WHICH WAY FORWARD FOR MARXIST VALUE THEORY?

A Rejoinder to Moseley

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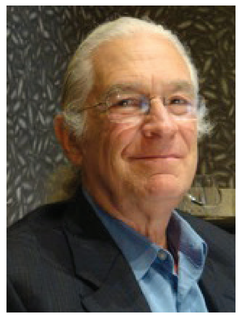

Abstract: Fred Moseley's reply to my review essay on his *Money and Totality* essentially repeats the argument that was criticized at length in that essay. It rests on a grave misinterpretation of my own position and does not achieve its objective: to build upon Marx's work and provide solid foundations for ongoing progress along Marxist lines. The crucial logical incoherence of the argument in *Money and Totality* remains and is an obstacle to the goal that Moseley and I share: to continue the work begun by Marx and to use that work in the service of progressive social transformation around the world.

Key words: Marxist value theory; transformation problem; Piero Sraffa; macro-monetary interpretation

In fairness to the WRPE's readers, it is time now to compress and get right to the point. In this rejoinder, I will try to avoid detailed repetition of arguments already made (Laibman 2018; Moseley 2018). While I will insist that Moseley has misinterpreted my position in major ways and has therefore failed to come to terms with my critique of the position advanced in his book (Moseley 2016), I will not cite the relevant works endlessly, and tediously. The reader will have to consult them for verification.

1. Moseley's Statement of My View

The key language appears near the beginning of Moseley's reply to my article:

> Laibman argues that Marx's theory is logically incoherent (the well-known "transformation problem") and that [Piero] Sraffa's theory is the only coherent theory of prices and income distribution, and therefore the "way forward" for critical economists is Sraffa's theory. (2018, 149)

And in his Conclusion, Moseley insists that

> *accepting* the Sraffian interpretation of Marx's theory is a *cul-de-sac* because it leads inevitably (as it has in Laibman's case) to a rejection of the labor theory of value in a quantitative sense and the loss of all the explanatory power of Marx's theory. (2018, 160; *emphasis* in the original)

These are strong words; unfortunately, they are also profoundly inaccurate. What I argued (again, I must ask readers to confirm this for themselves) is that *Moseley's confinement of Marx's theory of value formation to a single, mechanically interpreted instance*—the numerical example of pooling of surplus value and formation of prices of production in *Capital* Volume III, Chapter 9, many versions of which do appear also in related texts—*is logically contradictory*. In short: it is not *Marx* who is contradictory, but rather *Moseley's dogmatic reading of Marx*, which simply refuses to acknowledge certain facts about the logical structure of capitalist value formation (more about this below). Marx—as the simultaneous iterative method for acquisition of capitalism-determined fully formed values (prices of production) reveals—saw clearly the role of competition among capitals in value formation (which does indeed result in values that deviate systematically from goods' direct-plus-indirect embodied labor contents). This competition is embodied in his example of the pooling of surplus value generated from individual production processes controlled by individual capitals into a common sum, and then redistributed among the individual capitals so as to form an equal rate of profit. This story is *not* contradictory: it is just *incomplete* (as I argue at length in my 2018 article). Herein lies the beauty of the iterative solution to the value equations: it establishes Marx's numerical example as *one step* in a continuing series of steps leading to full formation of profit-rate-equalizing labor values. The completion and ongoing perfection of this story has been the work of Marxists (Dobb, Meek, Sraffa, Sweezy, Brody, Shaikh, Nuti, Mohun, and many others too numerous to cite here, including the present author), who came along after Marx died, mostly (so far) in the 20th century. This work has also, it should be emphasized, benefitted greatly from the work of non-Marxist authors: Bortkiewicz, Seton, Leontiev, Samuelson, Morishima, Kurz & Salvadori, Pasinetti, and many others, and indeed rests profoundly on the theorems concerning the properties of nonnegative square matrices associated with mathematicians Perron and Frobenius.[1]

