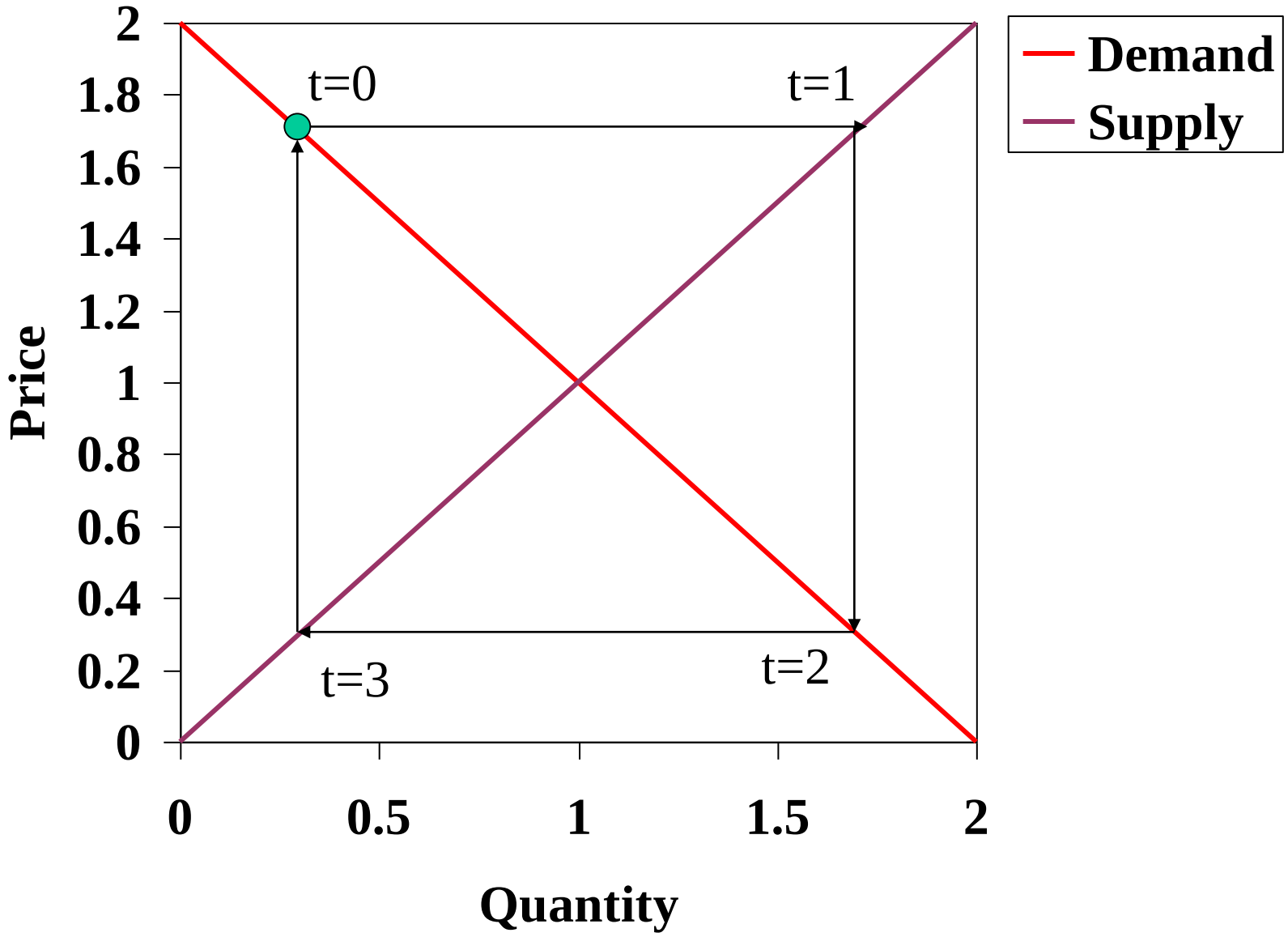
What is temporalism? Why does it make a difference?

"Methods of analysis depend on some assumptions – implicit or explicit – about causation, and some preconception as to what kinds of phenomena should be explained. Causation can be thought of as sequential (A causes B causes C), as simultaneous mutual determination (as in Walrasian general equilibrium), or as a confluence of 'tendencies' whose net result may bear little resemblance to any of the individual elements…during the classical period, both orthodox and dissenting economists tended to conceive of causation in a sequential sense – as distinguished from simultaneous equilibrium"

- Thomas Sowell (1974:127)


