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**Marxist theory of Value and Profit, Financialization
and Crisis - By Simon Mohun at METU ***

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Conference Notes

I recently attended a workshop presented by Prof Dr. Simon Mohun at Middle East Technical University between 28-30 April, 2015. The workshop was jointly sponsored by the Department of Political Science and Public Administration and Turkish Social Science Association. Simon Mohun is Emeritus Professor at Queen Mary College, London and has made many important contributions to Marxist economics. His work is situated within the classical surplus-based tradition in economics that combined in the writings of Karl Marx. He basically aimed to try applying Marxist economic theory to the facts so that we could understand better the causes of capitalist crises. His lecture was structured as a series of three lectures and was entitled, “*Marxist theory of Value and Profit, Financialization and Crisis*”. In this regard, He gave a lecture both on the Marxist theory of value, price and profit and its applications to financialization and crisis.

The first day, he focused on Value and Price and discussed Labour Theory of Value (LTV) in Adam Smith and David Ricardo and then explained Marx’s LTV which is source of value added of the total mass of commodities produced is the labour expended in producing them. At the end of the lecture he pointed out that “distinction between value and price is window through which to understand inner nature of capitalist economy” The second and third day of workshop, he drew upon origin of profit and historical conditions of emergence of labour power as commodity. This process has been related to liberation. Since worker must be free to sell Labour Power, not tied to particular labour process (feudalism) or to particular master (slavery). After that, he defined capitalism as a technically progressive mode of production and showed that capitalism works due to exploitation, reproduction and expansion (accumulation). Having mentioned about the differences between capitalism and previous mode of production, he focused on concepts in Marx’s theory such as absolute and relative surplus value, variable, constant, circulating constant and fixed constant capital. According to him, capitalist society has five characteristics as follows: rising labour productivity due to technical progress, rising real wage but at a slow rate, hence rising rate of surplus value, falling proportion of capital outlays devoted to wages and lower mark-up and lower rate of profit. All of these are aspects of inner tendency of capitalist development. Finally, he asked the famous question whether the rate of

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profit fall or not? Falling rate of profit has been a great controversial in Marxian literature. After he gave some numerical examples based on game theory, displayed Japanese economist Nobuo Okishio's critique on Marx's assumption (when we have s/v constant; v/p -cost the capitalist for each unit of labour power- is held constant, money wage is held constant, real wage rises and rate of profit falls); briefly, Okishio argued that "if the newly introduced technique satisfies the cost criterion (if it reduces unit costs, given current prices) and the rate of real wage remains constant", then the rate of profit must increase. Assuming constant real wages, technical change would lower the production cost per unit, thereby raising the innovator's rate of profit. The price of output would fall, and this would cause the other capitalists' costs to fall also. The new (equilibrium) rate of profit would therefore have to rise. In short, If capitalist adopts viable technique and real wage remains constant, in the new equilibrium the new rate of profit cannot be lower than the initial one.

In light of this, he tried to indicate if the rate of profit fall and looked at the data for the US rate of profit (1890-2009) and calculated rate of profit for the whole economy using NDP (net domestic product) less employee compensation as a numerator and total (current cost) capital stock plus inventories as a denominator. As a result, he found that the rate of profit had not fallen but risen, although punctuated by downturns leading to economic crises in 1929, 1979 and 2007-8. His empirical evidence for the US economy shows that US capitalism characterized by long secular periods of falling profitability and long secular periods of rising profitability and crises are associated with major turning points.



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