

John Jay College
MA in Economics
2023 Spring Term

Advanced Political Economy:
The Abstract Capitalist Economy
Eco. 723

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Office hour: Monday, 5–6 p.m., or by appointment; room 9.63.34

The course meets Mondays, 6–8 p.m., beginning January 30. Room 9.63.24.

Course requirements:

Class participation; midterm exam, March 20; term paper project, due in various stages throughout the semester (see below); final exam, May 22.

Overview:

The Marxist theory of capitalism has tended to divide into two broad positions. On one side are approaches that stick closely to the terms and methods employed by Marx, in many works but mainly in *Capital*. Authors who identify with the classical Marxist tradition defend the orthodox propositions governing the nature of capitalist social relations, the laws of value and surplus value, and approaches to technical change, accumulation of capital, the composition of capital and the rates of surplus value and profit developed in Marx's main works, along with the theories of crisis and cycles associated with those propositions. Marx's central project — discovery of laws of motion containing immanent critical tendencies, such as the rising composition of capital, falling rate of profit, and structural change that increasingly undermines capitalist society and sets the stage for its transcendence — is the core of this conception, and all recent developments in technology, world trade, finance, state regulation, etc. are interpreted in its light.

On the other side, many Marxist economic writers leave the matter of capitalism-in-general and its evolution behind, and concentrate instead on detailed historical narratives and institutional change — *e.g.*, changes in the social relations of the workplace, the role of the state, the relation of capitalism and class to other arenas of oppression and victimization by racism, sexism, heterosexism and national exclusion, and work on factual exposes and critiques. All of this, while valuable in itself, carries an implicit message that nothing is to be gained by adopting and improving on the Marxist theory of capitalism *in the abstract*. Indeed, that theory is seen as vulnerable to the massive criticisms leveled at it by anti-Marxist theorists; any attempt to create a model depicting inherent “laws” (to use an older term) or “patterns” (to use a more modern one) of capitalist growth leading to deepening crisis and objective grounds for revolutionary working-class movements is suspect, whether such an attempt seeks to build upon the exact foundations supplied by Marx in the 19th century or whether it looks for alternative foundations.

Our course will of course survey all of this. But the context for that study will be a guiding proposition: *The divide between “orthodox” theoretical Marxists and “heterodox” creative ones must be overcome, and transcended.* I will seek to affirm the central theoretical idea that study of capitalism in its pure form — in which its core social relations, means of reproduction and social

classes stand out apart from the multiple connections that core has to other aspects of social reality — must be the essential basis for elaboration of its further evolution and its expanding specific historical and institutional realities. In a word: *The abstract capitalist economy matters.*

However, I will also insist that the theory of that abstract entity will *not* be found *solely* by means of ever-deeper investigations into Marx’s voluminous writings. While it is important to complete the publication and annotation of all of the manuscripts, from the 1850s to the 1870s, which provided the context for *Capital* (1867) and for Marx’s further investigations, that activity will not substitute for the monumental efforts still awaiting those working today in the Marxist tradition. Marx provides the *starting point*; but he alone cannot do what is needed now. If there are criticisms of the general theory of crisis, for example — usually associated with Marx’s “law of the falling tendency of the rate of profit” — those criticisms cannot be wished away, or drowned in torrents of invocations of Marx’s texts; they must lead to evolution of the general theory in directions that *actually overcome* the criticisms. But neither can the validity of the criticisms simply be assumed, as implied by abandonment of the general-theory project as such.

Students may perceive that my emphasis is on the capitalist economy as a whole — the “macro” or “one-good” perspective. That is true — for this course! But the entire set of issues concerning multiple heterogeneous commodities (“use values”), including price determination and the controversies about value, the “transformation problem,” and so on, should remain in the wings. You are always encouraged to wonder whether anything important gets lost when we “solve” the problems associated with heterogeneous goods by compressing them into a single one. And we can always return to this set of questions.

Summing up. We will build up, systematically, a model of the abstract capitalist economy. This model will be, for the most part, at the aggregate (macro) level: one homogeneous good, one variety of (homogeneous) labor, two well-defined classes (capitalists; workers). It will reflect post-industrial revolution circumstances: fixed capital, as well as circulating capital. Using this austere framework, we will construct the story of production, surplus-value extraction, accumulation, reproduction of the conditions for continuously expanding capitalist production, technical change, and crisis. The goal will be to take the critiques of Marx’s laws of capitalist accumulation seriously — but not for the purpose of abandoning those laws; rather, in order to improve upon them.

This will require us to accept, and apply, some mathematical tools. You can’t master a debate by simply talking about it; you have to actually make its concepts your own — by *doing* the work, rather than just observing from outside. But I will always try to use the simplest available versions of models, and combine them with the most intuitive explanations and examples I can find.

There are no requirements placed on students to accept or support *any* particular theoretical approach or interpretation of historical reality — either at the most general level or in terms of particulars. *All* viewpoints are welcome, including the entire range from free-market (“neoclassical”) fundamentalism to the most strenuous insistence upon Marx’s original formulations. To learn about anything, you need to engage it from your own perspective, and in the context of your own experiences and feelings. Still, rather than simply present an eclectic parade of positions, from which a student may conclude that there is no way to decide among them and that anything is possible, I will focus on systematic development of a rigorous *and* creative path forward, thus hoping to provide a model not only of principled investigation of all alternatives, but also of a

strategy to synthesize the best elements of various views, in the service of the fullest understanding of capitalism and pathways beyond it.

