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## **Showdown at the HM Corral: On Duménil and Lévy's Cherry Picking of the Data**

The showdown took place at the Historical Materialism 2010 NYC Conference, on January 15 and 16, 2010, which was held at the City University of New York Graduate Center. In a 2005 study, Gérard Duménil and Dominique Lévy argued that the rate of profit of U.S. corporations experienced an almost complete recovery since the early 1980s. During a January 15 presentation at the conference—and earlier, in “The Persistent Fall in Profitability Underlying the Current Crisis: New temporalist evidence” (akliman.squarespace.com/persistent-fall)—I argued that one reason why they arrive at this conclusion is that they cherry pick the data by comparing a *trough* profit-rate year to a later *peak* year, although data following that peak were available at the time.

Below, I have transcribed Duménil's response during the discussion period that followed the presentation, as well as my reply. An audio file containing the exchange is available at <http://sites.google.com/site/radicalperspectivesonthecrisis/audio-video/audiohistoricalmaterialism2010nyc-originsofthecrisis-moseleyklimanmohun>. (Duménil's comments on the cherry-picking issue begin approximately 4 minutes from the start of the fourth of the four files, “origins of the current crisis-PIV-QandA.WMA.” My reply on that issue begins approximately 22 ½ minutes from the start.)

A two-page informational flier that documents my claims follows the transcript of this exchange. A colleague and I distributed this flier at the conference on January 16. It includes screen shots of portions of the paper that I took the night before, when I downloaded it from their web site.

### **Duménil's response to Kliman on the cherry-picking issue:**

Of course, I want to answer to Andrew's attack, yeah, about cherry picking and things like that. So, I beg you, go to our web site, okay, and look at the paper that Andrew is citing. This paper was not published in 2007, but it was published in 2002. The data doesn't stop [inaudible] in 1997, it stops in 2000—because in 2002, it's impossible to publish a paper with data, you know, going further than 2000.

We *never* do any kind of cherry picking, anybody who knows us—[inaudible] we constantly update data, and of course we know the difference between trends and fluctuations, and we usually, you know, place the trend line on our graph. So I don't understand what you are doing, you know, maybe I am doing cherry picking, but I don't understand in what you are digging when you write this type of things, which are just completely and factually erroneous. Go to our website; you will find it. And if you don't believe me, you know, I have here the [inaudible] of the paper. [inaudible]

### **Kliman's reply to Duménil on the cherry-picking issue:**

First, in regard to Professor Duménil's contention that he does not cherry pick the data: He said his paper is a 2002 paper, so that the data were not there for the year 2001.

There *was* a 2002 version of the paper. I was quoting from the *2005 version*. It's said to be a 2005 version on the cover sheet of their paper. I don't know if it's still on their web site, but it was when I downloaded it. The late Chris Harman has a paper on *International Socialism* journal where he cites the 2005 version as well. I think other people have as well. So it was a 2005 paper; the data for 2001, the trough profit-rate year, were available—probably up to the year 2003.

Secondly, it is true that Duménil and Lévy showed profit-rate movements in their graphs up through the year 2000. However, when they were making their comparisons, summarizing, they truncated the comparison at the year 1997, which was a peak profit-rate year. So that is cherry picking the data.

Duménil: [inaudible] You're just bullshitting now. We always, you know, [inaudible]

Kliman: [inaudible] year 2005.

Duménil: Yeah, but you know, I cannot hear that. I mean, you cannot just say anything.

Kliman: In your 20-

Duménil: [inaudible]

Kliman: In your 2005 paper, the data are up to the year 2000,

Duménil: No, you said '97. So now [inaudible]

Kliman: Wait, wait.

Duménil: [inaudible]

Kliman: No, no, you're not even listening to me. I said your data are through the year 2000. But when you say the rate of profit has recovered, you're truncating the data at the year 1997. Okay? That's a reference to the table where you take a certain movement from a certain date up to the year 1997. This is a fact. Okay?

D: [inaudible]

# Duménil and Lévy's Cherry Picking of the Data: What are the facts?



In a January 15, 2010 presentation at the Historical Materialism 2010 NYC Conference Andrew Kliman stated,

In a 2005 study, Gérard Duménil and Dominique Lévy wrote that ... “[T]he recovery of the profit rate appears nearly complete within the entire *Corporate* sector.”

... Duménil and Lévy chose to analyze movements in profitability only through 1997. They made this choice, for reasons they do not explain, even though their paper presents data through 2000, and even though data for the trough year of 2001 were available when they published their paper. But 1997 was a peak profit-rate year. Thus when they say that the corporate sector's rate of profit fell sharply through 1982 and then underwent a “recovery [... that] appears nearly complete,” Duménil and Lévy are comparing a *trough* to a *peak*.

Why do ... Duménil-Lévy cherry pick their data in this manner?

