

Reclaiming Marx's "Capital"

by

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Chapter 1

Introduction: The Question of Internal Inconsistency

1.1 The Lion and the Statue

One of Aesop's fables, "The Lion and the Statue," is the story of an argument between a man and a lion over which species is stronger. Eventually the man takes the lion to the public gardens and points to a statue of Hercules strangling a lion. "This proves," the man exclaims, "that humans are the stronger species!" "No," the lion replies, "it proves nothing, since a man made the statue. If lions could make statues, Hercules would be lying under the lion's paw."

Dozens of accounts have told us that rigorous mathematical demonstrations – often coming from the Marxist camp itself – have proved that Marx's theories of value, profit, and economic crisis are riddled with logical inconsistencies and errors, and that these proofs have withstood the test of time. It is therefore necessary either to reject or correct his work. Those who refuse to accept that inconsistency has been proved have "done much damage to the intellectual credentials of Marxian political economy" (Howard and King 1992: xiii).

The main thesis of this book is that Marx has been "proved" internally inconsistent in the same way that the superior strength of humans is "proved" by the statue of Hercules strangling a lion: one side of the argument controls the principal means of communication. In fact, the internal inconsistency allegations are implausible as well as unproved, because there exists an interpretation of Marx's value theory that removes the apparent inconsistencies.

On the standard interpretation, Marx had a *simultaneist* and *dual-system* theory: inputs and outputs are valued simultaneously – and therefore input and output prices are equal – and

there are two separate systems of values and prices. On the *temporal single-system* interpretation (TSSI), however, valuation is temporal – input and output prices can differ – and values and prices, though quite distinct, are determined interdependently. Once these two simple modifications are made, *all* of the alleged inconsistencies in the quantitative dimension of Marx’s value theory go away.

These results have been established during a quarter-century of TSSI research (to which I have contributed). Yet our side has not been able to erect statues in the public gardens, so to speak, and thus the myth of internal inconsistency is almost as ubiquitous as before. But it is time for the hammer and chisel to be handed over to the lions.

1.5 Whig History, Pluralism, and Dogmatism

I have also written this book as a contribution to the small but growing movement on behalf of pluralism within economics. It contributes to this movement by offering a pluralistic alternative to the dominant Whig histories of the value theory controversy (e.g., Howard and King 1992).

1.5.1 Whiggism vs. Pluralism

Whiggishness and pluralism are antithetical. One can be against both Whig history and pluralistic practice (as Thomas Kuhn seems to have been, up to a point), but one cannot be in favor of both.

Whig historians “produce a story which is the ratification if not the glorification of the present” (Butterfield 1931, Preface). In other words, Whig history (1) is written from the perspective of those who currently hold power, and (2) assumes that the present is necessarily

better than the past, that progress has taken place. The combination of these two factors makes Whig history profoundly anti-pluralistic. It can and often does serve as a justification for silencing dissidents on the ground that they are opponents of and obstacles to progress. It serves this justificatory function especially when the progress that supposedly has been made is progress toward clearly desirable ends such as knowledge and truth, the weeding out of error and internal inconsistency.

The controversy over Marx's value theory has been conducted on this Whiggish ground for more than three decades. The work of Paul Samuelson (1971), perhaps the pre-eminent economist of his generation, ushered in the modern phase of the controversy in the early 1970s, and everything written about it subsequently has been implicitly or explicitly a response to his work. Samuelson was a conscious and proud Whig historian. Defending the methodology of his critique of Marx, he wrote:

[I]n the realm of cumulative knowledge, I believe there is a place for what might be called Whig History of Science. In it we pay past scholars the compliment of judging how their works contributed (algebraic) value-added to the collective house of knowledge. ... I have thought it valuable to ... appraise [Marx's] arguments on the transformation problem in the way a journal referee would treat any serious contributor. [Samuelson 1973: 76]

Samuelson is suggesting, no doubt correctly, that journal referees would recommend that Marx's work on the "transformation problem" never see the light of day. He is also suggesting that they would be right to do so. The justification for this anti-pluralistic position is the Whiggish premise that economic knowledge has been "cumulative," i.e., that it has progressed in an unambiguous way, culminating in Samuelson and his school. Thus, what counts as a

contribution to knowledge is what counts from the perspective of this school and in light of the particular problems it addresses.

