D. Melnik, N. Nenovsky

Reconstructing Marx's monetary theory: comparing French Monetary School and Isaak Rubin's "Essays on Marx's Theory of Money"

There are numerous problems in Marx's economic theoretical construction. One of them is related to integration, to the logical relation between the Theory of Money (TM) and the Labour Theory of Value (LTV). This affects the broader issue about the place of money in a Marx's construct. The problem of the integration of money in the categories of commodity economy is of a fundamental importance and is related to the main contradiction of the commodity economy namely of the mechanisms of the relation between "the private efforts of isolated, individual commodity producers" which maintain them in a whole rather than a disintegrating system. Or in other words between "private labour efforts" and "their social evaluation" (i.e. between production, which is private, and the exchange, the market, which are social, public). It is well-known that Marx solved this problem by formulating the famous "Law of Value" (LV), according to which individual products are exchanged according to their value, or which is the same, according to the quantity of abstract and socially necessary labour embodied in them. In other words, the LV plays a role similar to that of the "invisible hand of A. Smith" which we may call with some reservation the "invisible hand of labour value". The LV is a coordinating and balancing mechanism formulated in volume I of the "Capital":

> "Since individual capitalists meet one another only as owners of commodities, and every one seeks to sell his commodity as dearly as possible (being apparently guided in the regulation of hidden production by his own arbitrary will), the internal law enforces itself merely by means of their competition, by their mutual pressure upon each other, by means of which the various deviations are balanced. Only as an internal law, and form the point of view of the individual agents as blind law, does the law of value exert its influence here and maintain the social equilibrium of production in the turmoil of its accidental fluctuations" (according to Marx, Sweezy, 1962 [1942], 53)

The problem is that according to that law the coordination is not clear, because unlike the neo-classical models where coordination is effected directly through prices, through the market, in Marx this is done by labour and in order to get to prices and to real world we need to overcome the notorious "transformation problem". It is a matter of a familiar analytical difficulty namely about the quantitative and qualitative transformation of value into prices, about reducing the concrete private labour to abstract and socially necessary labour, as well as about the character of abstract labour itself, etc. It's a matter of the possibilities for measuring the individual human activities directly through labour as an alternative of evaluating them through the market, i.e. by prices and therefore by money. In the reflections above money is not present in the functioning of the LV.

The theoretical difficulties in understanding the processes through which the private product and private efforts receive public recognition, are of key importance for understanding commodity economy and later the capitalist economy[1]. That contradiction and difficulties in LV were important for Marxists who overcame them in a different way initially those were the first generations of Marxists like Rosa Luxemburg, Rudolf Hilferding and others. Creative Marxists attempted to interpret and reconstruct Marx's model. They were prompted to do that by the criticisms of Marx's labour theory of value (we mention the quantitative discrepancy between value and prices, according to L. Bortkiewicz). In this regard Russian economists, including Russian Marxists were particularly innovative during the first decades of the 20th century and they offered original solutions to the problems above (see Allisson, 2015).

In this paper we focus on some original approaches to solving the "coordination problem" of the commodity economy in the different interpretations of Marx. We have done this through the prism of the relation between the theory of value/labour theory of value and the place of money within it, i.e. the "theory of money". This can be motivated in the following manner.

The difficulties in comprehending the relation between the world of measurable categories (money, prices, wages, etc.) and the world of what is qualitative and cannot be measured (value, labour, utility, etc.) have always been in the centre of theoretical debates. While the former categories are associated with real things, with what we see every day, i.e. they are economic categories, the latter do not belong to the economy, they are philosophical and world outlook concepts. While the former are measured (because money exists as a unit of account), the latter cannot be measured, or at least for the time being there is no satisfactory way for them to be measured directly (outside their monetary evaluations, i.e. outside prices)[2]. Money as a unit of account of actual, observable things is the leading category in the real world. Maybe that's why to prevent its interference with ... it has been eliminated from the economic models or has been included in them in an extremely unnatural and exogenous way. It is often just a shell, a veil, lubricating oil, etc.[3] Thus a paradoxical situation arises - money is important in life but becomes insignificant in the economic theory.

Because if it is assumed that it is money that is the link (or at least one of the major links) between the two worlds (real and ideal, then money could transfer the entire evaluation from the ideal world (the world of ideas, evaluations, and beliefs) in the real world (the world of interests, revenues etc.). In concrete terms this means building of such institutional frameworks (including the monetary system) which will reflect the system of elements in the philosophical, ideal, evaluating world. Or if we take a concrete example and follow Marx, if labour is in the core of value, then that value should receive such an evaluation through money (price, i.e. salary) which will be adequate, i.e. it precludes the appropriation of someone else's labour and exploitation. But if the transition from ideal to real is impossible and above all as regards quantity, then the opportunities for evaluation and normativeness are eliminated.