In the ensuing discussion, Duménil *vociferously denied* that their paper is a 2005 study, and therefore that data for the trough year of 2001 were available when they published it. He also *vociferously denied* that they based their conclusion on an analysis of profitability movements through 1997 only.

## Facts

1. The paper is at <http://www.jourdan.ens.fr/levy/dle2002f.pdf>. The title page carries this information:

THE PROFIT RATE:  
WHERE AND HOW MUCH DID IT FALL?  
DID IT RECOVER?  
(USA 1948-1997)

A 2005  
PAPER



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2. Sources that cite it as a 2005 paper include (among others):

Michel Husson, “Les coûts historiques d’Andrew Kliman,” <http://www.npa2009.org/content/les-co%C3%BBts-historiques-d%E2%80%99andrew-kliman-par-michel-husson-d%C3%A9cembre-2009>

Chris Harman, “The rate of profit and the world today,” <http://www.isj.org.uk/?id=340>

Fidel Ernesto Vásquez I., “Economía marxista, la tasa de ganancia y el mundo actual,” <http://fidelernestovasquez.wordpress.com/2009/03/09/economia-marxista-la-tasa-de-ganancia-y-el-mundo-actual/>

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3. The conclusion that the rate of profit of the corporate sector has experienced a “recovery [... that] appears nearly complete” is based on analysis of movements in profitability only through 1997:

The recovery from 1982 to 1997 can be assessed in various ways (see also table 3):

- p. 8:
1. Comparing 1997 to 1982, taken as the benchmark, the profit rate increased by slightly less than half of its value in 1982. This is the case independently of whether *Highly capital intensive industries* are included.
  2. When the question is what fraction of the fall was regained (the ratio:  $(r[1997] - r[1982]) / (r[1956-65] - r[1982])$ ), the impact of *Highly capital intensive industries* is large.
- 
- p. 9:
2. A corollary of the above observation is that, over the entire period, the *Corporate sector* declined less than *Business*. It diminished between 1965 and 1982 but, in 1997 it recovered to its level of the late 1950s. (The profit rate of the *Noncorporate sector*, which

## 2.5 A comparative assessment of trends (stsum)

p. 14:

Table 3 documents the major stylized facts concerning profit rate trends. We focus on four sectors: *Business*, the *NF-Core*, the *Corporate sector*, and the *Restricted corporate sector*. Columns (1) and (2) are devoted to the decline of the profit rate up to 1982; column (3) measures the rise from 1982 to 1997, using the level of 1982 as the benchmark; columns (4) and (5) compare the level of 1997 to the levels following the war for 1948 and the decade 1956-1965; column (6) displays the ratio of the rise between 1982 and 1997 to the fall as between 1956-1965 and 1982; column (7) indicates the earliest year after 1965 whose profit rate has been recovered in 1997.

pp. 14-15:

The remaining columns are devoted to assessing the amplitude of the recovery. When the lowest value of the profit rate, in 1982, is taken as a benchmark, as in column (3) — independently of the amplitude of the earlier fall — it appears that the profit rate in 1997 increased by approximately 50% to 100% of its lowest value. It rose more for  $r_n$ , due to

### PROFIT RATE

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Table 3 (resul) - The trends of the profit rate in four sectors (columns (1) to (6) are in percentage points)

p. 15:

Sector	$r$	(1) 82/48	(2) 82/56-65	(3) 97/82	(4) 97/48	(5) 97/56-65	(6) (3)/(2)	(7)
Business	$r_b$	48.3	57.5	148.2	71.5	85.2	65.2	1970
Business	$r_n$	24.6	33.2	213.0	52.4	70.7	56.1	1975
NF-Core	$r_b$	38.0	46.4	153.6	58.3	71.3	46.4	1974
NF-Core	$r_n$	26.1	39.3	167.8	43.9	66.0	44.0	1970
Corporate sector	$r_b$	59.2	65.3	156.4	92.6	102.1	106.1	1969
Corporate sector	$r_n$	29.5	38.7	214.2	63.3	82.8	72.0	1970
Restricted corporate	$r_b$	39.2	47.1	156.4	61.3	73.6	50.2	1974
Restricted corporate	$r_n$	23.8	34.7	178.4	42.4	62.0	41.8	1970

- (1) Ratio of the profit rate in 1982 to that of 1948.
- (2) Ratio of the profit rate in 1982 to its average value for the decade 1956-1965.
- (3) Ratio of the profit rate in 1997 to that of 1982.
- (4) Ratio of the profit rate in 1997 to that of 1948.
- (5) Ratio of the profit rate in 1997 to the average for 1956-1965.
- (6) Ratio of the rise between 1982 and 1997 to the fall as between 1956-1965 and 1982.
- (7) Earliest year after 1965 whose profit rate has been recovered in 1997.