

Political Economy: Basic Level

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Marx's Capital is a basic level of political economy. In the “Capital” the categories of the capitalist mode of production are presented in their intrinsic connection. Marx included in a general model the main categories: commodity, money, price, capital, wages, profit, rent, interest, etc.

Fundamental Capital model is not obsolete, but there is a need to incorporate the modern categories of micro and macroeconomics into it: demand, quantity demanded, supply, quantity supplied, investment, savings, consumption, etc. This task is performed by “general economic model”, which is given in a training course at the Economics Faculty of Moscow State University since 2007. The article gives basic information on subject and method of general model.

Keywords: political economy, object, method, Marx's Capital, General economics

1. Characteristics of the course

During the course we construct the General Economic Model of a market economy. General economic model is the continuation of the university tradition of the courses of “general science” (“general chemistry”, “general physics”). Equaling the natural sciences, “general model” is not intended to create new paradigms, but involves finding the common grounds of existing ones. The model is constructed by dialectical method similar to building a model of the genome in biology. There are two factors that make up “DNA molecule” of capital: use-value (form) and the value (nature of “wealth of nations”). Through these two factors main categories of business, micro and macroeconomics are defined. The algorithm of synthesis and structure of the model is based on the Marx's “Capital”.

The model is general because

- it includes both micro- and macroeconomics and explains the categories of micro- and macroeconomics,
- it explains the most important business process — the process of advancing, preserving and increasing the value of capital (individual and social capital);
- explains the categories of concrete economic disciplines (accounting, statistics, etc.)

- gives a general model of the genotype of a market economy for all countries. The national economy — a phenotype, i.e., genotype plus the surrounding institutional environment.

Sherlock Holmes did not know about the structure of the solar system, did not know that the Earth revolves around the Sun, because in his work that was not necessary. For “everyday life” (A. Marshall) micro and macroeconomics should be enough. GEM is necessary for fundamental analysis and forecast of economic reality in order to understand the internal laws of the real business.

This is a theoretical course, but there is nothing more practical than a fundamental theory.

2. The subject of economic science in general and the subject of economic science of the market economy

The subject of economic science in general is the relations of production, that is, relations into which people enter into social production of their existence: “In the social **production of their existence**, men inevitably enter into definite relations, which are independent of their will, namely **relations of production** appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. **The mode of production of material life** conditions the general process of social, political and intellectual life” [4].

Let’s record the highlights, definitions and conclusions, on which we shall rely in the construction of the model of a market economy.

1. The subject of economic science in general (throughout the history of mankind) — a relationship in which people enter in social production of their material life, or relations of production. Relations of production include, but not limited to, relations in the production of things (material production).

2. The totality of these relations constitutes the economic structure of society. Economic relations and relations of production are identical.

3. The relations of production are objective; they do not depend on the will and consciousness of people. In Russia, parts of the population were born during the socialist era, and then they found themselves in the market economy. Along with this, their behavior has changed dramatically.

Economic science studies the objective conditions for the reproduction of human life, and not a “person”, or “behavior”. Man adapts its behavior to the objective conditions of the reproduction of life.

4. Relations of production include relations in the sphere of intangible production (services), which provides (re)production of human life. Relations in the sphere of ecology, which now provide (re)production of life.

Previous ideas about the subject of economic science in general. Russian political economy considered as the subject the relations of material production (exchange, distribution, consumption) of *things*, rather than production of material *life* of people. Definition was initially suggested and further developed by Jean Baptiste Say¹ (1803), James Mill² (1821) and other authors of the first half of the 19th century. The relations of production of life include, but not limited to, the relationship of production of things.

The mode of production of life is a special concrete historical totality of relations of production. We usually distinguish (primitive) communal, slave, feudal, capitalist and socialist modes of production of existence.

The relations of production in the Russian village community had relations of personal interdependence.

At the rural meeting (*skhod*) in the Russian community each year the members of community determined the number of “workers” and “eaters”.

Families in which there were few “workers” and many “eaters”, received the most fertile land (strip) of land. Hence — “patchwork”. Part of the land (meadow, pastureland and forests) was in common use.

These relationships ensured the reproduction of the community and its members.

