Book Review

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Andrew Kliman, *Reclaiming Marx's Capital: A Refutation of the Myth of Inconsistency*
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The latest socioeconomic crisis of capitalism, and the discussions associated with possible solutions to it, have brought back into public discussion the work of a number of prominent figures from the history of economic thought. From John Maynard Keynes' contributions regarding the role of uncertainty and government intervention in markets, to Hyman Minsky's analysis of financial fragility due to speculation and Joseph Schumpeter's emphasis on the role of "creative destruction" as inherent to capitalism's life cycle, what we see is a renewed interest in the work of scholars that, at least for the period known as neoliberalism, were not part of the generally accepted discourse of economics. Still, none of these thinkers was as buried in the dustbin of history, from a mainstream perspective, as the greatest known critique of the capitalist system, the German philosopher and revolutionary, Karl Marx.

The reasons for Marx's marginalization are various, but if something stands out, at least within the discipline of economics and its methodology, is that Marx was simply wrong. He was wrong in the sense that his theoretical apparatus contained inconsistencies which in the best case scenario made his analysis redundant. Specifically, his labor theory of value, which provides the basis for his theory of

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surplus value and exploitation, and from which he derives his analysis of capitalism's contradictions, workings and movements, is said to be flawed. Andrew Kliman's *Reclaiming Marx's Capital* seeks to challenge these myths about inconsistency so that a renewed discussion within economics and beyond can take place regarding the importance and relevance of Marx's work.

In the first chapter of the book, Kliman lays out his approach by emphasizing that "Marx's value theory would be *necessarily wrong* if it were internally inconsistent" (p. 3, emphasis in original). For Kliman, consistency is a necessary, but not sufficient, condition for a theory to be "true," and that is why he wants to focus his analysis on this initial point irrespective of any beliefs about the theory being "right or wrong." He states on various occasions that it is fundamental given that the claim of inconsistency disqualifies Marx's analysis from the get-go and facilitates the suppression to which it has been exposed. Kliman states that "the reclamation of *Capital* from the myth of inconsistency is therefore an absolutely necessary and vital precondition to any efforts to reclaim it in more ambitious ways" (p. 3).

Chapter 2 starts with a basic presentation of Marxian concepts and then proceeds to the issue of "contending interpretations." For Kliman there are two general methodological positions that capture how the quantitative dimension of Marx's labor theory of value has been discussed. First there is the study of the relationship between values and prices. According to the author, most of the literature treats values and prices as being "determined independently of one another" (p. 32). This *dual-system interpretation*, which was initiated with the work of Prussian statistician Ladislaus von Bortkiewicz, is manifested not only in critiques of Marx (e.g. Morishima 1973), but also in the work of those who want to hang on to Marx's edifice, such as the writings of the *New Interpretation* theorists (see Duménil 1980; Foley 1982). In these interpretations, when the value and price systems are conceived as being separate, the two aggregate equalities that Marx proposed between surplus value and profit on the one hand, and between values and prices on the other, do not hold. This fact is fundamental for the attack on grounds of inconsistency.

Apart from and against the dual-system interpretation, there is another approach in which values and prices are determined *interdependently*. The *single-system interpretation* appeared in various forms during the 1980's and has two main theses. First, the value rate of profit determines the prices of production and the average profit, which implies that there is no independent price system. Second, prices do affect the magnitude of values, therefore "there is no distinct value system either" (p. 33). According to Kliman, this approach, in its various forms, does obtain Marx's two aggregate equalities, a result that hints to its desirability in terms of an appropriate interpretation of Marx's work.

On the methodological issue of the quantitative relationship between prices and values, Kliman observes that another dimension which helps to clear up the charges of inconsistency is the issue of valuation. The dominant interpretations make "the *a priori* stipulation that the per-unit value (or price) of each input must equal the per-unit value (or price) of the same good or service when produced as an output of the same period" (p. 34). For the author this *simultaneous valuation*, which practically dominates most of the interpretations of Marx's value theory, was also based on the work of Bortkiewicz, although Bortkiewicz himself "interpreted the original theory [Marx's] as non-simultaneist" (p. 35). Opposed to this method we have Kliman's approach, which is to make the valuation *temporal* given that "simultaneous valuation is absolutely incompatible with the principle upon which Marx's value theory is founded, the principle that value is determined by labor-time" (p. 78, emphasis omitted). For example, Kliman tells us that, by using simultaneous valuation, the effects that changes in the level of productivity might have on the value of the commodities produced within the same production period are basically erased given that productivity might change while values are held constant (p. 78).

