Comments on Moseley's Money and Totality

(Presented at the 2017 IIPPE annual conference)

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According to Moseley's 'macro-monetary' interpretation of Marx's method, the total surplus value (ΔM) in the economy as a whole, determined by the total surplus labour in the economy, is taken as given in the subsequent distribution phase of the theory, in which the division of the total surplus value into individual parts is explained. In the distribution of the total surplus value, competition is seen to play an essential role. The word 'competition' appears more than 100 times in his book, and he also calls the level of abstraction at which the distribution of surplus value is considered the level of abstraction of competition.

The premise that total surplus value is determined at the level of production and distributed at the level of competition is such a fundamental characteristic of his interpretation that I think this point deserves close examination. In particular, the question I'd like to focus on today is how competition manages to distribute the total surplus value into individual parts such that a general rate of profit is established in the economy. We kind of already know the answer. Competition, by triggering capital transfer, equalises profit rates. In other words, capitals move from a sector with a high organic composition of capital (OCC) (a low-profit sector) to a sector with a low OCC (a high-profit sector) until profit rates are equalised between these two sectors. However, in the vast literature of the so-called transformation problem, capital transfer is rarely discussed although its important role is presupposed, and, in this regard, Moseley's book is not an exception; capital transfer is mentioned only once, and in a passage dealing with ground-rent whose existence can be explained only by reference to lack of capital transfer.

How about Marx? Marx explains in Chapter 8 of the third volume of *Capital*, the first chapter of part II where the transformation problem is discussed, that different OCCs in different sectors of the economy lead to different sectoral rates of profit. And by using numerical examples in Chapter 9, he explains that these different profit rates are equalised to produce a general rate of profit, transforming values into prices of production. In these chapters, however, that competition of capitals across sectors through capital transfer underpins the equalisation of profit rates and the transformation of value into prices of production is presupposed and mentioned only in passing, as in the literature.[1] In addition, how competition equalises profit rates and transforms values into prices of production is not discussed at all. It is only in Chapter 10 that Marx first raises what he calls "the really difficult question" (p. 274):

> How does this equalisation of profits or this establishment of a general rate of profit take place, since it is evidently a result and cannot be a point of departure?".[2]

In other words, for Marx, it is a very difficult and important theoretical task to explain how competition equalises profit rates. He addresses this question in great detail in Chapter 10 by bringing supply and demand into the analysis. Simply speaking, if supply and demand do not coincide at the market value for whatever reasons, market price diverges from the market value such that supply and demand are adjusted to coincide (at the new market price). It follows that a factor that brings about a systematic divergence between supply and demand (at the market value) deviates market price systematically and permanently from the market value, establishing a new centre of gravity around which market price fluctuates. Marx makes it crystal clear that capital transfer between sectors seeking higher profits is such a systematic factor, underpinning the formation of price of production. He writes in Chapter 10:

[1] Competition is mentioned only twice in these chapters. Marx says in Chapter 8, "[the] equality in the cost prices forms the basis for the competition between capital investments by means of which an average profit is produced" (CIII, p. 252), and, in Chapter 9, "different rates of profit are balanced out by competition to give a general rate of profit which is the average of all these different rates" (p. 257).

[2] The translation is from Marx (2016, p. 285).

> Capital withdraws from a sphere with a low rate of profit and wends its way to others that yield higher profit. This constant migration, the distribution of capital between the different spheres according to where the profit rate is rising and where it is falling, is what produces a relationship between supply and demand [emphasis added] such that the average profit is the same in the various different spheres, and values are therefore transformed into prices of production. (CIII, p. 297)

In other words, his discussion of supply and demand and the divergence between market price and market value in Chapter 10 is a key to understanding the real equalisation process. However, despite dealing with this "really difficult question" and being the longest chapter of Part II, this chapter has not drawn much interest in the literature. Whilst no one denies that competition through capital transfer is the real process underpinning the transformation of values into prices of production, competition is treated as if it always surely brings about equalisation and predetermined quantitative outcomes and therefore does not require close examination. In particular, the mediating role of supply and demand in the equalisation and transformation is rarely discussed.

With this in mind, I'd like to go back to Moseley's argument that the total surplus value is determined and given prior to its distribution to individual parts. My starting point is that the distribution of surplus value is achieved through capital transfer. Capital transfer not only deviates market prices from market values such that profit rates are equalised. Significantly, capital transfer can also result in a change in the total (surplus) value. In other words, The total surplus value cannot be taken as given, subject to distribution to individual parts. Suppose that the profit rate in a sector is higher than the general rate of profit and this induces a sufficiently large size of capital inflow into this sector. The same amount of capital employs different numbers of workers in different sectors due to different compositions of capital. This means capital transfer can change the total surplus value produced in the economy, because the total surplus value is determined by the total surplus labour, which is in turn determined by the total number of workers employed. And the latter can change due to capital transfer. Also suppose that, as is usually the case, there exist individual capitals with different individual productivities in a sector. Typically, the social value is determined by the weighted average of individual values. What happens, then, if the most productive and advanced technology is adopted by the new capital that has been transferred to the sector? The weighted average of individual values will go down and so will the social value. The important point is that, given different individual productivities and individual values within the sector, the process of formation of prices of production (through capital transfer) can change the values before the process is completed. Finally, commodities are values and exchanged in the market only if they satisfy definite, and quantitatively limited, social needs. Due to the new capital, there could now be more commodities in the market than are socially needed at the market value. This means a part of the total social labour in the sector has been wasted and failed to produce (surplus) value. Consequently, market price has to be adjusted to absorb excess supply. In conclusion, x x

Of course, Moseley says that the total surplus value is determined prior to distribution logically, but not temporally, and I agree with him on this point. However, given that he argues the circuit of money capital is a real process, which takes place in real historical time, I wonder whether it makes more sense to view competition and the distribution of surplus value also as a temporal process. Financial instruments certainly make capital transfer between sectors easier, but, I suppose capital transfer typically spans across multiple periods of production.

Finally, I'd like to point out that Marx rarely uses the expression "the distribution of surplus value". When he does so, his emphasis is on surplus value giving rise to different forms such as interest, commercial profit and ground rent rather than the distribution of surplus value across sectors. When Marx discusses the equalisation of profit rates and the transformation of values into prices of production, he often mentions "total social capital" instead. More specifically, he says that the general rate of profit is determined by "the distribution of the total social capital between different sectors". Of course, surplus value is distributed across sectors as the result of capital transfer, "the distribution of the total social capital between different sectors", so there is nothing wrong with "the distribution of surplus value". In my opinion, however, this expressions obscures Marx's point that the real process of equalisation has to be clarified: "How does this equalisation of profits or this establishment of a general rate of profit take place, since it is evidently a result and cannot be a point of departure?"