For the community as a whole since its primitive forms it is typically to have systematic centralized distribution of the means of production and the product itself for the purpose of reproduction. The distribution was carried out taking into account the egalitarian principle of gender, age, and place in the social hierarchy. Part of the means of production, or product, acted as the reserve fund that meets the needs of the community. Italian mafia, Russian “*bratki*” with their “*obshchak*” (fond of common use) — a type of community.

Relations of production and property. Survival of the individual family outside the community was not possible, that is why in the community there was no private property (and the exchange of commodities within the community). The totality of community relations of production was a community *property in an economic sense*. In other words, appropriation of substances of nature and their adaptation to the needs of the people was community-based. If there is appropriation of this kind, than there is a property regardless of whether it is legal by law.

Private property in the rural community became possible when some families became capable of reproducing life outside the community.

But the forced introduction of private ownership in the community would mean its collapse.

¹ Say J-B. *Traité d'économie politique, ou simple exposition de la manière dont se forment, se distribuent et se consomment les richesses*. 1803. The work consists of three books “On the production of wealth”, “On the distribution of wealth”, “On the consumption of wealth”.

² James Mill defines the subject as the laws, which regulate the production, distribution, consumption and exchange of goods or products of labor: “Four inquiries are comprehended in this science (political economy, — S. A.). 1st. What are the laws, which regulate the production of commodities; 2dly. What are the laws, according to which the commodities, produced by the labour of the community, are distributed; 3dly. What are the laws, according to which commodities are exchanged for one another; 4thly. What are the laws, which regulate consumption” [7].

Stolypin's agrarian reform encouraged provision of land plots to peasant proprietors in "one place" (cut, farm), migration of peasants to Siberia to raise undeveloped lands, etc.

The socialist mode of production of life has largely retained the features of communal mode of production and the socialist property in the economic sense represented a totality of relations of production, ensuring the reproduction of the population as a whole.

In the 90s of the last century in Russia the introduction of private property has been carried out, similar in its destructive consequences to possible forced introduction of private ownership in the community.

The subject of economic science of the market economy is (1) *the capitalist mode of production of life* (concrete historical totality of the relations of production).

In primitive communities, hunter who killed the deer, did not become "richer", and did not exchange it for other "commodities". He served as one of the functions of the community, and the hunted deer was at the community's disposal. In a market economy the dependence of things comes to replace personal (inter)dependence. For the reproduction of life in capitalist mode of production commodities and money are necessary. The specifics of the mode of production are that things (social wealth) are the bearers of human relations.

Specification of definition: (2) the subject is *the totality of the capitalist relations of production, which is beared by social wealth*.

Inversion definition (3): the subject is *wealth, which is the bearer of the capitalist relations of production*.

Definitions of the object as a totality of relations of production and as wealth are two sides of the same coin. All the great economists carried "social wealth" in the titles of his works.

The wealth as an object of economic science in the works of prominent economists. Adam Smith mentions the wealth in the title of his work, "The Wealth of Nations" (An Inquiry into the Nature and Causes of Wealth of Nations by Adam Smith in 1776.). The work begins with the words: "The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations".

Karl Marx — classical top — specifies the "Wealth of Nations" of Smith. In a market economy the wealth of the nations is "capital". He names his work "Capital. Critique of Political Economy" (Karl Marx. Das Kapital. Kritik der politischen Ökonomie. 1867). It begins with the words: The wealth of those societies in which the capitalist mode of production prevails, presents itself as "an immense accumulation of commodities", its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity".

Leon Walras, the first founder of the neoclassicism calls his work "Elements of pure political economy, or the theory of social wealth" (Léon Walras. Éléments d'économie politique pure ou Théorie de la richesse sociale, 1874). Walrasian wealth is a set of rare things ("things that, on the one hand are useful to us, and, on the other hand, are available at our disposal only in limited quantity"), possessing an exchange value.

John Maynard Keynes (neoclassical, founder of macroeconomics) in “The General Theory of Employment, Interest and Money” (1936) includes the form of social wealth (interest and money) and its reason (employment).

