

RETHINKING THE REPRODUCTION SCHEMES

Marx's reproduction schemes have significant advantages over the standard macroeconomics and have great direct relevance to the real economies. This is because production by means of production provides much richer insights into how economies actually work. While maintaining the essence of Marx's analysis, this article aims to develop his reproduction schemes in a number of ways. It argues that the conventional interpretation of constant capital in department 1 which represents the value of means of production that is used to produce means of production is problematical. This problem, however, can be resolved by assuming it to represent the total value of fixed means of production and separately introducing its depreciation (wear and tear) into the model. The separation of fixed means of production from its depreciation provides a clearer vision for the analysis of the general nature of capital accumulation in a capitalist economy. Disaggregating the means of production into fixed means of production and the circulating means of production is also essential for the accuracy of the schemes. This article does not aim to build a full-fledged mathematical Marxist macro model, but aims to make Marx's model more accessible and precise by using few simple equations. We show that our model is fully consistent with the essence of Marx's schemes.

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