Actually, the problem of the transition and of the relation between the two levels in Marx's model (ideal and real) is not only quantitative, but is also logical (qualitative). The

[1] The capitalist economy according to Marx is a developed commodity economy where the specific commodity of „labour power" is added.
[2] In Marx's system the concrete, real world is featured in the third volume of the "Capital" while the abstract, fundamental level is analyzed in the first volume.
[3] This is likewise valid for the most developed forms of the neoclassical and classical model (for the global equilibrium and for the model of P. Sraffa respectively). See also the remarks of Poulon (2016).

quantitative problem about transformation (value-prices/in this case prices of production), is well known and has found its solution in the articles of L. Bortkiewicz[4]. We shall not dwell on it here. The second problem, the logical or the qualitative one is more interesting and although equally important as the first one it has been the focus of attention more rarely or at least it has rarely underscored the place of money. In a nutshell, it's about the following (we are still in a commodity economy).

Traditionally Marxists consider that money is derived from the dual character of commodities (use value and value), and the latter from the ambivalence of labor (private and social, concrete and abstract). Money is the last stage in the evolution of the equivalent form of value. As part of the circulation or of the universal commodity exchange, money is secondary in terms of value and of labour which is rooted in production, in the productive forces. To this effect the theory of money follows and is derived from the theory of value (see Politicheskaya Ekonomiya, 1954, Zyabliuk, 1989; Chavance, 1979).

Things took an "unpleasant" turn when Marx tried to solve the problem of reducing the various types of concrete and private labour to some universal measure which he called abstract labour. Marx offered basically two solutions as regards the labour devoid of any concreteness. The first was a physiological one and boiled down to some form of average costs of energy (a trend developed by A. Bogdanov, A. Kon, as well as within the frameworks of the early models, e.g. of the Soviet Gosplan). The second solution, which is known better and is often called social (that of I. Rubin) is the definition of abstract labour as socially necessary costs of labour (costs for the reproduction of the labour power). But those labour costs, their social evaluation according to Marx was nothing but ... — an evaluation of those types of labour which was carried out "on a daily basis and at any time" on the market (!) It is clear that market evaluation presupposes the availability of market prices, i.e. the existence of a monetary measurement, of money. Or in other words, the categories derived from labor and value, namely prices and money underlie the evaluation of labour, they are part of the world of value and of abstract labour. Therefore Marx imperceptibly built a vicious circle, which could not be overcome in the traditional interpretations. In a nutshell money is at the core of any theory of value and the theory of money does not follow from but implies the theory of value.

This problem — of the integration of money in the theory of value and from a broader viewpoint — of the integration of money in the economic system attracted the attention of numerous French economists who displayed a definite liking for Marx[5]. Their original approaches provided the grounds to refer to the existence of the "French school of monetary institutionalism" which emerged during the past 30-40 years (Alary et al., 2016; Dodd, 2016 [2014]). Two books by Benetti and Cartelier (1980) and by Aglietta and Orlean (1982) [6] may be regarded as its beginning. Subsequently, the representatives of the French school[7]

---

[4] See also Böhm-Bawerk (1949 [1896]), Hilferding (1949 [1919]), Bortkiewicz (1949[1907]), published with a foreword by P. Sweezy (Sweezy, 1949). And also the monograph of Sweezy (), in which he offered his solution of the transformation problem by placing money before value (117) and also the classical criticisms of Steedman (1977), Roemer (1982), Hodgson (1982), Elster (1985). In Russian literature an excellent review was written by Chepurenko (1988).

[5] In the narrow sense the problem of money integration in the economic system has long been well-known and different approaches have been proposed above all within the frameworks of the neoclassical system.

[6] Without dwelling in detail we can add also the names of Suzanne de Brunhoff (1929-2015) and Bernard Schmidt (1928-2014), whose publications, though dating back to a previous period can also be associated with that trend.

[7] B. Théret, J. F. Servais, P. Boyer, L. Gillard, and F. Lordon among others could be added to Aglietta, Orlean, Cartelier and Benetti. That is the first generation of representatives of that school.

released a series of articles and books[8]. The first conference which brought together almost all leading figures of that school as well as their supporters[9] was held in Lyon in May 2016. Most of the leading French economists try to overcome the problems of Marx in their own original way and offer their own solutions principally inspired by what J. Schumpeter called "monetary analysis". For all of them (further on we will simplify the differences between different French authors) money is a social coordinating institution, more fundamental than the market and capitalism. Each theoretical system places money in the centre, it is a systemic founding component. To this end money is a more important category than value. Money is not an object, a substance (natural), money is a social relation, social connection, and it is a social phenomenon.

