

## Marx's Theory of Capital in the History of Economics: Marx, Classical School, Austrians, and Growth Theory

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What place does Marx's theory of capital occupy in the history of economics? To answer it we must divide this question into three sub-questions:

(1) How did Marx himself distinguish his theory of capital from that of his predecessors particularly from economists of Classical school?

(2) How does Marx's capital theory differ from other rival theories such as that of Austrians that appeared after him?

(3) Further, what relations does it have with theories of modern economics and historical experiences after him?

Ad 1: Marx himself provided us with his view on his predecessors in the voluminous notes, *Theories of Surplus Value*. This was written originally with the intention to be a historical literature review to the part of "Capital in General", following the style of *Critic of Political Economy* (1859) in which a historical literature review is added in each section. One of the most interesting arguments there is his criticism to the classical "advance" conception of capital. He showed sympathy to John Hodgskin's attack against the claim of capital by contending that workers never receive their necessaries from employers but receive them from the product of "co-existing labor" of their fellow workers. This concept of "co-existing labor" can be extended not only to Marx's variable capital but also to the constant capital so that all the materials and tools that are consumed in the production process are also replaced by the product of simultaneously co-existing labors. Thus, viewing the production process totally from the viewpoint of reproduction, the reality of "advance" that is valid only for the individual branch of production vanishes totally. However, Marx did not deny the reality of the domination of capital over workers by such a synchronized view of production. To him the essence of capital is the continuity of the "separation of the objective conditions of production from workers on the condition of wage labor." Monetary circuit of capital that included the transaction between capital and labor contributes it. The accumulation of capital means to him the reproduction of this separation in larger and deeper scale.

Ad 2: One of the most famous critiques against Marx's exploitation theory came from Austrians, above all from Eugen von Böhm-Bawerk. He not only criticized the discrepancy between the labor value in the first volume of *Capital* and prices of

production in its third volume, but also denied “surplus value” grounded on the concept of capital whose essence consists in time. His alternative explanation of profit (interest) lay objectively in the productivity of the prolonged production process and subjectively in the myopic evaluation of the utility of goods. He did not notice that Marx had a reproduction view of the simultaneous production process, which is distinct from summing up the past and current labor in the individual production process. In his discussion on this controversy, Negishi Takashi (“Marx and Böhm-Bawerk in the Theory of Interest” 1980) admitted the existence of surplus (labor) value in the case of simple reproduction. However, he denied the continuity of the state of “simple reproduction with surplus” grounded on a neo-classical logic.

Ad 3: John Hicks (“Capital Controversies: Ancient and Modern” 1974) classified capital theories in the history of economics into two groups: materialism that considers capital as capital goods and fundism that considers capital as value fund. Modern neo-classicists that follow Walras adhere materialistic concept of capital, while Hicks would develop a fundist view taking the time element into his consideration. Marx’s reproduction view of capital is both materialism as well as fundism, as he stressed both sides of reproduction in the use value and in the exchange value. However, the value – exchange value, i. e. normal price – that warrants the extended reproduction differs from that of simple reproduction, since it must cover the incremental of input in the next period.

Since 1920s till 1970s Russian mathematical economists in charge of economic growth planning discovered that growing economy need pricing that differs from simple labor value. In the West, economists found the most efficient growth path – von Neumann path – whose model was grounded on the equality of growth rate and profit rate. Piero Sraffa did not head for growth theory but offered the basic frame for the analysis of distribution of surplus between profit and wage. It’s interesting that these modern theories seem to reflect the Marxian dual view of capital in its use value (materials) and its value (abstract labor). Then, what happened in the modern theorizing in the aspect of Marxian production relations that was grounded on the split between the objective conditions and workers in the production process?