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Sylos Labini on Marx

An Attempt at a Balanced Assessment Based on Critical Thinking

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(*) Opinions expressed are personal

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Introduction

- Sylos' critical take on Marx comes from a perspective of "liberal socialism" (Rosselli, 1997 [1973])

"I am not a Marxist, but neither I am an opponent or an enemy of Marx, and I reject as simplistic and unacceptable both the position of complete adherence or rejection: 'the one who is not with me is against me' is an assertion that can be accepted for a religious faith, but not for a critical and scientific analysis" (Sylos Labini (SL), 1984, p. 48; AT)

"In general to extract wrong theses from those that are correct and analytically fruitful one can adopt the following criteria: the more Marx's theses concern his revolutionary programme, the more one should be dubious about them, whereas the theses that are farther away from this programme, in other words those that are strictly analytical, must be considered, always with a critical eye, but with less suspicion." (SL, 1994 [1991], p. 10, AT)

Sylos' early views on Marx's dynamics

- Based on Schumpeter (SL 1977 [1954])

- Reflect his interest in dynamics ...

“The main area of interest of my studies and of the analysis that I am presenting here does not concern statics, but economic dynamics: the main analytical challenge is not to explain the quantities, prices and incomes in a state of equilibrium, but to give an explanation of the variations in quantities, prices and incomes. ” (SL, 1992; pp. v-vi, AT)

- ... and development: cycle + trend.

“... he is clearly aware of the uniqueness of the problem of the cycle and of economic development: the cycle for Marx is the form that is concretely taken by accumulation - the development - in the capitalistic society; and the cycle is, before anything else, the cycle of workers' employment” (SL, 1972 [1954] p. 31, AT)

Other points in Sylos' early views

- Reproduction schemes
- Money and credit: endogenous money
- Market concentration
- Labour theory of value

“Marx thinks [initially, in Vol. I] that it is possible to treat separately the theory of value and the problem of production prices; and he thinks that, in a second stage of the analysis, it is possible to find a rigorous e non equivocal link between values (measured in labour time), and production prices. These propositions are based on the assumption that two equivalences are true together: between, on the one hand, the sum of values and the sum of production prices; and, on the other hand, between the total surplus value and total profits. Now, if the unrealistic case of an equal composition of capital for all commodities is excluded, it appears that these two equivalences cannot hold together: if the first is true, the second is not true and vice-versa. ... The theory of labour value, as formulated by Marx, does not work ... ” (SL, 1973, p. 14; AT)

- Immerization of workers

The synthesis provided in Il Ponte: Main economic errors

| Error | Mitigation |
|--|---|
| <ul style="list-style-type: none">• Formulation and use of the theory of labour value | Explanation of exploitation based on Marx theory of value cannot but be wrong, but exploitation is a fact. |
| <ul style="list-style-type: none">• Ever-increasing concentration of property in large enterprises | Importance of small and medium sized enterprises, but modern capitalism implies a concentration of market power |

The synthesis provided in *Il Ponte*: ⁷

Main points of interest

- social classes in historical writings, particularly: Marx (1969 [1895]), Marx (1937 [1852]) and Engels (1896 [1852]);
- two sectors, ancestors of Keynes' consumption and investment sectors; case of simple reproduction distinguished from that of enlarged reproduction;
- Accumulation driven by technical progress (cyclical);
- monetary creation by banks: essential in cyclical accumulation;
- path dependence in “historical time”, already identified by Schumpeter (2003 [1943], p. 43) as one of the distinctive characters of Marx.

The economic debate in *Il Ponte*

- Mostly related to the labour theory value and to the transformation problem.
- Jossa (1991) and Caravale (1992) underlined the reality of exploitation, despite the failed attempt at transformation of values into prices
- Porta (1992) took the view that Sraffa implies that Marx was wrong (cf. also Steedman, 1977)
- Sylos concluded once again on dynamics
“... but I point to theses that are analytically fertile - as an example I indicate five of them, of which the fifth, which concerns the dynamic approach in economics, is of fundamental importance” (Sylos Labini 1994 [1993], p. 189; AT)

Profit realization: whose Marx ? That of Schumpeter, Lange or Kalecki ?

