produces a good consumed by the workers of both sectors.

We begin with the following "macro-monetary" "givens":

sector	C	V	S	W	π	P	r
1	10	2	2	14	6	18	50%
2	2	10	10	22	6	18	50%
total	12	12	12	36	12	36	50%

where C , V , and S are constant capital, variable capital, and surplus value; $W = C + V + S$ is the value of the sector's product; π is average profit = total S times the sector's share of total $C + V$; $P = C + V + \pi$ is the price of production of the sector's product; and $r = \pi / (C + V)$ is the equilibrium (i.e., uniform) rate of profit.

Next, let's introduce a technical change: sector 2's C is the same as before, but its V and S fall by 80%:

sector	C	V	S	W	π	P	r
1	10	2	2	14	3	15	25%
2	2	2	2	6	1	5	25%
total	12	4	4	20	4	20	25%

Notice that the following relation among the variables holds true in both cases:

$$\left[\left(\frac{C_1}{P_1} \right) \left(\frac{V_2}{P_2} \right) - \left(\frac{C_2}{P_2} \right) \left(\frac{V_1}{P_1} \right) \right] (1+r)^2 - \left[\left(\frac{C_1}{P_1} \right) + \left(\frac{V_2}{P_2} \right) \right] (1+r) + 1 = 0 \quad (1)$$

since

$$\left[\left(\frac{10}{18} \right) \left(\frac{10}{18} \right) - \left(\frac{2}{18} \right) \left(\frac{2}{18} \right) \right] (1.5)^2 - \left[\left(\frac{10}{18} \right) + \left(\frac{10}{18} \right) \right] (1.5) + 1 = 0$$

and

$$\left[\left(\frac{10}{15} \right) \left(\frac{2}{5} \right) - \left(\frac{2}{5} \right) \left(\frac{2}{15} \right) \right] (1.25)^2 - \left[\left(\frac{10}{15} \right) + \left(\frac{2}{5} \right) \right] (1.25) + 1 = 0$$

It also holds true in general.

Now note that, in Moseley’s interpretation, the prices of production, P , are “long-run equilibrium prices,” and therefore “input prices are equal to output prices” (p. 324). In other words, the per-unit prices of means of production and workers’ consumption goods—which partly determine C and V —are constrained to equal the per-unit prices of the products—which partly determine P . (Although Moseley denies that he is a simultaneist—proponent of simultaneous determination of input and output prices—he does, as we see, explicitly state that, when a uniform rate of profit prevails, input prices must equal output prices. That is exactly what the rest of us mean when we say that input and output prices are “determined simultaneously.”)

Because, and only because, the per-unit prices of Moseley’s inputs and outputs are constrained to be equal, every fraction in equation (1) can be rewritten either as an input-output coefficient (physical amount of the input required to produce one physical unit of the output) or as the product of a price ratio and an input-output coefficient:

$$\begin{aligned}\frac{C_1}{P_1} &= \frac{p_1 a_1 X_1}{p_1 X_1} = a_1 \\ \frac{C_2}{P_2} &= \frac{p_1 a_2 X_2}{p_2 X_2} = \left(\frac{p_1}{p_2}\right) a_2 \\ \frac{V_1}{P_1} &= \frac{p_2 b_1 X_1}{p_1 X_1} = \left(\frac{p_2}{p_1}\right) b_1 \\ \frac{V_2}{P_2} &= \frac{p_2 b_2 X_2}{p_2 X_2} = b_2\end{aligned}$$

where a_1 and a_2 are the amounts of good 1 needed to produce one unit of goods 1 and 2; b_1 and b_2 is the real wage (units of good 2) per unit of goods 1 and 2; X_1 and X_2 are the amounts of goods one and 2 produced; and p_1 and p_2 are the per-unit prices of goods one and 2 (both as inputs and as outputs).

Thus, equation (1) can be rewritten as

$$\left[a_1 b_2 - \left(\frac{p_1}{p_2}\right) a_2 \left(\frac{p_2}{p_1}\right) b_1 \right] (1+r)^2 - [a_1 + b_2] (1+r) + 1 = 0 \quad (1')$$

or, equivalently, as

$$[a_1 b_2 - a_2 b_1] (1+r)^2 - [a_1 + b_2] (1+r) + 1 = 0 \quad (1'')$$

Equation (1'') is the standard physicalist equation for the uniform rate of profit. (The standard physicalist solution for r is the smaller of the 2 solutions for r .)

Note that the price ratios, $\left(\frac{p_1}{p_2}\right)$ and $\left(\frac{p_2}{p_1}\right)$, cancel out. As a result, what remains are just ratios

of physical quantities—the a 's, the b 's, and the rate of profit, r , which is determined by the a 's and b 's. This shows that Moseley is wrong to allege that the prices (or values) cancel out, and consequently that his rate of profit is physically determined, only in a one-good economy.

It is instructive to analyze exactly why Moseley's rate of profit falls from 50% to 25%. Note

that (again, because input and output prices are constrained to be equal), $\frac{P_1 - \text{total } C}{\text{total } C} =$

$\frac{p_1 X_1 - p_1 A}{p_1 A} = \frac{X_1 - A}{A}$, where A is the total physical amount of good 1 used as an input by both

sectors. $\frac{X_1 - A}{A}$ is the *relative physical surplus* of good 1—the percentage by which the amount of it that's produced exceeds the amount of it that was used up in production throughout the

economy. Before the technical change, it was $\frac{18-12}{12} = 50\%$. After the technical change, it falls

to $\frac{15-12}{12} = 25\%$.

Similarly, $\frac{P_2 - \text{total } V}{\text{total } V} = \frac{p_2 X_2 - p_2 B}{p_2 B} = \frac{X_2 - B}{B}$ is the relative physical surplus of good 2,

where B is the total physical amount of good 2 consumed by workers in both sectors. This

relative physical surplus falls to the same extent, from $\frac{18-12}{12} = 50\%$ to $\frac{5-4}{4} = 25\%$. Hence,

the reason that Moseley's rate of profit falls from 50% to 25% is that the relative *physical* surpluses fall from 50% to 25%.

Thus, even in multisector examples in which prices and values differ, Moseley's rate of profit is determined by the same physical quantities—technological and real wage coefficients—that determine all other simultaneist theorists' rate of profit, and in exactly the same manner. That he expresses his rate of profit as the ratio of surplus-value to capital value advanced, instead of as a ratio of physical coefficients, makes no difference. It is all value-form and no value-substance.

References

Kliman, Andrew. 2007. *Reclaiming Marx's "Capital": A Refutation of the Myth of Inconsistency*. Lanham, MD: Lexington Books.

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