The last ingredient in Kliman's exposition of how there are problems with simultaneous-valuation interpretations of Marx's value theory has to do with his emphasis (from the beginning and throughout the book) on simultaneous valuation *necessarily* leading to physicalist conclusions. It takes the author seventy-nine pages to finally tell us that we have to focus on the two basic ways that the aggregate value of an item can change: either the physical quantity changes or its per-unit value changes. According to him, by employing simultaneous valuation we basically eliminate any possible analysis of changes in per-unit values during a production period. In other words, "there is only one remaining cause of changes in the item's aggregate value—changes in its physical quantity" (p. 79).

It is important to note that Kliman does accept "the abstract possibility that inputs and outputs *may happen to have* the same prices or values (p. 35, emphasis in original), although it seems that for him this specific case doesn't deserve much attention within his framework. This is problematic because it fails to engage with recent literature (Kristjanson-Gural, 2003) that looks at the developments in value theory associated with the role of demand in the redistribution of surplus value which, even though using simultaneous valuation, do not reach physicalist conclusions (i.e., that technology and real wages determine values, profits, and relative prices).

After taking a look at claims that Marx can be interpreted as being a simultaneist (Chap. 6), Kliman sets himself to work with his *temporal single-system interpretation* on the various conclusions that Marx reached that were "refuted" using a simultaneist and dualist approach. Among them is a discussion of the "law of the tendency of the rate of profit to fall," the need for exploitation of workers in order for profits to exist, and Marx's claim that Ricardo had made a mistake by saying that the production conditions in luxury industries have no influence on the economy-wide rate of profit, among others.

In Chapters 8 and 9, Kliman takes a stab at one of the topics that has attracted the most attention and energy within economics, be it from Marxists, Neo-Ricardians or Neo-Classicals. The so-called *Transformation Problem* of values to prices of production has been for economists what the Riemann Hypothesis has been for mathematicians. For over a century now, the need to find an algorithm that defines the quantitative relationship between commodity values and prices of production has been at the center of the dispute surrounding the hypothesis that the origin of profit lies in the exploitation of workers. After surveying some of the main alternative solutions to and understandings of the transformation problem, and submitting them to his methodological critique based on their use of simultaneous valuation and, in most cases, the use of a dual system, Kliman puts to work his temporal single-system interpretation to convince the reader that his method does in fact reach Marx's conclusions. For the author, this result is evidence that there is an interpretation that makes sense of Marx's analysis, which implies that the whole issue of inconsistency and contradiction in Marx should be revisited and discussed. But Kliman doesn't stop there.

In Chapter 10, the author takes a look at one of the main mathematical "proofs" that many Marxists use to argue that surplus labor is the source of profit. According to him, the proof of the "Fundamental Marxian Theorem," initially developed by Nobuo Okishio, is inherently false because of the simultaneous dual-system manner in which it was exposed. Kliman uses various examples to show that, in that particular model, "total profit could be positive even though no surplus labor is extracted from workers, and total profit could be negative even though surplus labor is extracted" (p. 176).

The book also grapples with the proofs of the various interpretations that intend to defend the labor theory of value on empirical grounds (Chap. 11). He makes a critique of the statistical methods used and shows us that "new empirical results compel us to reject its version of 'the' labor theory of value" (p. 193).

Andrew Kliman's *Reclaiming Marx's Capital* is a thought-provoking work that questions the received wisdom on Marx's labor theory of value in a clear, accessible, and penetrating way. His methodologically conscious approach, emphasizing the contesting interpretations of Marx's texts while focusing on the implied method of most of those interpretations, and how they relate to the conclusions derived, is a most welcome task.

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