

Breaking with the Classics?
A Reassessment of Marx's Relationship with Classical Political Economy

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Abstract

In this work, I focus on three points of disagreement with Heinrich's analysis: Marx's relationship with the classical political economists, particularly Smith and Ricardo; the interpretation of Sraffa's model as an equilibrium approach; and the quantitative transformation of values into prices.

Keywords

Karl Marx, Michael Heinrich, Classical Political Economy, Surplus Value, Exploitation.

1. Introduction: Marx and the classics

Heinrich argues that Marx's reconstruction of the analysis provided by the classical political economists (CPEs) is flawed because it is retrospective. It takes Marx's own theory as the endpoint and reads the work of the CPEs backwards from there. This would make Marx too generous in his reading of the CPEs, seeing in their theories an unfinished attempt or rough development of a theory of surplus value. Moreover, he would not notice the radical break that his approach represents compared to that of the CPEs.

For Heinrich, both Smith's and Ricardo's approaches – including that of the Ricardian socialists – are affected by four problems. The first problem is anthropologism. Both Smith and Ricardo presuppose a certain essence of human beings: that of the owner of commodities. The second problem is individualism. Smith and Ricardo reconstruct the social context starting from individual, atomistic, natural, or non-social individuals, which are presupposed and self-evident. The third problem is a-historicity. If individuals are immediately determined by their anthropological essence, it is possible to define a natural society and oppose it to a non-natural one. That natural society is always, and has always been, based on the production and exchange of commodities. The fourth problem is empiricism. Reality is transparent and self-evident. It shows itself to us as it is. We just need to grasp it. There is a lack of a non-empirical theoretical level. The abstractions themselves are only idealised models of empirical reality.

The most important consequence is that Smith, Ricardo and the other CPEs do not grasp the connection between value and money. While the neoclassical paradigm is based on a new research program (with new research questions and an epistemological redefinition), it shares – exacerbating them – the same flaws of the Classical-Ricardian approach. There would thus be a common theoretical (empirical or empiricist) field. As a result, no distinction between scientific economics, which for Marx was CPE, and vulgar economics would be possible: all economic science is vulgar or non-scientific.

This is because – according to Heinrich – the CPEs (and their modern heirs) would not have developed a non-empirical theoretical plan, not even in outline. Instead, they would have remained trapped in the manifest nexus of capitalist society. By contrast, Marx, in

recognising the specifically social form of labour, breaks with that theoretical field. However, he would not be entirely aware of the *radicality* of this break. His critique would imply an outright rejection of the CPEs' field, although Marx himself would not have been able to sever completely the ties with the CPEs.

One of the consequences stemming from the recognition of the specifically social form of labour is also the loss of centrality of surplus labour, which would be a kind of Ricardian socialist heritage. Marx's aim would not be to reduce profit to surplus labour, but rather to investigate how in a society of private producers a coherent social nexus is generated.

I think that this reconstruction of the connection between Marx and the classical authors, although it does have some truth to it, runs the risk of being as misleading as the opposite idea of Marx as a minor Ricardian. I will attempt to explain why and what the implications are.

2. Sraffa's model as an equilibrium approach

Heinrich's reconstruction of the debate on the transformation problem, from Bortkiewicz to Sraffa to Foley, is concise but accurate. What sets me apart from Heinrich is the judgment on Sraffa's approach and that of (physical) surplus theorists, which for Heinrich presents three orders of problems. First, as a linear model, Sraffa's approach presupposes a situation of equilibrium materially determined, based on which prices are then calculated. Second, Sraffa's approach does not consider the difference between concrete labour and abstract labour. Lastly, it does not consider the value form and therefore the centrality of money. As a result, the central problem of Marx's theory, namely how it is possible for the products of labour to be related to each other as commodities, is not considered.

I will discuss the first point here, deferring my considerations on the other two points to Heinrich's definition of a monetary theory of value. My main argument is that Sraffa's model is not necessarily a model of equilibrium. I am not denying that it can be interpreted as such. However, that is not the only possible interpretation, nor, in my opinion, the most correct one, for Sraffa's model is a snapshot of the economic system taken at the end of the production process¹. As such, it does not presuppose any equilibrium in the neoclassical or «vulgar» sense, such as full employment of factors, fulfilled expectations, etc.

Of course, the unit prices calculated in this way are reproduction prices of the system. This is because these prices receive special attention within CPE and Marxian critique, as they can be interpreted as centres of gravity for market prices. In showing how a coherent system of relative prices can be determined starting from the knowledge of the technical conditions and the economic, social, and political factors that govern income distribution, it seems sensible to abstract from any possible disturbing factors.