Demand
Supply
t=0
t=1
t=2
t=3
Price
Quantity
2
1.8
1.6
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1.2
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0.8
0.6
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1
1.5
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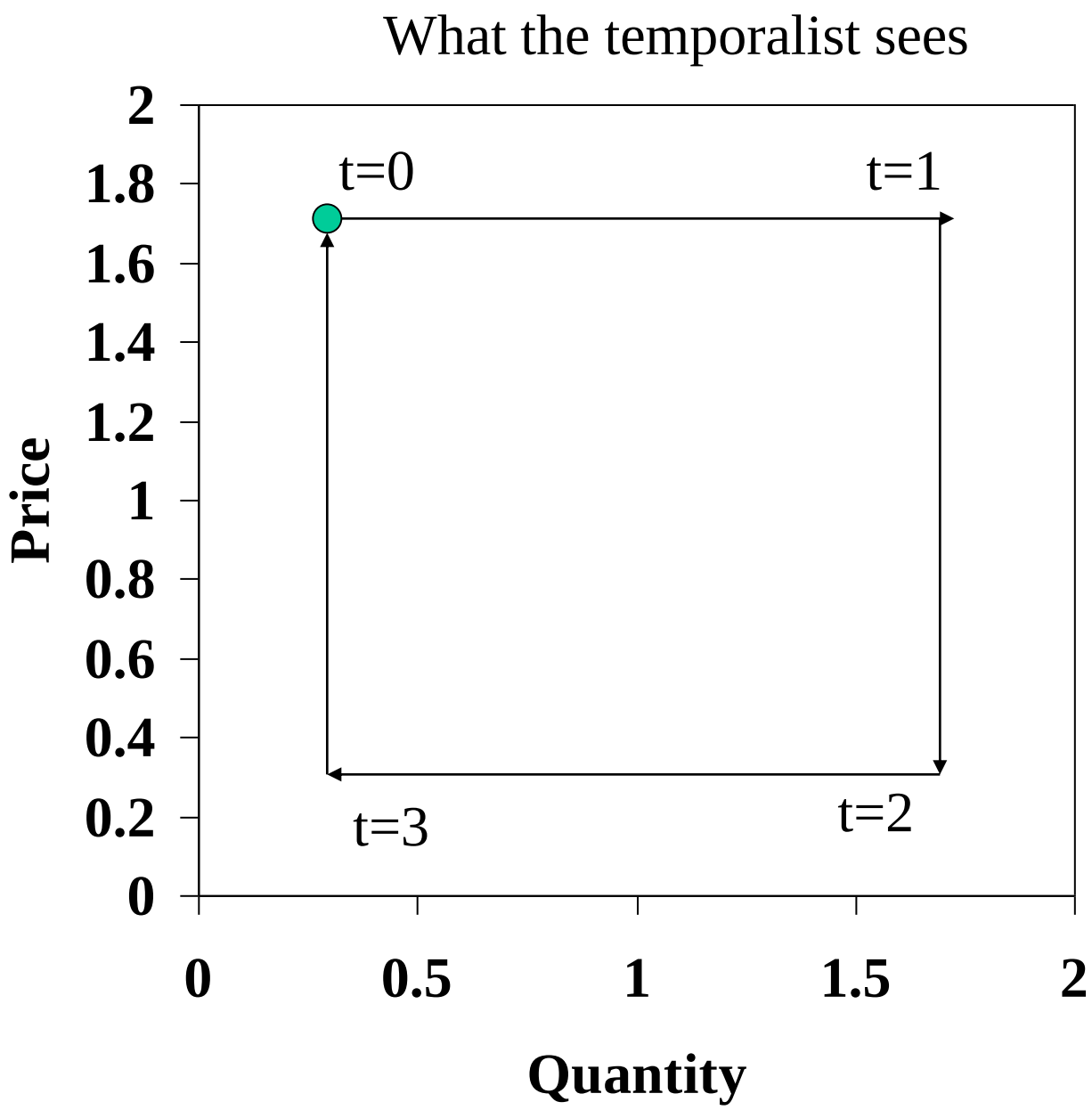
What the temporalist sees
2
1.8
1.6
1.4
1.2
1
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Price
t=0
t=1
t=3
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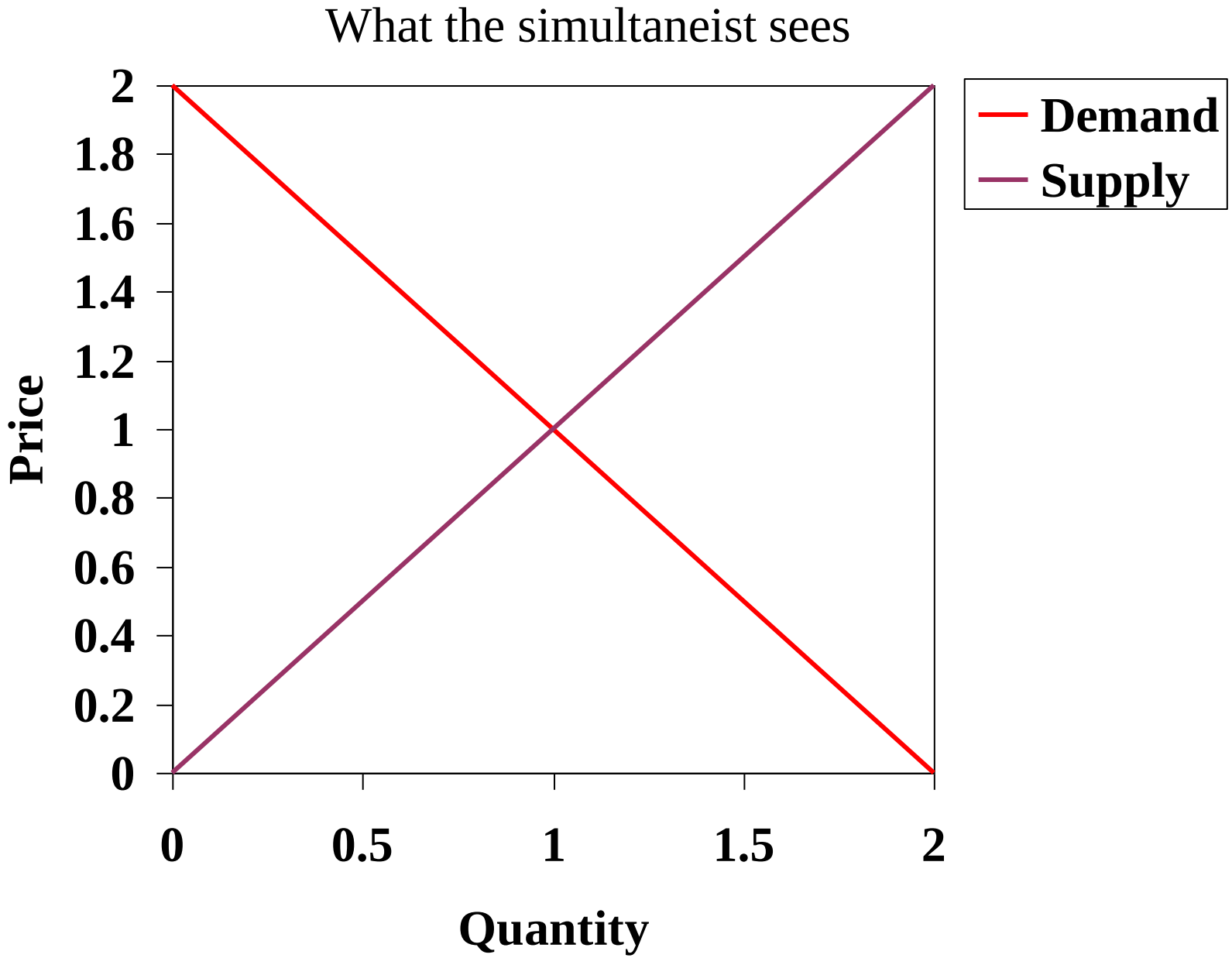
0
0.5
1
1.5
2
Quantity