The only author who in addition to the “wealth” included in the subject the “man” was Alfred Marshall, the second founder of the neoclassical. His work is entitled “Principles of economics” (1890). According to Marshall, “political economy or economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing. Thus it is on the one side a study of wealth; and on the other, and more important side, a part of the study of man” [3].

The subject of the general model and its components. The subject of the general model is identical to the subject of the science of the market economy — a capitalist mode of production of life as a totality of relations of production, which is beared by social wealth, or capital.

The object of the general model includes (1) the classical subject — wealth of nations (A. Smith), (2) the subject of Marx's “Capital” (Capital as a concrete historical form of “wealth of nations”) (3) social wealth (“richesse sociale”, L. Walras) as a subject of Walrasian version of neoclassicism, (4) Wealth as part of the subject Marshallian neoclassical version, 5) the subject of Keynesian macroeconomics (employment, interest and money as elements of social wealth), 6) the subject of Marxist political economy (relations of production as relations of material production).

“Man” as part of Marshall's version of the item is not included in the item.

The subject of Smith's “Inquiry...”, Marx's “Capital”, economics (micro and macroeconomics) is the same: relations of production of capitalist mode of production. The difference lies in the method of research.

The totality of the production relations of the capitalist mode of production. Economic categories. What kind of relationship is necessary for the reproduction of individuals living in a market economy?

Imagine that an individual buys a car (or bread). Of course, for *money*. Let's see what is “behind” the buyer. Where did he get the money (in microeconomics — *income*)? There are several options: (1) it is *wage*, (2) *profit*, (3) *rent*. He or she can take a loan, paying *interest*. All of the above is the real relations of production. For example, salary: you are applying to work at a certain time for the employer and get paid in money (*nominal wages*) for which you are purchasing goods necessary for life (*real wages*). In the theoretical model real relations of production are reflected by scientific categories such as “wages”, “profit”, etc.

Let's look at see what is “behind” the seller. The seller advances (invests) capital in the purchase of vehicles from the manufacturer, gets trading *profits*. He can establish a relationship with a chain of intermediaries, or the parent company. The company assembles the vehicles, and components are produced by supplying enterprises representing virtually all sectors of the economy. Both the parent company and suppliers must *advance capital*:

hire workers and buy products on the market — the *means of production* (raw materials, auxiliary materials, equipment, etc.). They incur costs-price and have to get profit.

In general, the totality of relations of production and, therefore, a totality of categories is congruent to market economy (commodity, money, price, capital, costs-price, profits, wages, interest, rent, etc.).

3. The method of general economic model

The method of economic science as a general scientific method involves two stages: (1) analysis — the movement from concrete to abstract, (2) synthesis — the construction of models during the movement from the abstract to the concrete. “The first procedure attenuates meaningful images to abstract definitions, the second leads from abstract definitions by way of reasoning to the reproduction of the concrete situation” [6].

The exoteric and esoteric methods. Moving from the concrete to the abstract may be limited to immediately observable phenomena, and the concrete by its parts. During the return movement (from the abstract to the concrete) can be produced by a plurality of partial models, establishing quantitative relationships between immediately observable phenomena. The method of mathematical description of the phenomena called exoteric method (from the ancient Greek *εξωτερικός* — external). For the first time in physics this method was used by Galileo, Newton also used it. An example of the method: for the Galileo formula $S = gt^2 / 2$ while knowing the time, you can find the path travelled by the falling body, and vice versa. The formula is convenient and practical, but it does not answer the question about the nature of the phenomenon, or the question “why does the body fall?” If the analysis begins with all the diverse concrete, with the subject as a whole, it may end by opening the nature of the phenomena. In this case, in the course of the synthesis we get a general model in which all concrete phenomena will have an explanation / definition in terms of their nature. The method of finding inner relationship, or natural phenomena called esoteric (from the ancient greek *εσωτερικός* — internal). Example. The transformation of “caterpillar — cocoon — butterfly” refers to the exoteric area. But finding the inner relationship and concluded that “the caterpillar — cocoon — butterfly” — a forms, which in its development takes a DNA molecule of the butterfly — the result of an esoteric method of investigation.

