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Discussant Comments for Sept. 24 and Oct. 8, 2023 Classes

I start by thanking the MHI for including me in a discussion at the cutting edge of the study of Marx's relevance to the state of the world today.

TSSI's founders rightly focussed on refuting the unrelenting attacks on Marx's value theory by scholars we term 'Marxists without Marx', which had by the early 1990s effectively suppressed Marx's actual contribution. The critics claimed that Marx's explanation for observed long falls in the profit rate, and his account of the relation between price and value, were 'logically contradictory'. The result was a prolonged battle which we can pithily describe as a 'Volume III' debate. The main lines of the argument are now clear and in the public domain.

However, a second wave of debate opened in 2008, around allegations that 'Marx had no crisis theory'. This arose because the crash of 2008 was too serious to be ignored. Yet the 'Marxism without Marx' interpretation itself contains no crisis theory, and logically cannot, because it starts from the assumption that capitalism reproduces perfectly. Had its advocates been honest, they would have accepted that the fault lay in their own theories, mistakenly presented as Marx's.

In this context Marx's theory of capitalist reproduction comes to the fore, and for this reason I will call this a "Volume II" debate. My comments will focus on this wider context of the Luxemburg-Grossman debate.

This seminar, and the attention that Andrew has given to the debates surrounding them is therefore as timely as it is welcome. It parallels also a new wave of interest, spearheaded by writers such as Guido de Marco, in a deeper understanding of the fundamental issue raised by Marx in Volume II, namely, 'how does capitalism reproduce itself?'

All equilibrium theories, of which Marxism Without Marx interpretations are merely a variant, confront an intractable problem: they directly conflict with reality. This is because they suppose that in every period, the economy reproduces itself perfectly. That is, they start from a doctrinal principle that assumes something which does not happen. It is therefore unsurprising that they cannot explain what does, actually, happen.

They therefore always attribute capitalism's problems to some cause exogenous to it; witness 'New School' explanations for the FRP as an outcome of capitalist 'behaviour', the theory of 'Social Structures of Accumulation', the presentation of 'financialization' as a policy choice, or Dumenil and Levy's sudden announcement, a scant four years after proclaiming the triumph of Neoliberalism, that Neoliberalism produced the crisis of 2008.

That is to say, all such theories attribute capitalism's difficulties to its political superstructure. Ideologically, cultivate respectability. They ingratiate their advocates with that very superstructure by drawing, from Marx's revolutionary analysis, the false and dangerous conclusion that superstructural reforms are sufficient to overcome capitalism's difficulties.

The importance of the schemas of reproduction and the role they played in the work of Luxemburg, Bukharin, Bauer, and Grossman, which Andrew examines, is that whatever their flaws, they do not share this doctrinal principle. They are, in the language of TSSI scholars, ‘tempora’, or more precisely, ‘sequential’ theories.

In particular, though Bortkiewicz and his epigones could convert ‘Simple Reproduction’ into an equilibrium system, this could not be done with the schemas of Expanded Reproduction, which have no equilibrium counterpart. This is a crack in the edifice of Marxism Without Marx, which should be energetically levered open.

The reason is that an ‘equilibrium’ treatment of accumulation, as shown by the attempts of Sraffa, von Neumann and Steedman, must suppose proportions of production in Department I and Department II remain fixed. But this is incompatible with accumulation itself, which consists of the growth of capital goods, produced by Department I. Changes in the proportions of Departments I and II therefore always form necessary phases in any actual process of accumulation. Indeed, this is what ‘Relative Surplus Value’ is all about.

Nonetheless, Andrew convincingly demonstrates, the debate has run into a dead end. The question arising is then similar to that surrounding the Volume III debate: is this dead end a result of Marx’s own methods and assumptions, or does it arise from a misreading, or an inadequate reading, of them? I suggest this is the fundamental question to which Marx scholars should now turn.

I first pose the question: in Marx’s thinking, what is the *function* of the schemas?

I start with Andrew’s critique of fatalism, which I think leads to the heart of the matter. I would go further: at the root of all ‘breakdown’ theory is a confusion of *possibility* with *necessity*. Mandel puts this very well in the introduction to *Late Capitalism*. This incidentally contains a deep critique of the Luxemburg-Grossman tradition which I urge scholars to revisit. The basic point he makes is that Marx’s purpose was to establish the *possibility* that capitalism could reproduce itself.

This was essential since the theory of value as such demonstrates that we live in a system with no conscious coordination between individual producers other than the commodity relation. This is a great puzzle, not to be underestimated.