What the simultaneist sees
Price
2
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
0
0.5
1
1.5
2
Quantity
Demand
Supply

What is ‘simultaneism’?

“Alfred Marshall said once of Ricardo: ‘He does not state clearly, and in some cases he perhaps did not fully and clearly perceive how, in the problem of normal value, the various elements govern one another *mutually*, not *successively*, in a long chain of causation’. This description applies even more to Marx … [who] held firmly to the view that the elements concerned must be regarded as a kind of causal chain, in which each link is determined, in its composition and its magnitude, only by the preceding links … Modern economics is beginning to free itself gradually from the successivist prejudice, the chief merit being due to the mathematical school led by Léon Walras.” (Bortkiewicz 1952:23-24)

In summary: *assume the economy to be in a state where no motion can take place*

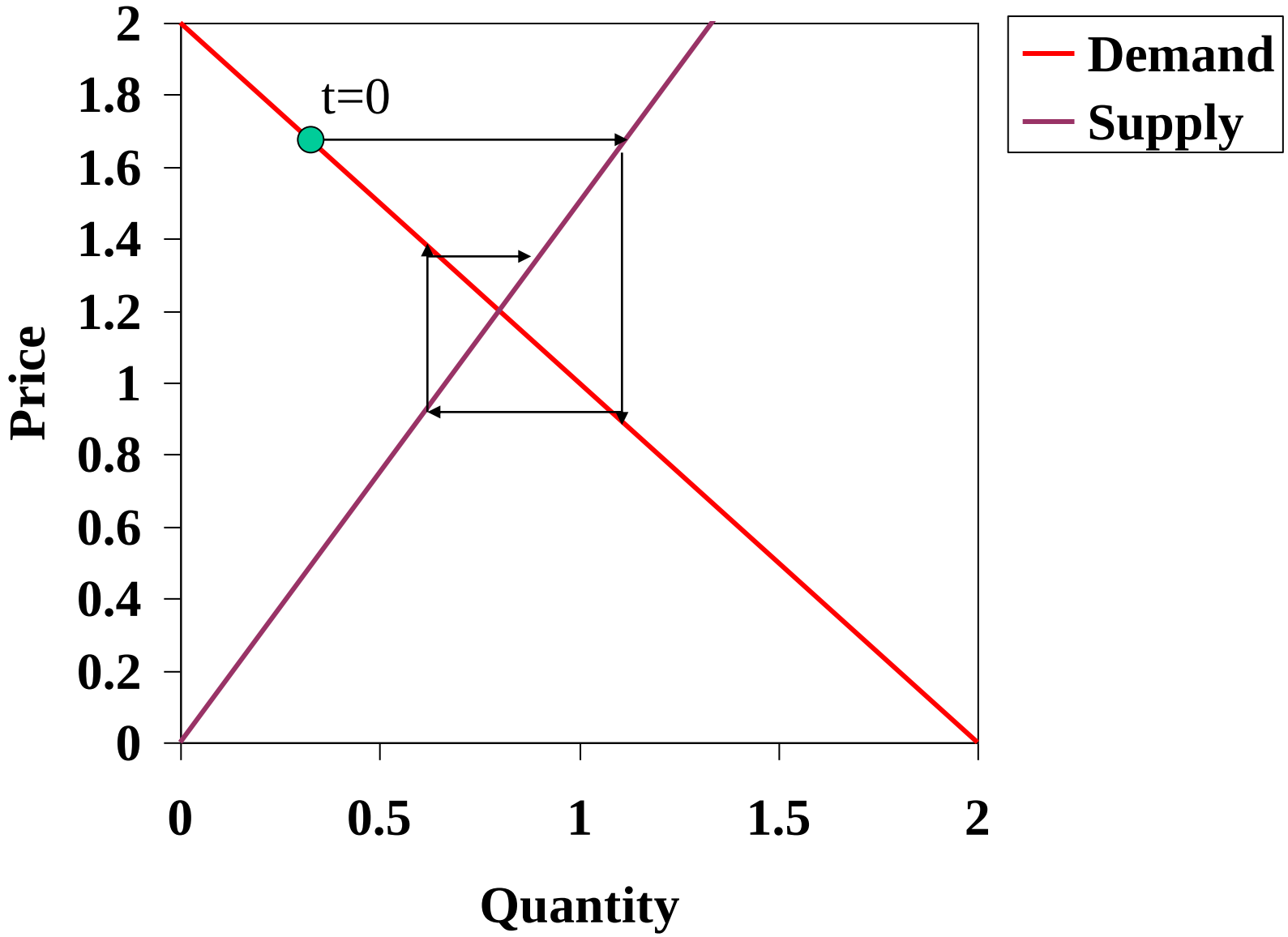
Synonyms for simultaneism

- In neoclassical economics
  - general equilibrium
  - comparative statics
- In ‘Marxism’
  - nearly all “Marxism” (Sweezy-Seton-Morishima-Steedman)
  - Sraffa and ‘long-period’ analysis

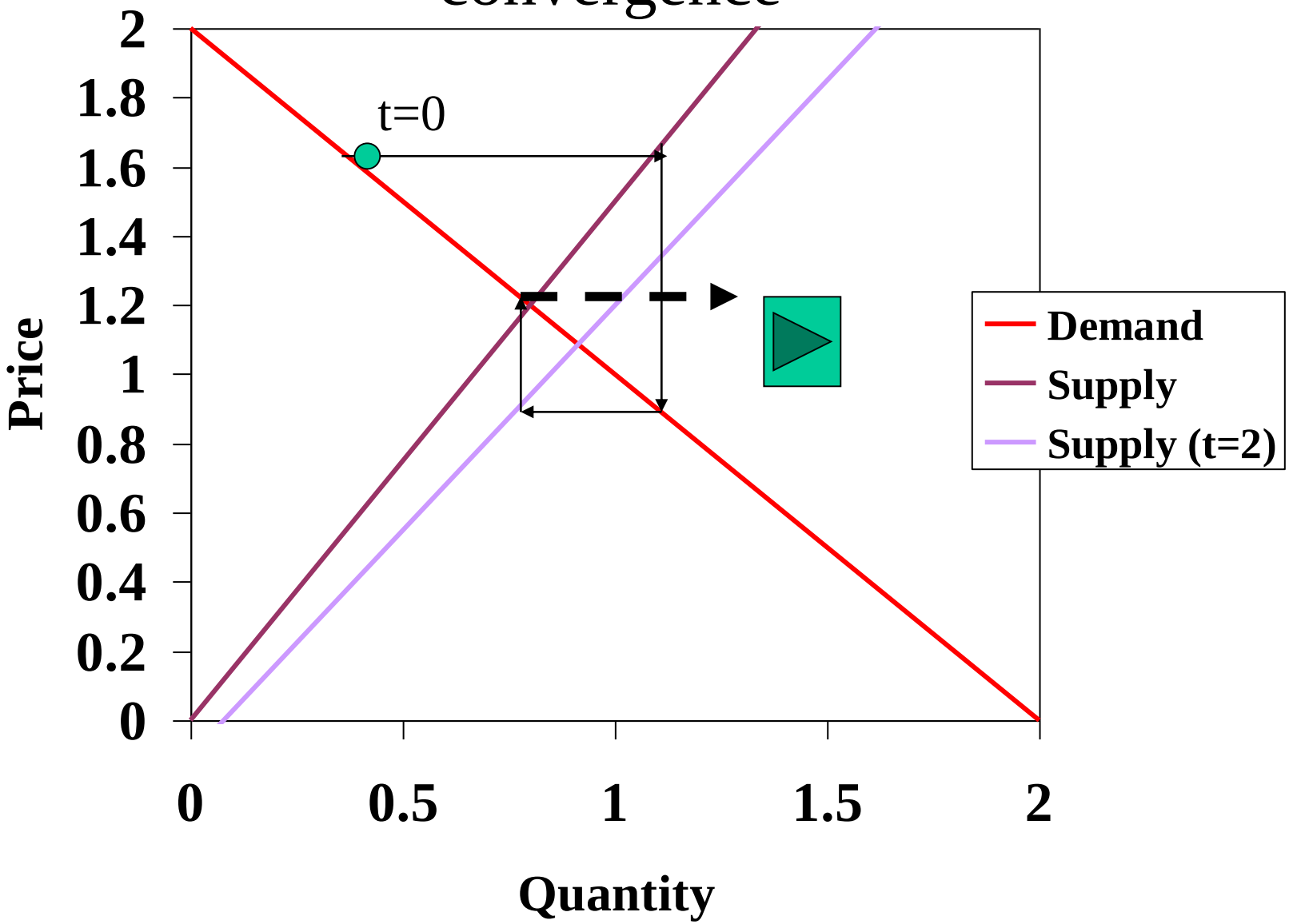
Simultaneist problems, simultaneist answers