As for my "rejection" of the labor theory of value in a "quantitative sense," this rather remarkable claim must refer to the pure fact that the profit-rate-equalizing values are *not* equal to per-unit embodied labor quantities. As I made abundantly clear in my article, I do not use these latter quantities *at any point* in my theory of capitalist value determination (the "Theoretical Time/Consistent Structure," or TT/CS, position, to which Moseley again does not refer). Since Moseley's own MMI view insists that the "untransformed" values are only used by Marx as a first approximation—an expositional device made necessary because the Volume III arithmetic had not yet appeared—and that inputs are in fact already purchased by capitalists at prices of production (represented by the money constant and variable capital outlays), the role of "values" in that original sense is unclear in Moseley's "macro" theory, not in mine.[2]

Finally, regarding Moseley's interpretation of my position. He writes, "If 'pool and redistribute' is 'only a metaphor' [quoting Laibman 2018], then Marx's labor theory of value and surplus value is only a metaphor and not a scientific quantitative theory of capitalism" (Moseley 2018, 157). Perhaps this is just polemical overkill, but I feel a need to point out that my description of the pooling and redistribution of surplus value as a "metaphor" referred specifically to the notion of capitalists actually *meeting* in some central location, placing their acquired surplus values into a common pool and then re-allocating from that pool; this was a metaphor, obviously, for an impersonal competitive process—in effect, for the operation of the "law of value," as Marx often used that term. I had, and have, no intention to reduce the Marxist theory of the capitalist economy to a mere figure of speech, instead of what it is: a distillation of the material reality of a really existing social system.

But let us proceed to more fundamental matters.

2. Methodological Issues

Moseley continually refers to "Marx's logical method," which is counterposed to "Sraffa's logical method." So, we have (at least!) two possible "logical methods," and this in a context that does not refer to dialectics, multi-valued logics, or similar matters. Marx's method, according to Moseley, is based on the priority of production of surplus value over its distribution, and begins with the question, from where does surplus value originate?—the basis of the M–C–M′ formula and all of its variants. Sraffa's, by contrast, starts with "given" production and wage data, ignoring the question of how capitalists acquire the elements of production (the purchase of constant and variable capital). It is always "Marx's method" versus "Sraffa's method" (represented in Moseley's argument by me).[3]

There are essentially three issues: the positing of distinct incompatible methods, the priority of production over distribution, and the role of money magnitudes in determining the "monetary" nature of a theory.

First, I must say that I cannot accept the claim that Marx's method "starts with" money capital (in contrast to Sraffa, who "starts with" production data). The opening passages of *Capital*, Volume I, Chapter 1, set up (in verbal terms, to be sure) a model of a production system in which distinct goods (use values) are produced in conditions of separation and competition, with the additional specification that performance of labor and the attribute of ownership are vested in the same individuals (the case of simple commodity production). This is very much like the model developed in the opening chapters of Sraffa's (1960) *Production of Commodities*. Moreover, Sraffa's attention in his Chapter 3 to the transition in which the wage share falls from unity and a rate of profits therefore arises can be seen as posing the question, what is the source of the ΔM?—the central inquiry of Marx's (1967a) Chapters 4 to 6.

The main difficulty with the "two methods" problematic, however, is this. Suppose Marx's and Sraffa's starting points, in some senses at least, *are* different. *Why is that a problem*? If there is a single objective reality under investigation, all starting points, when fully and properly developed, will lead to the same overall picture. This is similar to the famous parable about blind men examining an elephant. Upon initial contact, each man conceives the elephant to be something very distinctive: a craggy wall, a tree trunk, a hose, a large floppy leaf, a short rope. Once each of them completes his investigation, however, a true unified picture of the elephant will emerge. In encouraging students to develop a critical view of mainstream economic theory, I have always tried to show that we can begin with something that is very superficial from a Marxist standpoint (such as the usual story of competitive equilibrium of supply and demand), interrogate that story, and arrive at a deeper view of the reality of power and exploitation in capitalist market conditions. Moseley should welcome Sraffa's attempt to analyze capitalist production and distribution from a different perspective, to see how answers to Marx's questions can emerge from that perspective, and what we may learn about those answers as a result.

