

All Value-Form, No Value-Substance: Comments on Moseley's New Book, Part 5

Andrew Kliman, July 23, 2016

Quite obviously, Marxian economics mean never having to say you're sorry. Fred Moseley is still engaged in the intellectual equivalent of throwing spaghetti against the wall in the hope that a strand or two will stick. But all that he has left us with is an indelibly stained wall and a big mess of spaghetti on the floor.

In Part 4 of this series of comments on his new book (Kliman 2016b), I showed that a certain mathematical relation (equation 1) is *universally true* for any system of prices of production (given two sectors and no fixed capital). In particular, it holds true whether or not the rate of profit is determined by “physical quantities.” Equation 1 therefore holds true for Moseley's price-of-production system. I then showed that, when taken together, two features of his interpretation—equation 1 and his stipulation that per-unit input and output prices must be equal—imply that the rate of profit is physically determined.

Hence, Moseley's rate of profit is physically determined. 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.

In his latest response to me, Moseley (2016, emphases in original) contends that this argument

is invalid—because Marx's theory of *the rate of profit is not determined by equation (1)*. Rather, the rate of profit in Marx's theory is *determined independently of equation (1)*, by the aggregate ratio of $S/(C+V)$ and S is determined by *surplus labor* (a detailed algebraic summary is in Chapter 2 of my book).”

As I noted in Part 1, regarding identical argumentation contained in his book, “This is irrelevant ... [because] the issue here isn't Marx's theory, but Moseley's interpretation” (Kliman 2016a, p. 2x).

But Moseley has a further argument. He attempts to show that his “macro-monetary” rate of profit is quantitatively different from the physically determined rate of profit of (other) physicalist theorists. He modifies a numerical example I provided in Part 1 and correctly points out that, in the modified example, his rate of profit falls from 50% to 45%. He then states,

In Sraffa's theory, on the other hand, ... such cost-saving technological change *never reduces* the rate of profit and *increases* the rate of profit if the technological change takes place in a basic goods industry. Thus we have *two completely different conclusions* regarding the all-important question of the effect of labor-saving technological change on the rate of profit.

However, Moseley fails to compute the physicalist (“Sraffian”) rate of profit! He therefore shows that the fall in his rate of profit is “completely different” from—nothing whatever! What kind of proof is this?

Of course, he *alleges* that the physicalist rate of profit will rise in this example. And he is correct that *if* cost-saving technological change takes place in a basic goods industry, *then* the physicalist rate of profit must rise. But he fails to *show* that the physicalist rate of profit will rise—because he fails to show that the technological change in his example is cost-saving in the relevant sense.

He didn’t show that because he can’t show it. It isn’t the case. To the contrary, *the physicalist rate of profit also falls from 50% to 45%! Thus, we don’t have “two completely different conclusions.”* We have one and the same conclusion regarding the all-important question of the effect of labor-saving technological change on the rate of profit.

Whether intentionally or not, Moseley refrains from specifying any per-unit prices or physical quantities. That makes it a bit difficult to show the physicalist rate of profit also falls from 50% to 45%, just like his “macro-monetary” rate of profit.

A bit difficult, but not impossible. The Excel spreadsheet file accompanying this reply allows you to confirm that Moseley’s rate of profit and the physicalist rate of profit are quantitatively identical, both before and after the technological change, *given whatever positive per-unit prices or positive physical outputs you choose*. The prices or outputs you choose, taken together with the “macro-monetary” data and Moseley’s stipulation that per-unit input and output prices must be equal, suffice to determine the underlying physical quantities (input-output and real-wage coefficients). And these underlying physical quantities imply that the physicalist rate of profit also falls from 50% to 45%.

Readers who want a *general* proof that Moseley’s rate of profit and the physicalist rate of profit are quantitatively identical should consult Parts 1 and 4 of this series of comments, which contain the proof.

Let me take up one more point before concluding. Moseley continues to insist that “Kliman’s argument is based on circular reasoning (because equation (1) is derived from (1’)).” He conveniently ignores the fact that Part 4 of my series of comments derived Equation (1) without any reference to the physicalist equation (1’)! “The proof assumes that the rate of profit is equalized and it assumes the laws of algebra, but it makes *no other assumption*” (Kliman 2016x, p. 3, emphasis in original).

Moreover, although Moseley claims that “equation (1) is derived from (1’),” he states later in the same paragraph that “Marx’s theory of the rate of profit is consistent with equation (1) (as Kliman’s calculations show).” This makes no sense. Moseley correctly denies that Marx was a physicalist. It follows that, even though Marx’s rate of profit “is consistent with equation (1),” it is not quantitatively identical to the physicalist rate of profit determined by means of equation (1’). And this in turn implies that equation (1) is *not* derived from equation (1’).

References

Kliman, Andrew. 2016a. "All Value-Form, No Value-Substance: Comments on Moseley's New Book, Part 1." May 11. Available at <http://www.marxisthumanistinitiative.org/uncategorized/all-value-form-no-value-substance-comments-on-moseleys-new-book-part-1.html> .

_____. 2016b. "All Value-Form, No Value-Substance: Comments on Moseley's New Book, Part 4." July 14. Available at <http://www.marxisthumanistinitiative.org/miscellaneous/all-value-form-no-value-substance-comments-on-moseleys-new-book-part-4.html> .

Moseley, Fred. 2016. [Comment on "All Value-Form, No Value-Substance: Comments on Moseley's New Book, Part 4"]. July 22. Posted in "Comments" section at <http://www.marxisthumanistinitiative.org/miscellaneous/all-value-form-no-value-substance-comments-on-moseleys-new-book-part-4.html> .