

## **Report on « The paradox of Monetary Profits: An Obstacle to Understanding Financial and Economic Crisis? »**

The paper raises many interesting points in Marx's and Keynes's works and a few serious accounting problems in representing a financial crisis. However, its major shortcoming is a lack of focus and coherence. In fact, the paper deals with two different problems which are not clearly linked together so that it gives the impression that there are two separate papers instead of one. A first paper discussing Marx's theory of surplus value and Keynes's reinterpretation of Marshallian concept of quasi-rent and "user cost", and a second paper starting from "5 framing the profit question anew" that tackles the concept of income in economics and accounting. While Marx's story about surplus value and Keynes's "user cost" vanish in the second paper, there is no clue of a dichotomy between the economists' and accountants' vision of income in the first paper. Killing two (or many) birds with one stone is the source of insufficient treatment of the points raised in each part of the paper.

For instance, in the first part of the paper (which I name "the first paper"), the theoretical framework in which Marx's analysis about surplus value is conducted is never explicitly discussed. At least since Morishima's *Credit and Capital* (1992), it is known that the "realization issue" in Marx's reproduction schemes hinges upon the way the accumulation process is represented in a *sequential* or *simultaneous* way. Regrettably the authors do not clarify whether their discussion of "monetary profit" is within a sequential framework with "dated" capital (as B hm-Bawerk regarded as the main problem of capital representation in Marx's work) or an undated simultaneous modeling of accumulation. Furthermore, the issue of "monetary profit" in Marx is inseparable from Marx's position regarding "Say's Law" (or Say's Principle as Clower says) and "anti-Say's law" (Morishima, 1992). But this topic is completely neglected in the first paper. Paradoxically, we find some reference to "conservation principle" in the second part of the paper (which I name "the second paper") while discussing Keynesians' vision of income. But it never occurs to the authors that the topic which they are dealing with is related to Clower's discussion of Say's principle.

Similarly, the relationships between Keynes's "user cost" and Marshallian "quasi-rent" remain obscure and except a short footnote (no 6) regarding the relationship between 'quasi rent' and transient disequilibria, there is no allusion to the chosen theoretical framework for interpreting Keynes. Do the authors study Keynes' treatment of "monetary profit" within equilibrium or "out of equilibrium" framework? This basic point is never explicitly addressed in the paper and hence there is no surprise why there is no reference to the fact that Marshall's concept of "quasi-rent" is meaningful with reference to his notion of "normal value" (which is a mental construction). Once again, the issue of "Say's Law" in Keynes's treatment of "monetary profit" cannot be dismissed.

In the second paper, we suddenly find both the importance of time (expected future cash flows) and the theoretical framework of equilibrium/disequilibrium situations. But the terms of discussion are defined according to a dichotomy between economists' versus accountants' visions of income. What is the relationship between this story and Marx or Keynes's

treatment of monetary profit? In an accounting setting, there is no issue with “Say’s Law”, but what about Marx and Keynes?

Finally the discussion regarding “a subjective monetary profit” which should provide a link between the two parts of the paper regrettably adds confusion and lack of clarity. For sure, Marx’s monetary profit is not a subjective one and while “normal” profit in Keynes (in accordance with good Marshallian tradition) has a “subjective” (mental experimentation) dimension, it is not an “aggregate” monetary profit. In fact, how could “subjective profits” be added together? The only possible way is to assume a “representative or average profit”. But an average profit postulates an equalization of the rate of profit. The transformation of “subjective monetary profit” into “aggregate monetary profit” is nothing but the same realization problem. By assuming an identical value for the two, we simply erase the realization problem without providing a solution to it.