Yet it is well known that knowledge does not always move forward. Freeman (2004) points out, for instance, that the Copernican Revolution constituted a *return back* to the heliocentric hypothesis of Aristarchus of Samos that had been abandoned nearly two millennia before, and he explores the implications of this fact for the controversy over Marx's value theory. Feyerabend (1988: 35) noted that this is a common phenomenon in science and offered an explanation for why it occurs: "Theories are abandoned and superceded ... long before they have had an opportunity to show their virtues." Facts such as these eliminate the main justification for anti-pluralistic practices.

1.5.2. The Most Effective Whiggish Strategy

What is more pertinent to the question of internal inconsistency is the very common case in which knowledge moves neither not forward or backward but sideways, as it were. Instead of a later theorist providing better or worse solutions than an earlier theorist to the same set of problems, the problems themselves have changed. In this case, it cannot be said that progress in solving the problems has been made, because "the" problems do not exist; there are two different sets of problems. But since Whig historians wish to extol the progressive character of the later theorist, they have to efface these differences. In doing so, they distort what the earlier theorist wrote, thereby creating inconsistencies where there were none – and this is construed as further evidence that what has subsequently occurred is progress! The more *similar* the two sets of problems are, the easier it is to cover over their differences. In addition to being dishonest, this

strategy is anti-pluralistic. By turning the earlier theorist into a flawed precursor of the later one, it effectively eliminates the distinctive character of her own thought.

This is exactly what has occurred throughout the controversy over Marx's value theory. Some problems he addressed are very similar to those of neoclassicism, Sraffianism, and modern Marxian economics, with one key difference: he did not pose the problems in terms of the properties of static equilibrium states, and he therefore had no need to value inputs and outputs simultaneously. But this difference has been repeatedly ignored. His theory is *transformed* into a theory of static equilibrium states, and thus into a simultaneist theory, causing a host of internal inconsistencies to appear. (This is the *real* transformation problem.)

Lest it be thought that I am being somewhat paranoid, I should point out that I am not the first to call attention to this strategy. A recent book on Thomas Kuhn, written by a sociologist and a philosopher, characterizes it as follows.

The predecessor is made to look ... rather *like oneself*. [This particular ...] Whiggish strateg[y] ... is the most effective if it can be pulled off, for it then becomes impossible to read predecessors as themselves. They read rather as if they've been trying to be you all along, *as if they've read you*, but ill-understood you. [Sharrock and Read 2002: 144-145, emphases in original]

Philip Mirowski (1988, Ch. 10), the noted institutionalist historian of economic thought, showed how the same strategy was at work in Morishima's (1973) widely discussed critique of Marx. Mirowski (1988: 171) also noted that this strategy is a frequent device of neoclassical historians of economic thought, used to "demonstrat[e] that all that is valuable in economics has led up to the current orthodoxy." Frequently, their writings on Smith, Ricardo, and others

consist of a marshaling of quotes, which are dragooned to justify the casting of some economic relationships in a specific functional form, which are then used to arrive at one of the two alternative conclusions: ... (b) the esteemed late economist in question had tripped himself up in self-contradiction, due to his unfortunate weaknesses in the area of mathematical expertise. [Mirowski 1988: 171]¹

This is also a perfect description of the strategy used to “prove” Marx’s self-contradictions, including the appeal to lack of mathematical expertise as an explanation of why he blundered.² (Hegelianism and “Marx forgot” are other favorites.)

Mirowski (1988: 172) goes on to ask, “What is wrong with this harmless bit of storytelling? After all, the classical economists are dead and in their graves.” His answer – “Perceptions of progress do matter and are worth fighting over” – unfortunately leaves something to be desired.

¹ A minor difference in the way relationships are expressed mathematically – the “specific functional form” – can drastically affect the conclusions. For instance, the only mathematical difference between the TSSI and some other interpretations of Marx’s theory is that the TSSI attaches time subscripts to variables (input and output prices are thus written as p_t and p_{t+1} , not p and p), but this leads to many diametrically opposite conclusions.

