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***Classical Circular Flow Theory and its
Contemporary State***

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Review of V. Maevsky' and S. Malkov' book
“**New Vision at Theory of the Economic
Reproduction**”

- ***Urgency (Zeitgeist)*** identified as:
- 1) obscure structure of fixed capital and its reproduction possibilities during and after world economic crisis 2007-2008
- 2) immanent requirements of circular flow theory resurrection (i.e. Quesnay – Ricardo – Marx – Dmitrieff – Charasoff - Leontieff – Sraffa line as the alternative of mainstream economics in the production theory)

Structure of Maevsky' and Malkov' book

- **Part I. Theory of Shifting Mode of Reproduction (SMR)**
- Ch. 1. SMR in context of Marx' theory (on basis of I and II volumes of «Capital»)
- Ch. 2. SMR in framework of hierarchy-based economy
- Ch. 3. Numerical reproduction schemes of fixed capital and money circulation

Structure of Maevsky' and Malkov' book --- 2

- **Part II. Theory of Shifting Mode of Reproduction: a model**
- Ch. 4. Introduction to SMR modelling
- Ch. 5. Basic SMR Model
- Ch. 6. Modelling of growth-oriented economy
- Ch. 7. SMR Model expansion: on monetary aggregates, on econometric analysis of USA data, on targeting mechanism

Important features of Maevsky' conception of production process

- A) critique of Marx' idea of value transference (value of constant capital) on commodities, or "reincarnation effect"; so this book is reconciliation of *critical Marxism*;
- B) fruitful return to «value» concept (die Wert, die «Wert – Preis» Unterscheidung, cf. Bortkiewicz' 1906-1907 essays), opposing Pareto-like assertions on uselessness of «value». **Value** is connected with **economic time, i.e. it is measure of economic reproduction processes**;

Important features of Maevsky' conception of production process -- 2

- C) Fixed capital is considered not as aggregate or homogeneity, but as **hierarchy-based** and dynamical entity. It is similar to Sraffian-type of capital critique during “two Cambridges debates” 1960-1970s. But unlike Sraffians, -
- D) Maevsky introduces key idea of Shifting Mode of Reproduction. The result is: **open-and-closed economy**, phenomenon of **self-reproduction**. Here he equally opposes both Austrian-type construction of linear production process and Reswitching Theorem of G.B. Cambridge School.

*Important features of Maevsky'
conception of production process -- 3*

- **E) Filling the gaps** in the Circular Flow Theory (die Kreislaufstheorie):
- E1) introduction of Money into Economy (concept of “depreciation money”), refusal of “neutrality principle” within supply-side economy;
- E2) «aggregation-disaggregation» vision of the economy, i.e. taking into account of micro-and mesoeconomic foundations.

*Important feature of Maevsky' and Malkov'
SMR-model from historical point of view*

- **Crucial notion of “dis-coordinated regime of economic growth”**. Verification of structural disproportions theory, based on Tugan-Baranowsky' circular flow schemes (1894, 1901), K. Kautsky' (1900) and R. Luxemburg' (1913) Tugan schemes' correctures, H. Grossmann' (1925, 1926) and N. Moszkowska' (1929) essays, and also numerical examples of Leontieff' “Die Wirtschaft als Kreislauf” (1928).

Institutional privileges of V. Maevsky' and S. Malkov' book

- *Cooperation* of researches with diversified interests: economists, mathematicians, biologists, sociologists, historians (not only on economic thought);
- Wide specific *vision* (in Schumpeter sense) of modern economy as hierarchy-based structure;
- (above + as concerned *phenomenon of self-reproduction*): Perspectives to formation of new branch of economic tradition in Russia,
- *positive externality*: Reconciliation with nearly forgotten authors, such as V.K. Dmitrieff 1898 (notion «machine M»), and G. von Charasoff 1908-10 (notion «Urkapital»).

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- **Thank all for attention!**