Moseley's second claim concerning method turns on the distinction between production and distribution, and the priority of the former over the latter. As Moseley says,

> . . . the production of surplus value is *theorized prior* to the distribution of surplus-value, that is, the *total surplus value* produced in the economy as a whole is determined *logically prior* to the *division* of the total surplus value into individual parts. First the whole, and then the parts. (Moseley 2018, 149–150; italics in the original)

One must, however, I think, distinguish between *ontological priority* and *unilinear causation* (of distribution by production, and distribution of surplus value by production of surplus value). Distribution is, ultimately, a subcategory of production, considered from the standpoint of the social relations of production. Ontological priority asserts that distribution—the level of the wage share and the rate of profit, but also the division of surplus value among individual capitals—is fundamentally determined by the structures of power between and within the contending classes formed in the actual process of production. From this, however, should we conclude that the conditions of distribution have *no effect whatsoever* on production or its measurement? That production of surplus value and its distribution are rigidly separated, with causal determination running simply from the former to the latter? Production is fundamentally determinative of distribution—see the double right-facing arrow in the figure just below—but with a reverse (secondary) causal chain, represented by the single left-facing arrow in the figure.

$$\text{Production} \quad \overset{\Rightarrow}{\leftarrow} \quad \text{Distribution}$$

This is very much like the basic determination of the relations of production by the forces of production in historical materialist theory, but with a secondary causal link giving the reverse impact of the relations on the path and timing of development of the forces (see Laibman forthcoming).

The implication is clear: if the distribution variables—the wage share and profit rate—have an impact on the measured magnitude of surplus value produced (more on this below), this does not refute or undermine the basic priority of production within the production–distribution relation. Marx's own investigations lead us to the conclusion that the world is simply more complex than the linear view (*first* production of surplus value, *then* its distribution) would imply. It should come as no surprise that even a figure with Marx's intellectual stature would come to this understanding by stages, embracing, first, the linear view, and later, with the maturation of the theory, the complete, interactive view; moreover, that the same progression should appear in his presentation and teaching of the theory.

Moseley's final methodological point concerns the priority of money—the second "M" in MMI. I have looked closely, and I find that there is nothing in Moseley's reply to my article that would justify changing my view on this. Yes, for reasons of presentation, Marx begins his discussion of the nature and source of surplus value by setting forth a formula in which *money* is the visible starting point: M–C–M′. But to call this a *monetary* theory is like suggesting that all printed books are "ink theories," because the words in which thoughts are expressed are shown as splotches of ink on paper. The money *form* cannot determine the socio-economic *content*. Money does indeed enter into the theory, and the form does indeed react dialectically back upon the content, at the point at which hoards of money (Keynes's "liquidity preference") become important; at which government control over the issue of money in its modern forms impacts upon tempos and patterns of accumulation; and (perhaps) at which (truly modern) blockchain technology makes possible the "mining" of new digital forms of money, with impacts upon the economy that clearly go far beyond the terrain of the Moseley–Laibman discussion. Needless to say and keeping Bitcoin and other digital currencies to one side for now, one can find rich veins of discussion in Marx's texts that relate to the class and structural basis of hoarding, credit money (debt), public finance, and other aspects of the actual role of money—none of which supports Moseley's view that his literal defense and application of Marx's Volume III transformation tables is a "monetary" theory.

3. Finally, Marx's "Transformation"

Does Moseley's reply to me add anything to the earlier more expansive presentations of his main argument? Perhaps just enough to warrant a brief comment.

Moseley's elaborate "macro-monetary" construction is, I must still insist, nothing more than an attempt to "rescue" Marx's numerical example of profit-rate equalization and formation of prices of production from what he perceives as negative and destructive criticism. Marx's exercises—found in *Capital* Volume III (Marx 1967b), but also in various early drafts and post-1867 drafts, to the study of which Moseley has contributed so ably—are all based on re-division (pooling) of surplus value, in an equal proportion to invested capital (inputs), whose numerical representations in the examples do not change as a result of the re-division. In his reply to me, Moseley (for the first time, I believe) describes what happens as a *two-stage* process. *First*, prices of production of the inputs (elements of constant and variable capital) are formed. This presumably has occurred by means of a competitive struggle, with individual capitals doggedly pursuing the highest rates of profit possible and therefore equalizing those rates—the struggle represented by the "pooling and redistribution" metaphor. *Second*, with input values now determined as prices of production—*it all happens again*! Industries (the same industries? different ones?) still (why?) have unequal profit rates, so the competitive pooling process takes place once more. *For some unexplained reason*, competition is bifurcated: it occurs first for one set of goods, then for another set; or first for goods at one moment in time, then again at another.

