Lefteris Tsoulfidis • Persefoni Tsaliki

Classical Political Economics and Modern Capitalism

Theories of Value, Competition, Trade and Long Cycles

Springer
Contents

Part I Theories of Value and Empirical Evidence

1 The Classical Theory of Value and Distribution .................................. 3
  1.1 Introduction ................................................................................. 4
  1.2 The Object of Economic Analysis ............................................ 5
  1.3 The Old Classical Economists and the Labour Theory of Value .................... 11
     1.3.1 Adam Smith's Theories of Value .............................................. 11
     1.3.2 Ricardo and the '93% Labour Theory of Value' ..................... 13
     1.3.3 Deviations from the Labour Theory of Value Induced by the Presence of Fixed Capital ........................................ 16
     1.3.4 Deviations from the Labour Theory of Value Induced by Changes in Income Distribution ................................. 21
     1.3.5 Deviations from the Labour Theory of Value Induced by Differences in Turnover Times ........................................... 24
  1.4 Marx's Labour Theory of Value .............................................. 26
     1.4.1 Commodity Production and Value .......................................... 26
     1.4.2 Concrete and Abstract Labour ................................................ 28
     1.4.3 Socially Necessary Labour Time ............................................. 30
  1.5 The Law of Value in Marx ...................................................... 32
  1.6 Money and Price ........................................................................ 33
  1.7 Surplus-Value and Profit ......................................................... 34
  1.8 Summary and Conclusions ....................................................... 38

2 Circular Flow of Capital and Social Reproduction ................................. 41
  2.1 Introduction ................................................................................. 42
  2.2 The Tableau Économique ......................................................... 44
  2.3 Marx's Schemes of Reproduction .............................................. 46
  2.4 Schemes of Simple Reproduction ............................................ 48
     2.4.1 Equilibrium Between the Two Departments ......................... 48
     2.4.2 Exchange Between Departments ........................................... 49
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4.3</td>
<td>Transactions Within Departments</td>
<td>52</td>
</tr>
<tr>
<td>2.5</td>
<td>Schemes of Expanded Reproduction</td>
<td>54</td>
</tr>
<tr>
<td>2.5.1</td>
<td>Critiques of the Schemes of Reproduction</td>
<td>59</td>
</tr>
<tr>
<td>2.5.2</td>
<td>Domar's Growth Model and Marx's Schemes of Reproduction</td>
<td>63</td>
</tr>
<tr>
<td>2.6</td>
<td>Tableau Économique and Reproduction Schemes Cast in Input-Output Analysis</td>
<td>68</td>
</tr>
<tr>
<td>2.6.1</td>
<td>The Tableau Économique as an Input-Output Table</td>
<td>70</td>
</tr>
<tr>
<td>2.6.2</td>
<td>The Schemes of Reproduction and Input-Output Tables</td>
<td>72</td>
</tr>
<tr>
<td>2.6.3</td>
<td>Labour Values and Prices of Production Using Input-Output Analysis</td>
<td>74</td>
</tr>
<tr>
<td>2.6.4</td>
<td>Growth Implications of Reproduction Schemes in Input-Output Form</td>
<td>79</td>
</tr>
<tr>
<td>2.7</td>
<td>Summary and Conclusions</td>
<td>82</td>
</tr>
<tr>
<td>3</td>
<td>Controversial Issues in the Theories of Value and Distribution:</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>The 'Transformation Problem' and the 'Capital Theory' Critique</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Introduction</td>
<td>84</td>
</tr>
<tr>
<td>3.2</td>
<td>The Transformation Problem</td>
<td>85</td>
</tr>
<tr>
<td>3.3</td>
<td>Marx's Solution</td>
<td>91</td>
</tr>
<tr>
<td>3.3.1</td>
<td>Bortkiewicz's Critique and Proposed Solution</td>
<td>94</td>
</tr>
<tr>
<td>3.3.2</td>
<td>Shaikh's Solution to the 'Transformation Problem'</td>
<td>99</td>
</tr>
<tr>
<td>3.3.3</td>
<td>The 'New Solution' or the 'New Interpretation'</td>
<td>105</td>
</tr>
<tr>
<td>3.4</td>
<td>The Transformation Problem in Matrix Form</td>
<td>107</td>
</tr>
<tr>
<td>3.4.1</td>
<td>Sraffa's Standard Commodity and the Transformation Problem</td>
<td>109</td>
</tr>
<tr>
<td>3.4.2</td>
<td>The Iterative Procedure Once Again</td>
<td>112</td>
</tr>
<tr>
<td>3.5</td>
<td>Capital Theory Controversies</td>
<td>113</td>
</tr>
<tr>
<td>3.5.1</td>
<td>Production with Produced Means of Production</td>
<td>116</td>
</tr>
<tr>
<td>3.5.2</td>
<td>Factors of Production and the Neoclassical Theory of Value and Distribution</td>
<td>118</td>
</tr>
<tr>
<td>3.5.3</td>
<td>From the One to Many Commodities World</td>
<td>125</td>
</tr>
<tr>
<td>3.6</td>
<td>Summary and Conclusions</td>
<td>132</td>
</tr>
<tr>
<td>4</td>
<td>Labour Values, Prices of Production and Wage Rate of Profit Curves in Actual Economies</td>
<td>133</td>
</tr>
<tr>
<td>4.1</td>
<td>Introduction</td>
<td>134</td>
</tr>
<tr>
<td>4.2</td>
<td>Labour Values and Prices of Production</td>
<td>137</td>
</tr>
<tr>
<td>4.3</td>
<td>Estimates of Price-Value Deviation</td>
<td>139</td>
</tr>
<tr>
<td>4.3.1</td>
<td>Technological Change, Capital-Intensity and Labour Values</td>
<td>148</td>
</tr>
<tr>
<td>4.3.2</td>
<td>The Proximity of Direct Prices, Prices of Production and Market Prices</td>
<td>155</td>
</tr>
</tbody>
</table>
4.3.3 Intertemporal Price-Value Deviations ........................................ 159
4.3.4 Further Issues on Price-Value Deviations ................................. 168
4.4 Price Changes as an Effect of Income Redistribution ....................... 174
  4.4.1 Empirical Estimates of the Wage Rate of Profit Frontiers ............... 184
4.5 Summary and Conclusions ....................................................... 191
Appendices .......................................................................... 193
  Appendix 1: Estimation of Matrices of Capital Stock and Depreciation Coefficients ............................................................ 193
  Appendix 2: Nomenclature of Industries WIOD, 2016 ........................... 194