- The price and quantity never actually reach the equilibrium point
- The basic response: it is ‘as if’ the system was in equilibrium. Deviations are accidental and ignorable. Hence:
  - response 1: if ‘left undisturbed’ the system will converge to the equilibrium
  - response 2: equilibrium is the *average*
  - Response 3: equilibrium is the ‘centre of gravity’

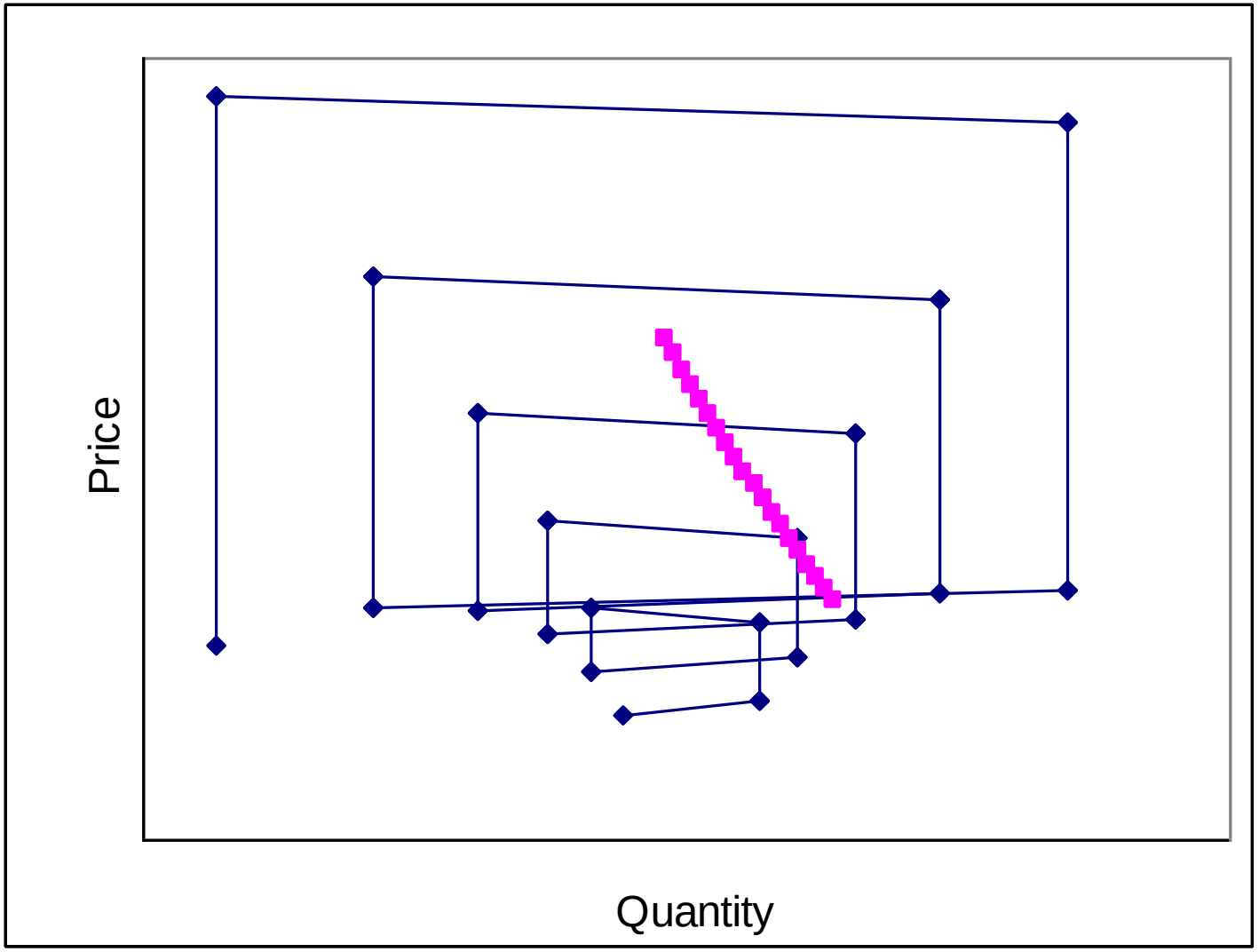
Convergence illustrated



The problem with convergence



The problem with average



There is no guarantee that a moving *average* will follow the same course as a moving *equilibrium*

