International Journal of Political Economy ›
Volume 27, 1997 - Issue 2: Marxian Theory: The Italian Debate

Original Articles

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Toward a Macroeconomic Theory of Distribution from a Monetary Perspective

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Pages 97-118 | Published online: 28 Jan 2016

Cite this article https://doi.org/10.1080/08911916.1997.11643948

Int. Journal of Political Economy, vol. 27, no. 2, Summer 1997, pp. 97–118.

0891–1916 / 1998 $9.50 + 0.00.

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This paper will show how the Marxian labor theory of value can be consistently set out in terms of the model of the monetary circuit.[1] In particular, that model allows us to give a more general account than Marx offered of the extraction of surplus value by lifting the restrictions implicit in the first volume of *Capital* concerning the fulfillment of firms' expectations of sale and workers' expectations of real wages.

We can trace accounts of the economic process in terms of the monetary circuit to Quesnay's *Tableau Economique* (1758). But its fullest developments are associated with Wicksell (1898), Schumpeter (1912), and Keynes (1930).[2] After some decades of neglect, the monetary circuit is again the center of growing attention, especially in France and in Italy. In the following pages, we shall refer to the simplest and most powerful model of the monetary circuit—that developed in the writings of Augusto Graziani.[3]

© 1998 M.E. Sharpe, Inc., from a paper presented at the Eastern Economic Association Conference, New York, March 17–19, 1995. Financial help from MURST is gratefully acknowledged by one of the authors.

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