

Report on Bruun and Heyn-Johnsen, "The Paradox of Monetary Profits ..."

The paper raises the question of how monetary profits can be realized, given the fact the capitalists advance only a sum of money sufficient to buy means of production and pay wages, a sum that falls short of the money needed to circulate the entire social product generated and thus to appropriate the surplus product (profits) produced in terms of money. In Marx's famous formula M-C-M': Where does the M' - M come from?

After a short introduction the paper provides a summary account of what Marx had to say on this problem (part 2), followed by an account of Keynes's view on the matter (part 3). Then follows what the authors call "a consequential logical conclusion" (part 4). Their finding that the traditional transactions based approaches do not allow one to solve the puzzle prompts them to frame the profit question anew by turning to approaches that define income in such a way that changes in the values of assets are included (part 5). This leads them to a discussion of views encountered in the literature on accounting and in Post-Keynesian authors. They then present an "alternative concept of income" (part 6), which they call "below the line concept of income".

In my view this is a potentially interesting paper. However, I cannot recommend to publish it in its present form. There is ample room for improvements along the following lines.

1. The argument ought to be condensed to the essential points. The paper suffers from the fact that the reader is in danger of missing the forest for the trees. I find the sections devoted to the history of economic thought too long and convoluted. The argument could and should be straightened.
2. Closely related to what has just been said, the paper attempts to accomplish too much. It needs more focus. The authors should also refrain from passing judgements on arguments they apparently do not know that well (see below).
3. In places the paper is quite sloppy and in others it is very superficial. There are several sentences that are incomplete. There are a number of typos etc. One wonders whether the authors read and corrected their piece before submitting it. While the English is on the whole quite good, it is far from perfect. They seem to think that classical economics can be identified with general equilibrium theory.
4. There is also a methodological problem the authors ought to discuss. This refers to the use of the long-period method in classical economics, which discriminates between market and natural magnitudes. In some of modern theory this discrimination has been lost and the authors under consideration seem to believe that whatever happens in markets expresses only fundamentals.

The paper ought to be substantially revised.

Specific comments:

p. 1: a "casino" impact

p. 2: "The side of financial markets." What kind of sentence is this? / labour power (throughout) / With a commodity (gold) as money I am not aware what the problem is. With the real wage rate and the methods of production in the various industries (including gold production) given, money (i.e. gold) will be produced, if it is profitable to do so. With the rates of profit differing between different lines of production capital and labour will be shifted between these lines until a uniform rate emerges. / The repercussions of which ... - sentence?

p. 3: The discussion of the case with a commodity money (gold) is not clear to me. Especially the sentence "And this could only happen ...". / Again there are expressions on the page that are not full sentences.

p. 4: The concepts of "constant" and "variable capital" have already been used earlier; they are defined only now. / from one Capitalist's account to ... / the stock of money "equalling the net product of macroproduction" - not clear to me; why net and not gross, why independent of the velocity of circulation?

p. 5: footnote: "quasi-turns"?

p. 6: In perfect competition, i.e. long run equilibrium - this is certainly a misconception. /

p. 7: What is the meaning of the sentence in smaller font immediately after the quotation at the top of the page? my comment - whose comment? / Next quotation: my underlining - aren't there two authors

p. 10: To investigate this is an involved semantic task having Keynes works as the text-book. What does this mean?

p. 11: empirical

p. 12: symmetry

p. 14: For perfectly good reasons, the classical economists distinguished between market prices and natural prices, where the former reflect all kinds of influences (temporary and permanent, systematic and unsystematic etc.) and the latter only the permanent and systematic ones. What they called the natural factors are now called the fundamental or "true" ones? I miss a discussion of this issue in the new context. / This would render the alleged conflict between accounting and economic theory perhaps more intelligible.

p. 15: in their eager?

p. 17: But what they actually do is to cumulate ...

p. 20: footnote: not clear to me at all, what is meant. Different commodity or own rates of interest are connected with the expansion of production of some commodities and the reduction of production of others. Is the argument that the process of gravitation of market prices to their natural levels can always be counted upon. Or what is it? By the way, Sraffa

was not at all happy with Keynes's use of Sraffa's argument in his criticism of Hayek in the *General Theory*.

p. 21: The authors seem to identify "classical economics" with "neoclassical economics", which is a serious misconception.

p. 24: monetary / Production is said to rest on an illusion. This is certainly over the top and not sufficiently substantiated by the paper.