² In Marx’s case, the characterization of the issues and alleged errors as mathematical ones has additional advantages. His critics, especially Marxist and radical critics, are able to portray their critiques as purely scientific, not ideologically or politically motivated. Moreover, Marx is read by a great many people who lack the mathematics needed to understand the critiques. They end up taking the experts’ conclusions on faith, or walking away from issues they perceive as technical and trifling, which likewise allows the experts’ views to go unchallenged.

I do not think that such storytelling is harmless. It erodes respect for honesty and accuracy, debasing intellectual discourse. And some of us might wish to visit the graves of the dead – in other words, to reclaim their ideas – but, at least in Marx’s case, false proofs of internal inconsistency have made this much more difficult. Recall Cassidy’s (1997: 252) words: “was riven with internal inconsistencies and is rarely studied these days.” That he connects these two things is no accident. Finally, by tending to justify exclusionary practices, the Whiggish story of linear progress is detrimental to intellectual development. Regression occurs when the only ideas that have the opportunity to be developed are wrong. Pluralistic practices act as a safeguard against this.

1.5.3 “Only One Path” Forward?

Marxist critics of the TSSI have frequently accused its advocates of dogmatism, orthodoxy, fundamentalism, and the like. These accusations are based mostly on the Whiggish story of linear progress. (Their other basis is the confusion, discussed above, between claims that something is logically valid and claims that it is true.) In a critique of what he calls “New Orthodox Marxism,” for example, Laibman invokes the “proofs” of Marx’s errors and he claims that the “20th-century Marxists” have corrected the errors. Thus “there is only one path leading from the 19th century to the 21st, and that one lies through the 20th” (Laibman 2004; the same volume carries responses by Kliman, Moseley, and Freeman). Those who wish to reclaim Marx’s value theory in its original form are dogmatically clinging to the past.

If the proofs of error to which Laibman appeals were valid, his anti-pluralistic position would have some merit. As Hodgson (2000?, 2001?: 35) has recently noted, there is a huge

difference between “contradictory ideas in the academy and ... inconsistent ideas within our own heads.” Pluralism is no warrant for *internal* inconsistency.

Yet if the proofs to which Laibman appeals are invalid, as I hope to show – and especially if the changes of error and inconsistency are not even plausible, as I also hope to show – then his chain of reasoning collapses. If Marx has not been shown to be wrong, there is no need to correct him. The so-called corrections are in fact simply alternative theories and models. This does not mean that Marx was necessarily *right* about everything, or even anything. What it does mean is that his original theory – when read in a manner that eliminates the appearance of inconsistency – is back in the running alongside alternative theories, including the “corrected” versions of his theory.

Hence, the shoe of dogmatism is now on the other foot. What is now dogmatic and orthodox is Laibman’s insistence that there is “only one path” forward – a sentiment that brings to mind the “One Way” slogan of some Christian fundamentalists. Moreover, practices that hinder research rooted in Marx’s value theory, including failure to acknowledge that refutations of the proofs of inconsistency have renewed the theory’s viability, are acts of unacceptable censorship and suppression. All advocates of pluralism have a responsibility to speak out against such acts. Until conclusive proof of Marx’s errors and inconsistencies is provided, this is how matters stand.

The myth of internal inconsistency has caused Marx’s value theory and much of the rest of *Capital* to be relegated too hastily to the dustbin of Whig history. Whether his theory turns out in the end to be right or wrong, fruitful or fruitless, at the moment it is worthy of renewed consideration. Let history judge – non-Whig history.

Chapter 11

Conclusion

11.1 Main Results

The main results of this book's analysis can be summarized as follows:

1. The “physical quantities approach” (physicalism) is necessarily incompatible with Marx's theory that value is determined by labor-time. Simultaneous valuation necessarily leads to physicalist conclusions. Hence, *a host of internal inconsistencies in Marx's theory arise when he is construed as a simultaneist.*
2. Direct textual evidence also suggests that Marx was a temporalist. A great deal of evidence clearly favors this interpretation. The evidence that supposedly disconfirms it admits of a plausible and, in some cases, a more plausible, temporalist reading.
3. Direct textual evidence suggests that Marx was a single-system theorist. A good deal of evidence clearly favors this interpretation. Evidence adduced on behalf of the dual-system interpretation is equally compatible with the single-system interpretation.
4. The proofs of the Okishio theorem are logically invalid.
5. *The Okishio theorem does not disprove Marx's law of the tendential fall in the rate of profit (LTFRP).* Its conclusions hold true only when input and output prices are assumed *a priori* to be equal.
6. *The LTFRP becomes logically valid once the a priori assumption that input and output prices are equal is jettisoned.* If faster productivity growth tends to lower prices, the (temporally determined) rate of profit:

