Introduction to Michel Husson's 'Value and price: a critique of neo-Ricardian claims'

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Introduction

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Michel Husson originally published this landmark article in French as Manuel Perez (1980). This translation makes this historic work accessible to Anglophone readers. It thus offers a new generation of Marx scholars a resource which academic Marxism has rejected, except for a minority tradition in which this article played a foundational role: the opportunity to understand, and grapple with, Marx's own economics.

This introduction aims to explain, to such new readers, the key role which Husson's article played in advancing our understanding of Marx's theory of value. It appeared nine years after Paul Samuelson (1971) pronounced Marx's value theory a failure, and three years after English Marxist Ian Steedman (1977) formally endorsed this verdict. Husson set out the first, and in many ways the most comprehensive concise rebuttal of these claims.

Several authors, at the time working independently, came to similar conclusions. Andrew Kliman proposed the term *Temporal Single System* interpretation (TSSI) of Marx to describe this school of thought, using the term 'Simultaneous Dual-System' interpretation (SDSI) to describe the interpretation employed by Samuelson, Steedman, and most academic Marxists.

Husson's work was known to most early TSSI scholars, in particular the authors of *Marx, Ricardo, Sraffa* (Mandel and Freeman 1984) and those who subsequently wrote *Marx without Equilibrium* (Freeman and Carchedi 1996), the first definitive collaborative statement of TSSI. Contributors included French, Italian and Spanish speakers familiar with Husson's article. Yet it was not translated and remained unknown to Anglophone readers outside this circle.

Husson engages the standpoint then known as 'neoricardian', which still dominates academic Marxism (Freeman 2010) and had led most of its supporters by 1980 to conclude that Marx's economic arguments do not stand up to critical examination. This judgement however stemmed from a particular reading, or *interpretation,* of Marx – the SDSI.

The distinction between a theory and an interpretation is critical, yet poorly understood. The confusion begins with the work of von Bortkiewicz (1905) who offered what he termed a 'correction' of Marx. Marx's mistake, says Bortkiewicz, is to suppose that value and price are formed in a 'succession' of periods, notably supposing that 'output' prices and values at the end of each period constitute the 'input' prices of the *next* period.

This corresponds to normal relations of market exchange in which the seller of any commodity receives the same money that the buyer pays for it. Bortkiewicz nevertheless argued that 'output' prices and values should be set equal to those prevailing at the beginning of the *same* period, yielding two sets of simultaneous equations through which values, prices, and the rate of profit are 'mutually' instead of 'successively' determined

> Alfred Marshall said once of Ricardo: 'He does not state clearly, and in some cases he perhaps did not fully and clearly perceive how, in the problem of normal value, the various elements govern one another mutually , not successively , in a long chain of causation'. This description applies even more to Marx ... [who] held firmly to the view that the elements concerned must be regarded as a kind of causal chain, in which each link is determined, in its composition and its magnitude, only by the preceding links ... Modern economics is beginning to free itself gradually

> from the successivist prejudice, the chief merit being due to the mathematical school led by Léon Walras. (Bortkiewicz 1952:23-24).

As Husson explains, this reformulation requires us to presuppose the economy to be in equilibrium; it can only actually occur if prices and values are constant. 'Presuppose' is not an idle word. If we do not hold prices constant during each period, we cannot write down von Bortkiewicz's equations and can calculate neither the profit rate, nor prices, nor values. We don't even know what they are. The assumption is not a simplification, an approximation, or an option. Without it, there is no theory.

As Husson explains, if Marx thought like Bortkiewicz, he would have had to presuppose the economy was in a perfectly static state: the classical formulation of neoclassical general equilibrium. This flatly contradicts Marx's repeated and forthright rejection of any such idea. The very fact that Bortkiewicz terms it a 'correction' shows he understood Marx did not actually think this way.

The scene for seventy years of Marxist scholarship were however set by Paul Sweezy's (1942) influential endorsement of Bortkiewicz's work, which explicitly re-interpreted Marx as a general equilibrium theorist, thus claiming that Marx did actually think as Bortkiewicz recognised he did not:

> To use a modern expression, the law of value is essentially a theory of general equilibrium developed in the first instance with reference to simple commodity production and later on adapted to capitalism (Sweezy 1968:53)

The contradiction with Marx's explicit rejection of equilibrium is serious enough, but its consequences are even more so. Sweezy's reading provided a cloak of respectability for Marx, but contained a poison pill: Marx's theory, thus reinterpreted, cannot work. His conclusions do not follow from it, making his theory 'logically inconsistent'. Thus was born the myth that 'Marx's theory is wrong because he forgot to transform inputs'.