Equilibrium theories, whether in the shape of Say’s Law, Proudhon’s ‘proportions’, General Equilibrium, or Marxism without Marx, start from the proposition that capitalism *must necessarily reproduce itself perfectly, because otherwise, value could not exist*. That is, they mistake the conclusion for the premise. Actually – that is to say in observed reality – perfect reproduction – is a ‘special case’ of a more general mode of existence which is *normally not in equilibrium*. The numbers in the reproduction schemes are averages of a process in which capital constantly migrates from one site to another in search of the highest possible profit rate.

The function of Marx’s theory of reproduction is to prove that this assumption is *not theoretically necessary*. Commodity exchange mediated by value is a *sufficient basis* for the conclusion that it is *possible* for capitalism to exist and form the basis of a mode of production, without making this a prior assumption.

But *possibility* is not *necessity*. Marx nowhere claims that this is how capitalism actually proceeds; to the contrary, Volume III, which enquires into the actual course of capitalist accumulation, can be considered a dialectical inversion of this possibility theory because it investigates precisely why, under well-defined circumstances, this possibility is not realised.

If Marx's assumed that the reproduction schemas contained everything needed in order to investigate these contradictions, there is no logical reason to write Volume III. The schemas would contain all these contradictions in and of themselves.

Indeed, this is the principal difficulty with the entire breakdown problematic, starting with Luxemburg; neither Volume III, nor the rate of profit, nor the contradictions between classes of property owners – notably landowners, merchants, money-dealing capital and banking capital – do not figure in the approach.

The 'breakdown' thesis is, reduced to its essence, that the reproduction of capital *itself* is the source of capital's contradictions, not the *effects* of this reproduction process as played out in the sphere of capitalist competition.

In this sense, notwithstanding the depth of his understanding, Grossman deepens the original difficulties of Luxemburg's approach, digging a pit into which his followers fall.

Whereas for the neoclassical paradigm, for which capitalism *must necessarily reproduce itself*; for breakdown theories of all stripes, capitalism *cannot possibly* reproduce itself. These two errors are merely inversions of each other; we can simply restate them as 'capitalism cannot fail' versus 'capitalism must inevitably fail'.

Both are variants of *positivism*, which I criticised in an early article in RiPE, and which not only forms the basis of neoclassical theory but also had a profound influence on the Marxist movement – to take but one example, it informs Lassalle's 'Iron Law of Wages' and the basic underlying mechanical determinism of Stalin-era Marxism. The basic notion of positivism is that human destiny is governed by *natural laws external to human conscious action* and that therefore, humans must simply bow down to these laws.

Positivism is not merely deleterious but profoundly anti-human; it denies the role of conscious human action in deciding the fate of humanity. Fatalism is not, therefore, a minor theoretical deviation but a potentially very dangerous departure from any *political* theory in which human self-liberation plays a role.

This critique leads us to examine the key distinction between *explanation* and *prediction*, which Andrew rightly introduced into our response to Heinrich. Heinrich falsely attributes to Marx the fatalist assertion that the rate of profit *must necessarily* fall. In fact Marx offers an *explanation of the fact that it does*. The humanist core of Marx's theory is thus that it *equips humans with the understanding that they need in order to act*. Nothing could be further from the fatalism of Grossman's followers, regardless of their sincerity and intellectual honesty.

In this light, I therefore want to suggest, for discussion, the following: what do the schemas contribute to our *understanding* of capitalism? The answer I would give is 'an enormous amount, but not on the basis established in the Luxemburg-Bukharin-Bauer-Grossman debate.'

The issue, to repeat, is not *which contradictions of capitalism can be found in the schemas of reproduction*, but *how reproduction is affected by the contradictions arising from accumulation*.

Are the reproduction schemas suited to this purpose? What are their limitations, both as they stand in Marx's work, and as they have been developed from Luxemburg to Grossman? Do any such limitations arise from Marx's approach to the question of reproduction, or from their subsequent treatment? Can these limitations be overcome, and if so, within Marx's framework?

I believe that recent scholarship, particularly that dealing with turnover time and fixed capital, allow us to give a qualified 'yes' to the last question.

In my concluding remarks I therefore turn to these limitations and the possible ways to overcome them.

The first problem is directly posed by Andrew's refutation of Grossman's inevitability proof, which I will paraphrase, hoping I do not misrepresent, that Grossman does not distinguish price from 'physical' magnitudes. I think the proof rests on a simplification: that the 'physical magnitude' of output is a meaningful idea. This is valid for the purpose of disproof, since Grossman accepts it.