5 Competition: Classical and Neoclassical ........................................ 197
5.1 Introduction .............................................................................. 197
5.2 Classical Competition ............................................................. 199
5.3 The Neoclassical Conception of Competition ................................. 202
5.4 Sraffa’s Critique of the Marshallian Competitive Firm ....................... 207
  5.4.1 The Rise and Fall of the ‘Imperfect Competition Revolution’ ........... 212
  5.4.2 Salt and Sweet Waters Economic Perspectives .............................. 215
  5.4.3 Monopoly and Other Heterodox Approaches ................................. 219
5.5 Competition as a Process of Rivalry ............................................ 220
  5.5.1 Competition Within Industries ................................................. 222
  5.5.2 Competition Between Industries .............................................. 226
  5.5.3 The Regulating Capital .......................................................... 231
5.6 Summary and Conclusions ....................................................... 237
Appendices .......................................................................... 238
  Appendix 1: Dominant Technique and Regulating Production Conditions ............................................................ 238
  Appendix 2: The IROR and Marginal Efficiency of Capital .................... 244

Part II Competition, Trade and Long Cycles: Theory and Empirical Evidence

6 Real Competition and Empirical Evidence ...................................... 249
6.1 Introduction .............................................................................. 249
6.2 Competition or Monopoly in Greek Manufacturing Industries? .......... 250
6.3 Tendential Equalization of Profit Rates Across Industries .................. 255
6.4 Inter-Industry Competition and the Rate of Profit ............................ 260
  6.4.1 Twenty, 2-Digit Manufacturing Industries, Greece, 1959–1991 ........... 260
  6.4.2 Fifty-two, 3-Digit Manufacturing Industries, Japan, 1974–2008 .......... 268
  6.4.3 Twenty-Four NAICS Industries, USA, 1987–2015 .......................... 279
6.5 Summary and Conclusions ....................................................... 283
### Contents

7 Asymmetries in International Trade ........................................ 285  
7.1 Introduction ................................................................. 286  
7.2 Absolute vs. Comparative Cost Advantage .......................... 287  
7.3 Asymmetries in Trade ..................................................... 292  
7.4 Transfers of Value .......................................................... 297  
7.5 Modelling the Transfers of Value ....................................... 299  
7.6 Implementation of the Model ............................................. 301  
7.6.1 Transfer of Values Between Greece and Germany ............ 303  
7.6.2 Transfer of Values Between the USA and China, 1995–2011  312  
7.6.3 Transfer of Values Between the USA and Germany, 1995–2009 319  
7.7 Summary and Conclusions ................................................. 322  

Appendices ........................................................................... 323  
Appendix 1: Marx’s Quantity Theory of Money ......................... 323  
Appendix 2: Estimates of Unit Labour Values for Each Country, Individual Industry and Year ........................................... 326  

8 The Rate of Profit, Economic Growth and Crises ......................... 335  
8.1 Introduction ................................................................. 336  
8.2 Economic Fluctuations ..................................................... 337  
8.2.1 Long Cycles in Economic Literature ............................. 347  
8.3 The Law of the Falling Rate Profit .................................... 349  
8.4 Mechanics of the Law of the Falling Rate of Profit and the Crisis ................................................................. 353  
8.4.1 The Cost Curves ......................................................... 355  
8.4.2 Capital and Its Compositions ....................................... 358  
8.4.3 Views and Criticisms of the Law of the Falling Trend in the Rate of Profit .................................................. 362  
8.4.4 The Mathematics of the Falling Profitability ................ 363  
8.5 Rate of Profit, Mass of Profits and Economic Crisis ............ 372  
8.6 Summary and Conclusions ............................................... 378  

9 Productive-Non-productive Labour and National Accounts ........... 381  
9.1 Introduction ................................................................. 382  
9.2 Productive and Unproductive Labour ................................ 383  
9.2.1 Productive and Unproductive Labour in Marx ............... 389  
9.3 The Distinction of PUPL and the Accumulation of Capital .... 394  
9.4 The Evolution of the System of National Income Accounts ................................................................. 395  
9.5 National Accounts and Classical Political Economy Categories ................................................................. 397  
9.5.1 A Digression to Business Accounting Practices ............ 402  
9.6 Summary and Conclusions ............................................... 404