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PREAMBLE:

The following paper is a slightly edited excerpt of a much larger work in progress entitled "Toward Neutralizing Money"; and, while admittedly still containing the odd reference to what is written up previously in the latter as a whole, is contended to be fully independently readable as such.

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ABSTRACT:

The diametricality of historical materialism (Marx's premise of a determinate and *positively* valued *static* point of departure) and the accounting for existing capital values as previously spent and thereafter, for a desired continuity, *dynamically* in need to be resolved expenditures (or *negatives*), that are never leaving the debit side of booked entries and consequently without an attributable return, remaining *less than valueless* in the stark reality of business accounts; has had Marx needing to resort to gibberish in his conclusion as to how, yet *accounting-wise*, the value of worn-out (capital) means of production gets replaced under *equilibrium* conditions, happening *in addition to* capturing new profits during the same investigative period. (i.e.) Marx's "reality" whereby a continued renewal of already existent and *deemed* positively valued *material* means of producing becomes assured, as a new and determinate starting point to a wearing-out process in perpetuity, is entirely a fake reality regarding such operations in any accounted-for economy. In other words this critique contends Marx, be it indirectly, proving that materialist thinking underlying his entire oeuvre is unable to be truth conveying in an economy identified in terms of non-material units of account. And while his exposition of an inherent conundrum in capitalism's workings, unrecognized as such by capitalists as well, yet indirectly proved the manifest nature of capital, he couldn't accept the result as his entire oeuvre thus far had derived from the opposite perspective.

MARX DEBUNKED

In his "Theories of Surplus Value", also sometimes known as Capital IV (but written before and as a historic basis best considered to be a forerunner of the Capital tomes[1]), Marx spent an agonizing thirty pages or so[2] in trying to find a formality whereby embodied "constant capital" in final-goods' output, in one way or another can become paid for; i.e. resolved from capitalist advanced, economy-wide obtained revenue and thereby provide for a continued renewal of already existent material means of producing. Marx starts with asserting that there is an all-important distinction in theory to be made between the formation of additional means of production and the needed reproduction of what already exists[3]. He holds it to be an indisputable fact that the first "obviously originate[s] in profits", socially necessary in order to have at its disposal a fund to cover the needed expenses of a growing population, that in a capitalist system is paid-for through a partial expropriation of labour power, or the "surplus-labour of labourers"; but he doesn't as yet have a ready-made answer for the second, and also denies there to be any possible link between the first and the real problem in the chapter at hand. Without questioning at this stage the validity of his "fund", and thus looking at this situation from a real-goods' perspective, this early assessment of a capitalist state of affairs is fair enough, because a further diminishment of revenue to an existing workforce by having the latter share a given portion with newcomers who are going to create additional capital isn't going to have an effect on the total final-goods' purchasing power and clearing of the retail market[4].

What he doesn't understand however, as we'll discover a bit later, is that this situation in a monetary economy (i.e. the one he is yet *accounting* for in this section) isn't in confirmation with a stable ex ante condition that he thinks it is; and thus cannot be held to be a determinate point of departure[5], since the footing of the latter needs to be solid first. But even

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1. http://www.counterpunch.org/2016/12/02/rebel-economists-on-the-historical-path-to-a-global-recovery/
2. http://ciml.250x.com/archive/marx_engels/english/tpv.pdf Ch. 3, mainly sect. 10; entitled: "Inquiry into How It Is Possible for the Annual Profit and Wages to Buy the Annual Commodities, Which Besides Profit and Wages Also Contain Constant Capital". But, as quoted later, it really all starts with the latter part of sect. 9.
3. This will be found later to be Marx's crucial mistake. Abstracting from a total environmental collapse, a capitalist system exists (and will possibly desist) as being booked in terms of a non-physical unit of account. Marx may think so, but he cannot alter that fact by coming up with his own set of materialistic parameters, as to how the system functions or will break down.
4. There is a serious caveat however, to be shown later.
5. Again, the underlying philosophical reason will be touched on in the closing comments; and its logic is quite far reaching by also showing where and how Keynesianism goes off the rails.

more significant, it also means that if he cannot make a convincing case of the system's reproduction capabilities as time goes on, then not only the subject of this particular book, but his theories of capitalist profits, capital accumulation, exploitation, etc., *all* become moot; as the logic of his perception of capitalism in all its workings lacks a coherent foundation upon which to build its logical existence. And so, with that system continuing to exist as a material entity and replace itself in actuality, the stakes couldn't be higher. Thus whenever there appears to be a shortage of available revenue at various times in the discussion, Marx not only dismisses any need to revisit his “origin of profit” *first principle*, but moreover bases his reasoning on: “[f]or the sake of simplification no account is here taken of the retransformation of part of the profit into capital; that is, as throughout this inquiry, it is assumed that wages plus profit, or the total of the labour added to the constant capital, are consumed as revenue.” In other words, Marx, while holding that funds become creatable from capitalist production for the purpose of additional capital formation, is yet in dire need of all the advanced and currently available revenue to solve the embodied “constant capital” *resolution* and consequent replacement problem through consumption by capitalists and workers alone.

All of this implies is that we have a state of affairs perceived by Marx to exist in the real world, whereby expropriated surplus labour is being converted into new capital formation and a reproduction of already existing means of production are both operating side-by-side (at least until the contradictions inherent in capitalist competition for ever scarcer profits come to the fore), in entirely independent equilibrium conditions. This is what he sees taking place all around him and while acknowledging that others (Forcade, Proudhon[6], and possibly even A. Smith) had already previously noted a serious problem in that regard; Marx is yet quite sure that not only can he come up with a valid theoretical explanation for it, but also fully recognizes the imperativeness of indeed doing so. So let's

6. Proudhon’s famous dilemma concerns the “missing” profits in the transportation industry, due to the revolutionary introduction of railways with their order of magnitude efficiency increase over the stage coach. To his chagrin he had to admit that its profits over the costs of investments and current expenditures had hardly changed afterwards, but was at a loss explaining why the new capital didn’t create the expected profits. The fact that he had stumbled on the empirical proof that profits on capital in the aggregate don’t appear anywhere in the production process of supply, but can only come about or be realized in the distribution of allocated share *final*-output consumption through a demand for the latter, escaped both him and anyone else convinced in the “power” of capital.

examine a possible feudal/capitalist-worker equilibrium scenario, having occurred from the past until Marx's time, and see how this might have influenced his thinking.

Functioning as a predominantly agrarian one, a surplus of produce, both from any given population having increased the area of arable soil and the seasonal nature of that occupation, will regularly have had the result of freeing up some of its workers to concentrate more or less full-time on developing skills in other fields besides agriculture. Single-entry bookkeeping of physical output is applied by the rulers of this society, which by enlarge becomes confiscated and distributed as the rulers see fit, but, through the appropriation of man-hour input dedicated to luxury items, to an overwhelming degree resulting in lavishly enhanced living standards for themselves and their circle of cronies. Commodity money, as precious metals in the form of bar and coins, among its rulers exists and an inability to pay acquired liabilities or a bankruptcy in the main is caused by exogenous factors like wars, weather-related famine, or by a mental deficiency like (e.g.) prodigality; but in the latter case, the losses of one feudal lord/capitalist form the gains of another. The common folk have their positively valued money, in the form of non-precious metal coins to make some exchanges of output among themselves, as well; and the economy as a whole can be considered to be determinately valued, at every transaction or step of the way, moving linearly through time.

This, in the main, feudalistic setting had been transformed by capitalists, who now replace the feudal lords of yore. But what Marx doesn't seem to fully realize is that unlike feudalism, capitalism is run on the basis of double-entry accounting where the economic activities that create so-called surpluses start out as booked debit entries, i.e. as employers' expenditures. To Marx, everything is still based on a depletable surplus of output, over and above what is consumed and disappears, now becoming turned into so-called capital; where agriculture, having nature as its prime causal agency, while diminished somewhat by percentage of aggregate inputs and outputs as time went on, still maintains its majority share of economic influence.

