CHAPTER 9

Temporal Single System Interpretation (TSSI)

Another important non-standard reinterpretation of Marx’s theory of prices of production and the transformation problem in recent decades is the so-called ‘temporal single system’ interpretation (commonly abbreviated as the TSS interpretation or TSSI). The TSSI is mainly concerned with dynamics and the falling rate of profit, but also presents an interpretation of the transformation problem. The TSSI work on the transformation problem has been presented primarily by Andrew Kliman and Ted McGlone.¹ In this chapter, I will use the term TSSI to refer to these two authors, especially the former.

There are important similarities between the TSSI and my interpretation, including: sequential or temporal determination; the claim that Marx’s theory is about a ‘single system’; and that within a given period constant capital and variable capital are taken as given (as quantities of money capital) and the general rate of profit is determined by the total surplus-value and prior to prices of production. However, there are also important differences: mainly that the TSSI assumes that Marx’s concept of prices of production are not long-run centre-of-gravity prices, but are instead a short-run equilibrium price that continues to change from period to period even though the productivity of labour remains constant, and thus the transformation of values into prices of production is an ongoing process that takes place over multiple real historical periods.

This chapter will discuss these important similarities and differences between my ‘macro-monetary’ interpretation and the ‘temporal single system’ interpretation.

1 Similarities

1.1 Temporal Determination

The most important contribution of the TSSI, in my view, has been to emphasise that Marx’s theory is not based on the method of simultaneous determination, in which input prices, output prices, and the rate of profit are all determined simultaneously, but Marx’s theory is instead based on the method

of temporal (or sequential) determination, in which input prices are taken as given in the determination of output prices, and the rate of profit is determined prior to output prices and is taken as given in the determination of output prices. Prior to the TSSI, the Sraffian interpretation of Marx’s theory in terms of a system of simultaneous equations was almost universally accepted. Even the other recent non-standard reinterpretations of Marx’s theory discussed in Part 2 generally accept the method of simultaneous determination.

However, the proponents of the TSSI argue that the logical framework of Marx’s theory is the circuit of money capital, and that this is a real process that takes place in real historical time. Capital exists first in the form of money advanced at the beginning of the circuit of capital in the sphere of circulation; then in the form of means of production and labour power in the sphere of production; then in the form of commodities produced at the end of the production process; and then finally once again in the form of money recovered at the end of the circuit, including more money than was originally advanced at the beginning of the circuit. Therefore, the appropriate logic for analysing this real historical process is temporal determination, in which the capital previously existing at the beginning of the circuit is taken as given in the determination of the capital value realised at the end of the circuit.

The proponents of TSSI go further and argue that, in the case of technological change, the temporal nature of the circuit of capital implies that the constant capital that is taken as given in the determination of the capital value at the end of the circuit is the actual historical costs at the time the means of production were purchased, not the current costs at the time the output is sold. I disagree with this aspect of their interpretation, and argue instead that, in this case, the given constant capital at the time the output is sold would be the ‘current’ constant capital, as evidenced by the most recent purchases of these means of production in the sphere of circulation. The constant capital that is transferred to the value of the output is a social average constant capital, and if this social average changes before the output is sold, then the given constant capital will change also. The case of technological change is not directly related to the transformation problem, which generally assumes constant technology, but I will discuss this issue further in the final section of this chapter.

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2 This interpretation is sometimes modified to assume that if there is technological change between the time the means of production are purchased and the time these inputs enter production, then constant capital is revalued; but constant capital is not revalued if the technological change occurs after the means of production enter production. This modification would not seem to make much difference, especially for long-lasting buildings and equipment.