- (a) can fall under conditions in which the Okishio theorem says that it must rise;
 - (b) *necessarily* tends to fall in relationship to the theorem's simultaneist-physicalist rate of profit; and
 - (c) can fall forever even if the simultaneist-physicalist rate of profit rises forever.
7. *All results in point 6 hold true whether or not the faster productivity growth actually causes prices to fall. It only needs to lower the rate of inflation.*
 8. *Bortkiewicz did not prove that Marx's account of the value-price transformation is internally contradictory; (simple) reproduction can occur when input and output prices differ. Hence, there was no logical need to correct Marx's account; the "correct solutions" are actually alternatives to his.*
 9. *When Marx is interpreted as a single-system theorist, all three of his aggregate value-price equalities are obtained.*
 10. *However, when Marx is interpreted as a simultaneous single-system theorist, the rate of profit is physically determined, contrary to what he concluded. Hence, the logical validity of his account of the transformation is fully confirmed only when he is also interpreted as a temporalist.*
 11. *The "Fundamental Marxian Theorem" does not prove that surplus labor is either necessary or sufficient for the existence of profit. On all simultaneist interpretations, Marx's theory implies that there can be profit without surplus labor, and vice-versa.*
 12. *When Marx is read as a temporal single-system theorist, his theory implies that (real) profit exists when, but only when, surplus labor has been performed.*

13. Even if evidence that values and prices are strongly correlated and “close” were valid, it would not tend to support Marx’s value theory. Owing to a “spurious correlation” problem, the evidence is invalid. Recent studies have found that no statistically significant correlation remains after this problem is corrected. This also implies that values and prices are not “close” in the relevant sense.

One other conclusion is also worth highlighting:

14. Böhm-Bawerk’s critique of Marx’s account of the value-price transformation is insupportable. His claim that Marx denied that it was self-contradictory to hold that prices *do and do not* tend to equal values is implausible and unsubstantiated. Also, Böhm-Bawerk’s claim that Marx’s account is tautological rests on a very controversial premise.

Most of these results, particularly the most important ones, are no longer seriously disputed. Critics of Marx’s value theory and other critics of the TSSI have acknowledged, implicitly or explicitly, that point 1 and points 5-11 are correct.³ Thus it has been acknowledged that the LTFRP and Marx’s account of the value-price transformation have *not* been shown to be logically invalid, and that his “metaphysical” value theory has *not* been shown to be superfluous to his conclusion that surplus labor is the exclusive source of profit.

³ To the best of my knowledge, only a few authors continue to challenge any of these points. Loranger (xxxx) challenges point 1; Moseley (xxxx), points 1 and 10; Screpanti (2003, 200x), points 8 and 11; Veneziani (200x), point 7; and Mongiovi (2002) seems to challenge point 11. Refutations of points 1, 7, 10, and 11 would not imply that Marx’s theories are logically invalid. Only a refutation of point 8, challenged by Screpanti alone, would do so.

Of the remaining 6 points, refutations of points 4, 12, and 13 would not imply that Marx's theories are logically invalid, and Böhm-Bawerk's critique (point 14) has not been a significant factor in the controversy for decades. This leaves only points 2 and 3, which pertain to contested readings of the direct textual evidence.

Thus the *proofs* of inconsistency are no longer defended; the entire case against Marx has been reduced to the *interpretive* issue. Specifically, it reduces to the critics' preference for highly implausible interpretations of his texts. What makes their interpretations implausible, I repeat, is that they fail to make Marx's texts make sense, even though it possible to do so (see point 1 and points 5-12). When an interpretation is available that eliminates the appearance of inconsistency, those that produce these apparent inconsistencies are not credible. In short, the case against Marx is no case at all.