And in general, it won't

The Last Resort: Centre of Gravity

"prices [are] long-period centers of gravitation regulated, together with the rate of return on capital, by the technical conditions of production and the real wage"

(Mongiovi, G (2006). 'Vulgar Economy in Marxian Garb: A Critique of Temporal Single System Marxism'

"This book is concerned primarily with the investigation of economic systems that are characterised by a uniform rate of profit and uniform rates of remuneration for each particular kind of 'primary' input in the production process … The classical as well as the early neoclassical economists did not consider these prices as purely ideal or theoretical; they saw them rather as 'centers of gravitation', or 'attractors' of actual or market prices."

Kurz and Salvadori (1995:p1)

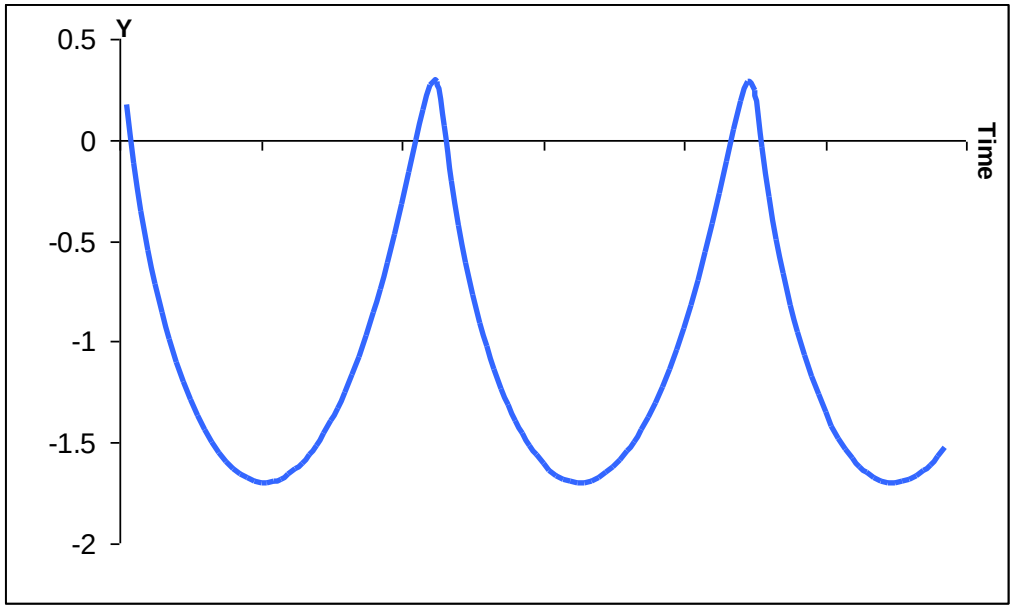
"[T]he economy begins out of equilibrium, and the study demonstrates the ability to move to the equilibrium position, in the absence of further perturbation. This model studies the centripetal forces which pull the economy back to equilibrium, the central aspect of the classical paradigm of competition.

However, recurrent perturbations (centrifugal forces) force the economy into a constant gravitation around the equilibrium position. A state of gravitation is a 'stationary' (but agitated) regime in which centrifugal forces are matched by centripetal convergence forces…

Duménil and Lévy (1993: p147)

Gravity: an invasive metaphor

- Actually, doesn’t manifest same rules
- Gravity is weaker, the further away from the centre; ‘pressure’ on prices is stronger, the further away from equilibrium
- Actual centres of gravity (in mechanics) are also not equal to the moving average.
- Centre of Gravity is a *metaphor which substitutes for a logical premise or deduction*