The exoteric and esoteric methods of economic science in retrospect. Smith used both methods and set out both sides — exoteric and esoteric — in parallel, without any connection between them. They contradict each other (as if geocentric and heliocentric models were stated at the same time).

Ricardo interrupts the parallel use of two methods. But he jumps through the necessary intermediate links and tries to prove a direct match of categories with each other (as if the author was trying to find confirmation the heliocentric model directly in the geocentric).

But neither Smith nor Ricardo brought his research to the level of abstraction that allows making discovery of the nature of wealth. Labor theory of value is based on immediately observable labor costs.

Marx's discoveries are (1) the discovery of the nature of social wealth (value), (2) the creation of a model in which the exoteric forms of wealth (use values) are presented in their internal esoteric relationship. Eso- and exoteric methods are used as complementary methods in their unity.

Marginal revolution of the early 70s of the 19th century meant a complete rejection of the esoteric method and full transition to exoteric method. Refusal of an esoteric method occurred because the discovery of the nature of wealth in the labor theory of value has not been completed, and it was not confirmed by practice. Marx's discovery of the nature of wealth — the value — has gone unnoticed.

Micro- and macroeconomics method — exoteric, mathematically descriptive method, the method of direct observation and identification of the quantitative relationships between the observed phenomena. The analysis is conducted at the level of parts of the whole, and the synthesis leads to the construction of the set of partial models.

The method eliminates the elucidation of "nature", "entities", etc. It operates Newton's maxim "hypotheses non fingo": "Hitherto, we have explained the phenomena of the heavens and of our sea by the power of gravity, but have not yet assigned the cause of this power... Hitherto I have not been able to discover the cause of those properties of gravity from the phenomena, and I frame no hypothesis; for whatever is not deduced from the phenomena is to be called an hypothesis; and hypotheses, whether metaphysical or physical, whether of occult qualities or mechanical, have no place in experimental philosophy" [8, p. II, 160–162]. In the formulation of Milton Friedman "Facts are to be described, not explained" [1].

Walrasian version, which was separated and further developed by outstanding scientists Milton Friedman and Paul Samuelson, fully meets the criterion of scientific mathematically descriptive method, and Marshall's — partially.

Marshall's version in addition to the exoteric method uses pseudo esoteric method of "explanations" of phenomena.

Walras states the demand curve as an empirical fact, Marshall explains it by "familiar and fundamental tendency of human nature", which "may be stated in the law of satiable wants or of diminishing utility" [3].

The method of Marx's "Capital". In the preparation of *Capital*, Marx comes to the conclusion that pre-emptive method of modern genetics: "Capital is the economic power that dominates everything in bourgeois society. It must form both the point of departure and the conclusion..."

It would be inexpedient and wrong therefore to present the economic categories successively in the order in which they have played the dominant role in history. On the contrary, their order of succession is determined by their mutual relation in modern bourgeois society and this is quite the reverse of what appears to be natural to them or in accordance with the sequence of historical development. The point at issue is not the role that various economic relations have played in the succession of various social formations appearing in the

course of history; even less is it their sequence ‘as concepts’ (Proudhon) (a nebulous notion of the historical process), but their position within modern bourgeois society” [6].

“Capital” method went beyond the achievements of natural science of the XIX century (discovery of the cell, energy conservation law, the evolutionary theory of Darwin). Marx calls the main ration of the original model — “economic cell of bourgeois society”, similar to the one which microanatomy deals with. But in reality we are talking about genetics, not of the “cell” but the “DNA molecule”.

In the first lines of “Capital” Marx describes a method anticipating the method of constructing the genotype: “The wealth of those societies in which the capitalist mode of production prevails, presents itself as ‘an immense accumulation of commodities’, its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity” [5, p. I.I.1].

A valid starting point — the entire economic body, the unity of the diverse concrete, a totality of relations of production, which is carried by “an immense accumulation of commodities” and the result of the analysis and the starting point of synthesis — “a commodity” as “elementary”, abstract form of wealth.