- Schumpeter: In the short term extensive rent due to the innovation --> $\pi > 0$. In the long term, $\pi \approx 0$ (or $\pi \approx i$), approximated by a circular flow with $\pi = 0$ (Sylos, 1972 [1954], pp. XXIV-XXVI).
- Lange (1935, 1936): analogy between market socialism and neoclassical equilibrium: maximum efficiency implies $\pi = i = 0$.
- Kalecki (1942): Market power, L shaped average cost curves imply capitalists “earn what they spend”, $\pi > i > 0$

Money: Sylos as an early endogenist

- SL (1948, 1949): role of credit, in particular for creation of private “payment means” by banks.
- SL (1949, p. 4; 1979, p. 86, p. 130): money endogeneity is dividing line between Keynesians and Monetarists (before Kaldor, 1981 and Moore, 1988).
- Graziani (2003 p. 4): SL’s (1948) pioneering treatment of endogenous money is one of the origins of the Italian literature on the monetary circuit (MC).
- MC links with Schumpeter’s circular flow, Marx’s M-C-M’ sequence, Kalecki’s (1942) distribution. Under full horizontalism, coincides with endogeneity (Parguez, 2001).

Labour theory of value: a normative tool

- Pasinetti (1975, appendix of Ch. 5, pp. 159-193) solves transformation by an algebraic identity between values and production prices. No causality of values on prices, which are simultaneous.
- The value of any good can be reduced to dated quantities of labour. Vertically integrated sectors (Pasinetti, 1980 [1973], 1981 and 1988) allow defining the identity of labour embodied and labour commanded as the basis for value when natural prices and rates of profit apply, i.e. with the fulfillment of effective demand and full employment conditions.
- Roncaglia (2009), qualifies Pasinetti's research project as: "Sraffian-Ricardian", as opposed to the "Sraffian-Smithian" programme of Sylos-Labini and the "Sraffian-Marxian" programme of Garegnani. Pasinetti is normative, while Sylos is positive (mark-up), in both, growth is non-proportional.

Conclusions

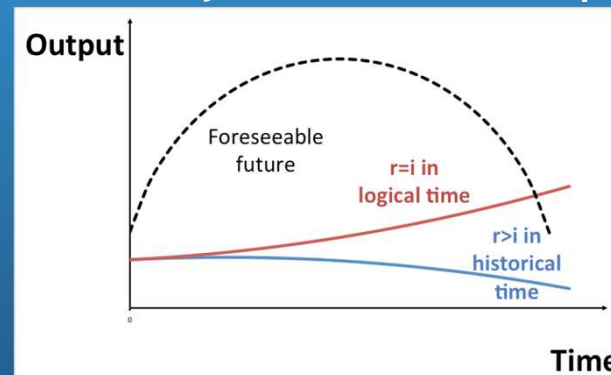
- “Liberal socialist” perspective of SL points to a “non-competitive” interpretation of Marx’s dynamics. Hobson (2011, [1938]) refers also to himself and Keynes as ‘liberal socialists’
- Roncaglia (2009) underlines the common Sraffian roots of the most outstanding, original and brilliant post World-War II Italian scholars, such as SL himself, Pasinetti and Garegnani. This is also true for Graziani and others.
- In the light of Pasinetti’s contribution, SL can be interpreted as developing a line of argument where Marx is a “classical” economist who is retained, together with Smith and Ricardo, for an approach to the surplus that admits the existence of exploitation, without retaining the causal role of the latter on profits.
- This line of argument continues through Schumpeter and Keynes via Kalecki in the direction of a possible dynamic synthesis to be further developed, that could be labeled Post Keynesian economics in the broad sense, to indicate that it fully integrates Kalecki, Sraffa’s and monetary analyses (For the development of Keynes in a dynamic direction that takes into account Marx, see also Sardoni, 1997).

Policy implications

- “Actual” (positive) dynamics implied by this synthesis under construction depart from mainstream normative (equilibrium) conditions, which need a concept of correct foresight to ensure equivalence between intertemporal and temporary equilibrium. Poincaré’s (1901) comment to Walras still applies:

“Vous, vous regardez les hommes comme infiniment égoïstes et infiniment clairvoyants. La première hypothèse peut être admise dans une première approximation, mais la deuxième nécessiterait peut-être quelques réserves”

- Economists should face reality out of *ceteris paribus* conditions:



- New paradigm must be completed. Structural form not clear, but interest rates and fiscal policy clearly exogenous, employment, growth and money endogenous. The reduced form points to the role of distribution and the relevance of effective demand, so far systematically neglected by European policies.

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