There has been a resurgence of popular writings on “capitalism” (as a general and loosely defined term for the system of the present), which address the entire range of social contexts and issues (ecological, feminist, anti-racist, anti-heteronormative, etc.), essentially calling for a society that is infused with democratic, anti-elitist, egalitarian, participatory and humane values. Your instructor, needless to say, shares these values! (As, I would guess, most of you do as well.) However, one theme in this course will be to argue that *economics* has something indispensable to say about all of this, and that — to borrow a phrase from an early writer on social theory — if we haven’t understood capitalism *in the abstract*, we will not have achieved a grasp of the subject worthy of our purpose.

From what has been said above, students should gather that the course will combine directed presentation of material with effective student participation. I will try to avoid both formal lectures, on one side; and disorganized discussion, on the other. For this to work, I am hoping for the greatest possible student commitment to preparation: regular and timely attendance, and keeping up with the readings.

Term paper:

Each student will be asked to find her/his/their *burning question*, and write on that. Hopefully we can use our group discussions and collective energy to elicit a topic from you. Finding the topic is the single most important part of a research-and-writing project; you have to really *want to know* the answer(s) to the questions that you pose. When students ask me “How long does the paper have to be?”, I always answer: “If you are trying to figure out how to make it *longer*, you have not yet achieved the first stage of the project; your problem should be how to make it *shorter*.” I hope to carve out some time in class sessions 4 or 5 for us to go around the room and hear students’ preliminary proposals. I will set due dates: for initial paper proposals, February 27; for the paper itself, April 24. We will devote the final two sessions of the course to presentations and discussion, of all or some of the papers. (Details to be worked out once we know how many of us there are.)

One warning: *all* papers must address some aspect of the study of the theoretical capitalist economy. This can be focused on any aspect of the topic. It can also take any point of view, *e.g.*, from “orthodox” to “skeptical.” But your paper can *not* avoid the issue entirely, and be written on some other topic (whether this be a study of a particular social movement, or country, or time period).

Class session topics

These topics are a rough guide; I don’t assume that we will be able to adhere to this schedule exactly, and we may decide to compress or remove some things, in order to follow up on others.

The readings listed will be available on line, but also in printed and compiled form, from the Bookstore. Details, including price, will follow.

1. (Jan. 30) A simple model of capitalist production. Variables, dimensions, ratios
Laibman, 1997, chs. 1, 2

2. (Feb. 6) The “law of the falling tendency of the rate of profit” (LFTRP) — the classical argument.
The fundamental equation of capitalist accumulation
Marx, chs. XIII–XV
Laibman, 1997, ch. 3
3. (Feb. 21, **Tuesday**) The LFTRP — skeptics’ views, and the counter-critique
Sweezy, ch. VI
Callinicos-Choonara; Roberts
MR debate: papers by Heinrich, 2013a; Roberts-Carchedi,; Mage; Moseley; Heinrich,
2013b
Laibman, 1997, ch. 4
4. (Feb. 27) Preliminary term paper proposals — open discussion
5. (March 6) The mechanization function and the conjunctural profit rate: the basics
Laibman, 1997, ch. 5
6. (March 13) A numerical model of macro structural trends: the LFTRP re-envisioned
Laibman, 1997, ch. 5
7. (March 20) Midterm Examination
8. (March 27) The complete path of technical change: capitalist socio-cultural sources of bias in the
composition of capital
Laibman, 1997, chs. 6, 7
9. (April 3) A non-proportional growth model: the Consistent Path. A second fundamental equation
and the ultimate problem of the search for immanent long-term crisis
Laibman, 1997, chs. 7, 10
10. (April 17) A survey of alternative crisis theories
Laibman, 1997, ch. 8
Laibman, 1999 [more difficult; I suggest a first-time read-through of this paper to get
the “gist” of it, pending fuller investigation later]
11. (April 24) Partial disaggregation: crisis in two sectors; bringing in demand
Laibman, 1997, ch. 9
12. (May 1) Financialization (inside and outside capitals); the e-economy and “immaterial
production”; any loose ends
Readings tbd
13. (May 8) Presentations of papers, open discussion
14. (May 15) Presentations of papers, open discussion
15. (May 22) Final Examination

The Readings (available as PDFs or at cost from the bookstore)

- Callinicos, Alex, and Joseph Choonara. 2016. "How Not to Write About the Rate of Profit: A Critique of David Harvey." Pp. 481–494 in *Science & Society*, 2016.
- Heinrich, Michael. 2013a. "Crisis Theory, the Law of the Tendency of the Profit Rate to Fall, and Marx's Studies in the 1870s." *Monthly Review Online* (April 1).
- Heinrich, Michael. 2013b. "Heinrich Answers Critics." *Monthly Review Online* (December 1).
- Laibman, David. 1997. *Capitalist Macrodynamics: A Systematic Introduction*. London: Macmillan.
- Laibman, David. 1999. "The Okishio Theorem and Its Critics: Historical Cost Vs. Replacement Cost," *Research in Political Economy*, Vol. 17, pp. 207–227
- Mage, Shane. 2013. "Response to Heinrich—In Defense of Marx's Law." *Monthly Review Online* (December 1).
- Marx, Karl. 1967. *Capital*. Volume III: *The Process of Capitalist Production as a Whole*. New York: International Publishers. (Or any edition.) Part III, chs. XIII–XV.
- Moseley, Fred. 2013. "Critique of Heinrich: Marx Did Not Abandon the Logical Structure." *Monthly Review Online* (December 1).
- Roberts, Michael. 2016. "It's a Depression." Pp. 550–565 in *Science & Society*, 2016
- Roberts, Michael, and Guglielmo Carchedi. 2013. "A Critique of Heinrich's, 'Crisis Theory, the Law of the Tendency of the Profit Rate to Fall, and Marx's Studies in the 1870s'." *Monthly Review Online* (December 1).
- Sweezy, Paul. 1942, 1956. *The Theory of Capitalist Development*. New York: Monthly Review Press. (Chapter 6.)