The state of affairs, as Marx sees it, is that in addition to capitalists appropriating and turning into capital the surplus that is being provided by nature, they also turn into capital the surplus that is appropriated from labour. But because nature's constant capital, given natural fertilizers like [sunlight and] manure from cattle, doesn't depreciate; the influence of the latter can in fact be *deducted* from the necessary depreciation allowances that are embodied in final output in order to keep an economy functioning at preexisting levels. So that in effect, some of the capital involved replaces itself; i.e., as entirely outside of what is recorded on capitalists' accounts of depreciation to allow for existing capital reproduction. This is what chapter 3, section 10 of his "Theories of Surplus Value" is all about. But with this hindsight we are running a bit ahead of ourselves, as Marx begins his inquiry at the end of chapter 3, section 9 with the assertion: "The whole capital (as value) resolves itself into labour, is nothing but a certain quantity of materialised labour. The paid labour, however, is equal to the wages of the labourers, the unpaid labour is equal to the capitalists' profit. So the whole capital must be resolvable, directly or indirectly, into wages and profit." And he continues in terms of: "Or is labour somewhere performed which consists neither of wages nor profit, and merely has the purpose of replacing the values used up in production which are, however, the conditions of reproduction? But who performs this labour, since all labour performed by the labourer is resolved into two quantities, one which maintains his own power to produce, and the other which forms the profit of capital?" Then, after having distinguished between the "new formation of constant capital" and "the reproduction of existing capital" as was already mentioned above, he continues with: "But the question here is: Who is it that labours in order to replace the equivalent of the constant capital already expended in production? The part of the labour which the labourer performs for himself replaces his wages, or, considered in relation to the whole of production, creates his wages. On the other hand, his surplus-labour which forms the profit is in part a consumption fund for the capitalist, and in part is transformed into additional capital. But the capitalist does not replace the capital already used up in his own production out of this surplus-labour or profit. <Were this the case, the surplus-value would not be a fund for new capital formation, but for the maintenance of the old capital.//[7]... What then is the source, the labour, that replaces the constant capital?"

The next paragraph has Marx emphasizing that a labourer, by consuming his wages, adds as much as he destroys in terms of use-values; which, in the context of money-wages, as opposed to real-wages (linen, as the example he will use soon after the monetary value of linen output proves unfruitful in his discourse), is highly problematic. First of all Marx assumes

7. Presumably inserted by recent editor(s) of this edition.

use-values to be inherent in commodity production, for as he puts it elsewhere, “if there is no use-value there is no commodity”. This interpretation however hides the fact that in a monetary economy no labourers create their own use-values, but rather only the *expected* use-values for others. And so, not only do the individual processes of a labourer's creating and destroying take place in the abstract, but an effective demand by labourers valorizing all the output from labour to the full extent of their wages is taken for granted as well. In other words, here we have Marx's own version of Say's Law; yes the same Say whom, at least in this particular tome, Marx reserves his most vitriolic comments for. And while it does seem to enter his mind, albeit only peripherally, that some labourers toil for wages disbursed by capitalists who can't make a go of it for money-inherent reasons[8], the material use-value of their created output remains yet extant axiomatically. And so a mismatch between expected versus actual use-value creation and its subsequent destruction becomes a fact instead, whenever the interpretation concerns the creation and destruction of use-values in a *monetary* economy.

The paragraph that follows extends on this faulty reasoning by Marx, and it is worth quoting in full. “If we take society at any one moment, there exists simultaneously in all spheres of production, even though in very different proportions, a definite constant capital—presupposed as a necessary condition of production[9]—that once for all belongs to production and must be given back to it, as seed must be given back to the land. It is true that the *value* of this constant part can fall or rise, depending on whether the commodities of which it is composed have to be reproduced at less or greater cost. This *change in value*, however, never alters the fact that in the process of production, into which it enters as a condition of production, it is a postulated value which must reappear in the value of the product. Therefore this change of value of the constant capital can here be ignored. In all circumstances it is a definite quantity of *past, materialised labour*[10], which passes into the value of the product as a determining factor. In order

8. inter alia, pg. 718 onward, where Marx deals with the circumstances of crisis development and the non-realization of value, as a very much out of the ordinary course of events.

9. With this premise Marx places his mode of thinking firmly within the same confines as all economists after, and, with the possible sole exception of Sismondi, of those that came before him. To wit, its basic reasoning concerns a *physical* economic structure made up of *things* that at all time statically *is*, rather than as a dynamic system (of non-material *accounts*) purposely on its way to *becoming* to be. And if the latter is indeed realistic as conforming to a rise, maintenance, and fall of an economy as we know it, the first classification cannot be so.

to bring out more clearly the nature of the problem, let us therefore assume that the production costs or the value of the constant part of the capital similarly remain unchanged, remain constant. It also makes no difference that for example the whole value of the constant capital may not pass into the products in a single year, but, as is the case with fixed capital, only passes into the aggregate products of a series of years. For the question here centres on that part of the constant capital which is actually consumed within the year, and therefore also must be replaced within the year."

It seems to me however that the gist of the overall confusion as shown by Marx is at least twofold. First in his conflating the *depletable* (surplus) value of nature's output with the booked and to be *resolved* expenditures on means of production. And second, that when conducting an inquiry *in monetary terms* whereby it is held that money, in its functioning as means of payment, acts both as measure of value and as "*realisation of value*"[11], the analysis becomes meaningless when he isolates labour, that is being passed into the product, as a determinant of that value. For while it is by no means impossible to have a shared determination of value between two different factors, it isn't possible to effect a realization and determinate point of departure for an extended analysis before both factors have been considered as the impetus to value. When conducted in terms of a unit of account, i.e. *monetarily,* Marx's labour-value determination in and of itself here is simply trying to have it both ways. Overdetermination rules out a formal closure of Marxian economics and this fact all by itself might already render it vacuous.

And furthermore it should be noted that the (appropriated) means to pay for new or additional capital formation and the reproduction or replacement of that part of existing capital that becomes worn out during the production process are yet more than just inextricably linked by the herewith indicated capital-realization problem. For a formation of new capital doesn't as yet *realize* its value as flowing from profits (which, as shown above, he thinks he is sufficiently aware of in terms of potential capitalist crisis developments, but in fact is showing that he doesn't understand at all), since the newly formed capital attains a realization for

10. *Emphases* (incl. the two above) in the original... and especially note the strictly supply-side positional argument that something (i.e. capital) is real, so as to be able to effect a formal determination and subsequent analysis, *before* being realized through the returns on it created by demand for its output.
11. Op. cit, int. al. pg. 718.

the individual capitalist only after *returns* on it come in[12]; while a reproduction of already existing capital doesn't ongoingly realize its own reproduction but rather the previously existing one[13] that's in the process of being replaced. In other words, since fabricating new means of production involves booked costs to be resolved through the later returns on those capital expenditures, and these operational returns on its embodiments imply an ongoing capital depreciation from the outset that thus is requiring a concurring replacement for the economy's perpetuation, the realization of newly formed and that of replacement means of production are two sides of the exact same validation process that is happening only once; which, given his historical-materialistic methodological approach, is something that Marx has no way of forming an understanding of. Thus, axiomatically holding on to the theory of a *material* world of capital values (which includes a quantity of commodity money as well) as existing in time, neither he nor anyone else for that matter has then a means to arrive at the equilibrating dynamic resolution of Marx's constant capital that, under penalty of default, the economy as a set of non-material *accounts* (even though scarcely evident as such) dictates it to follow.

While taking a closer look at the wage content of commodities and using as an example the commodity-production of linen as a final good, Marx assumes more or less fair enough that two-thirds of the embodiments of say 12 yards of linen, woven at a rate of 1 yard/hour, comprise to be resolved constant capital of 8 yards, owned by the weaver by virtue of having it advanced as a cost in the first place in order to obtain his raw materials, as a precondition for renewed production. And so he next remarks: “[w]ere he to consume them himself, besides the two-thirds of a yard representing his profit, then he could not reproduce the constant capital contained in the 12 hours’ weaving process; in general—with regard to the capital contained in this 12 hours’ process—he is no longer able to function as a capitalist. He therefore sells the 8 yards of linen, transforming them into money to the amount of 24 shillings, or 24 hours’ labour. But here we come to the difficulty. To whom does he sell them? Into whose money does he transform them? But we shall return to this in a moment...” Again, as usual, Marx is second to none when it comes to

12. Which is still not systemic equilibrium attaining, at all but the retail level; as it's only at the latter where, through the direct spending of those profits (costs to retailers), determinate points of departure become established for an unencumbered continuation of the economic process as a whole.