In general model the starting point of the analysis is formalized in a model of Aggregate (one year) of the Social Product:

$$C_{ASP} \begin{matrix} UV \\ V_{ASP} \end{matrix} = \left[C_A \begin{matrix} UV_A \\ V_A \end{matrix}, C_B \begin{matrix} UV_B \\ V_B \end{matrix}, C_C \begin{matrix} UV_C \\ V_C \end{matrix}, \dots, C_M \begin{matrix} UV_M \\ V_M \end{matrix} \right] \quad (\text{model 1}),$$

where C — commodity; ASP — Aggregate Social Product; A, B, C, ..., M — different kinds of Commodity; UV — use value; V — value; V_{ASP} — the value of the annual product.

To build a model of butterfly genotype it is necessary to discover DNA molecule, which (1) is contained in all cells of the body and in all its forms (caterpillar — cocoon — butterfly) and (2) includes a program of development of this organism.

An analysis of the annual product as an “immense accumulation of commodities”, allows you to select two factors that characterize all the commodities, and which contain the program of development of the market economy:

1) Use Value — thing with useful properties, satisfying a social need, “a useful thing for others”; 2) Value — crystallization of the “one and the same sort of labour, human labour in the abstract”, required for the production of a given set of use values.

Commodity as the unity of use value and value becomes the basic category, DNA molecule of the model. It contains potentially the whole economic organism. The first chapter of first volume of “Capital” is called “Commodities” and the first paragraph of this chapter “The Two Factors of a Commodity: Use Value and Value”.

Commodity is formalized as the following model:

$$\text{Commodity} \begin{matrix} \text{Use value} \\ \text{Value,} \end{matrix} \quad \text{or} \quad C \begin{matrix} UV \\ V \end{matrix} \quad (\text{model 2}).$$

Use value refers to the exoteric level, and the cost to the esoteric. Use value — form of wealth — is immediately observable, it is the subject of research in micro- and macroeconomics. Value — the nature of wealth — is not immediately observable.

Unlike the one-factor model of micro and macroeconomics, the General model is a two-factor model. It combines two complementary research methods — the exoteric and the esoteric. The unity of the two methods allows to give an explanation of exoteric categories of micro and macroeconomics, and categories of real business from the standpoint of the esoteric nature of social wealth.

General economic model as the “Capital of the XXI century”. The social wealth of the market economy is capital. A model of social wealth has the same subject and uses the same method as the “Capital” of Marx.

Subject — the capitalist mode of production, and the conditions of production and exchange corresponding to that mode”. The aim — “lay bare the economic law of motion of modern society” [5, p. I.I.1].

Year 2017 will mark the 150th anniversary of the publication of “Capital”. But the development of a general model is not connected at all to the fact that the “Capital” is outdated. Marx created a model of the genome of the capitalist mode of production, revealed the objective laws of market economy development, regardless of where, when, in what country (in Japan, China and Russia) it occurs. If any biologist for 150 years before modern science discovered the human genotype, his model in any case could not be described as “outdated”.

The relevance of the general model of social wealth as “Capital of the XXI century” is a result of several circumstances. (1) Reconstruction of the dialectical method of Marx is of undoubted scientific interest. “Capital” model possessed inexplicable power of attraction, but the method of its construction, as the smile of Mona Lisa, remains a secret of Master. To clarify the method, Marx proposed to study all the “Capital” and Lenin — a study of Hegel: “We cannot quite understand the ‘Capital’ of Marx and especially its chapter I, without having thoroughly studied and understood the whole of Hegel's Logic. Consequently, none of the Marxists understood Marx !! 1/2 centuries later”³. Achievements of natural sciences allows to understand Marx's method and remove some inconsistencies to the modern level of science.

As in genomics, the DNA molecule is the result of the analysis of the whole biological organism, and the two factors of the commodity are displayed at the level of “immense accumulation of commodities”, not the next levels of the form of value and exchange. However, in contrast to genomics, the factors of the product cannot be detected under the microscope, and they are accepted as axioms. Representations of Marx's value as “intrinsic exchange value”⁴ associated with the lack of a clear distinction between mass and weight in

³ [2, p. 162] *Lenin V. I. “Philosophical Notebooks”, The Complete Works. V. 29. P. 162.*

⁴ “Hence exchange value appears to be something accidental and purely relative, and consequently an intrinsic value, i.e., an exchange value that is inseparably connected with, inherent in commodities, seems a contradiction in terms” [5, p. I.I.5].

physics. Marx gives a physical analogy of the relation of value and exchange value, which under the “weight” means the mass and weight. In modern physics, mass (value) — an independent category, which is measured using relative weight (exchange value), but is not an “intrinsic weight” (“intrinsic exchange value”). Physicists have distinguished between mass and weight in the early 20th century, and gave different names to units of measurement (kilograms and newtons) only in the second half.

