The New Interpretation

This chapter discusses the ‘New Interpretation’ (NI) of Marx’s theory, which was developed independently by Duncan Foley and Gérard Duménil in the early 1980s. I will discuss three versions of the New Interpretation presented by Foley, Duménil, and Simon Mohun, which are generally the same, but with some differences.¹ (I am grateful to Foley, Duménil, and Mohun for extensive and productive discussions over the years).

The New Interpretation is an important contribution to Marxian scholarship. However, I will argue in this chapter that the NI ‘only goes halfway’ in breaking away from the standard ‘physical quantities’ interpretation of Marx’s theory. The NI takes variable capital as given, as the actual money wage, which is assumed to remain invariant in the transformation of values into prices of production, similar to my interpretation; but it derives constant capital from given physical quantities of means of production, first as their hypothetical value and then as their actual price of production, as in the standard interpretation. Therefore, I argue that there is a key methodological inconsistency in the NI – the different ways in which variable capital and constant capital are determined. Furthermore, because constant capital is not taken as given, the rate of profit cannot be determined as in Marx’s theory, by the ratio of the total surplus-value to the total capital invested, but is instead determined in the NI by the Sraffian method of a physical input-output matrix. Therefore, I conclude that the NI should instead ‘go all the way’ to a monetary interpretation of the initial givens in Marx’s theory – both constant capital and variable capital.

1 Foley’s New Interpretation

The version of the New Interpretation by Duncan Foley is the most similar to my own interpretation. I will first briefly summarise the main characteristics of Foley’s interpretation and then discuss the similarities and differences with

my interpretation. Foley’s interpretation can be summarised as consisting of
the following main points:

(1) *Money* and the monetary nature of Marx’s theory are emphasised, and the
‘monetary circuit of capital’ is interpreted as the general logical framework of
Marx’s theory, represented by the familiar formula $M \rightarrow C \rightarrow P \rightarrow C' \rightarrow M + \Delta M$. According to Foley, this circuit of money capital corresponds to actual flows of
money capital which are recorded in the bookkeeping accounts of capitalist
enterprises. Consistent with this emphasis, Foley defines the key variables in
Marx’s theory of surplus-value – constant capital, variable capital, value added
and surplus-value – in terms of money, as the stocks and flows of money capital
within the general framework of the circuit of money capital.²

(2) Marx’s theory of surplus-value ($\Delta M$) is interpreted as primarily a macroe-
conomic theory about the total surplus-value produced in the economy as a
whole.

(3) It is argued that the fundamental assumption of Marx’s labour theory of
value is that the value added component (VA) of the price of commodities in the
economy as a whole is proportional to the total current labour (‘living labour’)
in the economy as a whole:

... the core content of Marx’s labour theory of value was that the expendit-
ure of living labour in production *adds money value* to the inputs to pro-
duction.³

We will see below (#8) that the factor of proportionality is the MELT (i.e., the
monetary expression of labour time).

(4) It is further assumed that the VA component is the same (i.e., remains
invariant) in the determination of both values and prices of production.

(5) It is also assumed that the *money wage* is taken as given, as a datum,
as the actual money wage paid in the economy (in principle), and that this
actual money wage is the same quantity in the determination of both value /
surplus-value and price of production / profit.

---

² Foley 1982, p. 38; 1986a, Chapter 3.
³ Foley 2000, p. 21.