13. i.e., Marx's “*materialised* surplus-labour of labourers”

asking the pertinent questions; it's his answers that are highly problematic. For, as we'll further discover soon, he will never find the source of that money, nor the potential buyer with the ready funds for those 8 yards of linen.

So here we have Marx restating the problem at hand, which is that when there is no way to pay for the final output, meaning that the latter isn't exchangeable for money funds having been generated in the production of the example product, i.e. linen, needed by the capitalist weaver in order to procure the replacements of its worn-out constant capital, then an ongoing glut of 2/3 of final output on the retail market would be a resulting and common state of affairs; which in the sense of final output in general obviously isn't happening, and so for the economy to exist at all under such condition, there has to be a real-world solution to the problem. The question now becomes: will Marx, in the seeking of this solution, wittingly or not create a real world all of his own making, faking its truth either by commission or omission that can be proven by catching him in an internal contradiction of his “solution”; or is his interpretation of the real world logically consistent and indeed valid in its own right? If the latter, he certainly starts off well enough. For in his linen model he holds that a “simultaneous production” of all the elements that are embodied in the final product needs to be taking place while the linen is being woven, and in quantities that are equal to the wearing out of all the means of production involved. So this illuminating description of the model's physical workings by Marx, in no way is an impediment to putting him on the right track toward a solution and where it has to be found.

What Marx (slightly paraphrased) says next however is: “that in spite of there now possibly being on the market an equal quantity of means-of-production wares available to replace all its, in the mean time, worn-out parts; before these sell, turning into money and thereby become constant capital for the weaving industry, no retransformation of the part of the linen embodied with those constituents can yet take place. And thus an explanation of the reproduction process that demonstrates where the funds come from to buy two-thirds of the final output is still lacking.” Well sure, when one's stated point of departure is a methodological materialism, with sets of given depletable quantities of physical capital in the form of means of production and commodity money, and one sets out to show how consumption depletes and the positive-money capital funds end up free and clear in the hands of its systematic rulers to expeditiously command a reproduction of what has just been consumed, then one has indeed the problem of an at any time reigning equilibrium on one's hands; for, as will become clearer soon, it involves the mix up of the economy's non-material map (or an account of sunk costs) attributes with those of the material territory. But if what Marx says here more or less at the start of his inquiry is true, and all it would have taken is a different set of first principles to bring the in fact most sensible line of his thought to a logical conclusion, then, even if perhaps not entirely out of the question, the prospect of him also making a logical case for himself becomes quite remote to say the very least; because at the heart of the problem lies a switch of systemic *negatives* being accounted for as expenditures or debits, and thus in dire need of becoming resolved by incoming credits, for what in his "logic" (i.e. illogical *givens*) are economic *positives* right from the very outset. As even though a physical quantity of final output is indeed being produced just as Marx has been envisioning the process to happen, on the economy's set of non-material books that solely in those terms will be determining the *reality* of eventual reproduction possibilities, that output is still listed as to be resolved negatives and not as a quantity of accumulated and thus depletable positives. At the very least, Marx will need a comprehensive theory of capital, before being able to combine the indeed depletable physical output of nature with that of accounted-for human output within the same line of logic. As long as Marx is trying to get there from here (here, in its meaning of a simultaneous production of positive constant capitals), he is most unlikely to find a there, there. (The latter in its meaning of how the system pays for, resolves, and replaces the totality of its embodied means of production.)

But anyway, Marx thinks he's ready now "to solve this last difficulty", by setting out to spend some seven dreary pages on assessing the influence of exchanging a variety of commodities for one another, but at the end of it concluding that: "we have not come one step forward with the problem. In the case of Product X, as in the case of Product I, the question remains: to whom is the part of the product sold which replaces the constant capital?" And a little later he remarks that the replacement account of constant capital at the final step could only balance if it "were equal to the constant capital which the farmer replaces for himself, subtracts from his product and returns to the land" in which case "[t]he riddle, however, would only be solved because a part of the constant capital replaces itself."[14] Yet by

14. It may as well be known that Marx's tentative conclusion at this point, riddle or not, is that in spite of him having stated before the real problem being the lack of existing

the end of his line-of-thought on exchanges he comes at least partly to his senses by stating: “it might have been foreseen from the outset that introducing the acts of exchange, sales, and purchases between different commodities or the products of different production spheres, would not bring us a step forward.”... as since “[t]hey could not buy back their own constant capital [produced during a given time period], hence they could not repurchase the equivalent of this constant capital in any other commodity either.”

Next, his “last difficulty” apparently not yet having been solved, Marx returns back to this original linen example, because it “holds good for the total product of the entire society”; for as he will sensibly acknowledge a bit later: “the exchange between various commodities... mutually replace each other”. Before assuming however that everyone in the linen sphere of production, from flax growers to weavers (and inclusive of the equipment and other auxiliary supply branches), now will get paid in terms of the final product, i.e. in linen, rather than that both workers and capitalists are all to be paid out of a consumption fund as his line of thinking had developed previously, he first states that: “as for the flax-grower, his constant capital —after deducting agricultural implements, etc.—consists of seed, manure, etc. We will *assume*[15]—as in agriculture must always be the case, more or less directly—that this part of the farmer’s constant capital is an annual

means or funds to pay for 2/3! of final output, it will never be improved upon and becomes his final word on the matter.

15. e*mphasis* added. There are a couple of very serious problems with this explicitly stated notion. First, in general, while assumptions are essential in commencing a logical chain of reasoning, they are entirely vacuous as being the conclusion of the “made” argument, because its reasoning is circular; circular reasoning being the *explanation* for a (economic) condition that itself is said to be an initial *cause* of that condition. And yet, as was already indicated in the previous footnote and will be shown later, the final conclusion Marx comes to regarding the replacement of constant capital is that some of it replaces itself. As factual (and whether, at the point of him writing this, he was still under the impression of being able to discover the missing revenue elsewhere is immaterial), Marx's reasoning here all by itself already renders him incompetent to tackle what he set out to do. Second, in this particular case, the assumption as a secondary assumption is erroneous as well. For with his final-output example being linen, while its seeds might possibly need to be deducted, say for producing line oil for paint or for some other useful derivative output of flax seeds, they are a wholly free byproduct in the production of linen as a final output. Since it isn't the seeds but the inner fibrous stalks of the flax plants that end up being turned into linen; seed goods, for that matter in its entirety, could be sown back into the soil and so it would be reasonable to claim that none of it becomes trapped and moves on to become embodied in linen output. More on this later...

deduction from his own product, which he must return each year, out of his own product, to the land —that is, to production itself. Here we find a part of the constant capital which replaces itself and is never sold, and therefore also is never paid for, and is never consumed, never enters into individual consumption. Seed, etc., are the equivalent of so much labour-time. The value of the seed, etc., enters into the value of the total product; but the same value, because it is the same amount of products (on the assumption that the productivity of labour has remained the same), is also deducted again from the total product and returned to production, not entering into circulation. Here we have at least one part of the constant capital—that which can be regarded as the raw material of agriculture—which replaces itself. Here therefore is an important [branch I—the most important branch in size and in the amount of capital it contains—of the annual production in which an important part of the constant capital, the part which consists of raw materials (apart from artificial fertilizers, etc.), replaces itself and does not enter into circulation, and is therefore not replaced by any form of revenue. Therefore the spinner has not got to repay to the flax-grower this part of the constant capital (the part of the constant capital which is replaced and paid for by the flax-grower himself); nor has the weaver to pay for this to the spinner, nor the buyer of the linen to the weaver."

