

Similarly, Bharadwaj criticizes the nature of the interdependence allowed for in supply and demand theories:

the *classical* value problem was worked out in a framework of economic interdependence between production, consumption, distribution and exchanges altogether different from the equilibrium framework where these are interlinked through the market forces of supply and demand.¹⁰¹

The issue, Bharadwaj argues, is thus not one of partial versus general equilibrium analysis, but is rather one of whether the interdependence between various aspects of the economic problem can be analysed in terms of a single model. Bharadwaj chooses, for example, to follow Marx's analysis of the relation of production and consumption, seeing "historically evolved production relations" as determining the social norms of consumption.¹⁰² This is interdependence, but not of the type allowed for in marginalist theory.

28.5 MARXIAN AND RADICAL ECONOMICS

Marxian economics

During the period covered by this chapter a number of attempts were made to interpret Marxian economics in the light of modern non-Marxist economics, and it is these on which this section will concentrate. Most of the Marxist literature of the period will be neglected, for it is of little relevance to an understanding of developments within the mainstream of economics. Since 1939, however, non-Marxist economists have paid a significant amount of attention to Marx, many of them reaching the conclusion that Marx raised interesting technical issues, and that his attempts at solving these problems, though not always satisfactory, are worth taking seriously. The attention paid to Marx's work was probably at its height in the early 1970s, following the ferment of radical ideas associated with opposition to the Vietnam war. Marxian economics came to be re-evaluated, not merely by young economists who embraced Marxian ideas, but also by economists who remained firmly within the non-Marxian mainstream of economic thought. Symbolic of the change which took place was the change in Samuelson's attitude. In 1962 he described Marx as, "from the viewpoint of pure economic theory, a minor post-Ricardian ... a not uninteresting precursor of Leontief's input-output".¹⁰³ In contrast, the view he expressed in 1974 was that, on the basis of his schemes of reproduction, "one can claim immortal fame for Marx".¹⁰⁴ Since the mid 1970s, however, interest in Marxist economics has lessened.¹⁰⁵

The starting point in modern attempts to evaluate Marx in the light of modern economic theory is Lange's "Marx and modern economic theory" (1935). In this article Lange claimed that Marxian and bourgeois economics were each fitted to answer a different type of question:

let us imagine two persons: one who has learned his economics from the Austrian School, Pareto and Marshall, without ever having seen or even heard a sentence of Marx or his disciples; the other one who, on the contrary, knows his economics exclusively from Marx and the Marxists and does not even suspect that there may have been economists outside the Marxist school. Which of the two will be able to account better for the fundamental tendencies of the evolution of Capitalism? To put the question is to answer it.

But this superiority of Marxian economics is only a partial one. There are some problems before which Marxian economics is quite powerless, while "bourgeois" economics solves them easily. What can Marxian economics say about monopoly prices? What has it to say on the fundamental problems of monetary and credit theory? What apparatus has it to offer for analysing the incidence of a tax, or the effect of a certain technical innovation on wages? And (irony of Fate!) what can Marxian economics contribute to the problem of the optimum distribution of productive resources in a socialist economy?

Clearly the relative merits of Marxian economics and of modern "bourgeois" economic theory belong to different "ranges".¹⁰⁶

Lange went on to conclude that any superiority of Marxian economics was not due to the economic concepts Marx used, but to "the exact specification of the institutional datum distinguishing Capitalism from the concept of an exchange economy in general".¹⁰⁷ Marxian economics could thus explain and predict the evolution of capitalism. This was true even though the labour theory of value was inadequate for Marx's purposes, being unable to explain prices when the economy was out of equilibrium.¹⁰⁸

A defence of the classical and Marxian approach to value theory was provided two years later by Dobb (1937), who argued that the choice between a cost theory of value (of which the labour theory is an example) and a subjective theory, was related to the issue of whether or not it was meaningful to talk of a surplus in the economy. According to Dobb, the concept of the surplus was crucial to classical and Marxian political economy, for it provided the basis on which to distinguish between one type of income and another. In classical and Marxian economics it is possible to say that some incomes correspond to a necessary cost of production, and that others correspond to a surplus over this cost. However, in contrast,

in the modern theory of subjective value the very concept of surplus, contrasted with cost, loses any essential meaning, and a criterion for any fundamental distinction between different classes is lacking.¹⁰⁹

Dobb interpreted the transition from classical to subjective value theory in Marxian terms. According to Marx's theory of ideology,

the abstract ideas which were fashioned from a given society tended to assume a phantom or fetishistic character, in the sense that, being taken as representatives of reality, they came to depict actual society in an inverted or a distorted form. Thereby they served not merely to hide the real nature of society from men's eyes, but to misrepresent it.¹¹⁰