

R.E.S., Vol. II, #3, - June 1935

Marxian Ecos. & Mod. Eco. Theory by Oscar Lange

re Kei-Shibata's "Marx's Analysis of Capitalism & the
General Equilibrium Theory of the Lausanne
School," in the Kyoto Univ. Eco. Rev., 7/33

"As the word Capitalism is used frequently very ambiguously it should be mentioned that it is used in this paper in its Marxian sense, i.e. Capitalism means an ex-eco. with pvt. ownership of the mp, to which the further sociological datum is added that the pop. is divided into 2 parts, one of which owns the mp while the other part, owning no mp is compelled to work as wage-earners with the mp belonging to the other part. Only because of this sociological datum do profit & interest appear as personal income separate from wages."

Notes
Ignores all dev. of eco. theory since Ricardo

*of Marxian
economics*
"But this superiority of Marxian economics is only a partial one/ There are some problems which Marxian ecos. is quite powerless while "bourgeois" ecos. solves them easily. What can Marxian ecos. say about monopoly prices? What has it to say on the fundamental problems of monetary & credit theory? What apparatus has it to offer for analyzing the incidence of a tax or the effect of a certain technical innovation on wages? And (irony of Fate!) what can Marxian ecos. contribute to the problem of the optimum distribution of productive resources in a socialist society?"

82?
"It (labor theory of value) is nothing but a static theory of general economic equilibrium... To be exact, however, it really holds precisely only in a non-capitalistic ex. eco. of small producers each of whom owns his own mp... In a cap. eco. it requires, as Marx has shown in the 3rd vol. of Das Kap. certain modifications due to the differences in the organic comp. of capital... Thus the labor theory of value has no qualities which would make it, from the Marxist point of view, superior to the modern more elaborate theory of eco. equilibrium. It is only a more primitive form of the latter, restricted to the narrow field of pure competition and even not without limitations in this field... Thus the labor theory of value cannot possibly be the source of the superiority of Marxian over "bourgeois" ecos. in explaining the phenomena of eco. evolution. In fact, adherence to an antiquated form of the theory of eco. equilibrium is the cause of the inferiority of Marxian ecos. in many fields. The superiority of Marxian ecos. on the problem of the evolution of capitalism is due to the exact specification of the institutional datum which distinguishes capitalism from "einfache Warenproduktion". It was thus that Marx was able to discover the peculiarities of the capitalist system and to establish a theory of economic evolution."

"That the Marxian economics fails is due to the labor theory of value which can explain prices only as equilibrium prices... But the central problem of business cycle theory is one of deviation from equilibrium -- of the causes, the course & the effect of such of such deviation. Here the labor theory of value inevitably fails. The inability of Marxian ecos. to solve the problem of the business cycle theory is demonstrated by the

considerable Marxist literature concerned with the famous reproduction schemes of the 2nd vol. of Das Kapital. This whole literature tries to solve the fundamental problems of eco. equilibrium & disequilibrium without even attempting to make use of the mathematical concept of functional relationship."

"Marx rejected Malthusian theory of population...For Cap. creates, according to Marx, its own surplus population through technical progress replacing workers by machines. The existence of the surplus population...prevents wages from rising so as to swallow profits. Thus tech. progress is necessary to maintain the cap. system & the dynamic nature of the cap. system, which explains the constant increase of the organic comp. of cap. is est'd.

That the labor theory of value is not necessary to this argument is easily seen, for its application of the labor mkt. is a purely formal one, since the equilibrating mechanism which is at the basis of this theory does not work on the labor mkt. It is technical progress (or the "law of population in the case of the classical eco-ists) which prevents wages from swallowing profits."

"Our results may be summarised as follows:

(1) The superiority of Marxian ecos. in analyzing Cap. is not due to the eco. concepts used by Mx (the labor theory of value) but to the exact specification of the institutional datum distinguishing capitalism from the concept of an ex. eco.

(2) The specification of this institutional datum allows of the establishment of a theory of eco. evolution from which a "necessary" trend of certain data in the cap. system can be deduced.

(3) Jointly with the theory of his. materialism this theory of eco. evolution accts. for the actual changes occurring in the cap. system & forms a basis for anticipating the future."