(2) Understanding the method of “Capital” and the algorithm for determining all categories of the model using two factors (gene) use-value and value, has allowed to include micro — and macroeconomic categories into the model of social wealth, which were not reflected in “Capital”. Marx gave a definition / explanation of the main categories (commodity, money, capital, cost-price, profits, interest, rent, etc.), but after the publication of “Capital” micro- and macroeconomics was re-discovering and giving new names to exoteric categories and regularities (demand, quantity demanded, supply, quantity supplied, savings, investment, consumption, macroeconomic identity, etc.)

Marxist political economy has still not set itself the task of including new exoteric categories to a model of “Capital”.

No less important task is the inclusion of practical modern categories into the model: business categories, accounting and analysis, international trade, theory of the firm, etc. In general, the development of a model of social wealth allows bridging the gap between “Capital” and “Economics” (micro and macroeconomics) and applying a fundamental model to analyze and forecast trends of development of market economy, including the analysis and prognosis of the economic crisis.

General model structure. “Capital” and general model subject is not the mode of production (distribution, exchange, consumption) wealth, but the mode of producing life.

The model does not start with production and the elementary factors of the labour-process (1. the personal activity of man, i.e., work itself, 2. the subject of that work, and 3. its instruments).

It is clear that consumer products should be produced, but “since the first moment of his appearance on the world’s stage, man always has been, and must still be a consumer, both before and while he is producing” [5, p. II.VI.5].

In order to live you must consume, but you can consume only what is available.

People cannot consume products, the production of which is not yet completed. If the product — the commodity, the production time is added to the circulation. While the grass grows, the horse will die of hunger⁵.

In general model, the life of the population of the country during the year supported the consumption of existing social product.

Annual product (model 1) is the result of two processes — production and circulation. Product was produced, but not for their own consumption. It was exchanged or traded for money.

⁵ “While the grass grows, — the proverb is something musty...” (Shakespeare, Hamlet)

Here is the key to the deducing of three major structural levels: III. "The Process of Capitalist Production as a Whole" (production and circulation), II. "The process of circulation of capital", I. "The Process of Production of Capital". Levels of I and II form two abstract points of the third level III.

Analogy: the first level is the movement of the earth around its axis, the second — the Earth's motion around the Sun, and the third — the movement of the Earth around its axis and around the sun in unity.

To change the structure of Capital is impossible, as impossible to change the structure of the model genome. The discovery of Marx is equivalent to the breakthrough of Newton, about which Lagrange wrote: "He is not only genius, but also lucky — the system of the world is one and you can discover it only once".

General model — the axiomatic model. We distinguish two factor-"gene" that form "DNA molecule" without the use of scalpel and microscope, only the power of abstraction. These factors are taken as an axiom.

In mathematics and certain branches of physics (mechanics, thermodynamics, electrodynamics, etc.) the axiomatic method is applied — a method of constructing a theory in which it is based on certain assumptions — axioms, and postulates, from which all other statements of this science must be deduced by the way of pure logic. Initially it was thought that as axioms must be chosen propositions whose truth is self-evident, and then the axioms become understood simply as the assumptions of the theory.

In our model, the factor of "use value" — is obvious, factor "value" — is not obvious. It is not immediately observed.

Definitions and descriptions of some categories in a general model (examples)

Definitions of categories in Capital include two factors — the value and use value. The general model is applied Marx's algorithm. Descriptions of the categories in the micro and macroeconomics fix one factor — use value.

The use-value (definition) — "a thing with useful properties" [5, p. III.VIII.15], satisfying the social need. Units — own units things (liters, carats, meters etc.).