Moseley rejects the possibilities that the second set are different goods, that is, luxury goods; or goods produced in a different and segregated geographical area. His interpretation is that the inputs and outputs are the same goods, only in different time periods. Fine. (I only explored the first two cases for the sake of completeness.) He uses the standard escape from the Steedman charge of absurdity: the goods have one set of prices of production at the beginning of the first stage, and another set after the second stage, because these stages occur at two different moments in time. But please: we still need to be told how the two time periods differ from one another. If technical and social conditions are changing over time, we are not dealing with values (as prices of production) at all, but rather with some sort of market or momentary prices; in this way we also give up all pretense at having theoretical or explanatory concerns, and retreat into pure institutionalism and empiricism. If, instead, the exercise is rooted in (what I call) theoretical time, with technical and social data held constant, then the point simply *must be faced*: when the second pooling process occurs, and profit rates are (re)equalized, *the prices must by the same process change*, and the original "prices of production" *cannot have been prices of production (profit-rate-equalizing prices) at all*. If the inputs "were" at prices of production originally, *the profit rate must have been equal*. Then the second stage of Moseley's two-stage process has no rationale. (But, then, the way prices of production are formed remains unexplained.) If, on the contrary, profit rates are unequal after the first stage, making the second stage necessary, then the prices of the inputs in the first stage *cannot* have been prices of production, but rather some stadial *approximation* to prices of production. That makes the prices that emerge after the second stage *also* an approximation, and raises the question: why and how can there be *just* two stages?

Simple logic—not "Marx's" or "Sraffa's" or "Moseley's" or "Laibman's" logic, just standard formal logic as such (which, to be sure, does not refute or replace dialectics)—says: *either* the input prices are prices of production, in which case there is no "second stage" and the formation of production prices cannot be illustrated; *or* they are not. In the latter case, we are clearly dealing with an ongoing iterative calculation with an indefinite number of stages. Here I invoke the well-known mathematical results, whose truth is accepted by Moseley, demonstrating that the various stages *converge* to the solution of the system of simultaneous equations based on the given production conditions and distribution (rate of exploitation) parameters. *Real* prices of production thus emerge as the result of an infinite sequence of iterative steps, *or*—equivalently—as the result of solution of a system of equations, whose simultaneity represents the *interactive regularity* of the capitalist economy that is being described. There is no "iterative method" versus "simultaneous method"; the two solution techniques depict the same objective reality, although the former is useful for what it reveals about the competitive dynamics involved.

But the conclusion seems inescapable: Moseley's two-stage story is logically incoherent, in the following precise sense: it requires us to imagine that (1) input goods (and therefore goods in general) have two different sets of prices of production *at the same time*; (2) input prices are prices of production *which means that* no further transformation is either necessary or possible (in which case no actual illustration of the principles determining prices of production is supplied); and (3) prices of production are formed in a second stage *via* profit-rate equalization on the basis of (given) prices of production!

Is this mess truly a defense of Marx? Must we saddle ourselves with an elaborate "methodological" structure designed to fetishize a simple calculation, which is in itself usefully suggestive, and true as an expression of a single step in an iterative chain, but incomplete as a rigorous determination of values? What are the expectations that should hold for a scientific and revolutionary tradition based on the foundations laid down by Marx? Putting this another way: do we want to be "defenders of Marx" or do we want to be *Marxists*? And: do we truly "defend" Marx by confining his legacy to a single, mechanical interpretation of a numerical illustration, especially when that interpretation is logically inconsistent? That, too, is strong language; but perhaps it is what we need now, as we are called upon to act, in the name of the world's working-class and progressive forces, within an increasingly dangerous and crisis-prone capitalism-dominated world.

4. Concluding on a Positive Note

If Moseley's "Macro-Monetary Interpretation" is not a sound foundation, is it true, as he states, that the simultaneous iterative ("20th-century Marxist") approach, of which Sraffa was *one* proponent, "leads inevitably . . . to a rejection of the labor theory of value . . . and the loss of all explanatory power of Marx's theory?" In what follows, and perhaps being a bit presumptuous, I will call this approach the *Theoretical Time/Consistent Structure* (TT/CS) interpretation.

