 Replies to Criticisms of My Macro-Monetary Interpretation

This chapter responds to previous criticisms of my ‘macro-monetary’ interpretation of Marx’s theory by David Laibman and Riccardo Bellofiore.¹ I appreciate their attention to my interpretation, and I would like to take this opportunity to respond to their criticisms. The first section responds to Laibman and the second section responds to Bellofiore.

¹ Reply to Laibman: The Return to Marx: Retreat or Advance?

David Laibman has defended the Sraffian interpretation of Marx’s theory and has criticised my interpretation (as presented in Moseley 1993, my first article on this subject) and the interpretations of others that he calls ‘new orthodox Marxists’ (‘NOMists’), mainly the ‘temporal single system’ interpretation (discussed in Chapter 9).² This section will discuss Laibman’s general interpretation of the transformation problem, his critique of my interpretation, and his concluding remarks.

In his introduction, Laibman accuses ‘NOMists’ of asserting that Marx’s theory is ‘literally true and completely correct’ and that ‘Marx made no errors’. I myself have not made any such grand and sweeping statements, and I don’t think these other authors have either. I am arguing specifically that Marx did not make the error of failing to transform the inputs in his theory of prices of production, and that this in itself is very important for the evaluation of the logical consistency of Marx’s theory.

¹¹ Laibman’s General Interpretation of the ‘Transformation Problem’

Laibman’s own interpretation of the transformation problem adopts the basic Sraffian input-output framework in term of physical quantities.³ All the dependent variables in the theory are defined in units of labour times (both val-

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¹ Laibman 2000 and Bellofiore 2004a.
² Laibman 2000.
ues and prices of production; similar in this respect to Duménil and to Wolff, Roberts, and Callari). The ‘invariance condition’ is assumed to be ‘equal rate of exploitation’ in all industries, defined in terms of the real wage and the surplus product. As a result of these assumptions, neither the gross aggregate price-value equality nor the net aggregate price-value equality is satisfied.

Laibman repeats the long-standing criticisms of Marx’s theory of prices of production: that Marx failed to transform the inputs of constant capital and variable capital; as a result the conditions of simple reproduction are violated; Marx’s mistake was corrected by Bortkiewicz, using the method of simultaneous determinations; but Marx’s key quantitative conclusions are no longer valid. In particular, total profit is in general no longer equal to total surplus-value, and the price rate of profit is not equal to the value rate of profit. These criticisms are based, as always, on the implicit interpretation that the initial givens in Marx’s theory are the physical quantities of the technical conditions of production and real wage, and that constant capital and variable capital are derived from these given bundles of goods, first as their values and then as their prices of production.

I have answered these criticisms in the preceding chapters. The main point is that Marx did not ‘fail to transform the inputs’, and therefore none of the other points follow. The conditions of simple reproduction are not violated in the transformation of values into prices of production; no ‘correction’ is necessary; and Marx’s key quantitative conclusions are valid, including especially total profit = total surplus-value.

Laibman, like many traditional Marxists (e.g., Sweezy and Shaikh), does not consider these criticisms to be serious weaknesses of Marx’s theory, but rather to lead to its further development. He argues that the divergence of total profit from total surplus-value ‘does not diminish Marx’s qualitative argument concerning capitalist exploitation. Indeed, the argument is enhanced by the realization that exploitation, far from taking place in mutually isolated sectors, is systemic and inseparable from the entire web of interconnections in the structure or production and exchange.’ Marx’s ‘pooling-and-redistribution metaphor’ is ‘relativised’, but its essential truth (the exploitation of labour) remains.\(^4\)

In response, I argue that ‘pooling-and-redistribution’ is not a metaphor, but is instead an essential aspect of Marx’s logical method, which he emphasised over and over again in his manuscripts, as we have seen. As discussed above, it follows from Marx’s basic labour theory of value and surplus-value that all the different individual forms of surplus-value come from surplus labour, and from

\(^4\) Laibman 2000, p. 314.