This real-goods approach to what is going on in an economy is a fair enough model of it, and potentially does indeed have the power to explain a lot. But while Marx goes on for many pages, first by going into details and then basically repeating himself for almost the rest of the entire section; unfortunately for him, this particular approach also means that herewith the influence of time has now disappeared from his model, and this so happens to be the very same element that wasn't conforming with his most sensible insight of *simultaneous production* some fifteen pages earlier. So instead of him being able to validly indicate, after many pages of painstaking deliberation later, that apart from machine-building machine depreciation replacement in terms of linen revenue (impossible to be unified within a single time frame), *the whole problem has now been solved*; he should have realized that, with time in mind, no advance in theory has taken place since that early valid perception, soon after which he wrote: "[t]he continuous real production of the elements of linen, running side by side with the production of linen itself, therefore does not yet explain to us the reproduction of the constant capital, before we know whence comes the fund to buy the [2/3 of] linen [output]..." For his latest real-goods analysis either implies that constant-capital realizing linen revenue, both in terms of profit and wages, for the most part becomes consumed way in advance of it being woven, which is of course an absurdity; or, both capitalists and workers at higher levels of production will have to wait for their compensating final output dribbling in during future times, which equally clashes with the reality of living.

Yet, having understood from his analysis so far that the weaver, being his final capitalist in his sphere-of-linen production, has become the sole capitalist owner of all embodied constant capital, at some point Marx unperturbedly reiterates that "the real problem [is:] if [the weaver] wants to continue production, he must transform his constant capital, exist[ing] now in the form of [2/3] of linen [output], into money, and with this [money] he must buy newly-produced commodities, to be found on the market, of which his constant capital consists".

It is of the essence to know however that he doesn't pay any further heed to this just stated "real problem", already alluded to previously some fifteen pages earlier, and will never bring it up again. Instead Marx's reasoning towards a closure of his thoughts over the next fifteen pages or so will be found to basically fall back on a bait-and-switch involving some constant capital replacing itself, just as he lamented about a little while back, or otherwise somehow fails to end up as embodied in the final output. As if this is going to get the weaver the necessary 2/3 of the total required revenue (or the return on his own constant-capital *lay-out* in the form of expenditures, a negative or systemic *debt*) to keep on producing linen. In the mean time I guess, the weaver can thank his lucky stars that sufficient effective demand for linen output isn't depending on Marx's supposition of the "fact" that a good portion of the flax-growers' constant capital replaces itself!

Marx continues his (determinate real-goods') analysis with: "[t]o simplify the problem, let it be assumed that he does not replace his machinery within a period of years, but that every day, out of the proceeds of his product, he has to replace in kind the part of the machinery that is equal to the part of the value of the machinery worn out each day. He must replace the part of the product that is equal to the value of the constant capital it contains with the elements of this constant capital, or the material conditions of production for his labour. On the other hand, his product, the linen, does not enter any other sphere of production as a condition of production, but passes into individual consumption. He can therefore replace the part of his product which represents his constant capital only by exchanging it for revenue or for the part of the value of the product of other producers which consists of wages and profit, consequently of newly-added labour. The problem is thus posed in its correct form. The question is only: in what conditions can it be solved?"[16]

Marx's next paragraph starts and ends with: "A difficulty that arose in our first presentation of it has now been partly overcome. Although in each sphere of production the labour added is equal to one-third, the constant capital — on the assumption made — [as equating] to two-thirds, this one-third labour added … is only consumable in the products of the branches of industry which work directly for individual consumption. The products of all other branches of industry can only be consumed as capital, can only enter into industrial consumption."

Perhaps this last line somehow makes sense to Marx, where produced physical capital appears and then disappears, through what he calls consumption, that can take place on all economic levels. But this process can in no way be considered the determinate end of the matter. For, as long as all the costs involved in this "industrial consumption" under penalty of default and the cancellation of the existing production process need to be passed on, only the saleable output as being embodied and to be resolved capital matters; as this portrays economic reality as an ongoing process in its entirety. Marx will repeat his faulty reasoning a few times latter on in this section. But neither here nor there does it mean, in the

16. Just as was the case with the "origin of monetary profit" conundrum*, this author has no bone to pick when it comes to Marx's outstanding ability to frame economic problems, as well as to ask the pertinent questions. Instead it is his answers that follow from his fixed set of first principles, limiting his perception as blinders do in the physical world, that just aren't sensible at times when it really counts, and thus fail to be convincing to anyone outside a closed circle of his acolytes... So in a general sense yes, this herewith proposed alternative paradigm fully agrees with Marxism, or Marxian economics, that capitalism is evil and needs to be replaced the sooner the better, and the principle of an economy's means of production ought to being under the control of all of its producers is of course indisputable also; but no, communism (with its implied central planning of input value allocation and output value distribution) is not the coherent answer for a better and more equitable world. Taxing away odious profits, i.e. (monopoly) net profits acquired at a rate exceeding real economic growth by withholding subsequent new real investment, is. Admittedly, the devil is in the details that are far beyond the scope of this excerpt, but the logical underlying principle might already be perceivable at this point.
* A bit more on this in the closing comments later.

supposed showing of how embodied constant capital pays for itself, and that thereby a "difficulty... has now been partly overcome".

For Marx too, consumption and use-values are very closely linked in meaning[17]. However, regardless of whether capitalist producers can be said to have a use for the output produced at a higher level, coherency in thought as well as conventionally necessary business practices rules out these endogenous use-values to capitalists' from ever becoming *real* or determinate, and thereby effectively provide for a continuation of the existing process, at least above the retail level. And so it still doesn't hide the fact, that after some twenty pages of analysis Marx is still back to where he started from. Moreover, it isn't getting better any time soon because, as was already mentioned, what follows next is no more than a more detailed outline of his real-goods income, or exchanges in terms of linen. For nowhere is there a hint of how in the sphere-of-linen production, the by him held to be necessary money funds get into the hands of the final goods producer; i.e., allows the weaver to continue producing linen. Yet at the end of the following few pages, he holds that the whole problem has been pretty well figured out.

Marx's first argument in that regard is that the constant capital of the flax grower for a considerable part doesn't circulate at all through becoming embodied in the final product; for, as being seed goods, that particular part reproduces itself, or as he puts it, it "is already deducted" (from his product, as Marx had said previously in this section). But how is that relevant? First as this relates to Marx's own theory of capital value[18]; and

17. "Use values become a reality only by use or consumption" Capital I, Ch. 1, Sect. 1, first page.

18. As in, last paragraph sect. 9 foregoing: "The whole capital (as a value) resolves itself into labour, is nothing but a certain quantity of materialised labour." And in: "[s] eed, etc., are the equivalent of so much labour-time", of a few pages back. Now of course, it takes labour to first separate the seeds from the flax stalk and then sow them back onto the fields, but those labour costs, in addition to the costs involved in separating the fibres from the stalks, do circulate to end up in the final product. Another possibility is that the seeds, as a commodity, end up on an agrarian market, and once there it will take revenue from the flax-growing sector to buy them at their value; which, given continued operation, is a cost-plus-profit price. Could it be that Marx, after having written all these pages without really anything to show for, is getting a bit desperate here and he's starting to clamp onto straws? Is he perhaps forgetting that unlike corn, the food that the Classicals before him used as a universal example to feed the workforce with, and of which a portion has to indeed be deducted from the final product to return to the soil for a continued production, it's the flax fibres here and not its seeds that are embedded in the final product, or into the calico clothing stuff of the entire workforce.

second, when the question currently at hand is an accounting for the replacement of constant capital that *is* embodied in final output. Or, more to the point yet, the two factors combined with respect to the real world, where the costs of growing flax are all passed on to the spinner with a certain profit margin for the capitalist landowner, and the capitalist spinner does the same with his costs and an added profit to the capitalist weaver. Those blended costs to the weaver will include allowances for incurred depreciation of the totally so affected means of production (constant capital in Marx's vernacular); which, as long as all replacement-cost involved wage and profit income earners either consume, trade for another consumption good, or hire additional wage earners instead to do the consuming for the so satiated, will indeed over time become resolved through purchasing the whole of linen output. The material productivity of the earth itself in no way is a deductible value from this, for continuity needed, costs-of-depreciation resolution process. For, since the earth neither draws a monetary income from the landowner as a cost to be passed on down to the next level nor wears out, its natural productivity is exogenous to the necessary replacement of ongoingly wearing out means of production within the sphere-of-linen branch of an all human-made economy. And even if giving Marx the entire benefit of the doubt and agree with him that some of the accrued physical embodiment of linen is indeed deducted from the final product; since his approach is one of finding a solution in monetary terms, i.e. in how to pay for the accrued embodiments, he is still conflating the attributes of the map with those of the territory.