But if we wish the schemas to form the basis for a general theory, that is, an explanation, of how capitalism reproduces itself, I think we need to interrogate this simplification.

Marx does not actually speak of 'physical' size at all, which is an alienated notion, but of 'use value'. The 'quantity' of a thing is socially defined. When we buy a 'breakfast' we pay for the use of it, not some mystical and naturally-given 'thing' whose magnitude happens to be measured in platefuls, cartons or servings. That Marx speaks of use-value and not physical size is abundantly clear from the opening chapter of Volume I.

Consequently if we wish to speak meaningfully of the 'quantity' of an output comprising heterogeneous things (oranges and apples) we define, analytically, some measure of their usefulness that applies to all of them. This is not as far-fetched as it sounds – for example, neoclassical constant prices satisfy this condition, as (for that matter) does Benthamite cardinal objective utility. However, it takes us into areas of thinking that are rarely explored by Marx scholars.

Thus either we suppose that the reproduction schemas should be treated as applying *only* to value and price magnitudes, or we ask that they should (as Marx himself claims, according to Rosdolsky) account not only for the aggregate price and value magnitudes but also their use values.

The second point is of a similar logical character and arises from Bortkiewicz's simplifications. He and his followers adopt at least three unjustified assumptions which everyone employs in the subsequent debate. These are:

- (1) That all capitals turn over exactly once a year
- (2) That their turnovers are *synchronised* – they all start and end at the same time
- (3) That their products are all sold at a single point in time, at the end of the period.

Now as with 'physical quantity' it is sufficient and even necessary to adopt such simplifications as long as our purpose is to refute the simultaneist critics who rest their case on them.

However, if our purpose is to establish the general relevance of Marx's theory of reproduction, this is unacceptable, both because the assumptions do not correspond to reality, and because Marx did not adopt them.

The basic reason is simply stated: it is fixed capital. In Bortkiewicz systems there *is* no fixed capital, and all attempts to theorise it have failed, as admitted by the simultaneists. Sraffa's own concept that fixed capital 'produces itself' leads to insoluble and recognised contradictions. Both for this reason, and for the reasons stated at the start of this response, we must therefore enquire into *Marx's* treatment of fixed capital.

There are two further reasons for this choice. First, Marx's own formulation of the reproduction of capital do *not assume anything about when the capitals engaged in it turn over, or how frequently*. He explicitly states that the magnitudes in his tables refer to the capital *turned over*, which means a portion of that capital always necessarily remains in existence. It does not vanish, as Bortkiewicz and his followers suppose, by being sold in its entirety at the end of the period. It follows that the value (and use value) of fixed capital is preserved not by sale, but by the mere existence, of the capital goods concerned. But then, as Phyllis Attwood noted and John Ernst insisted, at the dawn of TSSI, the value and the use value of that capital are reduced, in the course of accumulation, by two quite distinct mechanisms - physical and moral depreciation.

The moral depreciation - the decline of the value of the deployed fixed capital independent of the destruction of its use value - plays an integral and non-ignorable role both in the contradictions of capital themselves (and in particular, the TRPF) and in the way the process of reproduction *reacts* to these contradictions.

The second reason is that Marx's critique of Smith and Ricardo, and in a sense the starting point of his serious investigations into political economy, rest on clarifying the distinction between fixed and circulating capital that it is *quantitative not qualitative*. What distinguishes a machine from a bale of cloth is *simply and only that it takes longer to consume*.

Why does this matter? Because it refutes the entire principle on which Smith's economic theories were founded, and on which Ricardo's foundered: that the profit of the capitalist is a *reward for supplying the factor of capital*. For both Smith and Ricardo, fixed capital is a different *kind of thing* from circulating capital. For Marx it is no different from circulating capital except in one regard: it takes longer to consume. The point is therefore not only of analytical importance but of fundamental political significance.

I conclude on this point and once more thank Andrew, and the organisers of this event.

Additional Notes for reference

This would result in a theory which, following Einstein, I term 'complete'.

A complete theory according to Einstein is one in which every element of the theory that represents an aspect of reality is itself real.

. In the May 15, 1935 issue of *Physical Review* Albert Einstein co-authored a paper with his two postdoctoral research associates at the Institute for Advanced Study, Boris Podolsky and Nathan Rosen. The article was entitled "Can Quantum Mechanical Description of Physical Reality Be Considered Complete?" (Einstein *et al.* 1935)

every element of the physical reality must have a counterpart in the physical theory.