

## All Value-Form, No Value-Substance: Comments on Moseley's New Book, Part 2

Andrew Kliman, May 12, 2016

In Part 1 of these comments, I discussed why I'm writing and publishing comments on Fred Moseley's (2016) new book, even though I'm reluctant to do so. I then demonstrated that, despite his insistence to the contrary, his equilibrium rate of profit is physicalist (its only proximate determinants are "physical quantities, i.e. physical input-output and real wage coefficients).

Although Moseley tacitly concedes in his new book that I demonstrated this claim in a one-good-economy context, he asserts that this is the *only* case in which it can be shown that his equilibrium rate of profit is physicalist. However, my demonstration in Part 1 of these comments assumed a *two*-good economy, and thus disproved Moseley's assertion. I thus concluded, as I had earlier concluded in *Reclaiming Marx's "Capital"* (Kliman 2007, p. 174), "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."

Here, in Part 2, I will address his charge that the temporal single-system interpretation (TSSI) of the quantitative dimension of Marx's value theory is a misinterpretation because prices of production, as understood by the TSSI, can change even if "productivity" and real wages (per unit of living labor) do not. Moseley (see, e.g., p. 294) insists that Marx held that changes in "productivity" and real wages are the only causes of changes in prices of production. In his new book, he addresses this matter at great length. The bulk of his chapter on the TSSI is devoted to it (sections 2.1 and 3 of chapter 9), and he reviews a lot of textual evidence.

There is no need here to enter into a dispute over the textual evidence, because the simple fact is that *Moseley's prices of production can also change even if "productivity" and real wages do not*. I will show this presently, but I first need to point out that my demonstration does not resort to any terminological subterfuges. In other words, the demonstration defines *productivity*, *prices of production*, and *real wages* exactly as Moseley defines them.

By "productivity," he means technology. The productivity of labor changes when, and only when, there are "changes in the technology of production" (p. 289). "[T]hroughout the three volumes of *Capital*, Marx consistently defined the 'productivity of labour' in purely physical terms--as the ratio of the quantity of output produced per unit of labour" (p. 301).

Thus, my demonstration holds technology constant. In both periods, Branch 1 uses up 48 units of a means of production, and extracts 24 hours of living labor from its workers, in order to produce 60 units of the means of production. In the first period, Branch 2 uses up 24 units of a means of production, and extracts 6 hours of living labor from its workers, in order to produce 30 units of a consumption good. In the next period, Branch 2 doubles in size. But its technology, "the quantity of output produced *per unit of labour*," remains the same, since it uses up twice as much of the means of production, and twice as much living labor, in order to produce twice as much of the consumption good.

Moseley's "prices of production" are, of course, the prices that would ensure that the rate of profit is equalized across branches of the economy. He also insists that prices of production are (what the rest of us call) simultaneously determined—the per-unit prices of inputs and outputs are equal (see Part 1 of these comments). Finally, he contends that prices of production are “the sum of the total annual costs in an industry plus the average annual profit, the “gross annual industry revenue”” (p. 35). Thus, they are not relative prices (ratios of prices). And they are not per-unit prices.

This last bit is quite peculiar, since it immediately implies that Moseley cannot consistently assert that prices of production change only when productivity and real wages change. It is obvious that, all else being equal, if all industries were to double in size, then every industry's "gross annual revenue" would also double in size. This observation suffices to demonstrate that *Moseley's "prices of production"—as he defines them—can change even if productivity and real wages do not.* But the demonstration below will not exploit his confusion on this matter. It will make clear that his implicit *per-unit* prices of production also change even if productivity and real wages do not.

Moseley does not provide an explicit definition of “real wage.” But he uses the term to mean what it normally means in physicalist theory (see, e.g., p. 230), workers' physical consumption bundle *per unit* of labor performed. In the demonstration below, the real wage is 5/12 unit of the consumption good per unit of living labor performed, in both branches and in both periods.