As I have tried to show, the TT/CS view is truly a *single-system* view—a rather ironic fact, given that the charge of dualism is so often applied to it. There is, indeed, no "transformation," only the determination of profit-rate equalizing *values*: quantities of labor time embedded in commodities by capitalist production *and distribution* conditions, otherwise known as prices of production. The direct-plus-indirect embodied labor time prices (typically called "values") play an analytical role in some contexts, but they are not central to the determination of values in the TT/CS sense.

Abstract labor remains the source of value. The total current labor time[4] is equal to the total value available for formation of the incomes of the two social classes, workers and capitalists. Value is created by labor, in and through the expenditure of labor, as measured by time. There is one important difference between this and the picture painted by Marx in *Capital* Volume I, Chapters 1 to 6: in each industry *separately*, the rate of value creation differs systematically from the rate of performance of labor. So, for example, in a particular industry, one hour of labor will result in the creation of 1.1 or 1.2 hours of new value; in another, the coefficient might be 0.8 or 0.9. These deviations from unity are the result of profit-rate equalization and constitution of the full (price-of-production) form of value. They do not in any way undermine the foundational Marxist understanding of profit as rooted in surplus value—the forcible appropriation of a portion of the product of workers' labor that constitutes "exploitation." Moseley's efforts to tag "Sraffian" theory as destructive of Marx's core insights into the nature of the capitalist–worker relation is, I fear, simply not convincing.

As for "explanatory power": I must again insist that an internally contradictory theory cannot explain anything. Moseley, in both his book and his reply to me, insists that his MMI interpretation is capable of explaining: fixed capital stocks, turnover times, trends in the capitalist accumulation path such as the falling rate of profit, and so on. By contrast, the "Sraffian" interpretation cannot explain these things. This is, quite simply, never demonstrated; Steedman (1977) made a start at applying Sraffian models to particular problems in the theory of the capitalist process. The core of truth in Moseley's claim to "explanatory power" is that his "inputs are not transformed" stance means that certain phenomena can be addressed in isolation from others; an actual concession to empiricism. By contrast, treating real issues in capitalist growth, accumulation, technical change, crisis, finance, and so on, *within the framework of a full (TT/CS) theory of capitalist value and income formation*, is quite difficult, and we have a long way to go in achieving this.

That fact, however, should not deter us from using all available mathematical and computational techniques, some of which were not available in Marx's time, to develop the foundations of the Marxist theory of the capitalist economy in a rigorous manner. This alone will provide the world's working classes with tools for understanding and changing their conditions, tools that do not break in their hands. To this end, continuing study of Marx's texts, and making those texts available to Marxist scholars and activists in all languages, remain important commitments, and Moseley is to be praised for his efforts in this regard. However, treating "more in-depth study of Marx's texts" (Moseley 2018, 160) as the *key* to progress in Marxist political economy seems inappropriate; much more emphasis must be placed on new scientific directions, including incorporation of all of the work done by later Marxists and others, in the 20th century and beyond. To this end, extended attempts to "defend" Marx by foregrounding his transformation tables from *Capital* III and related texts, and by taking those tables as the last word on the topic, are not helpful.

Notes

1. Fuller citations will be found in Laibman (2018). My definition of a Marxist, used here in separating contributors into the two categories, is this: a Marxist is someone who sincerely believes himself or herself to be one. I expect this definition, like most of what I assert, will be controversial to many readers, who may also observe that I choose to place Sraffa among the Marxists, rather than among the non-Marxist contributors. Further argument must wait for another occasion.
2. I in fact see a crucial role for the unit-labor-embodied values in the study of *precapitalist* market relations and systems, as well as in the evolution of socialist price systems. But these matters take us far beyond the purpose of this rejoinder.
3. I must insist that I do not "prioritize" Sraffa to the degree that Moseley says I do. Sraffa was one developer of the modern classical theory of price (and, I would indeed argue) of Marxist price and value theory; but only one.
4. This abstracts from heterogeneity of skill and the problem of reducing all labor to a single measure of average or simple labor; this problem, like many others, would require separate treatment.

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