The situation as it exists in a real world consists of needing to keep track of expended costs (negatives) and their resolution (positives); both for efficiency reasons, in its meaning of minimizing labour time as well as maximizing leisure time for a given quantity of producing output, and to try to minimize waste. No thousands of pages as written up in Capital I, II, III, (IV), and the rest of Marx's oeuvre, are necessary to clarify that; and especially not when nowhere within those pages, witness the previous footnote, a coherent theory of what capital actually *is* can be found. Asserting that: “[s]eed, etc., are the equivalent of so much labour-time”, doesn't a theory make; as Marx herewith dismisses out of hand for being insignificant, insofar as the system's determination goes, the *demand* for the final output of capital that the suppliers of labour-time impart to a comprehensive theory of capital. And last but not least, a theory (of capital) requires a set of underlying assumptions, in terms of which the crucial meaning (of determinate capital) can be delineated from.

Marx's second argument, the fact (within his own theory's parameters) that in a three-level economy what is constant capital on one economic level is revenue on the one above it, and if two such levels become combined adds 50% to the revenue of the lower level while subtracting 50% of its necessary constant capital, is interesting to say the least; but in the exact opposite way than what Marx intended to show in support of his argument. For why stop at combining only two levels? Why not imagine a single capitalist owning the entire three-level linen-production-sphere's means of production, inclusive of all its auxiliary supply branches, and analyze what its subsequent effects would be? And not only with respect to putting enough money in the hands of final-goods producers, so as to secure the continued manufacturing of replacement means of production at all higher levels involved, but also regarding the truth of Marx's assertion that the formation of additional productive capital is *obviously* sourced in expropriated surplus-labour by labourers; for the ensuing narrative will show what capital's value is, and not in terms of some alternate paradigm but logically following Marx's own set of parameters.

Assuming that even without there being any form of competition, an economy's sphere-of-linen-production sector ran by a single capitalist is still kept track of by means of double-entry sets of books, not only to minimize waste and be efficient as far as a given quantity of output becomes produced with a minimum amount of inputs, but also to make production losses readily apparent; so that in practice there is no piling of output on a big heap and taking from that as the need arises. In full accordance with Marx's observation that when two adjoining production levels become combined under the ownership of a single capitalist, the required quantity of his constant capital lessens to the degree that his revenue increases; thus when a capitalist owns the entire vertically integrated sphere of production, his constant capital's analytical value becomes entirely dependent on incoming revenue. Or in other words, without revenue there is *zero* capital value. Capital as a pre-existing positive value thus disappears altogether; i.e. the value of the latter to a capitalist is still most ambiguous or indeterminate until revenues from it come in. With this conclusion, and without having added anything extraneous to Marx's reasoning about the direct but inverse relationship between needed capital and revenues over two combined vertically integrated production levels, the *obviousness* of additional capital formation from expropriated surplus labour becomes entirely fictitious.

This doesn't rule out the possibility of course that our capitalist, having "successfully" merged his specific sphere of production into a single ownership, is still free to expropriate more labour to try to expand his fiefdom. However since all revenue is required in order to determine the size of his capital as *having been* valuable, it should be obvious now that this labour in no way can be called surplus-labour to any *existing* production process. Instead, the only possible *surplus* input and/or output would be an exogenous variable like an abundance of flax in a particular season, or a built-up of not yet acted upon expertise somewhere in his linen-sphere of production, paid for through the purchasing power of the currently available linen output, that next will allow more output to be produced with the same amount of inputs. But again, this by now enlarged capital would only be determined in size by the available revenue or income to later purchase the final product with, i.e. linen; with all the limitations (read: the inherent capacity to consume and/or hire additional workers by our single capitalist) this implies.

It's hard to believe that Marx, being the thorough thinker he no doubt was, never contemplated the effects that a theoretical merging arrangement of an entire sphere-of-production sector would have had. Especially, given Marx's limited size of that model, it isn't much of a stretch at all. But if he did, the thought must have been been far more terrifying than his worst nightmare, and quite possibly made him vow to never go back there again. Because it would have meant no more LTV as he understood it to be and no more determinately-valued capital creation via the exploitation of labour. Not being a Marxist scholar[19], all I know is that the work we're dealing with at present was first published in 1863, and thus well before the first publication date of Capital I, which was in 1867. So potentially, Capital could have been a very different set of books. And for that matter, given the resonation it did manage to achieve in spite of its obtuseness, the world itself could have become a far different and much better place than it is today. But, whether wittingly or not isn't the point here, according to the shown analysis so far Marx overplayed his hand and the

19. I did however find out later from a person who is, that Marx was a very depressed person at the time of writing this section; which in hindsight of course isn't all that difficult to reconcile. Nonetheless he fully dismissed my argumentation and figured instead that the reason for Marx's depression was his friendship with Engels having soured during that time. Whatever...

current generation of workers by enlarge is still being deprived by the powers-that-be of rightfully enjoying the fruits of their ever growing accomplishments, simply attained from being able to stand on the shoulders of one's forebears and further advance by having *learned-from-doing* during their own productive years.

Marx's third and final argument of substantially having found a solution to the in classical political economy well-known dilemma of resolving embodied constant capital, so that production can continue at previously existing levels, harks back to the fact that producers of embodied means of production can only consume the resulting final goods with their obtained revenue. Even though in no way being a solution to the problem at hand; as it stands, the latter assertion is fully non-controversial. A little later on, Marx will expand on this part of his “solution”, by holding that capitalists exchange a fair bit of capital for capital, rather than use their revenue to obtain the necessary capital; at which time this capital-for-capital bartering will be critiqued.

The next paragraph, one we mentioned before, has Marx stating: “the part of the problem which now remains to be solved is reduced to this: What happens to the 2/3 of a yard for the wear and tear [of the machine-building machine][20]—not of the machines used in production, for these represent new labour, that is, new labour which gives the raw material (which has itself no raw material that costs anything) the form of new machinery but— [what happens] to the depreciation of the machinery manufacturer’s machine-building machine? Or to put it another way: Under what conditions can the machinery manufacturer consume the 2/3 of a yard=2s.=2 hours’ labour in linen, and at the same time replace his machinery? That is the real question. This takes place in fact. It necessarily takes place. Hence the problem: how is this phenomenon to be explained?” However instead of him making a start in tackling the problem, we find Marx once more stating his previously critiqued modus operandi that: “[h]ere we leave entirely out of account the part of the profit which is transformed into new capital (both circulating and fixed, variable and constant capital). It has nothing to do with our problem, for here new variable capital as well as the new constant capital are created and replaced by new labour (a part of the surplus-labour)”; he decides instead to “putting this case on one side” and again states, involving two

20. All texts appearing within square brackets on this page, except for the change of a capital for a lower case letter, is presumably added to the original by previous editors.

small paragraphs, the by and large uncontroversial; which, as a valid reiteration, is yet worth quoting in full.
"[T]he total of labour newly added, in a year for example, is equal to the total of profit and wages, i.e., equal to the total of the annual revenue spent on products which enter into individual consumption, such as food, clothing, heating, dwelling-house, furniture, etc.
The total of these products going into consumption is equal in value to the total labour added annually (to the total value of the revenue), This quantity of labour must be equal to the total labour contained in these products, both the added and the pre-existing labour. In these products not only the labour newly added, but also the constant capital they contain, must be paid for. Their value is therefore equal to the total of profit and wages. If we take linen as the example, then the linen represents for us the aggregate of the products entering into individual consumption annually. This linen must not only be equal to the value of all its elements of value, but its whole use-value must be consumable by the various producers who take their share of it. Its whole value must be resolvable into profit and wages, that is, labour newly added each year, although it consists of labour added and constant capital. This is partly explained, as we have said, by:"…

And Marx once more summarizes his "progress" in three stages, starting with his seed goods again. Now it becomes clear that Marx indeed has been confusing flax seed with (say) corn. For although cloaking his argument in a rather contrived situation where a harvest of flax seed is sold in its entirety and the quantity of seed to be resown is bought from a third party (as well as coming to the conclusion that: "therefore we have an example of the fact that the total of values as between dealers and dealers is greater than the total of values as between dealers and consumers"[21]), he assumes that "10% returns back to the land while 90% "*reach[es] the actual consumers*[22]". But while the latter will indeed be the common occurrence with flax-seed output in a multi-sector model of joint production, where flax seed becomes an input for oil, paint, foodstuff, etc.; in the currently contemplated single sphere-of-linen production sector, *nothing of it* moves on to its final consumers. For that matter, and as was indicated before, the physical seed could *all* be resown right back onto the land. But even though this apparently is a serious connotative error made by Marx here that, as far as I know, has never been spotted before, in the