When Husson wrote, the most pressing consequence was the infamous 'transformation problem'. Despite the mathematical complexity of the literature, the underlying issue is quite simple:[1] is labour the only source of value and profit? Bortkiewicz's modification imposes one of two conclusions, represented by his two 'equalities':

Conclusion 1 follows if we suppose that the total value of all the goods produced in a single 'period'[2] is equal to their total price. In this case, total surplus value does not equal total profit, which means there is an additional source of profit, other than labour: Marx's theory of exploitation cannot hold.

Conclusion 2 follows if we hold total surplus value equal to total profit. Total value then differs from total price. There is a source of value other than labour, and Marx's theory of value cannot hold.

To unlock this conundrum, one further issue must be addressed. As Ramos and Rodriguez (1995) explain, a consistent reading of Marx shows that when a commodity's value is formed, the value transferred to it by consumed constant capital ('inputs') is the *transformed* value of this capital after

[1] The mathematical sophistication serves a threefold obscurantist purpose: to establish unearned authority based on pretended expertise; to intimidate the reader; and to prove that Marx was ignorant of math. The problem is not 'math or no math' but 'bad math or good math'. The dynamic math of the author of the *Mathematical Manuscripts* (Marx 2012) explains the facts; the static math of the neoricardians does not.

[2] Von Bortkiewicz further assumes that all capital turns over in exactly one year at the same time, giving rise to an entire additional category of confusion about the laws governing capital accumulation.

circulation.[3] In this sense, price enters the determination of value, and value in turn enters the determination of price.[4] This is the origin of the term 'single system' in 'TSSI'.

But in neoricardian systems there is no such relation. One set of equations determines values, and the other determines prices. This is the origin of the term 'dual system' in 'SDSI'. The outcome is Samuelson's 'eraser' charge: that Marx writes down the value system, wipes it out, and then writes down the price system. But it is Samuelson who wields the eraser, when he wipes out Marx's own solution. The problem is clearly explained by Husson:

> as Napoleoni, cited by Benetti (1974) insists: "Instead of the transformation of values into prices, we obtain a scheme which determines prices independently from values". The prices of production are not transformed values and, a fortiori, the theory of value cannot claim to account for the determination of the rate of profit….[t]here does not exist - except in special cases - any way to get from values to prices of production, that is to say, any relation between the relevant variables or rates. In particular total profit, expressed in prices of production, cannot be connected to the mass of surplus-value produced during the period. The Marxist theory of surplus-value as source of profit is not only unnecessary, but also wrong.

"In view of these results", he goes on to note,

> it is perfectly legitimate to conclude as do the collective authors of 'Value, Price and Realization' (Auteur collectif, 1977) that: "Consequently, if by 'law of value' we understand a law according to which the the prices of production of the commodities and social profit are directly or indirectly determined by the labour content of these commodities, then we are asserting a nonsense".

Technically, the issue thus arises from the 'dual system' hypothesis, not from simultaneism as such, even though the dual system only came into being with the simultaneous interpretation. In consequence a branch of theory has emerged which TSSI theorists refer to as the 'Simultaneous Single-System Interpretation' (SSSI), found most notably in the works of Moseley (1993), and Wolff, Callari and Roberts (1982), an intermediate approach termed the 'New Solution' being developed independently by Foley (1982), Duménil (1982) and others.

These authors reject dualism, but using equilibrium systems. Unlike SDSI authors, who offer almost no evidence to support their reading of Marx, and indeed see no reason to do so, SSSI authors usually supply a certain amount of hermeneutic evidence.

Can we know what Marx 'really meant'? As Kliman (2007) notes, when social scientists want to determine what a theorist really means, they turn to the evidence of the writing itself, applying the objective criterion 'does our interpretation make sense of the theory?' Husson's detailed exegesis of Marx's own derivation of prices of production meets all Bortkiewicz's charges and shows the 'correction' is not necessary.

As he points out, in Marx's temporalism the number of variables is much greater than the number equations, unlike in simultaneous systems. Marx's theory of value thus supports an entire family of theories of the economy, depending on the further causal relations introduced, as with any general scientific theory. Behind this lies more than a mere method of calculation; at issue is the concept of

[3] Money is connected to labour time through a variable which, following Ramos (1997), is designated the Monetary Equivalent of Labour Time (MELT).