Y
0.5
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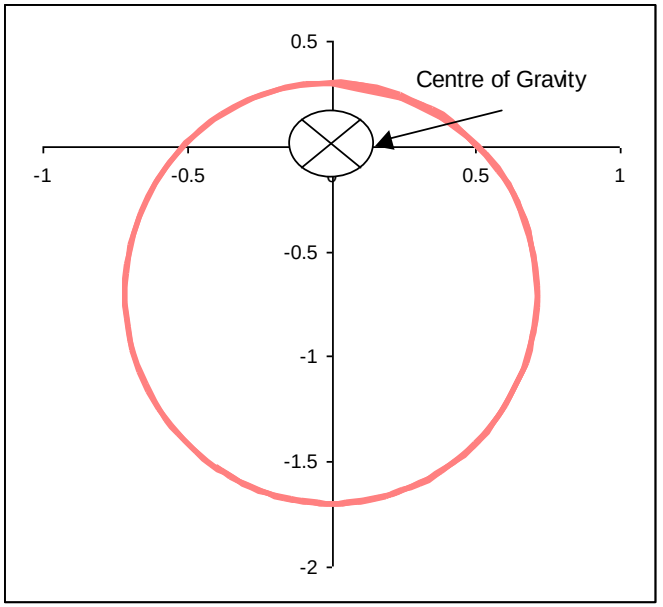
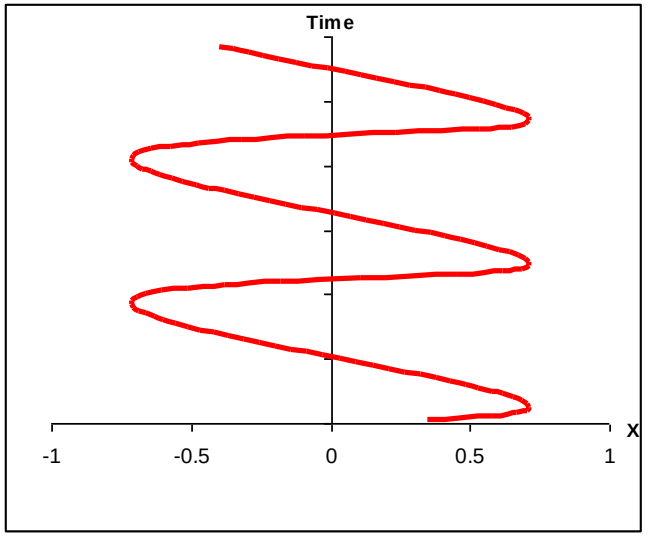
Time


0.5
Centre of Gravity
-1
-0.5
0.5
1
-0.5
-1
-1.5
-2


Time
-1
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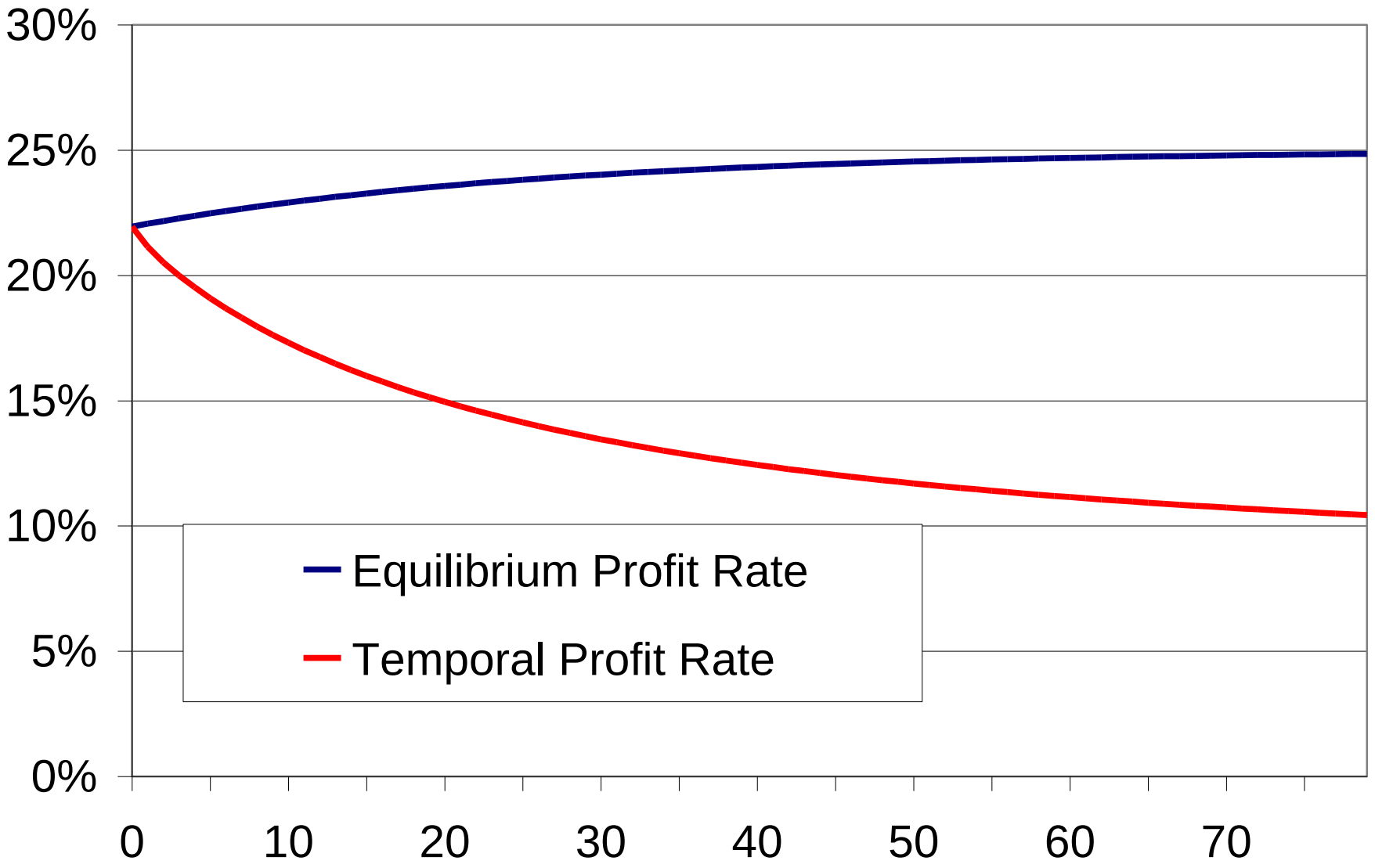
X