In short, Sraffa's approach offers a simple model that addresses a specific and well-defined research question, that of the determination of the prices of reproduction of the economy, given the technical and labour coefficients. To criticise Sraffa's theory of relative prices for not addressing the specifically social nature of value is akin to criticising a nutcracker for not serving as a corkscrew.

3. A monetary theory of value

Heinrich's main thesis is that the products of labour, taken individually, are not commodities, and therefore not objects of value. Their objectuality of value exists only in the market

¹ See Sraffa (1960).

exchange of goods for money, where socially necessary labour time emerges. As far as I understand it, this is a position that I largely agree with. Precisely for this reason, however, I find it difficult to understand Heinrich's outright rejection of the Dumenil-Foley-Lipietz approach, which I will rename – following Stefano Perri – as the «labour theory of neo-value»².

For Heinrich, the problem with the labour theory of neo-value is that it leaves intact the analytical framework established by Sraffa and the (physical) surplus theorists. This not only would be flawed by the equilibrium assumption, discussed earlier, but since equilibrium is assumed, it would also lack a theory of money – and, it must be concluded, a theory of money as a central element for the creation of value would be inconsistent with such an approach. In other words, both the surplus theories and the neo-value approach do not factor in the difference between concrete and abstract labour, do not consider the value form, and therefore do not consider the centrality of money. Above all, they do not consider the central problem of Marx's theory, namely how it is possible for the products of labour to be related to each other as commodities.

My feeling is that many of the objections or allegations Heinrich raises against the neo-value approach, and which he previously raised against the CPEs, are applicable to Marx as well. Heinrich himself is forced to admit this here and there in the text. For example, when he laments Marx's excessive generosity towards the CPEs. Or when he writes that «all these objections [raised against the surplus theories and the neo-labour approach] can also be raised against Marx's exposition in the third book of *Capital*»³, since Marx himself does not talk about money in the sections dedicated to transformation. Or, again, when he admits that «Marx certainly identifies the conceptual development [of transformation] with the specific method of calculation»⁴.

This would be explained by the fact that when Marx worked on the third book, which as is known was written before the first, his elaboration of the theory of value was not yet complete. The attempt to give the transformation a (also) quantitative dimension would therefore only be the legacy of the CPE, not yet fully disposed of by Marx. This seems to me to be the weakest point of Heinrich's argument. The sharp break between Marx and the CPEs (and therefore their heirs) seems to be presupposed here, rather than demonstrated. Just as those individuals who equate their different products, and thus their heterogeneous labours, as social labour «do not know that they do it, but they do»⁵, Marx would not provide a critique but break with CPE without knowing it.

The point is that between a theory based on the recognition of the specifically social form of labour and the neo-value approach there is, to all intents and purposes, no necessary contradiction. On the contrary, they are largely complementary approaches. They only answer different research questions. Precisely because it does not presuppose two independent accounting systems, one with pre-monetary values, and one with monetary prices, the neo-value approach is by no means a pre-monetary value theory. If anything, it is a theory that does not explain the necessity of money and therefore the social nature of the value creation process. However, this is not the purpose of that theory.

² See Perri (1997). See also Foley (2000).

³ Heinrich (2023, p. 387, *my translation from Italian*).

⁴ Heinrich (2023, p. 391, *my translation from Italian*).

⁵ Marx (1890, p. 85), cited in Heinrich (2023, p. 307, *my translation from Italian*).

4. Final remarks (on surplus labour)

Heinrich argues that the problem of quantitative conversion of labour values into production prices does not arise at all. I do not question this claim. In fact, I am absolutely convinced that Heinrich is right on this point. However, again, the neo-value approach does not perform any conversion. Paradoxically, this happens precisely because of that characteristic that Heinrich criticises: it is located at the end of the production and circulation process, so that every magnitude is expressed in monetary units. Compared to the development of a complete theory of value, the purpose of the neo-value approach is different and much more limited, but not irrelevant: to demonstrate that there is no problem of logical consistency in the idea that the gross profits of capitalist firms originate from surplus labour.

I am aware that Heinrich denies that this is the central problem of Marx's analysis. However, this is a reason not to stop at the debate on quantitative transformation and go beyond it, not to raise a white flag on that front. It is a reason to underline the intrinsic limits of the classical approach and its recent developments, including the surplus approach and the labour theory of neo-value, and not to neglect the differences between those theories and vulgar economics.

Incidentally, the neo-value approach also allows reformulating the tendency for the profit rate to fall as a tendency for the maximum profit rate to fall as the constant capital to direct labour ratio increases.

Lastly, notice that de-emphasising the category of surplus labour implies that class struggle fades away. True, Marx's theory is not about quantitative transformation. However, it is not solely about conceptual change of form either. It is about how an apparent exchange between peers on the market conceals an unequal exchange in the production sphere. If we neglect this, we end up marginalising labour exploitation and class struggle. In other words, we end up killing Marx.

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