We may single out two sub-trends within the frameworks of the French school which are defined as "money approaches"[10] namely: (1) those of authors who consider that money has a leading role as regards value and that the theory of money precedes and envelops the theory of value (e.g. A. Orléan) and (2) those of authors who consider that the theory of value (including the labour theory of value) is redundant (the world of the unmeasurable is devoid of economic meaning) while the theory of money, payements system and monetary accounting are the only possibility to comprehend contemporary economy (e.g. J. Cartelier) The new approaches through the theory of money provide the possibility, and it is very important, to preserve and formulate in a new way some of Marx's sociological achievements. What we have in mind here is the emergence of classes, of exploitation, etc. Each of the two authors mentioned above (A. Orléan and J. Cartelier) offer their own solution of "Marx's problem" and they could be compared to two great Russian economists who worked half a century before them namely Isaak Rubin (1886-1937) and Peter Struve (1870 -1944). I. Rubin was an exceptionally original Marxist well-known in the West and in France owing to his "*Essays on Marx's Theory of Value*" (the second edition in French dates back to 2009) [11], Peter Struve was almost unknown apart from his sociological and historical studies (though he published three theoretical papers in French, Struve, 1921, 1922).

I. Rubin is well known to the representatives of the French monetary school while A. Orléan has a special interest in Rubin's reconstruction of Marxism (although according to A. Orléan Rubin's conclusions have not been brought to a logical end) [12]. For his part P. Struve (who himself published an article back in 1899 in which he outlined Marx's problem), went further and gave up the labor theory of value (including that of Marx). Struve reduced the economy and the economic activity to a movement of prices, i.e. to the monetary evaluations of commodities. Money and prices attained prime importance while value was „an unnecessarily doubling of prices", "a logical phantom", "a distortion of thought", and so on. Struve's ideas were featured in the two volumes of his book entitled "*Economy and price*" (1913/1916). The author's main ideas were upheld until his last publications, e.g. his historical works published posthumously in 1952. As far as the technical aspect of Struve's monetary theory is concerned, it is closely associated with regarding money as book-keeping, as accounting. That approach takes us directly to the theory of payments systems and of monetary accounting of J. Cartelier. What is important for our paper is the fact we can

[8] See the bibliography in Alary et al. (2016).
[9] https://imf2016.sciencesconf.org/?lang=en
[10] Unlike the "real approaches" (if we follow Schumpeter's definitions)
[11] „Essays on Marx's Theory of Value" had three editions - 1923, 1924 and 1928 (the attacks against Rubin had already begun though their outset was in 1929), a wonderful comparative analysis of those versions has been accomplished by S. Takenaga (2017)
[12] The French Marxists Salama and HaiHac (1992) carried out a synthesized presentation of a social and dialectical interpretation of Marx's Theory of Value (in the spirit of Rubin).

find in both Rubin and Struve (the former was a Marxist and the latter was a former Marxist and a good connoisseur of the "Capital" - Struve was the editor of one of the translations of the "Capital") the main elements characteristic of the models of A. Orléan and J. Cartelier. In a sense that coincidence is a further evidence of the serious and valid approaches of the two French scientists.

Therefore the objective of this paper has emerged as a logical conclusion - to reconstruct in a comparative perspective the approaches of the two French scientists, Cartelier and Orléan by comparing them with the approaches of Rubin and Struve. Each one of the four scientists offered his own methods of solving the issue of the integration of money and value. Although the ideas of the four authors intertwined we can differentiate between two pairs namely Rubin-Orléan and Struve-Cartelier. This corresponds to the radicality of their analytical solutions. While the former pair upheld the theory of value (each one in his own way) the latter actually eliminated it (again each one in his own way).

This study has been prompted by some concrete occasions. First, there were some events associated with I. Rubin. It was above all the commemoration of his anniversary (see the collection edited by Voyekov, Melnik, 2017), and the publication in the 2011 of the unreleased manuscript "*Essays on Marx's Theory of Money*" (Rubin, 2011) [13]. Second, the growing interest in a number of unappreciated Russian economists and scientists with a huge impact outside Russia in the early 20th century. The scientist we have in mind here is P. Struve and his school in the Balkans (Nenovsky and Penchev, 2017). Third, the coming out of two books of major importance – by A. Orléan entitled „*L'empire de la valeur. Refonder l'économie*" (2011) [14] and by J. Cartelier entitled *L'intrus et l'absent. Essaie sur le travail et le salariat dans la théorie économique*"(2016). And finally the anniversaries related to K. Marx and the "Capital", which along with the anniversary of the October revolution have provided the occasion for reassessing the past and for reflections about the future of Marxism.

[13] This manuscript was translated in Japanese, Greek, Spanish, and German and in late 2017 — in English.
[14] Orléan's book was translated into English in 2014.