Value (definition) — crystallization of abstract human labor under the constraint of social necessary labor time in the use-value. Units of measurement — hours of crystallized social necessary labor time.

Commodity (definition) — unity of use value and value ("...commodities, unities of use-value and value" [5, p. I. III.26]).

Commodity (description in microeconomics): use-value, good.

Form of value (definition) — relative measurement of value through the use value of commodity equivalent (Marx)

Price (definition) — relative measurement of value through the use value of money (Marx).

Price (description) — the amount of money that can be obtained per unit of goods.

Money (definition) — “the commodity that functions as a measure of value, and, either in its own person or by a representative, as the medium of circulation” [5, p. I.III.71].

Demand (D) (definition) — the value of commodity or money belonging to the person who makes the demand. Units of measurement — hours of crystallized social necessary labor time. Demand as the value of money is measured relatively by their quantity (general model).

Demand (D) (microeconomic description): the relationship between the amount of goods that buyers are willing and able to buy and this commodity prices. Demand — a function of the whole set of interrelated values of commodity price (P) and quantity (Qd).

Quantity demanded, (Qd) (definition) — the ideal quantity of commodity-equivalent to which a demand (general model)

Quantity demanded, (Qd) (microeconomic description) — the amount of a good that buyers are willing and able to purchase

Supply (S) (definition) — the value of the real quantity of commodity equivalent to which the demand is presented. Units — hours of crystallized social necessary labor time (general model).

Quantity supplied (Qs) (definition) — the real quantity of commodity equivalent to which the demand is presented. Units — own units of quantity of commodity-equivalent (general model).

Quantity supplied (Qs) (microeconomic description) — the amount of goods (services) that sellers are willing and able to sell at a given price in a given place and at a specified time. Quantity supplied — a point on the supply curve.

Inflation. The monetary inflation, or Demand-Pull Inflation (definition) — raising the general level of prices as a result of the decrease in the value of the monetary unit (General model). **Cost-push inflation** (definition) — raising the general level of prices in as a result of the fall of the productive power of labor and rise in value of commodity unit.

Devaluation (definition) — the fall in the value of the monetary unit (general model).

Nominal social product (GNP, etc.) (definition) — a relative measurement of the value of the social product of the current period in monetary units of the current period (general model).

Real social product (GNP, etc.) (definition) — a relative measurement of the value of the social product of different periods in monetary units of constant value (base or the current period) (general model).

Capital (definition) — (in the general formula for capital, $M - C - M'$) — the value which (1) is advanced, (2) remains in circulation, (3) brings the surplus value (compared with the advanced value) and in its movement takes the form of use-value of money, commodity and money⁶. Capital (in the formula for industrial capital $M - C_{MP}^L \dots P \dots C' - M'$) — the value of which (1) is advanced, (2) remains in circulation (3) brings the surplus (com-

⁶ “The value originally advanced, therefore, not only remains intact while in circulation, but adds to itself a surplus-value or expands itself. It is this movement that converts it into capital” [5, p. II.IV.17].

pared with the advanced) value and in its movement takes the form of money (*money capital*), labor and means of production (*productive capital*) and commodities (*commodity-capital*). L — labour-power, MP — means of production.

Capital — (microeconomic description): (1) money, (2) the means of production, (3) commodity. Explanation. Descriptive exoteric method fixes three points in motion: the caterpillar, cocoon, butterfly. Esoteric method shows the nature of the phenomena: the caterpillar, cocoon and butterfly — three forms taken by the DNA molecule of a butterfly in its movement. Microeconomics sets money, means of production as independent points, the General model shows that money, means of production and products — are the forms which the capital-value take in its movement.

Savings, S (definition) — part of the value of the annual product (the bearer of which are means of production and consumption), which should take the form of means of production at the time of its stay in cash during the circulation of commodities C — M — C (general model).

Investments, I (definition) — the means of production, are part of the annual product (general model).

The identity of savings to investment ($S = I$) (definition) — a reflection of the first condition of simple reproduction of capital: the annual product must contain the means of production instead of consumption (general model).

We gave selectively a few definitions. In the textbook “General economy” [9] provides definitions of all major categories of the market economy.

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