11.2 Why Does the Myth of Inconsistency Persist?

The most important of the above results (5, 6(a), 8, 9, and 10) have been in the public domain for more than 15 years. Yet the myth of Marx's inconsistency is almost as ubiquitous as before. Why is this so?

The current ideological and political climate, in general and on the left, is certainly a factor. Interest in Marx's thought is far less widespread and less intense than when the value theory controversy was rekindled in the early 1970s. Yet this does not explain why the myth of inconsistency persists among those who should know better. To take the examples of section 1.x, why has this myth been repeated in recent years by respected academics – Brewer and his interlocutors, Brenner, and Sørensen and his interlocutors – and a respected journalist like Cassidy?

The major reason is undoubtedly that the gatekeepers to the broader public – the specialists in the field, mainly Marxist and Sraffian economists – have not done their part to set the record straight. Their acknowledgements that the proofs of inconsistency are invalid, and that Marx can be read in a way that makes his contested arguments logically valid, have come quite late in the day. Moreover, these acknowledgments are frequently difficult to recognize as such and frequently buried in discussions that divert attention away from question of internal inconsistency. With the exception of Foley (2000a: xxx), none of them has come close to the explicitness of, say, the opening sentences of points 5 and 8 above. Most importantly, any *effort* to set the record straight has been negligible, especially in comparison with the time and energy that has been spent rehearsing and correcting Marx’s alleged inconsistencies and errors.

This phenomenon is perhaps surprising. Since almost all of these economists view themselves as working in the tradition of Marx, it might be expected that they would jump at the chance to dispel the myth of inconsistency. Indeed, this is what I initially expected. So why have these economists responded in the opposite manner? In light of their gatekeeping function, this is the key question that must be answered in order to explain why the myth persists. What I offer here are only some provisional and conjectural beginnings of an answer. The present case might be a fruitful one for historians of economic thought and sociologists and philosophers of social science to explore further.

To some extent, the present case seems to be an instance of a broader problem noted by the physicist Max Planck (19xx): “An important scientific innovation rarely makes its way by gradually winning over and converting its opponents: it rarely happens that Saul becomes Paul. What does happen is that its opponents gradually die out and that the growing generation is familiarized with the idea from the beginning.” This phenomenon is apparently common in

many fields. For example, Darwin complained of it, Wegener's now-accepted "continental drift hypothesis" was resisted by geologists for several decades, and Kline (19xx: 74) observed that "The history of mathematics illustrates ... that it is more difficult to get a truth accepted than to discover it."

Yet failure to *accept* new ideas is not the main issue here. One need not accept that Marx's disputed conclusions are true in order to acknowledge that they are logically valid. One need not accept that they are logically valid in order to acknowledge that there exists an interpretation on which they are valid – i.e., that the issue is an open one. One can believe that his conclusions are logically invalid while acknowledging that the proofs of inconsistency have been decisively refuted. And one can do all this without minimizing the impact of the acknowledgments. Thus the key question is not why the new findings have failed to gain acceptance, but why they have been *suppressed*.

Suppression of dissident ideas seems to be a very common phenomenon. Drawing on his very extensive study and documentation of such suppression in the physical sciences and elsewhere,⁴ Brian Martin (1998: xxx) concludes, "A person who challenges the conventional wisdom is likely first to be ignored, then dismissed[,] and finally, if these responses are inadequate, attacked." The present case clearly conforms to this pattern with respect to the first two stages.⁵

⁴ See the materials archived on his "Suppression of Dissent" website: xxxxxxxx.

⁵ I shall not try to answer whether it has progressed to the third stage, attack. As Martin (1998: xxx) notes, "only some types of attacks are easy to document," and "[a]ttacks on dissidents are never admitted as such. They are always justified as being due to the inadequacies on the part of the dissident, such as low quality work or inappropriate behavior." Let me simply call readers'

To explain why suppression of dissident ideas takes place in science, Martin (1998: xxx) suggests that we consider a scientific community in terms of its interests. One example is a group's interest in "maintaining control over an occupation." If we replace "occupation" with "field," it is plausible that some suppression may have occurred for this reason in the present case. Martin (1998: xxx) also notes that dissident ideas are ignored and dismissed because of a psychological interest in particular theories and methods. If a challenger comes along with a simple alternative to the theory on which they have built their careers, most scientists are not likely to be receptive, since their status will be undermined and their lifelong commitment apparently wasted (Mitroff 1974).