21. Perhaps in the convoluted world of Marx's material (physical) values, but not in the real world of booked and to be resolved values of disbursed wages and charged profits.
22. *Emphasis* added... its significance will become clear in a little while.

end it's still a red herring. For when a component of value is asserted to function as “constant capital”, but subsequently it isn't conformant with the reproduction necessities of that capital (given capital's nature as being nothing but a certain quantity of materialized labour), then the error as made above is a mute one and might as well never have been made. The value of the seed has namely nothing to do with wholly, or with some percentage of it, being resown into the soil, but with the demand for the contended final output being generated by those obtaining an income from the flax-cultivating part of the linen sphere of production. And since seed goods aren't demanding and as such consuming linen output, Marx postulated capital value as it being related to a more or less certain quantity of flax seed is nonsensical. The logic of Marx's “constant capital” analysis isn't upset by the above error in thought, but by the essential meaning that he bestows on his “materialised labour”. For in the reality of a dynamic setting in terms of its unit of account, all the economy's physical forms as these appear subjectively to an observer don't hold any sway at all with respect to its potential reproduction in accounting terms, regardless of Marx's set of “*givens”*. And when in addition to that, time, and the consequences of this factor on determinacy, is abstracted from, then a crucial component of how an economy renews by paying for itself is being overlooked; if indeed the analysis of its workings, as needing to include the *effective demand* for final output, is to remain fully conformant with the rules of logic.

Marx ends the first stage of the latest summary by stating: “This part [of the raw material required] for the production of the linen, that is, the consumable products, therefore does not have to replace a considerable part of the constant capital required for its production.” As was indicated before, when it is held as a given that flax seeds are constant capital and thus the equivalent of so much materialized labour-time, but this particular kind of labour-time doesn't have any power of demand; then it is also useless in the seeking of solutions, as to how embodied constant capital can be replaced in terms of accounting for it. For accounting is the keeping track of the supply costs of output and the demand for that output; and seed asserted as being the equivalent of so much labour-time, becomes sophistry at its worst.

But while the second stage of the current summary, consisting of pointing out that what is constant capital on one level [of production] is revenue on the one above it, is uncontroversial enough to forgo any detailed critique;

regardless of Marx's intent here however, it also in no way contributes to an understanding of how 2/3 of embodied constant capital can become paid for, i.e. is being replaced in equilibrium. The third stage is all the more interesting in that Marx starts out with identifying, (herewith somewhat condensed and slightly paraphrased) “a large part of the products *in all the intermediate processes* that are necessary to produce the consumable product -- such as machinery (presumably a part of this “all” is the machine-building kind he had set aside for later consideration before), coal, oil, tallow, leather belting, etc. -- that never passes into the *use-value*, but only enters into the consumable product as a component part of its value”... And he ends with: “It is therefore clear that in each of these spheres of production only that part of the product can be consumed by its own producers which represents wages and profit—only that part which remains over after deducting the quantity of products equal to the value of the constant capital they contain. But none of these producers consumes any part whatever of the products of the previous stage, or of the products, of all the stages, which in fact produce nothing but constant capital for a further stage.” All emphases above are added because Marx here appears to contradict himself with the earlier made statement that capitalists do have a use for such products; that are hence consumed by them under the rubric of “industrial consumption”, *never to end up* in the final output. How this opposite chain of reasoning is also supposed to show that the resolvability on the final-goods level of 2/3 of embodied constant capital isn't the problem, which on first sight it appears to be, remains a mystery at least for the time being. But, aside from his confounding usage of the term use-value, in sharp contrast to his previous use of that term, it's not a matter of Marx being seriously wrong at this particular stage. In fact here, as well as in the next few paragraphs, his arguments are pretty much in line with the ones made elsewhere by me, whereby an alternative paradigm is brought into the picture that re-identifies “constant capital” as a for equilibrium purposes to be resolved systemic *debt*, passed-on down to the retail level for resolution. The crucial difference between the two is that Marx fully abstracts from the essential role that time plays in the determination of the monetary values of capital. It may therefore be helpful to once more point out that while acting as consumers of final output, those machine builders, colliers, oil and tallow refiners, leather tanners and belt cutters, etc., certainly do have a use for linen and as such having their inputs provide a distinct part of the linen's use-value. And that the costs of those inputs, with a margin of profit by the capitalists at higher economic levels becoming passed on down to the final output producer, will be resolvable only by them or eventual proxies as newly hired help and through exchanges for other final goods, thereby allowing the overall production process to continue at preexisting levels is also undisputed. These activities as a whole however are kept track of by means of accounting for acquired and next to be resolved obligations, and not as a set of accumulated and through final consumption depletable constant capitals; whose resolution and reproduction capability, that, while also understood as having to be represented in monetary terms by Marx[23], can then become "explained" by him only by what soon will be shown to be *a faked line of reasoning*.

Then Marx stresses the notion again that: "[i]n general, it is only products that enter as raw materials into the final product of which it can be said that they are consumed as products. Other products enter into the consumable product only as component parts of value. The consumable product is bought by revenue, that is, by wages and profit. Its total value must therefore be resolvable into wages and profit, that is, into the labour added in all its stages. The question now arises: in addition to the part of the product of agriculture which is returned to production by its producers themselves—seed, cattle, manure, etc.—is there yet another part of the constant capital which does not enter into the consumable product as a component part of value, but is replaced in kind in the process of production itself?"

Here we have another paragraph in which Marx once more shows his confusion about what he is trying to prove. For while earlier he talked about two different kinds of embodiments in the final product, one being procurable and thus resolvable by revenue, while the other part replaces itself thus not needing any revenue, like seed, etc.. Since he had earlier posited that 90% of the material seed does reach the consumable product and only 10% is sown back into the soil, he now has two problems on his hands. First, the 90% without the offsetting existing revenue that is needed for its resolution. And second, all the other kinds of constant capital he is looking for, those in no need to be resolved because they replace themselves and do *not* end up in the consumable product, can add only to the 10% of the seed; this being his main component of the conundrum he thinks he is trying to solve at this point. That his real problem i.e.

23. "T*he account, however, can only be settled* if it is only revenue, newly-added labour, not constant capital, that has to be replaced by the last part of the linen, the consumable product."

accounting for how the 2/3 of the constant capital *embodiments* in final output (linen) do get resolved, and thus this thought to be *determinately-valued* capital is reproducible in equilibrium is only getting worse in his latest reasoning, either seems to escape his attention at this point of his argument, or it's a sneaky and desperate bait-and-switch, which he is hoping the reader won't notice.

The first such constant-capital item, outside agriculture, not becoming embodied in final output that Marx latches onto is coal. Because, as Marx's argument goes, a portion of the value of coal is reused in the mining process for pumping out water and raising the coal, that value doesn't enter the energy requirements of a linen-sphere of production, and the mining capitalist replaces his own constant capital in the form of coal. Next, Marx adds to this category by arguing that some constant capital is being exchanged between capitalists; as when linen rags are being used in the production of paper and cotton waste as fertilizer when sown into the fields. And while the latter could indeed be considered as an exchange of capital for capital; regarding the former, as the only such exchange pertinent to his linen sphere of production, he conveniently forgets to clarify how paper is useful to linen-waste producers at anywhere near the bartering quantities necessarily to be involved. Marx further broadens the argument by introducing output from levels below the resource level that flows back into primary production requirements, such as the machinery used in mining and forestry; as if metal ore and logs are of any use to machinery builders. And all the while we find Marx arguing in terms of: "*it is not merely a question of accounting*"[24] for what is going on, and a bit later, when it becomes time to include machine-building machinery as a part of that assertion, even having to resort to submitting that the labour contained in replacing the wear-and-tear of machine-building machines is of no value, for it "is *in fact*[25] made good by the machinery manufacturer appropriating for himself one or two of his own machines to serve as machine-building machines." Apart from the utter contrivance of reality depicted here, and earlier in the paragraph, as well as the blatant contradiction with his previous calculation a few pages back that the wear-and-tear of machine-building machines comprises 2/3 of a yard of linen (5.5% of final) output ("*This takes place in fact. It necessarily takes place.*"),

24. While it's of course a truism that political economy involves more than accounting, "merely accounting" for disbursed income not only is sufficient but actually is necessary to keep track of all the complexities that Marx envisions to occur here and during the next few pages.