[4] This reasoning is not circular, as Joan Robinson suggests, because each determination occurs at a different point in time and involves a different mechanism – just as rain enters the determination of water levels when it falls, which then enters the determination of rainfall when it evaporates.

determination. In temporal systems, relative prices are only fully determined in circulation, with all its complexities. Marx's theory defines general aggregate laws which apply regardless of the outcome, and makes no pretence of calculating individual prices, which are a *result,* not a prediction. In contrast, given the wage, simultaneous equation systems – including SDSI, SSSI, New Solution and Neoclassical General Equilibrium – completely fix the prices which must sustain a completely static system. This is more than a severe restriction: it guarantees these prices will never actually be realised. For example, all profit rates have to be equal. This never happens, and the differences, which Marx terms 'surplus profit', explain such fundamental features of a capitalist economy as unequal exchange, technical change, and inequality.

Marx's value theory thus satisfies the minimum requirement of any scientific theory: it can represent all possible states of reality. Simultaneous methods are not only incapable of this, but even predict magnitudes which cannot possibly happen. As Husson explains:

> Insofar as a mathematical formalization is used, the implications of such a property cannot be understated. The neo-Ricardian model must therefore answer to the most absurd of them. For sure, they demonstrate irrefutably that Marxist theory is entirely wrong (and also superfluous) - but by using a model in which blast furnaces exist for all eternity, whilst prefabricated houses have been built with the same methods of production for millennia.

What is the state of Marxist theory today? The current long depression has occasioned a new phase of its development, to which Husson's article is highly relevant. As mainstream theory becomes increasingly incapable of explaining the current long depression, a new generation is again looking to Marx for answers. But the traditional interpretation of Marx is barren of even theoretically rigorous, let alone plausible explanations. No theory which presupposes equilibrium can explain crisis because it *begins* by assuming the economy reproduces perfectly. Capitalist crisis is thus by definition impossible: it may only occur if provoked by some factor external to the capitalist economy itself.

The first presentiment of this impasse came from the work of the Japanese Marxist Nobuo Okishio (1961) concerning the Law of the Tendency of the Rate of Profit to Fall (LTRPF).[5] Okishio's logic showed that if one interprets Marx's theory of value as the solution to a set of simultaneous equations, the LTRPF cannot be deduced from this theory.

This leads directly back to the question of interpretation. Okishio only proves Marx wrong if it is also proven that Marx's theory should be interpreted as a set of simultaneous equations. We then find that the rate of profit cannot fall, money is irrelevant, and internally-generated crisis is impossible. This makes nonsense of the rest of Marx's writings. If however we interpret Marx as Husson proposes, all his major conclusions flow in a simple but mathematically rigorous way.

Okishio himself clearly identified the restrictive nature of his conclusion, in a comment rarely cited by those who consider his theorem a conclusive proof of Marx's error:

> My theorem, the so-called Okishio Theorem, is a comparative statics result. Therefore, it has no realistic meaning if capitalists' competition does not establish a new equilibrium…Many people have criticised the Okishio Theorem (Okishio, 1961). These criticisms have not persuaded me. However, I now think my assumptions were inappropriate.

Western Marxists in contrast received 'Okishio's Theorem' as a 'proof' that Marx's LTRPF could not logically be true. This is the topic of a major refutation by Kliman (1988), made general by Freeman (1995) and Ramos (1997). Husson's paper, although it does not deal with Okishio's theorem, thus

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[5] See Heinrich 2013, Kliman et al 2014, Carchedi and Roberts (2013) for recent discussion of this topic

provides a logical reconstruction of Marx which makes this refutation possible, including the essential categories required to do so: organic composition, rate of profit, and value itself.

This brings us to our final point: the development of theory. The citizens of planet earth desperately need a theoretically rigorous, empirically sound explanation of what is happening to it. This is possible only on the basis of the laws of political economy, which Marx discovered, and to which access has been blocked by the Marxists themselves.

TSSI is an interpretation, not a theory, and does not itself provide this explanation. Moreover Marx himself would never have presumed to provide a complete explanation of what would be happening in 130 years' time. It is the task of today's generations to develop these theories. Precisely for this reason, TSSI writers often differ in their explanation of events; this is a strength, not a weakness, since what is involved is the theoretical exploration, not the promulgation of a doctrine. The point is that this becomes *possible* only if Marx and economic theory like are prized loose from the cold dead hands of equilibrium.

Husson's contribution, like all TSSI scholarship, is to make Marxist theory once again possible. Under the hammer blows of the present crisis, the folly of ignorance is clearer with every day that passes. By making Marx's own ideas available to a new generation, *Capital and Class* will help lift the burden of those brains of the dead which still, as Marx observed, weigh on the living like a nightmare.

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