Thus, the demonstration is one in which productivity and real wages, as Moseley understands them, remain constant. But prices of production, as Moseley understands them, still change!—see Table 1. The amounts of “gross annual revenue” obviously change because Branch 2 doubles in size. But—and this is the important point—the *per-unit prices of production also change, from 2 to 2.5 in Branch 1 and from 0.8 to 1 in Branch 2.*

It should be noted that the changes in these prices of production are *not* caused by changes in Moseley's (simultaneist) monetary expression of labor-time (MELT). The simultaneist MELT is the economy-wide monetary value added (equal to  $V + S$ ) divided by the total amount of living labor performed throughout the economy, and this ratio equals 1 both before and after Branch 2 doubles in size. It is this growth of Branch 2 that causes the prices to change.

Hence, if the TSSI misinterprets Marx because it implies that prices of production can change even when technology and the real wage rate do not, then Moseley misinterprets Marx in the same way. Simple logic dictates that he must either admit to misinterpreting Marx on this point or *accept that Marx's prices of production can change even if technology and the real wage do not.*

## References

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

Moseley, Fred. 2016. *Money and Totality: A Macro-Monetary Interpretation of Marx's Logic in Capital and the End of the "Transformation Problem."* Leiden and Boston: Brill.

**Table 1: Moseley’s Prices of Production Change Although “Productivity” and Real Wages Do Not**

| Before branch 2 doubles in size |                      |              |                    |                    |                 |                                 |              |                                     |                                  |                                    |                       |                  |
|---------------------------------|----------------------|--------------|--------------------|--------------------|-----------------|---------------------------------|--------------|-------------------------------------|----------------------------------|------------------------------------|-----------------------|------------------|
| branch                          | input price per unit | living labor | constant capital C | variable capital V | surplus-value S | total value of output C + V + S | profit $\pi$ | total price of output C + V + $\pi$ | value rate of profit $S/(C + V)$ | price rate of profit $\pi/(C + V)$ | output price per unit | MELT $(V + S)/L$ |
| 1                               | 2                    | [12]         | \$96<br>[48]       | \$4<br>[5]         | \$8             | \$108<br>[60]                   | \$20         | \$120<br>[60]                       | 8.0%                             | 20.0%                              | 2                     |                  |
| 2                               | 0.8                  | [24]         | \$12<br>[6]        | \$8<br>[10]        | \$16            | \$36<br>[30]                    | \$4          | \$24<br>[30]                        | 80.0%                            | 20.0%                              | 0.8                   |                  |
| total                           |                      | [36]         | \$108<br>[54]      | \$12<br>[15]       | \$24            | \$144                           | \$24         | \$144                               | 20.0%                            | 20.0%                              |                       | 1                |

  

| After branch 2 doubles in size |                      |                |                    |                    |                 |                                 |              |                                     |                                  |                                    |                       |                  |
|--------------------------------|----------------------|----------------|--------------------|--------------------|-----------------|---------------------------------|--------------|-------------------------------------|----------------------------------|------------------------------------|-----------------------|------------------|
| branch                         | input price per unit | living labor L | constant capital C | variable capital V | surplus-value S | total value of output C + V + S | profit $\pi$ | total price of output C + V + $\pi$ | value rate of profit $S/(C + V)$ | price rate of profit $\pi/(C + V)$ | output price per unit | MELT $(V + S)/L$ |
| 1                              | 2.5                  | [12]           | \$120<br>[48]      | \$5<br>[5]         | \$7             | \$132<br>[60]                   | \$25         | \$150<br>[60]                       | 5.6%                             | 20.0%                              | 2.5                   |                  |
| 2                              | 1                    | [48]           | \$30<br>[12]       | \$20<br>[20]       | \$28            | \$78<br>[60]                    | \$10         | \$60<br>[60]                        | 56.0%                            | 20.0%                              | 0.8                   |                  |
| total                          |                      | [60]           | \$150<br>[60]      | \$25<br>[15]       | \$35            | \$210                           | \$35         | \$210                               | 20.0%                            | 20.0%                              |                       | 1                |

Note: Physical quantities of inputs and outputs are in square brackets.