This is not an academic or minor theoretical issue

Most major phenomena of capitalism are casualties – simultaneism simply has no explanation. Temporalism does

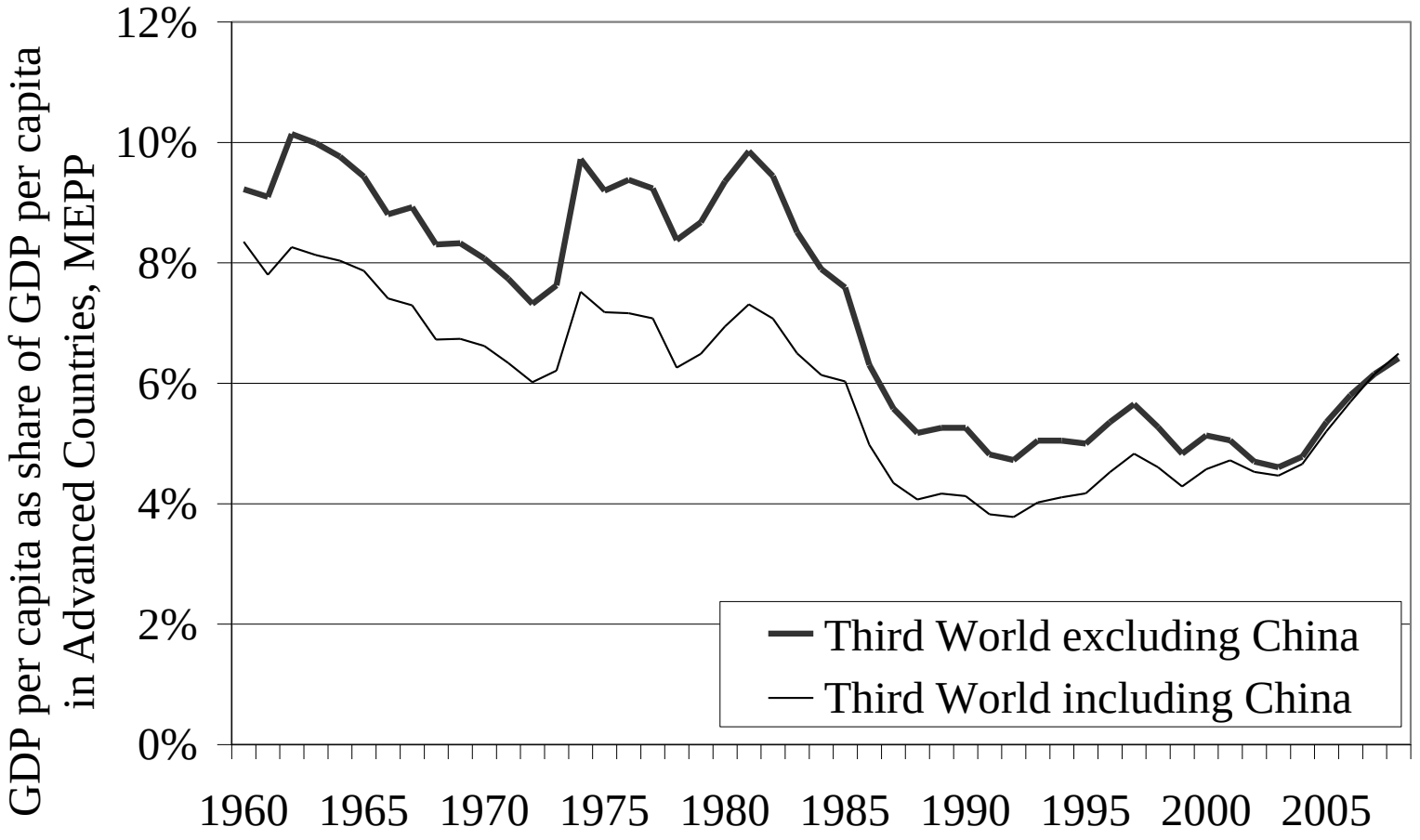
Casualty 1: the rate of profit



Casualty 2: the motor force of capitalism

- Profit rates do not actually equalise, either *between* or *within* a sector
- Those capitalists who are more productive get a higher-than average profit rate
- Capital flows to where this ‘super-profit’ is highest
- This is the motor of technical change

Casualty 3: explaining inequality



Casualty 4: explaining financialisation

- The value of money rises when prices fall, and falls when prices rise
- When the boom phase of the business cycle has reached its limits, prices begin falling, or rising less rapidly
- Profit can then be made simply by holding on to money (‘liquidity preference’)
- This is a wholly dynamic, endogenous mechanism