25. *Emphases* added here and above.

I guess those particular labourers will now have do do without any linen after all, and thus of it being exchangeable for other final output.
It is almost painful to read how Marx continues to wring himself through countless hoops, spanning about five pages, in order to present a picture where bartering between capitalists and single capitalists owning a vertically integrated industry, produce output, that regardless of being a necessary component in the linen-sphere-of-production, “pays for itself” and so doesn't have to be paid in linen. That the whole aim of the chapter section supposedly was to show how the physical final output becomes distributed to all those involved in the production process, and that at first sight the revenue to procure 2/3 of it doesn't exist, resulting in a glut of linen on the market, has only been exacerbated now by Marx's set of “*facts?*” that at least 5.5% of the necessary value component of machine-building machines isn't getting resolved through linen procurement either; because that part of its value replaces itself, and thus it's having the same purport in effect as seeds.

The probable reason why the countless reviewers of this work before, have never spotted the triviality and utter discrepancy between the summation of 10% of seed goods, 5.5% of machine-building machinery, recycled waste, back-feed loops of output, capitalist industrial consumption, with perhaps a few more sundry odds and ends thrown in, the effects of value never to reach the final consumer which Marx is spending so many pages on in trying to elucidate, and the substantial 2/3 of assumed *embodied* constant capital in dire need to be resolved through a purchasing of final output on account of disbursed revenue so that the system can continue to operate at previously achieved levels of production, is, that when Marx argues in terms of a real-goods analysis *without the influence of time*, as he does in close to half the herewith dealt-with chapter section of the TSV, he often enough, at least to his acolytes, gives the impression of being a sensible and competent polemicist. But it is especially when he finally concludes his argument, and in the process starts switching back from a real-goods analysis to a monetary one, by summarizing that: “[t]he revenue, which consists only of added labour, is able to pay for this product, which consists partly of added and partly of preexisting labour; that is to say, the labour added in these products can pay not only for itself but also for the pre-existing labour, because another part of the product—which also consists of labour added and pre-existing labour—replaces only preexisting labour, only constant capital.” that the ludicrous folly of Marx's reasoning should really have become clear. For this confusing to read sentence, switching from part revenue paying to part product "paying", is meant to be the ultimate explanation of how 2/3 of the cost of final output production is being paid for, and thereby fully compensating the final-output producer for all his assumed costs? Because 2/3 of the product replaces itself without any new revenue involved, only 1/3 of new revenue is required to replace the whole?

An embarrassing muddle if ever there was one, to say the least. For not only was Marx unable to solve his "real problem", he himself identified before as the transformation of the final output producer's constant capital in the form of goods into the *funds* needed for reproduction and thus be enabled to stay in business, but he couldn't even successfully pull off his bait-and-switch deception, by falling immeasurably short of identifying the "paying for itself" 2/3 of final output. Is there any more proof required that Marx himself just proved that his concept of "constant capital" as a material entity isn't a reality at all but pure fiction? Hasn't he consequently shown that he doesn't have the foggiest idea of what capital (in his contended static-equilibrium condition) is?

What it comes right down to is that this whole section has Marx showing, that his critique of capitalism deals with a system that cannot exist according to the parameters of value, as a determinate reality, that Marx had set for himself. As soon as (effective) demand becomes foundational and indispensable to an economic system's reproduction capability, which it does in this section, but, at least as far as I'm aware of, only in this section with respect to Marx's entire prolific oeuvre[26]; his critique of

26. While Marx revisits the herein posed problem in Capital, Vol.2, Chapter XX, part 2, effective demand as a determining factor no longer is part of the argument, and Marx contends the situation as purely as any supply-sider's approach would be. Also gone are these wholly "paying for themselves" economic components, such as seed-goods and natural fertilizers. While initially agreeing with Smith that it is only consumers who ultimately pay for the total c+v+s embodied final product ("every child can see that this is absolutely correct"); Marx perceives that for veracity reasons, the 'c' portion needs to be pulled out, with only v+s remaining in the revenue-consumption circuit, and 'c' instead becomes "consumed" productively by capitalists (apparently as part of the production process, ahead of marketable final output), as well as some bartering amongst themselves. So that a situation of absolute simplicity, according to Marx, is only true when (non-consumer level) capitalist "productive consumption", a concept that nobody understands, is included in total consumption. Isn't Marx's reasoning here about as convoluted as it can possibly get? As not a return on their "investments", i.e. maximizing 's' to the reciprocal detriment of 'v', but capitalist productive consumption becomes the name of capitalist gain? Again, and because his point of departure being that 'c' is already real *before* becoming realized through demand, Marx needs to be

capitalism becomes incoherent. Demand cannot simply be relegated as an afterthought of a determinately valued system existing already, as Marx indeed treats demand everywhere else. No wonder that many Marxists aren't even aware that Marx had a “resolution” theory of values of his own even *before* monetarily-induced crises get into his depiction of capitalist reality. And in this period of his thinking, his resolving of capital values in terms of revenue, isn't all that much different from the thoughts of Smith on the subject; which must have been the reason to place his own “resolution” of values in the chapter dedicated to critiquing Smith.

Nowhere in his linen sphere of production is an output of goods a positive, and as such a depletable physical value. Instead to all its producers, and never mind its physical existence, it is accounted for as a bunch of debit entries in their books; and therefore, as being expenditures, are having a negative monetary value and in dire need of resolution, so as to enable a continued production to take place. For how could it be otherwise? How can his proverbial “dead labour”, having been remunerated by incoming revenue (as expended costs by a lower economic level) before, and kept itself viable at that time by those workers purchasing the then available final output, revitalize for the benefit of capitalists and thereby becoming virtual economic validators or its sustainers through a realization of their allocated share of the now existing final output all over again? Yet this absurd doubling of input influence is what Marx's argument relies on, to both “determine” the value of constant capital at the moment of initially being created, and, allow for a reproduction of its worn-out portion to be accounted for later. The simple fact of the matter is the diametricality of Marx's (historical) materialism and that of accounting principles. The first takes it for granted to always have positively valued capital to analyze. And the second deals with (on penalty of default) to be resolved expenditures; and thus, from the vantage point of an unencumbered continuation, are of a negative value to begin with. The two diametrical views of what capital is therefore cannot be integrated when Marx tries to *account* for a *material* replacement of worn-out constant capital. In a monetary economy, i.e. the type of economy that Marx fully thinks he is dealing with, the materiality of goods or its positive value becomes abstract, wholly suspended, and individually indefinable; to only be revived as reproducible or realizable by

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crawling through impenetrable hoops in order to explain himself and he neither seems to be aware of a cost-accounting impossibility of such “productive” consumption that by the way still comprises a 2/3 share of total embodiment, nor as having a clue about the inherent contradiction of his argument here. Alas for Marxists, the hole Marx has dug for himself in the TSV only got deeper in Cap. II.

final-output purchasing, through income obtained from an entire different and new replacement set of productive means than the one embedded in the purchased goods, and only able to be kept track of by means of *accounting* for outgoing expenditures and incoming revenues *over* time – while *at* any time the capitalist structure isn't in a depletable positive position of agglomerated physical things, but in debt to itself in the *expectation* of a later feasible resolution.

