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Response to Stavros Mavroudeas

Miguel D. Ramirez, Trinity College, Hartford, CT USA
Miguel.Ramirez@trincoll.edu

First, I thank Professor Mavroudeas for taking the time and effort to read carefully my paper and for making useful comments and cogent suggestions for improvement. He concurs with my overall interpretation of the crucial role and significance of credit in the Marxian system in terms of expediting the turnover of capital and thus the production and realisation of surplus value, albeit in a contradictory and crisis-prone manner. He also points out that this is an important research topic that has only recently begun to receive the attention it deserves in the literature (e.g., see Jones, 2016).

Insofar as his criticisms of my paper and/or suggestions for improvement are concerned, he focuses on four subtopics, namely: 'Is fictitious capital a mere hoax?' 'Marx and Keynes or Marx versus Keynes?' 'What crisis theory?' and 'Financialization with or without inverted commas?' Let me briefly take up each of these in the order presented.

'Is Fictitious Capital a Mere Hoax?'

I do concur with Professor Mavroudeas suggestion that a more formal taxonomy of the various forms of financial capital in the Marxian system (e.g., loanable vs. interest-bearing capital and money-dealing capital) would benefit the paper in terms of identifying the origin and significance of fictitious capital in the process of capitalist reproduction. The trade-off is that the paper, already long, would be lengthened without it necessarily adding to, and perhaps even detracting from, the overall thesis of the paper. Having said this, the paper provides textual evidence from Volumes III of *Capital* for the origin of fictitious capital in interest-bearing capital as opposed to money-dealing capital and emphasises that the periodic revenue stream in the form of interest appears to be detached from the actual production of surplus value (recheck for new pagination…pp. 50-51). The latter point is important, because, contrary to Professor Mavroudeas' contention, I do not subscribe to the notion that fictitious capital is 'purely illusory' and does not play a decisive role in the production and reproduction of capital. It is only 'illusory' in the sense that it is an alienated (truncated) M-M form of capital; it thus appears to the industrial capitalists and bankers to have lost all connection to the actual production of surplus value and profit (see pages 51-52 in the paper).

'Marx and Keynes or Marx vs. Keynes?'

Professor Mavroudeas contends in his comment on my paper that, 'Ramirez *equates* [my emphasis] Marx's understanding of the financial system with that of Keynes.' I beg to differ because all I do in my paper is indicate that Marx 'anticipates, to some degree' certain crucial concepts such as moral hazard and the speculative, casino-like nature of the stock market. In this connection, I also allude to other authors, such as Kliman (2011) and Harvey (2014), who have drawn similar parallels between Marx and Keynes on this point. I do not claim or suggest in any manner that the aim and scope of Marx's analysis, let alone his methodology, is the same as that of Keynes's analysis. Far from it, because I emphasise in the paper that the increasing role of credit and speculation only serve to postpone the day of reckoning because they are incapable of resolving the fundamental contradiction of the capitalist mode of production, namely, its tendency to develop the social productivity of labour regardless of the conditions under which capitalist production takes place. On this, see my remarks on pages 51-53 and footnote 5, as well as pages 56-57.

'What Crisis Theory?'

In his comment on my paper Professor Mavroudeas suggests that my analysis of the role of credit during the course of the business cycle would benefit from a more coherent (formal) presentation of Marx's supply and demand-side analysis of the cycle. He believes that my supply-side assumption based on the law of the tendency of the rate of profit to fall (TRPF) is essentially correct but not necessarily satisfactory (see Dobb, 1973). If by this he means that I need to develop more systematically how credit affects the cycles of an economy based on under-consumptionist tendencies from one where supply-side factors (TRPF) are the binding constraint, I concur with his assessment. However, as I indicate at the outset of my essay, I believe a thorough discussion of these factors ' … would take us too far afield from the main focus of the essay which is the role of credit on the turnover period of capital and the rate of profit' (p. 50). I should add that I have discussed elsewhere (more formally) Marx's incomplete (and unfinished) analysis of supply and demand-side explanations of the business cycle, and I refer the interested reader to them (Ramirez, 1990 and 2012).

'Financialization With or Without Inverted Commas?'

Professor Mavroudeas finishes his commentary of my paper by observing that 'Ramirez has an ambiguous position towards [the] … Financialisation Hypothesis (FH)'. The latter argues that, in recent decades, the financial system has achieved such a degree of autonomy from the real economy as to constitute not only a change in degree but one in kind. He goes on to add that through most of my paper I consistently adhere to the view that credit enables capital production to expand temporarily beyond its natural limits as dictated by the productive accumulation of capital, but that I revert to 'post-Keynesian and Marxo-Keynesian theorists that support the FH'. Again, all I do towards the end of my essay is point out some interesting parallels between Marxian and Marxo-Keynesian theorists without subscribing to the view that the financial system has become decoupled and independent from the financial needs of productive accumulation, viz., the production of surplus-value. My view of the role of the credit system (broadly defined) is in line with that of O'Hara (2000) who argues that it has a relative autonomy from the sphere of production (where surplus-value is produced) and it (credit) has a decisive effect on the time of circulation and, in turn, an indirect one on the reproduction of surplus-value.

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