I believe this to be the dominant factor behind the suppression of the new findings in value theory.

This might seem implausible. Again, it is reasonable to expect that economists working in the tradition of Marx would be quite receptive to findings that vindicate the logical validity of his value theory. Isn't the "particular theory" to which these economists are committed the same thing as the "simple alternative" – the theory of Marx?

It is not. The Marxist and Sraffian economists are committed to the so-called corrections of Marx, while the simple alternative is his original theory (understood in a way that eliminates the logical imperative to correct it). Much effort has been put into correcting Marx and to

attention to a statement issued by the parent body, managing editor, and editorial board of the *Review of Radical Political Economics*, which states in part: "the Editorial Board has removed the sanction denying Dr. Kliman the right to submit articles to *RRPE* for publication. There was no intention to inflict harm on Dr. Kliman." (*Review of Radical Political Economics* 34:1, Winter 2002, page facing inside back cover.)

pursuing research programs founded on “correct” versions of his work. Indeed, Marxian and Sraffian economics have consisted of little else, at least in the English-speaking world, since Sweezy wrote *The Theory of Capitalist Development* six decades ago. Thus, if the appearance of inconsistency in Marx’s theory disappears, so does the need to correct it. Much research will have been in vain and the several research programs lose their foundation.

This would not be such a problem if the “corrections” were mere technical revisions, as has so often been claimed. There is no use crying over spilled milk, and the research programs could easily be reconstituted on the basis of Marx’s theory. Yet we have seen that the revisions are far from mere technicalities; the original and revised versions of Marx’s theory lead to conflicting conclusions in many important respects. Their diametrically opposite conclusions regarding the effect of labor-saving technological change on the rate of profit is the most obvious case, and the most important one politically. Thus, if the myth of internal inconsistency were to disappear, the Marxist and Sraffian economists could not reconstitute their research programs on the basis of Marx’s theory without abandoning the physicalist outlook and conclusions to which almost all of them seem deeply committed.

There is another option as well. They could remain fully committed to their current physicalist outlook and research programs, while happily accepting that Marx’s value theory is logically valid and doing their part to set the record straight. They would simply need to acknowledge that their theories are *alternatives* to Marx’s and to represent them as such.

Why has this simple solution not been embraced? I suspect that there are two main reasons. First, the Marxist and Sraffian economists want to have their cake and eat it too. On the one hand, they disagree with at least a large part of Marx’s critique of political economy (when it is understood in a way that makes it logically valid). On the other hand, they regard themselves

as Marx's successors. The myth of inconsistency allows them to have it both ways, since they can claim to have eliminated "Marx's errors ... without undermining his basic account of how capitalism functions" (Mongiovi 2002: xxx; cf. Bellofiore 1997: 2). Yet if the myth of inconsistency were to disappear, they would need to choose between having their cake and eating it.

Secondly, I suspect that their research programs are not compelling enough to stand on their own, uncoupled from the supposed need to correct Marx that give rise to them. Even Sraffianism, the strongest and least traditionally Marxist of these research programs, would have little appeal, and its key theorems would have much less significance, if it could no longer be portrayed as the only rigorous formulation of "the" surplus approach founded by Ricardo and Marx.

Thus the Marxist and Sraffian economists cannot reclaim Marx's value theory in its original form without abandoning their physicalist perspective. But neither can they accept it as a viable alternative to their own theories without relinquishing their claim to be Marx's successors and jeopardizing their research programs. Both options are very unattractive. The sole remaining option is to try to disqualify Marx's original theory. In principle, it would be possible to do this means of argument and evidence, but debates over theoretical and empirical matters are messy and inconclusive. It is far more effective to point to well-established proofs of inconsistency, which trump all other considerations.

Hence, given the alternatives they face, the Marxist and Sraffian economists have a clear and strong stake in preserving the myth of inconsistency. I believe that this is the main reason why the new findings in value theory have been suppressed and why so little has been done to set the record straight.