The root of Marx's confusion obviously lies in his point of departure being the creation of determinate values at the time of economic production. But there isn't anything determinate about a constant-capital value before it is realized as reproducible in the process of getting returns on that capital. How can Marx possibly hold something to be real, to as such constitute the formal basis for his extended logical reasoning, before it's being realized? It isn't as if he has his own taxonomy for that particular verb, for he uses the word all over the place in its normal meaning. All as yet unrealized additional capital, i.e. as exemplified in Marx's "definitive" capitalistic drive to accumulate the output of human labour, as far as any functional economy is concerned where *returns* on capital creation are paramount for its continuation, is still a non-entity at least on the positive side of a notional scale. And the as such existing economic structure, not only as a whole but as seen from the vantage point of individuals supplying their labour as well, is thus fundamentally even more *social* than Marx is willing to give credit for at this stage; making not only his theory of capital value, but also his very point of departure[27] a non-starter. Therefore in spite of all the empirical evidence that it is entirely possible to grab a hold of any portion of that labour-embedded capital at any point in time, while bestowing it with having a natural value in monetary terms, such "evidence" cannot possibly show the underlying falsity of composition; as the economy's ultimate identity derives from: no returns = no economy. Instead a comprehensively true theory about the dynamic economic system as a whole is required that clears away the empirical veil pulled over the eyes not only of economists, but of the general public and even to a certain extent over those of accountants, as far as they're holding their

27. Cf: Marx's "Grundrisse", opening line; which is set up as a strictly supply-side argument of the determinate material value of Individuals, i.e. non-social entities, producing in society. And while it is certainly arguable that Marx ameliorated that point of departure later on in that work, it only serves to underscore the underlying incoherency of his assertions. So no wonder that the question as to whether Marx had an LTV or not is still continuing to this day amongst Marxists.

static “snapshot” balance-sheet statements of assets and liabilities as a truth conveying reality, as well.
Concluding remarks as to why Marx's critique of capitalism in terms of material values fundamentally isn't compatible with, nor relevant to, a capitalist system having all its components valued in terms of units of account...

From Gödel's incompleteness theorems we know that any consistent system in which a certain amount of elementary arithmetic can be carried out to formalize it, i.e. a system with a formal meaning, its consistency cannot be proved within the system itself. Thus when the meaning or purpose of an economy, as set by the movers and shakers of the system, is a continuation or enhancement of the already existing for their own benefit, it becomes impossible to discover what this meaning entails by however meticulously examining all the substantial elements of that existing economy. There simply cannot be enough information available within any formal physical system to do so coherently, thus making it incomplete. The only way to achieve both completeness and coherency (or cogency) is by means of a scheme that over-arches the whole from a different level. In the ruling capitalist state of things this is a double-entry accounting system, that itself, from its own fundamental set of first principles and with the assistance of arithmetic, has as its end-purpose the showing of how an economy (or parts of it) progresses over time. But note that this redress only impositions upward, the inherent incompleteness upon the unprovable fundamental assumptions of accountancy; which in turn depend on the axioms of arithmetic to be true. And while this doesn't need to concern us here as far as it goes, aside from the current argument it also has crucial implications for those economists who are used to hanging their hats on the absolute trueness of accounting identities. This indicates that the specific elementary but non-physical units of an accounting system cannot also be already physical “*things”* on the lower level it is supposed to identify in its terms. And, for coherency sake, this in turn will require a profound shift in the thinking about money’s nature[28]; in particular when this would concern the validity and trueness of a commodity money like gold. The latter, still being the norm in Marx's time, is also exemplified by Marx's inability to find a coherent source of *monetary* profits[29].

28. http://www.vcn.bc.ca/~vertegaa/money.pdf
29. See: Marx, Capital II; Ch.17

The underlying philosophical reason for all this is that valid deductive reasoning, which in this case involving the axiom of the economic system in its entirety being represented in terms of a system of integrated accounts[30], requires that all its axioms be obtained exogenously from the deductive probings as to how the economic system gets its theoretical start and subsequently hangs together. So that money, as fundamentally a non-material element of the accounting system, that makes an economy sensible, cannot also preexist within a coherent economic system being deduced in terms of units of account. Only a repudiation of the systematic account first principle could possibly make the two other commonly referred to attributes of money, i.e. the physical means of exchange and material store of value, valid in some alternative economics' reality. But since Marx in no way did that, and however confusedly held on to that underlying (first) principle of how an *accounted-for* economy works, it's no wonder that his elusive "revenue", as a free-floating quantity of substance, wasn't to be found where he, as axiomatic materialist, expected it to be. Marx wasn't the only one thoroughly fooled by appearances however, for it's also the reason why both Keynesianism is permeated with paradoxes and a coherent theory of money couldn't be written conventionally, as is demonstrated by the many failed attempts to do so.

"Funds", or financial means, and its related monetary attributes, thus all lose the meaning these hold in the existing other approaches toward understanding the economy as well; with all of this having devastating consequences for the entire financial sector, including the meaning of "shareholder value". As per the above, a theory-closing methodology of its workings thus has to bypass the physicality of economic production and instead focus on the non-material and now by necessity ever changing or elastic value of its measuring unit of account; with its political-economic effects, involving the in the footnote mentioned missing axioms, going well beyond accounting into the domain of Justice[31] as to whom are affected in which way, as the ineluctable result of formalized but insufficiently complete capitalist rationalities. As far as the inappropriateness of these are concerned, one way this comes to the fore is whenever income disbursements associated with additional investment goods' production concurrently show up on the retail level, thereby chasing an already

30. While sufficing for the purpose of this critique, there are other axioms involved that will designate capitalists' values as being insufficiently general; and in terms of which all its present economic values become indeterminate. This has been argued elsewhere: www.vcn.bc.ca/~vertegaa/ontology.pdf and www.vcn.bc.ca/~vertegaa/preface2.pdf

31. For more on this see: http://www.vcn.bc.ca/~vertegaa/ontology.pdf

existing full set of claims to final output to which the latter lacks any and all connection, while yet acting to resolve final output's previously embedded expenditures; and whereby thus having elasticized the value of its unit of account, regardless as to whether this shows up in a coeval CPI or not[32]. A commodity money like gold couldn't possibly fully facilitate the now axiomatically set reality of the economy being a system of accounts. Also, so much for the causal "power" of capitalist investments being able to add or create capital value. For according to this new insight, not capitalists and their risk taking but the previously existing workforce in general puts up with the potential of future added values, through a sharing of currently available final output with those involved in the new "capital" creation; and whether this happens wittingly or not isn't the point here. Theoretical knowledge isn't in the least required for an economy to yet somehow function[33].

The upshot of the above general and all-inclusive alternative theoretical concept is of course momentous. For unless shown to be self-contradictory or at least irrelevant, it means not only that Marxism and all conventional approaches to economic theory argue from the same faulty perspective, but that this also includes even the far right of capitalism, i.e. that vile bunch of ideologists congregating under the mythos of neoliberalism. For while Marxism doubtlessly is a polar opposite to the latter in virtually everything that their "weltanschauung" stands for, all current persuasions of how the economy works are still finding themselves on the same but wrong side of the issue at hand[34] when arguing otherwise. And this in turn means that Marxian economics cannot be of help in the struggle to overcome the most grievous of our current economic woes, those having been inflicted through implemented austerity policies by neoliberals in

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32. Cf: H. Minsky's testimony into the instability of a financial system: Special Study on Economic Change. Hearings before the Joint Economic Committee, Congress of the United States, Ninety-Fifth Congress, Second Session, p. 858; held on June 20, 1978. https://www.jec.senate.gov/reports/95th Congress/Special Study on Economic Change Part III (915).pdf

33. Cf: J.C.L. Simonde de Sismondi "Nouveaux Principes d'Économie Politique" (2e éd. Paris 1827) Book I, final line of ch. 3. www. vcn.bc.ca/~vertegaa/sismondi.pdf

34. (i.e.) Whether capital values exist as determinable in time, as they empirically appear to be so. And it doesn't really matter whether their causal power is taken for granted as being obvious, or an underlying theory proving that "fact" is vainly sought and then faked as being successful; as neither side has the non-ideological or real wherewithal to show their adversary's conjectural model to be false. But even more serious is the consequential fact that all attempts at "doing" economics conventionally, concerns an economy that doesn't exist outside the artificial games that economists play.

governments presently in power, onto the ever more suffering populations of the so-called developed world. It can only be because Marxism seems to run so true on an emotional level, that is has yet been able to survive for so long among the many with a social conscience, but alas theory-wise it's no more than a clumsy shamble of overdeterminateness, circular reasoning, contradictions, and even subterfuge. For since Marx's already recondite theory of the reproduction of accumulated capital has now been exposed as fake and thus is utterly fallacious, everything else derived from this primal concept succumbs right along with it.